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GOOD GOVERNANCE AND NATIONAL SECURITY
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Abstract

If national security means the fulfilment of certain enabling conditions for the state, and for the people within it to flourish, and develop then good governance is the tool by means of which that can be accomplished. These two phenomena are mutually responsive and complementary. The relationship has been further cemented with the redefinition of the term 'security' that has caused us to move away from state centric treatment of the issue to a more people oriented characterisation of the concept where people's security has assumed centrality in security discourse. Good governance remains a composite construct that demands the fulfilment of each of the constituent elements in order to qualify the state of governance in any country as 'good'. Governance predominates our existence today and it is a catchphrase for the development partners. For the developing countries in particular, everything that is donor driven has to fulfil the criterion of 'good governance'. In fact, the idea has reached such a phenomenal proportion that volumes have been written to define the term 'good governance'. The international financial institutions, the United Nations, and the European Union, have spent considerable effort and time to secure the assurances of the developing countries to understand their formulation and explication of the term 'good governance' as well as implementation of such measure as would ensure that those conditions are fulfilled to qualify for aid and that is crux of the issue – doing it well – which is a function of good governance. Thus, this paper endevours to seek out the value complementarities of two very topical issues – governance and security in the comprehensive sense, and determine whether good governance merits consideration as a factor in formulating national security policy.

1. Introduction

"It is increasingly recognized that good governance is an essential building block for meeting the objectives of sustainable development, prosperity and peace. The situation of no two countries is precisely alike

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in this respect but, broadly speaking, and making due allowance for cultural differences, good governance comprises the rule of law, effective state institutions, transparency and accountability in the management of public affairs, respect for human rights, and the meaningful participation of all citizens in the political processes of their countries and in decisions affecting their lives."[1]

The above statement of the United Nations Secretary General (UNSG) very crisply sums up the essence of the subject under scrutiny - good governance. The UNSG's remarks also bring out three basic ingredients of security - sustainable development, prosperity and peace. And justifiably, therefore, the United Nations (UN) had moved to provide extensive governance-related support to large number of developing countries and to countries in Eastern Europe, and the Commonwealth of Independent States in order that security of the people can be guaranteed. This paper attempts to seek out the value complementarities of two very topical issues – governance, and security in the comprehensive sense. However, in delving into any discussion on security and good governance, one must not fail to recognise the importance of the security sector governance, because 'good governance' is largely dependent on the good governance of other sectors including the security sector.

According to the UN, 'governance' is the process of decision-making and the process by which decisions are implemented (or not implemented), and it can be contextualised in several circumstances such as corporate governance, international governance, national governance and local governance.[2] It is also pertinent to remember that, "Government is one of the actors in governance. Other actors involved in governance vary depending on the level of government that is under discussion. In rural areas, for example, other actors may include influential land lords, associations of peasant farmers, cooperatives, NGOs, research institutes, religious leaders, finance institutions, political parties, the military etc. The situation in urban areas is much more complex. At the national level, in addition to the above actors, media, lobbyists, international donors, multi-national corporations, etc. may play a role in decision-making or in influencing the decision-making process".[3] Governance has been described as exercise of power and making decisions by a group which, in a democratic dispensation, happens to be the elected government. It is omnipresent in all the aspects of societal existence, and the welfare of a community depends on the choices made by people granted this authority. There are various actors who, by virtue of the position they hold, arrogate to themselves the power to govern. The

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[1] UN Document - A/52/1, *Good governance, Human Rights and Democratization*, Annual Report of the UN Secretary-General on the Work of the Organization – 1997.

[2] "What is good governance", available at http://www.unescap.org/ pdd/prs/Project Activities/Ongoing/gg/governance.asp accessed on 20 February 2010.

[3] *Ibid.*

UN identifies the following as being part of the attributes of good governance:[4] (i) Territorial and ethno-cultural representation, mechanisms for conflict resolution and for peaceful regime change and institutional renewal; (ii) Checks on executive power, effective and informed legislatures, clear lines of accountability from political leaders down through the bureaucracy; (iii) An open political system of law which encourages an active and vigilant civil society whose interests are represented within accountable government structures and which ensures that public offices are based on law and consent; (iv) An impartial system of law, criminal justice, and public order which upholds fundamental civil, and political rights, protects personal security' and provides a context of consistent, transparent rules for transactions that are necessary to modern economic and social development; (v) A professionally competent, capable, and honest public service which operates within an accountable, rule governed framework, and in which the principles of merit and the public interest are paramount; (vi) The capacity to undertake sound fiscal planning, expenditure, economic management, system of financial accountability, and evaluation of public sector activities; and (vii) Attention not only to central government institutions and processes but also to the attributes, and capacities of sub-national, and local government authorities; and to the issues of political devolution and administrative decentralisation.

If good governance is to do with delivery of the "goods" to the people, non-delivery of those would predictably foil the benefits those goods are supposed to provide both to the people individually and collectively. The essential concern here is not only of delivering the goods competently but also of being aware as to why governance suffers, and what all are the factors that militate against its efficient application. In talking about good governance, the natal link between governance and security becomes only too obvious, and to link the two, good governance and security - might perhaps convey an attempt to state the obvious. It should not be overlooked that every sector of the state and every institution that is served by these sectors, need to be well governed in their own ways in order to ensure good governance of the state, with the hope that it will thus accord the state, and the most important constituent of the state, the people – holistic security. It is just as well to keep in mind too that in trying to correlate good governance, and security one can easily fall into the trap of statist definition of security.

Against the preceding setting, the aim of this article is to highlight the essential elements of good governance, and security which has assumed a centrality in the discourse, and highlight the link between the two. The emphasis will be on the key issues of governance, on the challenges to delivery of services

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[4] UN, "Poverty Alleviation and Sustainable Development: Goals in Conflict?", *The United Nations Committee for Development Planning Report*, 1992.

by the state, and on whether good governance merits consideration as a factor in formulating national security policy. The paper will briefly dwell on good governance of the security sector, which, per se, has become a sine qua non for good governance as a whole.

2. Good Governance

The issue of governance pre-dominates the entire continuum of socio-political-economic dialogue today. It has become a catchphrase for our development partners. For the developing economies, anything and everything that is donor driven today has to fulfil the criterion of good governance. In fact, the idea has reached such a phenomenal proportion that tomes have been written to define the characteristics of good governance. The issue had even pre-dominated the thoughts of the world leaders who, at the 2005 World Summit, in determining the millennium development goals, concluded that good governance is integral to economic growth, the eradication of poverty and hunger, and sustainable development, all of which ensure human security. [5]

In fact, the International Financial Institutions (IFIs), the UN and the European Union (EU) have spent considerable effort, and time to secure the assurances of the developing countries to identify with their formulations, and explications of the term "good governance", as well as implementation of such measure as would ensure that those conditions are fulfilled, to qualify for aid. This is quite understandable as those that provide money for various development programmes would want to know how well that is being utilised, and that is crux of the issue – doing it well, and doing it well is a function of good governance.

But leaving aside the developing countries, good governance is an enabling condition which claims universality in application irrespective of the level of development, and which enables governments to ensure a quality of life of the people that would rule out the possibility of unrest and violence. That in turn would ensure peace and security, at least in so far as its internal manifestation is concerned.

2.1. *Concept*

Although it will emerge subsequently, from definitions formulated by the international organisations, that the concept of good governance is predicated on power, there is every chance of going wrong if one were to be rooted on the premise that good governance is exclusively about wielding power. Neither, by the same token, is there a direct correlation between economic strength or indeed

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[5] UNGA, available at http://www.un.org/ga/59/hl60_plenarymeeting.html accessed 10 February 2010.

military strength, and security. There is no dearth of examples, in the past and in recent times, of big powers failing to ensure security in spite of having abundance of both.

The concept of good governance is as old as civilisation itself, concretised much later though when nation states emerged with a central authority to command and manage the affairs of the state. Empires have vanished, states have broken up and regimes have crumbled because of failure of states to govern properly. There are many examples in recent times where lack of good governance has resulted in deleterious consequences for the state. Of recent examples, one could cite the fate of the erstwhile Union of Soviet Socialist Republics (USSR), Democratic Republic of Congo, Haiti and Somalia. To quote Chris Patten, of the seven states, out of the top ten that appear in the list of states facing the greatest risk of failure, are in Africa and all have come to this state due entirely to the consequence of bad governance.[6]

That bad governance was the main reason for the fall of empires has been amply illustrated by historians. In this context it might perhaps be relevant to look at what Gibbon thought caused the downfall of one of the world's greatest empires. According to him, "The Roman Empire succumbed to barbarian invasions in large part due to the gradual loss of civic virtue among its citizens. They had become weak, outsourcing their duties to defend their Empire to barbarian mercenaries, who then became so numerous and ingrained that they were able to take over the Empire".[7] Romans, he believed, had become effeminate, unwilling to live a tougher, "manly" military lifestyle. In addition, this is what might ring a very familiar tone, he blames the decline also on the degeneracy of the Roman army, and the Praetorian guards[8].

Paul Kennedy very convincingly argues that imperial overstretch, leading to loosening of the reins of the central authority, both in political and economic terms, had caused the collapse of many empires, of which the Mughal Empire is a classic example.[9] Of recent times the USSR broke up because of overstretch, both economic as well as political, which it could not effectively manage. The strategic overstretch naturally stretched the bonding of good governance. There are indications at present that, the lone super power is faced with the possible consequences of overstretch, which is not only affecting its strategic designs, it is also affecting severely its economy, and thus the plans to cut the US defence expenditures by almost 80 billion dollars.

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[6] Chris Patten, *What Next? Surviving the Twenty-First Century*, London: Penguin, 2009.

[7] Edward Gibbon, *The History of the Decline and Fall of the Roman Empire*, London: Strahan & Cadell, 1776–1789.

[8] *Ibid.*

[9] Paul Kennedy, *The Rise and Fall of the Great Powers*, New York: Random House, 1987.

'Governance' has been characterised as exercise of power, and making decisions by a group which, in a democratic dispensation, happens to be the elected government. It is omnipresent in all the segments of the society where the welfare of a community depends on the choices made by people granted this authority. [10] There are various actors who, by virtue of the position they hold, arrogate to themselves the power to govern. 'Good governance', on the other hand, is a relatively new term that is often used to describe the desired objective of a nation-state's political development. The principles of good governance, however, are not new, and the major characteristics of good governance have been outlined by the UN.[11] The UN paper, "*What is Good Governance*" defines the term "governance" as "the process of decision-making and the process by which decisions are implemented (or not implemented)" In other words, governance involves the processes and systems by which a society or organisation operates.

Good governance is a form of governance that embodies eight specific characteristics application of all with a composite admixture that would make for an ideal state of governance. Good governance embodies processes that are "participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive, and adherence to the rule of law.[12] Thus, it is not difficult to see the close link also between good governance and respect for human rights. Though government is one of the main actors of governance, it is far from being the only one; depending on the specific entity under study, it can include other actors as mentioned earlier.

2.2. *Definition* [13]

It is interesting to note that definitions of "governance" by leading institutions and studies converge on the term as referring to a process by which power is exercised. However, it is not surprising, it being seen as a process, the accomplishment and completion of which would require the ability to implement policies.

1. **World Bank** defines governance as the manner in which power is exercised in the management of a country's economic and social resources. The World Bank has identified three distinct aspects of governance: (i) the form of political regime; (ii) the process by which authority is exercised in the management of a country's economic and social resources for development;

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[10] See, www.issues.tigweb.org accessed 15 February 2010.

[11] *Ibid.*

[12] *Ibid.*

[13] Abdel M Adel Latif, "Good Governance and its Relationship to Democracy and Economic Development", paper presented at a workshop on *Democracy, Economic Development and Culture*, Seoul 20-31 May 2003.

and (iii) the capacity of governments to design, formulate, and implement policies, and discharge functions. [14]

2. **United Nations Development Programme (UNDP)** considers governance as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences.[15]

3. The **Organisation for Economic Co-operation and Development** (**OECD)** looks at the concept of governance as denoting the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development. This broad definition encompasses the role of public authorities in establishing the environment in which economic operators function, and in determining the distribution of benefits as well as the nature of the relationship between the ruler and the ruled.

4. **Department for International Development (DFID)** adopts the same approach to governance as that provided by the OECD's Development Assistance Committee (DAC), which identifies four key elements in
   • Legitimacy of government (political systems)
   • Accountability of political and official elements of government (public administration and financial systems)
   • Competence of governments to formulate policies and deliver services (public administration, economic systems, and organisational strengthening)

One could paraphrase all these ideas as utilising the mechanisms at the disposal of the state to direct its resources for the purpose of development that would mitigate the risks to the well-being of the people.

2.3. *Characteristics* [16]

By and large, the following characteristics of governance find mention in various literatures on the subject:

1. Participation - All men and women should have a voice in decision-making, either directly or through legitimate intermediate institutions that represent their interests. Such broad participation is built on freedom of association, and speech, as well as capacities to participate constructively.

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[14] *Ibid.*

[15] *Ibid.*

[16] UNDP Report, *Governance for Sustainable Human Development*, 1997.

2. Rule of law - Legal frameworks should be fair, and enforced impartially, particularly the laws on human rights.

3. Transparency - Transparency is built on the free flow of information. Processes, institutions, and information are directly accessible to those concerned with them, and enough information is provided to understand and monitor them.

4. Responsiveness – Institutions, and processes try to serve all stakeholders.

5. Consensus orientation - Good governance mediates differing interests to reach abroad consensus on what is in the best interest of the group, and where possible on policies and procedures.

6. Equity - All men and women have opportunities to improve or maintain their well-being.

7. Effectiveness and efficiency - Processes and institutions produce results that meet needs while making the best use of resources.

8. Accountability - Decision-makers in government, the private sector, and civil society organisations are accountable to the public, as well as to institutional stakeholders. This accountability differs depending on the organisation and whether the decision is internal or external to an organisation.

9. Strategic vision - Leaders and the public have a broad and long-term perspective on good governance, and human development, along with a sense of what is needed for such development. There is also an understanding of the historical, cultural, and social complexities in which that perspective is grounded.

2.4. *Challenges* [17]

The following can militate against good governance, if not addressed properly:

1. Rule of law
2. Lack of democratic practice
3. Weak state institutions
4. Effective parliament
5. Corruption
6. Accountability

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[17] These emerged as consensus points at an International Seminar on *Democracy, Governance and SSR ,* held in Dhaka in August 2007.

7. Transparency
8. Devolution of power/ effective local government
9. Separation of power

The challenges, as will be eminently clear from a cursory glance of the list, have natal association with, and complement each other; but for which good governance as a prerequisite to development and growth, and consequently the security of the people would remain unaccomplished.

