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## LETTER FROM THE EDITOR

On behalf of our entire executive board, I am proud to present the inaugural issue of the Dartmouth Undergraduate Journal of Politics, Economics and World Affairs. Over the past six months, DUJPEW's staff has worked tirelessly to compile an issue that would not only allow undergraduates to share their own ideas, but also contribute meaningfully to a wide field of academic research. For this reason, the articles we have chosen to publish are not necessarily connected by theme, but rather approach.

The effects of globalization have resulted in a massive shift in the standard frameworks of interaction at every rank. Global power dynamics are evolving in a way and at a rate that many would not have predicted even 20 years ago. While these large-scale transformations are typically dictated by central institutions, their effects are felt, often most strongly, in disenfranchised and distant locales. As a result, it is necessary not only to construct these broad trends at the global scale, but also contextualize their impact on marginalized communities. We received over 200 submissions for this issue and selected the eight which provided the most thoughtful and thorough investigations of topics both representative of and anomalous among these social formations, providing nuanced analysis with an interdisciplinary approach.

Above all, it is the hope of our executive board that this issue and future issues of DUJPEW will serve as a means for undergraduates to create and communicate meaningful scholarly content in a world where they will inevitably emerge as the next-generation of policy-makers, business leaders, and societal innovators. Nelson Rockefeller, a member of the Dartmouth Class of 1930, once said "it is essential that we enable young people to see themselves as participants in one of the most exciting eras in history, and to have a sense of purpose in relation to it". While his era has passed, the sentiment remains as true today as it was then.

I want to thank the entire DUJPEW staff for the time that they've committed to the journal over the past half-year. On top of all of the work that went into publishing this issue, every member of the team played a role in founding this journal. Without knowing what kind of success DUJPEW would experience or what direction it would take, everyone agreed to work towards one goal and nothing would have been possible if it weren't for that commitment. To Jacob, thank you for your keen judgment and support throughout this project. To Emma and Sahil, thank you for your meticulous dedication to both the selection and editing processes. To our authors, thank you for your intellectual curiosity, commitment to your ideas, and continued effort in working with us through the first iteration of a rapidly improving process. Finally, thank you to Dean Lacy, DUJPEW's faculty adviser. Your guidance is the reason we were able to turn a simple idea into something we are all immensely proud of. The influence of each of these individuals, as well as the rest of our team, is reflected in the pages that follow.

Mason Wegener '20

Editor-in-Chief

Dartmouth Undergraduate Journal of Politics, Economics and World Affairs

## ARTICLES

- 5 Growth Ambitions and Rising Powers: Sino-Indian Asymmetric Balancing in Bilateral, Regional, and Multilateral Settings**  
Rebecca Lamb- *College of William & Mary*
- 24 The Nuclear Ban Treaty: Advocates, Neutrals, and Opponents**  
Alexis Dorner- *Syracuse University*
- 54 Revamping India's Answer to the Rohingya Crisis**  
Arjun Soin- *Stanford University*
- 76 Unemployment Insurance and the Unemployment Rate: Evidence Across U.S. Counties**  
Ariel Goldszmidt- *University of Chicago*
- 92 Cheonggyecheon Restoration Project: The Politics and Implications of Globalization and Gentrification**  
Yasmin Yoon- *John Hopkins University*
- 111 A look into Australian Policy on Asylum Seekers and Refugees: A Humanitarian Effort or a Violation of Human Rights?**  
Nahla Achi- *Stanford University*
- 136 Fiscal Incentives for Hiring Female Workers? Evidence from Vietnam**  
Duy Duong- *Grinnell College*
- NOTE**
- 163 Framing the Urban-Rural Divide: The Role of Myths and Metaphors in the Social and Political Dynamics of North American Colonialism**  
Laura Supple- *John Hopkins University*

Growth Ambitions and Rising Powers: Sino-Indian Asymmetric Balancing in Bilateral, Regional,  
and Multilateral Settings

Rebecca Lamb

### **Abstract**

This paper applies the legal framework of forum shopping to three levels of Sino-Indian relations: bilateral border disputes, regional balancing, and multilateral competition. Brantly Womack's asymmetric power theory is often used to explain the behavior of India and China, two emerging states of unequal capabilities. However, shown by the application of forum shopping, his theory fails to consider the increasing costs to non-cooperation as relations move into the regional and multilateral realms. Multilateral competition is, therefore, the forum with the highest likelihood of Sino-Indian cooperation, which can spill over and reduce tensions in bilateral and regional relations as well.

## Table of Contents

Introduction	8
Forum 1: Border Disputes in Sino-Indian Relations	9
Forum 2: Regional Cooperation and Competition in Asia	12
Forum 3: Coexistence in a Multipolar World Order	16
Conclusion	19
Notes	21

## **Introduction**

In a meeting between Chinese President Xi Jinping and former Indian Prime Minister Manmohan Singh at the 2013 BRICS summit, Xi described the two states as “the world’s two largest developing nations with a similar historic mission to boost their social and economic development.”<sup>1</sup> While BRICS summits are just one forum in which China and India interact, an analysis of their bilateral, regional, and multilateral relations paint pictures quite different than Xi’s idealistic statement. As competition increasingly divides these two emerging powers, the policy decisions made by both New Delhi and Beijing do not always reflect this sense of a shared historic mission.

Applying the legal framework of “forum shopping,” the paper will analyze three forums of Sino-Indian relations—bilateral border disputes, regional balancing in the Indian Ocean and Southeast Asia (SEA), and multilateral power competition—to expose how each emerging power views the other.<sup>2</sup> Traditionally, scholars have relied on Brantly Womack’s asymmetric power theory to examine Chinese relations with its neighbors, including India. Using a model of a larger state (A) and a smaller state (B), Womack predicts how neighboring states with asymmetric capabilities will interact.<sup>3</sup> As he explains, B has proportionally more to gain or lose in its relationship with A than A does in its relationship with B.<sup>4</sup> The consequent asymmetry in vulnerabilities creates different expectations for the relationship: B primarily wants A to acknowledge its autonomy, while A primarily expects deference from B—meaning B acknowledges the real difference in power between the two states.<sup>5</sup> If an action of the opposing state breaches these expectations, both states feel threatened, and a vicious, conflictual cycle between B’s search for recognized autonomy and A’s search for deference will emerge.<sup>6</sup> Overall, Womack’s asymmetry theory concludes that actions taken by A will have a greater impact on B than that of B on A, which has characterized the relationship between China (A) and India (B) since the takeoff of Chinese economic growth.<sup>7</sup>

However, while the ongoing border disputes between China and India follow asymmetry theory’s policy predictions, the cases of regional balancing and global power competition uncover a changing Sino-Indian dynamic. In the case of each country’s economic presence and political influence in the Southeast Asian region, India’s security involvement in the Indian



Ocean and “Look East Policy” interfere with Beijing’s goal of regional hegemony, thus challenging its own asymmetric relations with China. Moreover, relative soft power and shared interests in multipolarity at the multilateral level are essential to India’s ability to defy its traditionally asymmetric relations with China. Although Womack predicts that any disturbance in an asymmetric power relationship will cause conflict between state A and state B, the pressure for cooperation at the global level will improve Sino-Indian relations overall, as the costs of non-cooperation multiply. Thus, multilateralism is the ideal forum for India to equalize its current asymmetric balance with China.

### **Forum 1: Border Disputes in Sino-Indian Bilateral Relations**

Borders have played a vital role in Sino-Chinese bilateral relations since the 1950 Chinese annexation of Tibet, immediately following the victory of the Chinese Communist Party (CCP) in China’s 1949 civil war.<sup>8</sup> Since that 1950 annexation, border disputes between China and India have been a principle source of distrust between the two powers, which has reinforced their asymmetric power relationship. India—the smaller state—has worried for the past half-century about Chinese security presence along its borders, and China has done very little to assuage such fears among Indian leaders and scholars. Two border disputes exemplify this asymmetric nature of bilateral Sino-Indian relations: the cases of Tibet and the Jammu and Kashmir region.

#### *Tibet and the Five Principles of Peaceful Coexistence*

The Chinese annexation of Tibet in 1950 eliminated the historic buffer space between colonial India and China, which left some Indian leaders uneasy.<sup>9</sup> China viewed Tibet as a part of its empire stolen by European imperial powers, and this annexation is just one example of China’s attempts to win back lost lands through negotiations with neighbors.<sup>10</sup> Despite their concern over this aggressive CCP border policy, Indian leaders agreed to sign the Panchsheel Agreement of 1954, which not only recognized Chinese control of Tibet but also established the Five Principles of Peaceful Coexistence between China and India.<sup>11</sup> The Five Principles include the following—largely superficial—rules for Sino-Indian bilateral relations: respect for each

other's territorial integrity and sovereignty, non-aggression, non-interference in each other's domestic affairs, equality and cooperation for mutual benefit, and peaceful coexistence.<sup>12</sup> Although Indian leaders pushed to include these principles in the main text of the Panchsheel Agreement, China succeeded in downplaying their significance by limiting the principles to the preamble.<sup>13</sup>

It is, therefore, not surprising that distrust grew into an armed conflict along the border area of Tibet in 1962, which created a “Nehru-induced delusion”—referring to the post-independence Indian Prime Minister Jawaharlal Nehru—that India was a victim of unprovoked Chinese aggression.<sup>14</sup> To apply Womack's theory to this victimization, China, the larger power, invaded the autonomy of India, the smaller power. Not only did Nehru create this sense of victimhood among Indian leaders but his views supporting Tibet's independence also infringed on what China viewed as its historical right to the area.<sup>15</sup> Distrust and suspicion continued to grow, for the actions of both the larger state and the smaller state invaded their respective desires for deference and autonomy. Shen Dingli argues that China and India's “problematic handling” of this border dispute prevented the long-term cultivation of the Five Principles of Peaceful Coexistence, thus foregoing the opportunity to build a bilateral partnership at an early stage in their relations.<sup>16</sup> This conflictual beginning to Sino-Indian politics hurt their historic capability to cooperate bilaterally, regionally, and multilaterally, as distrust continued to plague their asymmetric relationship.

Rajiv Sikri argues that Tibet remains “the single most important factor driving Sino-Indian relations,” a view that originated from Mao Zedong and still influences contemporary Chinese thinking.<sup>17</sup> In fact, the *Beijing Review*, *News from China*, and *People's Daily Online*—all publications controlled by the CCP—still reiterate that Tibet is a part of modern China.<sup>18</sup> Although China's hold on Tibet has become more economically motivated, the Tibet question continues to cloud Sino-Indian relations. It enforces the asymmetric power relation between the two states, for Indian leaders—just as they did when signing the Panchsheel Agreement—have been unable or unwilling to counter growing Chinese security and economic presence. This border dispute will remain a major challenge to Sino-Indian bilateral relations as long as both powers abide by the predictions from Womack's asymmetry theory.

*The Princely States of Jammu and Kashmir*

In addition to Tibet, the princely states of Jammu and Kashmir between India and Pakistan are a notable source of Sino-Indian border conflict. The complicated history of these two princely states dates back to March 26, 1846, when the Treaty of Amritsar drew out their borders following the Anglo-Sikh War.<sup>19</sup> In 1947, the princely states were divided into three main sub-units: India-controlled Jammu and Kashmir, Pakistan-controlled Azad Jammu and Kashmir, and Gilgit-Baltistan, a part of which Pakistan ceded to China in 1963.<sup>20</sup> Pakistan gave over 5,000 square miles of the Gilgit-Baltistan territory to China as a part of a border agreement, which arguably marked the beginning of today's close Sino-Pakistan relationship.<sup>21</sup> However, the cooperation between China and Pakistan since that agreement has only enforced suspicions among Indian leaders, and as long as Sino-Pakistan relations remain strong, Sino-Indian bilateral relations are unlikely to improve.

Even excluding China's presence in the Jammu and Kashmir region, India sees Kashmir—a majority Muslim province in secular India—as “a jewel in the crown of Indian nationalism.”<sup>22</sup> At the same time, Pakistan, a Muslim-majority country, views Kashmir as a part of its own nation, following the arguments of the post-independence “two-nation theory” of Pakistan and India.<sup>23</sup> Pakistan's ceding of the Gilgit-Baltistan region to China further threatened the deeply identity-based rationale for India's partition of the princely states. Similar to the Chinese image of Tibet as belonging to the “motherland” of China, India views Jammu and Kashmir as belonging to its own motherland.<sup>24</sup> This border dispute, thus, exemplifies Womack's asymmetry theory in that China, the larger state, does not care about India's rationale for controlling Jammu and Kashmir and, therefore, does not accept Indian autonomy. Furthermore, the role of Pakistan in the case of Jammu and Kashmir further complicates the asymmetry, as China cooperates with a historical adversary of India.

In the past few years, the political significance of the Gilgit-Baltistan region has expanded with Chinese economic growth. In November 2014, the Chinese government committed 45.6 billion US dollars to the building of the China Pakistan Economic Corridor (CPEC), which will run directly through Gilgit-Baltistan and give China direct access to Pakistan's Gwadar Port.<sup>25</sup> Because of the region's rich hydro resources, mineral wealth, and

forest reserves, Priyanka Singh argues that it is “almost impossible” to imagine CPEC without Gilgit-Baltistan.<sup>26</sup> Not only will CPEC increase China’s economic stakes in Pakistan but it will also inevitably increase Chinese security presence along India’s northwest border in the Jammu and Kashmir region.<sup>27</sup> An increased Chinese economic and security presence along this contested border area will further invade Indian autonomy, but China has shown no concern for such an intrusion. CPEC, therefore, very clearly exposes both China’s indifference towards India and its expectation for deference from its less-powerful southern neighbor.

To conclude, the border disputes along Tibet and the Jammu and Kashmir region still greatly define—and impede—Sino-Indian bilateral cooperation. Border disputes are the origin of a significant amount of distrust between the two powers, which will continue as long as China intrudes into Indian domestic autonomy. This analysis of border disputes shows that Womack’s asymmetry theory does apply to the Sino-Indian relationship today, and as a result, bilateral relations are the least likely forum for a softening of their asymmetric power balance. Neither India nor China will likely overcome their conflicting historical or economic interests in these border regions, therefore preventing future cooperation.

## **Forum 2: Regional Cooperation and Competition in Asia**

As China and India grow economically, both powers will compete for increased security presence in the Indian Ocean and greater economic cooperation with Southeast Asia (SEA). Sino-Indian regional balancing actually presents an opportunity to transform their asymmetric relationship, for India’s “Look East Policy” (LEP) intrudes upon the traditionally asymmetric power relations between Southeast Asian nations and China. China’s growing presence in both the Indian Ocean and SEA poses three potential outcomes that require a consequently aggressive Indian regional policy: Beijing as a maritime power, Beijing as a maritime economy, and Beijing as a “polygonal power” in both security and economics.<sup>28</sup> At the same time, India’s increased maritime involvement creates new dynamics for China’s regional policy. This second forum of Sino-Indian relations, thus, presents a transition from the two countries’ very asymmetric bilateral relations to more balanced regional competition.

*Security in the Indian Ocean*

Indian and Chinese maritime strategy has grown more aggressive in the Indian Ocean, reflecting a slight shift in their asymmetry. China sees ocean politics as a “new frontier,” not only to consolidate its regional power but also to ensure its access to global markets.<sup>29</sup> In addition to CPEC, other policy actions recently taken by China in the Indian Ocean Rim (IOR) include the construction of ports, pipelines, and commercial bases—some of which run directly through India’s South Asian neighbors.<sup>30</sup> At first, New Delhi ignored China’s expansionary strategy across the Indian Ocean because its leaders falsely believed Beijing would fail to challenge Indian IOR dominance.<sup>31</sup> However, while New Delhi failed to respond, China built ports in Sri Lanka, deployed nuclear submarines in Karachi, and strengthened its security ties with various countries in SEA.<sup>32</sup> Once the Indian government realized the extent of China’s threat to their regional dominance, New Delhi adopted more aggressive policy in the IOR.

The past decade saw two shifts in India’s maritime policy. First, India boosted the protection of its coastline following the Mumbai attacks of 2008, in which Pakistani terrorists sailed to the coast of Mumbai.<sup>33</sup> Second, and with greater implications for Chinese presence in the IOR, New Delhi updated its naval strategy in 2015 with a shift from “using” its surrounding seas to “securing” them.<sup>34</sup> India hopes to transform itself from a passive beneficiary of its IOR access to an active security provider in the Indian Ocean, in order to balance Chinese security presence in the region. While China continues to construct ports and improve its access to the Indian Ocean, current Indian Prime Minister Narendra Modi has announced his commitment to “consolidating India’s maritime ties and collaborating with Indian neighbors on maritime security.”<sup>35</sup> In contrast with border disputes, New Delhi’s more active rhetoric and policy in the Indian Ocean exposes the importance of regional balancing in the evening of their asymmetric relationship.

New Delhi’s overall regional security architecture does not include single-power domination over the Indian Ocean.<sup>36</sup> While not explicitly stating that it aspires for such domination, Beijing has focused on a regional security environment in which mutual trust guarantees stability and bridges policy differences “through dialogue on an equal footing.”<sup>37</sup> Thus, the IOR region is potentially a space of both competition and cooperation between India

and China, as both share common interests in regional stability and securing access to global markets.<sup>38</sup> However, India's response to Chinese aggression renders the Indian Ocean the first potential forum that challenges Womack's asymmetry theory.

### *ASEAN in Sino-Indian Regional Competition*

Indonesia, Malaysia, the Philippines, and Thailand founded the Association of Southeast Asian Nations (ASEAN) on August 8, 1967, and its role in Sino-Indian relations has grown as both powers attempt to expand their regional influence.<sup>39</sup> Originally envisioned to be a "risk-avoiding organization," these countries created ASEAN to minimize the threat of conflict either within the region or with external actors.<sup>40</sup> Since the boom in Chinese economic growth, Sino-ASEAN relations represent an easy application of Womack's asymmetry theory, even more so than that of India and China. ASEAN includes relatively small states that do not pose a challenge to China's rise globally or regionally. However, India's Look East Policy (LEP), which was originally proposed in 1991, interferes with the traditional asymmetric balance between ASEAN and China.<sup>41</sup> By interfering in the Sino-ASEAN relationship, New Delhi has proven not only that it is a rising regional power but also that this rise corresponds with an alteration in its own asymmetry with China.

The Look East Policy has two primary policy focuses: increased economic integration with ASEAN and a strengthened security architecture between India and the region. Although LEP originally sought to enhance India's global position after the Cold War, the first formal arrangements between India and ASEAN began in the early 2000s with the signing of various free trade agreements.<sup>42</sup> In 2009, total trade between India and ASEAN was 39.1 billion US dollars, but this trade volume grew 41.8 percent in 2010, to 55.4 billion US dollars.<sup>43</sup> This 2010 volume constitutes about 2.7 percent of total ASEAN trade.<sup>44</sup> As comparison, Sino-ASEAN trade totaled about 362.9 billion US dollars in 2011, which constituted an increase by nearly 24 percent compared to 2010.<sup>45</sup> Although these numbers show China's trade dominance with Southeast Asia, the foundation of the ASEAN-Indian Free Trade Agreement (AIFTA) in 2010 was a "milestone" achievement of India's Look East Policy.<sup>46</sup> Furthermore, some scholars point to the Regional Comprehensive Economic Partnership (RCEP) as another opportunity for Indian

integration into the Southeast-Asian trade network.<sup>47</sup> India's increased trade with its eastern neighbors, along with agreements like RCEP and the AIFTA, are essential for New Delhi's attempt to balance China in the region. As the Indian economy continues to grow, its Look East Policy will make cooperation with India even more appealing to the ASEAN nations.

The second and more recent tenant of LEP aims to improve security cooperation within Southeast Asia. In fact, under current Prime Minister Modi, the Look East Policy has transitioned into an "Act East" policy, meaning that Indian actions in Southeast Asia have intensified in both economic and strategic scope.<sup>48</sup> While the original Look East Policy focused primarily on the economic benefits of trade with ASEAN, this Act East policy stance responds to China's growing security presence in the region.<sup>49</sup> New Delhi has endorsed an open, inclusive, and "polycentric" security environment in Southeast Asia.<sup>50</sup> In addition, the unofficial Act East policy includes increased defense spending and political engagements with ASEAN, such as the provision of patrol vessels and lines of credit to the region.<sup>51</sup> The increasingly active Indian security cooperation with ASEAN nations, along with its economic integration, contrasts significantly with Indian policy in bilateral relations. New Delhi will likely become a serious regional player, and in the process, it may be able to force some deference from China in the region. This reversal in asymmetry—or, more likely, evening of asymmetry—results in part from the addition of actors in regional balancing. Involvement with ASEAN nations will determine the future of India and China's ability to balance, and potentially cooperate, in Southeast Asia.

Looking at China's attitude towards the Look East Policy, a 2011 editorial in the official newspaper of the Chinese People's Liberation Army (PLA), *PLA Daily*, argued that New Delhi's new security posture was an attempt to contain China.<sup>52</sup> While public discourse acknowledges India's growing regional influence, Beijing's criticism of LEP often contains doubt that India will become an active regional leader.<sup>53</sup> The asymmetric power balance theory, therefore, still exists at the regional level at least to the extent that China has yet to see India as a challenger to its own regional goals. Nonetheless, security and economic competition renders the regional forum more promising for the equalization of Sino-Indian asymmetry than the bilateral forum. As China and India compete for political, naval, and economic influence in the Indian Ocean and

Southeast Asia, the former may eventually defer to the growing power of the latter—thus defying Womack’s theory.

### **Forum 3: Coexistence in a Multipolar World Order**

The third and final forum of Sino-Indian relations is multilateralism. As discussed above, domestic border disputes enforced Womack’s theory of asymmetric power politics, and changes in regional balancing present nascent transformations in how the states cooperate and compete with each other. However, their participation in global policy forums like the BRICS and Bretton Woods institutions marks a new evolution of how China and India see each other.<sup>54</sup> These two emerging powers share an interest in multipolarity, and through both the expansion of Indian soft power and the global restraints on Chinese actions, New Delhi can defy the asymmetry defining their relationship today. In a truly multipolar global system, India will no longer ask for recognized autonomy from China, and China will no longer be able to demand deference from India.

#### *Soft Power in BRICS Leadership*

The BRICS nations—Brazil, Russia, India, China, and South Africa—challenge the traditional division between developing and developed countries. Two of these nations—India and China—distinguish themselves from the other three members of this abbreviation, for their population and economic growth have made them models for other developing countries. As stated at the fourth BRICS summit in New Delhi in 2012, the member countries present a platform “for dialogue and cooperation amongst countries that represent 43 percent of the world’s population, for the promotion of peace, security and development in a multi-polar, inter-dependent and increasingly complex, globalizing world.”<sup>55</sup> With the BRICS nations accounting for about half of global economic growth today, cooperation between India and China will be essential to bring global attention to developing-country interests.<sup>56</sup> Strong leadership is required for the BRICS to succeed, and it thus presents an opportunity for India to challenge Chinese economic domination with normative appeals to other developing countries.



Starting with Beijing's approach to the BRICS, many Chinese scholars see the forum as a pathway to challenge traditional United States (US) hegemony. Promising to never act as a hegemony, Chinese foreign policy has historically centered on the autonomy of all nations.<sup>57</sup> To achieve autonomy and a multipolar system, Chinese scholars point to two key trends that must occur: first, a high level of global economic and financial integration; and second, the multipolarization of global politics.<sup>58</sup> The focus on economic integration explains China's collaboration with the other BRICS powers, whose simultaneous growth is essential to the challenge of the current US-dominated world order. In contrast with China's outwardly anti-Western attitude, India's approach to the BRICS—along with the Group of 20 (G-20)—has primarily addressed issues of economic and political global governance in general.<sup>59</sup> This difference in approach to the BRICS marks a key opportunity for India to represent developing nations in a way that China has failed to do so. Because the BRICS institutions represent a new world order with greater power in the hands of developing nations, New Delhi should focus on harnessing its soft power to advance its position among the BRICS.

Joseph Nye, who first established the theory of soft power in international relations, defines it as the “attraction that makes others want what you want.”<sup>60</sup> Soft power differs from coercion, or what Nye calls “sticks,” and economic payment, or “carrots,” in that it rests on the ability to shape the preferences of others to align with one's own.<sup>61</sup> Following to a certain extent their overall visions of the BRICS, Indian and Chinese soft-power strategy will be a key determinant in their leadership of other developing nations. For instance, China's soft power relies heavily on the appeal of its growing economy, which coincides with expanded Chinese foreign investment and humanitarian aid in developing countries.<sup>62</sup> On the other hand, being the world's largest democracy, Indian soft power derives from its image as a political model for developing nations.<sup>63</sup> Amit Kumar Gupta explains that India's soft-power strategy has also centered on capacity building among developing nations, whereas China primarily directs its resources towards infrastructure building.<sup>64</sup> If India continues to distinguish itself from China as a democratic state that works to improve the political and economic capacity of its fellow developing countries, it will strengthen both its soft power and its leadership presence among the BRICS.<sup>65</sup> Womack's theory, which focuses on the physical or economic size of states, fails to

consider the role soft power plays in the relative global positions of states. In some cases, relative soft power can be more important to a state's ability to cooperate multilaterally than pure economic power, which is essential to India's emerging leadership in the BRICS.

### *Bretton Woods, Multipolarity, and Mutual Interests*

In addition to soft power in BRICS leadership, the Bretton Woods institutions reveal the shared stakes China and India have in multipolarity. Because Chinese scholars see global economic integration as a necessary element for multipolarity, Beijing's critiques of the Bretton Woods institutions provide insight into Chinese multilateral strategy. For instance, Beijing has criticized the International Monetary Fund (IMF) and the World Bank for their lack of transparency and slow pace of voting-rights reform, which favor the US and other Western powers based on their monetary contribution to the institution.<sup>66</sup> The Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank (NDB) are direct responses to the lack of reform of these Bretton Woods institutions, respectively.<sup>67</sup> Finally, exposing the tension between Beijing's vision for international trade and that of Washington, D.C., China has been involved in more anti-dumping and countervailing trade disputes in the World Trade Organization (WTO) than expected at its entry.<sup>68</sup> Overall, Beijing's approach to challenging these Bretton Woods institutions exposes its attempts to balance the US and Europe.

Arndt Michael calls India's approach to multipolarity and global institutions "Panchsheel Multilateralism," which refers back to New Delhi's emphasis on peaceful coexistence as outlined in its 1954 agreement with China.<sup>69</sup> Following the ideal of multipolar peaceful coexistence of all states, Indian discourse in regards to the Bretton Woods institutions focuses on the democratization of the decision-making process.<sup>70</sup> In the IMF, India has criticized the slow pace of voting rights reform similar to China, but it has also called for more general reform of the governance structure, to improve equality among states parties.<sup>71</sup> Next, New Delhi has demanded that World Bank policy become friendlier to developing societies and economies.<sup>72</sup> Finally, India has faced anti-dumping and countervailing trade disputes in the WTO, but in contrast with China, complaints have rarely come from the US and Europe.<sup>73</sup> For India, the Bretton Woods

institutions, thus, provide an opportunity to promote greater equality between the global North and South.

Although Sino-Indian competition still exists at the global level, the root of their interests in reform lies in one shared goal: multipolarity. Whether the world eventually follows India's norm-based, Panchsheel Multilateralism or China's economic-based, anti-Western multilateralism, both powers' stakes in multipolarity create a policy forum for Sino-Indian cooperation.<sup>74</sup> Neither India nor China can reform institutions like those of Bretton Woods without the other, so the intersection of multilateral interests defies Womack's theory of asymmetric power balancing. If we base Sino-Indian relations solely on each state's size or economic might, China would be Womack's state A, or the large power. However, with the addition of variables like soft power and shared interests, India becomes more important to China's long-term policy goals. As the difference in power between the two states diminishes on the multilateral stage, China can no longer expect complete deference from India. Womack's asymmetry theory crumbles in this third forum, which explains why multilateralism is the ideal forum for Sino-Indian relations. Not only does the division between Indian and Chinese power diminish in global interactions, but the likelihood of conflict falls with multilateral cooperation compared to borders disputes. With widening mutual interests, the multilateral forum increases the costs of non-cooperation, therefore forcing both India and China to cooperate in ways unlikely in their bilateral and regional relations.

## **Conclusion**

Brantly Womack's theory of asymmetric power relations predicts that when power asymmetries exist, a larger power will demand deference and a smaller power will demand autonomy.<sup>75</sup> Applying Womack's theory to Sino-Indian relations at the bilateral, regional, and multilateral level, this paper found that an asymmetric power balance primarily exists in the first of these three policy forums. Regional and multilateral competition mark a transition in the balance between India and China, in which the costs of non-cooperation expand with the number of external state actors and the overlapping of political interests. Consequently, the larger the cost of non-cooperation, the less asymmetric both players become. New Delhi and Beijing may still

see each other as competitors, but the future symmetry of Sino-Indian relations lies in their ability to peacefully balance and collaborate multilaterally. Cooperation has already occurred, and will likely continue, in this third forum of their complex relationship. As former Indian Prime Minister Manmohan Singh emphasized in various speeches, the world does have enough space for the growth ambitions of India and China, and this space begins with their participation in multilateral institutions.<sup>76</sup>

## Notes

<sup>1</sup> Pang Zhongying and Rupak Sapkota, "China-India Relations: Objectives and Future Priorities," in *India's Approach to Asia: Strategy, Geopolitics and Responsibility*, ed. Namrata Goswami (New Delhi: Pentagon Press, 2016), 226.

<sup>2</sup> The legal definition of forum shopping is as follows: "when a party attempts to have his action tried in a particular court or jurisdiction where he feels he will receive the most favorable judgment or verdict." For more information on legal applications of this theory, see: Rita F. Rothschild, "Forum Shopping," *Litigation* 24, no. 3 (1998): 40, <http://www.jstor.org/stable/29759995> (accessed December 9, 2017).

<sup>3</sup> Womack's original application of his asymmetric power balance theory was Sino-Vietnamese relations. He has since applied the theory to other inter-state relations, including China's relations with Southeast Asian nations. Brantly Womack, "Southeast Asia: Asymmetry, Leadership and Normalcy," *Pacific Affairs* 76, no. 4 (2003/2004): 538, <http://www.jstor.org/stable/40026420> (accessed November 15, 2017).

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*, 539.

<sup>7</sup> *Ibid.*

<sup>8</sup> Sinderpal Singh, "Debating Physical Connectivity between India and ASEAN: Economic versus Security," in *India's Approach to Asia: Strategy, Geopolitics and Responsibility*, ed. Namrata Goswami (New Delhi: Pentagon Press, 2016), 171.

<sup>9</sup> *Ibid.*

<sup>10</sup> Neville Maxwell, "Settlements and Disputes: China's Approach to Territorial Issues," *Economic and Political Weekly* 41, no. 36 (2006): 3873, <http://www.jstor.org/stable/4418678> (accessed November 15, 2017).

<sup>11</sup> Singh, "Debating Physical Connectivity between India and ASEAN: Economic versus Security," 172.

<sup>12</sup> Arndt Michael, "Panchsheel-Multilateralism and Competing Regionalism: The Indian Approach towards Regional Cooperation and the Regional Order in South Asia, the Indian Ocean, the Bay of Bengal, and the Mekong-Ganga," in *India's Approach to Asia: Strategy, Geopolitics and Responsibility*, ed. Namrata Goswami (New Delhi: Pentagon Press, 2016), 38.

<sup>13</sup> Rajiv Sikri, "The Tibet Factor in India-China Relations," *Journal of International Affairs* 64, no. 2 (2011): 60, <http://www.jstor.org/stable/24385534> (accessed November 15, 2017).

<sup>14</sup> Maxwell, 3877.

<sup>15</sup> Sikri, 57.

<sup>16</sup> Shen Dingli, "Building China-India Reconciliation," *Asian Perspective* 34, no. 4 (2010): 151, <http://www.jstor.org/stable/42704737> (accessed November 15, 2017).

<sup>17</sup> Sikri, 65.

<sup>18</sup> "Tibet and India's Security: Himalayan Region, Refugees and Sino-Indian Relations," *IDSAs Task Force Report* (May 2012): 151, <https://idsa.in/book/TibetandIndiasSecurity> (accessed October 11, 2017).

<sup>19</sup> Priyanka Singh, "Re-positioning Pakistan Occupied Kashmir on India's Policy Map: Geopolitical Drivers, Strategic Impact," *IDSAs Monograph Series*, no. 62 (2017): 6, <https://idsa.in/monograph/pakistan-occupied-kashmir-on-india-policy-map> (accessed October 11, 2017).

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*, 10.

