

# Afro Eurasian Studies

Volume 3, Issue 1, Spring 2014



INDEPENDENT INDUSTRIALISTS AND  
BUSINESSMEN'S ASSOCIATION

musiad.org.tr  
afroeurasianstudies.org

Volume 3, Issue 1 • Afro Eurasian Studies • Spring 2014



# Afro Eurasian Studies

Volume 3  
Issue 1  
Spring 2014  
afroeurasianstudies.org

*Adem Gök,*

A Time Series Analysis of the Determinants of Private Savings in Turkey

*Dincer Dedeoglu and Huseyin Kaya,*

The Evolution of Exchange Rate Pass-Through in Turkey: Does Inflation Targeting Matter?

*Erbun Kula,*

Islamic Ethics towards Environmental Protection

*Koen Pauwels, Yusuf Oc and Ela Ari,*

Long-term marketing effectiveness in Turkey: Does it differ from that in the US and Western Europe?

*Ruan van der Walt and Hussein Solomon,*

Histories and Spaces of Terrorism in Africa: The Post-9/11 Strategic Challenge of Somalia's al Shabab

*Abdurrahim Siradağ,*

Understanding French Foreign and Security Policy towards Africa: Pragmatism or Altruism

*Manoj Kumar Mishra,*

The New Great Game and Continuing Stalemate in Afghanistan

# A Time Series Analysis of the Determinants of Private Savings in Turkey

Adem Gök\*

## Abstract

*Private savings rate declined from an average of 23 percent of gross domestic income in the 1990s to an average of 16 percent in the 2000s in Turkey. There is a negative relationship between private and public savings rate especially for the period of 1985-1993 and 2000-2010 leading to Ricardian equivalence that the increase in public savings crowds out private savings, which results in unchanged domestic savings. Turkey also has a decreasing trend in domestic savings, hence there should be some other important determinants leading to decreasing private savings. The aim of this paper is to analyze the determinants of private savings in Turkey to evaluate which determinants have the outmost importance for private savings and to advise policy changes in order to increase private savings to have sustainable growth in Turkey. IV/GMM Time Series Estimation is carried out for the period between 1985 and 2010 for Turkey*

**Keywords:** *IV/GMM, Private Saving, Shadow Economy, Sustainable Growth, Turkey.*

## Introduction

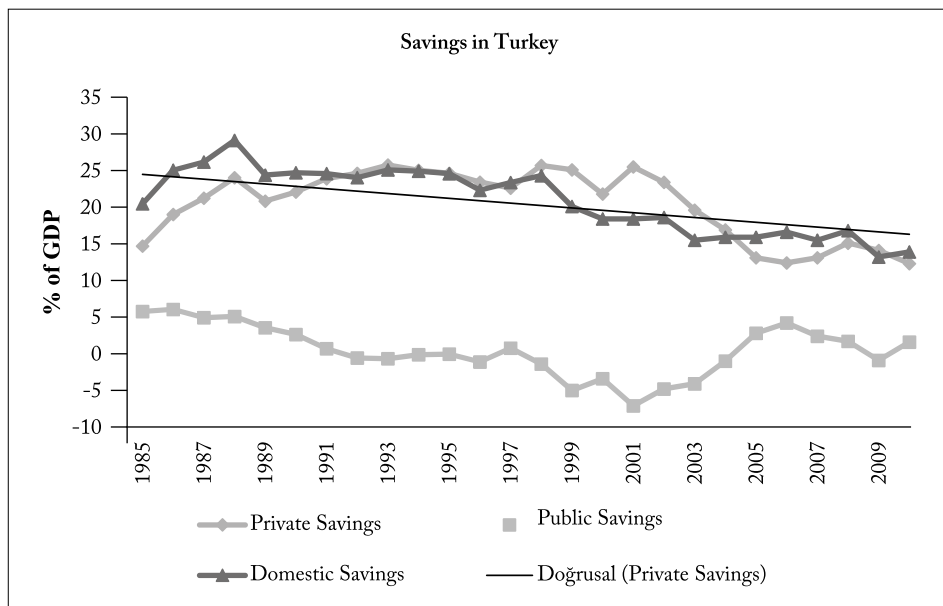
Private savings rate declined from an average of 23 percent of gross domestic income in the 1990s to an average of 16 percent in the 2000s. As shown in Figure 1., there is a negative relationship between private and public savings rate especially for the period of 1985-1993 and 2000-2010 leading to Ricardian equivalence that the increase in public savings crowds

---

\* Marmara University, Faculty of Economics, Göztepe Yerleşkesi, 34722, Kadıköy / İstanbul  
E-Mail: adem.gok@marmara.edu.tr, ademgok81@gmail.com. The author wishes to thank Erhan Aslanoglu, Ahmet Faruk Aysan and Ceyhan Elgin for their assistance.

out private savings which results in unchanged domestic savings. But Turkey also has a decreasing trend in domestic savings, hence there should be some other important determinants leading to decreasing private savings.

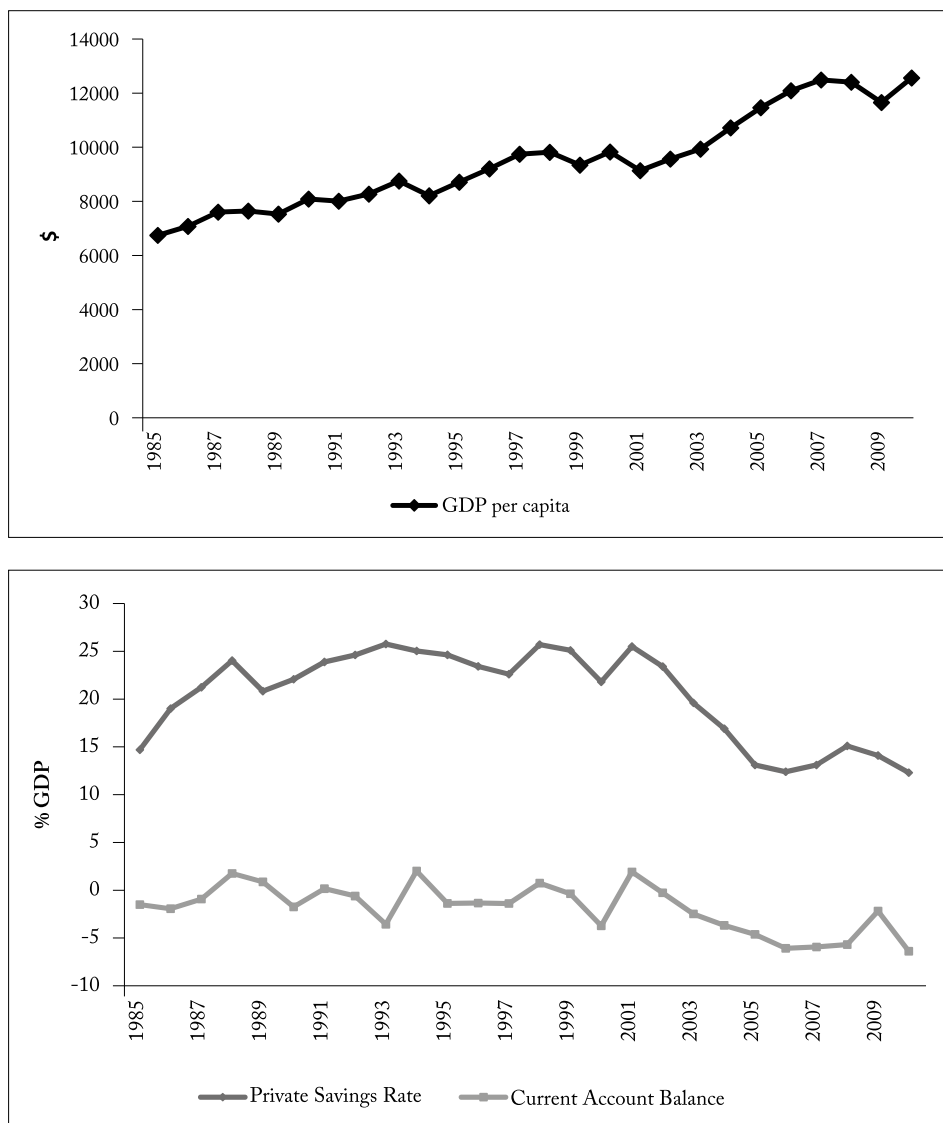
**Figure 1:** Domestic, Private and Public Savings Rate in Turkey



**Source:** Author's own calculations.

There are two main arguments in the literature related to the effects of low private savings on Turkey's growth prospects. First, private savings finances investments, and consequently the growth since there is a positive relationship between savings and growth. Second, low private savings increase dependence on foreign financing, fueling a rise in the external current account deficit and as a result jeopardizing the sustainability of the growth. Dependence on foreign savings has exposed Turkey to the risk of capital reversal with its attendant adverse impact on economic growth. As a result, increasing private savings is critical for promoting sustainability of the growth in Turkey (World Bank Report, 2011, p.ii).

**Figure 2:** GDP per capita, Private Savings Rate and Current Account Balance in Turkey



**Source:** Author's own calculations.

As shown in Figure 2, main trend is decreasing private savings accompanied by increasing budget deficit for income per capita growth in Turkey, especially after 2001. Hence, according to previous argument in World Bank Report (2011), depending on foreign savings in the form of increasing budget deficits leads to unsustainable growth in Turkey especially after 2001. According to Üçer, Turkey should grow faster than the current trend with

access to this much foreign savings as a result of financial globalization. If Turkey's private savings rate were at least at the level of 1990s, it would grow faster with this great amount of foreign borrowings (Carroll et al., 2008). He also refers to the conclusion of Rajan et al. (1998) that countries depending less on foreign finances have much higher growth rates.

Hence the aim of this paper is to analyze the determinants of private savings in Turkey to evaluate which determinants have the outmost importance for private savings and to advise policy changes in order to increase private savings to have sustainable growth in Turkey.

According to Carroll et al. (2008), there are three approaches in the literature that try to understand the saving behaviors. The micro salt-water approach argues that individual households face a lot of different kinds of risks and heterogeneity is the crucial part of understanding households' saving behaviors. Main criticism to salt-water approach is that it tends to sort of ignore the big macro-economic events that affect all households like shocks to aggregate interest rates or shocks or growth shocks. The macro fresh-water approach starts with the macro-economic circumstances and a representative agent model who has a global view of everything that is going on the economy and is choosing aggregate consumption and hence savings optimally. Main criticism to fresh-water approach is that it rules out risk and heterogeneity factors as they do not change the behavior of economic agents in deciding their savings and consumption. The last one is tide-water approach which merges salt-water and fresh-water approach in a macro-economic framework, but takes the differences across households very seriously. In this approach, the distribution of income matters in the sense that the marginal consumption of poor households is greater than rich households which imply that marginal savings of rich household is greater than poor households.

This study uses tide-water approach in order to explain the saving behavior of private agents in the Turkish economy.

### **Determinants of Private Savings in Turkey**

In this study, there is no structural model of saving is used, instead an empirical tide-water approach in the reduced form model for savings is used to analyze several potential determinants of savings proposed by different theories.

## **Inertia: The Lag of Private Savings Rate**

Savings rate generally contain inertia; they are serially correlated, even after controlling some other factors. Hence, lag of private savings rate should be included as a determinant of private savings rate implying that factors that affect private savings rate will have larger long-term impacts than short-term ones (Özcan et al., 2003). Inertia in saving rates can arise from lagged effects of the explanatory variables on saving or saving inertia which can arise directly from consumption habits and even from consumption smoothing (Loayza et al., 2000).

## **Government Policy Variables**

### **Public Savings Rate**

According to the Keynesian model, higher domestic savings will result from a temporary reduction in public savings. Hence, the decrease in public savings increases private savings (Özcan et al., 2003).

According to Ricardian equivalence, an increase in public savings would have no effect on domestic savings, since it would have an equal decline in private savings (Özcan et al., 2003). Thus, Ricardian equivalence suggests that increase in public savings crowds out private savings.

### **Social Security Expenditures**

According to the life-cycle model, when the benefits to be received from the social security system are high, savings will tend to decline, primarily via the weakened motive for retirement and precautionary savings (Özcan et al., 2003).

## **Income Variables**

### **Income**

According to subsistence-consumption theories, countries with higher income levels tend to have a higher saving rate. So, a lower level of income is associated with a higher marginal propensity to consume at the household level and it implies that low saving rates at the national level. As the level of per capita income increases in an economy, the possibilities for savings increase (Matur et al., 2012).

According to life-cycle approach, aggregate savings will increase in response to an increase in income growth through an increase in the savings of active workers relative to the dissaving of people out of the labor force. According to the permanent income hypothesis, increased growth would imply higher anticipated future income, which would urge people not to save against future earnings (Özcan et al., 2003). Empirical analysis will determine the actual outcome of these conflicting effects for Turkey.

Many studies in the literature have confirmed that there is indeed a virtuous circle going from higher growth to higher savings and to even higher growth (Özcan et al., 2003).

### **Income Distribution**

The distribution of income matters in the sense that the marginal consumption of poor households is greater than rich households which imply that marginal saving of rich household is greater than poor households (Carroll et al., 2008).

Hence, the study differentiates from Özcan et al.(2003) and Matur et al. (2012) by considering the effect of income distribution on private savings in Turkey.

### **Uncertainty Variables**

The variables capturing the effects of uncertainty about the future bear on saving rates primarily due to their impacts on precautionary savings (Özcan et al., 2003).

### **Shadow Economy**

In the literature, there is no study yet which has investigated the relationship between shadow economy and private savings. The impact of shadow economy may be positive or negative, even insignificant in the case of cancelling out both categories leading to positive or negative impacts.

The positive impact of shadow economy is due to the following factors. First is the positive indirect effect of shadow economy on private savings through per capita growth. Increase in the size of informal economy increases the size of formal economy which results in growth of income

per capita. The increase in per capita income leads to higher private savings in the economy according to life-cycle approach. Second, the income generated in informal economy should be invested in formal economy by using financial instruments which leads to higher private savings in this economic environment. Third, the startup firms start operating in informal economies may decide to shift into formal economy in order to evade payment for taxes and social security expenses of workers when the size or profit of these firms increase or the burden of the probability of detection by government officials exceeds the benefit of operating businesses in the informal economy.

### **Political Instability**

Decrease in political stability proxies by government stability index from ICRG (2010) creates an uncertain economic environment for agents, where it would be expected to act positively on private savings.

### **Macroeconomic Uncertainty**

Macroeconomic uncertainty proxies by the inflation rate, is expected to have a positive impact on private savings, since people in such environment would try to hedge risks by increasing their savings (Özcan et al., 2003).

### **Crises Dummy**

In order to control the exogenous effects of economic crises, a crises dummy which takes value of 1 for the years of economic crises (1985, 1994, 1998, 1999, 2000, 2001, and 2008) is taken into account. The main reason is not to measure the impact of economic crises on private saving behavior in Turkey, rather to control the effect of exogenous shocks to Turkish economy.

## **External Variables**

### **Terms of Trade**

Positive shocks, in terms of trade, increase the savings through the positive effect on wealth and income (Özcan et al., 2003).



### **Current Account Balance**

Increase in the current account deficit as in the form of increasing foreign savings is met by a partial decline in private savings, as external savings may tend to act as a substitute to domestic private savings (Özcan et al., 2003).

Current account deficit are used in many empirical studies as proxies for the relaxation of foreign borrowing constraints. A relaxation of foreign borrowing constraints, which means decreasing current account balance, leads to a decrease in private savings. Hence, there is a positive relationship expected between current account balance and private savings (Loayza et al., 2000).

### **Financial Variables**

These variables are expected to be especially relevant for a developing country like Turkey, which is still undergoing a liberalization process (Özcan et al., 2003).

#### **Financial Sector Development and Borrowing Constraints**

Financial market development or financial depth is proxied by the degree of monetization of the economy by the M2/GNP ratio, where M2 represents money plus quasi-money (Özcan et al., 2003). We expect a negative relationship between financial market development and private savings rate.

As the financial sector develops, the liquidity and borrowing constraints faced by agents in the economy are relaxed. It becomes easier to use external finance in order to shift resources between different periods. Hence, an increase is expected in the relative size of credits that represents the relaxation of the borrowing constraints to have a negative impact on savings (Matur et al., 2012).

#### **Real Interest Rate**

An increase in the real interest rate reduces the present value of future income flows and therefore has a negative impact on savings as income effect. It also increases the net return on savings and makes savings more attractive today by leading to a postponement of consumption, and has a positive impact on savings as substitution effect. Hence, the net impact of real interest rate, which is determined by the relative strength of these two opposing effects, is an empirical question that the study will address (Matur et al., 2012).

## Demographic Variables

### Age Structure of the Population

The age structure of the population is an important factor for savings, because people seek to smooth out consumption over their lifetime by saving when they expect future income to be low and by dissaving when they anticipate it to be high. According to Modigliani (1970), young and old people who are out of the labor force dissave either against future earnings. Economy agents will have negative savings when they are either young and have very low income or old and retired; and they will have positive savings during their productive years. Hence, the age distribution of the population affects private savings in a way that when the share of the working population relative to that of retired people increases, saving is likely to increase (Özcan et al., 2003). So, we expect the impact of young and old dependency ratios to be negative.

### Urbanization Ratio

Increased urbanization ratio proxied by the percentage of the population living in urban areas reduces the need for precautionary savings (Özcan et al., 2003). Hence, we expect a negative relationship between urbanization ratio and private savings rate.

## Empirical Analysis

### Econometric Theory: IV/GMM Estimation Model Structure

The equation to be estimated in matrix notation is:

$$y = X \beta + u$$

The matrix of regressors  $X$  is  $n \times K$ , where  $n$  is the number of observations. Some of the regressors are endogenous, so that  $E(X_t u_t) \neq 0$ . We partition the set of regressors into  $[X_1 X_2]$ , with  $K_1$  regressors  $X_1$  assumed as endogenous and  $K_2 = (K - K_1)$  remaining regressors  $X_2$  assumed exogenous, gives us:

$$y = [X_1 X_2] [\beta_1, \beta_2]' + u$$

The set of instrumental variables is  $Z$  and is  $n \times L$ . This is the full set of variables that are assumed to be exogenous, i.e.,  $E(Z_t u_t) = 0$ . We parti-

tion the instruments into  $[Z_1 Z_2]$ , where  $L_1$  instruments  $Z_1$  are excluded instruments and the remaining  $L_2 = (L - L_1)$  instruments  $Z_2=X_2$  are included instruments / exogenous regressors:

$$\begin{aligned} \text{Regressors } X &= [X_1 X_2] = [X_1 Z_2] = [\text{Endogenous Exogenous}] \\ \text{Instruments } Z &= [Z_1 Z_2] = [\text{Excluded Included}] \end{aligned}$$

The order condition for identification of the equation is  $L \geq K$  implying that there must be at least as many excluded instruments ( $L_1$ ) as there are endogenous regressors ( $K_1$ ) as  $Z_2$  is common to both lists. (Baum et al., 2007)

## Data and Variables

The study covers the period between 1985 and 2010 in order to analyze the potential determinants of private savings rate in Turkey. See Appendix 2 for the sources of data.

**Table 1:** Summary Statistics

DependentVariable	# of Obs.	Mean	Std. Dev.	Min	Max
<b>prsr</b>	26	20.382	4.764	12.300	25.759
<b>IndependentVariables</b>					
<b>pusr</b>	26	0.460	3.490	-7.100	6.051
<b>lngpc</b>	26	9.141	0.183	8.817	9.439
<b>gini</b>	26	41.570	1.369	38.950	43.570
<b>shad</b>	26	33.832	3.930	27.450	40.460
<b>cdum</b>	26	0.269	0.452	0	1
<b>psi</b>	26	64.904	17.957	33.333	91.667
<b>cab</b>	26	-1.858	2.498	-6.379	2.013
<b>rir</b>	26	1.497	0.735	0.692	3.381
<b>odr</b>	26	7.505	0.985	6.225	8.833
<b>ydr</b>	26	51.791	8.833	38.967	66.712
<b>urr</b>	26	62.821	4.912	52.448	70.487
<b>tot</b>	26	104.027	8.756	91.157	120.408
<b>bcon</b>	26	21.128	7.337	14.521	44.207
<b>infr</b>	26	49.247	34.107	5.294	137.965
<b>sse</b>	26	7.802	2.843	3.135	12.817
<b>fmd</b>	26	35.430	9.031	23.740	56.123

**Source:** Author's own calculations.

## Unit Root Analysis

**Table 2:** Unit Root Tests

Variable	Case	ADF	KPSS	Variable	Case	ADF	KPSS
		T-Stat	LM-Stat			T-Stat	LM-Stat
Prsr	Constant	-0.949 (0.755)	0.372*	odr	Constant	1.614 (0.999)	0.725**
		-2.632 (0.271)	0.187**			-1.792 (0.672)	0.107
Pusr	Constant	-1.874 (0.338)	0.280	psi	Constant	-2.132 (0.235)	0.432*
		0.968 (1.000)	0.156**			-3.236 (0.101)	0.087
Lngpc	Constant	-0.865 (0.782)	0.736**	rir	Constant	-1.988 (0.289)	0.465**
		-3.337* (0.086)	0.067			-2.320 (0.408)	0.159**
Bcon	Constant	1.506 (0.999)	0.397*	shad	Constant	-0.497 (0.876)	0.754***
		0.441 (0.998)	0.146**			-2.849 (0.196)	0.134*
Cab	Constant	-0.698 (0.828)	0.498**	sse	Constant	-0.641 (0.844)	0.747***
		-4.128** (0.017)	0.168**			-3.692** (0.045)	0.081
Fsd	Constant	0.510 (0.984)	0.708**	tot	Constant	0.390 (0.977)	0.581**
		-2.829 (0.201)	0.110			-3.557* (0.059)	0.176**
Gini	Constant	-3.322** (0.026)	0.403*	urr	Constant	-0.367 (0.900)	0.754***
		-4.088** (0.020)	0.069			-3.612** (0.050)	0.159**
Infr	Constant	-1.602 (0.467)	0.406*	ydr	Constant	-2.644* (0.100)	0.755***
		-2.348 (0.395)	0.170**			-4.202** (0.016)	0.186**

**Notes:** The values in parenthesis are p-values for ADF test. \*\*\*, \*\*, \* corresponds to the 1, 5 and 10 % significance levels for both ADF and KPSS tests.

According to the unit root tests, all of the variables are stationary at least for one case especially for KPSS test. So, we conclude that all variables are  $I(0)$ . Hence, no differencing is required in reduced form estimation.

## **Empirical Model**

### **Main Model:**

$$\text{Prsr}_t = \beta_0 \text{prsr}_{t-1} + \beta_1 \text{pusr}_t + \beta_2 \text{lngpc}_t + \beta_3 \text{gini}_t + \beta_4 \text{shad}_t + \beta_5 \text{cdum}_t + \beta_6 \text{psi}_t + \beta_7 \text{cab}_t + u_t$$

The main model measures the impact of inertia, crowding out effect, public policy variable of public savings, income inequality, shadow economy, exogenous shocks of economic crises, current account deficit and political instability on the dependent variable of private savings in each following model with additional control variables.

### **Model 1:**

$$\text{Prsr}_t = \beta_0 \text{prsr}_{t-1} + \beta_1 \text{pusr}_t + \beta_2 \text{lngpc}_t + \beta_3 \text{gini}_t + \beta_4 \text{shad}_t + \beta_5 \text{cdum}_t + \beta_6 \text{psi}_t + \beta_7 \text{cab}_t + \beta_8 \text{sse}_t + \beta_9 \text{bcon}_t + u_t$$

### **Model 2:**

$$\text{Prsr}_t = \beta_0 \text{prsr}_{t-1} + \beta_1 \text{pusr}_t + \beta_2 \text{lngpc}_t + \beta_3 \text{gini}_t + \beta_4 \text{shad}_t + \beta_5 \text{cdum}_t + \beta_6 \text{psi}_t + \beta_7 \text{cab}_t + \beta_8 \text{sse}_t + \beta_9 \text{fmd}_t + u_t$$

### **Model 3:**

$$\text{Prsr}_t = \beta_0 \text{prsr}_{t-1} + \beta_1 \text{pusr}_t + \beta_2 \text{lngpc}_t + \beta_3 \text{gini}_t + \beta_4 \text{shad}_t + \beta_5 \text{cdum}_t + \beta_6 \text{psi}_t + \beta_7 \text{cab}_t + \beta_8 \text{rir}_t + \beta_9 \text{tot}_t + u_t$$

### **Model 4:**

$$\text{Prsr}_t = \beta_0 \text{prsr}_{t-1} + \beta_1 \text{pusr}_t + \beta_2 \text{lngpc}_t + \beta_3 \text{gini}_t + \beta_4 \text{shad}_t + \beta_5 \text{cdum}_t + \beta_6 \text{psi}_t + \beta_7 \text{cab}_t + \beta_8 \text{infr}_t + u_t$$

### **Model 5-7:**

$$\text{Prsr}_t = \beta_0 \text{prsr}_{t-1} + \beta_1 \text{pusr}_t + \beta_2 \text{lngpc}_t + \beta_3 \text{gini}_t + \beta_4 \text{shad}_t + \beta_5 \text{cdum}_t + \beta_6 \text{psi}_t + \beta_7 \text{cab}_t + \beta_8 \text{rir}_t + \beta_9 \text{dem}_t + u_t$$

Dem corresponds to odr in Model 5, ydr in Model 6 and urr in Model 7 in order to measure the impact of demographic variables on private savings.

**Table 3:** IV / GMM Estimation Results

Independent Variables	Dependent Variable: prsr						
	MODELS						
	1	2	3	4	5	6	7
<b>prsr(-1)</b>	0.171*** (0.051)	0.217*** (0.060)	0.209** (0.093)	0.082* (0.046)	0.286*** (0.054)	0.264*** (0.053)	0.220* (0.121)
<b>Pusr</b>	-0.981*** (0.107)	-0.801*** (0.119)	-0.587*** (0.079)	-0.853*** (0.060)	-0.571*** (0.082)	-0.503*** (0.091)	-0.613*** (0.093)
<b>Lngpc</b>	2.594*** (0.730)	3.818** (1.591)	1.508** (0.523)	1.111** (0.476)	5.426*** (0.859)	2.746*** (0.634)	13.500*** (3.771)
<b>Gini</b>	-0.615*** (0.099)	-0.931*** (0.132)	-0.767*** (0.119)	-0.613*** (0.097)	-0.748*** (0.074)	-0.792*** (0.067)	-0.831*** (0.203)
<b>Shad</b>	0.731*** (0.123)	0.764*** (0.227)	0.663*** (0.088)	0.973*** (0.049)	0.439*** (0.134)	0.076 (0.264)	0.101 (0.361)
<b>Cdum</b>	-0.065 (0.359)	-0.594 (0.444)	-0.041 (0.412)	-0.524 (0.409)	-0.588 (0.440)	-0.855 (0.566)	-0.798 (0.543)
<b>Psi</b>	0.038*** (0.012)	0.027* (0.015)	-0.003 (0.007)	-0.001 (0.007)	0.027*** (0.007)	0.029*** (0.009)	0.003 (0.008)
<b>Cab</b>	0.318** (0.104)	0.396** (0.169)	0.326** (0.130)	0.083 (0.154)	0.450*** (0.145)	0.447** (0.195)	0.561** (0.205)
<b>Rir</b>			-0.624* (0.353)		-0.694** (0.249)	-0.786** (0.271)	-1.020 (0.587)
<b>Odr</b>					-2.408*** (0.582)		
<b>Ydr</b>						0.411*** (0.123)	
<b>Urr</b>							-1.159** (0.419)
<b>Tot</b>			0.134*** (0.028)				
<b>Bcon</b>	0.135*** (0.031)						
<b>Infr</b>				0.042*** (0.005)			
<b>Sse</b>	-1.223*** (0.114)	-1.001*** (0.207)					
<b>Fmd</b>		0.049 (0.055)					
R-squared	0.98	0.98	0.97	0.98	0.97	0.97	0.97
Prob(J-statistic)	0.74	0.65	0.76	0.77	0.75	0.72	0.67
Durbin-Watson Stat	2.75	2.57	2.44	2.66	2.59	2.59	2.34

**Notes:** The values in parenthesis are standard errors. \*\*\*, \*\*, \* corresponds to the 1, 5 and 10 % significance levels. Endogenous variables are instrumented by their lags as prsr(-2 to -5), pusr(-1 to -5), lngpc(-1 to -5), cab(-1 to -5) tot(-1 to -5). All other variables are assumed as exogenous.

## **Estimation Results**

### **Inertia**

According to the estimation results, there is a robust significant positive relationship between level and lag of private savings rate reflecting inertia or persistency in private savings rate, which means that factors that affect private savings rate will have long-term larger impacts than short-term ones. This result, even smaller in the magnitude of the coefficient, is consistent with both Özcan et al. (2003) and Loayza et al. (2000). **Public Policy Variables**

There is a robust significant negative relationship between public savings rate and private savings rate presenting the evidence of Ricardian equivalence in the sense that public savings crowds out private savings even there is a decline in domestic savings rate.

There is a robust significant negative relationship between social security expenditures and private savings rate in parallel to our expectations. The result supports the life-cycle model, when the benefits to be received from the social security system are high, savings will tend to decline, primarily via the weakened motive for retirement and precautionary savings.

### **Income Variables**

There is a robust significant positive relationship between natural logarithm of GDP per capita and private savings rate supporting subsistence-consumption theories in which countries with higher income levels. Because the countries with higher income levels tend to have a higher savings rate since a higher level of income is associated with a less marginal propensity to consume at the household level and it implies that high private savings rate at the national level. If one considers the increase in income per capita as growth, the estimation results will dominate life-cycle hypothesis instead of permanent income hypothesis since aggregate savings will increase in response to an increase in income growth through an increase in the savings of active workers relative to the dissaving of people out of the labor force (life-cycle hypothesis). Instead, increased growth would imply higher anticipated future income, which would urge people to dissave against future earnings (permanent income hypothesis) It also

supports the argument in the literature that there is indeed a virtuous circle going from higher growth to higher savings and to even higher growth.

There is a robust significant negative relationship between income inequality and private savings rate in contrast to our expectations. Our expectations were based on the argument that the distribution of income matters in the sense that the marginal consumption of poor households is greater than rich households, which imply that marginal savings of rich household is greater than the savings of poor households. The reason of this contrast is the increasing inequality in Turkey between 1985 and 2010 due to the deterioration in the income level of relatively poor households rather than progress in the income level of relatively rich households.

### **Uncertainty Variables**

There is a significant positive relationship between shadow economy and private savings rate in five out of seven models, which may be taken as robust. The reason is that the positive indirect effect of shadow economy through growth on private savings dominates the negative direct effect of shadow economy on private savings by shifting savings from formal to informal economy. There is a significant positive relationship between political stability index and private savings rate in four out of seven models in contrast to our expectations. This might occur because of the decrease in political stability, which leads to uncertain economic environment for agents and does not encourage the private savings. The government instability occasionally leads to domestic economic crises in Turkey, because the economic environment in Turkey is very sensitive to political instabilities especially in times of coalition governments, which leads to job-losses and closing down of firms, resulting in decrease in income levels of households. There is a significant positive relationship between inflation rate and private savings rate in parallel to our expectations. The result supports to our initial argument that macroeconomic uncertainty proxies by the inflation rate, is expected to have a positive impact on private savings, since people in such an environment would try to hedge risk by increasing their savings.



### **External Variables**

There is a significant positive relationship between terms of trade and private savings rate in parallel to our expectations. Hence, this result supports the argument that positive shocks, in terms of trade, increase savings through the positive effect on wealth and income.

There is a robust significant positive relationship between the current account balance and private savings rate in parallel to our expectations. Since increase in the current account deficit as in the form of increasing foreign savings is met by a partial decline in private savings, hence the external savings may tend to act as a substitute to domestic private savings.

### **Financial Variables**

There is a significant negative relationship between real interest rate and private savings rate in three out of four models, which may be taken as robust. This result favors the domination of income effect on substitution effect since an increase in the real interest rate reduces the present value of future income flows and therefore has a negative impact on savings instead it increases the net return on savings and makes savings more attractive today by leading to a postponement of consumption and has a positive impact on savings.

There is an insignificant relationship between financial market development and private savings rate. In addition, there is a significant positive relationship between borrowing constraint and private savings rate. Both of them are opposed to our expectations. It may be argued that Turkish households do not take the progress of financial instruments and derivatives into account while deciding on their savings, but only consider their future income and consumption levels. According to the result of second estimation, it seems that Turkish households save more when their ability to borrow from financial organizations or banks is constrained. They finance their future consumptions directly from their current income, which increases their current savings.

### **Demographic Variables**

There is a significant negative relationship between old dependency ratio and private savings rate as we expected. The results supports the argu-

ment that the age distribution of the population affects private savings in a way that when the share of the working population relative to that of the number of retired people decreases, saving is likely to decrease.

There is a positive significant relationship between young dependency ratio and private savings rate in contrast to our expectations. But, the result is more realistic since the population under fifteen years old live with their parents and it is probable that their consumption burden to their parents is relatively smaller compared to the increase in the savings of their parents in order to finance their future education expenses.

There is a significant negative relationship between urbanization rate and private savings rate as we expected. The result supports the argument that increased urbanization ratio reduces the need for precautionary savings (Özcan et al., 2003).

### **Policy Implications**

Government should decrease public savings especially by reducing taxes in order to increase private savings rate. By this policy, the crowding out effect of public savings will be less severe and firms operating in the shadow economy may decide to be registered under formal economy due to tax-cuts in order to avoid risk, which in turn increases the private savings.

Another impact of this policy will occur in the next year since reduced public savings increase private savings this year, which in turn increases private savings in the next year due to the inertia of private savings rate.

According to the estimation results, government should decrease social security expenditures in order to motivate people to increase their precautionary savings and to save for their retirement.

Since increases in income per capita leads to higher private savings according to the subsistence-consumption theories and since the coefficient of income per capita is the highest, Turkish government should not impose any income tax in order not to decrease the income level of households.

The government should redistribute wealth from rich to poor in order to increase private savings rate, because the deterioration effect of income distribution on poor households is relatively larger than the rectifying effect on rich households in Turkey.

Since we have found negative impact of current account deficit and positive impact of terms of trade on private savings rate, Turkish government should evade from any restrictions on international trade as in the form of quotas, tariffs, etc. in order to increase the private savings to have sustained growth in the long-run as a sole purpose.

Since we have found positive impact of political stability on private savings rate even with insignificant crises dummy, government should constitute sound and safe economic environment with well-established governance institutions. Establishment of this kind of institutions is especially important in time of economic crises for sustaining high level of private savings in the economy leading to sustainable growth.

Since there is a negative impact of old dependency ratio on private savings rate, increasing retirement age is a valid policy instrument.

Significant negative relationship between urbanization rate and private savings rate suggest that there is a need of well-planned immigration policies since unplanned immigration to the urban areas lead to the decrease in private savings rate of households in Turkey due to the decreasing need for precautionary savings.

## **Conclusion**

Main trend in the Turkish economy is decreasing private savings accompanied by increasing current account deficit for income per capita growth, especially after 2001. Hence, depending on foreign savings in the form of increasing current account deficits leads to unsustainable growth in Turkey.

According to the tide-water approach, a time series estimation of GMM provides significant positive coefficients for the impact of lag of private savings rate, income per capita, shadow economy, political stability, terms of trade, borrowing constraints, young dependency ratio, significant negative coefficients for the impact of public savings rate, income distribution, current account deficit, real interest rate, old dependency ratio and urbanization rate.

As suggested by the policy, Turkish government should reduce taxes, evade income tax and any form of restrictions on international trade, de-

crease social security expenditures, redistribute wealth from rich to poor, establish good governance institutions, decrease immigration from urban to rural areas by well-planned immigration policies in order to increase the private savings to have sustainable growth in the long-run as a sole purpose. Increasing retirement age is also a valid policy instrument in order to achieve this purpose.