The weak states in particular, or those that have emerged after a long freedom struggle, have been hard put to ensure unbridled function of these essential composites of good governance, both as individual elements or as a collective entity. This fact had been recognised by the UN, which states in the UNSG Report that, "Post-conflict situations entail particular needs. It is our view that measures to strengthen capacity for governance must permeate national, and international responses to emergency situations, and should begin as early as possible. Successful recovery from the dislocations produced by conflict is aided by moving rapidly towards meeting broad development challenges as well as creating adequate legal frameworks, judiciaries, law enforcement systems, stable social and political environments, and economic opportunities."[18]

For the government to deliver it must not only ensure accountability of its actions by making the relevant oversight bodies powerful, but also there has to be transparency in its handling of various issues, both national and international. Currently, a debate is raging in Bangladesh, which has involved the Judiciary and the Parliament, regarding who is accountable to whom, if at all. There has been an effort in Bangladesh to stamp the predominance of the Parliament over the Judiciary, basing on the principle of sovereignty of the Parliament. This has met with the disapproval of the apex court who feels that neither is beholden to the other, that each should compliment the other in fulfilling the objectives of the state. If anybody, it is the people that the two organs of the state are accountable. This brings into perspective the entire gamut of separation of powers, and independence of the judiciary.

For an ordinary person, one is not so much concerned with the issue of independence, and accountability, given that every organ of the state is accountable to the constitution, the only "thing" that happens to be invested with immutable sovereignty. There is nobody or institution that can claim to be beyond the purview of the constitution's oversight. What, however, is important is the concept of separation of power, and being able to act within its own laid down ambit of work without interference. Nevertheless, each of the organs of the state is accountable for its action, the manner of which may vary.

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[18] *op. cit.*, n 2.

This issue engages the very fundamental principle of good governance i.e. separation of power. Scholars suggest that, "The doctrine of the separation of powers is therefore, relevant in the establishment of whether or not a country has a political system that is responsive to good governance. The doctrine of the separation of powers is based on the acceptance that there are three main categories of government functions: legislative, executive, and judicial. Corresponding to these are the three main organs of government in a state – the Legislature, the Executive and the Judiciary. The doctrine insists that these three powers and functions of government in a free democracy must be kept separate, and exercised by separate organs of the state. Today, the doctrine should be taken to mean checks and balances based on a constitutional scheme. What is important today is not the separation of powers *strictu sensu*, but checks and balances."[19]

Be that as it may, the important point that emerges from the current discourse is that without harmony between the organs of the state, the institutions will stand to lose their efficacy, and ultimately become a hindrance rather than a facilitator of good governance.

In most countries, weak state institution is the cause of poor rule of law as much as it is due to lack of democratic practice which in turn encumbers proper functioning of democratic institutions. Corruption has become the most serious impediment to good governance. Regrettably, it affects every institution of the state that is obligated to ensure the welfare and security of the people. Corruption is an issue that engages the effort of all governments, rich or poor, since no one is completely free of it.

Devolution of power or the lack of it, and dysfunctional local government stymies good governance. Democracy and democratic institutions at the grassroots level suffer since much of the services that good governance has to provide needs to be complemented by bottom up planning which a powerless local government cannot do. However, if there is distortion of political power where public servants are made to face serious challenges, as we have seen happen in Bangladesh, then good governance will certainly meet with serious impediments.

In spite of elected governments running the affairs of the state, there may still be a deficit of democratic norms manifested in the attitude of the government towards its political opponents. In countries where democratic practices are not grounded in the universal democratic practices, and where democratic institutions have not fully acquired the sturdiness to resist political pressure, democracy has failed to acquire its true meaning with its predictable negative ramifications. In spite of an elected parliament in place it may prove utterly dysfunctional, as we

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[19] Palamagamba John Kabudi, *Good Governance: Definition and Implications* available at www.fes-tanzania.org/doc/good-governance.pdf, accessed on 15 February 2010.

have experienced in Bangladesh. It is a pity that those who have been entrusted by the people to represent their interest have found it fit to betray their trust by abdicating their responsibility. What we have had in Bangladesh, since the emergence of democracy, is a moribund version of it with the Parliament remaining largely ineffective due to the absence of the opposition in the house. It is regrettable that the elected representatives fail to see the singular role it can play in delivering good governance. [20]

3. Security

Security in its comprehensive sense is premised on three factors: one being traditional security emerging from statist discourse, but also security of the people that can come from economic progress, and good governance and rule of law; these three things, working together, is really what determines security.

Happily, there has been a paradigmatic shift in the approach of the international strategic community, scholars, and governments as a whole to the issue of security where the human dimension is receiving the highest priority. The focus is increasingly on the essentiality of keeping the people secure by ensuring their basic needs. It is the function of good governance to implement the basic needs approach of any government. Even the lone super power, the USA, has been constrained to acknowledge the predominant role of good governance in conflict resolution when the United States national security advisor admitted very recently that the solution of the Afghan crisis lay not in military victories but in delivering to the people their basic needs through a regime of good governance.[21] But here too the predominance of the state becomes inevitability. Although security of the people in its comprehensive manifestation requires both the state and the non-government agencies to harmonise their efforts, the role of the state assumes predominance because of the very nature of the service that only the state can provide. Even in the contest of non-traditional security the self-empowerment of the non-state actors has severely, constrained, if not restricted, the capability of the state to provide adequate physical security to the people. This has in turn severely affected the quality of governance of the state.

3.1. *National Security*

'Security' and 'threat' are cognate words and there is a propensity to use these two in a fungible manner. Any discourse on security must of necessity take into consideration the entire threat scenario and the consequent strategic footprint

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[20] For example see, Md. Awal Hossain Mollah, *Good Governance in Bangladesh: Role of Parliament* available at www.goodgovernancebd.org/link/concept./Lecturer20rajsahi.pdf , accessed on 15 February 2010.
[21] US Secretary of Defence Robert Gates, commenting on the situation in Afghanistan, February, 2009.

that the planners need to study. Threat, or security, is a complex issue. In spite of the reconceptualisation of the term, there still remains the propensity to consider it in the conventional form where threats are predicated largely on statist perception of the matter, the military being the major means of combating it. However, the post modernists see otherwise. To them, and rightly so, people's security assumes centrality in the discourse of security issues, and where the means to combat these are other than only military. The eclectic nature of the term is well encapsulated in the comment that, "National security threats must be assessed from the totality of factors affecting the survival, protection, safety, well-being, and contentment of the people."[22] Thus anything or anybody that subverts these objectives must be considered as THREAT.

The changing nature of threat must also be understood clearly since not always are nation states major sources of threat to one another. This has been nowhere more definitively expressed than in Huntington's "Clash of Civilization" which propounded the notion that not only a country but also an ideology can pose threat to another country or a group with common interests. Threats, or in other words sources of insecurity, may originate from any source, and one is considered secure if one can exist in an environment free of coercive influence – endogenous or externally induced. Even when one indulges in the traditional security discourse, the inevitable question that follows is, what are the generic sources of threat that we might face in the years ahead? One eminent scholar enumerates several interesting threat scenarios. He states that, loss of state monopoly over information – technological revolution in electronic media, failure of the state to protect its people, failure to achieve economic prosperity, loss of state's monopoly over justice in view of growing role of international organisation, lending institution, foreign governments, human rights groups, and self-appointed spokesmen for democracy, failure to provide justice – role of international organisation and threat from within, are likely to induce negative impact on the security environment of the state and the region.[23]

To that one could add the role of the multi-national companies (MNC), and deprivation from common resources or inability of a country to make legitimate and optimum use of common natural endowments could also pose threats to a country's security. Sources of threat straddling international borders have been recognised by the UN. To quote the UNSG, "The same means of communication and personal mobility that make it possible for civil society actors to function globally also enable "uncivil society" actors to do so. In this world of increasingly porous borders new threats have emerged to national security, economic development, democracy and sovereignty in the form of transnational networks of crime, drug trafficking, money-laundering and terrorism."[24] There is

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[22] Patricia Dovi Sampson, *National Security Issues-New Trends and Threats*, 2005.

[23] Prof Stephen Cohen, talk at the RCSS, Colombo, 1999.

[24] *Op. cit.*, n.2.

something that we often overlook when we look at security which is that at times the state can itself be a cause of its insecurity.

3.2. *Good governance and Security - The link*

The inherent link has been acknowledged by scholars. For example, Heiner Hanggi of the Geneva Center for Democratic control of the Armed Forces suggests, " Though the issue of 'security' and 'governance' can be distinguished for analytical reasons, and are very often distinguished for political reasons, too, they are both closely intertwined - increasingly so".[25]

The International Crisis Group (ICG) identifies several aspects of security as follows:[26]

1. **National security** – or freedom from the fear of military conflict;

2. **Community security** – or freedom from the fear of violence: with law and order, and a decent justice system;

3. **Personal security** – freedom from the fear of want: with income and employment, housing, health and educational opportunity;

4. **Environmental security** - freedom to enjoy decent physical conditions in which to live and work and play; and

5. **Personal liberty** – freedom to move, and speak, and assemble, to live in dignity and without discrimination, and to participate in the political process, at least of selecting those who make the decisions that affect our lives;

The capacity and will to deliver these things is good governance.

Security is inseparable from good governance, since good governance helps prevent conflict and ensure peace. The link had been spelled out more than 200 years ago by Kant when he said, "People who feel secure and free, governed by the rule of law and not of men, are much less likely to go to war with each other - either within or across borders - than those who don't".[27]

It needs little emphasis that if governance relates to directing the proper utilisation of resources, and the state institutions for the benefit of the people, anything that weakens the process of governance will lead to instability and flux

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[25] Heiner Hanggi, *Good Governance and the Security Sector: Its Relevance for Confidence Building,* Democratic control of the Armed Forces (DCAF) Conference paper, 16 October 2002.

[26] Evans, Gareth, "Peace, Security and Good Governance" address to EU-UNU Tokyo Global Forum, *Governance Across Borders – National, Regional and Global*, United Nations University, Tokyo.

[27] Immanuel Kant, "Perpetual Peace: A Philosophical Sketch", 1795, quoted in *Peace, Security and Good Governance*, *Ibid.*

which would consequently affect national security. Experts opine that improvements in good governance are closely linked with security and stability. If the goals of good government are the consolidation of political structures, and the establishment of legitimate democratic institutions such as the promotion of constitutionality, power-sharing and human rights, a clear legal instrument which enables development of the private economic sector, and the fight against corruption, attaining this particular level of governance would engender peace. This is how the OECD sees the link. It says, "Security is important for improved governance. Inappropriate security structures, and mechanisms can contribute to weak governance, and to instability and violent conflict, which impact negatively on poverty reduction". [28] As the UN Secretary General notes in his September 2003 report on the Millennium Declaration, "We must make even greater efforts to prevent the outbreak of violence well before tensions and conflicts have eroded polities and economies to the point of collapse." It therefore follows that, insecurity or lack of peace is the result of violence stemming from social or political stability. If there is a causal link between instability and violence which adversely affect good governance, then perhaps one could also suggest that, there is a reverse causality, in that, lack of good governance engenders violence, and thereby instability and insecurity. Therefore, suffice it to say that good governance = good government = stability and security, and the reverse is true too.

4. Governance of the Security Sector

This is a sensitive issue seldom delved into with seriousness. As with other sectors that become dysfunctional, the security sector too will fail to deliver if there is lack of good governance of the sector itself. With the paradigmatic shift in addressing the issue of security, and with national security being accorded an entirely new definition, the linkage between governance and security has become only too apparent. Experts aver that, a well managed security sector helps development process of the country.

Contrary to common perception, security sector is more eclectic than we are disposed to credit it with. It not only includes the security forces, i.e. groups with the authority, and the legal instruments to apply force in order to ensure security, the law enforcing and security agencies but all those institutions that exercise oversight on the forces, namely, institutions that are entrusted to monitor and manage the former, like the human rights commission, anti-corruption commission and parliamentary committees. The last, but by no means the least, are the other state organs and institutions, which are entrusted to ensuring that the rule of law is not circumvented, the judiciary being the foremost.

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[28] OECD, DAC Guidelines and Reference Series, *Security System Reform and Governance*, 1995.

It needs no explanation that, the need for good governance of the security sector is compelled both by internal as well as external demands. Internally, good governance of the security sector fulfils the development needs of the country. Guaranteeing allocational efficiency in expenditure on security, and other so-called non-productive sectors is a function of good governance which is often overlooked, particularly in a developing country where there is a strong pull from all sides for a larger portion of the pie. Asserting the harmony between security and development needs by rational apportioning of the budget ensures that the soft sectors of the economy are addressed with equal importance. The geo-strategic developments, particularly after 9/11, and in particular the redefinition of the term 'security' modulates internal dynamics governing the security sector particular in defining its task, role and structure.

Externally, there is constant pressure from development partners to reform the sector, and the need to fit the international system, given that nations like Bangladesh have become more involved in the regime of international peace keeping which has necessitated restructuring the sector. The two major issues - democracy and governance - predicate the functioning as well as the reform of the security sector. Security Sector Reform (SSR) is increasingly seen as part of the array of activities that contribute to alleviation of poverty and development. UNDP, the World Bank, the United States Agency for International Development (USAID), and the DFID have become major actors in forging this connection.

There are several objectives that reform of the security sector looks to attain. Firstly, SSR seeks to create a secure environment that would generate opportunities conducive to development which in turn will help mitigate the national vulnerabilities and thereby reduce the threats. Secondly, by having such mechanism in place as would make the system function with transparency, and be accountable for its actions. That in turn, one hopes, will help set the benchmark for socio-political-economic-foreign-security policies. Thirdly, through all these, gain trust and credibility.

Reform of the security sector is an issue that all governments should be seized with constantly. And that involves:[29] (i) Developing a clear institutional framework for the provision of security that integrates security and development policy and includes all relevant actors; (ii) Strengthening the governance of the security institutions; and (iii) Building capable and professional security forces that are accountable to civil authorities. In our context, there is much to be desired in so far as good governance of the security sector is concerned.