<sup>22</sup> Nitasha Kaul, "On Loving and Losing Kashmir," *India International Centre Quarterly* 37, no. 3/4 (2011): 49, <http://www.jstor.org/stable/41804076> (accessed October 11, 2017).

<sup>23</sup> *Ibid.*, 45.

<sup>24</sup> *Ibid.*

<sup>25</sup> Singh, "Re-positioning Pakistan Occupied Kashmir on India's Policy Map: Geopolitical Drivers, Strategic Impact," 65.

<sup>26</sup> *Ibid.*, 73.

<sup>27</sup> *Ibid.*, 79.

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- <sup>28</sup> Jagannath Panda, *India-China Relations: Politics of Resources, Identity and Authority in a Multipolar World* (Abington: Routledge, 2017), 150, <http://web.a.ebscohost.com/ehost/detail/detail?vid=0&sid=6b5d1552-e440-4684-b1d5-ff8e2e4700c1%40sessionmgr4009&bdata=JkF1dGhUeXBIPWNvb2tpZSxpcCx1cmwsc2hpYiZzaXRIPWVob3N0LWxpdmUmc2NvcGU9c2l0ZQ%3d%3d#AN=1428992&db=nlebk> (accessed October 11, 2017).
- <sup>29</sup> Panda, *India-China Relations: Politics of Resources, Identity and Authority in a Multipolar World Order*, 153.
- <sup>30</sup> *Ibid.*
- <sup>31</sup> L. Gordon Flake et al., *Realising the Indo-Pacific: Tasks for India's Regional Integration* (Crawley: Perth USAsia Centre at The University of Western Australia, 2017), 18.
- <sup>32</sup> *Ibid.*
- <sup>33</sup> *Ibid.*, 15.
- <sup>34</sup> *Ibid.*, 16.
- <sup>35</sup> *Ibid.*
- <sup>36</sup> Baladas Ghoshal, "China's Perception of 'Look East Policy' and Its Implications," *IDSA Monograph Series*, no. 26 (2013): 47, <https://idsa.in/monograph/ChinasPerceptionofLookEastPolicyandItsImplications> (accessed October 11, 2017).
- <sup>37</sup> *Ibid.*
- <sup>38</sup> Zhongying and Sapkota, 223.
- <sup>39</sup> Rajiv Bhatia, "All that makes ASEAN unique," *Gateway House: Indian Council on Global Relations*, last modified March 27, 2017, <http://www.gatewayhouse.in/all-that-makes-asean-unique-50/> (accessed October 11, 2017).
- <sup>40</sup> Brantly Womack, "Southeast Asia: Asymmetry, Leadership and Normalcy," 541.
- <sup>41</sup> Flake et al., 33.
- <sup>42</sup> *Ibid.*
- <sup>43</sup> Ghoshal, 26.
- <sup>44</sup> *Ibid.*
- <sup>45</sup> *Ibid.*
- <sup>46</sup> *Ibid.*, 57.
- <sup>47</sup> Flake et al., 52.
- <sup>48</sup> *Ibid.*, 34.
- <sup>49</sup> *Ibid.*, 36.
- <sup>50</sup> Ghoshal, 47.
- <sup>51</sup> Flake et al., 19.
- <sup>52</sup> Ghoshal, 146.
- <sup>53</sup> *Ibid.*, 55.
- <sup>54</sup> It is outside the scope of this paper to analyze India and China's participation in all multilateral institutions. However, I focus on the BRICS because it represents a key challenge to Western-dominated institutions for both India and China; and on the Bretton Woods institutions because both powers have outwardly critiqued the structure of these organizations. For more information on issues like India's bid to be a permanent member on the United Nations Security Council and China's response, see: Panda, *India-China Relations: Politics of Resources, Identity and Authority in a Multipolar World Order*, 251.
- <sup>55</sup> Bhagirath Singh Bijarnia, "Whither Global Economic Governance? The Emerging Role of BRICS: An Alternative," *Indian Journal of Asian Affairs* 26, no. 1/2 (2013): 85, <http://www.jstor.org/stable/43550357> (accessed November 15, 2017).
- <sup>56</sup> *Ibid.*
- <sup>57</sup> Brantly Womack, "Asymmetry Theory and China's Concept of Multipolarity," *Journal of Contemporary China* 13, no. 39 (2004): 353, doi: 10.1080/1067056042000211942 (accessed November 15, 2017).
- <sup>58</sup> Panda, *India-China Relations: Politics of Resources, Identity and Authority in a Multipolar World Order*, 195.
- <sup>59</sup> *Ibid.*, 203.
- <sup>60</sup> Joseph S. Nye, "Public Diplomacy and Soft Power," *The Annals of the American Academy of Political and Social Science* 616 (2008): 95, <http://www.jstor.org/stable/25097996> (accessed December 5, 2017).
- <sup>61</sup> *Ibid.*

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<sup>62</sup> Amit Kumar Gupta, "Soft Power of the United States, China, and India: A Comparative Analysis," *Indian Journal of Asian Affairs* 26, no. 1/2 (2013): 40, <http://www.jstor.org/stable/43550355> (accessed December 5, 2017).

<sup>63</sup> *Ibid.*, 48.

<sup>64</sup> *Ibid.*, 53.

<sup>65</sup> The Soft Power 30 Annual Report ranks countries with the strongest global soft power. In 2017, the report placed China in the twenty-fifth ranking, while India did not make it into ranking list of thirty nations. However, India's soft power specifically among developing nations is still an essential element in its ability to challenge Chinese economic dominance in the BRICS. More information on the Soft Power 30 rankings can be found at: "The Soft Power 30," *USC Center on Public Diplomacy*, <https://softpower30.com> (accessed December 9, 2017).

<sup>66</sup> Panda, *India-China Relations: Politics of Resources, Identity and Authority in a Multipolar World Order*, 242.

<sup>67</sup> *Ibid.*

<sup>68</sup> *Ibid.*

<sup>69</sup> Michael, 36.

<sup>70</sup> Panda, *India-China Relations: Politics of Resources, Identity and Authority in a Multipolar World Order*, 242.

<sup>71</sup> *Ibid.*

<sup>72</sup> *Ibid.*, 243.

<sup>73</sup> *Ibid.*

<sup>74</sup> Swaran Singh, "Paradigm Shift in India-China Relations: From Bilateralism to Multilateralism," *Journal of International Affairs* 64, no. 2 (2011): 160, <http://www.jstor.org/stable/24385540> (accessed December 5, 2017).

<sup>75</sup> See introduction for a full explanation of the asymmetric power theory.

<sup>76</sup> Dingli, 142.

## The Nuclear Ban Treaty: Advocates, Neutrals, and Opponents in the European Union

Alexis Dorner



### **Abstract**

Supporters of the nuclear non-proliferation regime seek to reduce the threat of nuclear weapons faced by the international community. Although there is vast support for the elimination of nuclear weapons, governments struggle to find common ground and promote progress. Member countries of the European Union in particular, who supposedly share one Common Foreign and Security Policy (CFSP), fail to reach a consensus on the Treaty on the Prohibition of Nuclear Weapons. This paper seeks to explain what has caused member countries of the European Union (EU), which claim to speak with one collective voice, to deviate from the apparent *status quo*.

## **Table of Contents**

Introduction	27
Regional Anti-Proliferation Index	29
Background	32
The Role of Language, Identity, and Norms	37
The Evolution of Norms: Neutrality and Nuclear Weapons	41
Other Key Players	45
Findings	46
Conclusion	48
Notes	50

## Introduction

### *Key Concepts*

There are several key concepts in this research project. Proliferation is the spread of nuclear weapons, nuclear weapons technology, materials, and information that could help a state develop nuclear weapons.<sup>1</sup> As defined by the *Treaty on the Non-Proliferation of Nuclear Weapons* (NPT), a Nuclear Weapons State (NWS) is “one which has manufactured and exploded a nuclear weapon or other nuclear explosive device prior to 1 January 1967”.<sup>2</sup> A Non-Nuclear Weapons State (NNWS) is a state that has not detonated, developed, or acquired nuclear weapons. A nuclear host state is a state that does not possess nuclear weapons of its own but stores functional nuclear weapons on its territory. A Nuclear-Weapon-Free Zone (NWFZ) is an area that bans the use, development, or deployment of nuclear weapons.<sup>3</sup> A nuclear umbrella refers to the protection that a country allegedly gains through an alliance with a nuclear weapons state. This project focuses on the new Treaty on the Prohibition of Nuclear Weapons, also known as the Nuclear Ban Treaty (NBT), which opened for signing on September 20, 2017.

### *Hypothesis*

The question that this paper seeks to answer is: What explains the positions of EU countries concerning support for or opposition to the prohibition of nuclear weapons under the Nuclear Ban Treaty? Based on an analysis of each country’s allegiance commitments, nuclear arsenals, national security concerns, and interpretations of treaty language, this paper hypothesizes that competing identities are the source of discrepancy in attitude towards the NBT. Specifically, conflicting policies and expectations challenge EU members of the North Atlantic Treaty Organization (NATO), which give them a unique role on the world stage. Through a constructivist understanding, social constructs such as norms and discourse demonstrate significant influence on the decision-making processes of EU countries.<sup>4</sup> The timeline this paper focuses on is post-Cold War, 1990 to present, as the end of the war marks a turning point in international attitude towards nuclear weapons and proliferation. This period includes the codification of the Comprehensive Test Ban Treaty (CTBT) and indefinite extension of the NPT, two significant pieces of legislation geared towards non-proliferation. This time period is useful

when evaluating the current situation, as the global community had appeared to find common ground on the issue but has since shown divergence regarding the NBT.

### *Literature Review*

Scholars such as Beatrice Heuser, Kristan Stoddart<sup>5</sup>, Dong-Joon Jo, and Erik Gartzke<sup>6</sup> use a realist approach to identify deterrence as a main variable of proliferation, a concept associated with a country's resources and capabilities. Other scholars such as Robert Keohane, Lisa Martin<sup>7</sup>, and Neal G. Jesse<sup>8</sup> use a more liberalist approach to identify cooperation, verification, and the role of institutions as key variables. Markedly, these scholars overlook the paramount role of identity and norms in the proliferation process. Jesse explores the components of a state's identity and the impact that those components have on foreign policy, which is relevant to this analysis. This paper's argument follows that of William C. Potter<sup>9</sup> who analyzes the impact of the humanitarian-initiative movement (HIM) on the disarmament process through a constructivist lens, with a focus on the role of discourse. Constructivists seek to understand the process of how international norms evolve and play a role in the behavior of states.<sup>10</sup> Constructivism involves analyzing interactions between individuals and structures through methods such as discourse analysis to see how states shape identities and interests.<sup>11</sup> Potter found that differing opinions on the issue had a significant impact on multilateral disarmament and non-proliferation diplomacy, and are likely to remain a component of nuclear negotiations in the future.

### *Research Design*

This comparative case study encompasses analyses of government policy statements and declassified documents, treaty documents, conference records, white papers, and public speeches made by political leaders at United Nations conferences. Initially, this research sought to identify patterns in orientation towards the NBT within the scope of EU members and NATO members. These patterns were then compared with support or lack thereof for the NPT, the CTBT, a potential Fissile Material Cut-off Treaty (FMCT), and NWFZs. Data collection presented four notable outliers: Austria, Ireland, the Netherlands, and Poland, due to strong orientation towards

the NBT and nuclear non-proliferation. The purpose of this research is to determine what variables were most influential in constructing these particularly conspicuous positions.

### *Outliers*

Austria and Ireland are two advocate outliers that have shown adamant support for the treaty and non-proliferation regime as a whole. Austria and Ireland were among the few states that voted in favor of the draft NBT, and while the majority of others abstained, the Netherlands was the only country from any region to vote against the draft. A fourth outlier is Poland, not because it has a dominant role in the implementation process, but because it has a unique history and a correspondingly unique course of action regarding nuclear proliferation, which warrants further analysis. These four countries are not the only EU states to have differing views on the NBT, but they are the most prominent and practical for comparison. This paper will only briefly mention the United Kingdom and France, as they are also outliers for obvious reasons, such as their status as NWS.

### **Regional Anti-Proliferation Index**

To gauge commitment to the non-proliferation agenda, the regional Anti-Proliferation Index measures involvement in the legal regime based on military expenditures, nuclear weapon arsenal size, support for the NPT, CTBT, Draft NBT, and official NBT, and presence at the United Nations Conference to Negotiate a Legally-Binding Instrument to Prohibit Nuclear Weapons, Leaning Towards their Total Elimination. A country will get one point (+1) if its military expenditures have consistently decreased since 1990, no points (0) if the percentage spent remains the same and lose points if it has increased overall (-1). A country will receive one point (+1) for decreasing its nuclear arsenal size, receive no points (0) for maintaining the same arsenal size, and lose one point for increasing its arsenal size (-1). If a country is a nuclear host state, meaning that it stores the nuclear weapons of other NWS on its territory, it will lose 0.5 points (-0.5). Ratification of selected treaties receives one point (+1), followed by accessions and successions (+0.75 points), signatories (+0.5), non-signatories (0), and withdrawals (-1). Similarly, a vote for the NBT draft treaty receives one point (+1), abstentions receive no points

(0), and an opposition vote results in a loss of one point (-1). Regarding the 2017 United Nations Conference to Negotiate a Legally Binding Instrument to Prohibit Nuclear Weapons, Leading towards their Total Elimination, presence receives one point (+1) and absence receives no points (0). A country will be awarded extra points if it makes a statement at the conference (+0.5), sends more than the average number of representatives (+0.75), or holds a leadership position at the conference (+1), because these factors further exemplify noteworthy engagement.

The country that has the highest number of points is the most active in non-proliferation efforts based on the chosen variables. The following chart represents the point system:

<p><u>Trajectory of Military Expenditure 1990-2016 (%GDP)*</u></p> <p>Overall decrease in spending      <b>+1</b></p> <p>No change in spending overall      <b>0</b></p> <p>Overall increase in spending      <b>-1</b></p> <p><u>Nuclear Weapon Arsenal Size (1990-2017)</u></p> <p>Decrease in size      <b>+1</b></p> <p>No change in size      <b>0</b></p> <p>Nuclear Host      <b>-0.5</b></p> <p>Increase in size      <b>-1</b></p>	<p><u>Support for NPT, CTBT, NBT</u> *Counted separately for each treaty</p> <p>Ratification      <b>+1</b></p> <p>Accession/Succession      <b>+0.75</b></p> <p>Signature      <b>+0.5</b></p> <p>No signature      <b>0</b></p> <p>Withdrawal      <b>-1</b></p> <p><u>Draft NBT Vote</u></p> <p>Vote for      <b>+1</b></p> <p>Did not vote      <b>0</b></p> <p>Vote against      <b>-1</b></p>
<p><u>Presence and Involvement in 2017 Conference</u></p> <p>Present      <b>+1</b></p> <p>Absent      <b>0</b></p> <p><b>BONUS POINTS:</b></p> <p>Statement      <b>+0.5</b></p> <p>More than average # of reps      <b>+0.75</b></p> <p>Leadership position      <b>+1</b></p>	

\*Complete 2017 Military expenditure data is not yet available.

Data comes from the *Bulletin of the Atomic Scientists*, the World Bank Group, the United Nations, and the United Nations Office for Disarmament Affairs. The average number of

representatives present per country at the 2017 NBT Conference is five, determined by dividing the total number of representatives present at the conference by the total number of countries present.

***Anti-Proliferation Index (API): Europe***

*1990-2017*

Country	Expenditure (MX)	Arsenal	NPT	CTBT	N B T Draft	NBT	Presence	Score	Rank
Austria	+1	0	+1	+1	+1	+0.5	+2.75	7.25	1
Belgium	+1	-0.5	+1	+1	0	0	0	2.5	9*
Bulgaria	+1	0	+1	+1	0	0	0	3	7*
Croatia	+1	0	+0.75	+1	0	0	0	2.75	8*
Cyprus	+1	0	+0.75	+1	+1	0	+1	4.75	4
Czech Republic	+1	0	+0.75	+1	0	0		2.75	8*
Denmark	+1	0	+1	+1	0	0	0	3	7*
Estonia	-1	0	+0.75	+1	0	0	0	0.75	11*
Finland	0	0	+1	+1	0	0	0	2	10
France	+1	+1	+0.75	+1	0	0	0	3.75	5
Germany	+1	-0.5	+1	+1	0	0	0	2.5	9*
Greece	+1	0	+1	+1	0	0	0	3	7*
Hungary	+1	0	+1	+1	0	0	0	3	7*
Ireland	+1	0	+1	+1	+1	+0.5	+1.75	6.25	2*
Italy	+1	-0.5	+1	+1	0	0	0	3.5	6*
Latvia	-1	0	+0.75	+1	0	0	0	2.5	9*
Lithuania	-1	0	+0.75	+1	0	0	0	0.75	11*
Luxembourg	+1	0	+1	+1	0	0	0	3	7*
Malta	+1	0	+1	+1	+1	0	+1	5	3

Netherlands	+1	-0.5	+1	+1	-1	0	+2.25	3.75	5
Poland	+1	0	+1	+1	0	0	0	3	7*
Portugal	+1	0	+0.75	+1	0	0	0	2.75	8*
Romania	+1	0	+1	+1	0	0	0	3	7*
Slovakia	+1	0	+0.75	+1	0	0	0	2.75	8*
Slovenia	+1	0	+0.75	+1	0	0	0	2.75	8*
Sweden	+1	0	+1	+1	+1	0	+2.25	6.25	2*
Spain	+1	0	+0.75	+1	0	0	0	2.75	8*
United Kingdom**	+1	+0.5**	+1	+1	0	0	0	3.5	6*

\*Tie

\*\*The United Kingdom received +0.5 for Nuclear Arsenal Size because although it has been decreasing its stockpile, there was a period of inconsistency from 1998 to 2005, during which its nuclear warhead supply increased.

The API for Europe shows Austria ranked first with the maximum number of points possible (7.25). This means that Austria is the most active in terms of non-proliferation efforts. Following closely behind are Ireland and Sweden, tied for second at 6.25 points. The Netherlands is ranked exactly fifth, which means that it is relatively active since no ties exist before sixth place. Poland's activity is average, as it tied with seven other countries for seventh place. This index is applicable to all regions of the world. <sup>12 13 14 15 16 17 18 19 20</sup>

## Background

### *Ireland*

Since 1958, Ireland has led the disarmament movement with its “Irish Resolutions” proposal, also known as the foundation for the NPT.<sup>21</sup> As the “first signatory and leading voice” of the NPT, Ireland continues to present itself as a strong advocate for disarmament, having been one of the few countries to sign the NBT document immediately on September 20, 2017.



Ireland has a long history of British rule and now assumes an international position of neutrality<sup>22</sup>. Its decision to become neutral came from its resistance to the asymmetrical power between itself and Britain.<sup>23</sup> Irish-British relations have improved post-colonization, but the Irish government continues to work to establish and maintain an identity that is completely independent of the United Kingdom. Ireland joined the EU in 1973 and is not a member of NATO but participates in the Partnership for Peace (PfP) program, which allows it to work with the alliance without having to become a member.<sup>24</sup>

Ireland does not possess any nuclear weapons, nor does it utilize nuclear energy, which is largely due to government's ability to afford the long-term financial commitment. The Irish government is already struggling to meet its renewable energy requirement under the European Union's 2020 goals, but according to former Energy Minister Alex White, Ireland is unlikely to utilize nuclear energy in the future.<sup>25</sup> This is because the Radiological Protection Institute of Ireland places firm regulations on the use of nuclear energy through the Radiological Protection Act of 1991, and because the potential environmental and safety concerns of nuclear energy worry the public.<sup>26 27</sup>

Ireland's defense spending is the lowest in the region, which raises concern regarding national security.<sup>28</sup> Ireland is ill prepared to defend itself unless Irish leaders believe that the CFSP as a formidable means of defense. It cannot even rely on deterrence because it lacks the minimum capability necessary to have a credible defense system.<sup>29</sup> A 2015 White Paper released by the government stated that "maintaining military capabilities...is too expensive".<sup>30</sup> For such reasons Ireland is particularly vulnerable to conventional attacks, invasions, or wars, let alone nuclear incidents. Ireland's overall vulnerability explains its aggressive nonproliferation stance.

### *Austria*

Austria has also presented itself as a main force behind nuclear disarmament. Along with Ireland, it was one of the five EU countries that voted in favor of the draft version of the NBT on July 7, 2017 and signed the official document on September 23, 2017. Austria has been a supporter of non-proliferation efforts since the implementation of the NPT, and according to William C. Potter, was "the most critical voice in the Focus Group discussions" during the 2015

NPT Review conference. As made possible by Article VII of the NPT, Austria has independently declared itself a Nuclear-Weapon-Free Zone.<sup>31</sup> This makes it the only NWFZ in Europe.<sup>32</sup> In 2014 at the Vienna Conference, Austria issued a Pledge that addresses the humanitarian consequences of nuclear weapons, known as the Humanitarian (or Austrian) Pledge.<sup>33</sup> The purpose was to launch negotiations on a nuclear prohibition treaty and force nations to acknowledge the need to bridge the ‘legal gap’ that refers to the several possible interpretations of international law on nuclear weapons.<sup>34</sup>

Austria constructed its first nuclear energy plant in 1972 and planned to construct two additional plants until the government began to experience backlash from the community. The public had initially appeared to support the move to nuclear energy but protesting gradually increased, which led to a referendum in 1978 in which the votes against nuclear power won by slightly more than fifty percent.<sup>35</sup> Notably, Austrians voted against nuclear power even before the nuclear Chernobyl disaster of 1986, which effectively deterred many nations from using nuclear energy. Following this, the Austrian Parliament passed a law called ‘Atomsperrgesetz’, which translates to the “Atom banning law”, prohibiting the use of nuclear energy in Austria.<sup>36</sup> Although Austria has the capability of using nuclear energy for peaceful purposes, it has opted against doing so.

It seems as though Austria’s history of occupations and invasions has shaped its nonproliferation perspective. Constant adversity stifled the ability of the country and its citizens to create an identity until it regained sovereignty post-WWII. Austria joined the EU in 1995 and has not become a member of NATO. Like Ireland, it collaborates with the alliance through the PfP program. Austria identifies the PfP program as a necessary partnership for effective involvement in military efforts within the CFSP, since there is a large overlap of member states.<sup>37</sup> Austria recognizes the EU and NATO as partners but nonetheless assumes neutrality on an international stage.

Austria’s defense system is minimal and efforts to maintain military preparedness have decreased according to officials, but Parliament reassures that “the better Austria is integrated into the international security architecture, the more efficiently will it be able to safeguard its security interests and peace policy objectives”.<sup>38</sup> Austria attaches its national security concerns to

those of the EU, and emphasizes how defense strategies internationally have shifted from deterrence to cooperation.<sup>39</sup> Parliament explains that this shift occurred after the Cold War, which triggered a transformation in European security policy, as the world order evolved to include numerous global players as well as less transparency and predictability.<sup>40</sup> Because of this, Austria has begun to rely more on cooperation with other international actors as a defense strategy rather than fortifying its own military.

### *Netherlands*

At the United Nations Conference to Negotiate a Legally Binding Instrument to Prohibit Nuclear Weapons, Leading Towards their Total Elimination, the Netherlands was the only country from any region to vote against the draft of the NBT. The Netherlands did not sign the Humanitarian Pledge, but it is a founder of the Non-Proliferation and Disarmament Initiative (NPDI) and a member of the Conference on Disarmament (CD), along with Austria and Ireland. The NPDI is a group of states that seek to strengthen the non-proliferation regime by achieving goals such as increasing transparency within the nuclear regime and promoting key legal instruments that safeguard nuclear activity.<sup>41</sup> Poland and Germany are the only other EU-NPDI members. Notably, the Netherlands is the chair of the Preparatory Committee for the 2020 NPT Review Conference.<sup>42</sup> The Netherlands has a strong national identity, exemplified by its role as a founding member of both the European Union and NATO.

The Netherlands has one functioning nuclear reactor with at least one more unit proposed for the future.<sup>43</sup> Dutch interest in nuclear energy began to decay after substantial natural gas reserves were discovered, and even more so after the Chernobyl nuclear disaster.<sup>44</sup> Consequently, Dutch parliament decided to phase out the Borssele reactor but reversed the decision in 2005 due to “legal difficulties”, which refers to trouble implementing the decision.<sup>45</sup> When the environmental and economic benefits of nuclear energy became clear, sentiment began to favor nuclear energy, and the government remains open to constructing new plants for the purpose of cutting carbon dioxide emissions in accordance with the European sustainable energy goals.<sup>46</sup>

In 1970, the Netherlands became part of a joint nuclear fuel company with Germany and the United Kingdom, which now also involves the United States.<sup>47</sup> U.S.-Netherlands relations are

long-standing through NATO and the stockpiling of American nuclear weapons on Dutch territory. Much this stockpiling happened in the beginning of the 1960s and involved the United Kingdom as well.<sup>48</sup> Geographically, presence in the Netherlands has been advantageous for the United States, especially with robust Dutch naval forces as a resource. American anti-submarine warfare (ASW) units were also stored on UK territory for Dutch use, but the use of these weapons has always been up to the leaders of the United States and the United Kingdom.<sup>49</sup> The American nuclear arsenal in the Netherlands has considerably decreased since the end of the Cold War, but it still “currently deploys an estimated 10-20 nuclear B61 bombs in underground vaults inside 11 aircraft carriers at Volkel Air Base”.<sup>50</sup> On its own, the Netherlands has a formidable military defense system, spending an average of 1.201 percent on defense in 2016.<sup>51</sup> Military upkeep in the Netherlands is necessary as the country represents a crucial strategic position for the United States. While the Netherlands may not have any enemies of its own, it must be prepared to assist or cooperate with its American ally if necessary, especially if Dutch leaders seek American protection.

### *Poland*

Poland did not vote on the NBT draft treaty, voted against the convening of a 2017 Conference to Negotiate a Legally Binding Instrument to Prohibit Nuclear Weapons, Leading towards their Total Elimination, and has not signed the Humanitarian Pledge.<sup>52</sup> Its history has been contentious, which is recognized by its political leaders, “Poland fought for and regained independence between 1918 and 1921, only to lose it again in 1939-1945, and to once again reclaim it in 1989-1991”.<sup>53</sup> Poland joined NATO in 1999 and became an EU member in 2004.

Poland gets most of its energy from coal and gas. In order to coincide with the EU climate policy, Polish leaders continue to search for a way to minimize reliance on harmful consumption methods.<sup>54</sup> Much of its gas supply comes from Russia, a country that the Polish government seeks to rely less on in general.<sup>55</sup> Consequently, Poland has looked to nuclear energy as an effective and environmentally friendly substitution. Poland has 23 active reactors, 6 under construction, and 9 planned.<sup>56</sup> Since 2009, Poland has been cooperating with France on matters of nuclear plant development, research, and construction.<sup>57</sup>

The Polish government has also been working to establish cross-border energy transmission systems. Already partially connected with Sweden through a subsea line, Poland has formulated an agreement with Ukraine in 2015 regarding a future project as well.<sup>58</sup> Polish leaders have also devised a plan with Finland and Sweden to synchronize energy transmissions by 2025 through the Baltic Energy Market Interconnector Plan (BEMIP) and are pursuing another big project that will establish a link with Lithuania.<sup>59</sup>

Within its 2017-2021-policy framework, Poland seeks to enhance the credibility and potential of its allies and bolster its own defense capabilities.<sup>60</sup> The country is working towards meeting the defense spending quota set by NATO. Poland regards the EU and NATO as “vital” to its security and claims to have already become increasingly more secure because of these alliances.<sup>61</sup> While Poland does not host nuclear weapons on its territory, it has agreed to host a United States missile defense system, much to Moscow’s disgruntlement. There has been discussion between the United States and Poland regarding threats to Poland’s security and its corresponding areas of weakness.<sup>62</sup> The agreement is a clear strategic advantage to both sides:

The United States recognizes that this assistance will strengthen Poland’s contributions to the NATO Alliance and facilitate strategic cooperation between the United States and Poland. Poland acknowledges and appreciates the important assistance provided by the United States in the past to Polish military modernization efforts. The United States intends to provide substantial assistance to support Poland’s military modernization efforts in the future” (United States Department of State 2008).

## **The Role of Language, Identity, and Norms**

### *Language and the ‘Legal Gap’*

The aftermath of implementation is one area of disagreement among advocates and opponents of the NBT. Advocates view the NBT as a mechanism that will complement the NPT and strengthen the non-proliferation regime, while opponents believe the opposite. Leaders from

countries such as the United Kingdom, France, the Netherlands, and the United States argue that the imperfections of the treaty will jeopardize the NPT and non-proliferation process. The nature of the language used in the treaty and during negotiations has a big role in creating this discrepancy.

Ireland stubbornly underscores the necessity of implementation.<sup>63</sup> As early as 1957 Foreign Minister Frank Aiken regarded the need for nuclear disarmament as “urgent”.<sup>64</sup> In March 2017, Irish Ambassador Patricia O’Brien stressed the need for everyone to “reject the premise that they [nuclear weapons] can ever be used again *under any circumstances*” due to the catastrophic affects.<sup>65</sup> At the 72<sup>nd</sup> UNGA meeting in October 2017, Mr. George-Whilhelm Gallhofer of Austria used similar language to that of Foreign Minister Aiken when he expressed that disarmament and the implementation of the CTBT are both ‘urgent’, and again when he highlighted the need for the “total elimination of nuclear weapons”.<sup>66</sup> Gallhofer’s language was extreme, especially when he stated that the international system appears to be “balancing at the edge of an abyss”.<sup>67</sup> Gallhofer and his Austrian counterparts are actively encouraging other countries to sign the NBT and get it into force “as soon as possible”.<sup>68</sup>

Austria’s geographical location at a nuclear crossroad may be the underlying push behind its intense discourse. Likewise, Ireland’s adjacency to the United Kingdom, a NWS, could potentially make it feel like a target of other NWS states such as Russia. Contrarily, countries like the Netherlands argue that there should be no rush in the process. The hurry or hesitancy that leaders exhibit regarding implementation is a result of how individual leaders have interpreted the grey area, or legal gap, that exists in international law on nuclear weapons.

Political leader Hans Dijkstal of the Netherlands and Patricia O’Brien commented on this “legal gap”, which refers to the fact that international law does not specifically forbid the use of nuclear weapons. The United Nations General Assembly (UNGA) sent an inquiry to the International Court of Justice (ICJ) asking if the use of nuclear weapons was legal under international law. Hans Dijkstal responded to this ICJ case, expressing his belief that the court should refrain from giving an opinion. He explained that a decision deeming nuclear weapons illegal would endanger the integrity of the NPT, as would a decision that deemed them legal.<sup>69</sup> He describes the case as a “recipe for competition and fragmentation”.<sup>70</sup>

If the court had decided that nuclear weapons were unlawful, then that would have applied to all circumstances.<sup>71</sup> If the court had decided that they were lawful, the permitted circumstances would have been unclear, a matter that the ICJ would have not been required to explain further.<sup>72</sup> Dijkstal presented several examples of ambiguity related to possession, side effects, small nuclear weapons, humanitarian law, and victim suffering.<sup>73</sup> He also argued that outlawing nuclear weapons would lead to more instability by putting NWS and nuclear host states in an awkward position, as they would suddenly possess large arsenals of illegal weapons.<sup>74</sup> Essentially either outcome of the case would have carried significant and potentially disastrous weight in the process of disarmament.

Participants have noted the vulnerability in the language that can lead to different responses. For example, the Dutch identified Article 1 of the NBT as incompatible with NATO obligations, and submitted a temporality clause that adjusted the wording so that it could better match the obligations of NATO member states. This effort did not succeed though, because it did not align with the views of many other participants. Failure to find common ground in language inevitably infringes on the ability of countries to reach a unified position, resulting in a blocked consensus. The debate on language persisted during verbal negotiations, especially since the NBT introduced new discourse that eliminated the prospect of interpretation, such as the declaration that nuclear weapons are to “never be used again under any circumstances,” which presented a problem for NATO and others who rely on nuclear weapons for security. The new regulations posed by the NBT would be favorable for the political leaders who are ready to make a considerable change, but for NATO countries particularly, the definitive language renders the legislation incompatible with their views and results in a rejection of the treaty. Yet, the opportunity for each state to have its own interpretation has led to many failed negotiation attempts as well.

Wording and interpretation of discourse are thus responsible for part of the division within the EU. Negotiation is inevitably difficult when implications are unclear. Agreement on language is a key component of cohesion, as the difference between one word and another can be the difference between a vote for or against the entire agreement. Those who have rejected the

NBT are rejecting the language of the treaty, not the idea. This does not explain all oppositions, but it explains one important point of contention among many countries involved in the process.