## REFERENCES

- Baum, C. F., Schaffer, M. E., and Stillman, S., 2007. *Enhanced Routines for Instrumental Variables / GMM Estimation and Testing*. Boston College Economics Working Paper, No.667.
- Carroll, C., Üçer, M., Rijckeghem, C. V., İmrahoroglu, A., Duygan, B., Tunalı, İ., and Ersel, H., 2008. *Türkiye’de Özel Tasarruf Eğilimi: Mikro ve Makro Perspektifler*. Konferans, Ceylan Intercontinental – İstanbul.
- Elgin, C., and Oztunali, O., 2012. *Shadow Economies around the World: Model Based Estimates*. Working Papers 2012/05, Bogazici University, Department of Economics.
- ICRG Database, 2010. International Country Risk Guide. The PRS Group, New York.
- Loayza, N., Schmidt-Hebbel, K., and Servén, L., 2000. *What Drives Saving Across The World?*. The Review of Economics and Statistics, Vol. 82, No. 2, pp. 165-181.
- Matur, E. P., Sabuncu, A., and Bahçeci, S., 2012. *Determinants Of Private Savings And Interaction Between Public & Private Savings In Turkey*. Topics in Middle Eastern and African Economies Vol. 14.
- Modigliani, F., 1970. *The Life-Cycle Hypothesis and Intercountry Differences in the Saving Ratio* in W. A. Eltis, M. F. G. Scott, and J. N. Wolfe, eds., *Induction, Growth, and Trade: Essays in Honour of Sir Roy Harrod*, Oxford. Oxford University Press. pp 197-225.
- Özcan, K., M., Gunay, A., and Ertay, S., 2003. *Determinants of Private Savings Behaviour in Turkey*. Applied Economics, Taylor and Francis Journals, Vol. 35(12), pp. 1405-1416.
- Rajan, R. G., and Zingales, L., 1998. *Financial Dependence and Growth*. The American Economic Review, Vol. 88, No. 3, pp. 559-586.
- Uygur, E., 2012. *Türkiye’de Tasarrufların Seyri Ve Etkileyen Bazı Unsurlar*. Türkiye Ekonomi Kurumu, Tartışma Metni, Vol. 108.
- World Bank Report, 2011. *Sustaining High Growth: The Role of Domestic Savings*. Turkey Country Economic Memorandum. Report No. 66301-TR.
- World Development Indicators, 2013. *Data*. The World Bank. <<http://data.worldbank.org/indicator>> (accessed 1 April 2013)

## APPENDIX I

Private and public saving rate are calculated as in the following formulas in Turkish Ministry of Development. (Uygur, 2012)

- $\text{Public Savings} = \text{Disposable Public Income} - \text{Public Consumption Expenditure}$
- $\text{Disposable Public Income} = \text{Tax Revenues} + \text{Other Public Revenues} - \text{Net Transfers to the Private and External Sectors}$

$\text{Public Savings Rate} = \text{Public Savings} / \text{GDP}$

- $\text{Private Savings} = \text{Disposable Private Income} - \text{Private Consumption Expenditures}$
- $\text{Disposable Private Income} = \text{GNP} - \text{Disposable Public Income}$
- $\text{GNP} = \text{Disposable Public Income} + \text{Disposable Private Income}$

$\text{Private Savings Rate} = \text{Private Savings} / \text{GDP}$

## APPENDIX 2

Variable	Proxy	Resource
<b>prsr, pusr</b>	See Appendix 1	T.R. Ministry of Development Statistics (2013) <a href="http://www.mod.gov.tr/en/SitePages/mod_easi.aspx">http://www.mod.gov.tr/en/SitePages/mod_easi.aspx</a>
<b>sse</b>	Social security expenditures (% of GDP)	OECD Social Security Expenditure Database (2013) <a href="http://www.oecd.org/els/soc/socialsecurityexpendituresocx.htm">http://www.oecd.org/els/soc/socialsecurityexpendituresocx.htm</a>
<b>lngpc</b>	GDP per capita, PPP (constant 2005 international \$)	World Bank Development Indicators (2013) <a href="http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD">http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD</a>
<b>gini</b>	Gini Index	World Bank Development Indicators (2013) <a href="http://data.worldbank.org/indicator/ST.POV.GINI">http://data.worldbank.org/indicator/ST.POV.GINI</a>
<b>fmd</b>	Broad Money (% of GDP)	World Bank Development Indicators (2013) <a href="http://data.worldbank.org/indicator/FM.LBL.BMNY.GD.ZS">http://data.worldbank.org/indicator/FM.LBL.BMNY.GD.ZS</a>
<b>bcon</b>	Domestic credit to private sector (% of GDP)	World Bank Development Indicators (2013) <a href="http://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS">http://data.worldbank.org/indicator/FS.AST.PRVT.GD.ZS</a>
<b>rir</b>	Saving Deposits Interest Rates/Inflation, GDP deflator (annual %)	T.R. Ministry of Development Statistics (2013) World Bank Development Indicators (2013) <a href="http://www.mod.gov.tr/en/SitePages/mod_easi.aspx">http://www.mod.gov.tr/en/SitePages/mod_easi.aspx</a> <a href="http://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG">http://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG</a>
<b>odr</b>	Age dependency ratio, old (% of working-agepopulation)	World Bank Development Indicators (2013) <a href="http://data.worldbank.org/indicator/SP.POP.DPND.OL">http://data.worldbank.org/indicator/SP.POP.DPND.OL</a>
<b>ydr</b>	Age dependency ratio, young (% of working-agepopulation)	World Bank Development Indicators (2013) <a href="http://data.worldbank.org/indicator/SP.POP.DPND.YG">http://data.worldbank.org/indicator/SP.POP.DPND.YG</a>
<b>urr</b>	Urban population (% of total)	World Bank Development Indicators (2013) <a href="http://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS">http://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS</a>
<b>infr</b>	Inflation, GDP deflator (annual %)	World Bank Development Indicators (2013) <a href="http://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG">http://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG</a>
<b>psi</b>	Government Stability Index	ICRG Database (2010)
<b>tot</b>	Net barterterms of trade index (2000=100)	World Bank Development Indicators (2013) <a href="http://data.worldbank.org/indicator/TT.PRI.MRCH.XD.WD">http://data.worldbank.org/indicator/TT.PRI.MRCH.XD.WD</a>
<b>cab</b>	Current account balance (% of GDP)	World Bank Development Indicators (2013) <a href="http://data.worldbank.org/indicator/BN.CAB.XOKA.GD.ZS">http://data.worldbank.org/indicator/BN.CAB.XOKA.GD.ZS</a>
<b>shad</b>	Shadow economy (% of GDP)	Elgin and Öztunali (2012) <a href="http://www.econ.boun.edu.tr/public_html/RePEc/pdf/201205.pdf">http://www.econ.boun.edu.tr/public_html/RePEc/pdf/201205.pdf</a>

# The Evolution of Exchange Rate Pass-Through in Turkey: Does Inflation Targeting Matter?

Dincer Dedeoglu<sup>1a</sup> and Huseyin Kaya<sup>2b\*</sup>

## Abstract

*In this paper, we aim to investigate the behaviour of exchange rate pass-through in Turkey. We examine how the pass-through evolves over time by employing a rolling VAR. We find that the exchange rate pass-through has declined sharply after the adoption of inflation targeting regime. Additionally, we find that the exchange rate has a larger impact on the producer prices than on the consumer prices, and the gap between two impacts has significantly increased after the implementation of inflation targeting.*

**Keywords:** *Exchange Rate, Pass-Through, Rolling Var, Inflation Targeting*

**Jel Classifications:** *C51, E31, E58*

## Introduction

The degree to which changes in the exchange rate are reflected in domestic prices which is known as the exchange rate pass through (ERPT) (Masha and Park, 2012), and it is important for several reasons. For example, the implementation of monetary policy in response to inflationary exchange rate shocks requires information about both the degree and the speed of pass-through of exchange rate to domestic prices. A low ERPT

---

1a Bahcesehir University, Bahcesehir University, İ.İ.B.F, 34353, Beşiktaş/Istanbul-Turkey, e-mail: dincer.dedeoglu@bahcesehir.edu.tr

2b \* Corresponding Author. Bahcesehir University, İ.İ.B.F, 34353, Beşiktaş/Istanbul-Turkey, e-mail: huseyin.kaya@bahcesehir.edu.tr

gives policy makers the opportunity to pursue an independent monetary policy (Choudhri and Hakura, 2006). Furthermore, the degree of integration has increased significantly due to globalization, thus the implementation of stabilization policies depends on both the degree and the speed of pass-through.

There are several numbers of studies on this research area. Among these studies, we can mention Berben (2004), McCarthy (1999) and, Choudhri and Hakura (2006). A growing body of research conducted at central banks as well as in academia has documented that especially after the adoption of inflation targeting (IT) regimes, the pass-through of exchange rate movements into domestic prices have been declining in many countries. Campa and Goldberg (2005), Bailliu and Fujii (2004), Gagnon and Ihrig (2004), Bouakez and Rebei (2007), Choudhri and Hakura (2006), Sekine (2006) and, Kara and Ogunc (2008) are some of the examples focusing in this research area.

This paper contributes to the existent literature on the ERPT by examining the evolution of EPRT in an emerging market; Turkey that began to implement the floating exchange rate regime and the IT after 2001. The paper also presents the evaluation of the gap between ERPT to consumer price index (CPI) and that to producer price index (PPI). The gap provides information about the change in the ability of producers to pass the costs on to consumers.

The rest of the paper is as follows. Section 2 describes our data and methodology. Section 3 introduces estimation method and empirical findings. Section 4 presents conclusion.

## **Data and Methodology**

We use monthly data including average crude oil price, nominal exchange rate relative to US dollar, CPI, PPI and seasonally adjusted industrial production index (IPI) between 1995:04 and 2012:02. Following Kara et al. (2005), 1995:04 is selected as the starting date to avoid the effects of erratic crises in the year of 1994.

The nominal exchange rate relative to US dollar, CPI, PPI, and seasonally adjusted IPI are obtained from the International Financial Statis-



tics, published by the International Monetary Fund. Average crude oil price in terms of the nominal US dollar is obtained from the World Bank's data-bank. CPI and PPI are seasonally adjusted by using Census X12 method. The output gap is obtained from IPI by using the Hodrick-Prescott filter.

We employ a five variable recursive VAR model following the similar methodology in McCarthy (1999). The ordering of the endogenous variables is as follows: Oil prices, real output, nominal exchange rate against to the US dollar, producer prices and consumer prices.

The methodology relies on a model of pricing along a distribution chain. In this distribution chain, inflation in period  $t$  is assumed to comprise several different components. The components are the effects of supply, demand, exchange rate, producer prices and consumer prices shocks at period  $t$  based on the available information at the end of the period  $t-1$ .

We assume that the dynamics of oil price inflation in local currency enable the identification of supply shocks. The identification of demand shocks is obtained by using the output gap. The exchange rate shocks are identified after taking into account the contemporaneous supply and demand shocks. The structural shocks are removed from the VAR residuals using the Cholesky decomposition of the variance-covariance matrix. The system is as follows:

$$\pi_t^{oil} = E_{t-1}(\pi_t^{oil}) + \varepsilon_t^{oil} \quad (1)$$

$$\tilde{y}_t = E_{t-1}(\tilde{y}_t) + \varepsilon_t^{oil} + \varepsilon_t^{\tilde{y}} \quad (2)$$

$$\Delta e_t = E_{t-1}(\Delta e_t) + \varepsilon_t^{oil} + \varepsilon_t^{\tilde{y}} + \varepsilon_t^{\Delta e} \quad (3)$$

$$\pi_t^{ppi} = E_{t-1}(\pi_t^{ppi}) + \varepsilon_t^{oil} + \varepsilon_t^{\tilde{y}} + \varepsilon_t^{\Delta e} + \varepsilon_t^{ppi} \quad (4)$$

$$\pi_t^{cpi} = E_{t-1}(\pi_t^{cpi}) + \varepsilon_t^{oil} + \varepsilon_t^{\tilde{y}} + \varepsilon_t^{\Delta e} + \varepsilon_t^{ppi} + \varepsilon_t^{cpi} \quad (5)$$

where  $\pi_t^{oil}$  is the oil price (in nominal US dollar),  $\tilde{y}_t$  is the output gap,  $\Delta e_t$  is the change in exchange rate (TL/\$),  $\pi_t^{ppi}$  is the producer price inflation rate,  $\pi_t^{cpi}$  is the consumer price inflation rate,  $\varepsilon_t^{oil}$ ,  $\varepsilon_t^{\tilde{y}}$ ,  $\varepsilon_t^{\Delta e}$ ,  $\varepsilon_t^{ppi}$ ,  $\varepsilon_t^{cpi}$  are the oil price inflation, output gap, change in exchange rate, producer price inflation and consumer price inflation rate shocks respectively.  $E_{t-1}$  represents the conditional expectation of a variable based on the information

available at time  $t-1$ . In the estimation process, we incorporate the expectations in the model by using linear projections of the lags of the variables.

### Estimation and empirical findings

We estimate a rolling VAR in order to evaluate the change in ERPT. Main advantage of the rolling VAR estimation methodology is that it is an unstructured way of analysing parameter changes and instability over time (De Gregorio et al., 2007). We use a rolling window of 60 months. The first window period is from 1995:04 to 2000:03 and the last one is from 2007:03 to 2012:02. In total, we estimate the VAR on 143 rolling windows.

As in the literature, we derive estimates of the pass-through coefficient from the impulse response functions. The estimates of the ERPT coefficient are calculated as follows;

$$PT_{t,t+s} = \frac{DP_{t,t+s}}{EP_{t,t+s}} \quad (6)$$

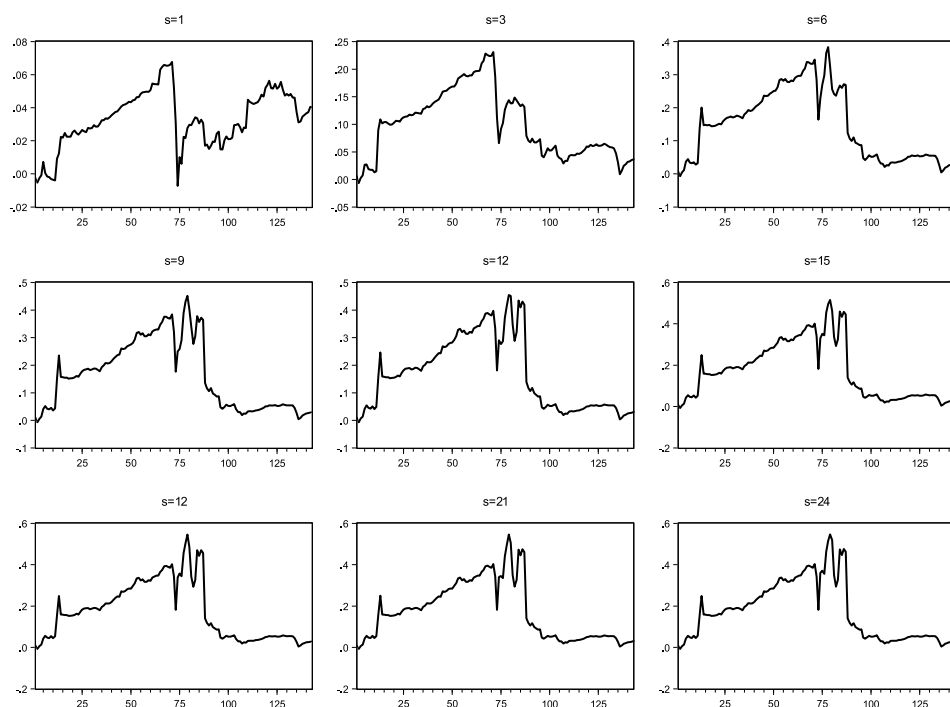
where  $PT_{t,t+s}$  is the pass-through rate of exchange rate at time horizon  $s$  in period  $t$ ,  $DP_{t,t+s}$  is the cumulative impulse response of domestic price to an exchange rate shock at horizon  $s$  in period  $t$  and  $EP_{t,t+s}$  is the cumulative impulse response of exchange rate to an exchange rate shock at horizon  $s$  in period  $t$ . In the estimation, we allowed for data dependent lag length. In each rolling window, the optimal lag length is determined by the Akaike Information Criterion (AIC). The maximum lag length is chosen as 8.

We plot the estimated ERPT to consumer prices and ERPT to producer prices in Figure 1 and Figure 2 respectively over the 143 windows until 24-months horizon. The ERPT to domestic prices has an increasing trend in the first half of the samples and then suddenly falls in the second half. Within one month, the ERPT to consumer prices never exceeds 9 percent. In the medium and the long term, the ERPT to consumer prices increases up to 50-55 percent, suggesting that one percent increase in the exchange rate increases the consumer prices about 0.50-55 percent at most. Toward the last quarter of the sample period, the ERPT to consumer prices declines to almost 5 percent and remains relatively stable around this

level. This finding is consistent with the conclusion of Kara et al. (2005), Kara and Ogunc (2008). They find that under the floating exchange rate, the ERPT to consumer prices has fallen in Turkey. In addition, Taylor (2000) argues that the decrease of ERPT is due to the decrease in inflation. Accordingly, in Turkey, the yearly inflation has declined from 125 percent in January 1995 to 10 percent in 2004 and to a single digit after 2004<sup>3</sup>.

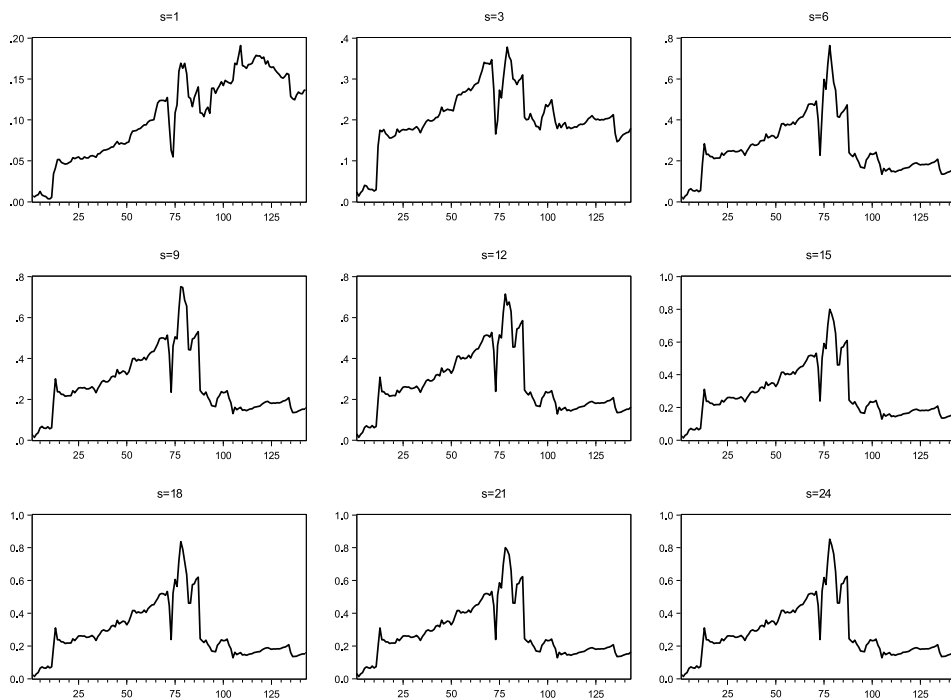
The ERPT to producer prices shows a quite similar pattern. However, the magnitude of ERPT to producer prices is much higher than that to consumer prices. As discussed in Kara and Ogunc (2008), this finding is not surprising, because producers in most sectors use the imported goods, and their pricing behaviour is very sensitive to the movements in the import prices and the exchange rates. On the other hand, the weight of the non-tradable sector in the CPI basket is almost fifty percent and hence, the responsiveness of consumer prices to a change in the exchange rates is lower than that of producer prices.

**Figure 1: ERPT to CPI**



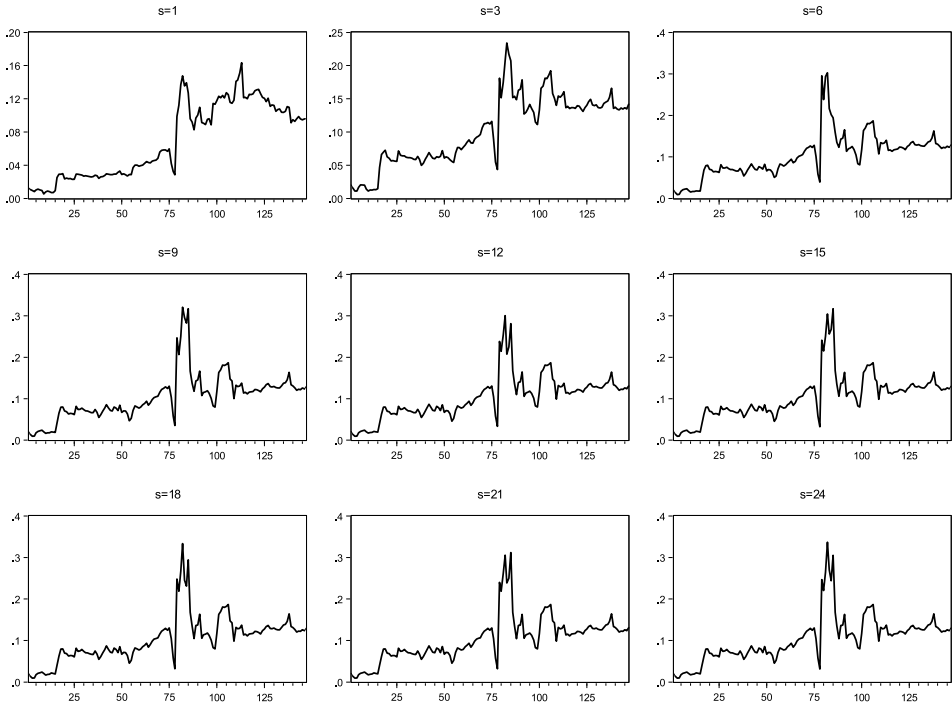
3 For an overview of Turkish economy see Kaya and Yazgan (2011).

**Figure 2: ERPT to PPI**



In Figure 3, we plot the gap between the pass-through to CPI and to PPI. It is clear that the gap has been increasing. The gap between these two pass-through rates may emanate from the ability of producers to pass the higher costs on to consumer. Taylor (2000) argues that the decrease in the inflation leads to a decline in the pricing power of the firms and they pass through a smaller portion of changes in the costs onto prices. In addition to this, we also note that under the IT regime, central banks usually set target on the consumer prices and can take action to reduce the producer prices pass-through to the consumer prices. Accordingly, an apparent upward shift in the gap coincides with the implementation of IT.

**Figure 3:** The gap between ERPT to CPI an ERPT to PPI



## Conclusion

By employing a rolling VAR framework, the evolution of exchange rate pass-through has been examined over the period between April 1995 and February 2012. We find that in the early parts of this period, ERPT had an increasing trend. However, with the adoption of IT, it suddenly decreased and has been decreasing since then. The results also suggest that the gap between pass-through to consumer prices and that to producer prices shifts upward in the IT period. This suggests a decrease in the ability of producers to pass the higher costs on to consumers. Overall, we find that the disinflation period and the implementation of the IT regime appear to play a significant role in the dynamics of ERPT in Turkey.

## REFERENCES

- Bailliu, J. and E. Fujii, 2004. Exchange Rate Pass-Through and the Inflation Environment in Industrialized Countries: An Empirical Investigation. *Working Paper No 21*. Bank of Canada.
- Berben, R.P. 2004. Exchange rate pass-through in the Netherlands: has it changed?. *Applied Economics Letters*, vol.11, no.3: 141-143.
- Bouakez, H. and N. Rebei, 2008. Has exchange rate pass-through really declined in Canada?. *Journal of International Economics*, vol.75, no.2: 249-267.
- Campa, J. and L. Goldberg, 2005. Exchange Rate Pass-Through into Import Prices. *The Review of Economics and Statistics*, vol. 87, no.4: 679-690.
- Choudhri, E. U. and D. S. Hakura, 2006. *Journal of International Money and Finance*, vol. 25, no.4: 614-639.
- Gagnon, J. and J. Ihrig, 2004. Monetary Policy and Exchange Rate Pass-Through. *International Journal of Finance and Economics*, vol.9, no.4: 315-38.
- De Gregorio J., O. Landerretche and C. Neilson, 2007. Another Pass-Through Bites the Dust? Oil Prices and Inflation. *Working Papers 417*. Central Bank of Chile.
- Kara, H., H.K. Tuğer, Ü. Özlale, B. Tuğer, D. Yavuz, and E. M. Yücel, 2005. Exchange Rate Pass-Through in Turkey: Has it Changed and to What Extent? *Research Department Working Paper, No 4*. Central Bank of Turkey.
- Kara, A. H. and F. Ögünç, 2008. Inflation Targeting and Exchange Rate Pass-Through: The Turkish Experience. *Emerging Markets Finance and Trade*, vol. 44, No. 6: 52-66.
- Kaya, H. and M. E. Yazgan, 2011. Has inflation targeting increased the predictive power of term structure about future inflation: evidence from Turkish experience?. *Applied Financial Economics*, vol.21, no.20: 1539-1547.
- Masha, I. and C. Park, 2012. Exchange Rate Pass Through to Prices in Maldives. *Working paper No. wp12126*. IMF working paper.
- McCarthy, J., 1999. Pass-Through of Exchange Rates and Import Prices to Domestic Inflation in Some Industrialized Economies. *Working Paper No. 79*. Bank for International Settlements.
- Sekine, T., 2006. Time-varying exchange rate pass-through: experiences of some industrial countries. *Working Paper No. 202*. BIS.
- Taylor, J.B., 2000. Low Inflation, Pass-Through, and the Pricing Power of Firms. *European Economic Review*, vol. 44, no.7: 1389 – 1408.

# Islamic Ethics towards Environmental Protection

Erhun Kula\*

## Abstract

*During the last few decades, academics from a variety of backgrounds have been debating in a wide range of outlets whether religion, especially the monotheist ones, is really responsible for our environmental predicament. Unfortunately, Islam, in general, has been underrepresented in this debate. Furthermore, some of the major environmental problems such as forest destruction, drying of lakes, depletion of groundwater resources, hasty depletion of gas and petroleum resources are taking place in Muslim countries. In this paper, we aim to study the importance of the environment in Islamic instructions such as the Holy Koran and Hadiths in order to find out about the appropriate conduct. It is concluded that Islam is an environmentally friendly religion, which discourages all reckless activities towards environmental resources.*

## Introduction

During the industrial revolution, leading philosophers of the time such as Goodwin and Condorcet were deeply inspired by the rapid economic growth alongside advances in science and technology, but especially by the French Revolution. They had a view of a future society largely free from shortage, war, disease, crime and resentment where every man sought the good of all. Unimpressed by such optimistic views, Robert Thomas Malthus, an English clergyman and economist, published his famous book “*An Essay on the Principles of Population as it Affects the Future Improvement*

---

\* Bahcesehir University, Faculty of Economics and Administrative Sciences  
Besiktas, Istanbul, erhun.kula@bahcesehir.edu.tr

of *Society*”, which came as a shock to those who had optimistic views of the future (Malthus, 1798).

As the population of England grew, Malthus noticed that poverty increased in some areas despite the economic growth. After observing the growth of population in some northern states of America, where food was plentiful, he concluded that if human population is not taken under control, it has a tendency to double itself in every 25 years. On the other hand, due to the limitation of the arable land, the food supply could not be increased at the same rate. Consequently, he reasoned, humanity would be trapped in poverty, pestilence and wars.

David Ricardo, an exponent of capital accumulation and economic growth, was in agreement with Malthus. Between 1790 and 1810, the corn prices in Britain increased by 18 percent per annum on average, which was due to the law of diminishing returns. He believed that this would halt the economic growth condemning humanity to a basic and an unenviable existence (Ricardo, 1817). The major factor in his argument was resource scarcity, especially the limitation of arable land and its food growing capacity.

Another notable thinker in the history of economic thought was J S Mill, a famous English philosopher and economist, who argued that a period of sustained growth did take place in the 18<sup>th</sup> and 19<sup>th</sup> centuries because of humanity’s fierce struggle for material advancement. However, this endeavour is neither sustainable nor desirable. In his opinion, not many people will want to live in a world crowded by humans and their material possessions. A world where every square metre of land brought into cultivation, every flowery waste of natural pasture is ploughed up, every hedgerow or superfluous tree rooted out would be undesirable. *‘It would be the ultimate waste if the earth losses that great portion of its grandeur so that we can support our ever increasing population on it. I sincerely hope for the sake of posterity that they will be content to be stationary long before necessity compels them to it’* (Mill, 1848).

The concern expressed by Malthus, Ricardo, Mill and others on the natural resources and the environment led to the formation of American Conservation Movement of 1890-1920. The Movement criticised concepts such as consumer sovereignty and *laissez-faire* on grounds that they undermine the wise use of nature’s resources ultimately leading to reckless exploitation from which the loss to humanity would be great. In order to



avoid this situation, governments must take protective steps. The movement did not accept economists into their ranks on grounds that they were, in the main, supporters of uninterrupted economic growth and thus did not pay much attention to conservation (Kula, 2006).

The first and the Second World Wars diverted the attention away from environmental issues. After the Second World War, western economies began to grow rapidly putting pressure on natural resources and the environmental quality. In 1952, the US Material Commission published its report *Resources for Freedom, Foundation of Economic Growth and Scarcity*, (1952) in which great concern was expressed on the deteriorating quality of the environment and increasing resource scarcity. It was argued that the security of supply in critical materials was the foundation of American prosperity and freedom, and thus these resources must be secured and exploited without recklessness.

One of the most influential economists who drew attention to the environmental problems was Kenneth Boulding, (1966). In a short article, *the Economics of Coming Spaceship Earth*, he envisaged the world as a small self-contained spaceship with limited resources and pollution absorbing capacity. If we keep on polluting and overcrowding our world and use its resources recklessly, a regretful situation would emerge. A few years later, model builders capitalised on Boulding's concept of Spaceship Earth and by using computer simulation models, tried to predict the future (Forrester, 1971 and Club of Rome, 1972). What they saw was chaos and mass destruction unless humanity changed its way of doing things. "*The last thought we wish to offer is that man must explore itself, his goals and values, as much as the world he seeks to change*" (Club of Rome, 1972).

All these views inevitably led to a quest about who, in the main, is responsible for our growing environmental predicament. One of the alleged culprits turned out to be religion in general, Christianity in particular.

### **Christianity and the Environment**

In 1966, Lynn White, a medieval historian and practicing Christian, gave a lecture entitled '*Historic roots of our ecological crises*' at the American Society for the Advancement of Science. One year later, the paper was

published in the most prestigious scientific journal; *Science*. In this, White argued that the roots of our environmental problems could be traced to the Bible, in particular the Old Testament. The Judea-Christian faith first established a position that separated man from nature and guided the former to the position of supremacy over the latter (White, 1967).

The Old Testament states that '*Then God said, let us make man in our image, after our likeness; and let them have dominion over the fish of the sea, and over the birds of the air, and over the cattle, and over the earth, and over every creeping thing that creeps upon earth*', (Genesis 1:22). It is also argued that the Bible separated God, and ultimately human beings from the rest of creation, as humans were made in the image of the Almighty. This, in fact, reduced nature to a mere object and guided Christians towards a utilitarian and ultimately destructive attitude towards the environment.

Another factor in his argument was that Christianity eliminated Paganism, the original faith of Europe, from almost the entire geography of the continent. According to White, this event was the greatest psychic revolution in the history of the western culture. In Paganism, and to a lesser extent in Asian faiths, man is a part of nature not the dominant master of it. However, White does not deny the existence of different viewpoints and lifestyles in Judea Christianity. For example, St Francis of Assisi was committed to a life of poverty and repentance, and treated all living things as a close kin emphasising the importance of communion with nature.

White's paper started a fierce and continuous debate in ecological as well as theological literature about the faith and the environment. Unfortunately, Islam has been under represented in this debate.

However, some writers thought that White's thesis was not strong enough. For example, McHarg (1977) refers the Old Testament as a disturbing text, which has cultivated and legitimised a utilitarian and inevitably destructive attitude towards the nature. In rabbinical interpretation of the Bible in the middle ages, it is argued that God shows Adam the Garden of Eden and says '*all I have created, I created for you*'. According to Stahl (1993), Lord of the Universe has created our world without any deficiency, which it is indeed a part of the Jewish tradition, so that man can utilise what has been laid on for him.

Many Christian writers criticised and accused White and his follower of misunderstanding the Christianity. For example, Thomas (1984) points out that White over emphasised the extent to which human needs are motivated by religious teachings. He states that Japanese worship of nature did not prevent widespread pollution in that country. Tuan (1970) finds that in non-Christian eastern regions, where supposedly environmentally friendly faiths rule, the environmental destruction is as bad as in the west if not worse. According to Ferguson and Roach (1993), Judea-Christian tradition is more than capable of developing a contemporary ethics towards environmental protection. Livingstone (1994) believes that God was a wise conservationist and humans made in the image of God should act as caretaker of creation. In John Calvin's doctrine, if a man passes a field, he should avoid any harm to the ground and pass it onto future generations as he found it. He concludes that let everyone sees himself as the steward of God in all things he possesses.

Thomas (1984) notes that in contemporary Christian literature, the idea that claims everything has been created for humanity is no longer the dominant viewpoint. If the faithful looks close enough, he/she will find sufficient wisdom in Christianity to encourage stewardship towards the environment. Al Gore (1992), a former US vice president and a Nobel Laureate, is the most prominent writer in the promotion of stewardship doctrine. To him, a good Christian should avoid any injury to the environment, which is God's creation. In the past, the Church has probably failed to take with sufficient seriousness a concern for the environment and thus we should not shy away from self criticism. Equally, we should not see environmental catastrophe as the fulfilment of Biblical prophecy.

If the roots of our environmental problems go back to the monotheist theology, then there must be a better understanding of its teaching and reorientation. Indeed, HRH the Duke of Edinburgh, a former president of the World Wide Fund for Nature, created the Alliance of Religion and Conservation with the intention of getting the major faiths to look into their traditional attitude to see whether they ought to be concerned with the current situation (HRH the Duke of Edinburgh, 1992). To this effect, some work has been done in Turkey by the Phanar Patriarchate who conducted regular seminars on the environment throughout the 1990s. In these gatherings and resulting publications, it has been emphasised

that Christianity has never implied recklessness towards the environment (Phanar Patriarchate, 1992). A community who meets its material needs by damaging the environment saps the moral fibre of its members and demeans human life. Christianity is against this mentality. The Christian ethos is one of simplicity, sharing and assuring that everybody meets its cultural and spiritual needs in which the attention is focussed on the quality of life, not on accumulation of material wealth. This may entail challenging existing production and distribution methods in a concerted effort for healing the environment.

Lynn White, a few years after publication of his much-discussed paper, suggested that there are indeed passages in the Old Testament that teaches us to be respectful to the environment.

### **Islam and the Environment**

Islam commands influence on about 20 percent of the humanity covering a very large territory especially in Africa, Europe/Middle East and Asia. Unfortunately, some of the greatest environmental problems have occurred in Muslim countries. Many examples can be given such as, the destruction of the Aral Sea in Kazakhstan and Uzbekistan, which was once the fourth largest lake in the world but now only 10 percent of its original size remains. During the last couple of decades, desertification of sub-Saharan Africa created famines and displaced millions of people. In Indonesia, because of official and illegal logging activities, almost complete destruction of the natural forests took place, which was once home to one of the richest biodiversity resources in the world. In 1900, 84 percent of the country was under natural forests, but today the figure is about 10 percent. Depletion of ground water resources in Saudi Arabia due to large scale wheat production in the desert that caused the country to become a major wheat exporter, but at the expense of rapidly falling ground water levels. Finally yet importantly, hasty exploitation of oil and gas deposits in the Middle East. In contrast to such deeds, Islam as a major world religion frowns upon any excessive and damaging activity towards the environment.