5. Conclusion

Looking at the matter in a more down-to-earth manner, it would not be remiss to suggest that good governance is in fact good management and at the

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[29] OECD *op. cit*.

national level that essentially remains a function of good leadership. The concept of governance denotes the use of political authority and exercise of control of the management of its resources for social and economic development which encompasses the role of public authorities in establishing an environment that allows economic operators to freely function, and determine the distribution of benefits, as well as the nature of the relationship between the ruler and the ruled. If politics is the means not to power but to fulfil the development needs of the people, then harmonisation of efforts and resources, ensuring allocational efficiency, achieving consensus and directing policies form an integral part of the overall strategy. In other words, good government makes for good governance and vice versa although they are not quite the same thing. "Good governance gives the state an opportunity to focus on four critical elements of sustainability and human development: eliminating poverty, creating jobs and sustaining livelihoods, protecting and regenerating the environment, and promoting the advancement of women. Developing the capacities for good governance underpins all these objectives and create enabling environment for peace and sustainable development."[30]

Security, stabilisation, democratisation and constitutionality are the basic conditions needed for individual well-being, peaceful coexistence and social, political, and economic development. Appropriate measures should promote mechanisms providing peaceful solutions to conflicts and reconciliation, and contribute to the protection and integration of minorities and underprivileged groups. And these are what guarantee security of the people.[31]

Some are of the opinion that, it was well nigh impossible to attain an ideal state of good governance and as such we should be satisfied with the second best option, that is 'good enough governance' rather than trying to attain the ideal state. The fact that there is an inextricable link between security and good governance, since 'bad governance' or failure to govern properly will inevitably adversely impact the well-being of the people, and in turn the security of the state, it will be risky to accept anything less than good governance. Good governance means a lot of things, but most of all it involves utilising the mechanisms at the disposal of the state to direct its resources for the purpose of development that would reduce the risk to the well-being of the people. Failure to deliver good governance is courting insecurity for the people. And if people are insecure so is the state.

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[30] Louis O Dorvilier, *Governance, Peace and Stability in LDCs*, Brussels, Belgium, 2001.

Abdur Rob Khan

GLOBAL SECURITY: TRENDS AND ISSUES

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Abstract

The concept of Global Security was viewed during Cold War era as an extension of national security of the Super Powers. But the momentous changes in the post-Cold War era, more so in the post-9/11 period, have made the concept truly global in the sense sources of threats to security have multiple referents originating from multiple sources. The premises and propositions of Realist paradigm have been questioned and the locale of decision making on issues of national security has shifted beyond the borders. Security discourses have also transcended the traditional-non-traditional binaries because often traditional security is challenged by non-traditional sources and vice versa. Newer insecurities are emerging and older insecurities are recurring, at times, with unprecedented scale and intensities. Comprehending these insecurities need global integrative approaches which are visible on the horizon. Global community's capacity of dealing with these insecurities of global proportion will depend on what shape the structure of power relations take in future. For all practical purposes, the global structure of power relations will continue to be a mix of unipolarity and multipolarity but newer sources of rivalry and competition are creeping into the system. Stability of the international system will be contingent on whether the ongoing Great Power understanding and cooperation continues to hold ground.

1. Introduction

In the post-Cold war era, one of the momentous changes in international relations has been the absence of patterned and predictable changes, and difficulty of capturing the changes within individual paradigms like realism, liberalism or historical structuralism. Instead of the historical phases of dominance of these paradigms, perhaps plurality of paradigms or paradoxes of paradigms could be the best way of describing the post-Cold War changes in international politics. The developments have been so dramatic in terms of intensity, scope and expanse, that most of the basic premises and propositions of established paradigms began to be questioned. The contemporary realities of the world depart so significantly from the Cold War realities that traditional nation

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states find them difficult to grapple with. Realism, which has been the dominant paradigm during the Cold War, fails to capture and address many of the dramatic developments taking place both within and across national borders.[32] An era of 'new security challenge' ushered in encompassing the proliferation of weapons of mass destruction, terrorism, ethnic and sectarian conflicts, transnational crimes, transnational and global insecurities like climatic disorder and pandemics.[33] Cold War discourses of security made a clear demarcation between domestic and international issues. But in the post-Cold War era, domestic issues, whether ethnic or sectarian conflicts, violation of human rights or political instability resulting from power struggles among groups tended to form very substantial agenda of international, to be precise, global, concerns, and at times, global action.

Consequently, what we find today is a series of incongruence between the paradigms or the intellectual framework, on the one hand, and real world developments which mostly transcended national boundaries, on the other[34]. One may take the case of the role and effectiveness of the nation states in managing global public order today. In realist framework, the concept of sovereign nation states traditionally includes national borders protected by national armies. State was the key actor and sovereignty and security of the state were supreme values. International security in an anarchic order, was a function of bilateral or multilateral inter-state relations governed by international laws, norms and practices and institutions. However, the sacrosanct nature of state sovereignty has been subjected to contradictory pulls and pressures in the post-Cold War era. In one sense, the forces of globalization in terms of free flow of information, transnational linkages and cross-border movements of goods, ideas and people tend to erode state sovereignty - laterally, from below, and from above.[35] A sizable body of literature has grown on weak state, fragile state, failing or failed state.[36] But in another sense, taking advantage of the forces of globalization – some scholars called it predatory globalization[37] - like transportation and

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[32]   Failure of realism to capture the complexity of contemporary world politics is deliberated in James Rosenau, *Turbulence in World Politics: A Theory of Change and Continuity,* Princeton: Princeton University Press, 1990.

[33] See, V.R. Raghavan, "Challenges to Global Security", *Pakistan Horizon,* 60(3), July 2007, p. 23.

[34]   See, Seyom Brown, "World Interests and the Changing Dimensions of Security" in Michael T. Klare and Daniel C. Thomas (eds.), *World Security Trends and Challenges at Century's End,* New York: Palgrave MacMillan, 1991, p. 10.

[35] See, Ngaire Woods (ed.), *The Political Economy of Globalization,* Basingstoke: Macmillan, 2000, p. 5.

[36] For concise and interesting discourse, see Sonali Huria, "Failing or Failed States: Global Discourse", *IPCS Issue Brief,* No. 75, July 2008.

[37] See, Richard Falk, *Predatory Globalization: A Critique,* London: Polity Press, 1999.

communication, resource mobilization and technology including weaponry, some states are becoming strong, centralized, and most often, repressive.[38]

The question is: could the existing system of collective security under the United Nations be salvaged and reinvigorated to address the new insecurities? This is a problematic question but suffice it to say for the moment that the UN collective security system operated only in exceptional constellation of world powers[39], as happened in the cases of the Korean war of 1950-53, the Gulf war of 1990-91. Compared to that, the scenario in Bosnia-Harzegovina or in Kosovo is a commentary of the inherent weakness of the UN collective security system.[40]

The world economy also has undergone massive textural and structural change. Emergence of new breeds of TNCs and MNCs has led to multinationalization of global production, at least 25 per cent of global trade is constituted by intra-company or intra-industry trade. The world financial and capital market is more integrated with huge number of instruments traded in stock markets.[41] What is more disconcerting, the parallel, at times, more pervasive, power of the underworld economic agents combining informal trade in contraband and human bodies and legal economic power tend to dwarf national clouts of many states.[42]

The upshot of the discussion is that the concept of 'Global Security' could perhaps address most of the security problematics confronting human society in the present and coming decades. Against this backdrop, the purpose of the present paper is to review trend and issues of global security. The second section of the article attempts at frameworking discourses on global security. Section 3 reviews the state of global power balance and in the process, equations of the global power with regional powers will also be reviewed. Section 4 takes up the issue of terrorism and its future. The subsequent sections take up specific issues of global security, namely, energy security, climate change, and spread of pandemics, in succession. Outlook of Global security and the possible shape of collective security will be taken up in Section 8 before Conclusions in Section 9.

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[38] See, Alejandro Colas, "Neo-liberalism, Globalization and International Relations" in Alfredo Saad-Filho and Deborah Jonston (eds.), *Neo-Liberalism: A Critical Hand Book,* Pluto Press, 2005.

[39] Seyom Brown, *op.cit.,* p. 14.

[40] For an interesting discussion of the comparative performance of collective security system in different cases, see, Chapter 3, "Alternatives to Power Politics" in Joshua S. Goldstein and Jon C. Pevehouse, *International Relations,* New York: Longman (9th Edition), 2009.

[41] See, Ngaire Woods, *op.cit.*

[42] See, Kathleen Millar, 2010: "Target the markets!" in Global Organized Crime, World Affairs Blog Network, www.globalorganizedcrime.foreignpolicyblogs.com/ tag/mafia. html, accessed on 05 January 2011.

Although the paper looks like to have taken a widened and ambitious canvass, one justification is that not much work has been done in recent times taking an integrative view of the concept of Global Security. We have also indulged into an extended discussion on the theoretical terrain not only for raising debate but also for providing empirical insights alongside the theoretical discussion.

2. Conceptual and Theoretical Frameworks of Global Security

What exactly we mean by 'Global Security' in the changed contexts we have just portrayed? How is it different from competing concepts of security as well as global security of the Cold War era? How best to approach 'Global Security" in the contemporary era? The present section addresses these questions.

2.1 *Concept of Global Security in Perspective*

We intend to put the concept of global security (GS) in perspective by bringing in competing concepts like traditional versus non-traditional security and examining where would GS fit into that schema. Similarly concepts of comprehensive security, cooperative security and collective security will also be reviewed. Secondly, we also intend sharpen the concept by imputing recent changes in contents in the post-Cold War era.

2.1.1   *Traditional Security*

Security has been traditionally viewed in state centric military terms to mean protection of border security, political independence and sovereignty. This view of security, national security, to be precise, has been the hallmark of realist formulation of security. One of the early definitions of traditional security has been: "a nation is secure to the extent to which it is not in danger of having to sacrifice core values, if it wishes to avoid war, and is able, if challenged, to maintain them by victory in such a war".[43] A more precise definition of traditional security has been offered by Arnold Wolfers: "Security, in an objective sense, measures an absence of threats to acquired values, in subjective sense, the absence of fear that such values will be attacked".[44] State, meaning political independence, and borders, meaning territorial integrity remained the hallmark of the realist formulation of national security discourse. Security of the

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[43] Walter Lippmann, *US Foreign Policy Shield for the Republic*, Boston: Little Brown, 1943, quoted in Abdur Rob Khan and A K M Abdus Sabur, *Human Security Index for South Asia: Exploring Relevant Issues,* Dhaka: University Press Limited, 2010, p. 14.

[44] Arnold Wolfers, "National Security as an Ambiguous Symbol" in Arnold Wolfers (ed.) *Discord and Collaboration: Essays on International Politics,* Baltimore*:* Johns Hopkins University Press, 1962, quoted in Abdur Rob Khan and A K M Abdus sabur, *ibid.* p. 14.

state was considered as a supreme value because it was argued as well as believed that if the territorial integrity was threatened by external enemy and sovereignty and independence was endangered, security of the citizens was also endangered. Moreover, the stakes were so high and strategic that citizens should not hesitate to make material and non-material sacrifices for the homeland, it was argued. Some amount of sublimity and myth was created around the concept of national security within traditional security framework.

However, the linkage between state security and citizens' security was not made explicit and transparent. In real life, as was the experiences of countries of the developing world, in particular, that state security was achieved at the cost of citizens' civil, political and economic rights, and state turned out to be the biggest threat to human security. Not only that, within the boundary of the state, various types of inter-religious, inter-ethnic and inter-sectarian conflicts, often in violent shape ensued, and the majoritarian state took the side of the dominant groups and ruthlessly suppressed dissenting minorities, again in the name of law and order and state security. Freedom of speech and other democratic rights were equally flouted by the state, protests and dissent were dubbed as anti-state activities. It has been estimated that over the past century, 30 million people were killed in international wars, 7 million in civil wars but a staggering 170 million people were killed by their own governments.[45] This role of the state was often critically viewed by citizen groups, civil societies and donor communities but the dominance of the state centric security continued all the same until the end of Cold War.

2.1.2 *'Global Commons' and Common Security*

In the late 1970s, however, some widening of the concept of security began to take place at the initiatives of the United Nations and many other global leaders. The concepts of international interdependence, North-South Dialogue, non-power influence became popular, although mainly at rhetorical levels. In 1977, at the initiative of World Bank President Robert MacNamara, former German Chancellor Willy Brandt was made the head of an independent commission to look into the problems of already bogged-down North-South dialogue as well as the common problems faced by planet Earth.

Broadly speaking, the Brandt Commission's reports gave new life to earlier North-South proposals by placing them in a new context, which emphasized a dual relationship: the northern nations dependent on the poor countries for their wealth, and the poor countries dependent on the North for their development. The Brandt Commission's two reports, *North-South* (1980) and *Common Crisis* (1983) give primary emphasis to the international issues of food and agricultural

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[45] See, Ramesh Thakur, "Security in the New Millennium", *Newsletter,* Regional Center for Strategic Studies (RCSS), Colombo, 6(4), 2000.

development, aid, energy, trade, international monetary and financial reform, and global negotiations. The Brandt reports also sought solutions to other problems common to both North and South, including the environment, the arms race, population growth, and the uncertain prospects of the global economy. Since these problems ultimately concern the survival of all nations, the Brandt Commission's recommendations were presented as a structural programme to address the world's problems collectively.[46] The Brandt Commission report took on board a series of global problems and viewed them in global perspective and imputed intellectual and moral weight to many of the global problems discussed in various fora. The recommendations, however, were mainly of advocacy type. Nor did the analysis in the report make a dent in security discourse couched in realist paradigm.

Global security, however, was at the stage of another independent (nongovernmental) Commission on Disarmament and Security headed by Swedish Prime Minister Olaf Palme. The Commission made valuable contribution to the emerging concept of universal security in terms of 'common security". The Palme Commission analyzed the causes and failures of the system of collective security under the United Nations Charter. It emphasized that Cold War rivalry between the East and West actually blocked implementation of Articles 39 through 51 of the UN Charter. The idea of creation of an effective UN armed force contingent and other measures for achieving collective security under the aegis of the UN Security Council has not been put into action. "Instead of actions aimed at maintaining collective security as discussed in 1945, priority was given to other functions of a more limited nature", the Palme Commission analysis held.[47] There was a collective failure in instituting an effective reliable international means for maintaining security through legal and political means, instead, military means got precedence. As pointed out in the Palme report: "States can no longer strive towards strengthening their security at another's expense. It is only possible to achieve it through joint effort."[48] However, while the Palme Commission had analytical insights into the virtues of common security, the world leaders did not seem to heed to the precept of common security. Cold War continued to reach its new height in Afghanistan. Whether, however, the post-1985 Gorbachev era could be cited as an example of planned

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[46] See, Centre for Global Negotiations, "The Brandt Equation: 21st Century Blueprint for the New Global Economy" in www.brandt21forum.info/About_BrandtCommission.html accessed on 04 February 2011.

[47] See, Alexander I. Nikitin, "The Concept of Universal Security: A Revolution of Thinking and Policy in the Nuclear Age" in www-ee.stanford.edu/-hellman/Breakthrough/book/chapters/nikitin.html, accessed on 04 February 2011.

[48] *Ibid.*

scaling down of the Cold War is difficult to say because the process climaxed in the dismantling of the Soviet Union and ending of Cold war itself.[49]

To sum up, attempts at widening of the concept of security in the late 1970s and 1980s did not make much of a dent in the conceptual, theoretical as well as policy domains because of the Cold War ambience. Only when at the end of Cold War in 1989-90, the chances of inter-state wars lessened and the prospects of peace dividend became bright, did attempts at widening and deepening security made intellectual and policy impacts.