### *Identity and Decision-Making*

National identity is at the core of decision-making. Irish and Austrian leaders identify themselves as neutral on an international stage but must utilize their voices to push disarmament because otherwise their land and their people are highly vulnerable to nuclear threats due to their lack of arsenals, dangerously low military spending, and hypothetical absence of military allies. These problems are products of their perception of neutrality.

The Austrian government has instead adopted a pro-humanitarian approach to the issue, possibly to show sympathy to possible victims of nuclear warfare, because it can historically relate to war-related violence. Out of respect for the integrity of its people's identity, culture, and traditions, the government is also careful to respect their voices, a concept validated by the Humanitarian Pledge, and by the outlaw of all things nuclear following public outcry. Each nation's diverse past has led to the formation of diverse identities, and these two countries in particular have committed to the fight against nuclear weapons based on the beliefs and suspicions they have formed over time. The Nuclear Ban Treaty would provide the utmost credible means of security for these 'non-allied' states.

With this, even those who are not neutral face adversity in this area. The NBT clearly contradicts some of NATO's fundamental principles, as NATO relies on nuclear deterrence and collective defense. Thus, NATO leaders seek to persuade NNWS members to adhere to its beliefs and act in accordance with the alliance: "We strongly encourage you [NATO members] to vote 'no' on any vote at the UN first committee on starting negotiations for a nuclear ban treaty".<sup>75</sup>

Therefore, Poland's vote against negotiations and the Netherlands' vote against the NBT are not surprising. The Netherlands identifies closely with NATO as an original member and is acting in support of what the alliance wants. Although the Dutch government has expressed support for non-proliferation and has taken on leadership roles within the movement as the chair of the Preparatory Committee for the 2020 NPT Review Conference, member of the CD, and co-founder of the NPDI, it is nonetheless slowing down the disarmament process. Ultimately, all of



these decisions are linked with NATO. The Dutch overtly expressed loyalty to NATO in their explanation of vote on the NBT, which asserted that the Netherlands could not accept the NBT or “any instrument that is incompatible with NATO obligations”.<sup>76</sup>

The Polish government appears to be constantly concerned with the nation’s sovereignty and security. In Polish foreign policy documents, Polish leaders often point out the threat that Russia poses. Especially after Russia’s 2014 annexation of Crimea, Poland’s history of occupation and Russia’s proximity have reasonably intensified apprehension among Polish leaders. The first sentence of Polish foreign policy strategy reads, “Poland’s security and environment has deteriorated considerably as a result of Russia’s annexation of Crimea and the Russian-provoked conflict in eastern Ukraine”.<sup>77</sup> Long ago Polish leaders recognized the vulnerability of the country’s geographic position and have now made a clear decision to be proactive in acknowledging the threat. The government has called for the strengthening of military forces in the EU’s Eastern flank to ensure the capabilities of NATO, because it fears reliving its history of Russian occupation. This likewise means that the government is willing to do whatever necessary to ensure the alliances reliability, even if that means storing U.S. missiles on its land.<sup>78</sup> Polish leaders have further expressed that American military involvement in Europe is imperative for the security of the region and “is key to maintaining NATO’s collective defence and deterrence capabilities”.<sup>79</sup>

Thus, inconsistencies between Polish claims and actions make sense. Polish officials are advocates of non-proliferation for other NNWS, but out of fear for Poland’s national security, leaders are attempting to balance advocacy paradoxically with increased defense cooperation with the United States and NATO.<sup>80</sup>

## **The Evolution of Norms: Neutrality and Nuclear Weapons**

### *Neutrality*

The norm of neutrality is evolving and becoming increasingly difficult to uphold. A country that deems itself neutral forfeits military assistance from other countries, which can be daunting during a time of instability in the international community. This is why ‘neutral’ countries like Ireland and Austria inadvertently show partiality to one alliance or another, in this

case towards the West through collaboration with NATO. The idea of being neutral seems favorable until a government is fully responsible for defending its territory: “it is the role of the government to be prepared to act alone in its own defense until the United Nations can secure international peace and security”.<sup>81</sup> In one way, this is beneficial to governments that fear domination by the more powerful countries in an alliance, but on the other hand, it leaves a nation vulnerable. Aside from whatever protection the CFSP claims to offer, Ireland and Austria would be responsible for protecting themselves against nuclear weapons in the event of war, against which they have no nuclear weapons or anything nearly as powerful with which to retaliate. In a sense, non-NATO membership could serve as a defense strategy itself, but the reliability of that strategy would depend on whether or not countries like Russia would target NATO members directly or instead target less powerful, neighboring states. Therefore, it is understandable that the leaders of these countries would seek alternative security in some compromised form. Although neither the Irish government nor the Austrian government believe that their countries will be involved in violence soon, neither wants to wait for something to happen, especially if they lack a promised umbrella.<sup>82</sup>

As global relations pressure states that adhere to this norm, a shift in its meaning occurs. Some scholars such as Neal G. Jesse refer to neutral states as ‘non-allied’ instead of neutral, because the nature of the international system makes it incredibly difficult to abstain from military alliances. Austria is essentially non-allied despite its attempt to remain neutral because in reality, its United Nations membership makes it clear that complete neutrality is not possible based on a legal view of UN obligations.<sup>83</sup> So-called neutral states, like Ireland and Austria, openly value their relationship with NATO and seek to maintain an amicable relationship with the alliance to increase the likelihood of inclusion in its defense.<sup>84</sup>

Even just being an EU member poses challenges to the claim of neutrality, as Europe has begun to create common defense policies of its own. Although the claim is that countries like Ireland can benefit from the military assistance of the EU without having to change neutral status, the slight orientation is still evident and worthy of suspicion.<sup>85</sup> The Amsterdam Treaty states:

The policy of the Union in accordance with this Article shall not prejudice the specific character of the security and defence policy of certain Member States and shall respect the obligations of certain Member States, which see their common defence realized in the North Atlantic Treaty Organization (NATO), under the North Atlantic Treaty and be compatible with the common security and defence policy established within that framework” (European Communities 1997).

Ultimately, the union recognizes the potential need for member states to compromise its commitment due to its obligations to NATO but regards it as a chance for the two alliances to work in unison. So, while EU member countries are not required to change their neutral status, it does not mean that they do not utilize the support of the EU’s partners, one of which is clearly NATO. Austrian Parliament recognizes this advantage and admits that security within the region is dependent on EU and NATO relations, and that the success of the CSFP depends on this partnership.<sup>86</sup>

### *Nuclear Weapons*

Upon finalization of the NPT, the international nuclear ‘norm’ was that NNWS would forfeit the opportunity to obtain nuclear weapons, if NWS would eventually decrease stockpiles and dispose of nuclear weapons. Many are questioning this ‘norm’ in 2017. Norm pioneers like Ireland and Austria are fighting incredibly hard to make a new universal ‘norm’: no nuclear weapons, at all, ever. The desired shift here is from deterrence to cooperation. Many NNWS are promoting this norm while NWS are resisting it. As an alliance that relies on deterrence as a defense strategy, NATO continues to contest this norm and persuades all of its members to do the same.

In this way, it is possible to address realist and liberalist claims. Should countries be prioritizing deterrence, as realists would suggest, Ireland and Austria would not have cut military spending to practically nothing. The Austrian Parliament at one point actually mentioned the decreasing relevance of the deterrence principle, “There has been a paradigm shift in security

policy in Europe. This process, which started with the end of the Cold War (1989), has initiated a transition from thinking in terms of military balance and deterrence to an understanding of comprehensive and co-operative security”.<sup>87</sup> Furthermore, another Austrian official stated, “...it is urgent that we finally move on from the Cold War concept of mutual assured destruction as the illusionary warrant for the security of ourselves, our children and grandchildren”.<sup>88</sup>

Yet deterrence remains a key component of NATO policy formations, “[NATO will] maintain an appropriate mix of conventional, nuclear, and missile defense forces...to bolster deterrence as a core element of our collective defense and contribute to the indivisible security of the alliance”.<sup>89</sup> However, it is not necessarily a determinant of the decisions made by EU countries regarding the NBT. EU countries that do not express direct support for the NBT are voting based primarily on how those countries identify with NATO, not its deterrence policy specifically. The NBT conflicts with this deterrence principle, but explanations of opposing votes frame the violation of NATO member obligations. While several non-NATO EU states covertly rely on the alliance’s deterrence, such as Ireland and Austria, there is no barrier limiting their ability to support a piece of legislation that clearly violates such rules because they are simply not parties to the alliance.

The intimidation of a British nuclear umbrella could be reason behind Ireland’s rejection of realist views. Ireland’s lack of military and lack of alliances leave it extremely vulnerable in an intensifying international climate, “...lacking a credible defense, Ireland pursues diplomatic relations as a way to assert itself”.<sup>90</sup> This idea emphasizes cooperation to some extent, but the framework of the debate would likely be on verification if cooperation were the main issue. While the Netherlands addresses verification as an issue of the NBT in its explanation of vote, Austria and Sweden also address this factor yet still voted in favor of implementing the NBT. While the debate can incorporate problems of verification, one cannot give full credit to this liberal ideal because the issue itself arises primarily due to the severity of the regulations in the NBT that would necessitate the verification.

## Other Key Players

### *The United Kingdom and France*

The United Kingdom and France are two more EU countries that did not vote on the NBT draft. They support non-proliferation and have signed the NPT and CTBT and have shown support for a potential Fissile Material Cut-off Treaty (FMCT) but rejected the ban because of their status as NWS and corresponding reliance on nuclear weapons for security. They identify the importance of the NPT and their commitment to eventual disarmament through that specific piece of legislation, rather than the new ban treaty, which they believe would undermine international peace and security.<sup>91</sup> Furthermore, the United Kingdom and France released a joint statement with the United States that firmly declares their unrelenting disapproval of the ban, “We do not intend to sign, ratify, or ever become party to it [the NBT]”.<sup>92</sup> The United Kingdom and France are hugely important in the disarmament process and hold two of the strongest positions within the EU, but their positions are not comparable to those of other EU members as they are the only NWS in Europe.

### *Sweden*

Sweden falls into the same category as Ireland and Austria. It has established itself as a neutral territory, voted in favor of the NBT, has upheld significant presence at conferences and negotiations, and participates in the PfP program. Sweden has significantly cut defense spending since 1990 from 2.39% of GDP to 1.042% and assumes a similar position on defense and non-proliferation as Ireland.<sup>93</sup> Its leaders provided a statement in response to the draft NBT that parallels the beliefs and language of those of Ireland and Austria. In its explanation of its affirmative vote, the speaker noted that the ban treaty did not meet its expectations but it nonetheless decided to support it due to the “unprecedentedly limited time at our disposal”.<sup>94</sup> The Swedish government assumes the position of a norm pioneer as it firmly believes that the “new norm against the use and possession of nuclear weapons will be strengthened by this treaty”.<sup>95</sup> It has expressed some disappointment with the treaty, though, because the NPT is not clearly recognized as the cornerstone for disarmament, there are concerns regarding verification, and because there are issues with the language such as in Article 18, which suggests that obligations

of the NPT and CTBT could potentially appear to be reduced under the NBT.<sup>96</sup> William C. Potter further refers to Sweden's participation in 2015 NPT Rev Con and how it emerged as one of the "most ardent advocates...for strong language on the humanitarian impact [of nuclear weapons]"<sup>97</sup>

### *Germany*

Germany is a member of NATO, a member of the NPDI, and has been involved in FMCT negotiations. Following WWII, the opportunity to develop nuclear weapons was limited in Germany, and consequently it does not have any of its own.<sup>98</sup> Like the Netherlands, and like many other EU-NATO members, the German government shows support for non-proliferation but also shows commitment to its NATO allies. German leaders have previously pledged to never use nuclear weapons, yet it hosts at least 10-20 known U.S. tactical bombs and "is expected to extend the service life of its nuclear-capable PA-200 tornado through the 2020s"<sup>99</sup> The German government does not participate adamantly in negotiations probably because of its conflicting perspectives: that of the government, which is inclined to comply with NATO, and that of the people, which demand acceptance of the NBT.<sup>100</sup> The German government ignored this demand in its decision to abstain from negotiations.<sup>101</sup>

### **Findings**

The cases of Ireland, Austria, and Sweden are applicable to other EU countries that identify as neutral. Because of the identity that these countries have formed, they are more inclined to push for a ban on nuclear weapons than are those who identify with NATO. Along with Ireland, Austria, and Sweden, Cyprus and Malta voted in favor of the NBT. These five countries were the only five out of the entire European Union to vote in favor of the treaty. Including Finland, these countries are also the only EU members that are not members of NATO. Aside from these five affirmative votes and the one negative vote from the Netherlands, all other EU countries abstained from voting on the treaty. Finland did not vote on the draft because it regards United States nuclear weapons as vital to its security, assuming its close collaboration

with the EU on defense.<sup>102</sup> However, Finland remains hesitant to join NATO partially due to its geographic location, as it shares a border with Russia.<sup>103</sup>

The Dutch have a tremendously close relationship with NATO and a long history of international leadership. These two aspects of the country's identity almost oblige it to form a strong position against the NBT, unless it wants to forfeit one of its central characteristics. Essentially the Dutch government is trying to balance internal pressure from its citizens, who are increasingly showing opposition to the idea of nuclear weapons, with its NATO commitments.<sup>104</sup> These internal and external pressures are forcing the government to seek a solution. This case is nonetheless applicable to other EU NATO members, especially those who store nuclear weapons on their territory. This includes Belgium, Germany, and Italy, which are in the same position as the Netherlands, but do not have the same motivation to be deep-seated in the debate. These countries support nuclear disarmament but are unlikely to vote in favor of the proposed NBT not only due to their identities as NATO members but furthermore because of their status as nuclear hosts. Poland's ability to advocate for nuclear non-proliferation is slightly more flexible than these states since it hosts U.S. missiles instead of nuclear weapons. The case of Poland is more comparable to the remainder of other EU countries that do not have unique status as nuclear hosts but hold questionable positions on the NBT, as seen in the RPI.

The leaders of the Netherlands are negotiating on behalf of EU-NATO members, and trying to sell the idea that the international community is working towards disarmament, despite lack of support for the NBT. The Dutch are trying to reinforce that the means by which the international community can best achieve disarmament does not include the process proposed in the Nuclear Ban Treaty. A popular argument made by most opponents of the NBT is that the treaty will infringe on the progress that has occurred through agreements such as the NPT, and the Strategic Arms Reduction Treaty (START) between the United States and Russia. During a brief on the NBT, the German delegation also raised the point that Ireland and Austria are on the border of pushing negotiations too hard and argued that the momentum could antagonize important disarmament players and cause them to disengage from the initiative.<sup>105</sup>

Ultimately, EU-NATO members are rejecting the proposed norm that will come with the NBT while non-NATO EU members attempt to persuade acceptance of the new norm through

acceptance of the treaty. Many countries recognize the necessity of NWS compliance in order for the new law to be successful, but it remains increasingly difficult to find common ground between supporters and oppositionists as many are in different situations that result in different fears and motivations. Consequently, the inclination of non-NATO EU countries to be preventive is so strong that they are unlikely to easily surrender to the demands of NATO.<sup>106</sup>

## **Conclusion**

The habits and inclinations that countries develop over time are extremely powerful determinants of decision-making. The diverse histories of EU member countries have played a central role in the development of each country's individual identity and corresponding policies. EU member states who are promoting the new norm are pushing for change guided by their past experiences, while those resisting norm evolutions are also doing so because of how they view their role in the world. Lack of EU cohesion is not concentrated on support or opposition for non-proliferation and disarmament, but rather on the approach to the issue. EU member states have not been able to reach consensus on the ban treaty primarily because the definitive language used in the legislation, that signifies the creation of a new nuclear norm, does not satisfy the different viewpoints that countries have based on their identities. Without the influence of determining factors such as language, norms, and identity, EU countries would likely have very similar outlooks on the issue. The presence of such factors is what makes agreement, cooperation, and coherence complicated.

These findings suggest that disagreement over the NBT as it stands is inevitable. Key NWS have already decided that they will never sign the treaty, despite the strong efforts of others to implement it. Until international actors can find common ground regarding the NBT, which is unlikely to happen soon, the international community needs to refocus its disarmament efforts in order to continue making progress towards a nuclear-weapons-free world. Advocates and opponents of the NBT alike need to shift their attention back to the NPT as a fundamental building block for disarmament, push for the implementation of the CTBT, and continue negotiations on a possible FMCT, before any implementation of a nuclear ban can be further



considered. Stern advocates for elimination may not be fond of this prolonged process, but it may be the only way for disarmament to progress amidst disagreement.

Austria and Ireland should shift their intense advocacy towards the implementation of the CTBT, which is less controversial and remains outstanding since it opened for signing in 1996. In order for the CTBT to enter into force, all remaining “Annex 2” states must sign and ratify the treaty, which amounts to only eight other states.<sup>107</sup> Additionally, Austria and Ireland can push for more negotiations on a FMCT, which would aid disarmament efforts significantly if enacted. This would allow both advocates to continue making progress towards non-proliferation without unintentionally dismantling the entire process. With that, both countries should try to ease the pressure they are putting on other states to accept the NBT, at least temporarily, in order to avoid aggravating NWS and jeopardizing overall success.

The Netherlands and Poland should likewise push for the CTBT and a potential FMCT if they wish to keep the disarmament process going as well. However, these countries, especially the Netherlands, should initiate negotiations with supporters of the NBT in order to review the treaty and adjust the language. This should be a priority for these countries if they truly wish for the nuclear ban to someday succeed. The Netherlands in particular needs to act as a mediator between advocates and opponents, and work closely with the United Kingdom and France to gain an understanding of what needs to happen in order for these countries to accept a ban treaty. Poland is right to remain wary of potential aggressors such as Russia, but Polish leaders should not retreat from non-proliferation efforts. Polish leaders can similarly push for the CTBT and FMCT yet still refrain from provoking its enemies or frustrating its allies. It is important, though, that while the fate of the NBT is unclear, Poland avoids bolstering its defense and external assistance to an extent that perturbs its NWS neighbor and former occupant.

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## Revamping India's Answer to the Rohingya Crisis

Arjun Soin

### **Abstract**

Hundreds of thousands of Rohingya Muslims, described by Amnesty International as “one of the most prosecuted minorities in the world” have been forced to flee from their homes in Myanmar. By virtue of its location in the Subcontinent, India has emerged as a natural destination for many Rohingya refugees. In exploring the possibility of another, more systematic avenue for the Rohingya crisis in the form of two-sided matching, this paper critically examines certain matching markets and the challenges in implementing them in the world’s largest democracy. With international refugee matching having been theorized in the western world, a country like India presents a set of varying design challenges that are evaluated from the perspective of optimizing design metrics for the novel refugee resettlement market, within the ambit of policy constraints. Alternatives in the form of one-sided matching are also presented.

## **Table of Contents**

Introduction to the Rohingya Crisis	57
Refugee Resettlement Policy in India	57
Matching as a Solution in India	58
Motivations, Comparisons, and Status Quo of Matching	59
Refugee Resettlement	61
Why Matching	62
The Proposed Market	63
Matching for the Rohingya	64
Matching Market Structure	65
Matching Logistics	67
Algorithms	70
Conclusion	73
Notes	75



## **Introduction to the Rohingya Crisis**

Often called a textbook example of ‘ethnic cleansing’, the Rohingya Crisis has emerged as a result of thousands of Rohingya Muslims being forced to flee from their homes in Myanmar. More than one million people from this mainly-Muslim minority group lived in Myanmar at the start of 2017, with the majority in Rakhine State.<sup>1</sup> The government of Myanmar, a predominately Buddhist country, has for long claimed that Rohingya people are illegal immigrants from neighboring Bangladesh and has denied them citizenship, leaving them stateless. By virtue of their locations in the Subcontinent, India and Bangladesh have emerged as natural destinations for many Rohingya refugees. Around 60,000 ethnic Rohingya have already found themselves in India after crossing the border, whereas in Bangladesh the number is as high as a million (with over 500,000 having crossed at the height of the crisis between August and October 2017).

### *Refugee Resettlement Policy in India*

India is not a signatory to any international convention on refugee resettlement. Even still, India has always maintained a sort of open door policy to refugees, as a result of which there are Tibetan, Afghani, and even Burmese refugees well-settled within their borders. Even though India has been home to a large number and variety of refugees throughout the past, it has dealt with refugee issues on a bilateral basis. It has observed a refugee regime which generally conforms to the international instruments on the subject without, however, giving a formal shape to the practices adopted by it in the form of a separate statute.<sup>2</sup> Refugees in India are legally foreigners. They are dealt with under existing Indian law, both general and special, which are otherwise applicable to all foreigners. For the same reason, applications for refugee status are considered on a case-by-case basis. UNHCR has often played a complementary role to the efforts of the government, particularly with regards to verification about the individuals’ background and the general circumstances prevailing in the country of origin.

In the face of an escalating crisis and the absence of any soundly designed resettlement program, the Central Government of India decided in August 2017 that ethnic Rohingya should be deported and others should not be allowed to enter. It was claimed by the Home Ministry to be a “national security threat”.<sup>3</sup> Given all of this, the U.N’s refugee agency, the UNHCR has not had

much say in convincing the government to accept these refugees for permanent resettlement.

### *Matching as a Solution in India*

For the vast number of Rohingya refugees who have already made way to India and Bangladesh, their assimilation into various communities lies largely in the hands of a bureaucratic machinery working with limited or no information to assign a refugee to a particular location. In fact, in 2015, the government of Bangladesh proposed a relocation plan for the Rohingya refugees in Bangladesh to the remote island of *Thengar Char* in the Bay of Bengal.<sup>4</sup> The plan was pushed back following criticism by human rights activists and the UNHCR. India proposed several such relocation plans but again they were hinged on the idea of establishing a single base for all refugees.

That where refugees end up long-term is hugely consequential on lifetime outcomes is almost never a part of the long-drawn and inefficient bureaucratic process for assigning resettlement. Economists Emma Stewart and Gareth Mulvey demonstrate the imperfections of extant integration policies in the United Kingdom, many of which spring from the difficulties a government faces in taking particular individualized needs and aspirations into account. The same outcome has been unfolding with the 14,000 Rohingya already being relocated in some way by the Indian government.<sup>5</sup> Drawing from noteworthy ideas in matching theory and modifying them to suit the priorities and bandwidth of India specifically, I will examine the feasibility of two-sided matching as well as propose new mechanisms for the government to consider when implementing relocation schemes for Rohingya refugees. As an aside, I have chosen to focus on India not because it is the only destination for Rohingya refugees (I have already shown how pivotal Bangladesh is), but because it is a relatively smaller destination (in terms of number of Rohingya expected) and makes for more optimal testing grounds for initial hypothesizing. With international refugee matching having been theorized in the western world, a country like India presents a different set of design challenges. While Jones and Teytelboym proposed a centralized matching system for refugees, similar to what is used in many places for school choice - I will also reevaluate the notion of similarity to school choice since it is a matching market that barely exists in India, in the process of building onto refugee resettlement.<sup>6</sup>

## Motivations, Comparisons, and Status Quo of Matching

Before diving into conceptualizing refugee resettlement and its associated design for the Rohingya in India, it's useful to consider the matching algorithms and techniques currently in limited use in the Indian market. India is not a nation where matching theory has been put into practice too often. Population size and high levels of illiteracy, as well as historical and cultural factors render the implementation of market design techniques for overall gains inefficient. In this section, I will evaluate existing algorithms but also aim to solidify a thus far vague understanding of where they fall short in an Indian context. To begin with, consider the following matching markets and their shortcomings.

In the National Resident Matching Program, an algorithm to optimize how resident medical interns get their positions at hospitals is used. In the absence of a formal application process that could facilitate some form of the NRMP, a vast majority of Indian medical students end up doing their residencies abroad, popularly in the US, UK, and Canada. For those who choose to stay in India, the process of getting a residency typically involves reaching out directly to a hospital and hoping for a vacancy.<sup>7</sup> Though formal application processes exist as a part of procedure for various medical divisions (especially in private hospitals), any proposed resident matching market would almost have to go back in time and undo the murky state of affairs in intern placement.

A centralized matching market for schools does not exist, except for in higher level engineering programs.<sup>8</sup> India is home to a multi-tier school system that includes exorbitant private schools (usually attended by upper and upper-middle class students) complemented by much more affordable government run schools. These government run schools are subsidized for students from the lowest socioeconomic backgrounds. Any matching market would first have to distinguish between these distinctive systems of schooling. Furthermore, private school attendance is not decided by virtue of location/proximity. Parents enroll their children at virtually any private school within an acceptable radius. Once admitted at the beginning of their schooling career, the student is more likely than not to stay in the same school till attending college. Most private schools in India are K-12. An added source of inefficiency in the private schooling system

is the inadequate number of schools available even to cater to the top 20%. This leads to the creation of widespread false admissions cycles in schools during unexpected times in the academic year. Government school attendance, on the other hand, is rife with different problems. Since these schools are more heavily attended by students living within their tehsils (a local administrative district), a matching market hinged on locational preferences has been thought of as more conceivable for government schools. However, here again, educational infrastructure has not evolved in tandem with population growth. Citizens record commute times of over 3 hours to government schools closest to their districts in remotest areas of the country. Moreover, given that agriculture still remains a source of income for more than half the country, children in rural areas are pressured into working on the fields or in other unskilled low-wage pursuits from an early age. According to the latest Census in India, 1 in 4 children of school-going age is out of school.<sup>9</sup>

Let us now look at a market in India that is in practice a matching one but faces gross inadequacies. Engineering school admissions in India function through a centralized matching market in which students with differently privileged backgrounds, such as different castes, are treated with different admission criteria. Students have different preferences over which admissions criteria they are admitted under. Therefore, students may prefer not to reveal their caste and tribe information while applying. Besides this strategic burden on students, the current system suffers from a crucial market failure: the centralized assignment mechanism fails to transfer some unfilled seats reserved for under-privileged castes and tribes to the use of remaining students. Hence, it is vastly wasteful and Pareto inefficient.

It is not surprising that India is often referred to as the world's biggest organ market. Though there has been a substantial crackdown on illegal exchange markets, a new kidney exchange scam is exposed frequently. There are far too many hurdles to kidney donation even in terms of a legal exchange.<sup>10</sup> Police clearance from patients' respective districts and submission of an affidavit before the tehsildar (principal administrator of tehsil) are almost cardinal. Furthermore, donors and recipients have to often appear in front of a panel of doctors to solidify their case for a transplant. The entire exercise takes months. At this rate, over 50 percent of

people with renal failure are unlikely to survive over a period of 5 years. Before 2009, one could not receive an organ from a non-family member regardless of match in blood group and tissue type. Since 2009, the Paired Kidney Exchange (PKE) has been legalized under the amended *Human Organ Transplant Act of India*. Ever since, there have been attempts to use technology, mainly mobile apps, to introduce swapping/matching facilities.

A popular model/platform gaining traction in India is one where relatives of a kidney patient can find a right match and get the kidneys swapped with one of another family's members. However, in the face of inefficient registration processes and illegally paid donors, the market for kidney exchange in India is still as undeveloped and problematic as it was in 2009 post legislative changes.

The aforementioned list is merely a subset of matching markets that have not thrived in India as a result of social, cultural, historical and demographic factors that are far too deeply ingrained in society. In all cases, we see that the size of such a potential market matching is so huge that the problems it entails are equally formidable to design a centralized system for. But in the case of Rohingya refugee resettlement, we narrow down to a potential market where we would have to reverse fewer trends/policies from the past and design a system for fewer agents (40,000-50,000). Moreover, since these 40,000 refugees constitute the first wave of Rohingya Muslims seeking asylum in India, a sound centralized matching market, if implemented can set a viable precedent for future refugee crises. Unlike in the other cases outlined above, designing a two-sided matching can well be our starting point for finding optimal matches.

## **Refugee Resettlement**

There is clear evidence that India needs both a successful matching market and an innovative approach to its relocation policy. Without international conventions on refugee resettlement, a centralized market for refugees to match them to localities or communities does not compromise existing policy, at least from a UNHCR perspective. In fact, UNHCR already often acts as a matchmaker similar to the public school board by processing applications and

suggesting refugees for resettlement in countries that have agreed to take the refugees.<sup>11</sup> The current matching process, however, is not systematically designed to achieve desirable properties of two-sided matching. While the UNHCR acts as a conduit for the vast majority of resettlement applications, it does not take into account the preferences of refugees and the priorities of countries in any systematic way. UNHCR typically suggests a family for resettlement in a particular country and the country processes the application it receives. Given that India has little institutional experience with matching processes, implementing the UNHCR match without considering any further properties may not be ideal.

### *Why Matching?*

The UNHCR and other activist groups contend that a country of 1.2 billion people should be able to provide ample opportunity to another 40,000, especially since the the central government issued an order to all state governments to identify and deport illegal immigrants, including Rohingya on August 8, 2017.<sup>12</sup> This is likely to mean that more and more Rohingya will be diverted to Bangladesh; but that the 40,000-60,000 believed to have entered India over the last two years and already in some process of acquiring identification can legally be integrated through some policy instrument.

Government reports suggest that about 14,000 Rohingya in India have been recognized as refugees by the office of the United Nations High Commissioner for Refugees.<sup>13</sup> This recognition has allowed refugees to procure long term visas, and helped them gain access to education, healthcare, and housing. One of the main challenges in assigning these facilities, nevertheless, is that refugees do not naturally seek areas with more jobs and housing, but instead prioritize living close to their fellow Rohingya since the community is so closely-knit as a minority group. For immediate and sentimental reasons, this homogeneity of experience makes sense but it is bound to harm long term outcomes. Consider Sweden's experiment in 1990 of deliberately placing refugees randomly around the country, in the hope for better integration. The research done at Uppsala University based on this experiment decisively shows that initial placement of refugees into less prosperous communities lowers their job prospects, health,

income levels, and education.<sup>14</sup> Now, according to data from the United Nations Development Programme (UNDP), Sweden is around 82 spots better than India on the world inequality index determined by various metrics. This implies the amplified inequity of a similar attempt for Rohingya in India.<sup>15</sup> By random allocation, they would be subject to communities that are detrimental to any form of upward mobility. The goal for India, on a humanitarian level, is to avoid creating conditions (at the behest of complete randomization) such that the existing Rohingya refugees voluntarily choose to head back to Myanmar.

### **The Proposed Market**

Before discussing the necessary components for applying matching theory in this situation, certain theoretical definitions need to be considered.

Even beyond the idea of economic and market-driven processes, a variety of situations in society require pairing/matching one agent to another. The agent can take the form of an individual or any other entity that offers something that can be incorporated as a form of exchange. The first foray into such work was in 1962 was by D.Gale and L.S. Shapley who focused on college admissions (matching colleges to students) and marriage (matching men to women and vice-versa) as a class of processes that would classify as two-sided matching models.<sup>16</sup> A matching is two-sided if:

1. *There are two sets of agents*
2. *If an agent from one side of the market can be matched only with an agent from the other side*
3. *Both sets of agents must agree to duly match for a match to be made*
4. *A centralized application process, as does not exist for many potential Indian matching markets, exists in the system*
5. *There is no unit of comparison in that agents have preference orderings over the other set of agents instead of values*

Furthermore, the preferences,  $>_x$ , of agent  $x$  for set P of  $p$  agents on one side of the market and set Q of  $q$  agents on the other side are strict total orders over:

- $P \cup \{q\}$  for agent  $q$
- $Q \cup \{p\}$  for agent  $p$

Ever since Gale and Shapley's marriage model, several goals of a fair and optimal allocation (or successful matching) have been identified. The notions of fairness and optimality are captured in:

1. **Pareto Efficiency:** No one should improve in the allocation without harming others. There is no potential trade made between two agents being matched that would make anyone better off without making anyone else worse off. The better and worse off can be corresponded simply to happier and unhappier.
2. **Stability/No Justifiable envy:** The process of justifiable envy is as follows: If  $p$  envies  $q$ 's match, then  $q$ 's match prefers  $q$  to  $p$ . Should this be removed, Rohingya refugees would not end up satisfied with their matches and would pursue under the table re-matching. This could prevent our designed matching intervention from breaking down.
3. **Algorithmic:** The algorithm to find suitable matching should be solvable in polynomial time.
4. **Strategy-Proof (for the agent being matched):** This design outcome implies that reporting true preferences maximizes the rank of final match. Again, in line with our approach this would mean refugees should not have any incentive to lie about their preferences over localities/communities hoping for better assimilation within India.