Environmental impoverishment in Koranic lands (Hejaz and surrounding geography) predates Islam. Arabian history is full of writings

about once prosperous communities who declined due to environmental abuse (Ruthven, 1991). Well before the birth of Prophet Mohammed, the trade route between Mecca and Damascus was full of settlements containing springs and lush vegetation enabling travellers to rest and replenish their supplies. When the Prophet used this route during his commercial travelling before the revelations, desertification was biting hard (Ibnu'l Esir, 1970). The collapse of Ma'arib Dam in Saudi Arabian Peninsula's south-west corner, which marked the end of an ancient civilisation, is another environmental disaster, most likely caused by careless environmental conduct (Cragg, 1971). There is an important message in the Holy Book warning the faithful about environmental fragility; *"If at early morning your waters have sunk away, who then will give you clear running water"*, (Holy Koran 1909, The Kingdom, verse 30). In another Surah it is revealed that *"We have created over you seven heavens and we are not careless of the creation. And we sent down water from the Heaven in due degree, and we cause it to settle on earth; and we have the power for its withdrawal"*, (Holy Koran 1909, The Believers, verses 10-16).

Good environmental management especially on fragile territory is a matter for survival of the communities there, and we are constantly reminded of this by the events in Sub-Saharan Africa. In the scriptures, the reference to the destroyed date gardens due to insufficient provision for the future is another case in point. *"As we proved Meccans as we proved the owners of the garden, when they swore that at morning they would cut its fruits, but added no reserve, wherefore an encircling desolation from God swept round it while they slumbered..... and in the morning it was like a garden whose fruits had all been gone .....they said truly we have been in fault, yes we are forbidden our fruits"*, (Holy Koran 1909, The Pen, verses 18-27).

Some scholars point out that in the Holy Koran there is a prophecy about the global warming, which is largely created by burning of excessive fossil fuels. *"But mark the on the day when the Haven will give out a palpable smoke, which shall enshroud mankind which will be afflictive torment. They will cry, our Lord relive us from this torment, see we are believers. But how did warning avail them, when an undoubted apostle had come to them and they turned their back on him"*, (Holy Koran, The Smoke, verses 9-13). Canan (1995) regards that this centuries old warning may be about the

global warming in which the world is like a room where there is a smoking fireplace without a chimney. Global warming is the end product of pursuing material advancement in a reckless manner. Economic growth driven by profit motive has now become the central goal of a modern society and nothing is allowed to stand in its way. Furthermore, there is a concerted effort by special interest groups to play down the environmental effect of economic 'progress'. Instead of eliminating harmful operations such as excessive discharge of greenhouse gasses, which would mean lowering economic growth, the public are told that such hazards have been blown out of all proportion (Galbraith 1974). Like other spiritual texts the Holy Koran warns people against the greed that drives humanity away from proper values, divergence from 'the way'. Could it be that humanity's pursuit of material advancement at any cost made Heaven give out the palpable smoke; the greenhouse effect of atmospheric pollution?

The secondary source of Islamic instruction is Hadiths, words and deeds of the Prophet. Hadiths have been laboriously studied since the coming of Islam, a process that has left a substantial amount of moral conduct in the Muslim world. Many believe that the Prophet's task was not confined to passing God's message on, but also it was intended that he should set examples by his words and deeds.

Prophet was very fond of trees and in a number of Hadiths, he suggested that not only should existing trees be protected but also the faithful should plant new ones for charitable purposes for they provide shade and habitat for birds and insects. In one of his teachings, the Prophet recommended that "*If the Day of Judgement erupts while you are planting a tree, carry on and plant it*" (Munavi, 1971). Prophet also disliked the killings of animals without a just cause such as for food or self-defence. He was particularly keen on avoiding injury to ants as he instructed his followers not to disturb nests by lighting fire or by engaging in any other damaging activity. One can argue from this that biodiversity protection should be a part of the Islamic ethics. In this respect, it may not be misleading to suggest that protection of tropical and other forests and hence biodiversity, especially in Islamic countries such as Malaysia and Indonesia, is an essential duty for Muslims.

Water is recognised in Islam as the element that starts the cycle of life, (Holy Koran, The Thunder and He Frowned). In addition, Surah Bee states, *“It is He who sendth down rain out of Heaven; from it is you drink; and from it are the plants by which ye pasture. By it He causeth the corn, and the olives, and the palm trees, and the grapes to spring forth for you, and all kinds of fruit”*.

Water in arid Biblical and Koranic lands is most important for the communities to sustain life. In addition, water is a cleaning agent in Islam. Before prayer, Muslims must wash their mouths, nostrils, face, neck, ears, arms and feet. After sexual activity, faithful must wash the entire body, because without this cleaning activity a Muslim cannot pray. The Prophet disliked polluting rivers and wells and instructed the followers accordingly, (Izzi-Dien 2000). Furthermore, He frowned upon excessive use of water even when it is available in abundance. In a well-known Hadith, once the Prophet noticed a Muslim called Saa'd who was using more water than necessary for washing himself before prayer. He warned him not to use too much water for washing. Saa'd objected by saying that there was no scarcity of water and what he was doing was not diminishing the quantity available to others. The Prophet's response was *“even if a Muslim by using the abundant waters of a raging river washed himself four times instead of three he would be committing an error”*, (Ibn'i Mace 1962). Therefore, the waste of water, or any other natural resource is frowned upon in Islam.

In Islamic countries, water supply is considered as a communal responsibility. The rationale for this is that bringing water to frequently used mosques and then distributing the rest is highly cost effective. Once a system of water supply to the community is established for the purpose of worship, then it would be cheap to provide water for other purposes such as drinking, cooking, cleaning, washing, etc. The Prophet believed that Muslims are partners in the supply and consumption of water, and thus nobody should be allowed to prevent access to natural water resources (Abu Yusuf, 1985).

Pollution was not a widespread problem during the lifetime of the Prophet. However, he was concerned about the public burden, which may be imposed upon them by those engaged in pollution creating commercial activities. At the root of our current pollution problems, including global warming, there is unrestrained economic activity. Modern Muslim scholars contend that it is impossible to justify global or local pollution no matter

how much the culprits benefit from it. In fact, any activity that may impair the wellbeing of the public was frowned upon by the Prophet (Ibnu'l Esir, 1970).

The Kyoto Protocol aims to moderate the problem of global warming by way of limiting greenhouse gas emissions, which started in 2005. Its first target was to curtail emissions of the industrialised countries, who agreed to it, by 5.2%, on average, for the period 2008-12 relative to 1990 levels. Under the Protocol, 52 industrialised countries committed themselves to limiting their emissions of greenhouse gasses. Each member country has created a national authority to manage its inventory and reports annually to the United Nations about its emission levels.

As the first leg of the scheme was ending in 2012, delegates from nearly 200 countries gathered in a Muslim country, Qatar, to discuss the extension of the Kyoto scheme. After two days of intense negotiations, nations decided to extend the protocol until 2020. This keeps the only legally binding plan alive to combat global warming. When the meeting in Qatar was held, the government there decided to inform the public in 150 mosques about global environmental problems including the greenhouse effect of atmospheric pollution. Imams in mosques prepared Friday teaching (sermon) informing the faithful about their duties to protect the environment. The head of Qatar Islamic Culture Centre, Mr Abdullah Al-Mulla, argued that if care for the environment is encouraged through religion, it would give the best results. Cengiz (2012) contends that this type of valuable initiative has not yet been taken on board in Turkey. During the 2012 budget negotiations in Turkish Parliament when 4.6 billion lira was allocated to the Department of Religious Affairs, no argument was advanced that protecting the environment is, or should be, a part of its duties. On Department of Religious Affairs' website, there was no substantial argument that Islamic instructions forbid any damage to the environment.

## **Conclusion**

Despite being an anthropocentric faith, Islam is an environmentally friendly religion. However, usually there is a gap between a tradition's ideals and its expression in the real world, which is conspicuous in Islam as well as in other faiths like Christianity. A look around parts of the Islamic



world shows us a picture, which is far removed from the Koranic teaching and humble living of the Prophet. Money that almost exclusively relies on the sale of non-renewable fossil fuel deposits, which has been relentlessly accumulated and its material rewards conspicuously displayed in the Gulf, where the living can hardly be described as humble. Saudi Arabia for a number of years used her precious ground-water resources in order to produce wheat in the desert, and sold it in the world market well below the production cost to the detriment of farmers elsewhere in the world, where lands are naturally suited to this crop.

Natural forests of Indonesia are almost gone and Malaysian forests are being put under an increasing pressure. The destruction of the Aral Sea is a major issue for most environmentalists, but in the Central Asian Muslim countries, it is not a priority as they are preoccupied with developing their oil and gas deposits. Despite the well-publicised hazards of nuclear technology, Iran and Turkey are working hard towards establishing a capacity for nuclear power. Iran is a fossil fuel rich country who does not need nuclear power. Today, some of the most worrying environmental problems in the world are found in the regions, where the majority of inhabitants are Muslim who now share with others some of the blame for worsening environmental problems. The eco-friendly Islam is most urgently needed to rectify the situation.

## REFERENCES

- Abu-Yusuf, 1985. *Kitab al Khirai*, Beirut, Darul Kitab.
- Gore, A. 1992. *Earth in Balance, Forging a new Common Purpose*, London, Earthscan.
- Canan, I., 1995. *Environmental Ethics in the light of the Prophet's Hadits*, Istanbul, New Asia Press.
- Cengiz, P., 2012. *Katarcamilerindeteolojivaazı*, Istanbul, Taraf 7 November 2012.
- Club of Rome, 1992. *Limits to Growth*, authored by Meadows D H, Randers D I and Behrens W, London Pan Books.
- Cragg, K., 1971. *The Event of Koran*, London, George Allen Unwin.
- Ferguson, B. and Roach, P., 1993. Christian attitudes to nature and ecological crises, *Irish Biblical Studies*, Volume 15, pp. 98-114.
- Galbraith, J. K., 1974. *Economics and Public Purpose* London, Andrea Deutsch.

- HRH Prince Phillip the Duke of Edinburgh, 1992. *The importance of religion for conservation so that God's creation Might Live*, PP. 8-18, Istanbul, Phanar Patriarchate.
- Holy Koran, 1909. Translated from Arabic by J M Rodwell, New York, Dutton.
- Ibni-Mace, 1952. *SunennuIbni Mace*, Investigated by M FuadBadulbaki, Cario, DarulIhyaiKutubul Arabia.
- Ibnu'l-Esir, 1970. *Usul Gabe fi MarifetisSahabe*, Cairo, Darul Sabah.
- IzziDien, M., 2000. *Environmental Dimensions of Islam*, Cambridge, Butterworth.
- Kula, E., 2006. *History of Environmental Economic Thought*, London, Rutledge.
- Malthus, R. T., 1798. *An Essay on the Principle of Population as it Affects the Future Improvements of Society*, London, Warlock.
- McHarg, I., 1977. "The place of nature in the city of man", *Annals of American Academy of Political Science*, Vol. 352, pp. 2-12.
- Mill, J. S., 1848. *Principles of Political Economy*, New York, Appleton.
- Munavi, S., 1972. *Feyzu'l Kadir Sherhu'l Camiu's Saghir*, Beirut, Darul Marife.
- Phanar Patriarchate, 1992. *So that God's Creation Can Live*, Istanbul, Phanar Patriarchate.
- Resources for Freedom*, 1952. Printed by the US Material Commission, Washington.
- Ricardo, D., 1817. *Principles of Political Economy and Taxation*, London, Pelican Books.
- Ruthven, M., 1991. *Islam in the World*, London, Penguin.
- Stahl, R., 1993. "Educating for change in the attitudes towards nature and environment among oriental Jews in Israel", *Environment and Behaviour*, Vol. 25, pp. 3-21.
- Thomas, K., 1984. *Man and the Natural World; Changing Attitudes in England 1500-1800*, London, Penguin.
- Tuan, Y. F., 1968. "Discrepancies between environmental attitude and behaviour; examples from Europe and China", *Canadian Geographer*, Vol. 12, pp.176-91.
- White, L., 1967. "Historic roots of our ecological crises", *Science*, Vol. 155, pp. 1203-07.

# Long-term marketing effectiveness in Turkey: Does it differ from that in the US and Western Europe?

Prof. Dr. Koen Pauwels\*<sup>1</sup>

Ela Ari\*

Yusuf Oc\*\*

## Abstract

*Companies in Turkey aim to grow their market performance, but very few know how much additional sales or profits are generated by their marketing spending.*

*This study is the first to quantify long-term marketing effectiveness in Turkey and compare it with that in the US and Western Europe. Our results reveal that companies in Turkey receive about 8 TL in revenues for every 1 TL spent on marketing. Compared to matched companies in mature markets, their marketing efficiency is only 69%. Across industries, industrial and automobile score highest in marketing efficiency, and textile and retail the lowest. We conclude with a research agenda on measuring and improving marketing efficiency in Turkey and other emerging markets.*

**Keywords:** *marketing efficiency, econometrics and time series, unit root, autoregressive distributed lag model, long-term, Turkey “More money is wasted in marketing than in any other human activity” Ries and Trout (2000)*

## Introduction

Already in the 1920s, John Wanaker deplored that “half of my advertising is wasted, I just do not know which half”. Today, companies around

---

<sup>1</sup> The authors thank TUBITAK and the European Union for financial support

\* Ozyegin University, İstanbul, Turkey, [koen.pauwels@ozyegin.edu.tr](mailto:koen.pauwels@ozyegin.edu.tr)

\*\* Bogazici University, İstanbul, Turkey, [yusuf.oc@boun.edu.tr](mailto:yusuf.oc@boun.edu.tr)

the world face the same dilemma. Measuring return on marketing investment has now moved to the top of marketers' priority list, even before such important metrics as customer satisfaction, retention and brand loyalty (Anderson Analytics, 2010). With good reason: companies that measure their marketing efficiency outperform their competitors in terms of revenue growth, market share and profitability (CMO Council, 2004). In the United States and Western Europe, long-term marketing effectiveness has been quantified for a wide range of marketing actions and industry sectors, including automobiles (Pauwels, et al., 2004; Srinivasan, et al., 2009), food (e.g. Pauwels, et al., 2002; Srinivasan, et al., 2004; Slotegraaf and Pauwels, 2008), retail (e.g. Pauwels and Neslin, 2008) and online services (e.g. Pauwels and Weiss, 2008).

In the Turkish marketing literature, authors have considered manager and consumer perceptions of sales promotion (Akyüz and Ayyıldız, 2008; Tigli and Pirtini, 2003), advertising (Gülçubuk, 2007), mobile marketing (Akbiyik, Okutan and Altunisik, 2008) and packaging (Sütütemiz, Çiftyildiz and Konuk, 2008 ). These studies survey consumers and/or managers on which marketing actions are perceived to be more versus less effective and identify weaknesses and benefits of e.g. mobile marketing communication versus traditional marketing communication and sales promotion versus advertising. Unfortunately, these stop short of quantifying the actual effectiveness of marketing actions with market data. It is well documented that consumers often change their purchasing behavior in response to marketing actions, even though they do not express this in a survey.

In sum, companies doing business in Turkey currently lack hard numbers for long-term marketing effectiveness, which is crucial to making intelligent decisions on where to cut spending and where to increase it. Our research questions are:

- (1) how much TL revenues do companies in Turkey get back for 1 TL spend in marketing?
- (2) how does long-term marketing efficiency in Turkey compare to that in 'mature markets'?
- (3) how does long-term marketing efficiency compare across Turkish industries and firms?

Answering these research questions, this paper is the first to quantify long-term marketing effectiveness in Turkey and compare it with the marketing effectiveness observed in US and Western European companies. The original contribution lies in identifying and interpreting differences in long-term marketing effectiveness for an important emerging market versus mature markets. We also explore differences among industries and companies. Finally, detailed data allow recommendations on marketing budget allocation for a Turkish company and a foreign company operating in Turkey.

Our methodology is also new to the analysis of Turkish company data. It is grounded in econometric time series analysis, which “combines the merits of econometrics, which focuses on the relationship between variables, with those of time series analysis, which specifies the dynamics in the model” (Franses, 1991, p. 240). For our quarterly datasets, we use autoregressive-distributed lag (ARDL) models to capture short-term and long-term marketing effectiveness. In answer to our research questions, we find that:

- (1) companies in Turkey get back about 8 TL in revenues for every 1 TL spent on marketing,
- (2) compared to companies in mature markets, marketing efficiency is only 69% in Turkey,
- (3) industrial and automobile industries score highest, textile and retail lowest in efficiency.

The remainder of this paper is organized as follows. First, we provide a synthesis of relevant literature in the ‘research background’ section. Next, we detail the data and methodology. After presenting the results, we conclude with a discussion and avenues for future research.

## **Research Background**

Knowledge of long-term marketing effectiveness is essential for companies wishing to make the best use of their marketing budgets to obtain long-term performance (Dekimpe and Hanssens, 1999; Wind and Rob-

ertson, 1983). Over the last decade, this knowledge has yielded empirical generalizations on return on marketing investments in mature markets in the West, mostly the United States but also Western Europe. Two conclusions stand out: (1) much of marketing spending is wasted as it is unprofitable (the profit increase does not pay back for the marketing spending or even does not yield any sales increase at all), and (2) general rules hold for the short-run and long-run effectiveness of specific marketing spending, such as advertising. We next detail these two conclusions from mature markets and discuss whether and how they may apply to Turkey.

The first key conclusion is that a lot of marketing spending is wasted, as it does not increase profits for the firm (Hanssens, 2009; Wiesel, et al., 2011). Some representative statistics (Copernicus Consulting, 2005) include:

- 1) 60% to 95% of new product introductions fail;
- 2) 85% of price promotions lose money for the company;
- 3) 50% of advertising has no sales effect at all.

The situation in Turkey might differ in all these areas, but we simply don't know. The more data-driven companies, such as Migros and Marks & Spencer, can quantify the short-term sales effects of direct marketing actions to their loyalty-card holding customers. However, with the possible exception of Turkcell, no company we talked to could quantify the long-term sales effects, let alone the return on investment of their mass marketing actions, such as new product introductions, brand building efforts, price promotions, print or TV advertising. Some managers may have been comfortable with such ignorance during high economic growth times, but the current recession has forced companies to analyze more closely where marketing spending can be reduced, and where it should be increased to exploit opportunities for achieving a long-term competitive advantage. Turkcell offers an interesting example in this regard: quantifying return on marketing investment became a top priority in 2009, and the company now reports being relatively satisfied with its ability to measure the short-run revenue impact of major marketing actions. Still, long-run performance remains a mystery.

As for publicly available research, the academic study of long-term marketing effectiveness has exploded in the United States over the last decade, as summarized in Pauwels, et al. (2004) and Hanssens (2009). However, no researcher has adapted this approach to work in emerging markets like Turkey. After the internal crisis of 2001, many Turkish managers realized that high quality and low costs are not sufficient to face global competition; Turkish companies need to build and leverage their brands in the domestic and foreign markets. To aid in these brand building and other marketing efforts, managers started to gather time series data to gain insights into the effectiveness of their marketing efforts. Ten years later, sufficient data are becoming available in Turkey to obtain reliable model estimates through recession and boom times, and to develop Turkey-specific guidelines and rules to compare with those obtained in mature markets.

The second main conclusion from academic research is indeed that certain rules or guidelines apply across company situations and market conditions. In mature markets such as the U.S. and Western Europe, such rules or “empirical generalizations” have aided managers in their decision making for several years now. For example, empirical generalization about advertising effectiveness in the United States (Tellis, 2009; Hanssens, 2009) include:

- 1) The average short-term elasticity of sales to advertising (i.e. the % of sales increase for a 1% increase in advertising spending) is around 0.05 for existing products.
- 2) Advertising new products can yield elasticities up to 9 times higher, e.g. 0.45.
- 3) The average long-term elasticity of advertising is twice the short-term elasticity.
- 4) A specific advertising campaign either works within weeks, or it does not work at all.

This means that when managers decide to double advertising spending (+ 100%) for an existing product, they can expect to increase revenues by about 5% in the short run. When the product is new to the market, expected revenues are much higher (45%), as observed in the automobile

industry (Srinivasan, et al., 2009). In the long-run, they can expect to increase revenues by 10% for existing products, and 90% for new products. However, these results only hold on average; a specific ad campaign can be much more successful or a lot less successful in the short run. Thanks to the empirical generalization, successful campaigns stand out more. For instance, if a company obtains a sales elasticity of 0.53 with a clever online word-of-mouth campaign, it knows that this campaign is about 10 times more effective than an average ad campaign (Trusov, et al., 2009). On the downside, if a specific campaign is not successful in the short run, it is unlikely to suddenly become successful in the long run. This insight helps managers to cut back on marketing campaigns that are unlikely to ever become profitable, and to reinvest the money in other campaigns or other areas in the firm (e.g. product quality, human resources, etc).

How will Turkish companies and researchers benefit from empirical generalizations in Turkey; i.e. publicly available insights based on other companies? Often, a specific company or manager will have to make decisions without the data or the time to quantify marketing benefits in their own situation. For instance, a small-and-medium (SME) enterprise in the durable goods category may consider having its first national TV advertising campaign for TL 100,000. Because it has never engaged in this marketing activity, it does not know how much revenue the TV campaign will yield. However, the manager knows its own contribution margin of 40% (i.e. the company earns 40 TL for every 100 TL in revenues) and can look up the empirical generalization for advertising durable goods in Turkey. In scenario A, the empirical generalization is that 100,000TL spent on TV yields 200,000 TL in revenues on average. In this scenario, the manager can only expect to gain  $200,000 \times 40\% = 80,000$  TL in profits, which is less than the 100,000 TL of TV investment. In contrast, in scenario B, the empirical generalization is that 100,000 TL spent on TV yields 800,000 TL revenues on average. Therefore, the manager can expect to gain  $800,000 \times 40\% = 320,000$  TL in profits, for a return on investment of 2.2 ( $[320,000 - 100,000]/100,000$ ). This return on investment can also be compared with other options to spend the 100,000 TL, such as enlarging the factory, hiring more employees or building more stores. Of course, the exact after-the-fact increase in revenues may differ from the expected one – there is



no success guarantee. Thanks to the empirical generalization though, the manager has some a priori expectations and can compare the actual gains with those expected. Such diagnosis may pinpoint specific problems with the campaign (e.g. wrong message, or wrong TV channel), which helps the manager to fix such issues and improve forecast precision for the future.

### **A Strategic framework for Understanding Long-Term Marketing Effectiveness**

A strategic perspective on marketing decisions requires a dynamic understanding of the conditions for performance growth and of the role marketing actions play in this process. To achieve such understanding, we have to address two main questions:

- 1) Is company sales performance stationary (mean-reverting) or evolving?
- 2) How much does marketing spending affect sales in Turkey versus mature markets?

#### ***Is company sales performance stationary or evolving?***

Marketing's potential to induce permanent effects directly depends on evolution in performance. Unit root tests allow us to classify performance change as either temporary or permanent. The study of temporary fluctuations is mostly tactical in nature, whereas the study of permanent changes has great strategic relevance. A typical marketing example is the performance impact of price promotions, which are tactical tools to temporarily boost sales (Akyüz and Ayyıldız, 2008; Blattberg and Neslin, 1990; Tigli and Pirtini, 2003). However, managers worry that promotional activity permanently damages market performance by reducing baseline sales (Pauwels, et al., 2002). Knowing whether performance is evolving or stationary provides direct insight into this dilemma. If stationary, performance fluctuates around deterministic components (mean, trend and seasonality) and price promotions do not cause permanent damage. In contrast, evolving performance calls for strategic managerial actions to counteract permanent damage and/or create permanent benefits.

In mature markets, such as fast moving consumer goods in the US and Western Europe, less than 5% of the studied brands and companies experience evolving performance (Nijs, et al., 2001; Pauwels, et al., 2002; Hanssens, 2009). In contrast, emerging markets such as Turkey are characterized by consumer learning, government deregulations and product technology diffusion. The attraction of new customers typically leads to repeat or replacement purchases. Therefore, temporary performance gains are expected to persist in the future. Of course, such diffusion growth does not last forever as consumer market potential and full retail distribution provide natural ceilings (Bass, 1969; Bronnenberg, et al., 2000). Thus, Turkish markets in which performance was previously evolving, may now enter a period of stationary performance, which has profound implications for managers on how to grow and allocate marketing resources.

***How much does marketing spending affect sales in Turkey versus mature markets?***

Given the above discussion on performance evolution, it appears that companies in Turkey have a great opportunity for high marketing effectiveness: consumers are eager to learn and spend their growing income; markets are being deregulated and technologies are diffusing in various sectors. Of course, companies in Turkey still need the marketing skills to exploit these opportunities. The presence of such marketing skills may vary substantially across industries and across companies within each industry. Moreover, companies in Turkey differ from those in mature markets in their short-term versus long-term orientation. The combination of these dimensions leads to different predictions for the highest versus average marketing efficiency companies in the short and the long run.

Our first hypothesis is that the *best companies in Turkey earn higher short-term marketing effectiveness than even the best companies in mature markets (H1a)*. They have the marketing skills to exploit consumer learning and deregulating markets, which present better sales growth opportunities in an emerging market like Turkey versus mature markets. However, this does not mean that their long-term marketing effectiveness is higher as well. Indeed, changing consumer tastes and regulations present important

challenges for companies to hold on to their marketing gains, in contrast to companies operating in the relative stability of mature markets. These opposing forces of growth opportunities and threats are expected to cancel each other out, so our second hypothesis is that the *best companies in Turkey have similar long-term marketing effectiveness to the best companies in mature markets (H1b)*.

In contrast, the *average* Turkish company has traditionally focused on leveraging the lower labor costs, deepening operation efficiencies and improving quality. As a result, most Turkish companies are ISO-certified and offer competitive value-for-money in domestic and international markets. However, many Turkish companies have discovered that a great value offer alone is not sufficient to succeed in many markets: perceived appeal to consumers also depends on marketing communication and brand building. Companies in mature markets have had plenty of time to act on this realization, and often store data on sales and marketing actions to quantify marketing effectiveness and derive insights from this analysis to improve marketing effectiveness. Relative to companies in mature markets, the average Turkish company is lacking in such marketing skills, and this is reflected in current Turkish marketing literature. Authors have considered manager and consumer perception of sales promotion (Akyüz and Ayyıldız, 2008; Tıǧlı and Pirtini, 2003), advertising (Gülçubuk, 2007), mobile marketing (Akbiyik, Okutan and Altunisik, 2008) and packaging (Sütütemiz, Çiftyıldız and Konuk, 2008). These studies survey consumers and/or managers on which marketing actions are perceived to be more versus less effective and identify weaknesses and benefits of e.g. mobile marketing communication versus traditional marketing communication and sales promotion versus advertising. Unfortunately, these studies stop short of quantifying the actual effectiveness of marketing actions with market data. It is well documented that consumers often change their purchasing behavior in response to marketing actions, even though they do not express this in a survey. If the average Turkish company does not have data on the effectiveness of its marketing actions, it lacks the information to cut back on ineffective actions, improve on mildly effective actions and exploit effective actions. As a result, we hypothesize that the *average Turkish company has lower marketing effectiveness, in the short run and the long run, compared to the average company in a mature market (H2a, H2b)*.

In sum, we expect the best companies in Turkey to have higher short-term marketing effectiveness, but similar long-term marketing effectiveness compared to companies in mature markets. This implies that high marketing efficiency is not a characteristic of mature markets: the Turkish situation is ripe for companies to exploit growth opportunities with skilful marketing. However, the average Turkish company is expected to have lower marketing effectiveness than that found in mature markets, which we refer to as the ‘marketing effectiveness deficit’ (MED). Quantifying this marketing effectiveness deficit across industries will help us to map key areas for improvement.

## Methodology

Our methodology is grounded in econometric time series analysis, which “combines the merits of econometrics, which focuses on the relationship between variables, with those of time series analysis, which specifies the dynamics in the model” Franses (1991, p. 240). This approach follows 2 steps: (1) unit roots tests reveal the sustainable versus temporary advantage nature of marketing actions, and (2) econometric models quantify the short-term and long-term marketing effectiveness (Dekimpe and Hanssens, 1999).

First, unit root tests reveal whether a variable is mean-reverting (reverts back to a stable mean after being shocked) or evolving (altered permanently by shocks). Such tests have been applied in economics to Turkish datasets, e.g. to study the economic convergence of regions and provinces (Erlat, 2005; Erlat and Ozkan, 2006) and the relation between international tourism and economic development (Yurtseven, 2012). We use two different unit root tests: the Augmented Dickey Fuller test, which has evolution as the null hypothesis and the KPSS-test, which has stationarity as the null hypothesis (Kwiatkowski, et al., 1992).

Second, econometric models establish the dynamic relation between marketing and sales performance (Pauwels, et al., 2002). The econometric time series model depends on the nature of the dataset. When more than 50 observations are present (Hanssens, et al., 2001), we can reliably estimate vector-autoregressive models (Sims, 1980; Yurtseven, 2012). The key

disadvantage of VAR-models is the need for a relatively long time series. When fewer than 50 time series observations are available, we instead estimate *autoregressive-distributed lag (ARDL) models* (Hanssens, et al., 2001). These models regress sales performance on its own lag and the current and lagged realizations of the marketing variables. These features make it similar to a VAR, but the ARDL model does not explain the marketing variables and thus excludes feedback effects. The ARDL model does efficiently capture immediate and lagged effects of marketing expenses, and performance carryover (e.g. customers gained in this period partially stick with the company in the following quarters). For instance, a performance carryover of 0.5 ( $\delta = 0.5$ ) means that any performance gain this period (e.g. by marketing actions) will have a long-run effect of  $[1/(1-0.5)] = 2$  times the immediate effect. A performance carryover of 0.9 means that the long-run effect will be  $[1/(1-0.9)] = 10$  times the immediate effect. We control for seasonality by adding dummy variables (SD) for second, third and fourth quarter (using the first quarter as our benchmark). Finally, we add step dummy variables for major acquisitions (ACQ). We estimate this model both in additive and in multiplicative functional form (i.e. in levels and in logarithms). In the model output, we focus on the short-run (same-quarter) effect of marketing on performance ( $\beta$ ), and on the long-term effect, computed as the sum of current and lagged marketing divided by  $[1-\text{performance carryover}]$ . Equation (1) shows the ARDL model and equation (2) calculates long-term marketing effectiveness.

$$Sales_{i,t} = \alpha_i + \beta Marketing_{i,t} + \gamma Marketing_{i,t-1} + \delta Sales_{i,t-1} + \sum SD_t + ACQ_{i,t} + \varepsilon_{i,t} \quad (1)$$

$$Long\text{-}term\ marketing\ effectiveness = (\beta + \gamma) / (1 - \delta) \quad (2)$$

## Data

To assess our hypotheses, we need a broad sample of companies in Turkey and in mature markets. Despite our sustained efforts to collect private data from dozens of Turkish companies, we only obtained usable internal data for two companies; Silverline and Sony Eurasia. For both of these companies, the long time series of monthly data allows us to perform unit root tests to address our first research question on the presence of

evolution for companies in the Turkish market versus US and EU markets. While both companies operation in the durable goods sector in Turkey, their identity and historical situation represents the two sides of brand equity: a young domestic firm that only started marketing under its current brand name at the start of the dataset (Silverline in 2001) versus an established multinational with high brand equity (Sony Eurasia). We briefly review their history and refer to the company websites for details.

Silverline is an award-winning Turkish supplier of built-in appliances for cooking, cooling and dishwashing (<http://www.silverlineappliances.com/tr/>). Established in 1994 as “Gumusfon Metal Endustri ve Ticaret A.S.” for the domestic market, the company renamed itself ‘Silverline’ and expanded into international markets in 2001. Our data are at the company level, monthly from January 2001 to December 2008.

Sony is a multinational founded in 1946 in Japan, with currently over 165,000 employees all over the world. Sony Eurasia (<http://www.sony.com.tr/section/ana-sayfa>) represents Sony in Turkey in several electronics categories. We obtained usable data on seven major product categories, including VPE (TV and video recorders), Home Video Equipment (DVDs), HFE (Hi-Fi equipment), PAE (Personal Audio: mini/micro/headphones), eVE (in-car entertainment), camcorders and Walkman. Our data are monthly from 2002 to 2007.

To assess our hypotheses on Turkish versus mature market marketing effectiveness, we use publicly available data in quarterly earnings reports. We consider all publicly available data on Turkish companies since 2002 and analyze those companies for which we have at least 12 continuous observations (12 quarters = 3 years). Given the absence of previous marketing action information, we ended up with operating expenses as the closest proxy for marketing expenses. Our final sample consists of 30 Turkish companies and 30 companies from the US and Western Europe that operate in the same industries. Table 1 below lists the analysed companies.

**Table 1:** List of analysed companies by industry

Sector	Turkey	Mature Market	Sector	Turkey	Mature Market
Automotive	Koc automotive	Toyota	Industrial	Alarko Industry	3M
Automotive	Sabancı Automotive	Nissan	Industrial	Alarko Energy	Honeywell
Automotive	Tofas	Bmw	Industrial	Enka Construct	Aeom
Automotive	Otokar	Daimler	Industrial	Enka Trade	
Automotive	Ford Turkiye		Industrial	Sabancı Tire	
Durables	Vestel	Sony	Retail	Enka Retail	Macy's
Durables	Arcelik	Whirlpool	Retail	Sabancı Retail	Nordstrom
Durables	Yatas	Canon	Retail		Abercombie & Fitch
Durables		Hp	Retail		Ann Taylor
Durables		Apple	Retail		Ralph Lauren
Food	Alarko Food	Campbell	Retail		Barnes & Noble
Food	Koc Food	Coke	Telecom	Turkcell	
Food	Tat	Hersheys	Textile	Sabancı Textile	Quicksilver
Food	Banvit	Pepsi	Textile	Altinyildiz	
Food		Kraft	Textile	Vakko	
Food		Sarah lee	Other Consumer	Alarko Tourism	Avon
Food		Nestle	Other Consumer		Colgate
Food	Bim	Costco	Conglomerate Holding	Enka Total Koc Total	
Food	Migros	Wholefoods		Sabancı Total	

The advantage of this dataset is that it includes at least 2 major companies in 6 important Turkish industries: automotive, durables (without automotive), food (manufacturing and retailing), industrial, retail and textile. For each industry, we were also able to collect quarterly revenues and marketing expenses of companies operating in mature markets. Moreover, our data include the total sales revenues and marketing spending of the major holdings (conglomerates) Koc, Sabanci and Enka. Thus, the company sample represents a large part of Turkish economic activity. However, disadvantages include that we miss out on firms that do not publish quarterly earnings, that we can not distinguish among marketing actions and that we are not able to perfectly match each company to a similar company in mature markets.

## Results

### ***Unit root test results: evolution in 87.5% of Turkish versus 60% of mature market cases***

For Silverline and Sony Eurasia, we have enough time series observations to obtain reliable unit root test results. In the case of Silverline sales revenues, both the Augmented Dickey-Fuller tests (with evolution as the null hypothesis) and the KPSS-test (with stationary as the null hypothesis) show that Silverline sales are evolving. In the case of Sony, 6 out of 7 categories show evolution in Sony sales revenues. Thus, we find evolution in 7 out of 8 sales series of companies operating in Turkey. While we do not have a direct comparison in the analyzed time period, this 87.5% of evolution is higher than the 60% of evolution cases in sales revenues observed in over 200 cases in mature markets (Dekimpe and Hanssens, 1995). Moreover, our percentage of evolution for electronics brands in Turkey is similar to that of 80% (8 out of 10 brands) for durable goods in China (Ouyang, Zhou and Zhou, 2002) and to that of 83% (5 out of 6 brands) of personal care brands in Brazil (Pauwels, et al., 2012). Of course, neither our study nor the studies in China and Brazil include enough brands to calculate the statistical significance of the difference with mature markets. However, the three studies in emerging markets consistently find evolution in over 80% of brand sales.