2.1.3 *Comprehensive Security*

The concept of 'Comprehensive Security' evolved also in the 1980s out of the need for viewing security – both traditional and non-traditional - in a holistic manner. The term 'comprehensive security' is used in three senses – inclusion of non-military threats to the state, military threats to non-state security referents like groups and individuals, and non-military threats to both state and non-state security referents.[50] The concept remained anchored on state and military security but non-military aspects of insecurity were taken on board. However, scholars tend to keep the concept state-centric but include both military and non-military sources of insecurity. One advantage of the concept is that it found resonance with the statists because military security was included. Secondly, it provides a single umbrella framework to capture the dynamics of evolving and changing threats. Raghavan argues that the concept combines the competing perspectives of the 'narrow' and 'wide' streams of security and that it gives a constructive and interactive security outlook involving needs of the state and the people.[51] However, to be precise, the concept received more acceptance with policy making discourse than academic exercises.

2.1.4 *Non-Traditional Security – Widening and Deepening of Traditional Security*

With the end of the Cold War, the ambit of security studies has expanded to include non-military aspects human, environmental, social and economic

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[49] There is an interesting debate as to whether the Western capitalist bloc followed 'begar thy neighbour' policy that led to the collapse of the Soviet Union or some kind of cooperative process between Gorbachev and Regan brought the cataclysm. See, Joseph S. Nye, "Gorbachev and the end of the Cold War", *The New Straits Times, 5 April 2006* in www.belfercenter.ksg.harvard.edu/publication/1531/gorbachev_and_the_end-of_the_ cold_war.html accessed on 04 February 2011.

[50] For an elaborate discussion on the concept, see, Mohammad Humayun Kabir, Neila Husain and Segufta Hossain, "Non-traditional Security of Bangladesh" in Mufleh R Osmany (ed.), *Whither National Security: Bangladesh 2007,* Dhaka: University Press Limited, 2008, pp. 216-19.

[51] See, V.R. Raghavan, "Introduction" in V. R. Raghavan (ed.), *Comprehensive Security in South Asia,* New Delhi: Delhi Policy Group, 2001, p. 2 in Humayun Kabir *et al*, *ibid.*

security.   Comprehensive security was one of the responses. But the focus remained on military security. A new concept emerged with emphasis on non-military aspects. Non-traditional security discourse was such an attempt that began in the mid-1980s. The most prominent redefinition is one that remained focused on "threat, use, and management of military force and closely related topics" but recognized the need for incorporating economic, environmental issues, culture, values, non-military instruments of power and influence, new actors and environmental issues"[52]

Military security still perhaps is the dominant paradigm, but it is being increasingly realized that military security cannot respond to some of the mankind's fundamental needs like freedom from poverty, threats to individuals and groups from multiple sources. Mills takes a comprehensive approach when he identifies five types of threats : *territorial threats* (some in traditional sense but mostly in the sense of sovereign incursions by population groups, resource extractions, fishing, diversion of waters), *economic threats* (economic globalization and the sheer weight of international financial transactions provide opportunities to financial criminals to play fouls that affect developments and macro-economic stability, marginalization of the geographically disadvantaged countries, intellectual property rights, demographic issues, *pandemic threats* of AIDS, malaria and water borne diseases), *political threats* (corruption, piracy, illegal narcotics and small arms, extra-parliamentary agitation and street violence, money laundering), and *environmental threats* (transboundary pollution, global warming and nuclear waste, depleted natural resources including water, prospecting of transboundary mineral and marine resources).[53]

There is no doubt that non-military factors account for most of the domestic and regional instabilities, violence, death and deprivation. Endemic political violence, decay in democratic norms and practices, rampant corruption in public offices, ethnic, sectarian and communal violence, terrorist activities, acute water crisis, conflicts over resource depletion, deforestation and river erosion, cross-border population movements and their repercussion on domestic politics and inter-state relations – all in varying degrees of intensity and scale combine to create complex matrix of conflicts, instability and sense of insecurity to states and regions.

Of course, some scholars object to the indiscriminate broadening of the concept of security so as to render it a useless analytical tool and suggest positing the concept in a "subaltern" perspective that is sensitive to the dynamics of state formation. This need not necessarily be the case. On the contrary, one may argue

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[52] Ann M. Florini and P.J. Simmons, *The New Security Thinkin : A Review of the North American Literature,* Rockefeller Brothers Fund, Project on World Security, 1998, p. 41.
[53] Greg Mills, "A 21st Century Security Agenda: The End of 'defence' as We Know It?", *Strategic Balance*, XX(2), May 1997, p. 181.

that what we term as non-traditional sources of insecurity, like poverty, hunger, malnutrition, degradation of land, water and habitat, social, ethnic and sectarian violence, dislocation in economic activities, all these do affect the core of human existence – to paraphrase the conventional definition of security – are manifest most often in physical terms, and allow in relatively shorter period of reaction times. The state apparatus, on the other hand, do not have the capacity and willingness to face these challenges in a manner that ameliorate people's sufferings arising out of them. Moreover, the state machinery displays an easy tendency to employ its coercive force to suppress dissent and discontent.

In recent times, a more coherent concept to capture the non-traditional sources of insecurity has been *human security* defined in terms of freedom from fear and freedom from want. Human security viewed in this sense seems to be a realistic approach because it takes care of both violent and non-violent sources of insecurity. However, for the purpose of the present study, we would prefer a generic term like non-traditional security. The long catalogue of insecurity issue we have identified are non-traditional in two senses: first, in terms of sources, second, in terms of the way the impact on the society and human beings. All issues do not operate at the same level, they operate at different levels of collectivities, starting from the state, through societies down to individuals.

Secondly, it should be pointed out that state still remains the dominant player in international relations, development scene and domestic politics. That means the non-traditional sources of insecurity do not operate in a vacuum, they operate side by side with traditional sources of insecurity. That being the case, what is of interest to us is not separate discourses on traditional and non-traditional security interface between them in an integrated fashion.[54]

The review of competing concepts of security makes one thing evident that over time, there has been both broadening and deepening of the concept of security in terms of referents beyond the state and sources of insecurity to both traditional and non-traditional domains. Perhaps the greatest contribution of the reconceptualization exercise has been putting individuals or human beings at the centre stage and attempting to bear all other aspects on human beings. As the role of state is conceived to be central in the schema of human security, perhaps the military dimension also comes in. The present author does not have any problem in imputing adequate weight to human security discourse in overall security discourse.[55] However, if we take the Human Development Report 1994 as a benchmark of widening the concept of security that includes seven components such as economic security, food security, health security, environmental security,

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[54] See, Abdur Rob Khan, "Interfacing Traditional and Non-traditional Security : Views from South Asia", Working Paper, Department of Politics, Torquato Di Tella University, Buenos Aires, 2001.
[55] See, Chapter 2 in Abdur Rob Khan and A K M Abdus Sabur, *op. cit*., pp. 11-42.

personal security, community security and political security[56], perhaps a better formulation to capture other aspects of security would be 'Global Security'. The Human Development Report 1994 itself allures to global dimensions of   various insecurities:

> On a global level, one must also acknowledge that when human security is threatened somewhere, it is under stress everywhere. Threats to human security are thus also to be understood at this macro level, such as unchecked population growth without developmental opportunities, which puts enormous pressure on resources and people. Furthermore most environmental threats are in nature global, with global warming and greenhouse gas effects and threats to biodiversity. Finally transnational organized crime and terrorism constitute another global human security threat with multiple layers of implications and consequences for people everywhere.[57]

Thus, we propose that an appropriate concept of security that captures all possible referents, sources and dimensions of insecurity will be 'Global Security'. Given the all pervasive nature of globalization today that integrates internal and external dimensions of states, as well as individuals with different levels of collectivities,[58] we are suggesting that all variants of security discussed above are captured by 'Global Security'.

2.1.5   *What is Global Security?*

The basic premise on which Global Security is based on the interdependent nature of insecurities that is insecurity at one place will create insecurity in other places. That means, insecurity at one place or on one referent has high probability of spreading to all possible referents. Global Security, therefore, admits of multiple sources, multiple referents and global impact. As far as sources of insecurity are concerned, we also include traditional military insecurities but at the same time, we hasten to add a qualifier that the nature of insecurities and the impact it creates for nation states may be somewhat different than in traditional insecurity. Clare and Thomas argue, "given the multiplicity of pressing world hazards, the concept of 'national security' must be integrated with that of 'global security'".[59]

Global security consists of the measures taken by nations and international organizations, such as the United Nations, to ensure mutual survival and safety.

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[56] See, United Nations Development Programme (UNDP), *Human Development Report, 1994,* Chapter II, 1994.

[57] *Ibid.*

[58] See, Abdur Rob Khan (ed.) *Globalization and Non-traditional Security in South Asia,* Dhaka: Academic Press and Publishers Library, 2001.

[59] See, "Introduction" in Michael T. Klare and Daniel C. Thomas (eds.) *World Security: Trends & Challenges at Century's End,* New York: St Martin's Press, 1991, p. 3.

These measures include military action and diplomatic agreements such as treaties and conventions. Global Security is the efforts taken by the community of nations to protect against threats which are transnational in nature. These threats usually fall under the jurisdiction of one of many UN agencies. For example, the threat of a global pandemic is one which is monitored by the World Health Organization (WHO). The threat of global famine is managed by the World Food Programme (WFP). Then there is war/conflict which is the responsibility of the United Nations Security Council to address. In many cases, governments have similar agencies to address these threats and there are typically non-government organizations (NGO's) which take action on these issues. In every case Global Security is best defined as the means by which any threat to human stability and survival which is or has the potential to become transnational in nature is managed and mitigated.[60]

Former UN Secretary General Kofi A. Annan, said about global security: "Above all, it spells out the interconnectedness of our age, in which the destinies of peoples and the threats they face are interwoven. Not only is a threat against one nation a threat against all, but failure to deal with one threat can undermine our defense against all the others. A major terrorist attack in the industrial world can devastate the world economy, plunging millions of people back into extreme poverty; and the collapse of a poor state can punch a hole in our common defense against both terrorism and epidemic disease".[61]

2.3 *Approaches to Global Security*

This section explores a possible theoretical framework of understanding the trends and issues in global security. Our approach in this exercise will be eclectic because there is no coherent theory of global security unlike national security or system security under Cold War politics. We begin with the question: given the continued existence of the states with their fighting power, is realism still a valid framework of analyzing global security? What all new thinking has emerged in the field? Is this emergent framework good enough to capture the enormous complexities and diversities in global security today?

Since realism has been the dominant paradigm in politics and security during the Cold War, we first examine the continued validity of realism, and for that matter, the alternatives to realism, namely, liberalism and structuralism. An exercise in this regard was made by Richard Falk just at the collapse of the

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[60]The definition was found in, www.answers.yahoo.com/qustions/index?qid=200812180 91500AA18801. html. accessed on 04 February 2011.
[61] See, Kofi A Annan, "A Way Forward on Global Security", *International Herald Tribute,* 3 December 2004.

Soviet Union, and consequent end of Cold War.[62] Falk tentatively concludes that even without Cold War, the planet remains a dangerous place, statist rivalry and regional tensions may exacerbate in some cases.[63] But at the same time, looking at the transnational insecurities like climate change and crimes, a complete reorientation of security paradigm was suggested. Based on this ambiguous position, Falk suggests the possibility of introducing World Order Models Project (WOMP) which has attracted attention of scholars and global leaders for quite some time.[64] WOMP thinking shares some common characteristics like strong sense of unity of human destiny; a belief that security encompasses basic needs for all people; a skepticism about the capacity of war to provide security; and a belief that desirable changes in political life throughout history have largely been caused by popular movements and struggles from below.[65] But the arguments betray the author's skepticism about capability of WOMP to replace realism. So, realism is incapable of addressing many of the world's insecurities, particularly of the transnational types, yet an alternative framework could not be evolved.

The end of Cold War witnessed the emergence of a unipolar power. Did unipolarity offer any clue to the likely world order? Does it sit well with the well-known hegemonic stability theory or it replaces the latter? Unipolarity is usually described either as a 'brief moment' requiring period of adjustment[66] or as something historically insignificant. Birthe Hansen provided a coherent model of a unipolar world order.[67] We have already seen nearly twenty years of virtual unipolarity and this period has been of great significance for world politics. Two issues have been crucial since the end of the Cold War: How to theorize the distinctiveness and exceptional character of a unipolar international system? How does unipolarity works in reality? Until now, a comprehensive model for unipolarity has been lacking. Hansen provides a theoretical framework for analysis of the current world order and identifies the patterns of outcomes and systematic variations to be expected.[68] However, one problem with the prevailing concept of unipolarity is its all encompassing nature; it subsumes all facets of power. On the other hand, in real life, unipolarity in military field does not have a correspondence in political sphere of global power. Unipolarity has been challenged on many fronts and not all insecurities of the world could be resolved

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[62] See, Richard A. Falk, "Theory, Realism and World Realism" in Michael T. Clare and Daniel C. Thomas (eds.), *op.cit.,* pp. 6-24

[63] *Ibid.* p. 20.

[64] See, R.B.J. Walker, *One World, Many Worlds: Struggle for a Just World Peace,* Boulder, Colo: Lynne Reinner, 1988.

[65] See, Falk, *op. cit.,* p. 22.

[66] See, Charles Krauthammer, "Unipolar Moment: America and the World", *Foreign Affairs,* 70(1), 1990-91, pp. 23-33.

[67] See, Birthe Hansen, *Unipolarity and World Politics: A Theory and Its Implications,* London: Routledge, 2010.

[68] Hansen, *ibid.*

by unipolar power. Thus, unipolarity, even if sustainable, will have only limited relevance for global insecurities.

Attempts have been made by scholars to argue that unipolarity is a specific manifestation of hegemony theory and contemporary international system both hegemonic and unipolar. Even some scholars tend to see the system as consensual hegemonic in Gramscian sense.[69] This, however, is stretching the point a little far, because even in the height of Cold War, hegemonism was a contested concept. Secondly, both unipolarity and hegemonism provide a partial picture of the reality in view of their focus on traditional structure of power relations. The widened concept of security was not taken on board.

A holistic approach to local, regional and global security has been made by Buzan, Waever and Wilde in their book titled *Security: A New Framework for Analysis*[70] The book looks at security dynamics of five sectors: military, political, economic, environmental and societal and brings out their interactions with different levels – local, regional and global. The book takes securitization approach in which security is not an objective reality but a perceptual and subjective reality.[71] The *general picture shows* that the military, political, and societal sectors are dominated by regional security complexes; economic sector is dominated by the global security complexes. Moreover, both global and local levels are significant for the environmental sector. According to this analysis actors let security concerns from one sector colour their security definitions in other sectors, or they add everything up and make a judgement on the basis of some overarching narrative that structures security as such'[72]

The main contribution of the book to the literature is that it takes an explicitly social constructivist approach to understanding the process by which issues become securitized. Securitisation is accepted as a successful speech act but it is argued in the book that the security speech act is not defined by saying the word security. For securitisation "the designation of an existential threat requiring emergency action or special measures and the acceptance of that designation by a significant audience" is necessary.[73] In securitization, an actor tries to move a topic away from politics and into an area of security concerns by talking security. The process of securitization is not a question of an objective threat but a subjective perception of a threat. S*ecuritization is inter-subjective*

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[69] See, Peter Van Ness, "Hegemony, Not Anarchy: Why China and Japan Are Not Balancing US Unipolar Power?", *The International Relations of the Asia-Pacific,* 2(1), 2002, pp. 131-50.