With these considerations of theory and achievable outcomes, I shall now proceed to how matching can well be a turning point in the Rohingya refugee resettlement process within India's borders.

### Matching for the Rohingya

On one side of the proposed matching system are Rohingya refugees. *Does this mean each refugee enters the market as one agent on one side?* It does not take much analysis to confirm that these refugees are already going through grave amounts of trauma. Splitting families up would only amplify the ordeal. Hence, one agent on the refugee side would correspond to an



entire family. A crucial element of the resettlement process is that refugee status is decided by the UNHCR and government agencies. For the purposes of matching, it will be taken as given.

The other set of agents comprises localities/communities, which in India are identified by as tehsils. The Rohingya have been found to create self-organized social safety nets, through literacy programs and other such campaigns. However, Delhi and other parts of urban India are often the preferred destinations for refugee groups that fall within the UNHCRs mandate.<sup>17</sup> In the capital, these groups have the possibility to get refugee certificates and access to certain support services, such as education, health, livelihoods, and legal counseling. It is for this reason that the Rohingya lawyers and the central government of India are in the midst of a legal battle at the Supreme Court where the government contends that offering the best of urban settings to these refugees poses a security threat to the state. Matching is also capable of softening the terms of this legal battle if it is recognized that a more equitable and fair allocation of refugees to areas (not necessarily all urban) poses both less of a security threat and less burden on the tehsils that will accept Rohingya.

### *Matching Market Structure*

Once regulatory authorities can definitively ascertain that a certain number of Rohingya have to be resettled, and that *tehsil* administrations can confirm that they can host a certain fraction of this number, we should be ready to implement the match. With the highly decentralized structure of government, the way this would work is that the central government would earmark certain areas deemed fit for accommodating refugees (based on the latest Census and proximity to Myanmar border).

For information to be processed before any allocation is made, a centralized clearinghouse would have to exist. Both sets of agents - refugees and tehsils - will submit a ranking to this centralized clearinghouse: refugees (as family units) would submit their preferences over where they wish to go, and communities their priorities as to which categories of refugees they feel equipped to help. To be clear, Tehsils would not rank Rohingya families individually - they would rank categories of refugees that their available resources can accommodate. Not only is there no way for administrators to know specific characteristics of incoming refugees that make them

attractive for acceptance, but ranking individually would send the system into an ethical spiral. Even 70 years after independence and partition between India and Pakistan, India is divided into Hindu-majority and Muslim-majority regions. Individual family names, can hence be used to identify ethnicity and may adversely affect stability of outcome, whereby a tehsil administration may prefer a different refugee status but ends up lying due to ethnic favoritism.

Instead of ranking families individually, *tehsil* representatives and administrators would rank priority categories based on capacity, which is expected to be a function of resources available for the district to provide new livelihoods. Each district will have what is called a 'priority structure', which is the complete ranking made by one agent on any side of the market. More specifically speaking, the priority categories could arise from say, a district with more entry-level jobs available or more hospitals/medical facilities available having highest priority for refugee categories seeking entry-level jobs or more urgent medical assistance.

In an Indian context, other priority categories I would recommend are: family size for necessary housing accommodations, or number of children in Rohingya family versus private/government schooling infrastructure and presence of NGOs for refugee support. The prerogative of which categories to include in the matching market is necessarily that of the central authority for reasons of uniformity. As a caveat, a precursor step should be to finalize which priority categories leave no room open for ranking based on immoral intentions by existing residents of the district. The UNHCR and other resettlement agencies have substantial data on vulnerability and particular need of the 40,000-60,000 refugees already in India.<sup>18</sup> For the Rohingya refugee match, the Indian government could simply make the possible priority categories correspond to categories based on this vulnerability and need-based data.

We will find that it is mandatory to assign a two-fold priority system to tehsils, one that highlights total capacity in size units and another that highlights the true priority aspect. One must recognize that some of these services, though well-offered, may not be able to cater to every possible capacity of incoming refugees. This two-fold system would also avoid overfilling quotas in any category. Bestowing the power of deciding a priority structure on the tehsils also eliminates a cumbersome bureaucratic process from the capital New Delhi. Yet another reason for discretion is that tehsils or localities are bound to have non-uniform priorities. Therefore, it is

wise to allow some degree of discretion over priority structure. For example, one district might want to prioritize rare medical conditions over family connections, whilst another might have a very different ranking. The Rohingya refugee match duly allows both refugees and *tehsils* to decide for themselves what is most important to them.

### *Matching Logistics*

Before describing what the algorithm would look like, it is imperative to impose some requirements without which the process would bear no fruit. In order for the preference orders to be meaningful in any way, the central government must ensure that refugees receive accurate and comprehensive information about districts in order to help them make a decision. Partnering with support groups and NGO's is my suggested best way to go about it, based on the deeper grass roots connection these groups tend to possess in a hugely populous country like India. Many a time, this will include presenting information in a valid format, i.e. translation to Rohingya language which happens to be closely related to Bengali (one of India's most widely spoken languages).

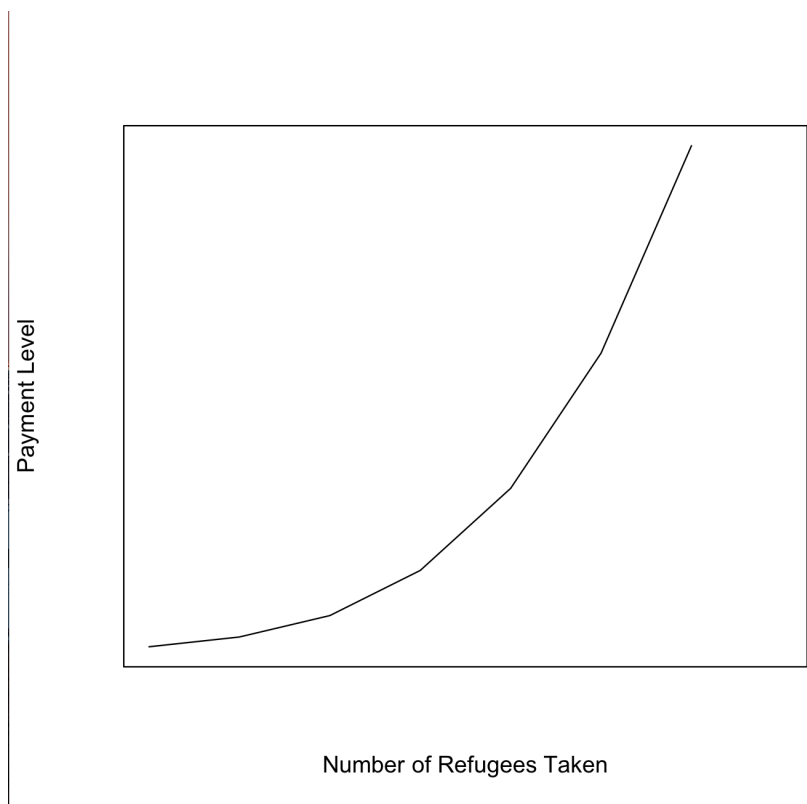
Though not formalized through a known refugee resettlement program, the Indian government is bound to resettle at least 14,000 Rohingya refugees, just based on UNHCR recognition (the others making up the previously stated 40,000-60,000 have not gained recognition/status yet). It is likely these 14,000 refugees were a part of the first wave of Rohingya redirected from Bangladesh around August of 2016. Should our Rohingya refugee match find allocations satisfying certain properties, India's plans to deport other Rohingya may change in some shape or form. It is largely because of the absence of any sound matching system that the government is reluctant to adequately resettle these refugees (along with security issues as mentioned earlier).

Voluntary participation should ideally not be an option, simply because of a possible sentiment of aversion towards these refugees. The government will have to earmark certain districts and force participation, and raise financial support available at the state level in tandem. This is expected to hold because the initial matching system will be tried with the assumption that the government can commit to hosting only 14,000 Rohingya with guaranteed status from

UNHCR. It should also be clearly delineated by government representatives that tehsil administrations have an incentive to participate in the scheme especially when they believe that few other tehsil administrations are participating. When the system is less competitive from their perspective, they are likely to get particularly apt matches given their priority structures. Other incentives for tehsils include increasing financial support from the centre per refugee, more infrastructure projects as reward for entering the match and a better utilization of existing infrastructure - all captured within the theme of growth prospects for the particular region.

Since we have decided the matching system will run on 14,000 Rohingya (split into families), we are entering what is called the Refugee Number Target system, where payments are determined by a convex function (see figure 1).<sup>19</sup> After the government has set a number of refugees, the system determines the cheapest allocation of that number. Tehsils will announce a minimum number they would be willing to accept and should be willing to accept further refugees up to their actual total capacity. As opposed to a Spending Target system where the government would decide an overall amount it is willing to spend, a smaller number of tehsils or districts are likely to host large numbers of refugees in this Refugee Number Target system.

Fig. 1. Refugee Number Target System



One cannot emphasize enough how crucial it is to ensure that refugees do not get lost in a pool of information and in turn, lose the ability to make sound decisions about their rankings. In a way, presenting them with two-sided matching is already stressful enough. The idea is to relieve that stress wherever possible. The government would need to approach this on both sides of the market: on one hand, pre-select a reasonable number of tehsils that are found to be functional for certain services and on the other ask refugee families to rank only a subset of the tehsils. These steps can hugely simplify the process. They can also bridge the gap between this overwhelming matching market and the intrinsic personalities and needs of Rohingya.

Refugees are in dire need of relocation assistance. Running the match on say, yearly intervals, would be counter-productive. The goal will be to reduce intervals to ensure immediate protection but not to the point that matching is done so frequently that refugees who are deemed to have higher priority at an earlier clearing round end up with lower priority than a set of refugees entering the system later. If the system matches too frequently, Rohingya refugees may end up damaging their own interests and that of other refugees in the Rohingya Refugee Match. This leads to the question: *Will refugees be able to game the system by entering a later round?* We will avoid this problem by asking the Indian government to allow refugees to submit preferences with ample amount of time to think about their decisions, but to not inform them which batch they will enter.

We have already seen the desirable characteristics of two-sided matching outcomes. However, no two-sided matching market has so far been found to satisfy all outcomes.<sup>20</sup> As a result, we will aim to build a sense of the subset of desirable properties we deem more important. Some evaluation would lead us to feasibility, strategy-proofness and Pareto efficiency as the most important properties for our purposes.

- Whilst **efficiency and feasibility** are clearly desirable to avoid political controversy and disarray, they will also be necessary to present for the Government to be willing to act as clearinghouse.
- **Strategy-proofness** will be needed because refugees naturally have unequal levels of access to information about different districts and, if the system is gameable, more

informed refugees may have an undue advantage.

- **Stability should not be too important** because under the table re-matching should anyway be legally prohibited or made exceptionally costly to deter refugees/districts from indulging in it. However, giving up stability would mean losing the power to do much about an unstable/unfair outcome - one where refugees can see that there are more desirable districts in which they would have had a higher priority.

Following the above considerations, it must be made clear to refugees that they cannot make themselves better off by being untruthful about their preferences of tehsils. This ensures a level playing field. We will be hoping for diverse preferences. Despite the previously described homogeneity of religious areas in India, diversity at the lower level (districts which we would ask refugees to rank) is still large. Given the set up of this matching market, the more diverse preferences are, the more we stand to gain by using a two-sided matching process. Another way to think about this is: Regardless of which algorithm we use, if all districts have similar priority structures, then the system is likely to let refugees decide their own fates.

### *Algorithms*

With the theoretical and practical considerations behind us, we must now consider how the centralized clearinghouse would run this matching. I will outline sample matches using the following algorithms:

**Gale-Shapley Algorithm** (Tehsil/District-Proposing): Assume there are there are three Rohingya families, referred to as  $R_1, R_2, R_3$  and three tehsils, referred to as  $T_1, T_2, T_3$ . For purposes of this example, let each district accommodate at most one refugee family. Furthermore, assume that preferences of the Rohingya families are as follows:

$$R_1 : T_1 > T_3 > T_2 \quad (1)$$

$$R_2 : T_2 > T_1 > T_3 \quad (2)$$

$$R_3 : T_2 > T_1 > T_3 \quad (3)$$

where  $>$  means 'strictly prefers.' Now, consider the indirect preferences of the three tehsils (keeping resources and matching family needs in mind):

$$T_1 : R_2 > R_1 > R_3 \quad (4)$$

$$T_2 : R_1 > R_2 > R_3 \quad (5)$$

$$T_3 : R_1 > R_2 > R_3 \quad (6)$$

With these preferences in mind, this is how the District-Proposing version would work:

1.  $T_1$  proposes to  $R_2$ ,  $T_2$  to  $R_1$  and  $T_3$  to  $R_1$ .
2. Tentative acceptances are made based on preferences of Rohingya families, and rejected districts keep proposing in sync with their specified priority structures.
3. No families are rejected - all tentative acceptances are made final.

This leaves us with the stable outcome  $(T_1 - R_1, T_2 - R_2, T_3 - R_3)$ . However, we have clarified earlier that stability is not the most important property to satisfy. Furthermore, the stable outcome is not efficient since  $T_1$  and  $T_2$  would want to swap the refugee families currently assigned to them. Let us pivot to an algorithm that can move us towards one of the other properties we would favor.

**Top-Trading Cycles Algorithm:** In every round, every Rohingya family points at its favorite district, and every district points at its highest-priority family.

Running the TTC, we have the following cycle:  $T_1 \rightarrow R_2 \rightarrow T_2 \rightarrow R_1 \rightarrow T_1$ . We follow the strategy of assigning families in the cycle to the *tehsils* they immediately point at. So,  $T_1$  gets  $R_2$  and  $T_2$  gets  $R_1$ . This leaves the assignment of  $T_3$  to  $R_3$ .

This gives us the outcome  $(T_2 - R_1, T_1 - R_2, T_3 - R_3)$ . Notice that this outcome is not stable since  $R_1$  and  $R_2$  can coordinate an under the table deal and swap districts to make each better off. If previous suggestions on making such deals legally prohibited/costly are followed, this deal should be virtually impossible to conduct. But the outcome is efficient, no refugee family can get assigned relocation in a more suited district without rendering some other refugee family worse off in the process.

**One-sided Rohingya matching - Irvin's Algorithm:** Though the focus of this paper has been on two-sided matching theory, it is important to leave alternatives open. Suppose the government is reluctant to implement a proposal that requires tehsils to enter a matching market, and instead chooses to pre-specify districts where it would want to place Rohingya refugees. Taking this as given, I propose we can still use matching theory to keep refugees satisfied. Here, there will be a matching between refugee families as opposed to between families and districts. Irving's algorithm for the stable roommate problem from 1985 can be thought of as a motivator for this one-sided refugee matching.<sup>21</sup> For the sake of comparison, refugee families can be thought of as roommates and tehsils can be equated to room/accommodation. The problem can be described as follows: A set of  $n$  potential families, each with ranked preferences over all the other potential families, are to be matched to tehsils,  $x$  families per tehsil.

The process would be formulated slightly differently. It would be made clear to refugees that the districts to which they will be assigned are pre-decided and not open to choice. Instead, they can choose which other families they want to live with by entering this single-sided market and ranking each other. The 'x' is attained by continuously running the match on family pairings and treating them as a single unit at each subsequent round. For instance, X and Y are found to be stable co-residents in one matching. Then X and Y will join forces in the next round and act as a singular family unit hoping to find a stable assignment in another pair acting as a single family, say P and Q (where P and Q was a stable assignment from the previous round).

A matching is stable if there is no Rohingya family,  $R_1$ , that would rather be matched to some other co-resident family,  $D_2$ , than to their current co-resident,  $R_2$ , where the other family,  $D_2$ , would rather be matched to  $R_1$  than to their current co-resident family,  $D_1$ . The algorithm takes place in two phases.

In phase 1, potential co-resident families take turns sequentially proposing to the other families. Each family who is proposed to can accept or reject the proposal. A family accepts if it currently has made no better proposal which was accepted to another family. If a family has accepted a proposal, and then receives a better proposal, it rejects the old proposal and substitutes



in the new proposal. In phase 2, we begin by eliminating all potential family co-resident matches which are worse than the current proposals held. Once a match is made after a number of rounds, refugee families can be assigned to pre-decided districts keeping in mind the family pairings from the one-sided Irving like algorithm. The above algorithms have been described as though there is active proposing, rejecting and accepting. In reality, we will have computer software implement the matching system, much like in the one-sided matching case. What should be even more striking is that different algorithms can lead us to different properties, some more attractive than others. With the theory laid out, it will be up to the pertinent government organization to decide whether to take a matching theory approach to expand on the aforementioned ideas. The presence of families may require some difficult trade-offs to be made. For example, it is unclear whether a single individual satisfying priority categories X and Y should be matched ahead of a two-person family with one member in priority category X and one member in Y. It can be left up to the regulating authority's discretion once a presentation is made. More such final considerations are highlighted in the next section.

## **Conclusion**

As this paper shows, designing and implementing matching systems in emerging markets with weak institutions poses a substantial challenge. In exploring the status quo of matching in India before outlining the Rohingya refugee match, my effort has been to take a step in that untapped direction. It would be too far-fetched to claim that matching is the ideal solution for the Rohingya refugee crisis in India. The reason I emphasized legal measures earlier on is to be able to conclude by reiterating that no amount of market design can triumph a simple lack of desire by society or government to accept refugees. Moreover, it cannot be applied to all contexts. If, for some reason, the government decides to let refugees seek aid in India through local sponsors, it is much less likely that a matching system can then act as a viable intervention.

At the same time, however, the matching system is a more efficient and humane way of dealing with a crisis like that which the Rohingya face. The tehsils that families are matched to

are more likely to get them started on a path of integration and upward mobility. As a result, the overall quality of life a district can offer is expected to be higher in most cases. The system in itself is an incentive for further participation, especially for the districts. Seeing favorable results and neighboring regions flourish is bound to get more local administrations excited about entering a matching system to accept Rohingya. Better integrated and more content refugee populations are expected to foster communities within districts that are more confident about their ability to host refugees in future. Yet another benefit is the immediacy of the outcome with matching. In the current system, the government is making little or no progress even in relocating Rohingya refugees with guaranteed status. For a matching market, an allocation is immediately decided once the priority structures on both sides are aggregated by a centralized clearinghouse. The intervals at which to facilitate this matching are also up to our discretion.

Last but not least, this system is almost unprecedented in how humanizing it is. It would give a historically neglected and now displaced community more control over its own fate. This system would be even more direct than systems that purportedly take the best interests of refugees into account in helping them find a suitable region to resettle - like the existent system of bureaucratic machinery reviewing a dearth of refugee family information to make arbitrary decisions. We expect a fundamental right to choice across all walks of life within the constraints of what is available. The government of India must realize that Rohingya Muslims too, at the very least, have that right to choice.

## Notes

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## Unemployment Insurance and the Unemployment Rate: Evidence Across U.S. Counties

Ariel Goldszmidt

### **Abstract**

We study the relationship between unemployment insurance and unemployment rates during the post-Great Recession employment recovery using county-level data on unemployment and state-level data on aggregate benefits. A typical fixed effects estimation approach may be inconsistent in this setting, for even after county and time fixed effects are removed with a “within” transformation, county-level shocks may still be correlated with state policy. To address this endogeneity, we combine a “within” transformation with a first difference across neighboring counties in different states, exploiting the fact that neighboring counties likely experience comparable shocks while their unemployment policies, being set at the state level, may differ. Using this approach, we find that the usual fixed effects estimator indeed overestimates the extent to which unemployment benefits raise unemployment. Our results also suggest that it may be possible to improve unemployment outcomes by raising the level of benefits while lowering their maximum duration.

## **Table of Contents**

Introduction	79
Literature Review	80
Theoretical Work	80
Empirical Work	81
Model	82
Data	85
Results	86
Conclusions	89
Notes	91

## Introduction

The relationship between unemployment insurance (hereafter, UI) and the unemployment rate is of both theoretical and practical interest. Labor economists must concern themselves with this relationship in developing models of labor markets, while policymakers are interested in how public unemployment benefits affect the aggregate labor force.

Traditional economic reasoning suggests a simple relationship: the greater the UI (either in terms of length of benefit, average weekly payout, or both), the more utility agents derive from being unemployed, and the less incentive they have to find employment (holding the wage distribution constant). Higher UI then increases the number of workers who choose to be unemployed at a given time, increasing the steady-state unemployment level. Section 2.1 presents a formal discussion of this theoretical intuition.

As Section 2.2 shows, however, economists have encountered difficulty and dispute in empirically measuring this supposed relationship between UI and unemployment. The question presents a difficult endogeneity problem, in that unemployment-prone regions may be expected to offer more generous UI. Moreover, political debate on the social welfare consequences of UI has made the question of this relationship highly contentious. These considerations warrant further research into the relationship.

Additionally, some gaps exist in the UI literature. While many have recently studied the effects of UI on unemployment during the Great Recession, few have considered the effects of UI in the subsequent economic recovery, during which overall unemployment has decreased substantially to pre-Recession levels. Moreover, most recent studies of UI have considered only the maximum duration of available benefits, and not the level of weekly benefits paid. Our main contribution to the literature is to apply the method used by Hagedorn, Karahan, Manovskii, and Mitman, which compares adjacent counties in different states, to study the effects of both duration and level of UI benefits on unemployment in the post-Recession U.S.<sup>1</sup>

In this paper, we begin by summarizing some of the important theoretical and empirical developments made toward understanding the relationship of UI and unemployment in the past 50 years. We then propose a simple model to study the predicted relationship of UI and

unemployment. Next, we detail available recent data and outline an empirical procedure to assess the model. We conclude with some preliminary results and a discussion of their implications.

## Literature Review

We now survey some relevant theoretical and empirical work on the relationship between UI and unemployment.

### *2.1 Theoretical Work*

McCall's job-search model provides an early theoretical grounding for the informal argument presented in Section 1. In McCall's model, an unemployed worker may in each period pay  $c$  to draw a random wage offer  $x$  from a distribution  $\Phi$ . The worker accepts the offer if the lifetime utility it will bring her exceeds the expected utility of waiting another period and again paying  $c$  to draw a new wage offer. The reservation wage is defined as the wage offer that renders the agent indifferent between accepting and rejecting employment. It is easily verified that, all else being equal, increasing the search cost  $c$  decreases the reservation wage, leading agents to more readily and quickly accept job offers, and resulting in lower aggregate unemployment. If the individual also receives some public UI benefit  $b$  in each unemployed period, the benefit functions as a negative search cost, and a larger  $b$  thus results in higher unemployment.<sup>2</sup>

McCall's model identifies a moral hazard problem, arguing that unemployment benefits lower unemployment by decreasing the relative cost of remaining unemployed. Chetty has developed a model in which UI raises unemployment primarily through an income effect, by providing greater liquidity to unemployed low-income households.<sup>3</sup>

Albrecht and Axell expand on McCall's search model by including firm behavior in the economy, endogenizing the wage distribution. The authors find that an increase in the unemployment benefit  $b$  raises the steady-state general equilibrium level of unemployment, although this effect can be offset by a shift in the wage distribution. Interestingly, the authors also determine that a selective increase in the unemployment benefit, extended only to agents who derive little utility from leisure, can in fact lower steady-state unemployment.<sup>4</sup>



Davidson and Woodbury offer a different extension to the classical job-search model by considering UI benefits offered only for a finite number  $T$  of periods, rather than indefinitely. The authors find that the average duration of unemployment spells is increasing in both the benefit  $b$  and the maximum benefit length  $T$ . Further, the authors demonstrate that the welfare-maximizing level of  $b$  decreases in  $T$ , reaching a level equal to the weekly wage when  $T=32$ .<sup>5</sup>

Still more extensions in the literature include models with partial UI coverage, wage bargaining and union-financed UI, and experience rating.<sup>678</sup> In general, the intuitive prediction that more generous UI increases unemployment is supported in a wide class of theoretical models.

## *2.2 Empirical Work*

Despite broad agreement in the theoretical literature that UI should increase unemployment, the exact quantitative relationship has proven difficult to measure conclusively. This difficulty may be due to the substantial endogeneity in models relating unemployment to UI. Various instruments have been used in attempt to isolate the causal effects, on both the microeconomic and macroeconomic levels.

Solon exploits a 1979 U.S. policy shift that made UI benefits taxable on sufficiently high tax returns. Solon compares 1978 and 1979 data collected by the Continuous Wage and Benefit History (CWBH) program, which surveyed UI claimants in Georgia. The author proposes a hazard-rate model of individual unemployment duration using a Weibull distribution, the parameters of which are estimated by maximum likelihood. By comparing unemployment durations of high-income claimants in the 1978 and 1979 samples, Solon concludes that the tax on UI—which amounts to a decrease in weekly benefit—resulted in a decrease of expected unemployment length from 9.6 to 8.4 weeks.<sup>9</sup>

McCall studies the effect of benefit levels on receipt of UI using a logit dichotomous choice model, in which the available benefit level affects the probability of an agent taking up benefits. The author uses micro-data from the Current Population Survey's Displaced Worker Supplements (CPS DWS) for 1984-1992. Exploiting differences in UI policy across states and over time, the author uses UI claimants' state and year of filing as an instrument for exogenous

variation in available benefit level. He estimates that a 1% increase in the replacement rate (the ratio of the weekly unemployment benefit to the previous weekly wage) corresponds to a 0.1-0.3% increase in the probability of taking up UI benefits.<sup>10</sup>

Recently, much literature has analyzed the effects of extensions in the maximum length of UI benefits during the Great Recession, which reached as high as 99 weeks in some states between 2009 and 2012. Farber and Valletta consider the micro effects of these extended benefits by comparing UI-eligible and UI-ineligible individuals in the Current Population Survey data. They find that the extensions had a small negative impact on the individual unemployment exit rate. The authors estimate that the unprecedented extensions accounted for only 0.4 percentage points of the 9% national unemployment rate seen in 2010.<sup>11</sup>

Chodorow-Reich and Karabarbounis offer a macroeconomic analysis of these benefit extensions. To overcome endogeneity, the authors note that UI benefit extensions were based on real-time reports of state unemployment, which suffer from substantial measurement error. By comparing the real-time reports to later revised data, the authors isolate inter-state differences in UI benefit extensions induced by measurement error rather than differences in economic fundamentals. These measurement errors provide exogenous variation in UI benefit extension, allowing the authors to identify causal effects. They conclude that the extensions had an almost negligible impact on macroeconomic outcomes, estimating that extension of benefits from 26 to 99 weeks could increase aggregate unemployment by at most 0.3 percentage points.<sup>12</sup>

Hagedorn, Karahan, Manovskii, and Mitman explore the macro effects of Great Recession-era benefit extensions with a different procedure: comparing bordering counties in different states, to isolate the exogenous state UI policy from the counties' endogenous labor market fundamentals. Their results are much larger than those elsewhere in the literature, estimating that 2.5 percentage points of unemployment in 2011 were induced by benefit extensions.<sup>13</sup>

## **Model**

Unfortunately, the models discussed in Section 2.1 do not easily produce simple closed-form equations relating the steady-state unemployment rate to the available UI benefit level and

maximum benefit duration. Moreover, it is beyond the scope of this paper to construct a full theoretical model for deriving such equations. For these reasons, I look to evidence from simulated models and prior empirical work to propose a regression equation.

Sargent and Stachurski combine a version of the McCall model with a “lake” unemployment model to analyze the effect of UI benefits on steady-state aggregate unemployment. They use a CRRA utility function and a lognormal wage distribution, and calibrate birth, death, and separation rates to match those of the U.S. The authors then numerically simulate the steady-state unemployment rate for various levels of infinite duration ( $T=\infty$ ) UI benefits. Their results, shown in Figure 1, suggest a highly linear relationship between the unemployment rate and the benefit level.<sup>14</sup>

Figure 1: Steady-state unemployment as a function of per-period UI benefit level  $c$ . From Sargent and Stachurski (2015)



To understand the relationship of the maximal weeks of UI benefits on steady-state unemployment, we turn to Davidson and Woodbury. Their model demonstrates that changing the benefit  $b$  while holding  $T$  constant produces essentially the same effects as holding  $b$  constant while changing  $T$ , suggesting that  $T$  should enter into the regression equation in the same functional form as  $b$ . However, their model notes that simultaneous changes in  $b$  and  $T$  can have

different effects than changing each individually, suggesting that an interaction term  $b \times T$  should also be included in the regression.<sup>15</sup>

Moreover, it seems reasonable that each county and time period contribute some fixed effect to the unemployment rate, based on permanent local business conditions and the national economic environment. We thus arrive at the fixed effects regression equation

$$Y_{ikt} = \beta_0 + \beta_1 b_{it} + \beta_2 T_{it} + \beta_3 b_{it} T_{it} + \gamma' x_{it} + a_{ik} + v_t + u_{ikt} + \varepsilon_{ikt}$$

where  $Y$  is the steady-state unemployment rate,  $b$  the weekly UI benefit,  $T$  the maximum length of the benefit,  $x$  a vector of controls (discussed in Section 4),  $a$  a county fixed effect,  $v$  a time fixed effect,  $u$  a county-specific time fixed effect, and  $\varepsilon$  the remaining random error, which is constructed to be uncorrelated with all other covariates and fixed effects. The subscript  $i$  indicates the state,  $k$  the county in the state, and  $t$  the time period. Note that the  $b$  and  $T$  terms do not receive a  $k$  subscript because UI policy is set at the state level.

We suspect that the two fixed effects  $a_{ik}$  and  $v_t$  may be correlated with the state policy terms  $b_{it}$  and  $T_{it}$ , as UI policy is designed to extend greater benefits to consistently distressed states and to all states during prolonged periods of economic downturn. The above regression equation therefore has endogeneity.

To combat this endogeneity problem, we use the standard “within” transformation to demean out the county and time fixed effects. We obtain

$$\tilde{Y}_{ikt} = \beta_1 \tilde{b}_{it} + \beta_2 \tilde{T}_{it} + \beta_3 (\tilde{bT})_{it} + \gamma' \tilde{x}_{it} + \tilde{u}_{ikt} + \tilde{\varepsilon}_{ikt}, \quad (1)$$

where the terms are similarly defined.

This model may still have endogeneity, as the demeaned county-specific time fixed effect  $\tilde{u}_{ikt}$  still impacts the demeaned unemployment rate, and therefore may be positively correlated with the demeaned UI policy terms.

To overcome this further endogeneity, suppose counties  $(i,k)$  and  $(j,l)$  are adjacent. Due to their adjacency, their demeaned county-specific time fixed effects are likely quite similar, so that we assume  $\tilde{u}_{ikt} - \tilde{u}_{jlt} = 0$ . Subtracting their equations thus yields

$$\begin{aligned} \tilde{Y}_{ikt} - \tilde{Y}_{jlt} = & \beta_1 (\tilde{b}_{it} - \tilde{b}_{jt}) + \beta_2 (\tilde{T}_{it} - \tilde{T}_{jt}) + \beta_3 ((\tilde{bT})_{it} - (\tilde{bT})_{jt}) + \gamma' (\tilde{x}_{it} - \tilde{x}_{jt}) \\ & + (\tilde{\varepsilon}_{ikt} - \tilde{\varepsilon}_{jlt}). \quad (2) \end{aligned}$$

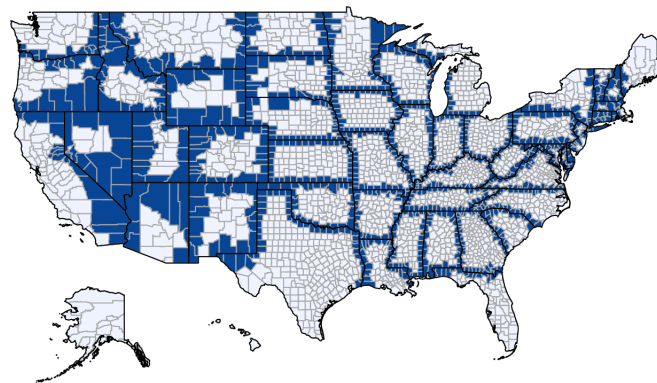
This equation should not have endogeneity, as the only remaining error term,  $\tilde{\varepsilon}_{ikt} - \tilde{\varepsilon}_{jlt}$ , is a linear function of the  $\varepsilon$ 's, and therefore uncorrelated with the policy terms  $\tilde{b}_{it} - \tilde{b}_{jt}$ ,  $\tilde{T}_{it} - \tilde{T}_{jt}$ , and  $(\tilde{bT})_{it} - (\tilde{bT})_{jt}$ , themselves linear functions of the original covariates. Note, however, that we need the strong assumption that  $\tilde{u}_{ikt} = \tilde{u}_{jlt}$  for  $(i,k)$  and  $(j,l)$  adjacent to reach this conclusion. The validity of this assumption is discussed in Section 6.