### ***Econometric model fit***

The Autoregressive Distributed Lag (ARDL) model fits well for the 30 analyzed Turkish companies, explaining on average *91% of the variation in revenues*, with an average adjusted  $R^2$  of 0.82. We checked the robustness of our model results against different forms of seasonality and acquisitions, and obtain similar findings across specifications.

### ***How much do companies in Turkey get back from 1 TL in marketing spent?***

We next address our research question: how much TL do companies in Turkey get back from 1TL spent in marketing. To answer this question, we base ourselves on the estimates of the linear (additive) model on the broad sample of companies operating in Turkey. The company-specific estimates are presented in columns 3-4 of Table 2.

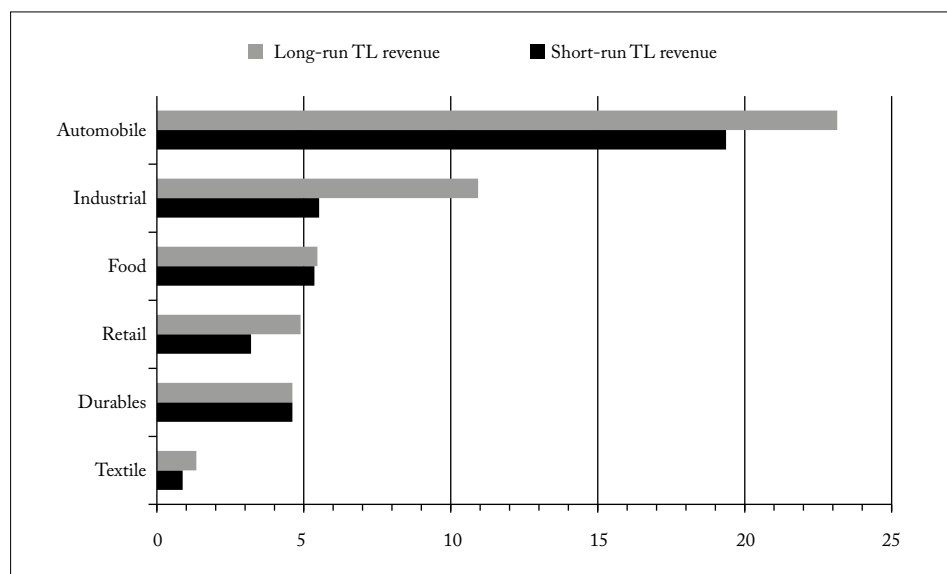


**Table 2:** Company marketing efficiency, organized by sector and by long-run elasticity

Company	Sector	Short run TL	Long run TL	Short run %	Long run %
Otokar	Automotive	8.75	20.11	72%	166%
Ford	Automotive	30.60	30.60	87%	87%
Sabancı Automotive	Automotive	6.79	6.79	55%	55%
Tofas	Automotive	18.74	18.74	53%	53%
Koc Automotive	Automotive	5.45	5.45	22%	22%
Yatas	Durable	4.50	4.50	83%	83%
Vestel	Durable	7.48	7.48	56%	56%
Arcelik	Durable	1.86	1.86	25%	25%
Banvit	Food	14.16	14.16	127%	127%
Bim	Food	9.75	9.75	119%	119%
Migros	Food	3.28	3.28	59%	59%
Alarko Seafood	Food	2.86	2.86	27%	27%
Tat	Food	1.32	1.32	20%	20%
Koc food	Food	0.81	1.41	11%	14%
Alarko Total	Holding	10.30	10.30	93%	93%
Koc Total	Holding	1.65	3.67	25%	63%
Enka Total	Holding	2.92	9.82	9%	35%
Sabancı Total	Holding	2.09	5.27	6%	14%
Alarko Energy	Industrial	10.55	10.55	116%	116%
Enka construction	Industrial	4.35	24.50	16%	110%
Alarko Industry	Industrial	5.22	5.22	104%	104%
Enka Trade	Industrial	1.96	3.46	34%	54%
Sabancı Tire	Industrial	5.89	5.89	21%	51%
Enka Retail	Retail	2.97	2.97	88%	88%
Sabancı Retail	Retail	3.44	6.81	29%	62%
Alarko Tourism	Service	5.27	5.27	236%	236%
Turkcell	Telecom	5.30	5.30	62%	62%
Sabancı Textile	Textile	3.21	7.29	40%	59%
Vakko	Textile	1.10	1.10	48%	48%
Altinyıldız	Textile	0.65	1.59	33%	46%

The average Turkish company gets 7.91 TL revenue increase in the long run for a 1 TL increase in the marketing budget. The variation in this number is very substantial: from a low of 1.10 TL (Vakko) to a high of 30.60 (Ford). As for industries, **automotive** (23.15) and **industrial** (10.93) get the most TLs for 1 TL spent on marketing, while **Textile** (1.35) gets the lowest. Importantly, this does not mean that companies and industries with low marketing effectiveness are doing anything wrong. Instead, they either face a market that is rather insensitive to marketing, or they have spent a lot on marketing in the past, up to the point that they now face small returns for additional spending in marketing. Indeed, Textile, Durables, Retail and Food are all Business-to-Consumer (B-t-C) industries with heavy past marketing investments. On the other hand, our results suggest that *automotive and industrial companies currently under-invest in marketing*, and thus are advised to consider *increasing marketing spending*. Figure 1 compares TL returns across industries.

**Figure 1:** How much TL do companies in Turkey get back for 1 TL spent in marketing?



***Long-term Marketing efficiency in Turkey companies is 69% of that of mature markets***

While individual companies can draw conclusions from the average TL returns to their marketing spending, researchers need a basis for

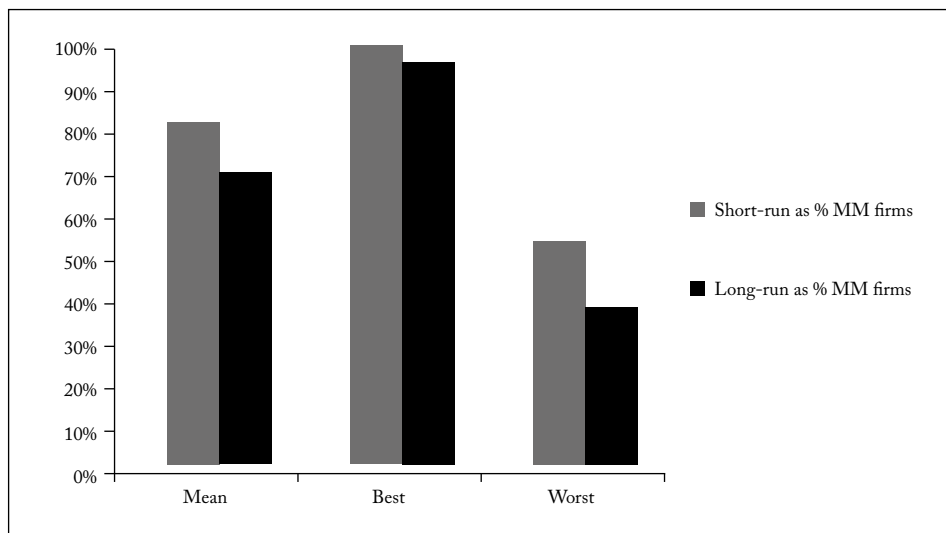
comparison, which is found in mature markets. To this end, we consider elasticities, i.e. by how much % do sales revenues increase for a 1% increase in marketing spending. Unit effects (in TL, dollars or euros) do not truly express the marketing sensitivity. For instance, suppose a US and a Turkish company with a marketing budget of \$ 2M add a \$ 1M advertising campaign. The US company may obtain more \$ revenues (e.g. revenues increase \$ 5M, from \$ 50M to \$ 55M) than a Turkish company (e.g. revenues increase by \$ 4M, from \$ 20 M to \$ 24 M) simply because the US has a larger population than Turkey. We derive a better measure of marketing efficiency by calculating the % returns increase from a % increase in marketing spending. In our example, the US company obtains 10% revenue increase from a 50% increase in marketing spending (elasticity = 0.2), while the Turkish company obtains a 20% revenue increase from the same 50% increase in marketing spending (elasticity = 0.4). Elasticities thus offer a value-free, comparable unit of measurement. From our comparison of the Turkish market with mature markets, we also exclude the three Turkish conglomerates, as we have no comparable holding in mature markets – the low marketing efficiency found for such conglomerates may explain why companies of that size in mature markets prefer to break up in smaller parts. Note e.g. the recent Kraft split into a North-American snack business and a global business in remaining industries.

Table 3 display our results on long-term marketing efficiency in Turkey versus mature markets, while Figure 2 visualizes these differences across the full sample of companies (irrespective of industry).

**Table 3:** Marketing efficiency of firms in Turkey versus in mature markets (MM)

Matched firms Turkey vs. US/EU	Short-run Elasticity Turkish Companies	Long-run Elasticity Turkish Companies	Short-run as % of MM firms	Long-run as a % of MM firms
Average company	0.63	0.73	81%	69%
Highest case	2.36	2.36	99%	95%
Lowest case	0.06	0.14	53%	37%

**Figure 2:** Marketing Efficiency Deficit of companies in Turkey versus mature markets



Key insights include:

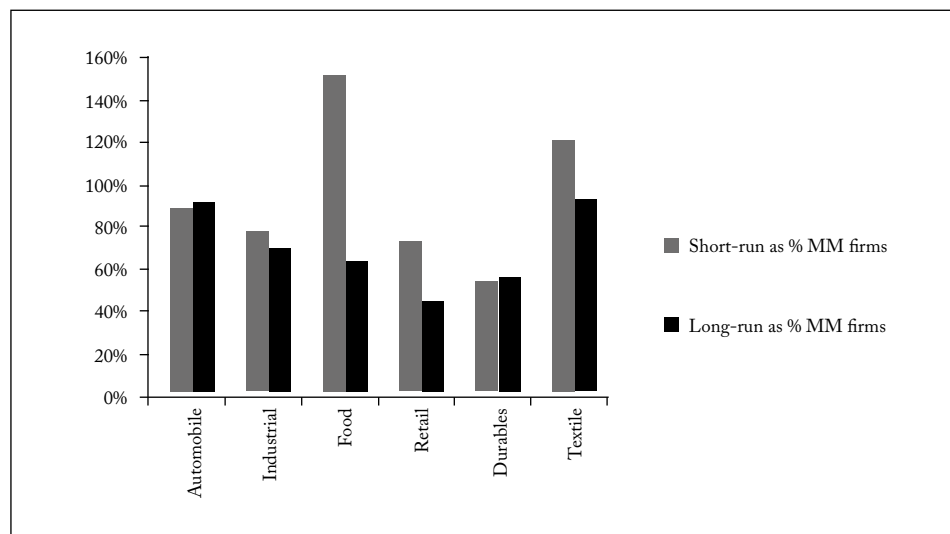
- 1) The short-run elasticity (marketing increasing sales *in the same quarter*) of Turkish companies is 81% of that of their mature market counterparts.
- 2) In the long run, this effectiveness deficit becomes more pronounced: 69%
- 3) The *top Turkish companies are on par* with the top mature market companies: the maximum efficiency deficit is only 99% short-run, 95% long run. So, *it is not true that high efficiency is not possible to achieve in the Turkish market.*
- 4) Adding conglomerates to the Turkish firms (eg Koc, Sabanci, Alarko, Enka) further reduces the average efficiency to 77% short term, 67% long term. This indicates *spending inefficiencies in large conglomerates.*

Deeper insights may be obtained by comparing companies in Turkey with mature market companies in the same industry, as depicted in Table 4 and Figure 3.

**Table 4:** Industry breakdown of Marketing Efficiency in Turkey and its deficit (MED) as a % of the marketing efficiency by a matched sample of mature market companies

	Short-run elasticity Turkish companies	Long-run elasticity Turkish companies	Short-run as % of MM firms	Long-run as a % of MM firms
Average company	0.63	0.73	<b>81%</b>	<b>69%</b>
Highest case	2.36	2.36	99%	95%
Lowest case	0.06	0.14	53%	37%
Automobile	0.71	1.02	87%	90%
Food	0.55	0.56	76%	68%
Durables (-car)	0.55	0.55	150%	62%
Textile	0.41	0.47	71%	43%
Retail	0.59	0.75	52%	54%
Industrial	0.68	0.96	119%	91%
Conglomerates	0.33	0.51		

**Figure 3:** Short-run and long-run Marketing Efficiency Deficit across industries



Interestingly, short-term marketing efficiency ratios are sometimes higher for Turkey versus the mature markets: 150% for durables (Vestel, Arcelik and Yatas versus Whirlpool, Canon, Sony and HP) and 119% for

industrial (Alarko, Enka and Sabanci Tires versus 3M, Honeywell and AOM). Thus, Turkish companies are able to create effective campaigns for short-term benefits, *it is the long term which is the key challenge*.

In sum, our *findings are consistent with our hypotheses*: the best companies in Turkey obtain short-term marketing efficiencies up to 150% of those by same-industry companies in mature markets (H1a). However, in support of H1b, the best Turkish companies do not score better than the best mature market companies (short-run MED 99%), especially in the long run (long-run MED = 95%). The average Turkish company scores worse as compared to its mature market counterparts: short-run MED is 81% (H2a) and long-run MED is 69% (H2b). These scores become even lower when conglomerates are included.

### **Conclusion: An agenda for improving marketing effectiveness in Turkey**

Having made great strides in product quality and operational efficiency, companies in Turkey are ready to take on the next challenge of improving marketing effectiveness and building strong brands in consumers' hearts and in retail stores. Measurement is a necessary step in this process, and this paper provides important benchmarks for long-term marketing efficiency in Turkey.

Based on a broad sample of publicly available information, and detailed marketing-performance time series for two companies, we have quantified short-term and long-term marketing effectiveness in Turkey and compared it with the marketing effectiveness observed in mature markets. The good fit of our econometric & time series models enabled us to successfully test our hypotheses. First, best practice in Turkey is indeed close to that in mature markets (99% in the short term and 95% in the long term). In the durables and industrial sectors, Turkish companies even outshine their mature market counterparts in short-term marketing effectiveness. Second, average Turkish companies obtain a short-term marketing efficiency that is 81% of that in mature markets and they get back about 8 TL for every 1TL spend in marketing. However, the long-term is a key challenge: the average Turkish company has a long term marketing efficiency that is only 69% of that in mature markets.

What can be done to bridge this long term ‘marketing efficiency deficit’ in Turkey? First, companies need to start measuring the performance effects of their own marketing actions. Gathering continuous data on sales performance and different marketing actions is an important first step. Second, companies need to draw actionable insights from these data, including which marketing actions to stop, which to reduce, which to maintain and which to expand. Far from extinguishing creativity, quantifying marketing effectiveness actually allows the most creative and impactful campaigns to shine. Once senior management trusts the fair and objective nature of such calculations, marketing budgets can be set and adjusted based on scientific measurement instead of on the whims of the business cycle or a particular manager’s pet peeves. Third, while building company-specific databases, managers should start thinking about easy-to-use dashboard systems that inform decision makers about the likely performance effect of their proposed marketing actions (Pauwels, et al., 2007). Initially, these likely effects may be derived from empirical generalizations such as those reported in this study. For instance, lower-equity brands tend to obtain higher benefits from above-the-line advertising to build brand equity, while higher-equity brands should spend more money on below-the-line dealer efforts to monetize brand equity. As data come in on company-specific performance and campaigns, these benchmarks can gradually be replaced by insights into their own successes and failures. Ideally, these insights should be both quantitative (what are the numbers?) and qualitative (what is the story?) and should be shared in a database for the benefit of managers in other locations and departments. Such a database can serve as an ‘ISO-certification’ ensuring that marketing effectiveness, like product quality, does not dip below acceptable levels but instead grows over time. Marrying these tools with the great opportunities in Turkey, the future of marketing looks bright indeed.

## REFERENCES

- Abell, D.F.,1978. Strategic Windows. *Journal of Marketing*, 42 (3), pp. 21-26.
- Akbiyık, A., S. Okutan and R.Altunışık ,2008. Mobil Pazarlama Platformlarında İzinli Pazarlama Uygulamalarına Yönelik Tüketici Tutum Ve Algıları Üzerine Bir Araştırma. 13.Uluslararası Pazarlama Kongresi Bildiriler Kitabı, p. 1-9.
- Akyüz, A. M. and H. Ayyıldız,2008. Satış Noktası Tutundurma Araçlarının Tüketicilerin Kolayda Mal Satın Alma Davranışlarına Etkisi Üzerine Bir Araştırma. *Elektronik Sosyal Bilimler Dergisi*. V.7, N.24, p. 110-134.
- Anderson Analytics ,2010. Marketing Trend Report. available at : <http://www.slideshare.net/kingkongzaa/marketing-trend-report-2010-anderson-analytics-meng>
- Bass, F. M., 1969. A New Product Growth Model for Consumer Durables. *Management Science*, N.15, pp. 215-227.
- Bass, F. M. and T.L. Pilon, 1980. A Stochastic Brand Choice Framework for Econometric Modelling of Time Series Market Share Behavior. *Journal of Marketing Research*, 17 (4) , pp. 486-497
- Blattberg, R. C. and Neslin , S. A., 1990. Sales Promotion Concepts, Methods, and Strategies. Prentice-Hall, Englewood Cliffs, NJ.
- Bronnenberg, B.J., Mahajan, V. and Vanhonacker ,W., 2000. The Emergence of Market Structure in New Repeat-Purchase Categories: The Interplay of Market Share and Retailer Distribution. *Journal of Marketing Research*, 37, pp. 16-31.
- Christensen, C., 1997. The innovator's dilemma: When new technologies cause great firms to fail. Cambridge, MA: Harvard Business School Press.
- CMO Council, 2004. Chief Marketing Officers Council's Marketing Measures Performance Audit, White Paper.
- Copernicus Consulting, 2005. The Marketing Performance Bell Curve. Available at: [http://www.copernicusmarketing.com/univers/marketing\\_bell\\_curve.shtml](http://www.copernicusmarketing.com/univers/marketing_bell_curve.shtml)
- D'Aveni, R., 1994. Hypercompetition.. Free Press: New York.
- Day, G.,1981.The product life cycle: Analysis and applications issues. *Journal of Marketing*, 45 (Fall),pp. 60-67.
- Dekimpe, M. and Hanssens, D. M., 1999.Sustained Spending and Persistent Response: A New Look at Long-Term Marketing Profitability. *Journal of Marketing Research*, 36 (November), pp. 397-412.
- Dekimpe, M. G. and Hanssens, M., 1995.The Persistence of Marketing Effects on Sales. *Marketing Science*, 14(1),pp. 1-21.
- Dekimpe, M. G., 1992. Long-run Modeling in Marketing. Unpublished Ph.D. thesis, Los Angeles, UCLA.
- Dekimpe, M. G. and Lehmann, D. R., 2004. Editorial: Introduction to the special issue on global marketing. *International Journal of Research in Marketing*, 21(4), pp. 321-322



- Dorfman R. and Steiner, P. O., 1954. Optimal Advertising and Optimal Quality. The American Economic Review, Vol. 44, No. 5 , pp. 826-836
- Ehrenberg, A. S. C.,1988. Repeat-Buying: Facts, Theory, and Applications.
- Erlat, H., 2005. A Time Series Approach to Regional Convergence in Turkey. in H.Erlat (ed), *Bölgesel Gelişme Stratejileri ve Akdeniz Ekonomisi*, Ankara: Turkish Economic Association.
- Erlat, H. and Ozkan, P., 2006. Absolute Convergence of the Regions and Provinces in Turkey. Presentation at the 26th Annual Conference of the Middle East Economic Association, Boston, USA.
- Franses, P. H., 1991. Primary Demand for Beer in the Netherlands: An Application of ARMAX model specification. *Journal of Marketing Research*, 27 (May), pp.240-245.
- Givon M. and Horsky , D., 1990. Untangling the Effects of Purchase Reinforcement and Advertising Carryover. *Marketing Science*, 9(2) , 171-187
- Peteraf, M. A., 1992. Commitment: The Dynamic of Strategy. *The Executive* 6.3, pp. 97-98.
- Gülçubuk, A., 2007. Tüketicilere Yönelik Satış Geliştirmenin Artan Önemi, Uygulanabilirliği Ve İzlenecek Stratejilerin İşletmeler Açısından Değerlendirilmesi. *Ege Akademik Bakış* 7.1, pp. 57-77.
- Farris P.W. and Reibstein , D.J., 1995. Market Share and Distribution: A Generalization, a Speculation, and Some Implications. *Marketing Science* , 14 (3), G190-G202
- Hanssens, D. M.,2009. Empirical Generalizations about Marketing Impact: What We Have Learned from Academic Research. *Marketing Science Institute*, Cambridge MA.
- Hanssens, D. M., 1998. Order Forecasts, Retail Sales and the Marketing Mix for Consumer Durables. *Journal of Forecasting*, 17, 327-346.
- Hanssens, D.M., Ouyang, M., 2000. Modeling marketing hysteresis. Working Paper, University of California, Los Angeles, CA.
- Hanssens, D. M., L.J. Parsons and Schultz, R.L., 2001. *Market Response Models*, 2nd Edition. Boston: Kluwer Academic Publishers.
- Shlomo K. and Dobson ,G., 1988. Positioning and Pricing A Product Line. *Marketing Science* , 7 (2) , pp.107-125
- Lambin, J.J., 1976. Advertising, competition and market conduct in oligopoly over time: an econometric investigation in Western European countries. Amsterdam: North-Holland Publishing Company.
- Lamey, L., Deleersnyder, B., Dekimpe, M. G., and Steenkamp, J. B. E., 2007. How business cycles contribute to private-label success: evidence from the United States and Europe. *Journal of Marketing*, pp. 1-15.
- Leeflang, P.S.H., Wittink, D.R., 1992. Diagnosing competitive reactions using aggregated scanner data. *International Journal of Research in Marketing* 9, pp. 39-57.

- Lillien, G.L., Yoon, E., 1990. The timing of competitive market entry: An exploratory study of new industrial products, *Management Science*, 36 (5), pp. 568-585
- Lutkepohl, H., 1993. Testing for causation between two variables in higher dimensional VAR models. In H. Schneeweil and K.F. Zimmermann (eds.), *Studies in Applied Econometrics*, pp. 73-91. Heidelberg: Physica-Verlag
- Nijs, V. R., Dekimpe, M. G., Steenkamp, J.B.E.M., and Hanssens, D. M., 2001. The Category Demand Effects of Price Promotions. *Marketing Science*, 20 (1), pp. 1-22.
- Pauwels, K., 2004. How dynamic consumer response, competitor response, company support and company inertia shape long-term marketing effectiveness. *Marketing Science*, 23 (4), pp. 596-610.
- Pauwels, K. and Hanssens, D.M., 2007. Performance Regimes and Marketing Policy Shifts," *Marketing Science*, 26 (3), 293-311.
- Pauwels, K., Hanssens, D.M. and Siddarth, S., 2002. The long-Term Effects of Price Promotions on Category Incidence, Brand Choice and Purchase Quantity. *Journal of Marketing Research*, 34 (November), pp. 421-439.
- Pauwels, K., Silva-Risso, J. M., Srinivasan, S. and Hanssens, D.M., 2004. New Products, Sales Promotions and Firm value, with Application to the Automobile Industry. *Journal of Marketing*, 68 (October), pp. 142-156.
- Pauwels, K. and Allen, W., 2008. Moving from Free to Fee: How Online Firms Market to Successfully Change the Business Model. *Journal of Marketing*, 45(3), pp. 14-31
- Pauwels, K., and Scott A. N., 2008. Building with bricks and mortar: The revenue impact of opening physical stores in a multichannel environment. *Marketing Science Institute*.
- Pauwels, K., Currim, I., Dekimpe, M. G., Hanssens, D. M., Mizik, N., Ghysels, E., and Naik, P., 2004. Modeling marketing dynamics by time series econometrics. *Marketing Letters*, 15(4), pp. 167-183.
- Pesaran H. M. and Shin, Y., 1998. Generalized impulse response analysis in linear multivariate models. *Economics Letters*, 58, pp. 17-29
- Ouyang M., Zhou, N. and Zhou, D., 2002. Long-Term Effects of TV Advertising on Sales of Consumer Durables and Non-Durables: The Case of China. *Journal of Business Research*, 55, pp. 337-342.
- Reibstein D. J and Farris M, P. W., 1995. Market Share and Distribution: A Generalization, a Speculation, and Some Implications. *Marketing Science*, 14(2), G190-G202.
- Ries, A. and Trout, J., 2000. *Positioning: The Battle for Your Mind*. McGraw-Hill.
- Simon, H., 1997. Hysteresis in Marketing—A new phenomenon?. *Sloan Management Review*, 38 (3), pp. 39-49.
- Slotegraaf, R., Pauwels, K., 2008. The impact of brand equity and innovation on the long-term effectiveness of promotions. *Journal of Marketing Research* 45(June), pp. 293-306.

- Srinivasan, S., Pauwels ,K., Vanhuele , M., 2010. Mindset Metrics in Market Response Models: An Integrative Approach. *Journal of Marketing Research* 47 (4), pp.672-684.
- Srinivasan, S., Pauwels ,K., Silva-Risso , J. M. and Hanssens , D. M., 2009. Product Innovations, Advertising Spending and Stock Returns. *Journal of Marketing*, 73(1), pp.24-43.
- Srinivasan, S., Pauwels ,K., Hanssens , D. M. and Dekimpe , M. G., 2004. Do Promotions Benefit Manufacturers, Retailers or Both? *Management Science*, 50(5), pp. 617-629.
- Sütütemiz N., Çiftçiyıldız ,S. S. and Konuk , A. F.,2008. Ambalaj Özelliklerinin Algılanan Önemi Ve Gıda Ve Temizlik Ürünleri Satın Alma Davranışlarına Etkisi: İstanbul İli Örneği. 13.Uluslararası Pazarlama Kongresi Bildiriler *Kitabı*, pp. 257-268
- Tellis, G., 2009. Generalizations about Advertising Effectiveness in Markets. *Journal of Advertising Research* 49, pp. 240-245.
- Tiğli, M., Pirtini, S., 2003. Satış Özendirmede Etkili Bir Araç Olarak Insert Ve Hiper /Süpermarket Müşterileri Üzerinde Bir Uygulama. *Sosyal Bilimler Dergisi*, V. 2, pp. 117-143
- Trusov, M., R. Bucklin and K. Pauwels, 2009. Estimating Online word-of-mouth Elasticity. *Journal of Marketing*, 73(5), September, pp. 90-102
- Tushman, M. L., Romanelli, E. ,1985. Organizational evolution: A metamorphosis model of convergence and reorientation. In L. L. Cummings & B. M. Staw (Eds.), *Research in organizational behavior*, vol. 7, pp. 171-222. Greenwich, CT: JAI Press.
- Van Heerde, H., E. Gijsbrechts and K. Pauwels, 2008. Winners and Losers in a Major Price War. *Journal of Marketing Research*, 45(5), pp. 499-581.
- Weitz B.A and S. D. Jap, 1995. Relationship marketing and distribution channel. *Journal of the Academy of marketing Science*, 23 (4), pp. 305-320.
- Wiesel T., K. Pauwels and J. Arts, 2011. Practice-Prize Paper: Marketing's Profit Impact: Quantifying Online and Offline Funnel Progression. *Marketing Science*, 30(4), pp. 604-611.
- Wind, Y. and Thomas S. Robertson, 1983. Marketing Strategy: New Directions for Theory and Research. *Journal of Marketing*, 47 (2), pp. 12-25.
- World competitiveness Forum , 2009. The World Competitiveness Scoreboard. IMD.
- Yurtseven, Çağlar, 2012. International Tourism and Economic Development in Turkey: A Vector Approach, *Afro Eurasian Studies*, 1 (2), pp. 37-50.

# Histories and Spaces of Terrorism in Africa: The Post-9/11 Strategic Challenge of Somalia's al Shabab

Ruan van der Walt and  
Hussein Solomon<sup>1</sup>

## Abstract

*Despite terrorism's long history, there is still today no consistent or widely agreed upon definition of either what constitutes terrorism or who the terrorist is. Africa's strategic significance in the "war on terrorism" grew post-9/11 along with acceptance of the idea that weak and failing states pose a threat to international security by providing an ideal environment for terrorism, and in particular, for the rise of radical Islam.. Somalia is often cited as the paradigm of a weak state, and the post-9/11 counterterrorism discourses propose that the promotion of democracy and good governance will provide the most effective strategy to counter Somalia's al Shabab. This article aims to discuss the post-9/11 strategic challenge of Somalia's al Shabab in the context of histories and spaces of terror in Africa.*

**Keywords:** *Africa, al Shabab, post-9/11 counterterrorism strategies, radical Islam, Somalia, terrorism, weak states.*

## Introduction

Terrorism is simultaneously as old as human civilisation and as new as this morning's headlines, with some insisting that individuals and organisations have been using terror tactics for millennia, while others arguing that real terrorism has only been around for decades (Law, 2009:

---

<sup>1</sup> Both authors are attached to the Department of Political Studies and Governance, University of the Free State, Bloemfontein, South Africa. E-mail: solomonh@ufs.ac.za.

1). The term *terrorism* is commonly used, but lacks a clear, consistent and widely agreed upon definition of either what constitutes terrorism or *who* the terrorist is. Academics, politicians, security experts and journalists have employed a variety of definitions of terrorism throughout history, changing the meaning and usage of the word over time to accommodate the political vernacular and discourse of each successive era.

With international attention focussed on the Middle East in the “war on terrorism”, it is easy to forget that al Qaeda’s most audacious terrorist attacks prior to the September 11 2001 attacks in the US were the August 1998 bombings of the US embassies in Dar es Salaam and Nairobi, which cost the lives of 224 people (including 12 Americans) and injuring 4,574 more (Mills, 2004). Africa’s strategic significance in the “war on terrorism” was raised post-9/11, with then Assistant Secretary of State for Africa in the Clinton Administration, Susan Rice (2001), describing Africa as the world’s “soft underbelly for global terrorism”. Likewise, the September 2002 *National Security Strategy of the United States of America* also changed the calculus of Africa’s strategic significance by officially stating for the first time that “weak states...can pose as great a danger to our national interests as strong states” (*National Security Strategy of the United States of America*, 2002).

Somalia is often cited as the paradigm of a weak state, where decades of civil war resulted in state collapse and weak institutions, providing the ideal environment for terrorism, and especially the rise of radical Islam. Although some Sufi Islamic orders were actively involved in anti-colonial resistance, the emergence of a modern political Islamic consciousness began to gather momentum in the 1960s. Even though al Shabab, which broke away from the Islamic Courts Union, was not active and did not control any territory until 2007-2008, the primary objective of this group was irredentism and the establishment of the “Greater Somalia” under Shari’a Law. Civil war and state collapse have rendered Somalia especially vulnerable to external influences, some which have helped radical groups, such as al Shabab, to flourish, often part of a broader international network.

The post-9/11 counterterrorism strategies proposed for weak and failing states argue that the promotion of democracy and good governance will result in increasing the legitimacy of the ruling power to exercise con-

trol over its territory and population by means of regular, multiparty elections, and by providing a conducive setting for socio-economic reforms (i.e. the alleviation of extreme poverty). Such developments, it is suggested, will in turn allow for the building of state capacity and institutions aimed at combating terrorism, through the training and rebuilding of the security forces – so-called security sector reform.

It is the explicit aim of this paper to discuss the post-9/11 strategic challenge of Somalia's al Shabab in the context of histories and spaces of terror in Africa. The occurrence and practice of terrorism as a historical phenomenon, both globally and in the African context is analysed. In addition, the nature of modern conceptions of the practice, and post-9/11 policy responses to combat this "new" form of terrorism in weak states is also examined. The study is executed in an historical-descriptive and analytical manner, based on a comprehensive literature study.

## Historical Overview

The term *terrorism* is one of those few words, like the Internet, that have insidiously worked their way into our everyday parlance, and yet today there is no clear, consistent and widely agreed upon definition of either what constitutes terrorism or *who* the terrorist is (Smith, 2010: 3). It is the purpose of this section to contextualise terrorism as a global phenomenon historically, and in particular, within the African context.

### *Modern definitions of an old concept*

Terrorism, as a phenomenon, is gradually becoming a pervasive, often dominant influence in our daily lives. It affects the manner in which governments conduct their foreign policies; the way corporations transact business; it causes alterations in the structure of our security forces; and forces us to spend huge amounts of time and money to protect public figures, vital installations, citizens and even our systems of government (Combs, 2006: 8-10). But what is terrorism? Academics, politicians, security experts and journalists have employed a variety of definitions of terrorism throughout history, changing the meaning and usage of the word over time to accommodate the political vernacular and discourse of each successive era (Whittaker, 2012: 6-7).

Examples of terrorism can be traced all the way back to the ancient world, where the Assyrians – perhaps the ancient world’s fiercest and most violent people – conquered others with material assets and large populations through large military formations of chariots and cavalry, subsequently ruling their remote and diverse empire in the ninth to seventh centuries BCE through systematic terror (Law, 2009: 11-12). The Greek historian Xenophon (c. 431 – c. 350 BCE) was the first person to write of the effectiveness of psychological warfare against enemy populations (Katona, 2006: 15). More organised terrorist history dates back to the times of the Sacarii of Judea and the Zealots, both Jewish terrorist groups active during the first century Roman occupation of the Middle East. The Sacarii obtained their name from their favoured weapon, the *sica* (short dagger) used to murder those they deemed traitors. The Zealots, on the other hand, targeted Romans and Greeks, and just like the terrorists of today usually seek media attention, the Zealots killed in broad daylight in front of witnesses, sending a clear message to the Roman occupiers and the Jews who collaborated with them (Katona, 2006: 16-17).

Political terror and the theory and practice of righteous killing figured prominently in both the Islamic world and Christian Europe during the centuries between the collapse of Roman rule in the West and the dawning of the modern era (Law, 2009: 32). Terrorism perpetrated by groups became more common during the Middle Ages, with widespread assassinations by the “Brotherhood of Assassins” – the sectarian group of Muslims in Jerusalem who were employed by their spiritual and political leader, Hassan I Sabah, to spread terror in the form of murder and destruction among religious enemies (Combs, 2006: 22-23). Tyrannicide – the assassination of a (tyrant) political leader – was fairly widely practiced throughout Italy during the Reformation, while it was also at least advocated in Spain and France during the Age of Absolutism (Combs, 2006: 24-25). Juan de Mariana, a Spanish Jesuit scholar and the leading advocate of the doctrine of tyrannicide, stated that “if in no other way it is possible to save the fatherland, the prince should be killed by the sword as a public enemy” (Quoted in Hurwood, 1970: 29), asserting that people possessed not only the right of rebellion but also the remedy of assassination.

Although there is no clear, consistent and widely accepted definition of what modern terrorism entails, it is at least clear that consensus has been reached by many authors and theorists about the origin of our modern conception of terrorism. The decisive move away from tyrannicide toward terrorism in its modern guise dates back to the French Revolution, with the Reign of Terror (*la Grande Terreur*) associated with key public figures, such as Maximilien Robespierre, through the centralised revolutionary dictatorship constructed by the Jacobins between 1792 and 1794 (Law, 2009; Combs, 2006; Whittaker, 2012; Smith, 2010; Katona, 2006; Lutz and Lutz, 2004). Robespierre (1794) considered terrorism as a vital tactic if the new French Republic was to survive its infancy, proclaiming that “terror is nothing other than justice, prompt, severe, inflexible; it is therefore an emanation of virtue; it is not so much a special principle as it is a consequence of the general principle of democracy applied to our country’s most urgent needs.”

The modern definition of terrorism has largely been influenced by four modern waves of terrorism, as identified by the author David Rapoport. Rapoport (2002) promulgates that modern terrorism began in Russia in the 1880s and spilled over to Western Europe, the Balkans, and Asia within a decade. The “Anarchist wave” was the first global or truly international terrorist experience in history. Lasting some 40 years, it was characterised by assassination campaigns against prominent officials. The waves that followed were the “Anticolonial wave,” beginning in the 1920s and lasting about 40 years, and the “New Left wave,” which was greatly diminished by the end of the 20<sup>th</sup> century, though a few groups remain active today in Nepal, Spain, the United Kingdom, Peru and Colombia. The fourth wave is identified as a “Religious wave” and if the pattern of the previous three waves remains true the new wave should fade by the year 2025.