[70] See, Barry Buzan, Ole Waever, and Jaap de Wilde, *Security: A New Framework of Analysis*, Boulder, Colo: Lynne Reinner Publishers, 1998.

[71] Buzan, Waever and Wilde, *ibid.*

[72] *Ibid.*

[73] *Ibid.*

which means that securitization of a subject is closely related to its acceptance by an audience.[74]

Buzan and Waever separately deal with the interface between regional security and global security by combining their securitization model and Buzan's own Regional Security Complex Theory (RSCT).[75] Buzan and Waever argue that regional security dynamics has certain degree of autonomy beyond the reach of the global powers and this pattern is not adequately captured by unipolarity or multipolarity. They argued that regional threats and insecurities move within short distance forming regional clusters. While global forces theoretically may reach out to regional forces, in practice, the global level forces cannot significantly affect the regional security issues.[76] More or less similar arguments in favour of regional powers and regional security was made by Ozkan who argued that middle ranking regional powers are a new power category who can play important role in new global order, through what he called 'niche diplomacy' or issue by issue approach.[77]

While both RSCT or middle power approaches provide significant insights into the interplay between global and regional security, particularly in view of the current trend towards a multipolar and multilevel structure of global power. But it looks like Buzan and Waever stop at regional level and the global level forces and global balance of power remain patently absence in their schema.

Finally, we deal with very comprehensive contribution to understanding of global security by Peter Hough.[78] Hough introduces both the conventional 'hard' security issues which dominated international relations during the Cold War and continue to do so today, and the 'soft' security issues which have emerged in the post-Cold War era within the framework of securitization model popularized by Buzan and Waever.[79] In recent years, with the emergence of critical security studies, there has been an increased focus on non-military threats to security such as terrorism, the environment, transnational crime, poverty, economic instability and ethnic rivalries. The issues that have been dealt with in this volume include: Military threats to security of states; military threats to security from non-state actors; Economic threats to security; Social identity as threat to security; Environmental threats to security; Health threats to security; Natural threats to security; Accidental threats to security, Criminal threats to security; and finally, it

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[74] *Ibid.*

[75] See, Barry Buzan and Ole Waever, *Regions and Power: The Structure of International Security,* Cambridge: Cambridge University Press, 2003.

[76] *Ibid.*

[77] Mehmet Ozkan, "A New Approach to Global Security: Pivotal Middle Powers and Global Politics", *Perceptions,* Spring, 2006, pp. 77-95.

[78] See Peter Hough, *Understanding Global Security,* London: Routledge, 2008.

[79] Buzan and Waever, 2003, *op. cit.*

presents "Towards a Global Security" approach which is both inclusive and comprehensive.

In this paper, we follow Hough's integrative model of Global Security. In the first two empirical sections of the paper, we look at the structure of global power relations and military balance. After that we deal with sectoral aspects of global security.

3. Structure of Global Power and Global Security

Ever since the end of Cold War in 1989-90, scholars have been busy tracing the changes in global power structure and efforts continue in the same direction today.[80] Most of the studies end up providing similar set of conclusions: US continued superiority in a unipolar frame of power structure, decline of US absolute power, trend toward economic, political, cultural and technological multipolarity. There is less likelihood that the existing pecking order will undergo any change in the near future.[81] What, however, would be of interest to us is the relative power profiles and changes therein that have taken place in the interregnum.

3.1 *Power Profile in Comparative Perspective*

The most important indicator of power is economic, roughly measured by size of the economy. In 2000, size of US economy was $10 trillion, compared to China at $5 trillion, Japan at $3 trillion, Germany $2 trillion, Russia, Britain and France $1 trillion each.[82]The US in 2010 economy has grown to $14.7 trillion compared to a distant second China at $5.36 trillion and closely following Japan at $5.27 trillion.[83] The Russian economy, which has undergone major reforms since the collapse of the Soviet Union, stood at $2.2 trillion in 2010 and $2.1 trillion, as of 2009.[84] France with its GDP at $2.2 trillion in 2010 and $2.1 trillion in 2009 was slightly smaller than Germany which had a GDP of $2.9 trillion in both 2010. If we compare the economic prowess of the middle powers, India with its GDP at $4.2 trillion in 2010 and $3.7 trillion in 2009 stands out not only among other middle powers like Brazil ($2.2 trillion in 2010 and $2.0 trillion in 2009) but also established economies like Italy ($1.8 trillion in 2010 & 2009).[85] Of course, the middle powers have not attracted as much attention as

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[80] See, M. S.Rajan, "Changing Global Power Structure", in M. S. Rajan (ed.), *Global Order: Recent Changes and Responses,* 1992, pp. 23-54.
[81] Available at, www.international-security.org/wp/analysis-3/geopolitics-analysis-2/2010-america-maintains-the-global-balance accessed on 05 January 2011.
[82] See, Clare and Thomas, *op. cit.,* pp. 95-96.
[83] CIA World Fact Book, 2010.
[84] *Ibid.*
[85] *Ibid.*

Great Powers have in terms of their influence in global affairs. But these powers like India, for example, play an important role in South Asian regional affairs. We also need to take into cognizance that there are at least three candidates who intend to enhance their influence and power potential by getting a permanent membership of the UN Security Council.[86]

We may compare the military spending and strength of personnel in active military service (Table 1). It turns out that US has the largest defence budget of $741 billion as of 2007 compared to $380 billion of China, $92 billion of India, and $82 billion of Russia. In terms of active military personnel, however, China has the largest armed forces at 2,225,000 followed by USA at 1,385,122, India at 1,325,000 and Russia at 1,245,000.

Global military spending in 2009 stood at $1.53 trillion in current US Dollar which is a 6 per cent increase over 2008 and 49 per cent increase over 2000. Of this US share stood at 46.5 per cent and China's 6 per cent.[56] In the meantime, the global powers have already declared beefing up their defence spending. US defence budget for 2011 has been proposed at $895 bn compared to $855 bn in 2011. US spending of Iraq and Afghanistan to the tune of $11.8 bn in 2009 is outside this budget.[57] China declared a double digit rise in its defence budget to $92 bn from 2010 level.[58] Russia declared an ambitious $650 bn budget for modernization of its military in the coming 10 years starting 2011 for which its annual budget is $63 bn.[58] India, in its turn, boosted the defence budget by 11.6 per cent to $36.3 bn during 2011-12.[60]

The above, however, gives indicative picture of global power balance. We need to take on board the global strategic power balance. According to Arms Control Association, the following is the latest stockpile[87]: **China:** About 240 warheads; **France:** Fewer than 300 operational warheads; **Russia: a**pproximately 2,600 operational strategic warheads, approximately 2,000 operational tactical

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[86] See, Praful Bidwai, "The Security Council Seat Mirage", *The Daily Star*, 22 November 2010.

[56] See, www.globalissue.org/article/75/world-military-spending.htm accessed on 05 March 2011.

[57] See, www.useconomy.about.com/od/usfederal/budget/p/military_budget.html accessed on 05 March 2011

[58] See, www.news.yahoo.com/s/afp/20110304/wl-asia-afp/chinapeoplescongressnpc military.html accessed on 05 March 2011.

[58] See, www.rt.com/news/military-budget-russia-2020 accessed on 05 March 2011.

[60] See, www.iol.co.za/business/international/india-steps-up-defence-spending accessed on 05 March 2011.

[87] See, Arms Control Association, www.armscontrolorg/factsheet/Nuclearweapons-who-has-what, accessed on 27 February 2011.

warheads, and approximately 8,000 stockpiled strategic and tactical warheads. **United Kingdom:** fewer than 160 deployed strategic warheads, total stockpile of up to 225. **United States:** 5,113 active and inactive, nuclear warheads and approximately 4,500 warheads retired and awaiting dismantlement. The 5,113 active and inactive nuclear warhead stockpile includes 1,968 strategic warheads, approximately 500 operational tactical weapons, and approximately 2,645 inactive warheads.

Table 1: Military Balance among Great Powers

Country	Size of GDP US $trillion)		Military Spending (US $billion, 2007)	Military Spending as per cent of GDP	Strength of Active Military Personnel (2008)
	2010	2009			
USA	14.7	14.3	741	5.2	1,388,122
China	9.8	8.95	380	4.3	2,225,000
Russia	2.2	2.1	82	3.9	1,245,000
India	4.9	3.7	92	2.5	1,325,000
France	2.2	2.1	54.4	2.6	225,000
UK	2.2	2.1	50	2.4	195,000
Germany	2.9	2.9	42.2	1.5	250,000
Japan	4.3	4.2	33.2	0.8	239,000

Source: Columns 2 & 3: CIA Fact Book, 2010, Columns 3-5" US Library of Congress, Central Intelligence Agency, 2010.

3.2 *Recent Changes in Global Balance of Power*

We briefly assess the recent changes and the likely changes in global power structure in a bid to bring out their impact on global security. One the one hand, some scholars assess that global structure of power remains and is likely to remain cooperative, interdependent of the sort observed in Great Power Concert.[88] Although Fareed Zakaria introduces significant elements of change in global power structure, he reaches a rather optimistic conclusion that while there would be regeneration of US power to recover any decline, 'rest of the world" will also rise.[89] Zakaria does not see much of tectonic change in the international power system after the 1990s. Others, however, are not optimistic about the newer power balance. According to American scholar John Mearsheimer, China's rise to challenge America will not be peaceful because China's neighbours like India, Japan, Singapore, South Korea, Russia, Vietnam as well as

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[88] See, Graeme B. Herd, *Great Powers and Strategic Stability in the 21ˢᵗ Century,* Routledge, 2010.
[89] See, Fareed Zakaria, *The Post-American World,* New York: W W Norton, 2008.

Australia would join the USA to contain China.[90] According to another prediction, in the first half of the 21st century, China-America relations will shape the world while in the second half it will be US-Russian relations. That means while USA will continue to dominate the 21st century, China will fall behind fast recovering Russia.[91] Resonance of this prediction is found in the argument that flow of resources is taking from the West to the East Asian countries including China and the Middle East.[92]

Subhash Kapila is more blunt about his prediction that the world will witness altered power relations in view of continued economic and military distractions that US faces in Iraq and Afghanistan, and emergence of China and Russia.[93] What is more interesting, he argues that the world will witness a fresh round of Cold War between USA and resurgent Russia. Moreover, he argues that multipolarity is a political and strategic myth. Russia's edge over China emanates from its energy-self reliance, its long Cold War and Super Power experience.[94]

China, of course, has its own perspective in this debate. According to a scholar at Shanghai Institute for International Studies, "Currently, there are six forces in the center of international arena: the United States, EU, Japan, Russia, China and the emerging power group, playing an important role at the global level. These six forces fall into two groups: the first three forces are the traditional power group while the latter three are emerging power group. As a basic trend of the six forces, the United States, EU, Japan and Russia are declining helplessly in status to varying degrees, while China and other emerging powers go up continuously, correspondingly, rapidly and unstoppably."[95] Zhengliang visualizes a world with two powers at the apex, which he calls, G2 or Chimerica (China + America).[96]

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[90] See, John Mearsheimer, "The Gathering Storm: China's Challenge to US Power in Asia", transcript of 4th Michael Hintze lecture on International Security at University of Sydney on 05 August 2010. See, University of Sydney, www.usyd.edu.au/news/84.html accessed on 28 January 2011.

[91] See, Bi Kaiyang, "How can China survive in competition with US?". See, www.watchamerica.com/News/   84304/how-can-China-survive-in-competition-with-usa accessed on 28 January 2011.

[92] See, David Crane, "Balance of global power changing before our eyes" in www.thestar.com/columists /article/288185 accessed on 28 February 2011.

[93] See, "Global Power Balance 2020: Perspective", *South Asia Analysis Group,* Paper 2914, 04 November 2008.

[94] *Ibid.*

[95] See,YU Zhengliang, "Global Power Structure Shifted and Transitional Multipolarity Emerged", not dated, in www.siis.org.cn/cn/zhuasti_view_cn_aspx?d accessed on 28 February 2011.

[96] *Ibid.*

There is, however, a veneer of consensus among these predictions that multipolarity is going to be transitional at best, and competition and power rivalry are bound to reemerge. This helps us to come to a tentative conclusion at this stage that while US is likely to retain its power superiority, the structure of power may not be one of hegemonic stability or consensual security. In this context, it will be pertinent to review two of the America's ongoing wars – Iraq and Afghanistan.

3.3 *On-going America's Wars in Iraq and Afghanistan*

During 2010, USA has been preoccupied with extricating from Iraq and Afghanistan by putting in place working political architectures. Election in March 2010 in Iraq has resulted in a hung parliament and with ethno-sectarian differences so deep that by the end 2010, a rather weak government was set up.[97] Earlier, President Obama said in February 2009, that combat troops in Iraq would be withdrawn by August 31, 2010 with between 35,000 to 50,000 troops to remain in Iraq, he said. They would be withdrawn gradually until all U.S. forces are out of Iraq by December 31, 2011 -- the deadline set under an agreement the Bush administration signed with the Iraqi government last year.[98]

By October 2011, the US Government would train Iraqi police to take charge of law and order situation, and this task will largely be carried out by private contractors. The US State Department is reportedly planning to more than double the number of its private security guards, up to as many as 7,000. Defending five fortified compounds across the country, the security contractors would operate radars to warn of enemy rocket attacks, search for roadside bombs, fly reconnaissance drones and even staff quick reaction forces to aid civilians in distress. The State Department plans to acquire 60 mine-resistant, ambush-protected vehicles (MRAPs) from the US military to expand its inventory of armored cars to 1,320 and to create a mini-air fleet by buying three planes to add to its lone aircraft. Its helicopter fleet, which will be piloted by contractors, will grow to 29 from 17.[99]

From the above plan, it turns out that although combat troops will have been withdrawn, large scale US physical support, even if through the private security forces, will have to be given. Question is whether there will be also gradual reduction in the number of these private forces and gradual takeover of Iraqi affairs by Iraqi government itself. The test of success of US policy in Iraq will lie there.

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[97] Wikepedia, "Iraqi Parliamentary Election 2010", available at, http://en.wikipedia.org/ iraqi_ parliamentary_election_2010, accessed on 28 February 2011.