## Data

To estimate our specifications in equations (1) and (2), county-level unemployment data for April 2016-March 2017 was obtained from the Bureau of Labor Statistics' Local Area Unemployment Statistics (BLS LAUS). The U.S. Census County Adjacency File was used to construct 1,305 unique pairs of adjacent counties in different states. These pairs are shown in Figure 2.

Data on average weekly UI benefit paid in each month for each of the state and the District of Columbia was taken from U.S. Department of Labor Monthly Program and Financial Data. Data on the maximum length of UI benefits in each state and D.C. per month was obtained from the Center on Budget and Policy Priorities (CBPP) and the Congressional Research Service (CRS).

Figure 2: Pairs of adjacent U.S. counties in different states, highlighted in blue



Some variables should be controlled for in our regressions. To control for broad economic welfare, we include annualized state quarterly per capita income in our regression,

using data from the Bureau of Economic Analysis (BEA). Further, to account for the generosity of different UI programs, we include a “compensation ratio” term in the regression, which is calculated as the ratio of weeks of UI claimed to weeks of UI paid for each month and state. This ratio is calculated using the U.S. Department of Labor Monthly Program and Financial Data.

It would also be valuable to control for other factors, such as business conditions, race, and age in different areas. Unfortunately, measurements of such variables on the state and county levels are not available on time scales smaller than one year. The effects of these factors would therefore be indistinguishable from county fixed effects in our model, so we are unable to include them. Summary statistics for the panel of counties is shown in Table 1.

Table 1: Summary statistics for county panel data.

Variable	Mean	St. Dev.	Min	Max
Unemployment rate	5.266%	2.054%	1.345%	27.339%
Average weekly benefit	\$325.83	\$67.67	\$200.68	\$541.74
Maximum weeks of benefit	23.445	4.815	12	30
Compensation ratio	85.237%	15.459%	56.833%	222.265%
Income per capita	\$46,824	\$6,006	\$35,639	\$76,524

## Results

To confirm that the fixed effect specification presented in section 3 is appropriate, we first ran a Hausman test on the null hypothesis that the equivalent random effects estimator is consistent. The test returned a chi-squared statistic value of 285.8 on 5 degrees of freedom. This result gives strong evidence that the random effects estimator is inconsistent for the present purpose, and that the fixed effects estimator is to be preferred.

Following this test, we calculated the fixed effect estimator, first using equation (1) and a panel of 3,141 counties, and then using equation (2) and a panel of 1,305 unique pairs of adjacent counties in different states. The results are shown in Table 2.

All estimates shown are significant at the 1% level, except for the coefficient on the maximum weeks of benefit  $T$  in specification (2), which is not even significant at the 10% level.

Table 2: Fixed effects estimates using equations (1) and (2).

	Specification	
	(1)	(2)
Weekly benefit $b$	-0.019 (0.005)	-0.025 (0.005)
Maximum weeks of benefit $T$	0.194 (0.059)	0.067 (0.074)
Interaction $bT$	0.001 (0.0002)	0.001 (0.0002)
Compensation ratio	0.004 (0.0004)	0.005 (0.0004)
Income per capita	-0.0002 (0.00004)	0.0001 (0.00004)

*Notes:* Column (1) calculated from panel of 3,141 counties over 12 months, column (2) calculated from panel of 1,305 border county pairs over 12 months. Unemployment rate and compensation ratio measured in percentage points. Weekly benefit measured in dollars per week, income per capita measured in dollars per quarter. Panel-corrected clustered standard errors shown in parentheses, with clustering done at the county or border county pair level.

One of the most interesting results is that the coefficient on the weekly benefit  $b$  is negative under both specifications, suggesting that, all else held constant, providing an average of \$50 more per week would decrease the unemployment rate by about 1 percentage point. However, notice that the coefficient on the interaction term  $bT$  is a positive 0.001. It is straightforward to calculate that in a state providing around 20 weeks at most of UI, this interaction would cancel out the negative effect of the weekly benefit  $b$ , and in states providing more than 20 weeks, increasing the weekly benefit would raise the unemployment rate.

It is also interesting to note the differences between the results of the county specification (1) and the border county pair specification (2). The estimated coefficient on the weekly benefit  $b$  in specification (2) is more negative than corresponding estimate in specification (1), suggesting that the fixed effects model ran on specification (1) underestimates the negative effect of an increased weekly benefit on the unemployment rate. Looking at the magnitudes of the different estimates, and noting that both specifications estimate the coefficient on the interaction term to be 0.001, we see that the estimates in specification (1) suggest that increasing the weekly benefit will decrease unemployment in states where the maximum duration of benefit is at most 19 weeks, while the estimates in specification (2) suggest that increasing the weekly benefit will decrease unemployment in states where the maximum duration of benefit is as high as 25 weeks. This result has direct implications for policymaking.

The estimated coefficient on the maximum weeks of benefit  $T$  also differs greatly between the two specifications. The estimate in specification (1) is quite large, suggesting that increasing the maximum duration of benefits by just 5 weeks would increase unemployment by 1 percentage point. The estimate in specification (2) is not significantly different from 0, but the point estimate suggests that it would take an increase of 15 weeks in the maximum duration of benefits to raise unemployment by 1 percentage point. We suspect, however, that both estimates may be unreliable, as the data has little variation in the maximum length of benefits, both across states and over time. Nevertheless, the direction of difference between the two specifications suggests that the border county pair differencing indeed addresses some of the endogeneity in specification (1).



Some caveats to these results must be noted. First, by design, specification (2) accounts only for counties on a state border, and it is possible that this subset of counties possesses different economic conditions than the set of all counties. It may be, for example, that such counties benefit greatly from interstate trade, or are more likely to lie near important rivers. That said, any fixed effect shared by all border counties would be differenced out by specification (2). It is also possible that the regression specification (2) overweights counties which share several borders with counties in other states. This concern is indeed relevant, and should be studied further in the future, for it may have implications for our calculation of standard errors. At present, we merely note that of the counties which share a border with a county in a different state, about 75% border between two and four counties in other states, and 99.7% border six or fewer counties in other states.

## Conclusions

The results in section 5 suggest that simply using a fixed effects estimator on a panel of counties to assess the relationship of UI and unemployment rate tends to overstate the extent to which UI can raise unemployment, likely due to the endogeneity problem that U.S. policies extend greater UI benefits to high-unemployment areas. Fixed effects estimation on pairs of adjacent counties in different states suggests a smaller positive relationship between maximum weeks of benefits and the unemployment rate, and a stronger negative relationship between weekly benefit and the unemployment rate. Estimation on border county pairs seems to correct for some of the endogeneity in equation (1), giving estimates that may be closer to the true causal relationships.

Corroborating the results of other recent literature, we find that increasing the maximum duration of UI benefits can indeed substantially increase the unemployment rate. Our point estimate of this effect is even higher than that found by Hagedorn, Karahan, Manovskii, and Mitman, who estimate that an increase of one week in maximum duration of benefits causes about a 0.03 percentage point increase in the unemployment rate.<sup>16</sup> We note, however, that our estimate of this effect has too a large standard error to be taken as a precise measurement, and may be unreliable due to a lack of variation in maximum duration of benefit in our data.

Our results also have significant implications for UI policy. By simultaneously analyzing the effects of average weekly benefit and maximum duration of benefits on the unemployment rate, we estimate that increasing average weekly benefit can actually decrease the unemployment rate in states where the maximum duration of benefits is under 25 weeks. We would thus advise policymakers that lower duration, higher benefit UI policies may result in lower unemployment than higher duration, lower benefit policies. The intuition behind such advice is that lower duration, higher benefit policies may allow and encourage unemployed individuals to search more intensely for new work, and provide them with enough financial liquidity to do so. In contrast, higher duration, lower benefit policies may leave the unemployed with little financial liquidity to support an intense search, and encourage complacency with longer spells of unemployment.

Importantly, the validity of our econometric approach depends upon the assumption in section 3 that adjacent counties have similar county- and time-specific fixed effects, and this assumption should be rigorously assessed in future research. One way to assess this assumption would be to gather panel data of county demographics and local business conditions over time, and measure whether adjacent counties are indeed comparable over time. Obtaining county-level data on per-capita income, hiring, and other government benefit programs over time would also be useful for adding more controls to our specifications, to better isolate cross-border variation and measure the causal effects of UI.

## Notes

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## Cheonggyecheon Restoration Project: The Politics and Implications of Globalization and Gentrification

Yasmin Yoon

### **Abstract**

This paper examines the process of gentrification by analyzing the actors implicated in gentrification, the global and domestic discourses surrounding redevelopment, and the political motivations undergirding such projects in the context of the Cheonggyecheon Restoration Project. It takes a critical stance towards the South Korean government's pursuit of redevelopment projects with the goal of generating "world-class" spaces favoring the interests of large corporate entities, with which it has established economic ties constituting a conflict of interest. Consequences of these gentrifying practices include the displacement of local merchants, communities, and cultural spaces, which further stratify already disparate levels of privilege within the country's political economy.

## **Table of Contents**

Introduction	95
Industrialization, Development Discourse, and Political Motivations	97
Execution of the Project	98
Politics of Redevelopment, Corruption, and Public Reception	101
Gentrification	104
Conclusion	107
Notes	109

## Introduction

Foul pollution, traffic hell, back-breaking housing prices, brutal rivalry and unruly streets—this is the Seoul we think of today. Now close your eyes and envision the future of Seoul. Citizens are relaxing by a stream; happy crowds mingle as music plays all night long, and young couples wish for love as they toss coins into the water. This no longer will be merely an imagination but will come to reality starting this year. A city of romance and festivals will be born out of the previous pollution and traffic—all thanks to the Lee Myung-Bak Projects!<sup>1</sup>

This article, written five months before the initiation of the Cheonggyecheon reconstruction project, reflects a common sentiment in South Korea. The project received an overwhelming 79.1 percent approval rating amongst the residents of Seoul. The quick execution of the plan earned Mayor Lee Myung-bak further praise once the project was over, and eventually he was able to leverage this result to earn the South Korean presidency in 2008.<sup>2</sup> The project received international attention as an example of successful urban regeneration. The New York Times described Cheonggyecheon as a “gathering place...[that] taps into a growing national emphasis on quality of life and immediately makes the mayor a top presidential contender.”<sup>3</sup> Times magazine ranked the Cheonggyecheon Stream as number seven in places to visit in Korea.<sup>4</sup> The Landscape Architecture Foundation wrote that the project led an “important paradigm shift, changing from an auto-centric development-oriented urban landscape to one that values the quality of life of its people and the importance of functioning ecosystems.”<sup>5</sup>

The Cheonggyecheon restoration project was undeniably crucial to the economic revitalization and changing image of downtown Seoul. However, such reviews often lack a comprehensive analysis of outcomes, actors, and methods that paint a more complicated picture than the narrative of a newly born “clean and attractive global Seoul.”<sup>6</sup> Although the mainstream media may portray the project as a boon for the general population of Seoul, a more in-depth

study reveals the gentrifying processes in which the Seoul city government drives the Cheonggyecheon project. This project of gentrification manifests the motivations of a country executing a late and rapid entrance into industrialization and the global sphere, and willing to go to long measures to fulfill its goals, including suppressing labor and perpetuating exclusionary political and social relations.

Previous literature has primarily used the framework of urban regeneration to understand the Cheonggyecheon restoration project. Urban regeneration and gentrification are similar terms in that they conceptualize the same phenomenon. They both study the process in which residents are displaced to create spaces that serve and attract wealthier subjects. However, the two terms differ as frameworks of analysis, in that gentrification examines the socio-political relations between the displaced and displacer, while urban regeneration solely focuses on the displacer.

Urban regeneration is becoming more common now that open spaces are presumed to appeal to a “creative class” that is essential to urban maturation in developing economies.<sup>7</sup> In the past, the main dispossessors during gentrification have been households reacting to market incentives, or the “rent-gap.”<sup>8</sup> However, according to Hackworth, larger, corporate interests are entering real estate and, as a consequence, displacing “lower” commercial activities and lower income households.<sup>9</sup> Not only does Hackworth contend that gentrification is no longer only a market-induced phenomenon, but that government intervention has also joined in gentrifying efforts in order to combat deindustrialization.

The Cheonggyecheon restoration project is useful when discussing the evolution of urban regeneration because, in this case, the state intervenes in order to prioritize the interests of the free market. This paper will analyze who the actors involved in gentrification are, how this process is facilitated and justified, and how different social groups experience gentrification. In doing so, this paper will take a critical stance on development-induced urban projects and argue that the Cheonggyecheon project is emblematic of a world-wide phenomenon in which the poor are displaced in the name of development.



## **Industrialization, Development Discourse, and Political Motivations**

In order to understand what the previous inhabitants of Cheonggyecheon have exactly been dispossessed of, a study of this project through the lens of gentrification must understand what the Cheonggyecheon stream was like before its regeneration. Cheonggyecheon used to be an 11-km stream that ran through downtown Seoul until the rapid industrialization during the 1950s, when the entire stream was covered with a road and the elevated Cheonggye Expressway to foster the growth of industrial and residential areas in Eastern Seoul. Gradually, wholesale markets, small stores, street restaurants, vendors, and bars settled down along the expressway and into the slim alleys of close neighborhoods.<sup>10</sup> By the 1980s, this particular scene did not settle right with the metropolitan government. Downtown Seoul was the only area in the city with a declining population, and *bulyang jutaeks*, or substandard housing types, (mostly rentals or squatters) composed 35 percent of downtown housing, a proportion that was 2.5 times the average of Seoul. Most of the people leaving were in their 20s or 30s, and the number of businesses and enterprises in the downtown area had declined by 24.1 percent from 1991 to 2000.<sup>11</sup> In simpler terms, downtown Seoul was not “developed” enough, especially compared to the rest of the city, and the metropolitan government was determined to revitalize the area.

Thus, the Cheonggyecheon restoration project certainly was not the first to introduce ‘development’ as the ideal. The metropolitan government had been making small scale regeneration efforts prior to the Cheonggyecheon restoration project—improving rundown houses, expanding roads and refining infrastructure in small dilapidated neighborhoods with poor traffic conditions. Yet such minute operations were not enough to transform Seoul into a central business district as long as the 18-lane elevated highway was still present.<sup>12</sup> It was not until Lee Myung-bak, with ambitious career goals and a detailed plan on how to reach them in mind, arrived with the Cheonggyecheon restoration project when downtown Seoul underwent drastic change.

By liquidating the unsightly legacy from Korea’s developmental period and restoring the city’s natural environment, Seoul can be

ready to emerge as a cultural metropolis where tradition and modernity are harmoniously blended with each other.

- Lee Myung-bak<sup>13</sup>

Ever since South Korea became its own country in 1948, efforts toward ‘development’ have largely gone uncontested. This allowed for the development of infrastructure, numerous mega-conglomerates, called *chaebol*, to thrive, national GDP to soar; the country had even hosted what is arguably the biggest international event to ever exist, the Olympics, in 1988. ‘Development’ is not only a constant theme in South Korean history but is also a rhetorical device deployed to justify gentrification projects worldwide. After all, a common synonym for urban regeneration projects is urban redevelopment projects. But what exactly is development, and what does it look like? And how has the image of development changed in South Korea since the days of rapid economic growth led by military dictators in the 1970s and 80s?

Before delving into how the project was carried out, one must recognize the specific vision of development Lee Myung-bak had in mind. First, he distances the new and refurbished Seoul from that of the “unsightly” developmental period by “liquidating” its “legacy.” Hence, the city must hold a certain aesthetic that is more advanced than that of crude industrialization. He focuses on “modernity,” a term that refers to an ambiguous global standard, but is also concerned with “tradition,” which indicates a nationalistic appeal to the Korean ethnicity. With the phrase “cultural metropolis,” he paints the picture of a city full of vibrancy with a healthy economy. This is only one dimension of the city, however, since it must also contain a “natural environment,” an ecological appeal, as well. Under the pretext that this new scene will help “national growth,” the Seoul city government meticulously advertised a very curated image of Seoul to the global stage.

### **Execution of the Project**

Once Lee Myung-bak won the 2002 Seoul mayoral election with 52.28 percent of the votes, the Cheonggyecheon projects commenced less than a month later on July 1, 2002 and lasted until 2006. Lee Myung-bak formed three groups—the Cheonggyecheon restoration

headquarters, Cheonggyecheon research group, Cheonggyecheon citizens' committee—to manage research proceedings regarding the restoration, generate plans, and organize structural processes. Each group consisted of government officials, experts, and citizens. This triangular structure was specifically designed to simultaneously launch implementation whilst building public relations. Efficiency was especially considered an important component of the process and the three departments congregated every Saturday for a meeting in which they made decisions in a “speedy and determined manner.” A development plan concerning strategy for downtown development, revival of downtown industries, and the Cheonggyecheon neighborhood were announced in June 2003. A year later, the Cheonggyecheon restoration headquarters presented a master plan that specified how to revitalize Cheonggyecheon's natural environment in order to design a more “human-oriented public space” and how to return the stream, acquire water resources, manage sewage, traffic and historical assets.<sup>14</sup>

The process was incredibly fast-paced. In fact, much of the planning and construction stages overlapped. The manufacturing of the Cheonggyecheon stream did not happen in an orderly, linear fashion. Construction began only six months after the government had started working on the “Cheonggyecheon Restoration Master Plan” even though it was not until a year later when the plan was finalized. To give a point of reference, the Big Dig city regeneration project in Boston, Massachusetts that covered 12 km took 25 years. The High Line project in New York City, which covered 1.6 km, took 9 years. The Cheonggyecheon project, which covered 5.8 km, was completed in just 27 months. The construction process was hurried in order to minimize business disruption and financial loss for the merchants and property owners in Cheonggyecheon, but Lee Myung-bak was also eager to complete the project before his term as the Seoul mayor was over.<sup>15</sup>

The metropolitan government wanted Cheonggyecheon to be recognized as a public project, thus it accumulated \$84.13 million from what was supposed to be the Cheonggye elevated highway renovation, another \$84.47 million pulled from other city programs, and the rest from tax money to secure a total government budget of \$323 million.<sup>16</sup> The financing of the Cheonggyecheon restoration project depended on the “ripple effect” as well.<sup>17</sup> Once the public sector was able to build a “better” urban environment, the private sector was presumed to follow

in regeneration efforts. The private and public sector then would work in partnership to continue “urban regeneration.” With an elevated highway, an “eco-friendly” waterfront, and the stream, Cheonggyecheon first opened to the public in September 2005.<sup>18</sup>

Under the developmental state, Korea derived its zeal for urban reconstruction from the “great works of nation building and social transformation.”<sup>19</sup> The use of urban renewal and city marketing to enhance economic competitiveness and international attraction in Seoul had always been a topic of interest for the metropolitan government since industrialization. The goal was to develop Seoul into a “sustainable, livable, and global city” through strategic management and marketing of its resources for eventual economic growth and urbanization. Cheonggyecheon was pivotal for Seoul’s envisioned future as a “world-class city.”<sup>20</sup>

A key feature of a model city in the minds of the metropolitan government today is one that can compete at a global level. Indeed, Lee Myung-bak stated that Seoul must “stand out as a center of foreign investment...as an attractive center of business along with Shanghai, Tokyo, and Beijing.”<sup>21</sup> According to Kriznik, global pressures mounted especially high on Seoul, who was late to urbanization and was, for a long time, a “wannabe world city” eager to prove itself.<sup>22</sup> It had “most to gain—in status, power, and wealth—from its worldview.”<sup>23</sup> With the advent of globalization, cultures and politics across nations became increasingly intertwined and cities rose as centers of global flows of culture, capital, and goods. Yet Kriznik argues that cities were not just spaces for globalization to unfold, but “engines of the global economy and reproduced the global order as much as they were affected by it.”<sup>24</sup> In other words, globalization is about increased local control as well. The Cheonggyecheon project epitomizes a new phase of developmentalism, one that is intensified by policies reminiscent of Kim Young Sam’s *Segwehwa*, where globalization meets ethnic nationalism and a very specific image of Seoul is marketed to the world. In the context of globalization, the ability to attract foreign investment became critical for economic growth and urban development. This phenomenon incentivizes governments to invest substantial financial resources and enact administrative initiatives in their urban policies in order to create social change. In response to these trends, in 1995, the Seoul metropolitan government took a central role in local economic growth and urban development. It also increased the marketing budget by 750% in 2008.<sup>25</sup>

The hope that the global status of Seoul could be altered by the determined management and marketing of its resources often overshadows the negative outcomes of urban development, such as uneven capital accumulation and social segregation. For example, sustainability is considered one of the “normative principles in urban design, assuring attractiveness in the city government.”<sup>26</sup> However, while green urbanism has been advocating the ethics of zero-emissions and zero-waste, a precise definition for sustainable urban design has not been reached. In fact, Scheutze et al. states that over 200 different definitions for sustainable urban development exists, which makes it difficult to comprehend urban sustainability beyond energy efficiency and aesthetics. Thus, city governments have not paid adequate attention to how to apply urban sustainability across various societal groups and invest in the “social responsibility and economical aspects on different levels of urban scales.” Especially in the case of the Cheonggyecheon project, which took an alarmingly short period of time to construct, one can only imagine how much attention was devoted to social and ecological responsibility.

In spite of the arbitrary nature of the standards used to judge cities, a space had already formed in which governments challenged established relations amongst cities through the “worlding practice,” or making their cities more “world-class.”<sup>27</sup> In 2005, OECD described the restoration as one that “can serve as a flagship project showing to the international community Seoul’s dedication in building a lively urban landscape. If the project is closely connected to a cultural booming, it could become a major touristic asset for Seoul’s international image.”<sup>28</sup> Furthermore, the foreign media commended the project for successfully transforming previous international perception of Seoul as an “urban concrete jungle.”<sup>29</sup> These sources legitimized the city government’s undertaking of urban regeneration, furthering emboldening their efforts to achieve importance within the global competitive order.

### **Politics of Redevelopment, Corruption, and Public Reception**

Despite the constant rhetoric about “national growth,” and the betterment of Seoul, Lee Myung-bak had much to gain privately from this project. Enabled by the top-down structure of the Cheonggyecheon project, Lee Myung bak was able to aggressively push the project through and skillfully advertise his project in a way to further his professional career. When Lee Myung-

bak pledged during his 2002 Seoul mayoral election campaign that he would reconstruct the Cheonggyecheon stream, it immediately became the central question of the election, thus, allowing the project to have salient connections to the election and politics. The opposing mayoral candidate called for protecting neighboring merchants and commercial property owners from business interruptions. They argued that the project not only did not have a feasible infrastructure plan but would cause further traffic congestion and cost the city an additional \$446 million, and that funds be spent on more pressing issues, such as education. On the other hand, Lee Myung-bak argued that the highway was run-down and unstable, that the project would help resuscitate the downtown economy, and transform Seoul's image to that of a dynamic and emerging global metropolis.<sup>30</sup>

In spite of Lee Myung-bak's rhetorical emphasis of this being a public project for the general betterment of Seoul's citizens, hints of cronyism, corruption and personal advancement were apparent in the Cheonggyecheon reconstruction project. Once Lee Myung-bak was elected and initiated the project, he hired contractors who had been active in the bidding process in favor of the project. Cheonggyecheon was divided into sections in which various private developers, including Daelim Industrial Corporation, LG Engineering and Construction Corporation, Hyundai Engineering, and Construction Corporation, undertook responsibility for development.<sup>31</sup> It is notable that the direct beneficiaries of this \$300 million project were massive conglomerates. Namely, Hyundai Engineering and Construction Corporation, which was responsible for one of the main sections of Cheonggyecheon, was the same company that Lee Myung-bak himself had worked for, and eventually became CEO of, from 1967-1992.<sup>32</sup> It is not a coincidence that these particular conglomerates were delegated parts of the reconstruction project. Yet again in South Korea, a project set up in the name of development, disproportionately benefited conglomerates over the local markets and vendors that had existed there originally. Lee Myung-bak's own previous position as the CEO of Hyundai Engineering and Construction Corporation, and subsequent economic opportunities he gifted to the company as mayor, do not suggest the usual corporate-state link, but that, in South Korea, the line has truly blurred between the two entities. Perhaps the reason why the reconstruction project was able to

be carried out so quickly, and all dissenting opinions suppressed so easily, was that corporations and the government were able to literally act together, as one and the same.

A particularly controversial case of cronyism arose when Vice-Mayor Yang Yoon-jae, who was once a professor at Seoul National University's Graduate School of Environmental Studies and director of the project from 2002 to 2004, was arrested for accepting over \$100,000 worth of bribes from a developer to relax height restrictions on the Cheonggyecheon Expressway. Although he was found guilty and sentenced to five years in prison, Lee Myung-bak, his former boss and who had been elected President by this time, not only pardoned him but also designated him as Presidential Commission on Architecture Policy.<sup>33</sup>

One of the biggest reasons the Cheonggyecheon project was able to happen so smoothly was that much of the project budget was devoted to marketing. One cannot help but wonder what Lee Myung-bak cared about more: the project or people's opinion of the project. It was important for Lee Myung-bak that the project served its purpose: to publicize the project and his own competency and kick-start his own campaign for presidency. In order to make known the success of the project, Lee Myung-bak devoted 1 billion won (approximately 959,000 US dollars) on numerous public relations programs related to the stream. With these finances, Lee Myung-bak instituted the Cheonggyecheon Revival Academy in the early 2000s to "inform public opinion" regarding the project, in an attempt to build, or at least feign, social consensus on the project. Lee Myung-bak did not stop with the South Korean media but made his debut into the global scene as well. On May 2004, Lee Myung-bak offered 390,000,000 won (approximately 374,000 US dollars) to the US documentary channel, "Discovery," to produce an episode on Cheonggyecheon, including an extensive interview with Lee Myung-bak. He has also expended 600,000,000 won (approximately 575,400 US dollars) on a project called "Cheonggyecheon Video White Paper" using Seoul citizens' tax money and hosted a symposium in which he invited infrastructure and environmental experts to speak about the Cheonggyecheon restoration project.<sup>34</sup>

Thus, with the support of government officials, government research institutions, and civic engineers, Mayor Lee pushed for swift reconstruction with wide political support and positive media coverage. The rapid and relentless fashion in which the restoration process was

conducted was supposed to reflect his “management competence” and strong political stance.<sup>35</sup> However, multiple civic, academic, environmental, and cultural organizations have questioned the “ecological and historical authenticity” of the stream and voiced protest on what they viewed as an undemocratic operation.<sup>36</sup> For example, an important aspect of Cheonggyecheon’s appeal is its environmental friendliness. However, because the city government had chosen a nearby water-treatment facility for water supply instead of a long-term gradual restoration of natural water inflow, an increasingly serious algae problem had developed in the stream. Moreover, the bottom of the stream, which is made of concrete, renders it almost impossible to conduct purification purposes, and maintenance expenses have been climbing by 30 percent annually.<sup>37</sup> Despite Mayor Lee’s claim to have built a modernized Seoul that is still in touch with its unique cultural heritage, not only has the project itself destroyed numerous historical and cultural sites, but his previous company, Hyundai Engineering and Construction Corporation, was also responsible for much of the environmental degradation during the period of rapid industrialization in 1960s and 1970s.<sup>38</sup>

### **Gentrification**

The case of the Cheonggyecheon restoration project offers two important facts concerning gentrification: that displacement is ongoing, and that the displaced does not just include lower income households, but lower industrial uses as well.

Despite Lee Myung-bak’s determined PR efforts to gain approval for the restoration project, the restoration plan was extended from the initial 10 months to 2 years due to trouble building social consensus amongst all civil groups.<sup>39</sup> Vehement and active protests, albeit ultimately drowned out in an authoritarian fashion, are evidence that the gentrifying practices prompted by the Cheonggyecheon restoration project were, in fact, exclusionary. Perhaps the protests against the Cheonggyecheon project were not met with the dramatic and violent silencing tactics from the 70s and 80s, when the police could openly beat demonstrators to death in the streets, but the government under Lee Myung-bak was oppressive nonetheless. Any dissent was ignored when the project was being pushed through, and when the land prices became too high for the previous residents, they were forced to relocate. Impacts and outcomes of the project



indicate that certain social classes were prevented from enjoying the benefits of the newly constructed stream, solidifying a widening gap in power relations between the dispossessor and the dispossessed.

Prior to the restoration project, Cheonggyecheon constituted a very vibrant community, with social and political complexities. Pollution and noise from the elevated Cheonggye expressway formed an amicable setting for small firms and trophy, metalworking and printing industry clusters to develop in surrounding areas. Small plots and lower buildings conserved the narrow alleys and historical sites, while lower-income workers, merchants, customers and illegal vendors populated the downtown area every day and built their livelihoods around it.<sup>40</sup> The area had, after four decades, nourished local cultures and businesses, and “woven into the fabric of the city.”<sup>41</sup>

Thus, merchants lead the opposition against the project. City officials and merchants held approximately 4,200 meetings, yet the merchants still emerged from the process as a deeply disadvantaged party. The government gave no direct compensation for business interruptions or relocation, and moved street vendors to the Dongdaemun stadium close by with the promise of renovating the flea market area.<sup>42</sup> However, not only did this promise fail to deliver and business wane, but the stadium itself was also demolished in the name of “urban regeneration” a year later under the next Seoul mayor, Oh Se-hoon. The street vendors were moved once again, this time to a folk market in sinseoldong.<sup>43</sup> As opposed to recognizing that the Cheonggyecheon reconstruction project has disempowered certain groups, the project has only incited more excitement about urban regeneration projects, and about development. Compared to the success story of a renovated city and a tenacious man, and the glowing international reception the project received, the story that the previous residents of downtown Seoul have to tell is harsh and unpromising.

The purported goals of the Cheonggyecheon reconstruction project were the following: decrease the disparity between northern and downtown Seoul by improving environmental and living conditions in the latter, reclaiming natural and cultural heritage that had been destroyed during rapid urbanization, form new public spaces, and increase traffic safety. In some ways, the Cheonggyecheon project was a success. The Cheonggyecheon stream has hosted 259 cultural

events from 2005 to 2007, and in a 2014 public survey, 59.6 percent of the respondents described it as a pleasant place to relax.<sup>44</sup> Hence the Cheonggyecheon is generally perceived to have enhanced accessibility to conveniences, yet this does not apply for everyone.

Through the project, the Seoul Metropolitan Government hoped to expand business services and commercial cluster in the area. Such transformations entailed increase land rents and property values. In fact, on account of the reconstruction, land prices increased from 35 to 80 percent depending on the proximity to the stream, and office rents increased by 20 percent.<sup>45</sup> Consequently, neighborhoods like Sinseoul, Hwanghak and Wangsimni became districts of land speculation. High-rise office buildings and residential projects grew along Cheonggyecheon in replacement of small workshops and businesses.<sup>46</sup> 19 percent of the economy used to consist of manufacturing, while another 32 percent was wholesale, retail, and transportation business.<sup>47</sup> However, the project drove out traditional industrial sectors in order to give rise to financial and professional services. By 2011, 98% of the land use changes along the reconstruction districts constituted hotel, commercial, office or educational institutes.<sup>48</sup> Almost half of all 168 land uses changes were commercial, including cafes, restaurants, bars, and retail, while approximately quarter of them were for office utilities and only 8 cases, or 4.7 percent, were industrial.<sup>49</sup> Before the project, there were about 60,000 shops that employed a total of 800,000 workers and illegal street vendors. The Cheonggyecheon flea market, along with the Hwanghak market, essentially vanished after the reconstruction, and only 700 street vendors were left in the Seoul folk flea market by 2011.<sup>50</sup> In other words, reproduction of local economy and day-to-day life perished to be replaced by structures of private urban development. In fact, Lim et al. argues that entrepreneurial cities purposefully escalated property tax revenues to compensate for the lack of state funding.<sup>51</sup> Under commercial gentrification, government intervention in refurbishing neighborhoods had become “conscious, active, intentional, and even a source of pride.”<sup>52</sup>

The structural changes the project enacted in the economy demonstrate the importance of spatial capital. A survey in Wangsimni, a low-income neighborhood nearby Cheonggyecheon, was conducted in 2008 about the stream. 69 percent of the respondents reported that they often spent their free time in the neighborhood, but 33 percent of the respondents said that they never or seldom visited the stream and complained that the neighborhood lacked available public

space. When asked why, they explained that they did not consider Cheonggyecheon as “their place.” In fact, reports show that Cheonggyecheon is mostly enjoyed by foreign visitors and visitors from other parts of Seoul.<sup>53</sup> The “privileged consumption practices” of other visitors is an act of “social power over the everyday use and meaning of space.”<sup>54</sup> The creation of the Cheonggyecheon stream has “created a new sense of order for some local residents,” effectively spreading a sense of alienation amongst those who were left behind in the process. Moreover, only 6% of the respondents stated that the reconstruction boosted economic development in the neighborhood, suggesting that a very small proportion of the local population, if any, had access to the economic benefits of reconstruction in their own living environment.<sup>55</sup> The inequitable outcomes of the Cheonggyecheon stream imply that this is a case of authoritative social and political actors enforcing their arbitrary understandings of urban renewal, whether or not it is meaningful to the already existing societies.