### ***Histories and spaces of terrorism in Africa***

With international attention focused on the Middle East in the “war on terrorism”, it is easy to forget that al Qaeda’s most audacious terrorist attacks prior to the September 11 2001 attacks in the US were the August 1998 bombings of the US embassies in Dar es Salaam and Nairobi, which cost the lives of 224 people (including 12 Americans) and injured 4,574



more (Mills, 2004). Before these events, discourses on terrorism in Africa often focused on the June 1995 event in Ethiopia, where some members of an Islamic Brotherhood allegedly planned to assassinate the then Egyptian president Hosni Mubarak in Addis Ababa (Ayinde, 2010: 55). Other examples of the history of terrorism in Africa may also include events in Cairo, Morocco and other parts of North Africa, where Islamist militias operating under the name al Qaeda have targeted hotels, resorts and other places where Western interests may be found. We only need to think of tyrannical leaders such as Idi Amin from Uganda and Charles Taylor from Liberia to realise that terrorism has also been a tactic employed by African states, guerrilla armies and warlords for decades during wars predating and unconnected to the larger contemporary global terrorist threat (Mills, 2004: 157).

Oladosu Ayinde (2010: 56-61) offers an alternative genealogy of terrorism in African history and proposes three different phases of terrorism development on the continent. The first phase may be termed the Afro-Oriental phase, where “external” terror was occasioned by the invasion of Arabs into sub-Saharan Africa in search for slaves, and “internal” terror simultaneously arising from the threat of cannibalism. The appearance and active involvement of Europeans in the enslavement of Africans marked the beginning of the Afro-Occidental phase of African terrorism. Slavery remained the greatest act of terror during this phase, and although the physical torture and death suffered by the black African during this period are now outlawed globally, the psychological implications continue to this day in the sense that people bear the scars and are permanently pained each time they think of their forebears’ experiences – the lasting psychological effects of terrorism. The end of slavery marked the advent of the Afro-global phase of terrorism in Africa. It is argued that since power gained by force of arms is often sustained through the same means, the British in Nigeria, Sudan, Somalia, Egypt and other parts of Africa had no option but to resort to violence and terror in order to maintain the empire. The 130 year-history of French colonial rule in Algeria during this period is of particular importance for the abhorrent nature of the terrorism tactics employed to coerce Algerians into submission.

During the Cold War, the Soviet Union's attempts to secure a foothold in Africa resulted in the US lavishing attention and resources on the continent, forming "special relationships" with geostrategically important states, such as South Africa and Congo-Kinshasa (now the Democratic Republic of the Congo (DRC)), to counter communist expansion (Pham, 2007). It is worth recalling that a two-day tour in 1957 across the continent by then vice president of the US, Richard Nixon, resulted in the creation of an African Bureau in the US Department of State. The end of the Cold War resulted in the collapse of patronage and state institutions in many African countries, such as Liberia, the DRC, Somalia and Sierra Leone. The massive influx of weapons and small arms from Eastern Europe during the 1990s fuelled the conflicts and with no central authority to govern the states, civil unrest broke out (Sheehan, 2008: 212). Ayinde (2010: 56) asserts that although these episodes of terrorist events are violent and abhorred for their inhumanity, they should not be treated in isolation from each other and that it should be recognised that the spaces of terror across Africa are far more elastic than generally imagined.

The uniqueness and persistence of the four waves of modern terrorism, along with the brief aforementioned historical contextualisation of global and African terrorism, indicates that terrorism is deeply rooted in modern cultures (Ayinde, 2010: 56). It is evident that definitions of terrorism are not fixed and that they change over time according to the political vernacular and discourse of each successive era, and the cliché "one man's terrorist is another man's freedom fighter" provides little assistance in achieving definitional clarity.

### **Theoretical Orientation**

Africa's strategic significance in the "war on terrorism" was raised post-9/11, with then Assistant Secretary of State for Africa in the Clinton Administration, Susan Rice (November 2001), describing Africa as the world's "soft underbelly for global terrorism". Likewise, the September 2002 *National Security Strategy of the United States of America* also changed the calculus of Africa's strategic significance by identifying that "weak states...can pose as great a danger to our national interests as strong states."

The following section sets out to provide a modern working definition of terrorism based on the historical overview, followed by a discussion on the key aspects of the implications of the September 11, 2001 terrorist attacks in the US on modern terrorism discourses, culminating in counterterrorist strategies proposed for weak states.

### ***A modern working definition of terrorism***

Terrorism, in the most widely accepted contemporary usage of the concept, is fundamentally and inherently political in nature, a political term derived from state terror (Whittaker, 2012: 5). Discourses of and about terrorism have mainly been appropriated by Western powers and intellectuals and our understanding of the concept has been broadened or narrowed by these discourses (Ayinde, 2010: 51). While it has not yet been possible to create a universally acceptable definition of terrorism, it is at least necessary, and indeed possible, to identify certain common features prevalent in the various definitions.

A good starting point for a discussion on the commonalities of definitions would be to consider the modern definition of terrorism employed by the US (*Patterns of Global Terrorism*, May 2002), incorporated in Title 22 of the US Code, as the forerunner in the “war on terror”. Section 2656f(d) states that terrorism is defined as:

Premeditated, politically motivated violence perpetrated against noncombatant targets by subnational groups or clandestine agents, usually intended to influence an audience.

### **Some scholarly definitions expound that:**

Terrorism is the deliberate creation and exploitation of fear through violence or the threat of violence in the pursuit of political change (Hoffman, quoted in Mahan and Griset, 2008: 4-5).

Terrorism is the use of terrorizing methods of governing or resisting a government (Ahmed, 1998).

Terrorism is the illegitimate use of covert violence by a group for political ends (Laqueur quoted in Mahan and Griset, 2008: 4-5).

The Organization of African Unity’s (now the African Union) *Convention on the Prevention and Combating of Terrorism* (adopted July 14, 1999) defines terrorism very broadly:

Any act which is a violation of the criminal laws of a State Party and which may endanger the life, physical integrity or freedom of, or cause serious injury or death to, any person, any number of group of persons or causes or may cause damage to public or private property, natural resources, environmental or cultural heritage and is calculated to:

- (i) intimidate, put in fear, force, coerce or induce any government, body, institution, the general public or any segment thereof, to do or to abstain from doing any act, or to adopt or abandon a particular standpoint, or to act according to certain principles; or
- (ii) disrupt any public service, the delivery of any essential service to the public or to create a public emergency; or
- (iii) create a general insurrection in a State.

At least four crucial components can be identified from the plethora of definitions of terrorism in existence today. The first component is that terrorism inextricably involves an act of violence, whether the violence is fully perpetrated or whether the threat of violence, where the capacity and the willingness to commit violence, are displayed (Combs, 2006: 11). Second, terrorism is specifically designed to have far-reaching psychological effects beyond the immediate victim(s) or targets of the terrorist attacks by instilling fear within, and thereby intimidating, a wider target audience (Whittaker, 2012: 11). The third component regarding the innocent victims is possibly the most ambiguous aspect of these definitions. The rules of war attribute certain personalities and subsequent protections or statuses to the various parties involved in the conflict situation, which is another dilemma attributing to the complexity and difficulty in establishing an encompassing definition of terrorism. The term “noncombatant,” for example, confronts scholars with definitional challenges, as it should not only cover civilians, but also members of armed forces not active in combat (Gupta, 2008: 6). The final crucial component of the various definitions is that terrorists will always possess political motives or goals (Lutz and Lutz, 2004: 10). Terrorism could even be considered as the “continuation of politics by other means” (Sick quoted in Lutz and Lutz, 2004: 10), where the “terrorist of yesterday is the hero of today, and the hero of yesterday becomes the terrorist of today” (Ahmed, 1998).

Be that as it may, as has been noted above, it is argued that terrorist acts are distinguished from similar war or crime activities in that they are usually committed deliberately upon innocent third parties in an effort to coerce the opposing party or persons into some desired political course of action, i.e. the “playing to an audience” aspect of terrorism (Combs, 2006: 12). As such, for the purposes of the remainder of this study, and based on the preceding discussion, the authors will ascribe to the US Department of State definition of modern terrorism in reflection of the fact that the US is the forerunner in the “war on terrorism”, and due to the fact that this definition contains all four crucial components of a modern definition of terrorism as discussed above.

### ***Pre- and post-9/11: Old and new terrorism***

Although terrorism, as evidenced by the historical overview of the paper, has long been regarded as a persistent element of political violence, the events of September 11 2001 and the corresponding communicative responses of the US made terrorism and a global “war on terrorism” the defining feature of the historical moment that we have come to know as “post-9/11” (Smith, 2010: 6). Several things about the 9/11 attacks were novel: first, the scale of the event; second, the event claimed the lives of a large number of victims; and third, the event was experienced globally in real time through the modern media. In the period immediately following the 9/11 attacks, US policy makers endeavoured to convey the impression that the threat they were dealing with was unprecedented in human history and that nothing could be learned from previous experience. Critics, however, of the *new* terrorism argue that historical precedents can be found for all developments that have been identified as new and that, therefore, the concept as a whole is flawed (Neumann, 2009: 11-12).

The critical terrorism scholar, Richard Jackson (2005), suggests that the “war on terrorism” is both a set of institutional practices (military and intelligence operations, diplomatic initiatives, special government departments and security bodies, standard operating procedures and specific legislation), as well as an accompanying discursive project. The new terrorism discourse constructed and reaffirmed new identities for the victims – innocent, heroic and good Americans – and the terrorists – evil, barbarous and inhuman. In this meta-narrative, the “war” is fought between transnational,

de-territorialised terrorists and the US, a symbolic remake of the eternal struggle between the forces of “civilisation” and “barbarism” (Jackson, 2005: 151-152). The “war on terror” is essentially a “war” to protect the civilized values of the West against the evil of the Rest, also conceptualised as the West against Islam (Ahmed, 1998). States are classified as either a market state of consent – one in which all persons can exercise the rights of conscience and in the politics of which the individual conscience plays the decisive role by means of a constitutional, consensual system of laws – or a rogue state of terror, where states “are either with us, or against us”. Philip Bobbit (2008: 525) further suggests that the emergence of modern market states is responsible for creating the conditions for twenty-first century terrorism by providing the model for global, networked and out-sourced terrorism, enabling the commodification of weapons of mass destruction (Bobbit, 2006: 220).

Prior to 9/11, most acts of terrorism depended on conventional explosives and, at their most deadly, managed to cause casualties in the low hundreds. A final development of the *new* terrorism is that there is a widespread sense in the West of the inevitability of further major terrorist attacks on the scale of 9/11, and many analysts believe that terrorists will inevitably acquire and use weapons of mass destruction such as biological pathogens or even nuclear arms – a phenomenon termed superterrorism (Freedman, 2002: 1). John Gearson (2002: 22) argues that the distinction between old and new terrorism was perhaps exaggerated following the events of 9/11, by stating that the capacity of global reach terrorism to cause thousands of casualties had been proven, but that the inevitability of the use of non-conventional weapons had not, and concludes that traditional terrorism (as discussed previously) is likely to remain the weapon of choice for most modern terrorists.

### ***Weak states and counterterrorism strategies***

A weak state may be defined as “a state that lacks the capacity for effective action across a range of state functions” (Heywood, 2007: 105), “a situation in which the legitimate power of the state (administrative structure) has disintegrated and can no longer exercise its authority over the whole or parts of the territory and population” (McGowan, Cornelissen and Nel, 2010: 409). The September 2002 *National Security Strategy of*

*the United States of America* emphasises that: “Poverty does not make poor people into terrorists and murderers. Yet poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders”. Unfortunately, this analysis is possibly nowhere truer than in Africa, where poverty and weak states have historically been endemic.

It has been estimated that one-third of sub-Saharan African states were afflicted by low state capacities by the 1990s, at least temporarily exacerbated by the process of globalisation with its open and transparent approach to governance issues, challenging the client-oriented and autocratic nature of many African economies. Greg Mills (2004: 160-161) argues that there is no exact correlation between complete state failure and terrorist activity, as terrorists ironically require key governance and infrastructure attributes (such as regular flights and reliable communications and banking systems) to operate effectively. Yet, a large number of weak states or quasi-states, porous borders, widespread poverty, political frustration, religious radicalism and repression on the African continent combine to create an environment in which the kind of alienation and radicalism that can foster both domestic and international terrorism thrives.

To rid the continent of the kinds of conditions mentioned above that foster the social alienation and radicalism that spawns terrorism in the long term, the twin foreign policy goals of the US in the “war on terrorism” propose that democracy and civil society must be promoted in Africa as a chief policy response and counterterrorism strategy (Whitaker, 2008: 254). US policy makers argue that they are two sides of the same coin and that there is no inconsistency in pursuing them simultaneously. Although a democracy can take a wide variety of forms, it is usually characterised as a form of rule that balances the principle of limited government against the ideal of popular consent, characterised by a constitutional government, guarantees of civil liberties and individual rights, institutionalised fragmentation, regular elections, party competition and political pluralism, the independence of organised and interest groups from government and a private-enterprise economy (Heywood, 2007: 30). Free and fair, regular multiparty elections could result in the legitimisation of the ruling power, which in turn could result in the legitimate power regaining the exercise of control or authority over its territory and population. Greater account-

ability, democracy, participation and transparency expressed by the concept of good governance in turn provide conducive settings for socioeconomic reforms (Shaw, 2008: 133). Socioeconomic reform programmes have been identified to be the best antidote against terrorism (Wilkinson, 2001: 67). The post-9/11 reconceptualising of the nexus between development and security resulted in the blurring of lines between civilian and military, and humanitarian aid and workers and intelligence, security and other military personnel who became part of the operational delivery of aid on the continent (Smith, 2010: 22). The development-security merger is enshrined in the following statement contained in the September 2002 *National Security Strategy of the United States of America*:

In Africa, promise and opportunity sit side by side with disease, war, and desperate poverty. This threatens both a core value of the United States – preserving human dignity – and our strategic priority – combating terror. American interests and American principles, therefore, lead in the same direction: we will work with others for an African continent that lives in liberty, peace, and growing prosperity.

Greg Mills (2004: 165) also points out that a truly effective campaign against the domestic sources of terrorism in Africa requires enhancing the ability of African states to wield authoritative force through rebuilding and training police forces and the militaries. It is therefore believed that the promotion of democracy and good governance will result in increasing the legitimacy of the ruling power to exercise control over its territory and population by means of regular, multiparty elections, providing the conducive setting for socioeconomic reforms (i.e. the alleviation of extreme poverty), which in turn will result in the building of state capacity and institutions (aimed at combating terrorism) through the training and rebuilding of the security forces to wield authoritative force.

### **Case Study: The Post-9/11 Strategic Challenge of Somalia's Al Shabab**

Somalia is often cited as the paradigm of a weak state (Walls, 2009: 371). Somalia, the number-seven-shaped country that forms the Horn of Africa in the north-east of the continent, has long been a contested concept, even amongst Somalis, embodying one of postcolonial Africa's worst



mismatches between conventional state structures and indigenous customs and institutions (Kaplan, 2010: 82). During the nineteenth century, the United Kingdom, France, Italy and Ethiopia laid claim on the Somali-inhabited territories in the Horn of Africa and divided the “Greater Somalia” into five distinct political jurisdictions (Ibrahim, 2010: 283). Decades of civil war resulted in state collapse and weak institutions, providing the ideal environment for terrorism, and especially the rise of radical Islam, in Somalia.

### *The myth of ‘Somalia’*

One might assume that the Somalis possess an excellent basis for a cohesive polity, given the fact that Somalis share a common ethnicity, culture, language and religion, but in reality Somalis are divided by territorial borders and clan affiliations – the most important component of their identity (Kaplan, 2010: 82). The unification of the former British Somaliland and Italian Somaliland following independence on 1 July 1960 to form the Republic of Somalia, still excluded Somali brethren from neighbouring territories – in what is today Djibouti, eastern Ethiopia and northern Kenya (Hesse, 2010: 247). Somalia’s current strife began in 1969 when Muhammad Siad Barre led the army to overthrow the elected government of recently assassinated president Abdirashid Ali Shermarke in a coup d’état (Linke and Raleigh, 2011: 47). Somalia has been characterised by bouts of civil and international war since then, resulting in profound instability that still persists today.

Somalia’s political and economic development stagnated under the authoritarian socialist regime of Muhammad Siad Barre, characterised by persecution, jailing and torture of political opponents and dissidents, with the president inordinately favouring members of his own *Darod* clan-family over others (Ibrahim, 2010: 283). Barre’s unsuccessful attempt to conquer Ethiopia’s Somali-inhabited region, the Ogaden, in 1977 led to a national crisis, which eventually contributed to internal dissent and civil war. Barre’s regime collapsed in 1991 and the country fell further into a state of disarray and violent clan-militia warfare.

The Somali population – some thirteen to fourteen million, including Somalis living in neighbouring states (*CIA World Factbook*, 2013) – is divided into four major clans and a number of minority groups (Kaplan, 2010: 82). Similar to tribal societies elsewhere in the Middle East, the clans use deeply ingrained customary law to independently govern their communities from modern state structures. There have been over a dozen Somali national reconciliation peace agreement attempts over the last two decades to reconstitute the state that existed when Barre came to power, but these agreements persistently fail due to clan rivalries and misrepresentation of all the clans in talks. From 1996-1997, for example, the Sodere Conference in Ethiopia introduced the “4.5 formula” – a clever formula designed to enable fair power-sharing among the large Somali clan-families – however, it was regarded as a discriminatory and controversial policy at the cost of the smaller clans and minorities (the 0.5) and was later seen to create more problems among the Somalis than it solved (Ibrahim, 2010: 284).

In December 2008, the International Crisis Group (2008) reported that the situation in Somalia had deteriorated into one of the world’s worst humanitarian and security crises. Somalia generates the world’s third highest number of refugees (following Afghanistan and Iraq), and in February 2013, there were 1.25 million Somali refugees in the Horn of Africa region, mainly hosted in Kenya, Ethiopia, Eritrea, Djibouti and Tanzania, with almost 1.36 million Somalis internally displaced, settled mainly in the South-Central region (*Office of the United Nations High Commissioner for Refugees*, February 2013).

### ***The rise of radical Islam in Somalia***

Since the events of 9/11, Somalia has become the subject of renewed attention from the US and Europe, and the threat that Somalia poses as an archetype of a failed state – the lack of a central government, its violent factional politics, and the presence of Islamic extremist groups – has been equated to that which the US faced in Afghanistan (Holzer, 2008: 23). The history of Islam in the Horn of Africa dates back nearly 1400 years, when it reached the region from the Arabian Peninsula through trade and migration, mainly from Yemen and Oman. A large-scale conversion to Islam

was taking place in Somalia by 1400 AD, first spread by the *Dir* clan-family, but followed by the rest of the nation. Closely linked to the genealogical myths that buttress their clan identity, most Somalis practice a Shafi'i version of the faith, characterised by the veneration of saints (including the ancestors of many Somali clans) and has traditionally been dominated by apolitical Sufi orders (*International Crisis Group*, 2005).

Although some Sufi orders were actively involved in anti-colonial resistance, the emergence of a modern political Islamic consciousness began to gather momentum in the 1960s, with the formation of the *Waxda al-Shabaab al-Islaami* and the *Jama'at al-Ahl al-Islaami*, both inspired by Egypt's Muslim Brotherhood that sought to apply Islamic principles in the context of a newly independent, modernising Somali state (*International Crisis Group*, 2005). It has been argued that the newfound political Islamic consciousness did not lie so much in the change of the dynamics of local politics, but rather in the change of Somalia's international engagement (Holzer, 2008: 25). Somalia became a member of the Arab League in 1974 to obtain access to international aid and diplomatic support in their effort to claim the Ethiopian Somali region, the Ogaden, back. The promulgation of new, controversial family legislation in 1975 by the Barre regime aggravated the religious leaders, and forced many of the organisations to operate underground. In the years that followed, some Somali exiles became closely aligned with the Association of Muslim Brothers (*Jam'iyyat al-Ikhwaan al-Muslimiin*), adopting its emphasis on political action. Others were exposed to more conservative Salafi ideas and the militant undercurrents associated with the anti-Soviet jihad in Afghanistan. The Somali government had inadvertently given a crucial boost to the burgeoning – albeit largely extra-territorial – Somali Islamist movement (Holzer, 2008: 1).

Small circles of Islamic study groups and Muslim Brotherhood cells were active in Somalia by the late 1980s, especially in Mogadishu, and as elsewhere in the Islamic world, these groups were largely composed of educated young men (Menkhaus, 2002: 112). During the early years of state collapse and civil war, these groups attempted and mostly failed to take direct control of territories. The most visible and radical group during this period was the *al-Ittihad al-Islaami* (the Islamic Union) group, which is based on the *Wahhabist* sect and an offspring of the Muslim Brother-

hood (Holzer, 2008: 27). Al-Ittihad is distinguished from the other organisations because of its organisational discipline and its strategy of taking power by violence. Al-Ittihad's failed attempts to maintain direct control of territories taught them two key lessons: holding major towns made them fixed targets for powerful external adversaries (principally Ethiopia), and holding fixed territories invariably meant controlling one clan's land or town, which resulted in the organisation being viewed as an occupying force or outsider (Menkhaus, 2002: 114).

Al-Ittihad adopted several tactics as a result, which defined most of their activities in the late 1990s (Menkhaus, 2002: 114-116). First, they concluded that clannish Somalia was not yet ready for Islamic rule and opted for a long-term strategy to educate the Somali society, with an emphasis on Islamic education. Second, to avoid being targeted, al-Ittihad members chose to integrate themselves with the local Somali communities. Third, where they have maintained a fixed physical space, al-Ittihad cells tended to be in strategically placed, but very isolated rural areas. Fourth, to build up a power base, they have tended to move into commerce and sought to recruit businessmen into their cells. Finally, and arguably the most important strategy, al-Ittihad adopted what can loosely be called the "Turabi" strategy, where instead of making an outright bid for control over local administrations, they rather sought to obtain control over key parts of administrations (such as the judiciary with Shari'a Law) while a secular authority presided over the administration as a whole. Ideally, they hoped to achieve what Hassan al Turabi succeeded in doing for a time in Sudan: gradually phasing a civilian government out and indirectly controlling politics without ever claiming direct control of the administration (Menkhaus, 2002: 116). A common characteristic of militant organisations in Somalia is the extent to which their ideological roots and financial backing lie outside Somalia (Bryden, 2003: 27).

### *The evolution of al Shabab*

The US, Somalia's neighbours and even some Somalis have expressed concern over the years about the spread of Islamic fundamentalism in Somalia (Dagne, 2010: 4). The government coup in 1991 left a political vacuum, and after fifteen years of chaos – a period characterised by the outbreak

of civil war between the tribal warlords – a fundamentalist Islamic group emerged in early 2006, gaining unprecedented support from many citizens (Simpson, 2009: 33). The Union of Islamic Courts (UIC), formerly a loose confederation of regional judiciary systems, defeated the ruling CIA-backed warlords that controlled Mogadishu in June 2006, becoming more politically powerful and relevant than the rival Transitional Federal Government (TFG) based in Baidoa (Shank, 2007). For many Somalis, the UIC appeared to be the long-sought solution to years of state collapse, reason enough to support the Islamists (Menkhaus, 2007: 371). Although the UIC did not enjoy any form of democratic legitimacy, the UIC nevertheless provided a higher level of security and a modest economic upsurge (Kasaija, 2010: 265).

The leadership of al-Ittihad, including Sheik Ali Warsame, the brother in law of the former leader of Hizbul Islam, Sheik Hassan Aweys, met in 2003 and decided to form a new political front (Dagne, 2010: 5). The young members of al-Ittihad, some of whom had fought in Afghanistan, disagreed with many of the decisions of the older members and decided to form their own movement – *Harakat al-Shabab al-Mujahedeen* – while based in a town in northern Somalia, Las Anod. Although al Shabab was not active and did not control any territory until 2007-2008, the primary objective of this group was irredentism and to establish the “Greater Somalia” under Shari’a Law. The Ethiopian invasion of Somalia in December 2006 led to the disintegration of the Union of Islamic Courts (UIC) system, and while the UIC leadership moved to Eritrea, al Shabab’s secretive leadership slowly took control over the resistance movement (Dagne, 2010: 5). After being exiled, the UIC split into two separate factions – the Alliance for the Re-liberalisation of Somalia (ARS) and al Shabab. Many Somalis joined the fight against Ethiopian occupation.

The leaders of al Shabab are not well known, save a few exceptions. The principle leaders of al Shabab, the former military wing of the UIC, during its emergence were Aden Hashi Ayro, killed in 2008 during an US missile strike on his home in Dusamareb, and Ahmed Abdi Aw-Mohamed Godane (Shinn, 2011: 207). Ayro trained in Afghanistan with al Qaeda during the late 1990s, and Godane fought with al Qaeda in Afghanistan until the end of 2001, and both principle leaders thus put a chain of com-

mand patterned after the one used by al Qaeda into place in the structure of al Shabab. Some of the key commanders and leadership members of al Shabab come from Somaliland – the semi-autonomous area in the north-west of Somalia (Dagne, 2010: 6). Al Shabab is structured in three different layers: the top leadership (qiyadah), the foreign fighters (muhajirin), and local Somali fighters (ansar) (Shinn, 2011: 209). Counting or even defining foreign fighters is almost an impossible task, but three kinds of foreign fighters have been identified: Somalis who were born across the borders in neighbouring countries, such as Kenya, and have the nationalities of those countries; Somalis who, or whose parents, were born in Somalia but who have grown up in diasporas and carry a foreign passport; and fighters who have no ethnic Somali connection (Shinn, 2011: 210).

Foreign involvement in al Shabab takes on two forms: the transfer of strategy, tactics and ideology learned by Somali al Shabab leaders during their association with the Taliban and al Qaeda, and the recruitment of foreign fighters (Shinn, 2011: 207). Public statements by both organisations have unavoidably moved al Shabab and al Qaeda closer to each other. The strategic significance of al Shabab to the US was raised in 2008, when the then Secretary of State Condoleezza Rice designated al Shabab as a Foreign Terrorist Organisation and as a Specially Designated Global Terrorist (*Office of the Coordinator for Counterterrorism*, March 18, 2008). Al Shabab only formally joined the ranks of al Qaeda in February 2012, where the *emir* (leader) of al Shabab, Godane, proclaimed that he “pledged obedience” to al Qaeda head, Ayman al Zawahiri, in a joint video (*Al Jazeera*, February 10, 2012).

The election of Sheik Sharif Sheik Ahmed, an Islamist leader, as the president of an expanded TFG on 31 January 2009 resulted in dramatic changes in the political landscape of Somalia, triggering a series of shock waves that shook al Shabab to the core (*International Crisis Group*, 2010: 6). The government shortly thereafter declared its commitment to codify and implement Shari’a, and discreet negotiations behind the scenes posed a danger to support for al Shabab as leaders were asked to abandon the armed struggle and to join the government. Godane (also known as Mukhtar Abu Zubair) and his foreign jihadi allies conducted a discreet purge of al Shabab in late 2008, and replaced dozens of middle-ranking

and low-level commanders and local administrators deemed ideologically too soft.

Apart from frequent suicide attacks carried out by al Shabab in Mogadishu and elsewhere, al Shabab carried out the twin suicide bombings in Uganda's capital, Kampala, which killed 76 people watching the 2010 football World Cup final, in response to Uganda's involvement in contributing – along with Burundi – the bulk of the African Union Mission in Somalia (AMISOM), deployed in February 2007 (*BBC News*, October 5, 2012). Eritrea is al Shabab's only regional ally, supporting the organisation to counter the influence of Ethiopia, its bitter enemy. Al Shabab is estimated to have between 7000 and 9000 active fighters. The paper now moves on to the evaluation section.

## Evaluation

Civil war and state collapse have rendered Somalia especially vulnerable to external influences, some which have assisted radical groups, such as al Shabab, to flourish, often part of a broader international network. It is the combination of statelessness, insecurity and foreign sponsorship that have been identified as the root causes that produced Somali terrorist behaviour. This section will provide the reader with a discussion on the effectiveness of post-9/11 counterterrorism strategies, proposed in the theoretical orientation section of the paper, pertaining to some successes achieved in Somalia against al Shabab.

### *A Somali epic: Central governance, part 15, version 4.5*

With an eye towards accommodating Somalia's complex ideological, historical, social, political and economic concerns, the fifteenth attempt since 1991 to restore central governance in Somalia saw the birth of the TFG, the product of protracted negotiations rather than elections, in 2004 in hotel conference rooms in neighbouring Kenya (Hesse, 2010: 252). Reflecting the influences of the clan-based society of Somalia, the TFG adopted the "4.5 formula," evenly dividing representation in parliament amongst the four main clan-families – the *Darod*, *Haawiye*, *Dir* and *Digile-Marifle* – plus five minority constituencies. In total, the TFG's parliament

consists of 550 members, having grown from an original 275 members. From its founding in 2004 until June 2005, the TFG had to meet in neighbouring Kenya out of security fears. From June 2005 until February 2006, the parliament did not convene, and convened again finally on Somali soil in the western city of Baidoa from February 2006 (Hesse, 2010: 253).

The election of Sheik Sharif Sheik Ahmed, the former head of the deposed UIC, as the new president of an expanded TFG on 31 January 2009 resulted in dramatic changes in the political landscape of Somalia, triggering a series of shock waves that shook al Shabab to the core (*International Crisis Group*, 2010: 6). In March 2009, the TFG adopted a Somali version of Shari'a, challenging the legitimacy of al Shabab as the preferred vessel to Islamise Somalia. The International Crisis Group (2011), however, argued in February 2011 that relatively stable regions in the north of Somalia (Somaliland and Puntland) refused to recognise the authority of the TFG, while most of central and southern Somalia remained under the control of al Shabab. Despite substantial financial assistance and much other help, the TFG remained a caricature of a government, unable to deal with humanitarian catastrophe and protect its citizens from al Shabab and other violent groups, and confined to Mogadishu. Hassan Sheik Mohamud, former academic and activist, defeated ex-President Sheik Sharif Sheik Ahmed in September 2012, to become the newly elected President of Somalia by a new TFG parliament (*BBC News*, October 5, 2012).

### ***Successes of the African Union Mission in Somalia***

AMISOM has been active in Somalia since March 2007, following the formal authorization of the Mission by the United Nations Security Council on 20 February 2007 (*S/RES/1744*, 2007), and is mainly made up of troops from Uganda, Burundi, Djibouti and Kenya. AMISOM replaced and subsumed the Inter-Governmental Authority on Development (IGAD) Peace Support Mission to Somalia (IGASOM) (*AMISOM Background*, Online), and is mandated to "conduct Peace Support Operations in Somalia to stabilize the situation in the country in order to create conditions for the conduct of Humanitarian activities" (*AMISOM Mandate*, Online). It is tasked to:



- Support dialogue & reconciliation in Somalia, working with all stakeholders.
- Provide protection to Transitional Federal Institutions (TFIs) and key infrastructure to enable them carry out their functions.
- Provide technical assistance & other support to the disarmament and stabilization efforts.
- Monitor the security situation in areas of operation.
- Facilitate humanitarian operations including repatriation of refugees and Internally Displaced Persons (IDPs).

AMISOM has grown and become better resourced over the last couple of years, with the international community appearing willing to increase support, because it regards AMISOM as the last line of containment against al Shabab (*International Crisis Group*, 2011: 17). By 2011, however, it was felt that the training the TFG troops received from AMISOM troops and other international partners was not sufficient, in that the TFG had not been able to capture and hold large insurgent controlled sections of Mogadishu (*International Crisis Group*, 2011: 15). Mainly AMISOM troops, and militias allied to it, prosecuted the war against al Shabab, resulting in the slow expansion of government control. One of the major successes of the Mission was achieved in August 2011 when AMISOM troops together with TFG forces pushed al Shabab fighters out of the capital, Mogadishu (Gettleman and Ibrahim, 2011). Another recent success resulted in al Shabab losing control of its last strategic stronghold on the southern coast of Somalia, Kismayo, in September 2012 (*BBC News*, October 5, 2012). On 7 March 2013, the United Nations Security Council decided to authorise the Member States of the African Union to maintain the deployment of AMISOM until 28 February 2014 (*S/RES/2093*, 2013).

### *A new approach to state-building in Somalia*

Seth Kaplan argues that much of the blame for the deepening nightmare in Somalia should be placed on the international community, where its unimaginative approach to state-building misconstrues Somalia's sociopolitical context, showing little understanding of how a top-down approach impacts the state's decentralised clan structures (Kaplan, 2010: 89). Kaplan argues that the international community should work directly with the clans and sub-clans and assist them in establishing a series of regional

governments patterned on those already enjoying a high level of functionality and operation in Somaliland and Puntland. It is argued that these entities, with some international support, could serve almost all of their population's day-to-day needs – from education to health care and policing, and in resolving business and family disputes. A central government should be retained, but its functions strictly limited in scope and its institutions in number (Kaplan, 2010: 90).

After more than two decades of state collapse, Somalia made a number of commendable strides on the political front. In September 2011, a political roadmap was agreed upon by the major Somali constituencies, detailing the delivery of transitional milestones before the expiry of the TFG's mandate (Chitiyo and Rader, 2012). The international responses to the roadmap in the form of the London and Istanbul conferences once again illustrated the international community's increased interest in Somalia. The London Conference on Somalia on February, 23 2012, aimed at achieving a 'Somali consensus' for international cooperation after the transition period ended in August 2012, attracted over 40 heads of states, including representatives from the US, UK, the TFG and Turkey (Chitiyo and Rader, 2012). The inclusive nature of the Istanbul II conference, held from May 31 to June 1, 2012, was highlighted by the high-level representation from 57 countries and 11 international and regional organisations, including the TFG leadership, regional administrations and Somali society consisting of segments of the youth, women, business, elders, religious leaders and Somali diaspora (Chitiyo and Rader, 2012).

The transitional national charter, adopted as part of the Djibouti peace process (2008-2009), mandated a number of requisite tasks, including the drafting of a new constitution, that had to be achieved by the TFG within six years, but by 2011, however, very little progress had been made (Chitiyo and Rader, 2012). The transitional parliament's term, due to expire at the time, was extended by an additional three years, and the TFG's mandate was extended with an additional year to August 2012, with the signing of the Kampala Accords. Although the April 1, 2012 deadline was missed, the new constitution was approved by the National Constituent Assembly (NCA) – composed of 825 prominent Somalis – on August 2, 2012 amid failed suicide attacks (Harper, 2012). Hassan Sheik Mohamud,

a teacher and activist, won the presidential election on September 10, 2012 against outgoing president, Sheik Sharif Sheik Ahmed, by a legislative vote of 190 to 79 (*The Guardian Online*, September 16, 2012). Although the transitional period and the TFG have officially ended, new president Hassan Sheik Mohamud and the NCA will face many challenges in the continuing Somali peace process, with al Shabab and Somalia's failed state status still persisting.

## Conclusion

The explicit aim of the paper was to discuss the post-9/11 strategic challenge of Somalia's al Shabab in the context of histories and spaces of terror in Africa. In the first section, a brief introduction to the research problem was disseminated. It was then established in the historical overview section that the uniqueness and persistence of the four waves of modern terrorism, along with the brief historical contextualisation of global and African terrorism, indicates that terrorism is deeply rooted in modern cultures. It is evident that definitions of terrorism are not fixed and that they change over time according to the political vernacular and discourse of each successive era, and the cliché "one man's terrorist is another man's freedom fighter" provides little assistance in achieving definitional clarity.