[98] BBC News, "Obama Confirms Plan for US Troop Withdrawal from Iraq", available at, www.bbc.co-uk/news/10839342 accessed on 28 February 2011.

[99] *Ibid.*

The case of Afghanistan is much more complex and problematic. In Afghanistan, the US reduced its troops to 50,000. However, it has over 92,000 contractors in the country, conducting Obama's counter intelligence strategy which is yet to show any demonstrable success. The negotiations with the Taliban appear to have stalled even before they began. The election held in 2010 was mired in allegations of fraud and rigging. The United States Institute of Peace (USIP) in a book in January 2009 concludes that the focus of US and the international coalition should be to build us credible Afghanistan security institution to establish rule of law rather than getting bogged down in defeating the Taliban forces.[100]

But the world has also been witnessing other issues of global security. We are turning to review some of them.

4. Terrorism and Global Security

Terrorism has been in practice throughout history and throughout the world. But it is affecting global security in the 21st century more than ever because as a result of modern and sophisticated technology, the world has been reduced to a global village, and hence the impact of terrorism on global security is much more colossal than earlier. A huge amount of lives and properties worth billions of dollars have been destroyed since the devastating Al Qaeda attack on US twin towers on 9/11. Apart from the fear of insecurity terrorism brings about, it also reflects in economic decline, unemployment, inability to pay salaries of workers, debt burden; it brings about poverty and a general sense of frustration amongst the victims. Among the many adverse consequences, terrorist attacks in the West stifled economic growth and investment, as targets of attacks shifted to civilian targets, a Milken Institute research said in 2006.[101]

The terrorist groups operate like international business organizations. Terrorists network utilize the existing global economic, transportation and communication systems to organize and manage far-flung subsidiaries and to move funds, men and material from one location to another. Cell-phones and e-mail keep network in constant, while couriers provide cash advances, air plane tickets and passwords to facilitate operations. Terrorists operations are not restricted to territories or ideologies, or to a particular region. They are instead explicitly global in orientation. Terrorist operations flourish more in weak or failed states. The breakdown of authority, law and order gives them the ability to conduct their operations without significant interference. Weak and failed states

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[100] See, J. Alexander Their, *The Future of Afghanistan,* Washington DC : USIP, 2009.
[101]   See, Milken Institute report available at http://www.milkeninstitute.org/ newsroom/newsroom.taf?cat= press&function=detail&level1=new&ID=86 accessed on 01 February 2011.

hold a lot of attractions for terrorists. Failed states flourish their smuggling and trafficking in order to raise funds.[102]

Reference to failed states brings up, in passing, the question of the dangers posed by Somali pirates in the Arabian sea leading the vital passage through the Suez canal. Out of 39 acts of piracy in the first 9 months of 2010, 35 were committed by Somali pirates. Regular patrolling and surveillance by 40 warships from 30 countries are proving inadequate. They were holding, as of late December 2010, 26 ships and 605 hostages and the average ransom which has been doubled in recent months is $5 million. [103]

In any case, thanks to global level counter-terrorism measures, the frequency and deadliness of international terrorist attacks continue to drop said a US State Department annual report[104] The world witnessed 10,999 terrorist attacks in 2009, down from a high of 14,443 in 2006 and the lowest number in five years. Also last year, the State Department listed 14,971 fatalities from terrorist attacks – down from nearly 23,000 in 2006.[105] At the same time, however, it notes that attacks have risen in Afghanistan and Pakistan, especially as the Pakistani government has undertaken extremist-routing offensives into Taliban and Al Qaeda strongholds. In 2009, 60 per cent of all terror attacks occurred in Iraq, Afghanistan, and Pakistan – with the latter two countries surpassing Iraq for the first time since the reports began compiling the information in 2004.[106]

4.1 *Weapons of Mass Destruction and Terrorism*

In the context of terrorism, again in the wake of 9/11, lot of discussion, speculation, alarms and policy initiatives have gone behind terrorists taking hold of and using weapons of mass destruction (WMD) or chemical, biological and nuclear (CBN) or chemical, biological, radiological and nuclear (CBRN) weapons and materials. The spectre of what was known as dirty bomb or a portable device to be carried in brief cases was raised when Soviet Union was dismantled and because of perceived breakdown of command and control, it was speculated that insurgents from the break away states could smuggle out fissile materials or small devices and then sell them in international nuclear black markets including Iran. There has been several cases of reported thefts of fissile

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[102] Global Source of Summaries and Reviews, "Terrorism and Global security" available at http://www.shvoong.com/law-and-politics/1627626-terrorism-global-security/ accessed on 07 February 2011.

[103] See, "Somali pirates more dangerous than ever", *The Globe and Mail,* 28 December 2010 available at http://www.theglobeandmail.com/news/world/africa-mideast/somali-pirates-more-dangerous-than-ever/ article1851371/ accessed on 01 February 2011.

[104] See, US Department of State, "Country Reports on Terrorism", *Christian Science Monitor,* 05 August 2010.

[105] *Ibid.*

[106] *Ibid.*

materials.[107] However, interestingly in most cases experts later come to the conclusion that the smuggled materials were not that lethal. That means the black marketers intend to cash on the high value of the material at times by blackmailing and bluffing. And to date there has not been a single case of dirty bombs being detected.

What about CBN or CBRN or what we call WMD, particularly poison gas, germs or radioactive materials? Again, there has been much of speculations in US administration and its security outfits. However, so far there have been only four cases in last about two decades. The first one was in Oregon in 1984 when a religious cult group contaminated salad with salmonella bacteria in a restaurant in order to prevent voters from turning out for a local election. From the contamination, 751 got sick.[108] The second incident took place in 1990 in Sri Lanka when LTTE attacked an army base in Jaffna with chlorine gas injuring 60 military personnel and overrunning the base.[109] The third incident took place in Tokyo subway in 1995 when an extremist cult group Aum Shinrikyo, released liquid Sarin killing and injuring many and creating widespread panic. The fourth one was in USA in 2001 with the anthrax attack.[110] It may be mentioned that Aum Shinrikyo made as many as 10 abortive attempts before 1995 with biological weapons. The conclusion that one reaches from rather scant evidence of WMD terrorism is that WMD's do not have much military use or there are practical difficulties. Hamas has reportedly explained use of poison is unethical and unacceptable in Islam.[111]

4.2 *Cyber Crimes and Cyber War*

What about cyber crime and cyber wars? Is it also more or myth than of reality? Richard Clarke, cyber expert for both Clinton and Bush administrations authored a sensational volume in which the hypothetical scenario he drew read like this:

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[107] "Slovak Uranium Arrest Reveal Shadowy Market", 29 November 2007 available at, http://www.msnbc.msn.com/id/   22022256/ns/world_news-europe/ accessed on 05 February 2011. See, also James A Russell and James J. Wirtz, *Globalization and WMD Proliferation: Terrorism, Transnational Networks and International Security,* London: Routledge,2008.

[108] See, John Parachini, "Putting WMD Terrorism in Perspective", *Washington Quarterly,* 26(4), Autumn, 2003, pp. 37-50.

[109] *Ibid.*

[110] *Ibid.*

[111] One can raise thousand questions with Hamas, of course. See, ibid. On the practical difficulties and hesitations on the part of terrorists to use, for example, nuclear weapons, see, also Anna M. Pluta and Peter D. Zimmerman, "Nuclear Terrorism: A Disheartening Dissent", *Survival,* 48(2), Summer 2006, P. 66.

Chinese hackers take down the Pentagon's classified and unclassified networks, trigger explosions at oil refineries, release chlorine gas from chemical plants, disable air traffic control, cause trains to crash into each other, delete all data — including offsite backups - held by the federal reserve and major banks, then plunge the country into darkness by taking down the power grid from coast-to-coast. Thousands die immediately. Cities run out of food, ATMs shut down, looters take to the streets.[112]

But in real life, such incidents happened. In September 2007, Israeli cyber warriors "blinded" Syrian anti-aircraft installations, allowing Israeli planes to bomb a suspected nuclear weapons manufacturing facility (Syrian computers were hacked and reprogrammed to display an empty sky). One of the first known cyber attacks against an independent nation was a Russian DDOS (Deliberate Denial of Service) on Estonia. Since it can rarely be traced directly back to the source, the DDOS has become a common form of attack, with Russia, China, North Korea, the U.S., and virtually every other country in possession of a formidable military having launched low-level DDOS assaults. Analysts across the globe are well aware that any future large-scale conflict will include cyber warfare as part of a combined arms effort. The 2008 cyber attack on Georgia by Russia to knock out its government computers before an actual attack on that nation, and North Korea's actions in 2009 after a nuclear missile test to launch botnets to disrupt government computer systems in the U.S. and South Korea may also be mentioned. Cyber warriors often use programmes to crash Web sites and computers to cover other, more aggressive actions in the real world. In this chilling and eye-opening book, Clarke and Knake provide a highly detailed yet accessible look at how cyber warfare is being waged and the need to rethink our national security to face this new threat.[113]

Despite those real life evidence, many took cyber wars only to be read in thrillers. However, in the wake of recent leakage of enormous volume of sensitive documents by Wikileaks headed by Julian Assange, the Wikileaks website in Amazon and EveryDNS, bank accounts and other supports were closed under tremendous pressure and then started what was thought to be a real run of cyber wars. Undisclosed individuals in support of Wikileaks started massive denial-of-service attacks against servers which denied services to Wikileaks. Visa website was flooded with traffic, US Presidential candidate Sara

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[112] See, Richard Clarke and Robert Knake, *Cyber War: The Next Threat to National Security and What to Do About It,* ECCO, 2010.
[113] See book review of Clarke and Knake in http://www.amazon.com/Cyber-War-Threat-National-Security/dp/ 0061962236 accessed on 28 February 2011.

Paulin's credit card account was hacked because she observed that Assange had 'blood in his hand.'[114]

Apart from cyber wars which may occur few and far between, cyber crimes take place too often and costing business enormous amount money. In September 2009, construction company Patko Construction Co. in Maine lost over $500,000 to hackers and sued the bank for not regularly monitoring the money flow.[115] Governments and corporate houses, therefore, spend huge amount of money to ensure network security, data security, identity and access management. Cost of cybercrime to USA in 2008 was $8 billion, to UK, cost of online credit card fraud cost £223 million.[116]

5. Energy and Global Security

Energy security assumes strategic importance in global security on its own merit because without energy civilization would plunge in darkness. Its importance is also derived from its direct relations with climate disorder and food security. More importantly, there is always a probability that energy resources would be militarized.[117] What is the state of energy security at present and in the coming decades?

A recent projection said, global energy demand will jump by 35 per cent by 2030 vis-a-vis 2005 levels amid rapid economic growth and an improvement in living standards in developing nations. The growth in energy demand will come primarily from developing nations like China, India, Russia and Brazil, where the booming economies are raising living standards.[118]

However, the environmental impact of the enhanced consumption of energy will be lessened by efficiency gains and a shift toward less-polluting fuels, the Texas oil giant said in its "Outlook for Energy : A View to 2030". The latest report is in line with previous annual forecasts by Exxon Mobil and by other energy companies and analysts. But it does find Exxon Mobil making a more aggressive prediction than it did a year ago about the role of natural gas in the global energy mix over the next two decades. Technological breakthroughs have

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[114] Joshua Norman of CBS news wrote on December 3, 2010: " Is the International Cyber War over Wikileaks a sign of the future?", *World Watch.* See, www.cbsnews.com/8301-505543_162-20024973.htm accessed on 28 February 2011.
[115] See, www.gadgetell.com/tech/comment/construction-firm-loses-over-50000-to-hackers-and-blames-bank accessed on 25 February 2011.
[116] See, Janeen Chupa and Simon Schneider, "Innovation Trends in Cyber Security", *Global Security Challenge*, Accenture, November 2009.
[117] See, Daniel Moran and James A. Russel (eds.), *Energy Security and Global Politics: The Militarization of Resource Management,* London: Routledge, 2010.
[118] Project by Exon-Mobil. See, http://www.deccanherald.com/content/133436/energy-demand-rise-35-2030.html accessed on 25 February 2011.

allowed oil and gas companies to extract vast quantities of natural gas from dense shale and other rock formations once thought too costly to explore.[119]

With global supplies also abundant, demand for natural gas for electricity generation purposes will rise by 85 per cent by 2030, compared to 2005 levels, and will chip away at coal's share in such activities, the report said. Fueled by such gains, natural gas will meet 26 per cent of global energy demand by 2030, up from 21 per cent in 2005, the company predicts. Wind, solar and biofuel energy generation will also grow sharply, but even with the increase, they will still account for just about 2.5 per cent of total global energy demand by 2030, the report said.[120]

If such is the rather rosy picture of energy security, why is that there is so much of scary news about gloomy energy resources? The first problem concerns the huge investment needed for extraction of the energy. An estimate said, total requirement in such investment will be $16 trillion during 2002-2030, that is $568 billion per year. The developing world will find it extremely difficult to arrange such funding. In contrast to the above reasonably bright picture, the energy poverty profile may also be put in perspective. By 2030, only 1.4 billion people will have access to electricity with more than as many remaining without electricity. Moreover, because of predominant dependence of the poor in Asia and Africa on biofuel, particularly firewood, continued exploitation of fragile forest land will lead to rapid denuding of forestry, climate change and food insecurity. Thus, the poor in the countries of Asia and Africa are heading for a vicious triangle of climate change, food insecurity and energy insecurity.

For the global oil market, the sources of insecurity for the market emanate from nature of the market itself and price and supply structure. It has been argued that energy is likely to constitute a n important component of national security. Possibilities of militarizing the sources and flow cannot be ruled out.[121] The possibility of terrorist attacks also cannot be ruled out. Over the period 1990-2005, terrorist mounted 330 attacks on oil pipelines and installations.[122]

6. Climate Change and Global Security

As far as security and wellbeing of the Planet earth is concerned, chaotic climate changes are not a distant future to all countries of the world irrespective of their level of development and irrespective their share in this mismatch between ecology and polity. Traditional war provoking disputes connected with environmental disorder and climate change are: rights to navigate or fish, diversion of river waters of rivers and lakes commonly used by others, pouring

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[119] *Ibid.*

[120] *Ibid.*

[121] See, Moran and Russell, *op. cit.*

[122] *Ibid.*

farm and industrial effluents to rivers and seas that degrades the quality of waters. To these has been added the release of industrial by-products like CFC and greenhouse gas in the highly mobile and sensitive medium of the planet, e.g. the atmosphere.[123]

Scientists and experts are predicting that global warming, if continuing unchecked, is likely to cause unpredictable imbalance in balance of power worldwide and exacerbate the risks of war.[124] However, global leaders' response to this alarm signal is only lukewarm, although the physical consequences of climate change in terms of melting of arctic and mountain snows, increase in the frequency, intensity, duration and geographic coverage of extreme weather events like droughts, storms, cyclones, tidal upsurge, even simple rainfall are evident.[125] Mention may be made of Hurricane Katrina in New Orleans, 2005[126], Cyclone Sidr in Bangladesh[127], 2007, flash floods in southern France, 2010[128], floods in Pakistan[129] and Australia.