Based on the reception Cheonggyecheon has received, swift redevelopment for the “higher uses” is considered a successful instance of urban regeneration. Such general perception suggests which stakeholders are more valued not only by the city government, but by civil society. As displacement continues, a civil society that increasingly caters to bourgeoisie middle-class interests has emerged. As a result, the urban poor, who are most in need of income-generating opportunities, are pushed away from “central sources of income,” and from “civic life and urban culture, and were seen as impediment to progress and betterment of society.”<sup>56</sup>

## **Conclusion**

Continually chased by the workings of the global free market, and its agent, the state, the urban poor are transformed into nomads, or “transients in a perpetual state of relocation.”<sup>57</sup> The Cheonggyecheon restoration project not only sparked long languishing redevelopment projects, but also incited new ones. While no redevelopment projects were issued permits from 1990 to 2005, within two years of the stream’s public opening, eight redevelopment projects that had been inactive since the mid 1970s were issued permits. Hence developmentalism is still present, possibly even strengthened, under the world’s current political-economic climate. Despite the narratives of Seoul as a cultural, environmental, and “international hub of world capitalist

production and exchange,”<sup>58</sup> this paper argues that such top-down “scientific social planning” simply does not work. Communities are not designed to be dislodged and transported. Urban regeneration does not give rise to nation-wide growth, but instead further creates “spatial barriers, residential privileges, zoning, and other planning mechanisms where income, position, and clout determined access” to wealth.<sup>59</sup> Furthermore, the Cheonggyecheon restoration project sheds insight into the hypocrisy and contradictions of Korean politics. The personal benefits Lee Myung-bak reaped from the Cheonggyecheon reconstruction project indicate that urban regeneration efforts strategically legitimize the elite political and corporate groups’ particular interpretations of urban renewal. Neglect of the demolition of traditional markets and local places, dislocation of lower-income neighborhoods, and isolation amongst local residents erases the memory of city exploitation, and perpetuates gentrification as embodying the new “global urban strategy.”<sup>60</sup>

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A Look into Australian Policy on Asylum Seekers and Refugees: A Humanitarian Effort or a  
Violation of Human Rights?

Nahla Gedeon Achi

### **Abstract**

Global levels of displacement are higher today than they've ever been. Australia, called on by the international community to take in refugees, is entrenched in an ethnocentric nationalism adverse to increased immigration and the rise of multiculturalism. While the government professes humanitarian motivation, the reality of policy and detainment is a gross violation of human rights and concerted efforts to decrease the number of refugees and asylum seekers. Refugees are villainized and strategically silenced by Australian government and media as a means to justify their actions and minimize publicity of humanitarian atrocities. John Howard's famous statement, "we will decide who comes to this country and the circumstances in which they come," professes the government's endeavors to control who composes the Australian nation.



## Table of Contents

Introduction: Living in a Detention Center	114
Section I: Boat Arrivals and Offshore Detention Centers	117
Section II: Setting a Dangerous Precedent	119
Section III: Deciding Who Comes to Australia and How	123
Section IV: Protests and Depictions of Asylum Seekers	125
Conclusion: No Human Being is Illegal	128
Appendix	131
Notes	133

## **Introduction: Living in a Detention Center**

It is 10 years this week since Woomera detention center was closed. I still remember how isolated our lives were in the middle of the desert. Incidents of self-harm such as ingesting shampoo or cutting with razor wire were things I'd see every day. Some nights we'd get together and speak about our families and I would notice our group getting smaller. My memories are full of riots, people being beaten and tear-gassed, and friends being taken into isolation for weeks... Have we moved on from these distraught experiences?<sup>1</sup>

Ramesh Fernandez fled Sri Lanka in 2001 and sought asylum in Australia. He was detained in Cocos Island, Christmas Island, Perth, and Woomera, before being transferred to Baxter, Victoria, and finally granted asylum in 2004. Woomera detention center, built on a defense site in the middle of the South Australian desert, opened in 1999 in response to increasing arrivals of asylum seekers.<sup>2</sup> The Department of Immigration and Multicultural and Indigenous Affairs contracted the Australasian Correctional Management (ACM) to operate the center, delegating the government's responsibilities towards asylum seekers and refugee to a company with a background in running prisons. This is outlined in the 1951 United Nations (U.N.) Convention Relating to the Status of Refugees and its 1967 Protocol, to which Australia is a signatory.<sup>3</sup> Originally intended for 400 people, in the early 2000s Woomera detention center held close to 1,500. Strict rules and harsh punishments dictated detainees' lives. Although temperatures in the area regularly reach 45 degrees centigrade, the facility had no air-conditioning. Three washing machines and five toilets were meant to accommodate all 1,500 people.<sup>4</sup> Riots in 2000 – instigated both by asylum seekers detained at Woomera and external protesters denouncing the Australian government – drew national as well as international attention to the facility.<sup>5</sup> Having become infamous for such human rights abuses, overcrowding, and brutal conditions, the center was shut down in 2003.

Harsh and sometimes inhumane treatment of refugees and asylum seekers did not end

with Woomera. As of April 30, 2017, 1,392 people were confined to immigration detention facilities in Australia and 1,194 asylum seekers were detained in Australian-funded “Offshore Processing Centers.”<sup>6</sup> Men, women, and children in such centers live in constant uncertainty; they do not know if they will be granted refugee status, and they have no voice in, nor influence on, the outcome of their detention. While some Australians praise the government’s policy, others accuse politicians and immigration officials of violating asylum seekers’ human rights. Despite this dissent, offshore detention and processing policies in the last two decades have received bipartisan support; evidently a large number of Australians wish to restrict the arrival of asylum seekers on Australian shores and of refugees into Australian society. Many of these asylum seekers are of African, Middle Eastern, and South Asian origins, and the rhetoric used to justify restrictive immigration policies seems, at least at times, to be racially motivated.

As Australia asserted itself as a new nation on the 20<sup>th</sup> century world stage, Australians sought to establish a national identity for themselves. This identity grew from quintessentially “Australian” Bush, Pioneer, and Anzac legends but it also clung to a predominantly white and British heritage, which helps explain the development of the White Australia policy. This policy – an amalgam of laws enacted over multiple years – effectively barred non-whites from immigrating to Australia for the first half of the 20<sup>th</sup> century and maintained an Anglo-centric cultural homogeneity within the nation. The laws emerged amidst a fear of “invasion” by Asian migrants. Even after World War II, when policy shifted to a more open stance towards non-British migrants, anxiety about Australia’s economic reliance on Asia fueled racist sentiments and prompted support for restrictive immigration measures. A new principle – “multiculturalism” – replaced White Australia, yet the legacies of the former policy and the discriminatory undercurrents that gave rise to it continue to influence Australian society and policy today.

Refugees and asylum seekers form a particularly vulnerable group of people because they lack the protection of their national government. To address this vulnerability various members of the United Nations committed themselves to protecting refugee and asylum seeker rights by crafting and signing the Convention Relating to the Status of Refugees in 1951. This Convention defined the term “refugee,” and outlined the rights of the displaced, as well as the legal obligations of states towards refugees and asylum seekers. Since 1951, 145 State parties have

ratified the Convention, which now serves as the primary international legal document relating to refugee protection.<sup>7</sup> Because the original Convention restricted refugee status to those whose displacement had occurred “as a result of events occurring before 1 January 1951” and was intended to encompass only refugees of World War Two within Europe, member nations amended it in 1967 by instituting a Protocol Relating to the Status of Refugees, which removed temporal and geographic restrictions from the Convention.<sup>8</sup> The norms established in these conventions should, theoretically, guarantee refugees and asylum seekers international protection and basic human rights. Too often, however, countries – including signatories to both the original Convention and its Protocol – fail to guarantee these rights or flagrantly violate them.

In light of Australia’s immigration history, it is evident that a white ethnocentric Australian national identity enabled the formation and continuation of exclusionist refugee policies that violate human rights as well as international laws. Through these policies, Australia is shirking its responsibilities as a signatory to the 1951 Refugee Convention and its 1967 Protocol and setting a dangerous precedent in the region with regards to the treatment and protection of displaced persons. Asylum seekers today undergo the same hardships Fernandez experienced in Woomera in 2002. He describes how monotony and uncertainty bred desperation among detainees:

The breakout during the Easter of 2002 was something I’ll never forget. Protesters arrived at the detention center and broke fences. Some asylum seekers managed to escape. Some tried to jump over the razor wire and got stuck. They were cut so badly they fainted due to blood loss. Others were crying, asking protesters to “please take me too!” and some were jammed in the middle because there were so many people rushing to escape. As people gathered closer to the fences the guards became aggressive. After a while police and the guards surrounded us and there was no escape. All went back to the sad reality once again.<sup>9</sup>

## Section I: Boat Arrivals and Offshore Detention Centers

Insular political parties and anti-refugee rhetoric have gained ground in Australia over the past twenty years, and the creation of offshore detention centers exposes a widespread inclination to exclude refugees from the nation. Both the Liberal-National Coalition and the Labor Party preach the humanitarian necessity of intercepting boats carrying asylum seekers and detaining those aboard to deter people from undertaking the dangerous journey. However, analyses of the policies that stipulate these actions suggest that the government's actions and motives are not humanitarian.

In October 2013 the government instructed administrative staff to start referring to asylum seekers arriving by boat as “illegal maritime arrivals” rather than “irregular maritime arrivals”<sup>10</sup> – in spite of the fact that entering a country without authorization for the purpose of seeking asylum is not illegal.<sup>11</sup> Further criminalizing refugees, the government then implemented a policy involving military vessels patrolling Australian and international waters for the purpose of intercepting migrant boats. Rather than rescue the people in these boats, Australian defense forces tow them to their point of origin and sometimes even send asylum seekers back in inflatable dinghies or “unsinkable” lifeboats, subjecting them to the same journey they claim to discourage.<sup>12</sup> These measures not only violate the rights of asylum seekers, they also are a form of refoulement, given that the refugee status of these individuals has not yet been determined.

In October 2012, the government started conducting “enhanced screening” of asylum seekers. Under this policy, officers from the Department of Immigration interviewed asylum seekers arriving by boat from certain countries. If the interview raised concerns that indicated a need for protection, people were “screened in” so their claims could be officially processed. If it did not raise such concerns, however, asylum seekers were “screened out” and returned to their country of origin. As the Refugee Council of Australia explains, this system failed to protect the rights of asylum seekers by depriving them of the opportunity to formally lodge a claim for asylum in a safe environment:

In July 2014, a group of 41 Sri Lankan asylum seekers who had attempted to enter Australia by boat were intercepted by Australian

authorities and screened at sea before being returned to Sri Lanka. Some subsequently fled to Nepal where they were found to be refugees by UNHCR. Another group of 12 Sri Lankan asylum seekers whose boat was intercepted by the Australian authorities near Cocos Island in May 2016 were also screened at sea before being flown to Sri Lanka. They were reportedly arrested on arrival at the Colombo airport. In March and July 2015, two boats carrying Vietnamese asylum seekers were intercepted by the Australian navy and their passengers underwent enhanced screening before being returned to Vietnam. Asylum seekers on the first boat were held at sea for nearly a month. It has been reported that some of the people on board the first boat were subsequently tried and sentenced to two to three years in prison.<sup>13</sup>

Despite such episodes, the government continues to claim that boat interceptions and offshore processing are necessary to deter people from risking their life in boat journeys. Journalist Thomas Albrecht, writing for *The Guardian*, highlights the paradox of Australia's policy of offshore processing. "I understand why those who originally supported offshore processing were moved by the tragic drownings of men, women and children who were trying desperately to reach Australia's shores, to embrace policies and practices seeking to end the boats." Allegedly designed to protect people, offshore processing subjects them to physical and psychological harm from "open-ended mandatory detention, inadequate conditions and indefinite limbo."<sup>14</sup> According to Albrecht,

there is a false and disingenuous logic in saving people at sea, only to then mistreat them on land. When faced with overwhelming evidence of harm and neglect, we must acknowledge that good intentions cannot justify the status quo. The current policy has been an abject failure. A proper approach by Australia must include, at a

minimum, solutions for all refugees and asylum seekers sent to Papua New Guinea and Nauru, and an end to offshore processing. This is the time to share, not shirk, responsibility.<sup>15</sup>

Rather than fulfill the principle of international protection, these policies transgress international law. “There is nothing illegal about seeking sanctuary from war and persecution,” explains Albrecht, “the right to seek asylum is enshrined in the Declaration of Human Rights... Australia’s obligation to people fleeing persecution, just as with any country in the world, is the same whether they arrive by air or by sea.”<sup>16</sup>

While it is true that boat journeys are dangerous and that people smugglers take advantage of asylum seekers, the reality is that most people in these situations – who abandon their possessions, their family, and their home, pay thousands of dollars to climb onto a boat, and leave all that they know for an unknown destination – will always attempt to flee conflict, oppression, and persecution and will always try to reach countries, like Australia, that supposedly protect human rights. Moreover, evidence suggests that Australia’s policies have not reduced deaths at sea.<sup>17</sup> Given these facts, the idea of deterring asylum seekers is inherently flawed. While the government insists that their policies have restored the integrity of Australian borders, an analysis of the situation suggests these measures, rather than the asylum seekers’ actions are illegal.<sup>18</sup>

## **Section II: Setting a Dangerous Precedent**

In 2016, all 193 Member States of the United Nations unanimously adopted the New York Declaration for Refugees and Migrants, proffering “profound solidarity with, and support for, the millions of people in different parts of the world who, for reasons beyond their control, are forced to uproot themselves and their families from their homes.”<sup>19</sup> Today however, low or middle-income countries host more than eight in ten of the world’s refugees.<sup>20</sup> Given this statistic Albrecht (among others) calls on Australia and other “prosperous, successful immigrant countries with respect for the rule of law and a fair go for all” to uphold their end of the international asylum system.<sup>21</sup> “The example Australia sets at home is one that is watched

closely by countries in the region and around the world. Closing borders and outsourcing obligations will not prevent people from seeking safety, nor will it provide protection to the men, women and children who need it. It will only be a destructive and dangerous precedent.”<sup>22</sup>

Over the past two decades, all three major parties in Australia have implemented and agreed to offshore processing, but Australia’s immigration policies haven’t always been this harsh. In 1973, the same year in which Australia signed the 1967 Protocol Relating to the Status of Refugees, the Whitlam government legally abolished the White Australia policy. Two years later, Australia accepted thousands of refugees from the Vietnam War. As more and more asylum seekers fled to Australia, the Government refined and systematized its humanitarian immigration program; in 1978, the governing Liberal Party implemented a procedure for processing onshore applications for refugee status in accordance with Australia’s obligations under the Refugee Convention.<sup>23</sup> The same year, in language strikingly different to that used in political discourse today, Immigration Minister Michael MacKellar affirmed that “boat people” were not “illegal immigrants” and that “refugees arriving by boat [should] no longer [be] considered queue jumpers.”<sup>24</sup> However, attitudes began to shift again as the principle of multiculturalism took effect in earnest in the late 20<sup>th</sup> century and increasing numbers of ethnically diverse migrants and refugees entered Australia; backlash became apparent as people invoked nationalism, border security, and economic arguments in demanding more restrictive immigration policies.

In 1989, reacting to the influx of asylum seekers arriving in Australia following the Tiananmen Square massacre and the collapse of the Soviet Union, the Hawke Government introduced the *Migration Legislation Amendment Act* to deter “illegal entrants” by implementing new regulations that introduced mandatory detention and required asylum seekers to pay back the cost of their ‘protection’ (i.e. detention), which, for some, amounted to hundreds of thousands of dollars<sup>25</sup>. Building on these increasingly severe measures against asylum seekers, the outsourcing of management of immigration detention centers to private companies began in 1997<sup>26</sup> and served as one of the most important turning points in Australian immigration policy, since it enabled government officials to evade responsibility for abuses committed against asylum seekers.

Most Australians at the time rejected the extreme attitudes of anti-refugee advocates. In



1998, when Pauline Hanson (leader of the right-wing populist One Nation party) suggested Temporary Protection Visas (TPVs), Phillip Ruddock, the Minister for Immigration, responded by saying, “Can you imagine what temporary entry would mean for them? It would mean that people would never know whether they were able to stay here ... I regard the approach as being highly unconscionable in a way that most thinking people would clearly reject.”<sup>27</sup> TPVs are issued to persons who have been recognized as refugees, but who continue to live in uncertainty because three years after being granted a TPV, they are required to reapply for a visa (in case conditions have changed in their homeland). Moreover, refugees under TPVs have no family reunion rights and are prohibited from reentering Australia if they leave.<sup>28</sup> Yet, only a year after Ruddock’s statement the Liberal-National Coalition headed by John Howard, implemented TPV legislation, claiming it was necessary to prevent misuse of the asylum process by unauthorized arrivals.<sup>29</sup>

Once again, this legislation contained a fallacy; asylum seekers and refugees, by definition, should not be considered “unauthorized.” Article 31 of the Refugee Convention

prohibits States from imposing penalties on refugees who, when coming directly from a territory where their life or freedom was threatened, enter... their territory without authorization... [T]his includes both refugees coming straight from their country of origin and refugees coming from any other territory where their protection, safety and security cannot be assured. This Article recognizes that refugees have a lawful right to enter a country for the purposes of seeking asylum, regardless of how they arrive or whether they hold valid travel or identity documents. As such, what would otherwise be considered illegal or unlawful actions (e.g. entering a country without a visa) should not be treated as such if a person is seeking asylum.<sup>30</sup>

Yet, TPVs still exist in Australia today. In 2008, Kevin Rudd’s Labor Government abolished

TPVs only to have Tony Abbott's Liberal-National Government begin the process of reinstating the policy in 2013, despite Immigration Minister Chris Evans' affirmation that "the Temporary Protection visa was one of the worst aspects of the Howard government's punitive treatment of refugees, many of whom had suffered enormously before fleeing to Australia. There is clear evidence that the TPV arrangements did nothing to prevent unauthorized boat arrivals."<sup>31</sup> In claiming to protect asylum seekers, Australian leaders have misrepresented policies that are in breach of international law. As the State Library of New South Wales explains,

Article 31 means that Australia should not impose any penalty against an Afghan asylum seeker who travels from Afghanistan to Pakistan, to Malaysia using false documents, on to Indonesia and then to Australia by boat without a visa or passport. There is no country between Australia and Afghanistan that is a signatory to the Refugee Convention... Australia places this person into indefinite detention at an excised location and has created a system of processing that differs from the system used for someone who arrived by plane with a tourist visa and then applied for protection... Article 31 also prohibits State parties from restricting the freedom of movement of refugees who arrive without authorization... [But] Australia's Temporary Protection Visas (TPVs) deny people the right to re-enter Australia if they leave.<sup>32</sup>

Although a signatory to the Refugee Convention, Australia has managed to evade its stipulations through TPVs, turning boats back, and through multiple other means. During the Tampa Crisis of 2001 a Norwegian ship rescued 439 Afghan asylum seekers from international waters near Australia and was then refused entry into Australian waters. This event marked the beginning of the "Pacific Solution," the first formalized policy of detaining asylum seekers on island nations in the Pacific in order to prevent them from setting foot on the Australian mainland.<sup>33</sup> In response to the Tampa affair, the Howard government introduced the *Border*

*Protection Bill* in August of 2001.<sup>34</sup> The Bill gave the government the power to remove any ship in the territorial waters of Australia, use reasonable force to do so, and forcibly return any person to the ship.<sup>35</sup> The *Migration Amendment (Excision from Migration Zone) Act* (2001) excised certain territories from the Australian migration zone and stipulated that a non-citizen who first enters Australia at an excised offshore place without legal authorization has fewer rights than a person who reaches Australian mainland to seek asylum. *The Migration Amendment* further strengthened The Pacific Solution.<sup>36</sup> “The legal fiction underlying the policy is that because the asylum seekers never set foot on Australian soil, Australia can shirk the responsibilities it would otherwise have toward them under the U.N. Refugee Convention,” explains foreign policy expert Rebecca Hamilton.<sup>37</sup> All the policy does, however, is wrongfully force people into indefinite detention as their refugee claims are processed and resettlement or repatriation is arranged. Despite extensive research, interviews, and harrowing personal accounts showing the deleterious psychological effects of indefinite detention, the Australian government persists with offshore processing.<sup>38</sup>

### **Section III: Deciding Who Comes to Australia and How**

Not only are the arguments advanced for offshore processing “legal fiction,” Australian politicians and leaders have not always been truthful in statements meant to garner support for immigration policies or to conceal the effects of these policies. In 2001 the government released photo evidence of asylum seekers on SIEV 4 throwing their children overboard to prompt rescue and passage to Australian territory. The event became known as the Children Overboard Affair when subsequent evidence revealed the photos were actually taken during the rescue of passengers as the SIEV 4 was sinking.<sup>39</sup> In October of 2002, the Senate Select Committee released a report of their inquiry into the Children Overboard Affair and the Tampa Affair, stating that “along with genuine miscommunication or misunderstanding,” “deliberate deception motivated by political expedience” factored into “the making and sustaining of the report that children had been thrown overboard from SIEV 4.”<sup>40</sup> Later that month, the U.N. working group on Arbitrary Detention published a report on Australia’s detention centers asserting that “one could reasonably assume that if public opinion were fully and specifically informed about the

conditions to which human beings are being subjected... public opinion would change.”<sup>41</sup>

While government officials lie or suppress information to maintain support for policies, immigration officials painstakingly review the claims of asylum seekers, often making them relive traumatic experiences, because they must provide proof of their persecution to be granted refugee status. Yet, no one has systematically reviewed the government’s unnecessarily harsh policies. When SIEV X sank between Indonesia and Christmas Island in October of 2001, leading to the death of an estimated 146 children, 142 women, and 65 men, the Senate expressed concern over a potential link between this tragedy and Australia’s intensive anti people-smuggling program at the time.<sup>42</sup> A product of a policy that prevented these men from sponsoring the resettlement of their families, “many of the women and children who died were attempting to reunite with husbands and fathers in Australia who were on TPVs.”<sup>43</sup> The Senate passed three resolutions calling for an independent judicial inquiry, but the inquiry never took place. Instead, only seven days after the sinking of SIEV X, in his campaign for re-election, John Howard made his famous statement: “We will decide who comes to this country and the circumstances in which they come.”<sup>44</sup>

Howard and other government officials focused on the “circumstances in which they come,” justifying their measures as necessary to save the lives of asylum seekers by deterring them from hazarding boat journeys. However, rhetoric used by both politicians and policy decisions suggest the government’s intentions in implementing policies such as the Pacific Solution were – at least in part – racially motivated. By “decid[ing] who comes,” officials could deliberately exclude people of certain ethnicities from the possibility immigrating. In a 2007 speech, Prime Minister Howard made his views on immigration – views that had always influenced his policy-making – painfully evident, stating “this idea of Australia being a multi-cultural community has served only to dilute our sovereignty and our national identity... as Australians, we have our own culture, our own society, our own language and our own lifestyle.”<sup>45</sup> This is a clear expression of nationalized ethnocentrism pervasive in Australia’s refugee policy. For example, in early 2002, the government froze about 2,000 refugee applications, all from Afghani asylum seekers.<sup>46</sup> This clear targeting of a particular group sparked riots and protests; people in detention centers went on hunger strikes and sewed their

lips together in an attempt to symbolize their lack of voice and of choice.<sup>47</sup>

In February of 2002, Ruud Lubbers, the U.N. High Commissioner for Refugees, expressed worry about the vilification of asylum seekers in Australia and urged politicians to circulate accurate information about asylum seekers.<sup>48</sup> However the government has consistently concealed information about the experiences of asylum seekers in detention centers and with popular support has perpetuated its policies of boat interception and offshore processing for over a decade. In July of 2002, a U.N. Report on Mandatory Detention contended that Australian immigration policy “contravened the International Covenant on Civil and Political Rights, which outlaws arbitrary detention and the denial of access to legal review of incarceration, and the UN Convention on the Rights of the Child, which prohibits detention of children except as a last resort.”<sup>49</sup> Publicized allegations of rights violations and reports from journalists and human rights activists guarantee that Australian officials understand the current state of detention centers; yet, abusive immigration policies persist.

Refugees, under the U.N. Refugee Convention (and under any universal human rights treaty) have the same rights as citizens in relation to “freedom of religion, intellectual property, access to courts and legal assistance, rationing, public relief, access to elementary education, labour rights and social security” and should receive “treatment which is... at least as favorable as that accorded to foreign nationals, in relation to the acquisition of property, self-employment, practicing as a professional, access to housing and access to secondary and tertiary education” and “with respect to freedom of association, wage-earning employment and freedom of movement.”<sup>50</sup> People in Australian-funded offshore processing centers are granted few, if any, of these rights.

#### **Section IV: Protests and Depictions of Asylum Seekers**

Lacking access to judicial review and often hidden from the media, asylum seekers in offshore detention centers have tried to make their voices heard. Rather than listen, the government has used asylum seekers’ protests as justification for stricter policies. In March of 2011, peaceful protests at the North West Point processing facility on Christmas Island turned into unrest, to which the Australian Federal Police responded by taking control of the center

using tear gas and rubber bullets.<sup>51</sup> Over the next month, protests and hunger strikes spread to detention centers across Australia, prompting the Immigration Minister to propose amendments to the Migration Act that would deny, on character grounds, a detainee convicted of any crime from receiving permanent protection. “Any crime” can include damage to commonwealth property at a detention center, which might occur during even a peaceful protest. In refusing to hear their grievances, the Australian government has sometimes pushed asylum seekers to extreme actions. On April 2, 2001 Shahrzad Kayani, a recognized refugee, self-immolated outside the Parliament House in Canberra to protest immigration policy; for five years, Kayani had been attempting to reunite with his family.<sup>52</sup> To succeed, he needed to raise AUD\$75,000 to pay for the care of his middle daughter, who suffered from cerebral palsy. Given the lack of opportunity as well as prejudice he was subject to as a newly settled refugee, he had been unable to raise such a sum. Within three months, he died of infection caused by his burns; his symbolic plea accomplished nothing.

For close to two decades, men, women, and children in Australian detention centers have endured the same trauma. Their grievances have been largely ignored or smothered. Ramesh Fernandez remembers his time at the Woomera center in 2000:

Each day in Woomera was a nightmare. Sometimes I’d go... and hold on to the burning hot fence thinking I was the only one. But when I turned right and left I saw many others doing the same thing. I would look straight ahead and the infinite desert would stare back at me... If I walked into the mess where lunch was served, I would see an empty space filled with flies and untouched food. Most people felt depressed, sleeping all day and with nothing to do. In 2002 there was a big hunger strike and people sewed their lips together... [S]ome started drinking shampoo and attempted suicide. After no response from the government, frustration grew daily, and people started rioting. One person needed hospital treatment after jumping off the roof.<sup>53</sup>

More than fifteen years later, asylum seekers continue to tell the same story. This year, twenty-five-year-old Sundanese refugee, Abdul Aziz Muhamat, told Sydney Morning Herald photographer Alex Ellinghausen that life on Manus Island is more difficult than in the country he fled: “Back there, when people torture you, they torture you and put a bullet in your head and it’s over. Here it’s like systematic torture, mental torture that doesn’t end.”<sup>54</sup>

Ellinghausen and his colleague Michael Gordon had to overcome multiple barriers to speak to Muhamat – getting a visa to access the Port Moresby processing center, which is in a remote province of Papua New Guinea, dealing with officials reluctant to provide information and admission, and interviewing detainees unwilling to tell their story for fear of retribution. Muhamat was held on Manus for three and half years before being moved in preparation for the center’s closure. Not only does his story shed light on the struggle of living in a detention center, it highlights the futility of recent gestures the Australian government has made to assuage accusations of human rights abuses in its offshore processing centers. For instance, Malcom Turnbull’s administration, reacting to domestic and international pressure, closed the Manus Island detention facility; yet, asylum seekers were merely moved to an equivalent center on a different island and most remain uncertain about their future.<sup>55</sup>

While some Australians speak up against the government’s violations of asylum rights and of international law, many continue to support Australia’s refugee policy. A combination of factors has led to this continued support: Australia’s history of restrictive immigration policies and its persisting white, British-influenced national identity; aversion to change and fear of economic and cultural invasion by migrants; disingenuous information circulated by the government; and worldwide trends towards isolationist forms of nationalism. Moreover, Australia’s policy of intercepting boats and detaining asylum seekers has become ingrained in national politics, benefiting from bipartisan support, and the system of offshore processing centers is now almost impossible to dismantle. Closing centers requires alternatives for the people living in them, but the government has not yet come up with any. Instead, asylum seekers and refugees continue to be vilified as a means to justify brutal containment conditions. An immigration journalist, writing anonymously about her husband’s immigration experience, calls

attentions to the fallacies in Australia's current refugee policy:

I am not advocating people smuggling, but it is the smugglers and corrupt officials in the countries from which they depart who must be targeted. Border security is important, but it is organized crime and drug smugglers who pose the real risk... [U]nder the law, asylum seekers are not illegal. The real illegals are those who overstay tourist visas... or people who lie and come in on the wrong visa class to evade government regulation... We have no problem accepting British families who migrate here "for the weather"... But a boatload of desperate people who just want safety, democracy, first world freedoms, education and a chance at a better life are demonized.<sup>56</sup>

She and Ramesh Fernandez urge us to question and pressure the Australian government. The journalist laments "the vitriol and anger" directed at asylum seekers. "Putting their lives at risk to come here on a boat does not make them lazy, dishonest, welfare cheats or criminals," she says, "it makes them desperate. Surely hatred is not the right response to desperation?"<sup>57</sup> Beyond the change in attitudes she calls for, Fernandez stresses the importance of ending the current vicious cycle that is Australian refugee policy, as the government closes one center just to open another and abolishes one restrictive law just to enact another. "Do we want to keep repeating the cycle and supporting the creation of another Woomera generation?" asks Fernandez. "I urge all Australians to take action to stop this cruel treatment of refugees."<sup>58</sup>

### **Conclusion: No Human Being is Illegal**

Officials face a difficult task as they attempt to manage the influx of asylum seekers who hope to make Australia home. Various stakeholders, with different perspectives and interests, influence the process of making immigration legislation. In addition, the government, for security and equality reasons, must systematically review the claims of asylum seekers. However, Australia can make changes to its policies to better respect and protect the rights of



thousands of men, women, and children whose only “crime” is to seek a life devoid of violence and persecution. The government could improve conditions in processing centers by enforcing a cap on detention time; allowing asylum seekers access to judicial review; providing them with the human (lawyers, mental health professionals, culturally-conscious interpreters) and material resources they need to make claims for refugee status without forcing them to relive traumatic experiences over and over again; increasing access to comprehensive medical (including psychological) care; running the centers as communities rather than as prisons; allowing asylum seekers to speak up and actually listening to their grievances; allowing reporters and members of organizations such as the U.N. and Amnesty International to visit centers and publicize conditions; and updating asylum seekers on the status of their claims to mitigate the harmful effects of indefinite detention.

Australia should also end its policy of offshore processing and allow asylum seekers who arrive by boat to apply for visas in Australia; rather than spend its resources on intercepting boats and detaining people, the government can focus on building effective resettlement schemes and creating frameworks for refugees to start their lives over and integrate into society. Instead of attempting to “deter” refugees in ways that are dangerous and abusive, Australia can work on agreements with and provide support to nations, such as Indonesia, that house large numbers of asylum seekers to ensure that those asylum seekers have access to a fair and comprehensive review of their asylum claims, to safe living conditions that safeguard their basic rights, and to resettlement options. Finally, Australian politicians should stop referring to asylum seekers as “illegal.” Rather than promote divisive ideologies that pit asylum seekers as criminal and, thus, potentially destructive to society, the government should acknowledge that the large majority of admitted refugees contribute productively to society, both in economic terms and by enriching and diversifying communities intellectually and culturally. Although some people dismiss the claims of asylum seekers as invalid – citing cash-incentives-for-repatriation, for example – the reality is that few asylum seekers are accepting these incentives (and, thus, the assumption that claims are invalid cannot be generalized to the group as a whole) and that many of those who do accept the incentives are most probably doing anything in their power to escape the psychological and sometimes physical trauma of indefinite detention. Australia’s current system

renders hopeless detainees by not providing them with the resources they need to make claims for asylum.