Terrorism as a modern phenomenon was then contextualised in the theoretical orientation section, followed by a discussion on the key aspects of the implications of the September 11 2001 terrorist attacks in the US on the modern terrorism discourses, culminating in counterterrorist strategies proposed for weak states. It is believed that the promotion of democracy and good governance will result in increasing the legitimacy of the ruling power to exercise control over its territory and population by means of regular, multiparty elections, providing the conducive setting for socioeconomic reforms (i.e. the alleviation of extreme poverty), which in turn will result in the building of state capacity and institutions (aimed at combating terrorism) through the training and rebuilding of the security forces to wield authoritative force.

In the following section, the post-9/11 strategic challenge of Somalia's al Shabab was discussed. Decades of civil war resulted in state col-

lapse and weak institutions, providing the ideal environment for terrorism, and especially the rise of radical Islam, in Somalia. Although some Sufi orders were actively involved in anti-colonial resistance, the emergence of a modern political Islamic consciousness began to gather momentum in the 1960s. Even though al Shabab was not active and did not control any territory until 2007-2008, the primary objective of this group was irredentism and to establish the “Greater Somalia” under Shari’a Law. Civil war and state collapse have rendered Somalia especially vulnerable to external influences, some which have assisted radical groups, such as al Shabab, to flourish, often part of a broader international network.

The following section provided the reader with an evaluation of the post-9/11 counterterrorism strategies proposed to counter terrorism in weak and failing states. The adoption of the “4.5 formula,” and the expansion of the TFG in 2009, to include as wide a range of political participants in the expanded government of Somalia, and to promote democracy and the principles of good governance, is a reflection of the challenges facing Somalis and the international community when one considers Somalia’s complex ideological, historical, social, political and economic concerns. For decades, the hapless citizens of Somalia had to bear the scars of both state failure and an Islamist dictatorship. With Mogadishu and other towns now under the control of the NCA, there is a new feeling of hope in the country, with many Somalis returning from exile, bringing their money and skills with them (*BBC News*, October 5, 2012). Somalia reflects the positive side of counter-terrorism where domestic political will, regional support in the form of AMISOM and international assistance seen in the like of the London Conference all coalesce to eradicate the scourge of terrorism on this blighted continent of Africa. It is a lesson which needs to be examined by those attempting to respond to Islamists in both Mali and Nigeria.

If Mogadishu could now provide effective services to its citizens, its legitimacy would be enhanced amongst ordinary citizens. This, in turn, would further undermine the Islamist extremists. The international community needs to effectively and critically engage with the Somali government institutions as it seeks to build state capacity towards this end.

## REFERENCES

- Ahmed, E., 1998. *Terrorism: Theirs and Ours*. Paper presented at the University of Colorado, Boulder (October 12, 1998). <http://www.sangam.org/ANALYSIS/Ahmad.htm>. Retrieved 6 February 2013.
- Al Jazeera*, 10 February 2012. Al Shabab "Joins Ranks" With Al Qaeda. <http://www.al-jazeera.com/news/africa/2012/02/201221054649118317.html> Retrieved 21 August 2012.
- AMISOM, 2013. AMISOM Background. <http://amisom-au.org/about/amisom-background>. Retrieved 6 February 2013.
- AMISOM, 2013. AMISOM Mandate. <http://amisom-au.org/about/amisom-mandate>. Retrieved 6 February 2013.
- Ayinde, O.A., 2010. Beyond 9/11: Histories and Spaces of Terrorism in Africa. In Smith, M.S. (ed). *Securing Africa: Post-9/11 Discourses on Terrorism*. Farnham: Ashgate, pp. 51-66.
- Bobbit, P., 2006. The Terrorist War on the Market-State: A Plague in a Time of Feast. In Katona, P., Intriligator, M.D. and Sullivan, J.P. (eds). *Countering Terrorism and WMD: Creating a Global Counter-Terrorism Network*. Abingdon: Routledge, pp. 218-234.
- Bobbit, P., 2008. *Terror and Consent: The Wars for the Twenty-First Century*. New York: Alfred A. Knopf.
- British Broadcasting Corporation (BBC), 5 October 2012. Q&A: Who are Somalia's Al Shabaab? <http://www.bbc.co.uk/news/world-africa-15336689>. Retrieved 6 February 2013.
- Bryden, M., 2003. No Quick Fixes: Coming to Terms With Terrorism, Islam and Statelessness in Somalia. *The Journal of Conflict Studies*, Fall (2003): pp. 24-56.
- Chitiyo, K and Rader, A., 2012. *Somalia 2012: Ending the Transition?*. The Brenthurst Foundation
- Discussion Paper 4. [http://www.thebrenthurstfoundation.org/files/brenthurst\\_commissioned\\_reports/Brenthurst-paper-201204-Somalia-2012-Ending-the-Transition.pdf](http://www.thebrenthurstfoundation.org/files/brenthurst_commissioned_reports/Brenthurst-paper-201204-Somalia-2012-Ending-the-Transition.pdf). Retrieved 24 March 2013.
- CIA World Factbook, 2013. Somalia. <https://www.cia.gov/library/publications/the-world-factbook/geos/so.html>. Retrieved 6 February 2013.
- Combs, C.C., 2006. *Terrorism in the Twenty-First Century*. Upper Saddle River: Pearson Prentice Hall.
- Dagne, T., 2010. *Somalia: Current Conditions and Prospects for a Lasting Peace*, Congressional Research Services Report prepared for Congress, RL33911 (October 2010).
- Freedman, L., 2002. (ed). *Superterrorism: Policy Responses*. Oxford: Blackwell Publishing.
- Gearson, J., 2002. The Nature of Modern Terrorism. In Freedman, L. (ed).

*Superterrorism: Policy Responses*. Oxford: Blackwell Publishing, pp. 7-24.

Gettleman, J. and Ibrahim, M., 2011. Shabab Concede Control of Capital to Somalia Government. *New York Times* (August 6, 2011).  
[http://www.nytimes.com/2011/08/07/world/africa/07somalia.html?\\_r=2](http://www.nytimes.com/2011/08/07/world/africa/07somalia.html?_r=2). Retrieved 6 February 2013.

*Guardian Online*, 16 September, 2012. Somalia's New President Officially Takes Power After Assassination Attempt. <http://www.guardian.co.uk/world/2012/sep/16/somalia-president-power-assassination-attempt>. Retrieved 6 February 2013.

Gupta, D.K., 2008. *Understanding Terrorism and Political Violence: The life cycle of birth, growth, transformation, and demise*. Abingdon: Routledge.

Harper, M., 2012. Somalia: Failed State or Fantasy Land? *BBC News* (August 3, 2012).  
<http://www.bbc.co.uk/news/world-africa-19099442>. Retrieved 6 February 2013.

Heywood, A., 2007. *Politics*. 3<sup>rd</sup> ed. London: Palgrave Macmillan.

Hesse, B.J., 2010. The Myth of 'Somalia'. *Journal of Contemporary African Studies*, 28(3): pp. 247-259.

Holzer, G-S., 2008. Political Islam in Somalia: A Fertile Ground for Radical Islamic Groups? *Geopolitics of the Middle East*, 1(1): pp. 23-42.

Hurwood, B.J., 1970. *Society and the Assassin: A Background Book on Political Murder*. London: International Institute for Strategic Studies.

Ibrahim, M., 2010. Somalia and Global Terrorism: A Growing Connection? *Journal of Contemporary African Studies*, 28(3): pp. 283-295.

International Crisis Group, 2005. Somalia's Islamists. *Africa Report No 100* (December 2005).

International Crisis Group, 2008. Somalia: To Move Beyond the Failed State. *Africa Report No 147* (December 2008).

International Crisis Group, 2010. Somalia's Divided Islamists. Policy Briefing, *Africa Briefing No 74* (May 2010).

International Crisis Group, 2011. Somalia: The Transitional Federal Government on Life Support. *Africa Report No 170*.

Jackson, R., 2005. Security, Democracy and the Rhetoric of Counter-Terrorism. *Democracy and Security*, 1 (2005): pp. 147-171.

Kaplan, S., 2010. Rethinking State-Building in a Failed State. *The Washington Quarterly*, 33(1): pp. 81-97.

Kasajja, A.P., 2010. The UN-led Djibouti Peace Process for Somalia 2008-2009: Results and Problems. *Journal of Contemporary African Studies*, 28(3): pp. 261-282.

Katona, P., 2006. The Historical Impact of Terrorism, Epidemics and Weapons of Mass Destruction. In Katona, P., Intriligator M.D. and Sullivan, J.P. (eds). *Countering Terrorism and WMD: Creating a Global Counter-Terrorism Network*. Abingdon: Routledge, pp. 13-32.

- Law, R.D., 2009. *Terrorism: A History*. Cambridge: Polity Press.
- Linke, A. and Raleigh, C., 2011. State and Stateless Violence in Somalia. *African Geographical Review*, 30(1): pp. 47-66.
- Lutz, J.M. and Lutz, B.J., 2004. *Global Terrorism*. London: Routledge.
- Mahan, S. and Griset, P.L., 2008. *Terrorism in Perspective*. Thousand Oaks: Sage Publications.
- McGowan, P.J., Cornelissen, S. and Nel, P., 2010. *Power, Wealth and Global Equity: An International Relations Textbook for Africa*. 3<sup>rd</sup> ed. Cape Town: University of Cape Town Press.
- Menkhaus, K., 2002. Political Islam in Somalia. *Middle East Policy*, 9(1): pp. 109-123.
- Menkhaus, K., 2007. The Crisis in Somalia: Tragedy in Five Acts. *African Affairs*, 106(204): pp. 357-390.
- Mills, G., 2004. Africa's New Strategic Significance. *The Washington Quarterly*, 27(4): pp. 157-169.
- National Security Strategy of the United States of America*, 2002.
- <http://www.state.gov/documents/organization/63562.pdf>. Retrieved 6 February 2013.
- Neumann, P.R., 2009. *Old and New Terrorism*. Cambridge: Polity Press.
- Office of the United Nations High Commissioner for Refugees (UNHCR)*, 2013. Somalia Fact Sheet. <http://data.unhcr.org/horn-of-africa/regional.php>. Retrieved 6 February 2013.
- Organization of African Unity Convention on the Prevention and Countering of Terrorism*. (Adopted 14 July 1999). Article 1, Section 3(a). [http://au.int/en/sites/default/files/OAU\\_CONVENTION\\_PREVENTION\\_COMBATING\\_TERRORISM.pdf](http://au.int/en/sites/default/files/OAU_CONVENTION_PREVENTION_COMBATING_TERRORISM.pdf). Retrieved 6 February 2013.
- Pham, J.P., 2007. Next Front? Evolving United States-African Strategic Relations in the "War on Terrorism" and Beyond. *Comparative Strategy*, 26 (2007): pp. 39-54.
- Rapoport, D.C., 2002. The Four Waves of Rebel Terror and September 11. *Anthropoetics*, 8(1).
- Rice, C., 2008. Designation of al-Shabab. *Office of the Coordinator for Counterterrorism* (March 18, 2008). <http://www.state.gov/j/ct/rls/other/des/143205.htm>. Retrieved on 8 February 2013.
- Rice, S., 2001. *Testimony before the US House Committee on International Relations* (November 2001).
- [http://commdocs.house.gov/committees/intlrel/hfa76191.000/hfa76191\\_0f.htm](http://commdocs.house.gov/committees/intlrel/hfa76191.000/hfa76191_0f.htm). Retrieved 6 February 2013.
- Robespierre, M., 1794. "On the Moral and Political Principles of Domestic Policy". *Justification of the Use of Terror*. <http://www.fordham.edu/halsall/mod/robespierre-terror.asp>. Retrieved 8 February 2013.
- Shank, M., 2007. Understanding Political Islam in Somalia. *Contemporary Islam*.
- Shaw, T.M., 2008. From Terrorism to Human Security in Africa. In Christopher

- Ankerson, C. (ed). *Understanding Global Terror*. Cambridge: Polity Press, pp. 130-150.
- Sheehan, M., 2008. The Changing Character of War. In Baylis, J., Smith, S. and Owens, P. (eds). *The Globalization of World Politics: An Introduction to International Relations*. 4<sup>th</sup> ed. Oxford: Oxford University Press, pp. 210-225.
- Shinn, D., 2011. Al Shabaab's Foreign Threat to Somalia. *Orbis*, Spring (2011): pp. 203- 215.
- Simpson, M., 2010. An Islamic Solution to State Failure in Somalia. *Geopolitics of the Middle East*, 2(1): pp. 31-49.
- Smith, M.S., 2010. Terrorism Thinking: "9/11 Changed Everything". In Smith, M.S. (ed). *Securing Africa: Post-9/11 Discourses on Terrorism*. Farnham: Ashgate, pp. 1-30.
- United Nations Security Council, 2007. Resolution 1744 (S/RES/1744). [http://www.un.org/ga/search/view\\_doc.asp?symbol=S/RES/1744](http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1744). Retrieved 8 February 2013.
- United Nations Security Council, 2013. Resolution 2093 (S/RES/2093). [http://www.un.org/ga/search/view\\_doc.asp?symbol=S/RES/2093](http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/2093). Retrieved 8 February 2013.
- United States Department of State, 2002. *Patterns of Global Terrorism* (May 2002). <http://www.state.gov/documents/organization/10286.pdf>. Retrieved 6 February 2013.
- Walls, M., 2009. The Emergence of a Somali State: Building Peace from Civil War in Somaliland. *African Affairs*, 108(432): pp. 371-389.
- Whitaker, B.E., 2008. Reluctant Partners: Fighting Terrorism and Promoting Democracy in Kenya. *International Studies Perspectives*, 9: pp. 254-271.
- Whittaker, D.J., 2012. *The Terrorism Reader*. 4<sup>th</sup> ed. Abingdon: Routledge.
- Wilkinson, P., 2001. Politics, Diplomacy and Peace Processes: Pathways out of Terrorism? In Taylor, M. and Horgan, J. (eds). *The Future of Terrorism*. London: Frank Cass Publishers, pp. 66-82.



# Understanding French Foreign and Security Policy towards Africa: Pragmatism or Altruism

Abdurrahim Sıradağ<sup>1</sup>

## Abstract

*France has deep economic, political and historical relations with Africa, dating back to the 17th century. Since the independence of the former colonial countries in Africa in the 1950s and 1960s, France has continued to maintain its economic and political relations with its former colonies. Importantly, France has a special strategic security partnership with the African countries. It has intervened militarily in Africa more than 50 times since 1960. France has especially continued to use its military power to strengthen its economic, political and strategic relations with Africa. For instance, it deployed its military troops in Mali in January 2013 and in the Central African Republic in December 2013. Why does France actively get involved in Africa militarily? This research will particularly uncover the main motivations behind the French foreign and security policy in Africa.*

**Key words:** *Francophone Africa, France, Foreign Policy, Africa, economic interests.*

## The Role of France in World Politics

France's international power and position has shaped its foreign and security policy towards Africa. France has been an important actor with its political and economic power in Europe and in the world. It was one of the six important founding members of the European Community after

---

<sup>1</sup> International University of Sarajevo, Department of International Relations, Ilidža, Sarajevo, Bosnia and Herzegovina. Email: absiradag@hotmail.com

the Second World War and plays a leading role in European integration. France plays a significant role in world politics through international organizations. For instance, it is a permanent member of the United Nations Security Council and NATO, the G-8, and the G-20. It is the fifth biggest economic power in the world (World Bank, 2011) and the second largest economic power in Europe (IMF, 2012). France is among the countries which make the highest military expenditure in the world. For instance, it was the fifth worldwide when it spent \$62.5 billion in 2011 for strengthening its military power (Stockholm International Peace Research Institute, 2011). At the same time, France is the largest military power in the EU and third largest military force in NATO (University of Princeton, 2013). It possesses nuclear weapon (Federation of American Scientist, 2012) and is a founding member of the United Nations.

### **French Colonial Policy in Africa**

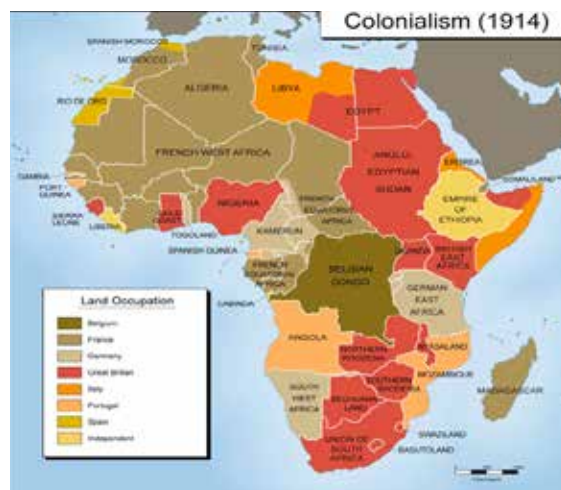
France has maintained a realist foreign policy towards Africa since colonial history. According to realist theory of International relations (IR), states shape their foreign policies according to their own national interests. French interest in Africa began in the 17<sup>th</sup> century with the establishment of a trade port on the West African coast at St. Louis (present day Senegal) (Klein, 1998:22). Importantly, the former European colonial powers, including France, England, Germany, Italy, Portugal, Spain and Belgium, signed the Berlin Act of 1884-85 to divide Africa and to protect their common economic and political interests at the Berlin Conference. The Berlin Conference of 1884-5 was a major historical turning point for the beginning of European colonial history and new imperialism in Africa. The colonial powers justified their brutal colonialism in Africa with the Berlin Conference. The main characteristic feature of the French colonial policy was to exploit the rich resources of Africa (Ilfie, 2007:195).

Francophone African states consisted of Algeria, Morocco, Tunisia, Mauritania, Senegal, French Sudan (now Mali), Guinea, Ivory Coast, Niger, Upper Volta (now Burkina Faso), Dahomey (now Benin), Gabon, Middle Congo (now Republic of Congo), French Cameroon, Oubangi-Chari (now Central African Republic), Chad, French Somaliland, Comoros and Madagascar (Ibid.). France established two important federations in Af-

rica to strengthen its colonies, namely French West Africa and French Equatorial Africa. The former became a federation of the French colonial empire in 1895. It consisted of Dahomey (now Benin), French Guinea (now Guinea), French Sudan (now Mali), Ivory Coast, Mauritania, Niger, Senegal, and Upper Volta (now Burkina Faso). The first federal government was established in Senegal in 1904. The later was established as a second federation of France in 1910 and included Chad, Gabon, Cameroon, the Congo, and the Central African Republic. In 1960, both federations collapsed after the independence of African states (Manning, 2004:75-6).

It is important to note that France had a different colonial policy in Africa from that of England. While England had a colonial policy in Africa based on economic exploitation of Africa and the protection of the interests of the British settlers, France developed a cultural and political assimilation policy towards its colonial countries in Africa. The main goals of the French assimilation policy in Africa were to exploit Africa and to increase France's international prestige. The assimilation policy of France in Africa did not respect African culture and traditions. It banned African languages, culture, and identity. Importantly, While the British saw its colonies as foreign lands, the French saw them as a part of France, therefore France imposed its culture on Africa (Fenwick, 2009:2-5).

**Figure 1:** The Colonial Map



**Source:** <http://exploringafrica.matrix.msu.edu/students/curriculum/m9/activity4.php>

France established its own economic and political system in Africa to colonize it. While French colonial policy in Africa played a significant role in developing the economic interests of France, it devastated the economic development of African states. France forced its colonies to make trade with Paris, not with each other (Iverson, 2007:16-17). While the French colonies were forced to import goods from France expensively, they were also obliged to export their products to France cheaply. This system created an unfair economic relationship between the French colonies and France, and particularly increased interdependence between France and its colonies (Hrituleac, 2011:36).

Martin argues that France's African policy was based on racism and inequality during the period of colonialism. The French leaders played a significant role in dividing Africa. He claims that France successfully implemented a policy of "balkanization" in Africa through the creation of African federation systems (Martin, 1985:190-1). During the colonial history, the policy of "divide and rule" was implemented by the former European colonial states. For instance, France divided Africa as "Franco-phone"; England partitioned it as "Anglophone"; Portugal split it as "lusophone". While England ruled and colonized Africa with its policy of indirect rule implemented by local chiefs and tribal leaders, France ruled from the metropole in a policy of direct rule. France preferred a centralized policy to colonize Africa, and thus French colonial policy towards Africa was more destructive, more brutal and less tolerant of African culture and traditions. In particular, French military power played the most important role in colonizing Africa (Fenwick, 2009:2-5). France remained one of the most significant colonial powers in Africa until its colonies gained their independence by the 1960s.

### **France's Relations with Africa during the Cold War Era**

In the aftermath of the Second World War, the period of the Cold War began. New international and regional organizations were established by the global powers, such as the United Nations (UN), the Warsaw Pact Organization, and the North Atlantic Treaty Organization (NATO). More importantly, a bipolar global system based on the hegemonic power of the

USA and the Union of Soviet Socialist Republics (USSR) emerged. After the Second World War, the decolonization process of Africa actively began and by 1960 the majority of the African states gained their independence from France. France developed new policies and strategies in accordance with the global developments so as to keep and strengthen its economic and political interests in its Francophone African territories.

France maintained its relations with Africa through “cooperation agreements”, “military interventions”, and “financial assistance policies” during the Cold War era. According to Martin, the strategy of cooperation with African states had been employed by France as a continuation of its colonial policy (Martin, 1985:191). France’s foreign policy in Africa based on economic and political interests remained unchanged after the African states gained their independence. The first president of the Fifth French Republic, General Charles de Gaulle,<sup>1</sup> played a major role in the birth of the concept of “France-Afrique,” which explains the continuing strong relations between France and its former colonies in Africa. Even though the French former colonies had gained their independence by 1960, France continued to retain control over strategic areas in Africa, such as economic, monetary, strategic mineral policy, defense and security, and foreign affairs (Martin, 2000:3).

In 1939 France established its monetary system known as a franc zone to expand its economic and political influence over her then colonial countries in Africa. The CFA franc stands for two different currencies, the West African CFA franc and the Central African CFA franc. Both currencies now have a fixed exchange rate with the Euro, which is guaranteed by the French treasury. France took control of the currency and financial policies over its former colonies through its monetary system in Africa. Fourteen African countries still use the French currency. In 1994, the CFA franc was devaluated by France by around 50 percent. The devaluation created serious problems in Franco-African relations and seriously damaged Franco-African monetary cooperation (Korner, 2002:199-201). The move also greatly aggravated economic instability in Francophone Africa (Martin, 2000:9).

From the perspective of IR theories, a realist approach dominated France’s policy in Africa during the Cold War era. France expanded its sphere of influence over Africa through military interventions. France’s relations with Africa during the Cold War have been defined by the term

“neo-colonialism” (ibid., pg. 189). The term “neo-colonialism” was defined at the 1961 All-African People’s Conference held in Cairo as follows:

The survival of the colonial system in spite of the formal recognition of political independence in emerging countries which become the victims of an indirect and subtle form of domination by political, economic, social, military or technical means (Smith, 2003:76).

France intervened militarily 20 times in different African states between 1963 and 1983 in order to preserve its interests in Africa (Martin, 1985:194). The most important characteristic feature of France’s post-colonial policy towards Africa was that France perpetuated dependency relations with African states economically and politically and it institutionalized its relations through the establishment of a common organization with Francophone Africa. For instance, the African and Malagasy Union (AMU) was established in 1961 to reinforce political and economic cooperation between France and its former colonial countries in Africa. The organization was dissolved in 1985 (Hance, 1975:85). Similarly, France established the International Organization of La Francophonie (OIF) in 1970 in order to intensify political, economic and historical relations with its former colonies. The OIF organizes Francophonie summits every two years and brings together all the Heads of State and Government of member countries. The organization is actively running today. Both the AMU and the OIF have played a significant role in maintaining a special relationship with Francophone African countries (Marshall, 2005:474)

**Table 1:** The Main French Military Interventions in Africa since 1960

<b>Year</b>	<b>Country</b>	<b>Aim</b>
1964	Gabon	to restore the president after a coup
1968-1972	Chad	to halt the northern rebellion
1978-80	Chad	to defend the government against rebels
1978	Zaire (Democratic Republic of Congo)	To save European hostages from rebels
1979	Central African Republic	to remove Emperor Jean-Bedel Bokassa from power
1983-84	Chad	to protect the regime against rebels
1986	Chad	to defend the government against rebels
1986	Togo	to restore the president after a coup
1989	Comoros	to put down a coup
1990	Gabon	to support the regime of president Omar Bongo and evacuate foreign nationals from cities damaged by upheaval
1990-1993	Rwanda	to evacuate French and other Europeans after rebels attacked the country
1991	Zaire (Democratic Republic of Congo)	to support the regime of Mobutu Sese Seko
1992-94	Somalia	to participate in the “Restore Hope” operation with the US
1994	Rwanda	to participate in “Opération Turquoise”
1995	Comoros	to halt a coup and protect the regime
1996-7	Central African Republic	to maintain order after a coup
1997	Republic of Congo	to evacuate foreigners during the civil war in the country
1996	Cameroon	to provide military assistance to Cameroon
1998	Zaire (Democratic Republic of Congo)	to evacuate foreigners
2002-present	Ivory Coast	to participate in “Operation Licorne”
2003	Democratic Republic of Congo	to maintain order in the northeastern Ituri region of the DRC
2008	Chad	to strengthen the regime and evacuate foreigners during the upheaval
2011	Libya	to put down the regime of Muammar Gaddafi
2011	Ivory Coast	to participate in the “Licorne” operation and to put down the regime of Laurent Gbagbo
2013	Mali	to support the regime in the country against the rebels

**Source:** [http://www.expatica.com/fr/news/french-news/france-africa-a-long-history-of-military-intervention\\_142434.html](http://www.expatica.com/fr/news/french-news/france-africa-a-long-history-of-military-intervention_142434.html)

As can be seen in Table 1, France has intervened militarily 31 times in Africa since 1963. All French military operations have taken place in Francophone countries. It is worth mentioning that French military interventions in Africa have played a significant role in protecting French economic and political interests on the continent. Kieh (2004:53-5) states that France's military engagement has damaged political, social, and economic stability in African countries. In particular, it has undermined democratic development of the states and strengthened dictatorship regimes. The most important aims of French military interventions in Africa have been as follows:

1. To preserve its economic interests,
2. To protect its citizens,
3. To safeguard those regimes which have special economic, political, and strategic ties with Paris,
4. To expand its sphere of influence over the region of Francophone,
5. To fight against rebels who threaten the puppet regimes,
6. To increase its leadership role through military interventions in world politics.

French-African security relations played a significant role in developing economic and political relations between France and Francophone Africa. It includes defense agreements, military technical assistance agreements, training of African commanders, establishing of French military bases in Francophone countries, and arms sale. By 1990, France had troops stationed in 22 African countries (Ogunmola, 2009:236) and had set up military bases in strategic countries such as Djibouti, Senegal, the Central African Republic, Cameroon, Gabon, and the Ivory Coast. Martin points out that French military forces in Africa did not engage in active conflicts or war. Their role was to protect states which had a defense agreement with France in case of internal and external threats (Staniland, 1987:55). Ogunmola (2009:236) states that the French security policy towards Africa has had two important aims. The first is to protect "friendly governments" against internal aggression so as to protect French economic and political interests; the second is to protect these governments in case of external threats.



After independence, France played a leading role in creating national armies of its former colonial states in Africa. According to defense agreements made between France and its former colonies, France would have to provide their own security in case of internal and external threats. However, these agreements also stated that France could get involved militarily upon the African states' request. Accordingly, France intervened militarily 12 times in some African countries between 1960 and 1963 upon the request of African states (Marks, 1974:96). Furthermore, defense agreements between both sides provided special conditions for France. For instance, African states were only allowed to sell their raw materials to France and were restricted from selling them to third parties (Martin, 1985:198). Contradictions could be found in French African policy. For instance, while France criticized South Africa's apartheid strategies at the official level, it continued to develop economic and trade relations with South Africa. Likewise, France played a critical role in instigating the Nigerian-Biafran War by supporting and selling weapons to Biafra (Pepy, 1970:158-9).

**Table 2.** French Military Defense Pacts with African Countries

Partners	Year	Partners	Year
Benin	1975	Malawi	1980
Burkina Faso	1961	Mali	1985
Burundi	1969	Mauritius	1979
Cameron	1974	Mauritania	1986
Central Africa	1960	Morocco	1994
Chad	1976	Nigeria	1977
Comoros	1978	Rwanda	1975
Congo(Brazzaville)	1974	Senegal	1974
Congo(Kinshasa)	1974	Seychelles	1979
Djibouti	1977	Togo	1963
Equatorial Guinea	1985	Tunisia	1973
Gabon	1960	Zimbabwe	1992
Guinea	1985	Madagascar	1966
Ivory Coast	1961		

**Source:** Degang and Zoubir ( 2011:90).

France signed 27 military defense treaties with African countries between 1960 and 1994, as shown in Table 2. Defense treaties legitimize French military bases and interference in Africa and protect French strategic interests. Defense agreements have enabled French military staff to work as military consultants in the armies of African countries and to train military forces of the host states (*ibid.*, pg. 90). According to Degang and Zoubir (2011:95-100), there are five important dynamics behind the deployment of French military bases in Africa. The first reason is that France has strong economic interests in Africa. It was Africa's largest trading partner between 1991 and 2008. As of 2008, China became the largest trading partner in Africa, though France is still the largest trading partner among EU members for the African countries (EUROSTAT, 2010). Importantly, Africa provides raw materials, such as uranium, natural gas and oil to France, which is still highly dependent on these for its technological industries (Siradag, 2012:75). French military troops in Africa have a mission to protect French economic interests throughout Africa.

The second rationale is that Africa has been a very important continent to popularize French language and culture and to expand its cultural influence. For instance, French language and culture are very popular in Francophone Africa. French military troops in Africa have an aim of strengthening France's cultural interests all over Africa (Degang and Zoubir, 2011:95-100). The third reason is regarding France's political interests. France has strong political relations and interests in African countries. Therefore, France is actively involved in political developments in Francophone Africa. For example, it played a leading role in overthrowing the Kaddafi regime in Libya in March 2011. In April 2011, France cooperated with the UN to disarm the former president of Ivory Coast, Laurent Gbagbo. France's strong political involvement in Africa reflects its strong political interests. The fourth dynamic is that French troops in Africa play a significant role in protecting the properties and security of French citizens living in Africa. More than 200,000 French citizens live in Africa. The French population living in Africa plays an important role in developing France's economic interests. The last reason is that the French military power in Africa also plays a significant role in enhancing military diplomacy, increasing arms sales with African countries, controlling Afri-

can peacekeeping missions, and providing security to the African countries (ibid., pp.95-100).

**Table 3.** French Military Bases and Troops in Francophone Africa in the 1970s

Host Nations	Troops	Host Nations	Troops
Djibouti	3800	Madagascar	2000
Ivory Coast	450	Chad	800
Gabon	450	Senegal	2300
Niger	450	Others	550
Total	10800		

**Source:** Ibid., pg. 91.

While France had permanent military bases in Africa in seven countries in the 1970s, as shown in Table 3, today it only has troops in two strategic countries, Gabon and Djibouti. Since the end of the Cold War era, France has reduced the number of its permanent military bases in Africa due to both economic challenges and shifting interests (Engel and Olsen, 2005:43-4). For instance, it closed one of the most important and largest military bases in Senegal in 2010 (France 24, 2010).

Developing an individual relationship with Francophone leaders became one of the most significant strategies of French foreign policy in Africa. Between 1946 and 1958, all heads of Francophone African states became members of the French Parliament in order to improve bilateral relations with France (Pepy, 1970:158). French colonies, and in particular Ivory Coast and Senegal, had a strong political relationship with French political history. For instance, despite the fact that Félix Houphouët-Boigny was a president of Ivory Coast, he served as a minister in French governments between 1956 and 1959. Similarly, when Léopold Sédar Senghor was president of Senegal, he was also a minister in the French government between 1955 and 1956. At the same time, he served in the French National Assembly for 14 years as a president of Senegal. The first president of Mali, Modibo Keita and the president of Guinea, Ahmed Sékou Touré were also strongly involved in French politics between 1958 and 1984, and had senior political offices in France (Staniland, 1987:52).

During the Cold War era, Africa had been important for France in terms of economic, political and strategic interests. France expanded its sphere of influence over Africa to increase its world power. France is highly dependent on raw materials from Africa, such as cobalt, uranium, copper, manganese, phosphates, and bauxite. The imports of these raw materials from Africa are vital for the developing and functioning of French high-technology industries, aeronautics, nuclear energy and weaponry. More importantly, it set up military bases in strategic countries in Africa, such as Djibouti and Senegal, in order to preserve its economic and political interests (Utley, 2002:130).

### **French Foreign Policy towards Africa in the Post-Cold War Era**

The end of the Cold War era brought structural changes in world politics. With the collapse of the USSR in 1991, the US remained the most important global actor militarily, economically and politically. The world order shifted from a bipolar global system to a unipolar global system. With the reunification of East Germany and West Germany in 1990, integration movements increased in West Europe. The former colonies of the USSR gained their independence after the 1990s. Furthermore, democracy movements in Africa ascended. The new international system also posed a threat to global peace and security. For instance, the number of civil and ethnic conflicts rose dramatically in different parts of the world, particularly in the areas of the former Yugoslavia. The end of the Cold War also affected French policy in Africa significantly. With the beginning of the fall of the authoritarian regimes in Africa, France redefined its relations with the continent.

Martin (2000:7) argues that economic considerations became more important than political concerns in the new French policy towards Africa after the 1990s. It is important to emphasize that the term “consistency” applied to French relations with Africa in the post-Cold War era. Even though French policy in Africa has not changed structurally, it included new foreign policy principles towards Africa, for instance, developing relations with the “Anglophone” and “Lusophone” regions, new institutional relations and a new political discourse. The US increased its economic and

political relations with Africa, which France began to see as a threat in the Francophone region. Shin (2010:76) stresses that there were four important reasons driving French intervention in Africa after the Cold War. The first one is that France continued to strengthen its economic interests in the post-Cold War era. The second reason is that France has had a complex history in Africa based on strategic interests. The third factor is that personal relationship between French leaders and African leaders played a significant role in enhancing relations (Moncrieff, 2012:362). The last one is that there was a strong mutual dependence between France and its former colonies, which affected economic, political and strategic relations between France and Africa in the post-Cold War era.

There are five important events that changed France's relations with Africa in the post-Cold War (Martin, 2000:7-13). The first was the death of the president of Ivory Coast. France had a strong political and economic relationship with the former president of Ivory Coast, Félix Houphouët-Boigny. The late president had special personal relations with the French elite. He remained in power between 1960 and 1993 in his country and was known as the best friend of France in Africa. When he died in 1993, two former presidents and six former prime ministers of France attended his funeral. The death of the president of Ivory Coast marked the end of an era in Franco-African relations.

The second historical event was the adoption of the *La Baule doctrine*. After the end of the Cold War, a new political structure emerged in African countries. In particular, the new democratic movements affected France's relations with Africa and forced changes in its traditional foreign and security policy. Many African states transformed their political system from a single party system to a multi-party system. At the Franco-African summit in 1990, France adopted *La Baule doctrine* which supported liberalism, multi-party democracy and political reforms in African countries. The process of democratization posed a threat to French economic, political and strategic interests over its former colonial countries. According to the doctrine, France would support democracy, and human rights in African countries and decrease its political and economic assistance to the dictators of Africa (ibid., pp. 7-13). However, it continued to support authoritarian regimes and corrupt leaders in Africa.<sup>2</sup>

The third important event was the Rwandan genocide in 1994. France had played a major role in strengthening the Hutu government, by providing diplomatic, military, technical and financial support. France's support to the racist regime during the genocide undermined its image in Africa and damaged its credibility in world politics. The fourth significant development was increasing relations between France and South Africa. France has begun to develop relations with countries outside of the Francophone countries in the post-Cold War era (*ibid.*, pp. 7-13). The former president of France Jacques Chirac's official visit to South Africa, Angola, Mozambique and Namibia on 26-28 June 1998 showed that France has increased its economic and political relations with the new countries in Africa. In particular, economic relations between France and South Africa have increased significantly since the 1990s. South Africa became France's largest trading partner in Sub-Saharan Africa. The last driving factor influencing France's relations with Africa was its immigration policy towards Africa. France has started to restrict its immigration policy after the 1990s, and border controls were increased against illegal immigrants. Most illegal immigrants come from North Africa and Sub-Saharan countries. France's anti immigration policy damaged Franco-African relations (*ibid.*, pp. 7-13).