Other consequences are also being discussed in official Climate meets, seminars and conferences. Sea level rise is likely to cause dislocations, loss of agricultural productivity, shortening of crop year, internal displacement, cross-border population movements and the like.[130] Famine caused by green house induced crop failure may increase regional tensions and conflicts. Climate change already claims more lives than does terrorism: according to the World Health Organization, global climate change now accounts for more than 160,000 deaths annually. By the time the world experiences the climate equivalent of 9/11, or the 2004 Madrid bombings, it could be too late to respond.[131] How far is such a possible dooms day? Recent studies have revealed that mountain glaciers are melting at ever-faster rates, threatening water supplies for millions of people and plant and animal species. Average global sea level has risen 20-25

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[123] See, Seyom Brown, *op. cit*., p. 17.

[124] See, David A. Writh, "Catastrophic Climate Change" in Clare and Thomas (eds.), 1991, *op. cit.,* p. 388.

[125] See, ?

[126] See, Wikipedia, "Hurricane Katrina, 2005", in en.wikipedia.org/ wiki/Hurricane_ Katrina accessed on 25 February 2011.

[127] See, Wikipedia, "Cyclone Sidr in Bangladesh", 2007, in en.wikipedia.org/ wiki/ Cyclone_Sidr accessed on 25 February 2011.

[128]   See,   BBC,   "Deadly   flash   floods   hits   southern   France", www.bbc.co.uk/news/10327034 accessed on 25 February 2011.

[129] See, "Pakistan Floods – disaster is the worst in UN history", *Daily Telegraph,* 09 August 2010, in www.telegraph.co.uk/.../Pakistan-floods-disaster-is-worst-in-UN-history accessed on 25 February 2011.

[130] David Writh, *op. cit.*

[131] See, Janet L. Sawin, "Climate Change poses greater security threats than terrorism", *Global security Brief 3,* Worldwatch Institute, 05 April 2005.

centimeters (8-10 inches) since 1901, due mainly to thermal expansion; more than 2.5 centimeters (one inch) of this rise occurred over the past decade.[132]

7. Pandemic and Global security

Infectious diseases like AIDS/HIV, Avian flue, Severe and Acute Respiratory Syndrome (SARS), malaria and other strains of influenza which have increased in their transborder spread may turn out to be threat to national security as well as global security.

Glaring examples of how pervasive spread of diseases like AIDS/HIV lead to serious instability and state collapse has been no where evident so rampantly as in Africa. Population depletion, collapse of social institutions, severe resource competition among different interests groups lead to instability and state collapse.[133] No less significant is the impact of HIV/AIDS on international security, given that about 90,000 peacekeepers are engaged in different parts of the world. Armed forces, although a small segment of the total population of a country, are particularly susceptible to contacting the disease. Extending this point, it has been found that a significant proportion of peace keepers, whether from Africa, Asia or Europe, and whether they are deployed in Africa, or Asia or Europe, are susceptible to this disease. In 1992-93, about 20,000 peacekeepers came to Camdodia, and in 1999, total number of Cambodians in AID was estimated to be 2,20,000, the insinuation being foreign soldiers brought the disease to Cambodia.[134] In 1997, 10,000 Nigerian soldiers were posted in Siera Leon and at the end of deployment, 11 per cent of them got the diseases. European soldiers posted in Namibia, Bosnia were reported to have contacted the disease. In 1999, a test conducted on 4500 troops participating in an exercise in South Africa found that 50 per cent of them were HIV infected and 30 per cent of them were not medically fit for deployment. These figures raise an important point on international security: the high degree of prevalence of HIV/AIDS may make it difficult for deployment of negatively tested troops to peacekeeping operations because of high prevalence and high turnover.[135]

Early 2002, a new type of pneumonia was detected in Guangdong in China and by July 2003, the disease spread to 30 countries, total number of infected being 8,445 and total deaths 812.[136] Total number of infected individuals in 2005

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[132] *Ibid.*
[133] For detailed discussion, see, Stefan Elbe, "HIV/AIDS: The International Security Dimensions", available at www.stefanelbe .com/resources/ElkeBook.doc accessed on 25 February 2011.
[134] *Ibid.*
[135] *Ibid.*
[136] See, Elizabeth M. Precott, "SARS: A Warning", *Survival,* 45(3), Autumn, 2003, pp. 207-226.

spread of Avian flu was 121 but the economic loss in the poultry sector was devastating.[137]

On the basis of the review of global insecurity, we may make an effort at depicting outlooks for Global Security in the coming decades.

8. Outlooks for Global Security in the Coming Decades

We begin presentation of outlooks for global security in the coming decades by highlighting the gist of the projections of "Global Trends 2025" made by US National Intelligence Council (NIC).[138]   The key projections of NIC are the following[139]:

8.1 International System

- The international system – as constructed in the post-World War II – will be almost unrecognizable by 2025 owing to the rise of emerging powers, a globalizing economy, historic transfer of relative wealth and economic powers from West to East, and the growing influence of non-state actors like business, tribes, religious organizations, and criminal networks;

- By 2025, the international system will be a global multipolar one with gaps between the developed and developing worlds significantly narrowed down. However, to what extent, multipolarity will be accompanied by multilaterism remains unclear;

- Multiplicity of new actors in the international system may add strength to address global issues but at the same time, fragmentation and incapacitation of the international system may also take place. The post-War global institutions including the United Nations may undergo reforms. Whether that will increase the present scale of global governance deficit is appoint.

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[137] See, World Bank, "Spread of Avian Flu Could Affect Next Year's Economic Outlook", November 2005 available at www.worldbank.org/eapupdate accessed on 28 February 2011.

[138] See, US National Intelligence Council, *Global Trends 2025: A Transformed World,* Washington DC, 2010

[139] Excerpted from BBC News, "Global trends report: key points", in www.newsvote. bbc.co.uk/mpapps/ pagetools/print/news.bbc.co.uk/2/hi/americas/7741241.s... 7/18/2010 accessed on February 2011.

- The continuing age of prosperity will be somewhat slowed down by slowing global economic growth, aging populations in the developed world, growing energy, food and water shortages and adverse consequences of climate change;

- Regional power centres including BRIC may not challenge outrightly global system but these powers may customise policies in and around their neighbourhood and on issues of immediate concerns like energy, terrorism, climate change and the like.

- Strategic rivalries are more likely to revolve round trade, investments and technological innovations and acquisition, but 19th century like arms race, traditional conflicts around territorial expansion, and military rivalry cannot be ruled out in many parts of the world.

8.2 USA and Global Leadership

- Although the United States is likely to remain the single most powerful actor, relative strength of USA – even in military realm – will decline and US leverage in global affairs will be constrained. Scientific and technological advances, use of 'irregular warfare tactics' by others, proliferation of long range precision weapons and the growing use of cyber warfare and attacks will increasingly constrict US freedom of action;

- Still US will be expected to play the much needed role of regional balance in the Middle East, despite growing anti-Americanism. Similarly, it will remain a key player in war on terrorism and in solution to problems of climate change;

- To what extent, there will be a corresponding increase in willingness to burden share on the part of other actors like EU, China and other non-state actors remains unclear.

8.3   Nuclear Weapons

- The risk of nuclear weapon use over the next 20 years, although remaining very low, is likely to be greater than today;
- Ongoing low intensity conflicts between India and Pakistan may lead to a broader conflict. The possibility of regime change or collapse in a

nuclear weapons state such as in North Korea raises questions regarding ability of weak states to control secure their nuclear arsenals;

- It is not inevitable that Iran will acquire nuclear weapons but 'other countries' worries" about a nuclear armed Iran may lead them to develop new security arrangements, including getting nuclear weapons themselves'

- Chances of miscalculation and unintended escalation in the use of nuclear weapons remain as present as ever.

8.4   *Terrorism*

- Terrorism will not disappear in 10-15 years but its appeal could diminish of economic growth continues and youth unemployment is mitigated in the Middle East;

- Terrorist groups in 2025 are likely to be a combination of descendants of long established
  groups and newly emergent collections of 'the angry and disenfranchised that become self-radicalised'.

- Terrorists may use biological agents but less likely nuclear devices, to cause mass casualties;

- Al-Qaeda could decay, sooner than people think because of its unpopularity in the Middle East. Likewise, because of its harsh ideology, unachievable strategy and inability to become a mass movement, it may not survive a generational transition.

8.5 *Global Pandemic*

- Likelihood of newer pandemic from novel and highly transmissible virulent human respiratory illness will increase;

- Internal and cross-border tensions from breakout of such pandemic may increase because of pressure to cross-border to escape such diseases or access resource;

- Highly pathogenic avian influenza (HPA1) strains, such as HSN1 and other pathogens such as SAARS, could emerge;

- Likely places of outbreak of pathogenic virus could be high population concentration places with higher contacts with cattle and poultry, like China, India and South East Asia;

- Estimated about one-third of global population would be susceptible to such breakout.

8.6 New Transnational Agenda

- Demand for hydrocarbon will multiply. The world is likely to be in the midst of an energy transition from oil towards natural gas and coal and other alternatives. But it should be pointed out that new technology has taken about 25 years to become widely adopted. Thus energy transition to clean coal or biofuel will longer time range. Highly likely sources of transition may be relatively inexpensive renewable energy like photovoltaic and wind energy and improvement in battery technology.

- The World bank estimates that demand for food will rise by 50% by 2030 because of rising population, rising affluence and change in dietary pattern in the Western countries. Lack of access to fresh stable sources of water will reach critical proportion because will increased use in agriculture, rapid urbanization and population growth;

- Overall climate change is likely to worsen but regional variations will be observed. A number of regions will suffer from resource scarcities, particularly loss of agricultural output. Sub-Saharan Africa may turn out to be worst victim.

9. Conclusions

As a broad sweep, possibly most of the projections made above seem plausible and there is not much to disagree with these. One can also agree with the general conclusion that major discontinuities, shocks and surprises will dominate the future. However, on many counts, possibly there have been understatements and missing details. In the light of the discussion in the preceding sections and projections made above, we may attempt at outlining some of the major trends in future security scenario.

Firstly, tendency of securitization, that is imputing security or high stake value to an otherwise political problem, is becoming a global tendency. Issues beyond the capacity of individuals or groups to be resolved within ordinary means are considered security problem. The present author, however, does not agree with the necessary condition, that is, securitization is to be initiated through speech act. It may be initiated through other actions or indications. Whatever it is, this tendency of securitization fits well with global security discourse.

Secondly, 'global security' provides an overarching concept to capture most of the problems of insecurities occurring at different levels of collectivities and different levels of analysis. We have tended to argue that, given the overarching

and pervasive nature of globalization,   insecurities in different sectors and different levels including human security could better be captured by the expression global security. As a kind of secondary deduction, we would tend to propose that perhaps a better expression for the discipline of International Relations could also be Global Studies, because the domestic-international binary tends to disappear in most of our common discourses.

Thirdly, we have argued that global system, as is observed today, will display multiple structure: unipolarity at the military level, oligarchic power structure at the political level, while truly multipolarity will be observed at the economic level. However, qualification needs to be added to the political power structure because some kind of competition and rivalry will remain in Sino-US relations. However, important power centres like EU, Japan, India, will follow policy of greater concordance with USA. How Russia will translate its military and political power vis-à-vis USA and other European powers remains to be seen. In all likelihood, Russia would like to retain its autonomy in regional affairs and avoid confronting USA on global strategic and tactical issues.

Fourthly, global arms build up – nuclear including WMD as well as conventional – will continue unabated. Newer regional powers will increase their level of defence spending.

Fifthly, a synergic relation will be observed between arms build up and regional conflict spots like Israeli-Palestine conflict, Kashmir, Iraq and Afghanistan. Alongside, ethnic conflicts in different countries will emerge, reemerge or continue.

Sixthly, the menace of terrorism is not likely to go as there will be no dearth of external ideological stimuli, finance, weapons and training. Possibly today's Al-Qaeda centric terrorism will give way to multiple types of violent and extremist activities. Terrorist organizations might be decentralized and terrorism will derive ideological sustenance beyond. More importantly, terrorism will be one among many global problems and will lose its current salience. Moreover, through learning, state's capacity of countering terrorism will increase.

Seventhly, climate disorder and natural disasters are likely to be more devastating not only for the developing parts of the world but also for the developed world. Moreover, climate disorder, energy insecurity and food insecurity will emerge as a triangular vicious circle one feeding the other and this is likely to be particularly acute in the developing parts of the world.

On the whole, therefore, we cannot expect complete peace and stability in the world in the coming decades. Disasters, shocks, surprises, pandemics and cyber crimes may be more frequent and intense. However, global capacity to deal with the unexpected and devastating insecurities will also increase.

Mohd Aminul Karim

HUMAN RESOURCE DEVELOPMENT IN BANGLADESH: STRATEGIC PERSPECTIVE[140]

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Abstract

Formulation of right strategic direction and vision, critical for any long-term policy, may be formulated at the government or corporate level. Concurrently, such policy should be visualized or dovetailed keeping in focus the right kind of human resources it produces and sustains to be able to tackle any futuristic volatile, turbulent, ambiguous, and ever changing environment. Without creating competent human resources, things would get disarrayed. Human resources programme needs deep thinking, goal compatibility, perspective planning, huge investment, right technology and method, education, training and updating, nourishment, and competencies. Any short-cut would be self-defeating. The paper attempts to emphasize the appreciation of strategic direction to be conceptualized or internalized by the human resources that Bangladesh may produce. It argues that, without an in-depth analysis of the needs and demands of the future, any strategic planning and implementation would stumble, and result in distortion of the desired goals or outcome.

1. Introduction

Strategic management can be seen as the art and science of generating and implementing cross-cultural, multi-layered, perspective, and cross-functional decisions that enable any organization or government to achieve its futuristic, yet realistic, challenging, and actionable goals. What is critical in such exercise is to clearly spell out the vision without which the formulation, implementation or evaluation would go hay. It entails the strategic decisions that may have all embracing consequences and enduring effects on any organization. Strategic vision is, therefore, *sine quo non* for any organization to survive in the long run while keeping in view the turbulence that one may have to encounter and the opportunities those may be availed in the future. Looking deeply and critically into the future based on intuition, wisdom, gut feeling, and assessing the trends is

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[140] The original paper was presented at the 9th International Conference on Human Resource Management and Development, Rapport Bangladesh Limited, in Dhaka on 06 August 2010.

a critical trait of a leader. Unless those are foreseen as accurately and realistically as possible, an organization may turn into atrophy. Such a vision is again the reflection of a human mind *trained*, groomed and motivated in the plane of realities of social, economic and political processes of a nation or a group of nations. And, a human mind is a delicate instrument which may either prove to be wisdom-laden, realism-oriented and also result provider, or it may bring disaster to any organization. Now, this delicate instrument or capital needs to be very carefully nurtured, sustained, and motivated to withstand the turbulence of an organization or government machinery.