The world has never experienced levels of displacement as high as they are today;<sup>59</sup> 65.6 million people around the world have been forced from their home, 35% of whom are refugees. To put these statistics into perspective, in our modern world, nearly twenty people are forcibly displaced every minute as a result of conflict and persecution.<sup>60</sup> And, ten million stateless people continue to live bereft of their basic rights to education, healthcare, employment, and freedom of movement.<sup>61</sup> Yet, in 2016, only 1.1% of refugees worldwide were resettled, and Australia received less than 1% of the global share of new asylum seekers.<sup>62</sup> In total, 854,390 refugees have been settled in Australia between 1901 and June 2014, which means that in over 110 years, Australia has received less than 2% of the number of displaced persons in our world *today*.<sup>63</sup> According to a UNHCR report, Australia ranks 46th for hosting refugees, 59th per capita, and 94th relative to total national Gross Domestic Product.<sup>64</sup> To complicate this displacement crisis, globalization seems to have polarizing effects; some people react adversely to multiculturalism, and this backlash promotes tension and division, from which Australia's exclusionist refugee policies have grown. Rather than perpetuate this division, Australia must acknowledge people's shared humanity and embrace unity by upholding the basic, human rights of asylum seekers and refugees and by providing them with protection they are due as displaced persons and as human beings.

## Appendix: Definitions

**Asylum seeker:** A person seeking international protection but whose claim for refugee status has not yet been confirmed. Every refugee is initially an asylum seeker; however, not every asylum seeker will be recognized as a refugee. Countries with procedures for reviewing asylum claims, such as Australia, which ratified the Refugee Convention in 1954, use the Convention definition of a refugee to determine whether an asylum seeker qualifies as a refugee.<sup>65</sup>

**Refugee:** A person recognized, under the 1951 Convention Relating to the Status of Refugees, as a refugee. The Convention defines a refugee as “[a]ny person who owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his/her nationality and is unable, or owing to such fear, is unwilling to avail himself/herself of the protection of that country.” Australia is obliged under international law to provide protection to asylum seekers who are found to be refugees and to respect their rights as refugees.<sup>66</sup>

**Non-refoulement:** Principle asserting that a refugee should not be returned to a country where he or she faces significant threats to his/her life or freedom. Non-refoulement is now considered a rule of customary international law that is binding for all States, even those that have not ratified the Convention Relating to the Status of Refugees.<sup>67</sup>

**Resettlement:** The transfer of refugees from the country in which they have sought refuge and found to be refugees to another state that has agreed to admit them. Refugees who are resettled are usually granted asylum or some form of long-term resident rights and have the opportunity to become citizens. However, resettlement figures are low, and States have not increased resettlement offers in the face of drastic increases in the number of asylum seekers and refugees worldwide.<sup>68</sup>

**Human rights:** Accepted international standards that recognize and safeguard the dignity, integrity, and equality of all individuals. These rights are part of customary international law and are articulated in the legislations of most countries. The Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic and Social Rights are documents that seek to protect and preserve these rights.<sup>69</sup>

**International Protection:** Protection of an individual's rights in accordance with international humanitarian law. "Protection involves creating an environment conducive to respect for human beings, preventing and/or alleviating the immediate effects of a specific pattern of abuse, and restoring dignified conditions of life through reparation, restitution and rehabilitation."<sup>70</sup>

**Offshore processing:** Australia's unique practice of sending people seeking asylum in Australia by boat to Nauru or Manus Island in Papua New Guinea, where they are held in Australian-funded offshore detention (or "processing") centers while their refugee claims are assessed.<sup>71</sup>

**United Nations High Commissioner for Refugees (UNHCR):** U.N. program to support and safeguard the rights of refugees at the behest of a government or of the U.N. itself. The UNHCR Office assists with voluntary repatriation, local integration, and resettlement. Some see the UNHCR as the "guardian" of the 1951 Convention and its 1967 Protocol. States are expected to cooperate with this agency. The UNHCR's mandate stipulates that the agency provide international protection and seek permanent solutions for refugees. The 1961 Convention on the Reduction of Statelessness gave the UNHCR an additional mandate with regards to issues of statelessness; according to the mandate, the agency should help prevent statelessness by providing States with technical and advisory services on nationality legislation and practice.<sup>72</sup>

**Stateless person:** A person who, under national laws, does not have a legal affiliation of nationality with any State. The 1954 Convention Relating to the Status of Stateless Persons defines the term and outlines the rights of Stateless people.<sup>73</sup>

## Notes

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- <sup>2</sup> Jupp, James. *From white Australia to Woomera: The story of Australian immigration*. Cambridge University Press, 2002.
- <sup>3</sup> ibid
- <sup>4</sup> Skeers, Jake. World Socialist Web Site. "Australia: Staff Expose Inhuman Conditions at Woomera Detention Centre," International Committee of the Fourth International (ICFI), 3 June 2003, wsws.org.
- <sup>5</sup> Sobhanian, Farahnaz, et al. "Psychological status of former refugee detainees from the Woomera Detention Centre now living in the Australian community." *Psychiatry, Psychology and Law* 13.2 (2006): 151-159.
- <sup>6</sup> "Recent Changes in Australian Refugee Policy." Refugee Council of Australia, Refugee Council of Australia, 16 Aug. 2017, refugeecouncil.org.au.
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## Fiscal Incentives for Hiring Female Workers? Evidence from Vietnam

Duy Duong



### **Abstract**

I study the effect of a two-percentage point corporate tax reduction on female employment and wages across small and medium-sized firms in Vietnam. Using a nationally representative survey of Vietnamese firms, I employ a difference-in-differences strategy and find that firms eligible for this two-percentage point reduction do not significantly change their share of female workers or the total number of female workers. However, I do find that at the employee level, the presence of a tax reduction allows eligible firms to increase wages for the female workers by 69 percent relative to male workers and women at ineligible firms. Intuitively, this suggests that a corporate tax reduction might not increase female labor demand, but it could increase welfare for current female workers via higher compensation.

## **Table of Contents**

Introduction	139
Data and Methodology	142
Datasets	142
Control and Treatment Groups	143
Identification Strategy for Enterprise Regression	143
Identification Strategy for Employee Regression	146
Results	149
Impact on Female Labor Demand	149
Impacts on Female Workers' Wages	151
Robustness Checks	152
Selection Bias	152
Heterogeneity in Wage Rates by Pay Period	156
Heterogeneity from Other Policies	157
Conclusion	160
Notes	162

## Introduction

Given the lowered worldwide average corporate tax rate, the economic literature has been overwhelmed by theoretical and empirical evidence of its expansionary effect on total economic output and its positive impact on firms' various investment channels. Little attention, however, has been given to studying the impact of such a tax change on the labor market, and even less attention has been devoted to understanding its role in developing economies. To inform future studies and discussions, this study asks whether a corporate tax reduction for small and medium-sized firms increases or decreases the labor demand, particularly for female workers, and wage rates. This population is of particular interest because of its sizable share in the Vietnamese labor market and its important economic implications.<sup>1</sup> The findings in this paper can provide insights on future research or policy actions that can support the female Vietnamese labor force.

To identify a causal relationship between corporate tax reduction and employment and wages, I rely on a unique tax reduction provided to firms meeting an eligibility requirement on revenue and labor size. This paper examines Vietnam's corporate income tax (CIT) between 2014 and 2016. The standard CIT was 22% for most firms during this period; however, a 20% CIT rate applied to small- and medium-sized firms with less than 200 full-time employees and annual revenue not exceeding VND 20 billion (or approximately US\$900,000 at current exchange rate). This difference in tax rates could adjust the resources of a firm, which can in turn affect hiring practices. I exploit this difference to examine whether an effective tax reduction causes any variation in firms' female labor demand.

However, two concerns arise from using tax policies as an exogenous factor. First, there are many variables contributing to the variation in both tax changes and employment levels. For instance, a tax cut might be triggered to stimulate investment and employment. Then, low levels of investment are likely associated with low employment and a higher probability of reduced taxes, which introduced bias to the coefficient estimates. Second, causality might occur in reverse. Low levels of employment and output at the state-level or country-level might incentivize the government to adjust tax rates, which could further attenuate coefficient

estimates. As a result, an effective model must account for issues of omitted variable bias and reverse causality due to the endogenous nature of tax changes.

I use the Vietnam Small and Medium Enterprises survey (Vietnam SME), which is available via the publicly accessible database at the United Nations University (UNU-WIDER). I follow Pham and Ljungqvist & Smolyansky and use a difference-in-differences identification strategy to identify the causal effect of corporate tax reduction on female labor demand.<sup>23</sup> The control group consists of firms marginally above the eligibility threshold for the unique reduction, and the treatment group consists of firms marginally meeting the requirement. To reduce the risk of omitted variable bias, I include provincial fixed effect and controls at the firm-level, which accounts for any time-invariant characteristics common among firms in a province. I also construct a triple-difference estimate for female workers at an eligible firm (where male workers at an ineligible firm are the counterfactual) to observe any effects on worker's welfare, such as wage rate.

The channel through which corporate taxation can affect female labor demand and wages can be subtle and ambiguous in theory. For example, a decrease in corporate tax rate increases a firm's retained earnings via higher net profits. With the additional cash flow, a firm can engage in a variety of expenditures or investment activities, some of which can influence its female labor demand. If a firm is simply interested in increasing its output level, it can do so by directly increasing its labor inputs; the only trade-off is that marginal output diminishes with every additional unit of labor. This applies an upward pressure on labor demand, and if female labor supply is already low, it will likely increase. If a firm decides to increase total factor productivity, e.g. by adopting new technology or investing in human capital, then labor inputs can respond directly or inversely depending on the complementarity or substitutability of labor inputs and technology advancement. However, a reduced corporate tax might not affect labor demand at all, if firms choose to spend the additional cash elsewhere, such as reducing outstanding debt.<sup>45</sup> In terms of wages, increased cash flow, if allocated to additional research and development, could be either labor-augmenting (increase labor demand) and increase wages, or labor-saving (decrease labor demand) and decrease wages. In short, the relationship between corporate tax

versus female labor demand and wages is theoretically ambiguous, and quantifying this relationship is an empirical question.

While literature specifically addressing female labor demand in developing countries in response to tax changes is sparse, there is literature addressing these aspects separately. In terms of the impacts of taxes on labor demand, empirical evidence has not found consensus regarding direction and magnitude. Pham studies the effect of a temporary corporate tax cut in Vietnam following the Great Recession and finds that for domestic firms, there are no changes in capital, labor and profits.<sup>6</sup> Ljungqvist and Smolyansky exploit variation in corporate tax rates between counties straddling across a U.S. state border and find that a reduction in corporate tax rate does not boost employment and wages. However, they establish that the effect of tax changes is not linear throughout, since an increase in corporate taxation discourages employment and lowers wages.<sup>7</sup> Da Rin et al. use panel data of European firms to study how labor inputs, relatively to capital inputs, increase for every unit of reduction in the effective corporate tax rate, but this effect is ambiguous in absolute terms.<sup>8</sup> However, when Shuai & Chmura study employment growth in the U.S., rather than employment levels, they find that a corporate tax cut is significantly associated with faster job creation.<sup>9</sup>

Other related literature includes Bishop & Montgomery (1993) and Faulk (2002). Both papers study the impact of an employment tax credit on labor demand. Bishop & Montgomery focus on the Targeted Job Tax Credit (TJTC) and find that the subsidy incentivizes employers to hire younger workers. However, most claims for the tax credits are for workers who would have been hired in absence of the program.<sup>10</sup> Faulk examines the Georgia's Jobs Tax Credit program and discovers that firms participating the program create 25 percent more jobs than eligible firms that do not participate.<sup>11</sup>

Finally, this paper also speaks to literature studying changes in female labor supply in response to tax adjustments. For example, Bosch & van der Klaauw study the 2001 Dutch tax reform and how it lowers the fixed cost of working for married women with high-income partners. As a result, the reform has a positive, significant impact on female labor force participation.<sup>12</sup>

My own contribution with this paper primarily comes from the combined analysis of three elements: corporate tax reduction and female labor demand in a developing economy. There are also some minor differences. For example, while my paper shares Pham's examination of Vietnamese firms, it differs in terms of methodology: I exploit a *permanent* change in corporate tax rate, rather than a temporary adjustment. This paper also differs from Bishop & Montgomery and Faulk in that it studies a general corporate tax reduction, instead of a specific type of tax credit.

The rest of this paper is organized as follows. Section 2 presents the data and methodology, including a detailed description of the endogeneity concern and identifying assumptions. Section 3 discusses the main regression results and secondary findings. Section 4 addresses some robustness checks. Section 5 concludes with some policy implications.

## **Data and Methodology**

### *Datasets*

This paper uses the Vietnam Small and Medium Enterprises surveys (Vietnam SME), collected biennially between June and August by the Central Institute for Economic Management (CIEM), the Institute of Labour Science and Social Affairs (ILSSA), the Development Economics Research Group (DERG) at the University of Copenhagen, and the United Nations University (UNU-WIDER). Data are available for 2011, 2013 and 2015. The surveys report a representative sample of firms across 18 sectors in ten provinces of the country: Hanoi, Ha Tay, Hai Phong, Ho Chi Minh City, Phu Tho, Nghe An, Quang Nam, Khanh Hoa, Lam Dong, and Long An. Stratified sampling allows for a balanced sample of firms in each province of different ownership forms.

For each year's survey, there are three modules: enterprise, economic, and employee. The enterprise module reports on firm's performance, history, employment, business environment, and demographic information about the owner. The employee module collects information on educational background, work experiences, union membership, and household characteristics of a representative sample of employees. Finally, the economic module lists revenues, expenses, asset, liability, and capital accounts of firms.

### *Control and Treatment Groups*

Based on Decree No. 32/2013/QH13, the unique CIT rate of 20% only applies to firms whose total number of full-time employees is below 200 and annual revenue not exceeding VND 20 billion. Then, the treatment group consists of firms whose labor size and nominal revenue are below the mentioned threshold. Firms not meeting either requirements make up the control group.

Without any restriction, the control and treatment groups are extremely unbalanced. Particularly, only 9 percent of the observations in 2013 and 2015 belongs to the control group, and 91 percent belongs to the treatment group. To re-balance the samples, I restrict the sample to only firms with at least 50 employees and at most 500 employees. This returns a sample of 346 observations for years 2013 and 2015, with 60 percent of the sample are control firms and 40 percent are treatment firms.<sup>13</sup>

### *Identification Strategy for Enterprise Regression*

I pursue a difference-in-differences identification strategy. The first difference compares firms that were not eligible for a differential tax treatment (control group) and firms eligible for the differential tax treatment (treatment group). The second difference compares firms before and after the tax change; the timing of the Vietnam SME surveys allows me to use 2013 as pre-treatment and 2015 as post-treatment. The difference-in-difference estimate of the effect of a CIT reduction ( $\beta_1$ ) is estimated by the following regression:

$$(1) y_{idc} = \beta_0 + \beta_1 Post_{idc} \times Treat_{idc} + \beta_2 Post_{idc} + \beta_3 Treat_{idc} + \beta_4 X_{idc} + \delta_c + \varepsilon_{idc}$$

where  $y_{idc}$  is the outcome variable of interest, corresponding to a firm  $i$  in district  $d$  in province  $c$ ;  $Post_{idc}$  is an indicator for being in 2015;  $Treat_{idc}$  is an indicator for being in the treatment group (i.e. eligible for the differential tax treatment);  $X_{idc}$  is a set of controls for firm's characteristics;  $\delta_c$  is a fixed-effect at the provincial level, to account for any time-invariant differences common among firms in each of the ten provinces. Standard errors are robust to heteroscedasticity and clustered at the district-level.

By estimating any causal relationship at the enterprise-level, my main assumption requires that policymakers make decisions independently of a single firm's female employment

levels. If the difference-in-differences regression is estimated at any level greater than the firm-level, such as district-level or province-level, then it might run the risk of reverse causality. For example, if two largest provinces of the country like Hanoi and HCMC have low level of female employment, then policymakers might be encouraged to adjust current laws to boost employment. This would bias our coefficient estimate downward.

The use of fixed effect at the provincial level and other controls at the firm-level minimizes omitted variable bias. Suppose a firm in Hanoi is more likely to hire female workers than a firm in Ha Tay because of some inherent differences between the two provinces, e.g. urban versus rural. If urban firms are also more affected by tax changes than rural firms, then the coefficient estimate is biased upward. The inclusion of province fixed-effect corrects for this bias. Suppose certain characteristics at the firm-level are also correlated with female employment and tax changes, then the inclusion of firm-level controls corrects for this bias as well.

Table 1–Descriptive Statistics, Enterprise-level Data: 2011 and 2013

VARIABLES	Control Firms			Treatment Firms		
	N	Mean	SD	N	Mean	SD
<i>Panel A: Outcome Variables</i>						
Share of Female Workers	87	0.437	0.216	75	0.515	0.255
Total Female Workers	87	53.10	45.63	75	46.87	37.23
<i>Panel B: Explanatory Variables</i>						
Total Labor Force	87	117.0	69.41	75	86.95	39.47
Share of Union Workers	68	0.782	0.226	46	0.802	0.230
Firm Investment (million VND)	87	6,713	11,543	75	2,104	3,588
Access to Road	87	0.943	0.234	75	0.947	0.226
Net Profit per Worker +1 (log)	75	3.384	1.301	68	1.913	1.074
Asset per Worker + 1 (log)	87	5.241	0.970	75	4.349	1.119



Debt per Worker + 1 (log)	68	3.425	1.512	51	2.432	1.364
Tax Payment per Worker + 1 (log)	87	1.897	1.115	75	1.469	0.997

*Notes:* Data have been restricted to include only observations closely positioned around the threshold of 200. The remaining observations included firms whose sizes range from 50 employees to 500 employees; the choice of bounds was arbitrary and only reflected a more balanced sample for control and treatment firms.

To better understand the characteristics of the control and treatment firms before the policy, I provide summary statistics of control and treatment firms in Table 1. The outcome variables of interest in this regression are share of female workers and total female workers. Control firms appear to have a lower share of female workers, but higher total number of female workers than treatment firms. However, these differences are not statistically significant. With my definition of treatment group, the control firms clearly have a large labor size on average. As a result, the output potential for control firms is larger, as seen in their higher investment, net profit, asset, debt, and tax payment.

Figure 1. Parallel Trends, Average Share of Female Labor

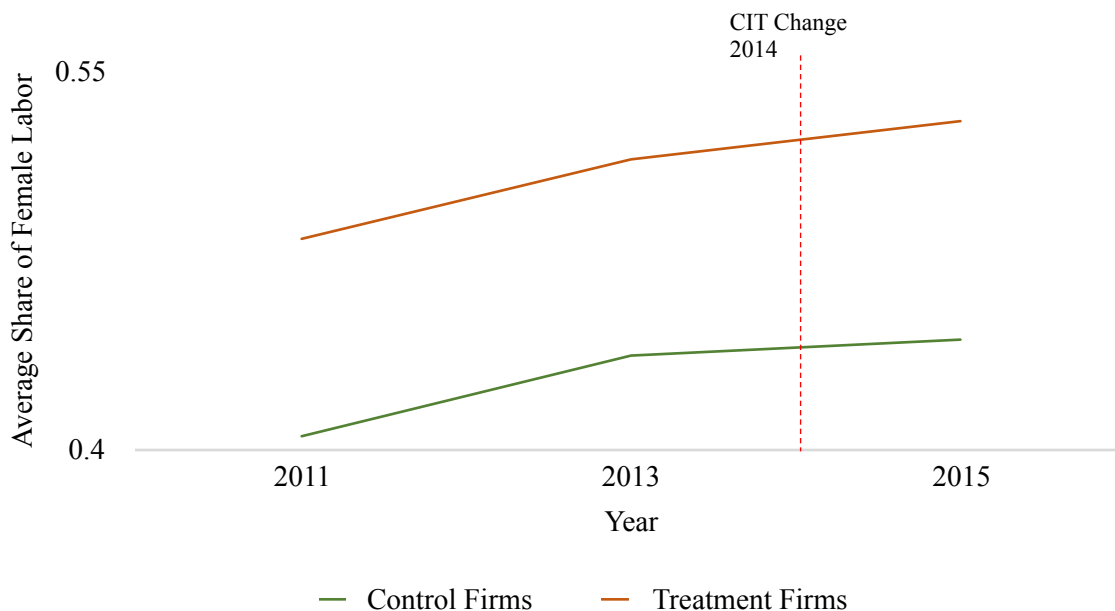
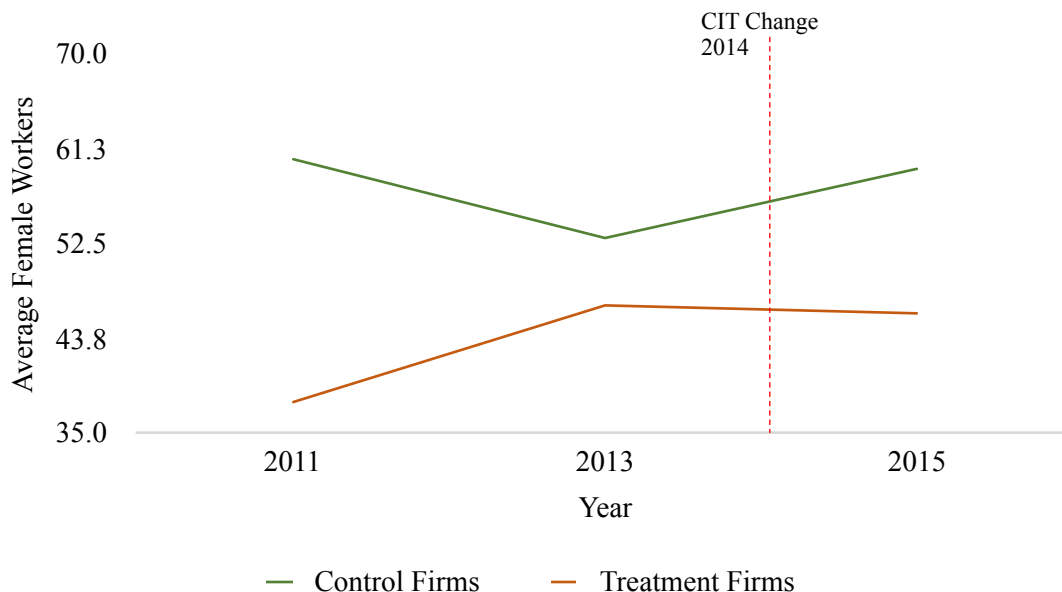


Figure 2. Parallel Trends, Average Female Workers



I test for the parallel trends between control firms and treatment firms’ share of female labor and total female workers prior to the CIT change. Figure 1 visualizes the parallel trend for average share of female labor between the control and treatment firms, and fails to reject the null hypothesis that there is a parallel trend. Figure 2 visualizes the parallel trends for average female workers, and rejects the null hypothesis. The lack of parallel trend in growth of total female workers between the control and treatment firms violates the assumption of the difference-in-differences identification, and the coefficient estimates should only be taken as suggestive.

*Identification Strategy for Employee Regression*

To estimate the effect the tax change at the employee-level, I construct a triple difference estimate, similar to what Muralidharan & Prakash use to estimate the effect of the Cycle program on girl’s average schooling.<sup>14</sup> The first difference is between eligible and ineligible firms; the second difference compares outcomes before and after implementation of the tax change. The third difference compares female and male workers. Then, the triple difference estimate ( $\beta_1$ ) of the effects of a CIT change is as follows:

$$(2) y_{ijdc} = \beta_0 + \beta_1 Post_{ijdc} \times Treat_{ijdc} \times Female_{ijdc} + \beta_2 Post_{ijdc} \times Female_{ijdc} + \beta_3 Treat_{ijdc} \times Female_{ijdc} + \beta_4 Post_{ijdc} \times Treat_{ijdc} + \beta_5 Post_{ijdc} + \beta_6 Treat_{ijdc} + \beta_7 Female_{ijdc} + \omega_j + \beta_8 C_{ijdc} + \beta_9 D_{ijdc} + \varepsilon_{ijdc}$$

where  $y_{ijdc}$  is the outcome variable for a worker  $i$  at firm  $j$  in district  $d$  and province  $c$ ;  $Post_{ijdc}$  is an indicator for being in 2015;  $Treat_{ijdc}$  is an indicator for being in the treatment group;  $Female_{ijdc}$  is an indicator taking a value of 1 if the worker is female, and 0 if the worker is male.  $\omega_j$  is a fixed-effect at the firm-level, which accounts for common time-invariant characteristics among workers in a firm.  $C_{ijdc}$  is a set of controls for job characteristics, and  $D_{ijdc}$  is a set of controls for worker demographics; the inclusion of these terms minimizes the risk of omitted variable bias and prevents intensifying the coefficient estimate. Standard errors are robust to heteroscedasticity.

Table 2–Descriptive Statistics, Employee-level Data: 2011 and 2013

VARIABLES	Male			Female		
	N	Mean	SD	N	Mean	SD
<i>Panel A: Outcome Variables</i>						
Monthly Wage in 1000 VND	213	7,327	49,655	233	3,683	1,626
Derived monthly wage (log)	213	8.222	0.516	233	8.131	0.394
<i>Panel B: Explanatory Variables</i>						
Age	214	34.18	8.253	233	32.01	8.035
Employee has formal labor contract	214	0.930	0.256	233	0.936	0.246
Number of years working at current firm	214	6.439	4.504	233	6.004	5.481
Employee lives and works in same province	214	0.771	0.421	233	0.815	0.389
Employee receives on-the-job training	214	0.477	0.501	233	0.343	0.476
Employee is a union member	126	0.825	0.381	159	0.893	0.310
Employee owns a house	214	0.710	0.455	233	0.742	0.438

*Notes:* Data have been restricted to include only employees working at firms whose total labor size is close to 200. The remaining observations included employees in firms whose sizes range from 50 employees to 500 employees; the choice of bounds was arbitrary and only reflected a more balanced sample for control and treatment firms.

I provide summary statistics for male and female workers in 2011 and 2013 in Table 2, to observe any differences between the two groups prior to the tax change. I observe that prior to the tax change, female workers earn 4 million VND less than male workers every month (approximately \$175 at the current exchange rate). However, other attributes such as average age, years working at current firm, union membership, and homeownership are very similar between the two groups. For the triple-difference regression, the main outcome variable of interest is the log of monthly wage rate, derived by scaling hourly, daily, and weekly wages to a monthly basis.<sup>15</sup> The log-transformation is used since the distribution of wages is highly right-skewed.

Table 3—Testing Parallel Trends Assumption, Triple Difference Estimate

VARIABLES	(1) Derived Monthly Wage (log)
Post x Treated x Female	-0.256 (0.158)
Post x Female	0.119 (0.101)
Treated x Female	-0.0684 (0.105)
Post x Treated	0.219 (0.161)
Post	0.207* (0.110)
Treated	0.232* (0.138)

Female	-0.127*
	(0.0703)
Constant	8.032***
	(0.464)
Observations	210
R-squared	0.766

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

*Notes:* Regression includes firm fixed-effect and controls for job characteristics and worker demographics. These include job junctions, whether the worker has a formal contract, number of years working in current firm, whether the worker's residence is in the same province as the firm, whether the worker receives on-the-job training, and the sector of the worker's previous job, as well as relationship with owner, age, education level, whether the worker is in a union, house ownership status, and type of housing. Standard errors are robust.

I test for parallel trends between female workers in eligible firms and male workers in ineligible firms by derived wage rate for the years prior to the CIT change. Since a triple difference estimate can be difficult to visualize, result for the test of parallel trends is summarized in Table 3. I find that the coefficient for the triple interaction term is not significantly different from zero, and do not reject the null hypothesis that there is a parallel trend in wages between female workers in eligible firms and male workers in ineligible firms.

## Results

### *Impact on Female Labor Demand*

The difference-in-differences estimates for the impact of the CIT reduction based on equation (1) are presented in Table 4. Column 1 and 2 present the effect of a two-percentage points reduction in CIT on share of female labor. Column 3 and 4 present the effect of the CIT reduction on total female workers. The estimates with only province fixed-effect are presented in column 1 and 3. The estimates with province fixed-effect and controls for firm's characteristics are presented in column 2 and 4. My preferred method will be the difference-in-differences regression with both province fixed-effect and firm-level controls.

Table 4–Diff-in-diff Regression for Share of Female Labor and Total Female Workers

VARIABLES	Share of Female Labor		Total Female Workers	
	(1)	(2)	(3)	(4)
Post x Treated	0.0169 (0.0476)	-0.0137 (0.0657)	-7.110 (7.704)	-6.185 (8.477)
Post	0.000659 (0.0233)	0.0584 (0.0379)	5.086 (6.060)	11.23** (4.803)
Treated	0.0703** (0.0340)	0.0778 (0.0580)	-6.785 (6.049)	8.952 (6.513)
Constant	0.399*** (0.0247)	0.764*** (0.162)	46.56*** (6.367)	11.94 (29.32)
Observations	346	170	346	170
R-squared	0.079	0.231	0.065	0.608
Controls for Firms' Characteristics	No	Yes	No	Yes

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Notes: All regressions include province fixed-effect; other controls for firm's characteristics include total labor size, firm's investment (in million VND), log of last year's debt (in million VND) per worker (plus one), log of last year's asset (in million VND) per worker (plus one), log of last year's net profit (in million VND) per worker (plus one), log of last year's tax payment (in million VND) per worker (plus one), share of union workers and whether firms have road access. Robust standard errors are clustered at the district level.

Table 4 shows that the additional two-percentage points reduction in CIT reduces the share of a firm's female labor by 1 percentage point and the total number of female workers by 6 workers. However, the estimates of  $\beta_1$  do not significantly differ from zero, which suggests that eligibility for the differential CIT rate does not affect firms' female labor size. A few points are worth noting:

When estimating for share of female labor, the  $\beta_1$  estimate falls by 0.02 when including controls for firm's characteristics, from 0.017 to -0.014, which raises concerns over omitted variables even though the parallel trends assumption is met. In addition, the sign of  $\beta_1$  changes from positive to negative, but since its magnitude remains relatively close to zero, I conclude that the effect of the CIT reduction is ambiguous or absent.

When estimating for total number of female workers, the  $\beta_1$  estimate falls from -7.11 to -6.19. However, both coefficient estimates are statistically insignificant, and since the parallel trends assumption does not hold, the result should only be suggestive.

### *Impact on Female Workers' Wages*

To study the effect of the CIT reduction on employees, I use equation (2) to estimate the impact of a firm being eligible on its worker's derived monthly wage. Table 5 presents the triple difference coefficient estimates without any controls (column 1), with controls for job characteristics (column 2), with controls for worker demographics (column 3), and with both types of control (column 4). All four regressions include a firm fixed-effect to account for any common time-invariant attributes of workers in a single firm.

The inclusion of controls for job characteristics raises the  $\beta_1$  estimate from 0.236 to 0.386 (column 1 to column 2). This might suggest that job characteristics are correlated with being a female worker in an eligible firm and with a worker's wage rate, but in different direction. For example, female workers at an eligible firm might be more likely to live and work in the same province, but workers who live in the same province generally receive lower wages, since employers do not need to compensate for traveling expenses.

The inclusion of worker demographics also increases the estimated  $\beta_1$  coefficient from 0.236 to 0.439 (column 1 to column 3). Then, worker demographics are also correlated with worker's gender in an eligible firm and with wage rate, and in opposite direction. For instance, having a better education will likely raise wage rate, but male workers on average might have higher educational attainment than female in Vietnam.

When including both types of controls, the estimated coefficient  $\beta_1$  increases from 0.236 to 0.688 (column 1 to column 4), and becomes statistically significant at the 1% level. Then,

including both controls in the model must further explain the remaining variation in wage rates, and it is ideal to include them in later regressions. In the context of the paper, when considering common time-invariant attributes of workers in a single firm and other characteristics of the workers' job and demographic, an additional two-percentage points reduction in CIT rate leads to an increase of 69% in monthly wage rate for female workers (relative to male workers at an ineligible firm).

## Robustness Checks

### *Selection Bias*

It is possible that firms can adjust their hiring decision prior to the implementation of the CIT change. This would lead to a selection bias, where firms whose labor size and annual revenue are near the threshold might contract their output and employment to receive the additional tax benefits. One solution is to identify eligibility of a firm prior to the announcement of the tax change, assuming the eligibility status of firms remains constant prior to and after the announcement of the pending tax change.