The end of the Cold War had a huge impact on the changing of France's African aid policy. With the collapse of the Soviet Union, the US increased its strategic, economic and political power on the international stage and began to consolidate its political and economic relations. France employed its aid policy to stop the US' sphere of influence over Francophone Africa. It also used its aid policy as a foreign policy means to change the political system of African countries. The most important principle of the French aid policy towards Africa was based on the protection of French economic interests (Cumming, 1995:394-8). France encouraged the recipient countries to increase economic relations with the donor (Conte, 1997:141). While the pre-1989 aid agenda of France created dependency between Paris and Africa, the new one had an economic basis. Importantly, France extended the limitations of its aid policy after the 1990s. When its aid policy only focused on its former colonies, it included new countries, such as South Africa, Nigeria and Kenya. At the same time, France started

to use new methods to provide financial assistance to African countries so as to strengthen its international prestige. For instance, it has begun to utilize it with international institutions, such as the European Union (EU) and the World Bank (Cumming, 1995: 397-8).

During the presidency of Nicolas Sarkozy (2007-2012), France developed new methods to preserve its political, economic and strategic interests over Africa. Sarkozy focused on the new concepts, such as peace, security, stability, democratization, the rule of law, good governance, and economic partnership to consolidate its relations with Africa. Importantly, French policy towards Africa shifted from unilateralism to multilateralism. Unilateral military operations by France have been very expensive and have damaged France's image and prestige in Africa and in the world. Therefore, France has begun to involve in Africa militarily through cooperation with international organizations, such as the EU, NATO, AU and the UN. For instance, the EU deployed its first military mission outside Europe to the Democratic Republic of Congo in June 2003. The main aims of the operation were to maintain peace and security, to improve the humanitarian situation, and protect the displaced persons in the refugee camps in Bunia. However, the operation was very limited and short. It lasted just three months and was unable to bring lasting peace, security and stability to the country (Siradag, 2012:270-2).

Likewise, the EU authorized its largest peacekeeping operation in Africa in Chad and Central African Republic in 2008 and 2009 (EUFOR Tchad/RCA). France has been the most important actor supporting the EU peacekeeping operations in Africa militarily, economically and politically. The main driving factor behind France's strong involvement in the EU's military operations was its new multilateral policy in Africa. In addition, the UN currently has seven peacekeeping operations throughout Africa.<sup>3</sup> France plays a significant role in strengthening the military and financial capacities of the UN peacekeeping operations in Africa, and is among the countries providing the most support to the UN peacekeeping operations there (United Nations, 2013). Chasles (2011:4) asserts that multilateralism has provided a number of significant opportunities for France. It legitimizes its military operations through international organizations and increases its global prestige. At the same time, Reinforcement of African Peacekeeping Capacities (RECAMP), established by France

in 1998, showed that France added a multilateral approach to its French policy in Africa. France created RECAMP in association with England and the US to increase the military capacity of African countries so they could be involved in peacekeeping operations. The Association included Francophone African countries, the USA, England, Belgium, and five Anglophone countries (United Nations, 1997). The fundamental reasons behind the creation of RECAMP are as follows:

1. To get support of international organizations for French military operations in Africa,
2. To legitimize French military operations in Africa and in the world,
3. To strengthen military cooperation between Africa and France,
4. To reduce the high cost of French military operations in Africa.

Since the post-independence era in Africa, France has institutionalised its relations with African states, and, since 1973, has organised Franco-African summits in order to reinforce its social, economic, and political relations with Africa. At the France-Africa summit in Nice June 2010, France underlined that establishing a strategic partnership based on equality, solidarity and mutual respect was necessary for fighting against the common threats facing both continents and for enhancing their mutual interests. Importantly, France agreed to strengthen Africa's security system through regional and sub-regional organisations, and in so doing pledged €300 million between 2010 and 2012 to African states and organisations. It also agreed to train 12,000 African troops to reinforce African peacekeeping operations during that time (France Diplomatie, 2010).

### **French Foreign Policy towards Africa under François Hollande**

François Hollande was elected as the new president of France on 6 May 2012. In particular, the Mali crisis has been a crucial test for the Socialist French president. French intervention in Mali in January 2013, known as "Operation Serval," demonstrated that France has continued to pursue its economic and strategic interests in Africa. It also showed that "continuity" has been one of the most significant foreign policy principles



in French policy towards Africa. Hollande made his first official visit in Africa to Dakar, Senegal in October 2012. During his visit, he stressed that democracy, human rights, and the principle of mutual respect will play a critical role in developing relations between Africa and France. According to the French president, geographical proximity, the human factor and economic and energy relations have been the most important factors influencing French policy in Africa (Melly and Darracq, 2013:12).

President Hollande's predecessor, Nicholas Sarkozy, came to power in 2007 stressing that France should change its relations with Francophone Africa and decrease the number of French military bases in Africa (*ibid.*, pg.7). By contrast, French active intervention in Libya and the Ivory Coast in 2011 proved that it is difficult to change France's old relations with its former colonial countries. Even though the fundamental principles of French policy in Africa have not shifted with the new presidents of France, Hollande has implemented his new African policy based on France's geo-economic interests.

Prior to the French intervention in Mali, Hollande took steps carefully on the international scene and called the international community to work together against the rebels in the country. He underlined that the Malian crisis would not only threaten Africa's security but also international security. In particular, France called on African regional and sub-regional organizations to cooperate in combatting the insurgents and to support the regime in Mali. Furthermore, France has sought financial support from the Gulf Arab states to assist during the Mali operation. It is important to underline that France has used its global power in order to strengthen its economic, political and strategic interests by cooperating with international and regional organizations during the French Mali operation. On 20 December 2012, the UN authorized the deployment of the military operation of the ECOWAS in Mali, so that the Economic Community of West African States (ECOWAS) deployed its military mission to Mali known as "the African-led International Support Mission to Mali (AFISMA)."

France has sought to legalize its military operation in Mali with three critical steps. The first step is that France intervened militarily in Mali upon the request of the Mali government (Al Jazeera Center for Studies,

2013:3). The second step is that France collaborated with the international community during the Mali crisis. For instance, the UN Security Council (UNSC) with its resolution plan of 2085 adopted on 20 December 2012 played a critical role in legalizing the French military involvement in Mali. The last step is that France shared financial responsibility with the international community including the Gulf African states.

The French intervention in Mali also has strategic consequences for French foreign policy towards Africa. The first is that President Hollande increased his popularity and strengthened France's leadership position in Europe and in Africa. The second result is that France has kept its economic and strategic interests through the operation. Mali has significant oil, gas, and mineral resources. For instance, it is the third largest producer of gold in Africa (Evanno, 2013:1). Importantly, France is still highly dependent on these for its technological industries. Furthermore, Niger is a very rich country in uranium and a very important country for French economic interests. It is the fifth largest producer of uranium in the world. France makes 80 percent of its electricity from nuclear power and gets 33 percent of its uranium from Niger (Francis, 2013:6). France has still been using the rich resources of Africa for its economic and technological developments (Moncrieff, 2012:360). In addition, France with the cooperation of the EU and the Republic of Mali organized an international donors conference named "Together for a New Mali," held in Brussels on 15 May 2013, in order to reinforce the legalization of French military intervention in the world. One hundred eight countries attended the conference and "the Plan for the Sustainable Recovery of Mali (PRED)" was adopted by the participants of the conference. The donor countries have committed to donate €3.25 billion to Mali.

The French Defense Ministry adopted the "White Paper on National Security and Defence" on 29 April 2013. According to the white paper, France should retain its military bases in the strategic countries of Africa to maintain its economic, strategic, and global interests through Africa. In particular, the region of the Sahel, Equatorial Africa, the Horn of Africa, and sub-Saharan Africa have been significant for French economic and strategic interests (Melly and Darracq, 2013:12). It is likely that French foreign policy towards Africa under the leadership of Hollande

will continue to focus on developing French economic, strategic and political interests in Africa. The French military intervention in Mali shows that France will continue to get involved in strategic countries in Africa militarily when French security and strategic interests are threatened.

## **Conclusion**

Africa has been a strategic place providing a wide range of opportunities for France, which has maintained its strong historical, economic, political and strategic relations with African countries since the end of the colonial period. There are about 240,000 French citizens living in Africa and many international French companies operating on the continent, such as Total, Areva, Accor, Bolloré, Bouygues, and Elf Aquitaine. These French companies have played a significant role in developing French interests on the continent. Africa has rich natural resources and provides raw materials, such as uranium, natural gas, and oil to France. Importantly, France is the largest trading partner for the African countries within the EU members. French economic interests in Africa have been the most important driving factor influencing France's relations with the continent.

The emergence of the new actors in Africa has affected the dynamics of French foreign policy towards Africa and forced France to adopt a new foreign policy towards Africa. The new actors have increased their economic, political and diplomatic relations in Africa. For instance, while China's total trade with Africa reached \$111.81 billion in 2012, India's total trade with Africa was around \$45 billion in 2010. Turkey has also strengthened its economic and political relations with the continent, with its total trade with Africa increasing to \$23 billion dollars in 2013 from \$2 billion dollars in 2002. The new threats and challenges, including immigration issues and drug trafficking have also influenced French foreign policy on the continent. After the 9/11 attacks, fighting against international terrorism has been a strategic priority for France. Conflicts and wars, political instabilities and failed states have threatened French economic and strategic interests on the African continent. Since 2000, France has been actively involved in African peace and security in order to sustain security. For instance, it plays a leading role in the EU peacekeeping operations in Africa.

The main reason behind France's active involvement in the EU and UN peacekeeping operations in Africa is the protection of French economic, political and strategic interests on the continent against the new emerging threats and challenges.

France has changed its foreign and security policies according to the new global developments. Until 2000, France had a unilateral policy towards Africa, and did not work closely with the international community when getting involved in African politics. In the post 9/11 era, France has particularly begun to work with the international community in order to more effectively respond to the new threats and challenges which face France and Europe. For instance, President Hollande has actively cooperated with global actors during the January 2013 French military operation in Mali. The Mali operation showed that multilateralism has become one of the most significant foreign policy tools in French foreign policy in Africa.

One of the main reasons behind the French military operation in Mali was to fight against international terrorism. However, on this front French policy in Africa faced serious challenges. French policy-makers established a connection between the religion of Islam and terrorism for the French military operation, which damaged France's image in the Islamic world. In addition, While France refused the deployment of a military operation to support the regime in the Central African Republic, it intervened in Mali militarily for a short time in January 2013. Its contradictory foreign and security policy has undermined its credibility in world politics.

Since 1960, France has intervened militarily in Africa more than 50 times. French military involvement in Africa shows that the relations between Africa and France will continue to develop and protect French economic and strategic interests. France has retained its military bases in strategic countries in Africa, including Gabon, the Ivory Coast, Djibouti, and the Central African Republic. These military bases of France in Africa have been playing a significant role in keeping French economic and strategic interests throughout Africa. Lastly, Africa will never lose its strategic importance for France and the concept of continuity will apply to French policy in Africa.

## ENDNOTES

- 1 He remained in power between 1959 and 1969.
- 2 These countries and leaders would include the former president of Rwanda Juvénal Habyarimana, the former president of the Democratic of the Congo Mobutu Sese, Cameroon's president Paul Biya, Chad's president Idriss Déby, the former president of Togo Gnassingbé Eyadéma, the former president of Gabon Omar Bongo, and the former president of Ivory Coast Aimé Henri Konan Bédié.
- 3 They would include Darfur, Liberia, Western Sahara, South Sudan, Democratic Republic of Congo, Ivory Coast and Abyei.

## REFERENCES

- Agbese, P. O., ed. 2004. *The Military and Politics in Africa: From Engagement to Democratic and Constitutional Control*. England: Ashgate Publishing Limited, pp. 53-55.
- Al Jazeera Center for Studies, 2013. *French Intervention in Mali: Causes and Consequences*. Doha: Al Jazeera Center for Studies, pg. 3.
- Chasles, J.M., 2011. Nicolas Sarkozy's African Policy in the Context of Franco-Chadian Relations. *Dynamiques Internationales*, Vol. 4., pg. 4.
- Conte, B., 1997. France's African Aid Policy: The End of an Era? *Review of African Political Economy*, Vol. 24, No. 71, pg. 141.
- Cumming, G., 1995. French Development Assistance to Africa: Towards a New Agenda? *African Affairs*, Vol. 94, No. 376, pp. 397-398.
- Degang, S. and Zoubir, Y., 2011. Sentry Box in the Backyard: Analysis of French Military Bases in Africa. *Journal of Middle Eastern and Islamic Studies (in Asia)*, Vol. 5, No., 3, pg. 90.
- Engel, U. and Olsen, G.R., 2005. *Africa and the North: between Globalization and Marginalization*. New York: Routledge, pp. 43-4.
- EUROSTAT, 2010. France's economic relations with Africa published by EUROSTAT, Revival of EU 27 trade in goods with Africa, STAT/10/178, 26 November 2010.
- Evanno, P., 2013. By Getting out of the Western Contradictions: France May Win in Mali. *African Perspective*, No:1-1, pg. 1.
- Federation of American Scientist, 2012. Status of World Nuclear Forces. Available from: <http://www.fas.org/programs/ssp/nukes/nuclearweapons/nukestatus.html> (Accessed 10 March 2013).
- Fenwick, L., 2009. *British and French Styles of Influence in Colonial and Independent Africa: A Comparative Study of Kenya and Senegal*. Washington, D.C.: American University, pp. 2-5.

- France Diplomatie, 2010. Africa-France Summit, Final Declaration, 1 June 2010. Available from: [http://www.diplomatie.gouv.fr/en/IMG/pdf/2010\\_Africa-France\\_Summit\\_Final\\_Declaration-2.pdf](http://www.diplomatie.gouv.fr/en/IMG/pdf/2010_Africa-France_Summit_Final_Declaration-2.pdf) (Accessed 30 May 2013).
- France 24, 2010. *French Military Bases in Dakar to Close Doors*. Available from: <http://www.france24.com/en/20100220-french-military-bases-dakar-close-doors> (Accessed 7 June 2013).
- Francis, D. J., 2013. *The Regional Impact of the Armed Conflict and French Intervention in Mali*. Norway: Norwegian Peacebuilding Resource Centre, pg. 6.
- Hance, W. A., 1975. *The Geography of Modern Africa*. (2nd ed.). New York: Colomna University Press, pg. 85.
- Hrituleac, A., 2011. *The Effects of Colonialism on African Economic Development: A Comparative Analysis between Ethiopia, Senegal and Uganda*. Aarhus: Aarhus University, pg. 36.
- Illiffe, J., 2007. *Africans: The History of a Continent*. Cambridge: Cambridge University, pg. 195.
- International Monetary Fund, 2012. World Economic Outlook Database. Available from: <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx> (Accessed 10 March 2013).
- Iverson, A.W.P., 2007. *From Eurafica to Multilateralism: The Europeanization of France's Africa Policy*. Vancouver, B. C.: University of British Columbia, pp. 16-17.
- Korner, H., 2002. The Franc Zone of West and Central Africa: A Satellite System of European Monetary Union. *Intereconomics*, Vol. 37, No. 4., pp. 199-201.
- Kieh, G. K. Jr., 2004. "Military Engagement in Politics in Africa" in Kieh, G. K. Jr. and Agbese, P. O. (Editors), *The Military and Politics in Africa: From Engagement to Democratic and Constitutional Control*. England: Ashgate Publishing Limited, pp. 53-55.
- Klein, M., 1998. *Slavery and Colonial Rule in French West Africa*. Cambridge: Cambridge University, pg. 22.
- Manning, P., 2004. *Francophone Sub-Saharan Africa: 1880-1995*. Cambridge: Cambridge University, pp. 75-6.
- Marks, T. A., 1974. Djibouti: France's Strategic Toehold in Africa. *African Affairs*, Vol. 73, No. 290, pg. 96.
- Marshall, B., 2005. *France and the Americas: Culture, Politics, and History*. California: ABC-CLIO, pg. 474.
- Martin, G., 1985. The Historical, Economic, and Political Bases of France's African Policy. *The Journal of Modern African Studies*, Vol. 23, No.2., pg.191.
- Martin, G., 2000. *France's African Policy in Transition: Disengagement and Redeployment*. Illinois: University of Illinois, pp. 7-13.
- Melly, P. and Darracq, V., 2013. *A New Way to Engage? French Policy in Africa from Sarkozy to Hollande*. London: Chatham House, pg. 12.

- Moncrieff, R., 2012. French Africa Policy: Sarkozy's Legacy, and Prospects for a Hollande Presidency. *South African Journal of International Affairs*, Vol. 19, No. 3, pg. 362.
- Ogunmola, D., 2009. Redesigning Cooperation: The Eschatology of Franco-African Relations. *Journal of social Sciences*, Vol. 19, No. 3., pg. 236.
- Pepy, M. D., 1970. France's Relations with Africa. *African Affairs*, Vol. 69, No. 275, pp. 158-159.
- Shin, Won Yong., 2010. French Foreign Policy towards Africa under Jacques Chirac. *The Mediterranean Review*, Vol. 3, No. 2, pg. 76.
- Siradag, A., 2012. Causes, Rationales and Dynamics: Exploring the Strategic Security Partnership Between the European Union and Africa. Leiden: Leiden University.
- Siradag, A., 2012. EU-AU Strategic Partnership on Security: The Case of Africa. USA.: LAP Lambert Academic Publishing, pp. 270-272.
- Smith, B. C., 2003. Understanding Third World Politics: Theories of Political Change and Development. (2<sup>nd</sup> ed.). Indiana: Indiana University Press, pg. 76.
- Staniland, M., 1987. Francophone Africa: The Enduring French Connection. *Annals of the American Academy of Political and Social Science*, Vol. 489, pg. 52.
- Stockholm International Peace Research Institute, 2011. The 15 Countries with the highest military expenditure in 2011. Available from: [http://www.sipri.org/research/armaments/milex/resultoutput/milex\\_15/the-15-countries-with-the-highest-military-expenditure-in-2011-table/view](http://www.sipri.org/research/armaments/milex/resultoutput/milex_15/the-15-countries-with-the-highest-military-expenditure-in-2011-table/view) (Accessed 10 March 2013).
- United Nation. Financing Peacekeeping. Available from: <http://www.un.org/en/peace-keeping/operations/financing.shtml> (Accessed 30 May 2013).
- United Nation, 1997. Reinforcement of African Peace-keeping Capacities (RECAMP). Availabe from: [http://www.un.int/france/frame\\_anglais/france\\_and\\_un/france\\_and\\_peacekeeping/recamp\\_eng.htm](http://www.un.int/france/frame_anglais/france_and_un/france_and_peacekeeping/recamp_eng.htm) (Accessed 30 May 2013).
- University of Princeton, 2013. Military of France. Available from: [http://www.princeton.edu/~achaney/tmve/wiki100k/docs/Military\\_of\\_France.html](http://www.princeton.edu/~achaney/tmve/wiki100k/docs/Military_of_France.html) (Accessed 10 March 2013).
- Utley, R., 2002. Not To Do Less But To Do Better: French Military Policy in Africa. *International Affairs*, Vol. 78, No. 1, pg. 130.
- World Bank, 2011. Gross Domestic Product 2011. Available from: <http://databank.worldbank.org/databank/download/GDP.pdf> (Accessed 10 March 2013).

# The New Great Game and Continuing Stalemate in Afghanistan

Manoj Kumar Mishra\*

## Abstract

*After the disintegration of the Soviet Union, Afghanistan became a theatre of a new Great Game. During the Cold War, the Great Game in Afghanistan between Czarist Russia and the British Empire gave way to another Great Game, this one between the Soviet Union and the US. The Great Game has historically referred to the competition between two Empires (British and Russian) or two superpowers (US and Soviet) for geopolitical supremacy in the regions between the Eurasian Heartland and the Indian Ocean. These regions were not only considered important for the development of land strategies but they were also treated equally important for developing naval strategies. Furthermore, these areas provided access to key resources for the sustenance of a global power, such as minerals, gas and oil. The objectives of the players of the new Great Game that ensued after the disintegration of the Soviet Union contained both the strategic and resource ambitions of the former participants of the Great Game. However, there are certain changes in the new Great Game that make it more complex. There are not only more participants in the Game, the character of the Game has changed. The paper argues that this new Great Game might make solutions to Afghan problems a difficult affair and precipitate another Civil War after US withdrawal from Afghanistan in 2014.*

**Key words:** Great Game, New Great Game, Strategy, Central Asia, Natural resources, Alliance

---

\* Ravenshaw University, School of International Studies, Odisha, India.  
Email:manojhyderabad@gmail.com, The author wishes to thank Prof. Prithvi Ram Mudiam, University of Hyderabad and Prof. Niranjana Barik, Ravenshaw University for their valuable suggestions.



## **Introduction**

With the disintegration of the Soviet Union, the Cold War alliance structure in various parts of the world crumbled. Various previous allies of the superpowers, like Iran and Pakistan assumed more prominent roles in their respective regions. They began to play an independent role without being formally allied and committed to any particular power. India lost an important ally with the disintegration of the Soviet Union and therefore was forced to take up an independent role in regional affairs. While in the earlier Great Games, access to a passive Central Asia was the lure for the players, the Soviet disintegration led to the emergence of many independent states in Central Asia who aspired to play an independent and active role in international politics. While the Cold War tight alliance structure put a lid on terrorist groups and prohibited them from becoming very powerful organisations except for being used as strategic weapons, the demise of the Soviet Union has resulted in the emergence of these groups as powerful non-state actors in international politics. The more independent regional powers have therefore maintained strong links with these non-state actors for their geopolitical interests. The independence of various regional powers is also ensured by the growing economic interdependence between various states and the availability of nuclear weapons in these states. Thus, Afghanistan witnesses a new Great Game characterised by more independent regional powers, a secret and shifting alliance system between the regional powers and radical groups, and the inability of America to determine the course of events through coercive diplomacy.

### **Strategies of major powers in Afghanistan**

#### **American Strategy in Afghanistan**

American interest in Afghanistan and the former Soviet Republics became more pronounced after the disintegration of the USSR. With the emergence of many newly independent states a power vacuum was produced in the Eurasian Heartland which prompted the US to begin developing continental strategies there. American attention was also increasingly focused on the volume of natural resources hidden in the Central Asian

region, which was much advertised in the 1990s. In order to reach out to the former Soviet Republics in the post-Cold War period, the leadership in the US developed the doctrine of enlargement in place of the containment strategy (Shen, 2010). The doctrine of enlargement which was based on the principles of democracy, human rights and a market economy proved to be unsuccessful in the authoritarian Central Asian states. The US could not also resort to coercive diplomacy as it needed Russia's support to deal with new conventional threats like Iran and Iraq. In this context, terrorism appeared to be a global-scale overriding threat around which it could organise its geopolitical interests immediately after 9/11 (Buzan, 2006). Afghanistan was not only the centre of terrorism, it was also vital for the US to transfer Central Asian energy resources to the world market while bypassing Russia and Iran. Moreover, Afghanistan was central to the American 'Greater Central Asia' project of moving the Central Asian states away from the Russian and Iranian orbit of influence towards Afghanistan and Pakistan (Menon, 2003). The War on Terror in Afghanistan provided the US an entry to the Central Asian states and helped in establishing military bases and securing transit rights in Central Asia for the military and non-military supplies to the American and NATO forces in Afghanistan.

The Clinton Administration fostered regional cooperation with Central Asia relying on multilateral institutions such as NATO's Partnership for Peace initiative (PfP) and the Central Asian Economic Community. The PfP allowed the partner Central Asian countries to build up an individual relationship with NATO, choosing their own priorities for co-operation. Starting from the late 1990s, the US Congress passed bills that called for the diversification of energy supplies from the Central Asian and Caspian regions (Yang, 2008). After assuming office, the Bush Administration released an energy policy report indicating that the exploitation of Caspian energy resources could not only benefit the economies of the region, but also help mitigate possible world supply disruptions, a major US security goal. Both the Clinton and Bush Administration considered Afghanistan vital for the American Central Asian strategy.

The US tried to shape the Afghan war unilaterally according to its own geopolitical interests, and it tried not to give Iran and Russia any major role in developing Afghan war strategy. It tried to secure most of

the military bases and supply routes for western troops in Pakistan and Central Asia. The US also tried to temper its overtly unilateral policy by using 'divide and rule' tactics. To do this, it began to engage Central Asian states bilaterally. It was argued that once Kazakhstan and Uzbekistan, the two key players in Central Asia, stepped out of the Collective Security Treaty Organisation (CSTO) and Shanghai Cooperation Organisation (SCO) and began directly dealing with the US and NATO that these two organisations would be effectively kept out of the Afghan cauldron. The US allowed NATO at the same time to negotiate with Russia for transit route facilities. Therefore, the US engaged the regional powers bilaterally, robbing them of the collective strength that could have been expressed through organisations like the CSTO and SCO (Bhadrakumar, 2008).

The US's unilateral role was also facilitated by the political problems that characterise the bilateral relationships between India and Pakistan, India and China, Iran and Pakistan, and Russia and China. To gain Pakistan's cooperation, the US has used the 'India card', asking India at times to play a larger role in Afghanistan. Similarly, to contain India, it tried to raise the Chinese specter (Bhadrakumar, 2008).

According to a former diplomat of India, by the end of 2008, the US was taking advantage of the interconnectivity that Afghanistan provides to begin developing an altogether new land route through the southern Caucasus to Afghanistan which steered clear of Iran, Russia and China. He believed that the materialisation of the project would be a geopolitical coup – the biggest ever that Washington would have swung in post-Soviet Central Asia and the Caucasus (Bhadrakumar, 2008). At one stroke, the US would be tying up military cooperation at the bilateral level with Azerbaijan, Kazakhstan, Uzbekistan and Turkmenistan, and at the same time would be able to consolidate its military position in the southern Caucasus. Furthermore, Washington was looking for new supply routes from and militarily bases in Central Asia, even though its close partnership with the Pakistani military was ongoing. He said: "the US has done exceedingly well in geopolitical terms, even if the war as such may have gone rather badly both for the Afghans and the Pakistanis and the European soldiers serving in Afghanistan" (Bhadrakumar, 2008).

S. Frederic Starr, Professor of the Central Asia-Caucasus Institute at Johns Hopkins University articulated the vision of a Modern Silk Route realising the enormous trade potential in the region. In the first half of 2009, the US established several new transit corridors to deliver non-lethal goods to its forces in Afghanistan. These routes, put together, are termed as the Northern Distribution Network. Many US officials are interested in seeing this network transformed into a Modern Silk Route (Kuchins, 2010). It must be noted that many political ideas like the Greater Central Asia project are justified through this economic logic, but in reality, the supply routes and ports once put in place can be used for dual purposes—both civilian and military.

Pakistan was considered the key for the realisation of the American plan in Afghanistan and Central Asia. After Osama bin Laden was found and killed in Pakistan, the US-Pakistan strategic relationship began to show the signs of strain. It lay bare the divergences of interests that both states pursued in Afghanistan. However, it is believed that both states would try to balance their relationship as they are interdependent in the formulation of strategies to realise their respective objectives in Afghanistan. The US has rarely any chance of making its plan of reconciliation with the Taliban successful without Pakistan's assistance. Pakistan's military and intelligence wing, the ISI, reserves strong connections with the top Taliban leaders and the Haqqani network. Similarly, Pakistan's objectives in Afghanistan would remain a distant dream without American military aid and economic assistance.

The Lisbon Summit of November 2010 between NATO and Afghanistan and the Strategic Partnership Agreement of May 2012 between the US and Afghanistan, foreground the long-term American interests in Afghanistan and Central Asia (Parthasarathy, 2012). Before the US begins to withdraw its forces from Afghanistan in 2014, it wants to sign a bilateral security agreement (BSA) with the Afghan regime on the basis of which it can station its forces in Afghanistan for an indefinite period. The American plan to withdraw from Afghanistan is more a result of rising domestic pressure, huge financial loss, military and civilian casualties than any kind of realisation that Afghanistan is geopolitically unimportant for US foreign policy objectives.

## **Russian strategy in Afghanistan**

Russian President Michael Gorbachev found in Iran a strategic partner with which Russia could work to counter the American strategy in Persian Gulf and Central Asia. They also developed strategies together in Afghanistan by arming and aiding the Northern Alliance forces against the Taliban. After the disintegration of the Soviet Union, Russia's role became more defensive in relation to Afghanistan and offensive in relation to Central Asia. Russia became busy in finding ways and means to keep the divided heartland under its control. Russia seemed neither interested in nor capable of securing a pro-Russian regime in Afghanistan, as had been the case during the Cold War. Russia, to contain the two non-conventional threats emerging from Afghanistan, namely drug-trafficking and Islamic fundamentalism, required the American presence - a conventional threat in the region. Therefore, it facilitated the American presence in the region to conduct its War on Terror, though not unconditionally. Nevertheless, Russia seemed to be aware of the American plan to install a pro-US regime in Afghanistan.

In response to the American role in the region, Russia accentuated its military role in the region. In October 2003, Russia established its first new regional military base since the Cold War at Kant, Kyrgyzstan. Russian and Kyrgyz officials also discussed the establishing of another major Russian military facility in southern Kyrgyzstan. Tajikistan granted Russia's 201st Motorised Infantry Division a permanent base near Dushanbe in October 2004. In June 2004, Russia and Uzbekistan signed a Treaty on Strategic Cooperation which provides for additional Russian military assistance to Uzbekistan and the creation of a joint anti-terrorism institute (Baksi, 2008).

In May 2005, the US critically responded to the Uzbek government's excessive use of force to suppress a violent uprising in the city of Andijon. It called for an independent investigation into the issue with international involvement and aligned its long-term interest in Central Asia with the promotion of democracy and human rights. Before the Andijon incident the US's policy in the region had been directed at strengthening the role of authoritarian leaders in order to get facilities to establish military bases. However, the Andijon incident led to a downturn in the bilateral relation-

ship between Uzbekistan and the US. The Russian ideology of 'sovereign democracy' and the continued policy of supporting the leaders in Central Asia reaped better results, and in November 2005, Russia and Uzbekistan signed a treaty on Allied Relations that pledged mutual military assistance in the event either becomes a victim of "aggression".

To secure an American withdrawal from the region, Russia initiated the Shanghai Cooperation Organisation (SCO) declaration in 2005 to fix time limits on the temporary use of infrastructure and on the length of military contingents by the anti-terror coalition. The SCO was formed in June 2001 when Uzbekistan joined the Shanghai Five – Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan – which had first met in 1996. Uzbekistan, which strongly resisted the Russian effort to bring Central Asia into closer security cooperation, joined the SCO because Russia's presence there is balanced by China. Currently, India, Iran and Pakistan enjoy observer status in the group. The SCO's declared purpose was security cooperation in relation to terrorism, Islamic fundamentalism, and separatism. However, after September 11, the organisation has also sought to counter Western influence in the region. America's withdrawal from the Manas Air Base in Kyrgyzstan became a priority of Russian policy. The Kyrgyz President, Bakiyev, speaking in Moscow after a lengthy haggling session in which he had secured a \$2 billion loan from Russia, said that the Americans would be given six months to withdraw. Since the mid-2000s, the Manas airbase had been under attack in the Russian and local press, which succeeded to a large degree in shaping public sentiment against the presence of the US in Kyrgyzstan. In April 2009, Russian television broadcast a documentary alleging that Manas was a cover for a large-scale US spying mission on Russia (Bohr, 2010).

The Russian aim of ending US use of the base was frustrated by the fact that US payments for use of the base represented a substantial financial assistance to Kyrgyzstan. Instead of opposing the US and Kyrgyz government, Russia looked for a new military base in the city of Osh in southern Kyrgyzstan, which was to be a key component of the new Collective Operational Reaction Forces (CORF) under the auspices of the Russian-led Collective Security Treaty Organisation (CSTO). In June 2009, the CSTO formally created CORF as part of its ambition to cre-

ate forces 'on par with NATO forces' and in view of the unstable situation in Afghanistan. However, Uzbekistan has objected to the opening of this military base. The Uzbek leadership has argued that the continued destabilisation in Afghanistan is largely in Russia's interest, in so far as Russia has used the conflict there to justify an expansion of its military presence in Central Asia. (Mishra, 2013).

Perhaps because of Russia's overriding influence due to its monopoly in oil supplies, the Central Asian states have agreed to strengthen CSTO as an alternative to NATO. In one of the top-level summit meetings, the CSTO leaders unanimously agreed that countries outside the regional security bloc would only be able to establish military bases on the territory of a member-state with the consent of all member-states. The Russian president Medvedev said "the decision we have made with regard to military bases in a third country is very important for the consolidation of positions within the CSTO" (Upadhyay, 2012). Such a decision by the CSTO member-states assumes significance in view of the reported American plans to redeploy to Central Asia some of the forces that will be pulled out of Afghanistan in 2014.

Russians claimed that Central Asia's borders were their southern borders and that Russia was vulnerable to a wide range of security threats within Central Asia. Not all of these threats concern America. It was argued that the Afghanistan campaign might have actually exacerbated the security problems by dispersing Taliban groups into Central Asia. Moreover, the issue of drug-trafficking, which the Russians insisted be firmly dealt with, was not seriously taken up by the Americans. The warlords on whom the American-led Afghan operation depended never wanted drug production and drug-trafficking to be part of the operation.

Diplomatically, Russia has supported Iran in its nuclear programme and opposed heavy sanctions against it. Russia believes a continuing stalemate on the nuclear issue will sap American energy and weaken its role in the region (Fedorov, 2009). Iran and Russia share a common perception of American intentions in the region. Both countries agree that any reconciliation strategy to include the Taliban must be Afghan-led rather than American-led. Russia perceives a threat from the long-term presence of American forces in Afghanistan and the existence of military bases in Central Asian states.

## **Pakistan's Afghan Strategy**

To make its Afghan strategy successful, Pakistan on the one hand supported the US mission in Afghanistan and on the other hand, provided recurring support to the Afghan Taliban surreptitiously. Cables sent by the US ambassador, Anne Patterson, stated that Pakistan supports at least four terror/insurgent groups to strengthen its position in Afghanistan: the Afghan Taliban, the Haqqani network, the Hekmetyar network and Lashker-e-Taiba (Gregory, 2010). Pakistan led a selective military operation against the radical groups who had turned against the Pakistani state. It harped on the issue of violation of its sovereignty to curtail the American operation on its territory so as to shape the operation suitable to its own needs. Despite the odds, America has continued to supply a huge amount of economic and military aid to Pakistan because it is vital to Washington's grand designs in Central Asia, whereas India's role for America is vital in the Asia Pacific region to contain China. The chairman of the US Joint Chiefs of Staff, Admiral Mike Mullen, who accompanied US Special Envoy Richard Holbrooke to New Delhi in July 2010, wanted India to focus on its military-to-military cooperation with America and, of course, to work hard with the US to counter China's "assertive ... territorial claims and aggressive approach to the near-sea area recently" (Bhadrakumar, 2010). At the same time, Mr. Holbrooke advised India not to worry about the future of Afghanistan, where New Delhi would have a role to play (Bhadrakumar, 2010).

Pakistan's complaint that it faced a dual threat coming from its eastern and western frontier during the War on Terror led the Obama Administration to develop the AfPak strategy, which envisaged that the territorial integrity of Pakistan had to be maintained for success in Afghanistan. According to an Indian scholar, "The US to stabilise Afghanistan, is unlikely to favour a genuine Pashtun nationalist movement given the obvious adverse consequences it would imply for Pakistan's territorial integrity" (Singh, 2009).

Pakistan has received substantial aid from the US in order to combat terrorism on its soil as part of the War on Terror. After the Soviet military intervention in Afghanistan, Pakistan got more "war aid" than "developmental aid" from the US. According to Akbar Zaidi, "The war aid



disbursed to Pakistan's military, the ISI, and the Afghan mujahideen - although intended to serve America's purposes more than Pakistan's - ironically nurtured the very entities that were to cause serious problems three decades later" (Zaidi, 2011). The War on Terror reinforced a substantial amount of American "war aid" to Pakistan. From 2002 to 2010, the US provided almost \$19 billion to Pakistan which did not include commitments such as the Enhanced Partnership with Pakistan act of 2009. Over the period of 2002-2008, only 10 per cent of this money had been explicitly designated for development purposes whereas 75 per cent had been explicitly set aside for military purposes (Zaidi, 2011). However, Pakistan used the military aid for purposes other than combating terrorism. According to Azeem Ibrahim, "The Pakistani military did not use most of the funds for the agreed objective of fighting terror. Pakistan bought much conventional military equipment. Examples include F-16s, aircraft-mounted armaments, anti-ship and anti-missile defence systems, and an air defence radar system costing \$200 million, despite the fact that the terrorists in FATA have no air attack capability. Over half of the total funds-54.9 per cent-were spent on fighter aircraft and weapons, over a quarter-26.62 per cent on support and other aircraft, and 10 per cent on advanced weapons systems" (Ibrahim, 2009).

Pakistan, in order to control the outcome of the War on Terror has at times denied its territory to NATO convoys to undertake civilian supplies. It has condemned American drone strikes on the Pakistani side of the Durand Line (the border between Afghanistan and Pakistan) and complained that they violate Pakistan's sovereignty. Moreover, it maintains links with the Afghan Taliban and Haqqani network to shape the War on Terror according to its objectives.

While Pakistan desperately needed the US arms and aid to strengthen itself against India and to play a greater role in Afghanistan, it has had to contain the regional ambitions of Iran, Russia and India and extra-regional ambitions of the US to secure its influence in Afghanistan and, through it, in Central Asia.

In the post-Cold War era, there have been marked changes in the relationship between Pakistan and Russia. While India has moved away from the Cold War time strategic relationship with the USSR, Pakistan

and Russia have come closer, as the former is thought to be vital in stabilising the situation in Central Asia and other parts of the former USSR. The long-term relationship between Pakistan and the extremist Islamic groups has given the former the leverage to broker peace in various regions on the Asian continent. Whether Pakistan exercises enough control over these groups is questionable, the synergy between the Pakistani military and ISI with the extremist groups has induced various countries to engage Pakistan to broker peace (Bhadrakumar, 2009). The quadripartite summit of Russia, Afghanistan, Pakistan and Tajikistan in Sochi, hosted by President Dmitry Medvedev, points to a redefining of the relationship between the two countries in the post-Cold War era. According to Vladimir Radyuhin, what has made Moscow change course is the realisation that “seeing Islamabad as part of the region’s problems does not help to advance the Russian goal of playing a bigger role in the region. The Kremlin finally decided that Pakistan must be part of the solution. The format of four-way cooperation with Pakistan, Afghanistan and Tajikistan should help Moscow prepare for the eventual pullback of the U.S.-led forces from Afghanistan: engage Pakistan, return to Afghanistan and tighten Russian hold over the former Soviet Central Asia” (Radyuhin, 2010). He further argues that the Sochi summit “dimmed India’s hopes of gaining a strategic foothold in Tajikistan. India and Russia had planned to jointly use the Ayni airfield, which India helped to renovate, but Indian presence there looks very doubtful in the context of the emerging Russia-Afghanistan-Pakistan-Tajikistan axis. India will, of course, remain Russia’s close friend and strategic partner, but it will have to learn to live with the new Russian-Pakistani bonhomie, just as Russia has taken in its stride India’s entanglement with the U.S.” (Radyuhin, 2010).

### **Iranian Strategy in Afghanistan**

After the disintegration of the USSR and emergence of the Central Asian states, Iran’s conception of region expanded. It saw its interests not only in the Persian Gulf or in the Shia populated states, it had also an increasing interest in Central Asia and in using Afghanistan as a corridor to Central Asia. South Asia also emerged as one of the biggest markets for Central Asian resources and therefore a destination for Iran’s commercial

interests. In order to play a major role in the wider region, Iran shed its support for only the Shiite factions and enlarged its support to other groups in Afghanistan. Iran also became wary of the American role in the region. Though Iran provides the shortest and cheapest routes for the transfer of Central Asian energy resources and therefore aspires to play a major role in oil politics, containment of Iran was so important for the US that pipeline projects like the Turkmenistan-Afghanistan-Pakistan (TAP) and the pipeline through Turkey were given utmost importance despite their commercial non-viability. The US administration exerted pressure on oil companies to accept the projects. The pipeline through Baku-Tbilisi-Ceyhan route was estimated to cost nearly four billion dollars and the financial companies found unjustifiable if the US and Turkish government did not pay part of it. The TAP pipeline project, on the other hand, involved the risk of insecurity as that was to pass through unstable Afghanistan and Pakistan and Unocol Vice President Marty Miller said that the project at that moment was not financeable (Mishra, 2012a). Apart from Iran's interest to supply oil to the world market, the US believed that Iran, being a Rimland country, could develop continental and naval strategies simultaneously unless effectively contained. Iran's ambition for a greater role in the wider region and US containment strategy got reflected in Afghanistan.

In May 2010, Iran was accused of training Afghan fighters inside Iran by General Stanley A. McChrystal, then the NATO commander in Afghanistan. Iran was also held responsible for supplying arms to the Afghan fighters. For example, in March 2011, Admiral Mullen told Congress that sizable weapons shipments from Iran had been intercepted though these charges were refuted by Iran. In July 2011, David S. Cohen, the Treasury Under-Secretary for Terrorism and Financial Intelligence, announced that Iran had entered a secret deal with an al-Qaeda offshoot that provided money and recruits for attacks in Afghanistan and Pakistan (Mishra, 2012a).

The Iranian government accused the US of aiding the Balochi Sunni insurgent group Jundullah, which was responsible for killing several senior Islamic Revolutionary Guards Corps officers. Iran tried to substantiate its accusations with statements from the Jundullah leaders. For example, in an Iranian state television broadcast a captured Jundullah leader, Abdolmalek

Rigi, made a statement that he received support from the US. Although the US denies any such claims, the continuation of the Balochi insurgency with an impact on Iran's territorial integrity will most likely result in furthering Iranian actions that undermine US goals in Afghanistan. It is argued that potential U.S. or Israeli military actions against Iran's nuclear facilities could result in more significant Iranian aid to the Taliban (Mishra, 2012a).

It was reported by the New York Times that in August 2010, on Afghan President Karzai's personal aircraft, Iran's ambassador to Afghanistan, Feda Hussein Maliki, handed over a bag filled with euros to Karzai's chief of staff, Umar Daudzai. The alleged purpose being, to promote Iran's interests and to counter US and other western influence in Afghanistan. It is argued that in the 2010 parliamentary elections, Iran apparently provided monetary support to the Hazaras who have gained considerable prominence and clout in the Afghan political scene (Mishra, 2012a). Iran argued for greater UN role in Afghanistan, continued its close relationship with Russia and allegedly maintained secret links with the Taliban to dilute American influence in Afghanistan. Iran invested in the reconstruction of Afghanistan in a way that western Afghanistan remained under the Iranian sphere of influence.

On November 24, 2013, the G-6 countries (US, UK, Russia, China, France and Germany) and Iran reached an understanding in Geneva that the West would lift sanctions partially with the temporary suspension by Iran of its nuclear programme (Aneja, 2013). However, such an understanding may not remove their mutual suspicions which lie in their adversarial geopolitical objectives. It would also be far-fetched to believe that the US would alienate its allies like Saudi-Arabia and Israel and cooperate with Iran beyond a limit.

### **Indian Strategy in Afghanistan**

India has shunned any kind of large military role in Afghanistan and confined itself to reconstruction activities. It opposed the American plan of reconciling with the Taliban and saw the distinction between the good Taliban and bad Taliban as a flawed exercise. It is argued that India in its declaration of unequivocal support for the US led War on Terror put all

its eggs in the American basket. The Indian government cooperated with the US to a surprising degree, dovetailing their Afghan policy with the US's AfPak objectives by breaking down walls and bureaucratic obstacles between the two countries' intelligence and investigating agencies. China, with its ideology of non-interference has refrained itself from taking up any major anti-Taliban role, on the plea that it would affect the Uyghur insurgency in Xinxiang province. Iran and Russia, with American withdrawal from the region as their priority would slowly tone down their opposition to the proposal of the Taliban's inclusion. India has so far diplomatically failed to engage these two countries in serious discussions on this issue.

India's opposition to Iran's nuclear programme and support for sanctions against it and India's lack of interest in the Iran-Pakistan-India (IPI) pipeline issue, have hampered the strategic relationship between Iran and India. India has backed three US – supported resolutions against Iran in the International Atomic Energy Agency and is enforcing UN Security Council sanctions against Tehran. On the other hand, Pakistan showed keen interest in the proposed pipeline and has been witnessed taking some concrete measures regarding this. There has been a growing closeness between Afghanistan's three immediate neighbours – Pakistan, Iran and Turkey. At two significant summits India was not invited for assisting in resolving the Afghan crisis - the trilateral summit held in Islamabad for discussing future roles of Afghanistan's immediate neighbours, and second, the security conference on Afghanistan hosted by Turkey. India was left with no choice but to rethink its policies along with the shifting roles (Iqbal, 2010).

The American and Iranian understanding that Iran would temporarily suspend its nuclear programme with the temporary lifting of American sanctions has apparently released new energy in Indo-Iranian cooperation. Iran has expressed its willingness to go ahead with the pipeline project alongwith India undercutting Pakistan's mere interest in the pipeline without financial ability.

While Pakistan moved closer to Russia in the post-Cold War era, India came closer to the US with robust economic engagement. Strategically, India has received a de-facto nuclear power status and has made significant deals on civil nuclear energy which Pakistan was unable to procure.

However, it is noteworthy that America's Central Asian strategy has been more dependent on Pakistan than India. While all sorts of favours that India received from the US were aimed at balancing China, it has been Pakistan's concerns in Central Asia that have been respected by the US. India never took note of the US's role in Afghanistan to forge its Central Asian strategy which does not co-opt Indian interests in Afghanistan and Central Asia. America's Greater Central Asian strategy seeks to place Afghanistan and Pakistan in the framework of Central Asian geopolitics. It is interesting to note that in India both the Ministry of External Affairs (MEA) and the Ministry of Defence (MOD) in their annual report 1995-96 referred nowhere to the US role in Afghanistan. Its singular obsession with Pakistan emerges as a recurring factor. The MEA says that the situation in Afghanistan "continues to be unstable", and goes on to say that it has been "further exacerbated by the interference of Pakistan directly and more so through its creation of the Taliban" (Navlakha, 1996). Taking this a notch higher, the MOD says that the Taliban "were armed and trained by Pakistan's Inter-Service Intelligence" and goes on to say that "Pakistan's attempts to install a pliable government in Kabul would have serious security implications for us" (Navlakha, 1996).

It is argued that India's greater dependence on the US regarding the Afghan operation blinded it from taking more seriously other countries sharing common concerns on the Afghan issue. India failed to engage Iran, on which its Central Asian strategy depends, in discussions on the future of the Afghan issue. Rather, it has estranged its relationship with Iran on a number of issues already mentioned. Russia was also not taken seriously by India on the Afghan issue, even though Central Asia is considered to be Russia's strategic backyard and any Indian strategy to expand influence beyond Afghanistan into Central Asia has to depend on Russia.

### **Factors that make the New Great Game complex**

#### **Erosion of American Soft-power**

There is the question of legitimacy involved in such kind of wars like the War on Terror in Afghanistan in which civilians die in numbers. The War is not against the state but against a group of people. If the enemy

is no longer the opposing state and its people but a regime or leadership, then bombs that miss their targets do not still hit the 'enemy' but rather, innocent civilians. In the Second World War there were few qualms about causing collateral because ultimately it was still the enemy that suffered. But when bombs missed their targets in Belgrade or Baghdad or in Afghanistan, it was the innocent and the vulnerable that suffered (McInnes, 2003). The Afghan case reveals how civilians may go to the extent of supporting the forces waging war against alien powers. Furthermore, the 'War on Terror' has widened the gap between international law and legitimacy. Legitimacy provides the necessary flexibility to law when the latter is relatively fixed and rigid. In this context, legitimacy can be understood not as deviation from existing law, but rather making the law more relevant to the changing conditions. The preemptive use of force against groups of people (terrorists), however, put international legitimacy in jeopardy (Byers, 2002). First, international law is based on the logic of self-defence, and secondly, states are the sole units of action. Preemptive attacks can be self-serving and actions against groups undermine the territorial integrity of states within which such groups operate. Military operations against such groups foreclose the policing and extradition options on which international law is based without there even being anyone to decide that there is sufficient evidence of state complicity in harbouring terrorists.

To gain a quick victory in the war against Al Qaeda, the US, along with violating international law, took the support of warlords who had no less violent objectives than did Al Qaeda or the Taliban. It is reported that the US still maintains relationships with various warlords to make its counter-insurgency strategy effective. The strengthening of warlords would lead to a more conflict-prone Afghanistan than a peaceful one. Even the problems of poppy cultivation and drug trafficking have been overlooked by the US to achieve its geopolitical objectives (Mishra, 2012b). The US's increasing emphasis on a military perspective on security is reflected in its highly technocratic view on war, its scorn for nation-building, and its prioritising of ends over means. All these factors will erode the soft-power resources of the US in the long-term.

In the post-Cold War period, it is being increasingly acknowledged that wars cannot be won militarily. Cold War politics was refrained from

a direct use of force and coercion due to parity of power between the two superpowers. With the end of the Cold War and the dismantlement of the Warsaw pact, American foreign policy makers assumed that coercion and use of force if necessary could serve US foreign policy objectives. However, the post-war situations in Iraq and Afghanistan are difficult to be managed by America alone. More importantly, they require long-term and socio-economic engagement rather than military operations alone.

Contrary to their actions, the US officials admit that wars cannot be won militarily. For example, the US former secretary of defence Robert Gates observed that “one of the important lessons of the wars in Iraq and Afghanistan is that military success is not sufficient to win: economic development, institution-building and the rule of law, promoting internal reconciliation, good governance, providing basic services...along with security, are essential ingredients for success.” (Fair, 2010). In the absence of these basic requirements, non-state actors like terrorists, warlords and civil war groups move from strength to strength. Realising that there is no military endgame to the Afghan problem, the US has looked for political solutions like talking to the Taliban to stop attacks on US and NATO forces in return for their reconciliation into the Afghan political mainstream. However, many analysts believe that it is a hasty decision on the part of the US. The American plan for withdrawal of its forces by the end of 2014 is considered premature, as the Afghan security forces are still not strong enough to protect the Afghan nation from the future security threats and the Taliban has not completely abjured violence and accepted the Afghan constitution in principle.

### **Assertive Regional Powers**

The involved states have entered into deep economic and cultural relationships which are mutually beneficial and any conflict on the military and strategic front would cost them more, as they would then have to bear the accumulated cost of disrupting the chain (Basrur, 2009). As economic security has begun to play a more important or at least as important role as does the military security perspective, some scholars have defined the world as militarily unipolar but economically multipolar. The global financial crisis points to the extent to which financial markets have



been integrated. To tone down the crisis required joint efforts on the part of major economic players and members of the G-20, and both developed and developing countries debated to develop a common strategy to deal with the crisis. Containment of Iran, which has been one of the primary objectives of American strategy in Afghanistan, may run into difficulties in an ever-increasing inter-dependent world. Even after Bush included Iran in his description of the “Axis of evil” in his State of the Union address of 29 January 2002, the European Union foreign ministers reached an agreement just five months later to open talks with Iran on a trade and cooperation pact. When the Sheer Energy Company of Canada agreed to a US\$80 million development project with the National Iranian Oil Company, the US objected to it categorically. Similarly, Moscow has a major investment in Iran’s nuclear programme. The Russian Ministry of Atomic Energy was closely involved in building Iran’s \$1 billion Bushehr nuclear power plant, and the Russian nuclear industry has continued seeking for more such projects (Fedorov, 2009).

Neither has the world emerged as completely unipolar, nor has any world society become firmly established. In between the two perspectives on the post-Cold War era, there remains a large grey area where states move from a pro-US foreign policy or clear anti-US or restricted foreign policy to a more independent foreign policy. For example, Iran pursued a cautious foreign policy in the Cold War period due to the presence of the Soviet Union near its border and America’s policy of sanctions after the hostage crisis. After the disintegration of the USSR, Iran has on several occasions expressed its will to play the role of a regional power. It is developing nuclear plants with Russian assistance despite American sanctions. The coercive diplomacy of the US against Iran is ineffective so long as Russia does not agree to it. Growing interdependence and the availability of nuclear weapons and weapons of mass destruction to large number of state actors have granted such independence to them. In the aftermath of 9/11, though the Iranian President Syed Mohammad Khatami condemned the attacks and sympathised with the American people, he favoured a UN led ‘anti-terror coalition’ to take on the terrorists, and noted Iran’s willingness to participate in such a coalition. But the unilateral American attack on Afghanistan led to Iran’s accusation that the move was part of a long-

term US plan to dominate different regions of the world. Similarly, while India and the US have developed a strategic partnership in the post-Cold War period in the form of civil nuclear deal, Pakistan and Russia tried to improve their relations as the Summit in Sochi indicated (Radyuhin, 2010). In the case of Afghanistan, regional powers like Iran, Pakistan, India and many Central Asian states are trying to pursue their strategic interests more independently. Central Asia, which until the disintegration of the Soviet Union, had a clear anti-US thrust in its relations with other countries because of the Soviet Union's foreign policy making, tried to move away from Russia's orbit but never wanted to replace Russian hegemony with any other power's hegemony. They preferred independence to any other kind of regional security arrangements centering around a hegemon. Therefore, they played one power against the other to secure independence.

### **A zero-sum Game between the players of the New Great Game**

A military and strategic perspective on security is based on a zero-sum game. Gain is ensured by defeating the enemy. The states which fight the enemy have different military-strategic objectives. When the end objective is military-strategic in nature, the immediate objective of member-states is bound to be military-strategic with the same logic of a zero-sum game. For example, the US call for the 'War on Terror' has been conjoined by many states, but their military strategic objectives substantially differ as they belong to different geopolitical realities. While Pakistan is more inclined to defend its interests against India, Russia wants to maintain its interests in Central Asia by not allowing Islamic forces in. The 'War on Terror' would help Russia in its fight in Chechnya but it is worried about NATO's presence in Central Asia and Afghanistan. Iran wants to defend its geopolitical interests in Central Asia and maintain its traditional sphere of influence in western Afghanistan, and the Central Asian states understand the spread of Islamic fundamentalism across their territory and to get rid of the Russian monopoly over energy politics in the region they invite in a US presence. According to Farkhod Tolipov, the operation in Afghanistan is essentially leading to the juxtaposition of two realities: the international and unifying fight against terrorism on the one hand, and the conflict prone, disuniting geopolitical rivalry in the Central-South Asian macro-region, on the other (Tolipov, 2004).

### **Growing challenges from Non-state actors**

There are likely to be fewer cases of conventional warfare among the integrated members of the Europe, less US capability to engage militarily without the co-operation of other powers, and more economic engagements among the states, all of which raise the cost of military engagement and mitigate the chances of symmetrical warfare among nation-states. On the other hand, the rise of international terrorism and civil war situations in the post-Cold War era has increased the cases of asymmetric conflicts. In the era of globalisation, the “democratisation of technology”, the “privatisation of war” and the “miniaturization of weaponry” embolden radical groups vis-a-vis state actors (Mc Donough, 2009). Asymmetric wars cannot be won. The nuclear missile defence technology developed by the US will not be able to detect such operations if planes and buses are used for terrorist operations and people sneak in to the country using fake passports and visas. Unlike a conventional regular army of the opponent, there is no identifiable enemy in such asymmetric warfare. They mingle with civilians and they can even enter into the territory of some other states from where they can wage war. The difficulties in the counterinsurgency operations in Afghanistan revealed that the US Army was still embracing a big-war paradigm. Difficult terrains, porous boundaries, difficulty in understanding native peoples’ language, and cultural dissimilarity have all impeded the American fight against the Taliban and Al Qaeda.

It is an issue of recurring debate in Washington as to how to combine counterinsurgency operations effectively with nation-building efforts. It is because of America’s military thrust in its foreign policy, that counterinsurgency operations have gone more military, and thus impeded the nation-building process. According to Michael J. Mazarr “the tremendously insightful Hammes and policymakers such as the thoughtful and dedicated Gates have fully recognized the importance of nonmilitary instruments of power in dealing with these new threats and have called for improvements in those instruments. In practice, however, actual U.S. operations in these contingencies have retained an overwhelmingly military flavor” (Mazarr, 2008).

### **The shifting and secret alliance system**

In the context of the post-Cold War era in which alliances and partnership are always shifting, an effective policy of coercion cannot be ap-

plied. With the growth of non-state actors like radical religious groups, states do not always form alliances on a formal basis and can operate in a surreptitious way if the allying other group is not a state. Pakistan provides a cogent example to illustrate this. On the one hand it fights the 'War on Terror' and other side it provides sanctuary and logistical help to different terrorist groups. While the US has strong reservations regarding Pakistan being a strong ally to fight terrorism as the secret defence documents disclosed by Wikileaks point out, it gives more and more aid to Pakistan to reduce anti-Americanism and the support-base for terrorists in Pakistan (The US Embassy cables, 2011). In the beginning of 2011, at a time when the US was contemplating the ways and means to withdraw from Afghanistan, the Washington Post reported that the Obama administration would give Pakistan more military, intelligence and economic support after assessing that the US could not afford to alienate Pakistan (Adhikari, 2011). The White House rejected proposals made by military commanders who, after losing patience with Pakistan's refusal to go after the Afghan Taliban, recommended that the US deploy ground forces to raid the insurgents' safe havens inside Pakistan (The US Embassy cables, 2011). After Osama bin Laden was found and killed in Pakistan and after the interrogation of American-born but Pakistani origin terrorist, David Headley, the US relationship with Pakistan reached a new low. Headley, an American official working for Drug Enforcement Administration had strong links with the Al Qaeda and Pakistani terrorist groups like Laskar-e-Taiba. After he was arrested, he revealed the connections between ISI, Laskar-e-Taiba and Al Qaeda. However, analysts argue that still the US and Pakistan have a tacit understanding, as Pakistan has not shot down a single US drone, despite its complaints about frequent American drone attacks. Iran, on the other hand shot down the single US drone that crossed into its territory. Iran and China being deeply suspicious of American motives in the Central Asian region are reported to have provided military support to the Afghan Taliban. For example, there have been reports of Iran providing military hardware to the extremist Sunni Afghan Taliban and Chinese-made military equipment has reportedly also been found on Taliban fighters (Mullen, 2009). Thus, the shifting of alliances, the increasing capability of states to pursue independent foreign policy objectives and secret and informal alli-

ances, jeopardize coercive diplomacy and render the use of force ineffective. International politics relating to Afghanistan can be situated in the grey area defined by no clear alliances and by asymmetric warfare.

### **The New Great Game after the US withdrawal from Afghanistan**

Strategies adopted by different major powers in Afghanistan make solutions to the Afghan problem very difficult. The major powers seem to face a prisoner's dilemma where the opponent's intentions and actions are not clear. While many regional powers have joined the War on Terror led by the US, they have done so to facilitate their own role in the region. The people of Afghanistan perceive another civil war awaiting after US withdrawal, like the one that ensued after Soviet withdrawal. The US withdrawal from Afghanistan will affect the rough balance maintained among the Central Asian states and could result in the eruption of border disputes and ethnic conflicts entailing a negative impact on Afghanistan. Conflicts in Afghanistan could also spill over to volatile Central Asia (Mankoff, 2013). Russia which so far has limited its role to preventing passage of drugs and radical Islamism from Afghanistan into Central Asia could be compelled to play a major role in Afghanistan with the withdrawal of American forces. China, which so far had a free-ride on American and NATO military presence in Afghanistan and Central Asia and thus been able to concentrate on an economic diplomacy, could also be pushed to take up a military role to insure its energy interests in these areas (Weitz, 2013). Afghan President Hamid Karzai has asked India to take up a larger military role in Afghanistan by supplying weapons and training Afghan security forces. Pakistan has been preparing itself to secure strategic depth in Afghanistan with the eventual American withdrawal from Afghanistan. Iran, on its part, would never like the phenomenon of rising Sunni influence in Afghanistan and therefore would act to counter it. India's rising influence must be countered by Pakistan and vice versa. China's increasing military role would be a problem for Russia and India. Non-state actors like the Taliban may have their independent plans in Afghanistan or in collusion with state actors like Pakistan. American withdrawal from Afghanistan could create a power vacuum not only in Afghanistan, but could create a similar situation in Central Asia, enhancing the stakes of the regional powers like Russia, China, India, Pakistan and Iran.

If the present stalemate continues and the US withdraws, the new Great Game would continue in a more dangerous environment in the absence of a rough equilibrium maintained in the region by the US and NATO presence. The regional powers would intensify their roles and become more militaristic.

### **Framework for addressing the Afghan problem**

The Afghan problem can be addressed within a regional framework respecting Afghan neutrality and evolving strategies of regional cooperation with the initiatives and lead taken by the UN. Afghanistan's stability is dependent on the behaviour of its neighbours and extra-regional players like the US. Historically, Afghanistan pursued a policy of neutrality rather than joining any power-blocs or endorsing any externally imposed ideology. Therefore, the solution to the Afghan problem lies in upholding its neutrality status. The geostrategic situation of Afghanistan has tempted major powers to intervene there. However, the lesson that is to be learnt is that no Empire or state has been able to occupy Afghanistan. The British and Czarist Empires, the Soviet Union and the United States have all failed to achieve their desired objectives in Afghanistan.

The major powers need to shed their military understanding of security purely based on their respective geopolitical interests, avoid quick military solutions to the problems and instead wait for a prolonged process of consultations and negotiations and take care of the socio-economic problems. Afghanistan needs economic assistance for its development and security. The Afghan army needs to be properly trained to ensure security after the US leaves Afghanistan. Afghanistan also requires international support in order to turn into a democratic country that will allow for the representing of its multi-ethnic groups in the governance structure and the conducting of free and fair elections. Cooperation and understanding between the major powers can reduce the strength of radical groups and, therefore, bring them to negotiating table.

The UN needs to play a significant role as it would lessen the fear that if a major power does not promote its influence in Afghanistan, their adversaries would take advantage of that and spread their own agenda. The UN can be an effective check against a particular major power increasing

its influence at the cost of others. However, the effectiveness of the UN depends on the lessons learnt in Afghanistan by the major powers that it has benefited none but affected all.

## **Conclusion**

The new Great Game in Afghanistan involves many regional powers who began to assert their role more independently after the tight structure of the Cold War collapsed. The end of the Cold War also witnessed the growth of non-state actors like radical religious groups with asymmetric war tactics. Regional powers try to defend and promote their geopolitical interests by forming secret alliances with these groups which, in turn, undermine the interests of other players in the region. For example, Pakistan, Iran and China are reported to have provided arms and aid to the Taliban to thwart the American role in Afghanistan. The growing interdependence between nation-states in the era of globalisation and the availability of nuclear weapons and weapons of mass destruction to many states have provided state actors with the required leverage to pursue their geopolitical interests independent of the US. However, though the regional powers try to contain American influence in the region, they undercut each other's interests there too. The alliances formed in the post-Cold War world are not clear. American leadership has expressed its apprehension over whether Pakistan is a trustworthy partner to fight terrorism. The US policy of containment towards Iran and Russia would certainly be difficult in this era of interdependence. The US has also eroded its soft power resources by flouting international norms, fighting with warlords, not trying to address the problem of drug-trafficking adequately and by unilaterally determining the Afghan war strategies and peace plan. The US has neither the requisite hard power resources to force a solution to the Afghan problem nor the required soft-power resources to reach a political settlement. With the drawdown of American forces from Afghanistan, the struggle for influence could intensify among the regional powers which might precipitate another civil war in Afghanistan. The possible solution to the Afghan problem lies in working out a regional framework of cooperation among regional powers under the leading role of the UN.

## REFERENCES

- Adhikari, G., 2011. When the Americans go home. *The Times of India*, [online] 11 January. Available at <https://therearenosunglasses.wordpress.com/2011/01/page/8/> [Accessed on 8 May 2013].
- Aneja, A., 2013. Geneva nuclear success impacts Saudi-Iran ties. *The Hindu*, [online] 26 November. Available at <http://www.thehindu.com/todays-paper/tp-international/geneva-success-impacts-saudiiran-ties/article5395592.ece> [Accessed on 9 January 2014].
- Bakshi, J., 2005. Russia and Uzbekistan sign Treaty of Alliance Relations. *IDSa Comment*, [online] 27 December. Available at: [http://www.idsa.in/idsastrategiccomments/RussiaandUzbekistanSignTreatyofAllianceRelations\\_jbakshi\\_271205](http://www.idsa.in/idsastrategiccomments/RussiaandUzbekistanSignTreatyofAllianceRelations_jbakshi_271205), [Accessed on 7 February, 2008].
- Basur, M. R., 2009. Theory for Strategy: Emerging India in a Changing World, *South Asian Survey*, 16(1), pp. 5-21.
- Bhadrakumar, M. K., 2008. All roads lead out of Afghanistan. *Asia times*, [online] 20 December. Available at: [http://www.atimes.com/atimes/South\\_Asia/JL20Df01.html](http://www.atimes.com/atimes/South_Asia/JL20Df01.html), [Accessed on 20 January, 2010].
- Bhadrakumar, M. K., 2009. Indian Interests in Regional Security. *The Hindu*, [online] 28 August. Available at: <http://www.hindu.com/2009/08/28/stories/2009082853380800.htm>, [Accessed on 25 October, 2010].
- Bhadrakumar, M.K., 2010. Politics of Taliban reconciliation. *The Hindu*, [online] 31 July. Available at: <http://www.thehindu.com/todays-paper/tp-opinion/the-politics-of-taliban-reconciliation/article543352.ece> [Accessed on 8 June 2012]
- Bohr, A., 2010. Central Asia: Responding to the multi-vectoring game. In: Robin Niblett ed. *America and a Changed World: A Question of Leadership*, Wiley-Blackwell: Chatham House press. p. 112.
- Buzan, B., 2006. Will the Global War on Terrorism be the New Cold War, *International Affairs*, 82(2), p. 1101.
- Byers, M., 2002. Terrorism, the Use of Force and International Law after 11 September, *International Law*, 16(2), pp. 155-170.
- Fair, C. C., 2010. *Obama's New Af-Pak" Strategy: Can Clear, Hold, Build, Transfer work?*. [pdf] The Afghanistan Papers, Waterloo: The Centre for International Governance Innovation, No. 6, p. 12.
- Fedorov, Y. E., 2009. Will Moscow help with Trouble Spots, *Current History*, 108(720), pp. 312-313.
- Gregory, S., 2010. US is paying for Pak protection racket. *The Times of India*, December 12.
- Ibrahim, A., 2009. *US aid to Pakistan-US taxpayers have funded Pakistani Corruption*. [pdf] Belfer Centre Discussion Paper#2009-06, International Security Programme, Harvard: John. F. Kennedy School of Government. Available at: [147](http://belfer-</a></p>
</div>
<div data-bbox=)



- center.hks.harvard.edu/files/Final\_DP\_2009\_06\_08092009.pdf [Accessed on 10 June 2011]
- Iqbal, H., 2010. Afghan Presidential Election and its Implications for the Region. *Regional Studies*, 28 (2), p. 75.
- Kuchins, A. C. et.al., 2010. Afghanistan: Building the Missing Link in the Modern Silk Road. *The Washington Quarterly*, 33(2), p. 33.
- Mankoff, J., 2013. *The United States and Central Asia after 2014*. [pdf] A Report of the CSIS Russia and Eurasia Program, Washington, D. C: Centre for Strategic and International Studies, pp. 2-13. Available at: [http://csis.org/files/publication/130122\\_Mankoff\\_USCentralAsia\\_Web.pdf](http://csis.org/files/publication/130122_Mankoff_USCentralAsia_Web.pdf) [Accessed on 10 January 2014].
- Mazarr, J. M., 2008. The Folly of Asymmetric War. *The Washington Quarterly*, 33 (3), pp. 38-39.
- McDonough, D., 2009. Beyond Primacy?: Hegemony and 'Security Addiction' in US Grand Strategy?, *Orbis*, 52(3), p. 18.
- McInnes, C., 2003. A different kind of war? September 11 and the United States' Afghan War, *Review of International Studies*, 29( 2), p. 168.
- Menon, R., 2003. The new Great Game in Central Asia, *Survival*, 45 ( 2). p. 190.
- Mishra, M. K., 2012a. Iran's Changed Perception Concerning its Role in Afghanistan Following Soviet Disintegration, *Afro Eurasian Studies*, 1 (2), pp. 76-94.
- Mishra, M. K., 2012b. American Role in Afghanistan: Challenges in the post-Soviet era, *Journal of Peace Studies*, 19(3), pp. 5-15.
- Mishra, M. K., 2013. Changing Role of Russia in Afghanistan after Soviet Disintegration, *Journal of Eurasian Studies*, 5(2), pp. 80-89.
- Mullen, D. R., 2009. Afghanistan in 2009: Trying to Pull Back from the Brink, *Asian Survey*, 50 (1), p. 137.
- Parthasarathy, G., 2012. Shifting Equations in Afghanistan. *The Hindu*, [online] 15 August. Available at: <http://www.thehindubusinessline.com/opinion/columns/g-parthasarathy/shifting-equations-in-afghanistan/article3775753.ece> [Accessed on 18 January 2013].
- Radyuhin, V., 2010. Changing face of Russia-Pakistan ties. *The Hindu*, [online] 9 September. Available at: <http://www.thehindu.com/opinion/lead/changing-face-of-russiapakistan-ties/article621447.ece> [Accessed on 10 February, 2011].
- Shen, S., 2010. Great Power Politics: India's Absence from Ideological Energy Diplomacy in Central Asia, *The China and Eurasia Forum Quarterly*, 8(1), p. 102.
- Singh, D. Z., 2009. Obama's "PakAf" Gamble, *World Affairs*, 13(3), p. 131.
- Tolipov, F., 2004. Are the Heartland and Rimland changing in the wake of the operation in Afghanistan, *Central Asia and the Caucasus Journal*, 5(23), p. 100.
- Upadhyay, D., 2012. CSTO emerging as an alternative to NATO. *Russia and India Report*, [online] 10 January. Available at: [http://indruss.in/articles/2012/01/10/csto\\_emerging\\_as\\_an\\_alternative\\_to\\_nato\\_14134.html](http://indruss.in/articles/2012/01/10/csto_emerging_as_an_alternative_to_nato_14134.html), [Accessed on 20 June, 2012].

- Weitz, R., 2013. China's military Goals, Policy, Doctrine, and Capabilities in Central Asia. In: S. J. Blank, ed. *Central Asia after 2014*. Strategic Studies Institute: US Army War College Press, pp. 81-113.
- Walsh, D., 2010. Wikileaks cables: US and Pakistan play down impact of mischief. *The US embassy cables*, Available at: <http://www.guardian.co.uk/world/2010/dec/01/wikileaks-us-pakistan>, [Accessed on 22 August, 2011].
- Yang, C., 2008. A Critique of American policies toward Central Asia. *Chang Gung Journal of Humanities and Social Sciences*, 1(2), p. 338.
- Zaidi. A. S., 2011. *Who benefits from US aid to Pakistan?*, [pdf] Policy Outlook, Washington: Carnegie Endowment for International Peace, September 21, p. 4, Available at : [http://carnegieendowment.org/files/pakistan\\_aid2011.pdf](http://carnegieendowment.org/files/pakistan_aid2011.pdf) [Accessed on 13 January 2012].