Table 5—Triple Difference Regression for Derived Monthly Wage (log)

VARIABLES	Derived Monthly Wage (log)			
	(1)	(2)	(3)	(4)
Post x Treated x Female	0.236 (0.144)	0.386** (0.159)	0.439** (0.208)	0.688*** (0.226)
Post x Female	-0.219** (0.0960)	-0.226** (0.111)	-0.177 (0.126)	-0.188 (0.141)
Treated x Female	-0.0689 (0.100)	-0.215* (0.121)	-0.382** (0.189)	-0.476*** (0.167)
Post x Treated	-0.215 (0.160)	-0.174 (0.151)	-0.374 (0.245)	-0.476 (0.404)



Post	0.354*** (0.124)	0.375*** (0.143)	0.414*** (0.151)	0.422*** (0.131)
Treated	-0.161 (0.164)	0.0390 (0.256)	-0.256 (0.310)	-0.153 (0.305)
Female	0.0211 (0.0605)	0.0711 (0.0817)	0.0383 (0.0955)	0.0564 (0.0995)
Constant	8.876*** (0.180)	8.851*** (0.389)	7.440*** (0.652)	8.239*** (0.688)
Observations	442	313	283	205
R-squared	0.597	0.676	0.641	0.751
Controls for Job Characteristics	No	Yes	No	Yes
Controls for Worker Demographics	No	No	Yes	Yes

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

*Notes:* All regressions include firm fixed-effect; controls for job characteristics include job functions, whether the worker has a formal contract, number of years working in current firm, whether the worker's residence is in the same province as the firm, whether the worker receives on-the-job training, and the sector of the worker's previous job; controls for worker demographics include relationship with owner, age, education level, whether the worker is in a union, house ownership status, and type of housing.

First, I set up a panel data of firms with data in both 2013 and 2015. I then determined a firm to be “eligible” if their labor size in 2013 is less than 200 employees and their annual revenue in 2013 is less than 20 billion VND. Eligibility status for a firm will be carried over to that same firm in year 2015. Then, equation (1) and (2) will be used to estimate the regressions on share of female labor and log of derived monthly wage. Table 6 and Table 7 present the regression results.

Table 6–Testing for Selection Bias, Enterprise-level

(1)

VARIABLES	Share of Female Labor
Post x Treated	-0.0276 (0.0733)
Post	0.0440 (0.0400)
Treated	0.0340 (0.0775)
Constant	0.957*** (0.257)
Observations	116
R-squared	0.226

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

*Notes:* Regression includes province fixed-effect and other controls for firm's characteristics: total labor size, firm's investment (in million VND), log of last year's debt (in million VND) per worker (plus one), log of last year's asset (in million VND) per worker (plus one), log of last year's net profit (in million VND) per worker (plus one), log of last year's tax payment (in million VND) per worker (plus one), share of union workers and whether firms have road access. Robust standard errors are clustered at the district level.

Table 7–Testing for Selection Bias, Employee-level

VARIABLES	(1) Derived Monthly Wage (log)
Post x Treated x Female	0.601* (0.338)
Post x Female	-0.158

	(0.161)
Treated x Female	-0.220
	(0.191)
Post x Treated	-0.105
	(0.355)
Post	0.449***
	(0.143)
Treated	0.168
	(0.265)
Female	0.0992
	(0.110)
Constant	8.302***
	(0.930)
Observations	153
R-squared	0.798

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

*Notes:* Regression includes firm fixed-effect, controls for job characteristics and worker demographics. Controls for job characteristics include job junctions, whether the worker has a formal contract, number of years working in current firm, whether the worker's residence is in the same province as the firm, whether the worker receives on-the-job training, and the sector of the worker's previous job. Controls for worker demographics include relationship with owner, age, education level, whether the worker is in a union, house ownership status, and type of housing.

If there is selection bias, then we might expect the coefficient estimate in Table 4 column 2 to be more negative if firms intentionally fire workers to reduce labor size. However, the new estimation of  $\beta_1$  in Table 6 is -0.0276, which is very similar to, if not smaller than the  $\beta_1$  estimation of -0.0137 in Table 4. This suggests that firms might not intentionally contract their output and employment to receive differential tax treatment. In addition, since both estimations

are statistically insignificant, I conclude that selection bias does not significantly influence the regression results.

Similarly, if selection bias significantly influences female worker's wages, then we would observe a drastic change in the coefficient estimate  $\beta_1$  in equation (2) from Table 5 to Table 7. However, an estimate of 0.601 is hardly different from 0.688 (in Table 5 column 4), even though this estimate is only significant at the 10% level. The loss of significance likely suggests that the new definition of eligibility may not have the most predictive power. In short, selection bias does not significantly affect wage rates of female workers in eligible firms relative to male workers in ineligible firms.

#### *Heterogeneity in Wage Rates by Pay Period*

Another limitation of this paper stems from the calculation of monthly wage rate. And while this calculation might be prone to measurement errors, it is at greater risks of violating another crucial assumption: that workers paid on an hourly, daily, and monthly basis are similar. If this assumption is violated, the estimated coefficient might be overestimated.

To test for any heterogeneity among workers by their pay period, I re-run the regression using equation (2), with the inclusion of a fixed-effect for pay period (hourly, daily, monthly). Table 8 presents the regression result; I find that there is a decline in the coefficient estimate  $\beta_1$ , from 0.688 to 0.577, when difference in pay period is considered. I observe that workers paid on an hourly basis receive a derived monthly wage rate six times greater than workers paid daily. Then, the calculation of monthly wage for workers paid hourly is inflated, which biases the coefficient estimate of the triple-difference upward. However, the direction of the triple-difference coefficient is still positive, and its magnitude still large. When controlled for heterogeneity by pay period, female workers in an eligible firm receive a monthly wage 58% greater than male workers in an ineligible firm. In other words, differences among workers by pay period do not significantly change our conclusion on the wage increase for female workers in eligible firms.

*Heterogeneity from Other Policies*

A threat to the internal validity of this paper is the presence of other policies between 2013 and 2015 that could confound the effect of the CIT change on female labor and female wages. Two examples of such policies are Decree 05/2015/ND-CP and Decree 85/2015/ND-CP. The first decree, implemented in March 2015, details rules regarding contract negotiations, such as wage equality, overtime compensation, and other non-wage benefits.<sup>16</sup> The second decree, implemented in November 2015, details several articles of the Labor Code regarding company policies toward female workers.<sup>17</sup> The timing of these policies might confound the impact of the CIT reduction, since firms could adjust their wage negotiations process with female workers; the coefficient estimate might be biased upward.

As an attempt to correct for these confounding policy implementations, I proxy the impact of these policies using a firm owner's self-reported knowledge about gender equality laws. The assumption behind this proxy is that in firms that are more affected by gender equality laws, their owners will have a better understanding of these laws. Table 9 summarizes the owners' self-reported knowledge of these laws.

Table 8—Testing for Heterogeneity in Pay Period

VARIABLES	(1) Derived Monthly Wage (log)
Post x Treated x Female	0.577*** (0.188)
<i>Pay Period FE (Base Case = Daily)</i>	
Pay Period = Hourly	6.021*** (0.301)
Pay Period = Monthly	1.360*** (0.0633)
Constant	7.666***

	(0.405)
Observations	205
R-squared	0.905

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

*Notes:* Regression includes firm and pay period fixed-effects, and controls for job characteristics and worker demographics. Controls for job characteristics include job junctions, whether the worker has a formal contract, number of years working in current firm, whether the worker's residence is in the same province as the firm, whether the worker receives on-the-job training, and the sector of the worker's previous job; controls for worker demographics include relationship with owner, age, education level, whether the worker is in a union, house ownership status, and type of housing. Standard errors are robust.

Using the values from Table 9, I create a dummy variable taking value of 1 if the owner has average or good knowledge about gender equality laws, and 0 if the owner has poor or no knowledge about these laws. I then construct a quadruple-difference regression similar to Muralidharan & Prakash as follows:

$$(3) y_{ijdc} = \beta_0 + \beta_1 Post_{ijdc} \times Treat_{ijdc} \times Female_{ijdc} \times AboveAverage_{ijdc} + \sum_{i=2}^5 \beta_i \times (4 \text{ Triple Interactions}) + \sum_{i=6}^{11} \beta_i \times (6 \text{ Double Interactions}) + \sum_{i=12}^{15} \beta_i \times (4 \text{ Linear Terms}) + \omega_j + \beta_{16} C_{ijdc} + \beta_{17} D_{ijdc} + \varepsilon_{ijdc}$$

where *AboveAverage*<sub>ijdc</sub> is the dummy variable created above; other terms in the model are as described in equation (2).<sup>18</sup> Table 10 presents the triple-difference estimate for Post x Treated x Female, and the quadruple-difference coefficient estimate. The coefficient estimate for the quadruple-interaction is negative but not significantly different from zero. Then, for firms whose owners have at least average knowledge of gender equality laws, being a female and working in a firm eligible for the additional CIT reduction does not lead to any changes in wages. However, the triple-difference estimate for Post x Treated x Female remains highly positive and significant

at the 1% level. The magnitude of this estimate suggests that for all eligible firms regardless of owners’ knowledge about gender equality laws, the presence of the CIT reduction raises wages for female workers by 72%.

Table 9–Descriptive Statistics, Self-reported Knowledge of Gender Equality Laws

VALUES	(1) Frequency
Good	27
Average	121
Poor	143
No Knowledge	229
Total	520

*Notes:* Data have been restricted to include only observations closely positioned around the threshold of 200. The remaining observations included firms whose sizes range from 50 employees to 500 employees; the choice of bounds was arbitrary and only reflected a more balanced sample for control and treatment firms.

These results could hint at a lack of heterogeneity caused by these confounding policies, but more likely they suggest that owner’s knowledge of these policies is not an accurate proxy of these policies’ actual effect. Further research, and perhaps a more comprehensive data source, is needed to account for confounding policy effects.

Table 10–Heterogeneity from Other Policies

VARIABLES	(1) Derived Monthly Wage (log)
Post x Treated x Female x Above Average	-0.322 (0.446)
Post x Treated x Female	0.723***

	(0.246)
Constant	8.528***
	(0.871)
Observations	205
R-squared	0.768

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

*Notes:* Regression includes firm fixed-effect, controls for job characteristics, worker demographics and fixed-effect for owner's knowledge about gender equality laws. Controls for job characteristics include job junctions, whether the worker has a formal contract, number of years working in current firm, whether the worker's residence is in the same province as the firm, whether the worker receives on-the-job training, and the sector of the worker's previous job; controls for worker demographics include relationship with owner, age, education level, whether the worker is in a union, house ownership status, and type of housing

## Conclusion

This paper studies the impact of a two-percentage points CIT reduction on female labor demand and female wages in small- and medium-sized firms. The difference-in-differences estimate suggests an insignificant change in female labor size. On the other hand, the triple-difference estimate confirms an increase by 69% in female wages in eligible firms relative to male wages in ineligible firms. One possible explanation is that when firms received two additional percentage points reduction in CIT, they did not adjust their employment levels, and the extra cash flow either allowed them to better compensate female workers, or allowed them to replace previous unskilled female workers with new skilled female workers, whose wage demand were higher.

This paper might support future corporate tax cuts in developing countries like Vietnam. However, certain precautions must be taken in terms of econometrics and policy analysis. First, there remains concerns about heterogeneity from confounding policies. There are most likely unobservable effects from policy implementations or social movements in Vietnam that could significantly drive the results. Without finding an accurate proxy or measurement of other effects, no definite conclusions can be drawn about the true causal effect of a tax reduction. Second, from a policy analysis perspective, the benefit of a corporate tax reduction could be



outweighed by its cost in the government budget. Usually, a current tax cut would be followed by a future tax hike, so that governments could reduce its budget deficit. At the same time, lower tax revenue might also imply reduced provision of necessary public services, which might have long-term consequences for traditionally disadvantaged groups like female workers. This intersection between econometric analysis and cost-benefit policy analysis would make an excellent addition to any strands of literature studying the impact of taxes on the female labor market.

## Notes

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<sup>1</sup> General Statistics Office of Vietnam: Report on labor force survey Q3, 2017.

<sup>2</sup> Pham, A. (2017). A Temporary Corporate Income Tax Reduction and Its Effects on Investment and Reported Profits: A Case Study of Vietnam. *Working Paper*.

<sup>3</sup> Ljungqvist, A., & Smolyansky, M. (2016). To Cut or Not to Cut? On the Impact of Corporate Taxes on Employment and Income. In *Finance and Economics Discussion Series 2016-006*. Washington: Board of Governors of the Federal Reserve System. <https://doi.org/10.3386/w20753>

<sup>4</sup> Graham, J. R., Lemmon, M. L., & Schallheim, J. S. (1998). Debt, Leases, Taxes, and the Endogeneity of Corporate Tax Status. *The Journal of Finance*, 53(1), 131–162. <https://doi.org/10.1111/0022-1082.55404>

<sup>5</sup> Ohrn, E. (2017). The Effect of Corporate Taxation on Investment and Financial Policy: Evidence from the DPAD. *American Economic Journal: Economic Policy*. <https://doi.org/10.1257/pol.20150378>

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Da Rin, M., Sembenelli, A., & Di Giacomo, M. (2010). Corporate Taxation and the Size of New Firms: Evidence from Europe. *Journal of the European Economic Association*, 8(2–3), 606–616. <https://doi.org/10.1111/j.1542-4774.2010.tb00530.x>

<sup>9</sup> Shuai, X., & Chmura, C. (2013). The Effect of State Corporate Income Tax Rate Cuts on Job Creation. *School of Professional and Continuing Studies Faculty Publications*, 56.

<sup>10</sup> Bishop, J. H., & Montgomery, M. (1993). Does the Targeted Jobs Tax Credit Create Jobs at Subsidized Firms? *Industrial Relations: A Journal of Economy and Society*, 32(3), 289–306. <https://doi.org/10.1111/j.1468-232X.1993.tb01051.x>

<sup>11</sup> Faulk, D. (2002). Do State Economic Development Incentives Create Jobs? An Analysis of State Employment Tax Credits. *National Tax Journal*, 55(2), 263–280.

<sup>12</sup> Bosch, N., & van der Klaauw, B. (2012). Analyzing female labor supply — Evidence from a Dutch tax reform. *Labour Economics*, 19(3), 271–280. <https://doi.org/10.1016/j.labeco.2012.01.002>

<sup>13</sup> The restriction originally returns 347 observations, but one outlying observation with extremely high annual revenue was omitted. Removing this observation did not significantly affect the result.

<sup>14</sup> Muralidharan, K., & Prakash, N. (2017). Cycling to School: Increasing Secondary School Enrollment for Girls in India. *American Economic Journal: Applied Economics*, 9(3), 321–350. <https://doi.org/10.3386/w19305>

<sup>15</sup> The derivation assumes that workers working on an hourly basis works 8 hours a day, in 26 days in a month. Workers paid daily works 26 days in a month. Workers paid weekly works 4 weeks in a month. These assumptions are based on the maximum hours and days worked specified by law in Vietnam.

<sup>16</sup> Ministry of Labour – Invalids and Social Affairs: 05/2015/ND-CP

<sup>17</sup> Ministry of Labour – Invalids and Social Affairs: 85/2015/ND-CP

<sup>18</sup> Ibid.

Framing the Urban-Rural Divide: The Role of Historical Myths and Metaphors in the Social and  
Political Dynamics of North American Colonialism

Laura Supple

## **Introduction**

The story of North American colonial expansion is one written in the divide between urban and rural landscapes. Western society has long struggled to define “optimal” human relationships with urban and rural environments, often sparking heated debates between pastoralist and metropolitan ideologies. To the wilderness romanticist, the natural landscape may represent a sanctuary of timeless transcendence, a refuge from the chaos and filth of the industrial city, while to the urbane idealist the wilderness may symbolize a primeval forest of exile, cut off from the social and intellectual riches of industrial society.<sup>123</sup> Although these opposing ideologies differed in their impressions of urban and rural landscapes, commonalities in metropolitan and pastoral ideological framings of progress, reserves, and human disposal demonstrate that these seemingly adversarial characterizations of the urban-rural divide were in fact linked in their intention to rationalize racist conceptualizations of who did or did not belong within the elite spaces of society. Whether glorifying the metropolitan or agrarian, North American colonial mythologies and metaphors from ostensibly antagonistic ideologies used to demarcate the boundaries between urban and rural spaces worked in tandem to enable colonial expansion by facilitating the dispossession, exclusion, and oppression of indigenous peoples.

## **Colonial Discourses of Progress**

In both urban and rural contexts, dominant groups employ discourses of “progress” as weapons of societal control to justify displacement, exclusion, and dispossession of groups seen as impediments to “the ‘developing’ nation’s ascent into modernity’s pantheon.”<sup>4</sup> White supremacist logics of linear development understood this “pantheon” as a white space created by and for European society, with the white European elite acting as gatekeepers to this privileged space. Renowned writer and New York native James Baldwin summarized the concept in his 1955 essay “Stranger in the Village” in which he states, “[t]he idea of white supremacy rests simply on the fact that white men are the creators of civilization (the present civilization, which is the only one that matters; all previous civilizations are simply “contributions” to our own) and are therefore civilization’s guardians and defenders.”<sup>5</sup> The racist conceptualization of

“civilization” as the domain of white Western society was foundational to the rhetoric of “progress” in both urbanists and pastoralists colonial ideologies. The elevation of white European culture as the developmental benchmark in “advanced society” carried the implicit assumption that this form of “progress” was inherently good and desirable. Throughout colonial expansion, white colonizers utilized this logic of development to exonerate white society of environmental injustices in the name of collective improvement on both urban and rural frontiers.

### **The Colonial City as a “Civilized” Space**

As European colonizers spread across the North American continent and built colonial cities on conquered lands, deliberate measures were taken to enforce physical boundaries between white settlers and indigenous peoples. Glen Sean Coulthard, associate professor in the First Nations and Indigenous Studies Program and the Department of Political Science at the University of British Columbia, described the fanatical obsession with which Canadian planners sought to eradicate indigenous presence from the urban environment in his book *Red Skin, White Masks: Rejecting the Colonial Politics of Recognition*: “Historically, Canadian cities were originally conceived of in the colonial imagination as explicitly non-indigenous spaces – as *civilized* spaces – and urban planners and Indian policy makers went through great efforts to expunge urban centers of indigenous presence.”<sup>6</sup> By explicitly distinguishing the city as both a “non-indigenous” and “civilized” space, colonizers unequivocally expressed exactly who would be included within the bounds of this “civilized” society as it progressed. Characterizations of indigenous spaces as “impediments” to expanding cities underpinned early 20<sup>th</sup> century development policies, such as a 1911 amendment to the Indian Act permitting the forced expulsion of indigenous communities located within or adjacent to an incorporated town should the displacement be deemed “in the interest of the public.”<sup>7</sup> By the mid-twentieth century, as urban spaces expanded into large suburban areas and indigenous increasingly took up residence within cities, development ideologies shifted to enforce new segregations of settler and indigenous spaces within the urban landscape, cordoning off inner city projects and zones for the

urban poor and growing indigenous populations.<sup>8</sup> By characterizing indigenous society as antithetical to developmental ideals of progress, planners and policy makers justified the expulsion and exclusion of indigenous peoples from spaces of opportunity and prosperity in the urban environment, generating spatial divides that reinforced racialized social hierarchies predicated on white supremacist ideologies of civilization and progress.

### **Civility and Society in American Pastoralism**

Discourses of progress similarly bolstered racist ideologies of American pastoralist society and facilitated the dispossession and oppression of indigenous peoples in pursuit of the rural idyll. Thomas Jefferson was one of the most prominent espousers of the pastoral fascination in the United States and a foundational figure in American ideologies of agrarianism. To Jefferson, progress and civility were evidenced by the physical ordering of the landscape that accompanied Western agricultural practices. He even referred to agrarian landowners as the “chosen people of God,” apparently exonerating white landowners on the basis of some divine mandate.<sup>9</sup> European models of agriculture and animal husbandry that enabled biological control of both plants and animals for human exploitation “elevated human societies beyond the rudiments of savagery and barbarism,” in Jefferson’s view, and served as the defining characteristics of civilized society.<sup>10</sup> Jefferson’s conceptualization of the rural idyll thus built upon a white supremacist logic of progress that discredited any form of rural subsistence developed outside of this European model. Ignorant of ecological harmonies struck by indigenous subsistence practices, Jeffersonian ideology denigrated indigenous ways of life – and, by extension, indigenous peoples – as developmentally inferior to the European customs and peoples, or “behind” in the timeline of progress for no reason other than a lack of conformity to the peculiarities of European agriculture. The inherent injustice of this characterization would appear at odds with Jefferson’s philosophical stance as an Enlightenment thinker, but as environmental historian Carl Zimring notes, Jefferson justified this inconsistency with a “deferred equality” caveat of sorts: red and black men, Jefferson believed, could one day “catch up” to white men in the timeline of progress, given they recognized the cultural superiority of

white settlers, abandoned all traces of their “backward” culture, and fully adopted the European way of life.<sup>11</sup> Through this thin veneer of an Enlightenment dogma of equality, the Jeffersonian pastoral idyll claimed a moral preeminence while relying upon the same racist foundational definition of progress to justify exclusion of nonwhites from the boundaries of “elevated human society.” While permitting social mobility in theory, Jefferson’s form of social mobility hinged upon the adoption of European livelihoods, predicating nonwhite access to environmental resources on the abandonment of the very cultural practices that defined indigenous relationships with the landscape for generations.

### **The Duality of the Reserve**

As the rhetoric of progress and civilization served to define who belonged in conceptualizations of urban and rural society, reserves facilitated projects of environmental and social engineering, allowing urban planners and conservation biologists to dictate human access to urban and rural spaces. Rob Nixon, author and professor of English at the Princeton Environmental Institute, summarized the power of the reserve in enforcing policies of environmental exclusion and oppression, saying “[t]he noun ‘reserve’ may refer to either a sanctuary or a place of involuntary confinement – a refuge or a cage.”<sup>12</sup> The duality of the reserve was especially pronounced in colonizer relationships with indigenous communities, serving as a tool of confinement in one context and a means of expulsion in another.

### **The Reserve as a Cage – Quarantining Indigenous Society**

As colonists built cities throughout North America according to European standards, reservations served as the “cages” in which the settlers sought to quarantine indigenous people’s society while the project of creating urban centers as exclusively “white” spaces carried on. Such spaces of confinement served to enforce boundaries between indigenous communities and urban elites while creating a discrete locale for metropolitan settler society to direct targeted assimilation and cultural repression efforts. Characterizing reservations as concentrated spaces of

“uncivilized” people and “uncivilized” lifestyles, the settler state systematically isolated indigenous peoples and marked indigenous society for destruction, while simultaneously harvesting the next generation of indigenous bodies for exploitation. The adoption and enforcement of off-reservation boarding school policies exemplified this approach, physically isolating indigenous children in the United States and Canada from their communities and forcibly transplanting entire generations to environments dominated by the social engineering forces of assimilation policy. The first of these off-reservation boarding schools, the Carlisle Indian School, was founded in Pennsylvania in 1879 by Richard Pratt. Pratt believed extended physical isolation of indigenous children from the reservation community could “kill the Indian and save the man” and developed a boarding school system designed to “separate children from their parents, inculcate Christianity and white cultural values, and encourage/force them to assimilate into the dominant society.”<sup>1314</sup> By enclosing indigenous society within reservations, social engineers could simultaneously expunge indigenous presence from city spaces, withhold metropolitan resources intended for white society, and isolate an “inferior” culture to enable its eventual destruction. Like Jefferson’s problematic theory of social mobility built upon racist formulations of progress, escape from the prison of the reservation for indigenous youth through the boarding school system was predicated on the acceptance of white supremacist ideologies of cultural superiority that not only disavowed the legitimacy of indigenous ancestral heritage but defined the limits of indigenous peoples’ access to resources within the urban environment.

### **The Reserve as a Refuge – Exclusion from Natural Spaces**

While reservations served as tools of exclusion from the urban environment, wilderness reserves enforced the exclusion of Indigenous peoples from natural spaces, “reserving” areas of ecological and cultural value for white elite society while denigrating and vilifying ecological roles of Indigenous peoples as justification for their expulsion. Wilderness reserves in the United States have served as exclusive recreational spaces for white society through the active efforts to erase any history of Indigenous society from the “untouched wilderness” of the American West. In Nixon’s critique of the mainstream environmentalist movement he writes, “[f]rom the



perspective of North America's First Peoples, the white soul-dream of 'untouched country' has been a source of dispossession and cultural erasure."<sup>15</sup> The myth of "virgin" or "untouched" wilderness espoused by preservationists carried the implicit refusal to acknowledge the influence of centuries of indigenous societal development on the natural landscape, and built directly from white supremacist conceptualizations of progress and civilization as inherently white domains. In this mythological narrative, white settlers were recast as the rightful inheritors of "untouched" land, responsible stewards entrusted with the duty of determining how different landscapes should best serve the needs of settler society. The dispossession Nixon cites was thus twofold: along with the physical expulsion of indigenous peoples from wilderness reserves and the severing of long-standing ecological relationships between indigenous peoples and the environment, indigenous society was expunged from historical conceptualizations of the rural landscape to reproduce and reinforce the illusion of "pure" wilderness sought by environmental transcendentalists. Reservation policies not only served to exclude indigenous peoples from the physical resources of the natural environment, they actively pilfered the cultural resources of history that could serve as sources of strength and resistance.

### **Waste and Human Disposal**

Fixated on "progress" and the "reservation" of valued urban and rural spaces, colonizers recognized indigenous presence within the settler state as a menacing threat to dreams of continued expansion and conquest. Alongside justifications of physical exclusion or expulsion of indigenous society from valued urban and rural spaces, metaphors of disposability reduced indigenous peoples and culture to societal refuse in need of not only removal, but destruction. Both urbanist and pastoralist ideologies became obsessed with purification of their respective white enclaves, equating indigenous bodies to the most dreaded forms of pollution threatening the health and vitality of these environments. The disdain for the ever-mounting waste of industrial society in both ideological camps was redirected at indigenous society, followed by increasingly extremist proposals for permanent eradication of the threat.

## **Indigenous Bodies as Urban Pollution**

Reservations provided an effective means of temporarily isolating indigenous bodies and indigenous culture from deliberately white urban spaces, in some instances facilitating dramatic intergenerational social engineering schemes used to further subjugate indigenous peoples. Quarantine, however, could not provide a permanent solution to the racial anxiety afflicting white settler society and the overwhelming apprehension with which colonizers viewed Indigenous presence in the urban landscape. Long-term preservation of the whiteness of North American cities, in the views of metropolitan idealists, depended upon not just isolation, but destruction of Indigenous society. As Andrea Smith, associate professor of media and cultural studies at the University of California, Riverside, explained in her book *Conquest: Sexual Violence and American Indian Genocide*, this “cultural genocide” was viewed as the “more sensitive” approach to the “Indian problem” – a euphemism for white settler anxiety towards Indigenous presence – compared to physical extermination.<sup>16</sup> In order to successfully engineer cities as “non-Indigenous spaces,” urbanists applied a pollution-control mindset to attempt to eliminate Indigenous presence from the view of white urban society and “purify” the “colonial body” of Indigenous contamination.<sup>17</sup> The inherent disposability of Indigenous peoples was reinforced by myths of a “vanishing” culture and society, recast as a natural, evolutionary extinction that ignored policies of active isolation and erasure, while the metaphor of pollution invoked an urgency to rid the “colonial body,” and its cities, of this dangerous contamination. In this frightened state, urban settler society sought to not only physically and socially isolate Indigenous peoples, but permanently eradicate any form of “waste” threatening the vitality of the colonial metropolis.

## **Cleansing the “Virgin Wilderness” of Indigenous Presence**

While urbanists painted Indigenous peoples as metropolitan refuse to be discarded in the backcountry “wastelands,” wilderness transcendental discourses of disposable peoples provoked an equally-alarming rhetoric of mass extermination in the name of environmental sustainability.<sup>18</sup> These extremist, Malthusian ideologies thinly obscured racist devaluation of nonwhite lives in

the purportedly neutral scientific logic of carrying capacity and environmental sustainability. In Nixon's critique of the mainstream environmental movement, he highlights the disturbingly radical views wilderness transcendentalists often showed towards the human species, particularly the geographically distant or displaced:

Sometimes such hostility toward the displaced tilts over into a kind of Malthusian sublime, as in Snyder's suggestion that the project of wilderness restoration would require ninety percent fewer humans... Typically, here, the human cull begins with those dispensable, anonymous, invisible inhabitants who reside in the 'the world beyond,' never with any culling of the poetical, wilderness-expanded egotistical male self.<sup>19</sup>

Despite an air of neutrality provided by allusions to ecological theory and environmental science, Nixon illuminates the unmistakable prejudice underlying environmentalist discourses of population reduction. Dispensable, anonymous, and invisible, those bluntly classified as "the other" were marked for destruction in order to save the presumably indispensable, enlightened environmentalist and the myth of "pristine" wilderness he so ardently defended. Like urbanist metaphors of Indigenous peoples as a pollution to be cleansed from society, these Malthusian authors and their racist theories of population control were predicated on the assumption that environmental health and sustainability are threatened by "inherently 'dirty' or 'polluting'" peoples who must be disposed of. Just as a waste heap or smokestack infringing upon this mythologically pure landscape would elicit anger and protest from the "wilderness-expanded egotistical male self" Nixon describes, so too those peoples whose existence contradicts the mythology of untouched wilderness would elicit the same anguish and backlash. As Smith observes, populations deemed disposable were those with "the least institutional power or access to resources in society," often displaced and isolated from the landscapes and environments upon which cultural strength and resilience depended, leaving them most vulnerable to the extremist

policies of population control.<sup>20</sup> Once ostracized from conceptualizations of the ideal society and physically displaced from the “reserved” environments of the white settler state, the need to dispose of unwelcome peoples in pursuit of such mythological idylls was wielded as justification for increasingly atrocious crimes.

## **Conclusion**

In both urbanist and pastoralist ideological framings of the urban-rural divide, mythologies and tropes surrounding progress, reserves, and human disposal served to establish and fortify racist hierarchies of human relationships with the environment and enforce barriers of entry to urban and rural spaces. Underpinned by a white supremacist logic of “progress,” enacted through duality of the reserve as both a refuge and a cage, and reinforced with metaphors of “disposability,” seemingly adversarial glorifications of metropolitan or agrarian idylls worked in tandem to facilitate the exclusion, dispossession, and oppression of Indigenous peoples. As the ideological basis of modern societal perceptions of the urban-rural divide and the place of human populations within those environments, tracking the legacies of these historical tropes and mythologies in the social and political dynamics of modern environmental racism may help illuminate nuanced psychological underpinnings of indigenous-settler relations and aid the work of deconstructing persistent structural inequities in North America. <sup>21</sup>

## Notes

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- <sup>1</sup> Rob Nixon, *Slow Violence and the Environmentalism of the Poor* (Cambridge, Massachusetts: Harvard University Press, 2011), 176.
- <sup>2</sup> Carl A. Zimring, *Clean and White: A History of Environmental Racism in the United States* (New York: New York University Press, 2015), 35.
- <sup>3</sup> Nixon, *Slow Violence*, 241.
- <sup>4</sup> *Ibid.*, 165.
- <sup>5</sup> James Baldwin, "Stranger in the Village." *Notes of a Native Son* Boston, Massachusetts: Beacon Press, 1955) 168.
- <sup>6</sup> Glen Sean Coulthard, *Red Skin, White Masks: Rejecting the Colonial Politics of Recognition* (Minneapolis: University of Minnesota Press, 2014) 174.
- <sup>7</sup> *Ibid.*
- <sup>8</sup> *Ibid.*, 175.
- <sup>9</sup> Nancy Isenberg, *White Trash: The 400-Year Untold History of Class in America* (New York: Viking, 2016), 86.
- <sup>10</sup> *Ibid.*, 94.
- <sup>11</sup> Zimring, *Clean and White*, 26.
- <sup>12</sup> Nixon, *Slow Violence*, 176.
- <sup>13</sup> Andrea Smith, *Conquest: Sexual Violence and American Indian Genocide* (New York: South End Press, 2005) 36.
- <sup>14</sup> *Ibid.*
- <sup>15</sup> Nixon, *Slow Violence*, 241.
- <sup>16</sup> Smith, *Conquest*, 36.
- <sup>17</sup> *Ibid.*, 9.
- <sup>18</sup> Isenberg, *White Trash*, 19.
- <sup>19</sup> Nixon, *Slow Violence*, 239.
- <sup>20</sup> Smith, *Conquest*, 63.

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