The human mind needs to look into the futuristic scenario to remain competitive and viable. One has to be intuitive. Einstein thus talked about intuition, "I believe in intuition and inspiration. At times I feel certain that I am right while not knowing the reason. Imagination is more important than knowledge, because knowledge is limited, whereas imagination embraces the entire world".[141]

Bangladesh is being branded as an 'Emerging Tiger', 'Next-11', 'Middle Income Group Country', 'Growing at Double Digits' (taking a quantum leap) etc. Some even go to the extent of forecasting that Bangladesh has the potential to become one of the largest economies of the world in this century, along with Brazil, Russia, India, and China (BRIC). All these may be tall orders—some may even call these utopian-- but these are fine statements as part of envisioning Bangladesh in the coming days. And all these need to be factored in the strategic direction that we formulate. For that, imagination is a necessary and laudable thought-process. To be imaginative is also a key element to human capital. However, a word of caution is relevant here: there has to be a good harmonization between intuitive and analytical thinking. Wisdom, real-life experiences and gut feeling are also inextricably linked.

Turning the comparative advantage, if there is any, into competitive advantage is the outcome of human talents- his innovativeness, creativity, ethics, and realism. Unless one is competitive, any business that is transacted will embrace a natural death. To remain competitive, one has to be futuristic, yet realistic and focused. Wisdom, knowledge, skills, competencies, gut feeling, transformational traits, abilities to manage change constantly are the variables needed to be understood in real earnest to remain fit in the environment one operates. Above everything however, understanding the strategic direction of an organization along with the environment that you operate is a critical element in human resource development. If that direction fails, then one cannot survive even with the best of skills and competencies. And if the strategic direction, after having considered all the pros and cons, is maintained straight and throughout,

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[141] Quoted in Eugene Raudsepp, "Can You Trust Your Hunches?" *Management Review 49*, No. 4, April 1960, p.7.

that person's image is positively taken by all the stakeholders. The stakeholders can easily fathom one's weaknesses if the strategic direction gets distorted along the way to attain the objectives. Both *Petrobangla* and *Petronas* of Bangladesh and Malaysia respectively were established in 1974 to basically explore gas and oil resources in their own countries. *Petronas* has turned out to be world-wide company operating with its annual revenue of about US$ 80 billion in 31 different countries of the world. *Petrobangla* has degenerated so much that much of its activities within Bangladesh are taken over by the foreign companies. Many of the skilled human resources of BAPEX, a subsidiary of *Petrobangla*, migrated overseas for better job opportunities. This may be called a serious distortion of the strategic direction and vision on the part of the policy planners of the country. In the military parlance, it is called the selection and maintenance of goals throughout the campaign that you fight. In fact, it is termed as one of the critical principles of war. Many generals have faltered once they deviated from the political/strategic direction, which should otherwise be justified, after the campaign had started. Famous Chinese strategist Sun-Tzu thus concluded, "The victorious army first realizes the conditions for victory, and then seeks to engage in battle. The vanquished army fights first, and then seeks victory."[142]

Be that as it may, human resources development (HRD) would entail creation of competent human beings imbued with right kind of education, values, training, life expectancy, standard of living, and in an implied way, positive and critical thinking ability. It covers areas such as recruiting, screening, training, rewarding, and appraising. This aspect of development should be viewed holistically and in consonance with the strategic direction of the government or any corporate house.

The arguable point raised here is: without comprehensive training and education, commitment, nourishment, and motivation, human resources or capital will not be able to take charge, create, recreate, if necessary, and evaluate the strategic direction holistically in this unpredictable, volatile, turbulent world's economic, strategic, and political environment. Recent economic recessions in the USA and EU are glaring examples of not being able to predict and formulate the strategic direction that is overshadowed by ethical degeneration. Consumption spree, greed, and crony capitalism had the upper hand. Values and ethics that are inextricably linked are sidelined here.

This paper would like to emphasize the importance of human resources development in so far as inculcating futuristic strategic direction or perspective planning abilities. There is a necessity to critically observe this aspect of appreciating human capital; nonetheless, other skills and competencies are no way ignored or de-emphasized. The basic questions raised in the paper are: does

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[142] Sun-Tzu, *The Art of War*, (Translated by Ralph D. Sawyer), Oxford, United Kingdom: Westview Press, p.132.

Bangladesh have a long-term human resource development planning that can take care of the future uncertain realities and eventualities? Can the present generation of human resources take care of the constant changes taking place around the world? Can these resources rightly carry out the strategic implementation and get the best competitive advantage? These should always be understood as a package; however, strategic direction has been given priority. A pertinent definition of strategy may not be out of place here: "Strategy is the direction and scope of an organization over the long term: ideally which matches its resources to its changing environment and in particular its markets, customers or clients so as to meet stakeholder expectations."[143] This also equally applies to the running of a modern nation-state. It is interesting to note that, there is lot of similarities between military and corporate strategies. Both types of strategies must constantly update themselves to be successful. Along with that, Hamel and Breen are quoted here to raise three challenges that confront this new century to reinforce the hypothesis:

> "1. Dramatically accelerating the pace of strategic renewal in organizations large and small.
>
> 2. Making innovation everyone's job, everyday.
>
> 3. Creating a highly engaging work environment that inspires employees to give the very best of themselves".[144]

The paper will basically highlight the discrepancies as the author observes, given his professional background, and indicate certain ways forward. The suggested concepts or the ways forward would be applicable both at the government and corporate levels. The main objective of the paper would be to provide a conceptual and broad framework for the realities in Bangladesh in terms of HRD from a strategic perspective that encapsulates the international arena also. Subsidiary objective of the paper would be to provide inputs for others to work out the knitty gritties or the detail modus operandi. The entire gamut of chain of events in human resources management would be beyond the scope of this paper. However, basic ideas are given a broad brush. With Section 1 as the Introduction of the paper, Section 2 focuses on Education and Training. Discussions will follow in sections 3 on Competencies and Skill Development; Section 4 on Leadership Training/ Development; Section 5 on Strategic Change; Section 6 on Strategic Implementation and Strategic Relations, and Section 7 on Competitive Advantage. Section 8 is the Conclusion of the paper.

2. Education and Training

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[143] G Johnson, and K Scholes *Managing Change,* London: Paul Chapman/Open University, 1993, p.10.

[144] Gary Hamel with Bill Breen, *The Future of Management,* Harvard Business School Press, 2007, pp. 40-41.

There is a famous Chinese proverb, "If you are planning for a year, sow rice, if you are planning for a decade, plant trees, if you are planning for a century, educate people." And this is what is precisely called strategic direction. An affluent American visiting Bangladesh recently to understand its poverty concludes thus, "While the country has many pressing needs, perhaps education is the most important area where government can show leadership in bringing about change—and key to promoting education is that the change produced can then trickle down throughout other areas of the economy".[145] This is reinforced by the American Federation of Teachers (AFT) President Randi Weingarten and National Education Association (NEA) President Dennis Van Roekel, "It is clear that, the way to rebuild our world economy is to increase funding for education, not cut it. Investing in education will spur innovation that will produce solutions to many problems we confront."[146] Education and training should be a continuous and progressive process which would lay the foundation for acquiring the abilities of a transformational leader. Any strategic direction should look for the transformation of the present derelict values, system, directions, and the institutions. Right kind of education and training provide the right motivation, self-efficacy, and value system. Transformation of the society in terms of knowledge, values, ethics, growth, both in terms of economic growth and happiness which are envisioned in the strategic direction, should be the social objectives of education. Education is an effective means to ensure poverty reduction and egalitarianism. Countries with better and more educated people have higher economic growth and better equitable distribution of income. Better educated people tend to enjoy higher incomes, better health, more geographical mobility and so on.[147]

No education and training are worthwhile if there is no change in the value system that creates forward looking, ethical, futuristic, progressive cognitive, affective, and action-oriented abilities. Any curriculum should be tailored to create such abilities. Even the junior leaders or managers should be groomed from the beginning in a way that gives them the cognitive and other abilities to be able to evaluate the strategic plane. Talent ship is also related here. There is a saying "Talent ship is to Human Resources (HR) as finance is to accounting as marketing is to sales". Talent ship is a kind of decision science. Decision making at the strategic level is critical to organizational performance.[148] A Wharton

[145] Justin Hoffmann, "Educational Opportunity to Displace Poverty", *The Daily Star*, Dhaka, 30 September 2010.
[146] Quoted in Quazi Faruque Ahmed, "World Teachers' Day 2010—Teachers Amid New Expectations", *The Daily Star*, Dhaka, 05 October 2010.
[147] Psachropoulos, quoted in Jee-Peng Tan and Alain Mingat, *Education in Asia—A Comparative Study of Cost and Financing,* Washington, D.C: World Bank, 1992, p.45.
[148] Helen De Cieri and John W. Boudreau, "Global Human Resource Metrics", *Working Paper 03-07,* U.S.A: Center for Advanced Human Resources Studies, Cornell University, March 2003, p.5.

Business School feature cautions, "the task of meeting global talent needs with an educated and trained workforce is too huge for any one nation to take on." Presently, India has 480 universities and 22,000 colleges. In next 10 years, India will need 700 new universities, 35,000 new colleges. It is planning infrastructure build-outs worth more than US $1.5 trillion in the next five years, as announced by its Minister for Human Resources.[149]

Taking the cue from Indian perspective of planning, a question may be raised: Has Bangladesh in place such strategic direction and planning? It is presumed there is one. But the moot points those need to be factored are: Are variables such as demand and social objectives of the society, national direction, quality, type, balance, finance, infrastructure, diversity, quantity, time-plan, donor support etc. being taken into consideration? Political unrest, international disputes or conflicts should also be considered and evaluated. Stereotyped education and training may be discouraged. Lateral and critical thinking abilities should be encouraged. It is, however, difficult to keep pace with the fast and constant changes taking place in the strategic plane. In any case, constant right direction cannot be compromised.

3. Competencies and Skill Development

Professional competencies and specialized skill development are again a continuous process. Although apparently, it may appear, those may not contribute directly to the strategic thought process, but their induced or indirect impact in creating a right kind of strategic mind cannot be ignored. Specialization is again constantly being updated and it also leads to strategic direction. If our human resources or capital in Bangladesh fall short—which is, otherwise, generally the case-- of specialization or super-specialization in respective fields, then they will lose sight of the strategic direction. Bangladesh lacks quite a bit in the field, mostly because of lack of research facilities in our organizations and institutions, both at the government and non-government levels. At the higher education level and also in the business world, lot of investment needs to be made to overcome these serious lacunae in our system. Most of our universities or institutes are unfortunately not making their mark, even when compared to South or Southeast Asian standards. Our universities do not create significant body of knowledge; they are basically teaching universities. However, we need huge investment and right motivation to get the desired results. Public-private partnership can be a good way forward. Research culture cannot be developed by merely depending on the foreign donor agencies. Countries like India, China, Malaysia, Singapore, South Korea are examples where indigenous research or

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[149] Abdul Mannan , "Private University Act: Implementation is more challenging", *Forum (The Daily Star,* Dhaka*),* Vol. 4, Issue 10, October 2010, p.56.

specialization makes a substantial impact in creating a competent human capital. In the age of globalization, this particular aspect cannot be just overlooked.

This applies critically even to the human resources that we export to different countries abroad. In Bangladesh, attention is drawn to the strategic direction. One has to constantly ask oneself: Can Bangladesh's economy continue to sustain an ever increasing 160.5 million people, which it has today, over the next 10-15 years? What is extremely alarming is the surge in unemployment in the developing countries as fallout to the "tsunami waves sent out by the global crisis…. reaching the developing countries". The International Labour Organization (ILO) concludes that the number of registered unemployed had grown by 34 million between 2007 and 2009. According to World Bank estimates, up to 263 million more people are expected to live in poverty by 2015, again because of the financial crisis.[150] Bangladesh is already in the throes of serious unemployment.

Now, intensive human resources development program would be one of the most effective methods, apart from an effective social-security system, of tackling this impending serious crisis; otherwise, it may put everything else in disarray. At least, by imparting some basic skills to our expatriate labours, we can solve a portion of our problem. This will have direct impact on our remittances earning. It is believed through competent human capital export, we can increase our remittance earning from US$ 11 billion to US$ 30 billion in next five years. However, in order to realize its full potential, Bangladeshi diasporas living in UK, USA, Middle East, Malaysia and elsewhere need to be motivated to contribute to their motherland. Along with that, an exhaustive skill and competence development program to make our labourers skilled/semi-skilled may be undertaken. Of late, a new concern has developed: statistics taken from the Bureau of Manpower, Employment, and Training (BMET) indicates that, "Manpower export from Bangladesh is worryingly on the sharp decline." The number of people going for jobs abroad drastically reduced from 8,75,055 in 2008 to 4,75,278 in 2009.[151] It is down by almost 50%. Situation must be arrested immediately by launching an extensive human resource development program and looking for alternative markets for the workers.

Toyota has the "reputation" of continuous improvement by utilizing the abilities of "ordinary" employees for solving the complex problems. Toyota's production system is called the "Thinking People System". In 2005, the Company received more than 540,000 improvement ideas from the employees.

[150] Jens Martens, "Steps Out of the Global Development Crisis", *The Daily Star*, Dhaka, 24 September 2010.
[151] Abu Mahmud, "Speeding up Manpower Export--- Export of Manpower has Virtually Become the Backbone of the Bangladesh Economy", *The Independent,* Dhaka, 10 October 2010.

[152] Our facilities of imparting competencies and skills are mostly class-room-based which precludes our human-resources from reaching to the firsthand knowledge from the field or the real life world. Our laboratories, libraries, equipment, and internet facilities are too inadequate or rudimentary even compared to the South Asian standard. Assessment centres, field research, field studies, case methods of instruction may be encouraged and further refined.

4. Leadership Training/ Development

Latest theory on leadership identifies transformational leadership to be the end-state, not transactional. A leader has to be futuristic; he should look at the horizon, not at the bottom-line. He has to constantly challenge and change the environment in which he is operating, apart from being inspirational, visionary, and charismatic. A leader has to motivate the people, may be to sacrifice the present, in order to face the challenges and avail the opportunities of tomorrow. Mao Tse Tung had to awaken his people from slumber, may be due to opium-addiction, to liberate his country from occupation. Some of the traits and abilities for a leader, as highlighted by Sun-Tzu, are: wisdom, knowledge, credibility, strictness, benevolent, courage, skilful analyst, upright, clever/inventive etc…."[153] Leaders should be groomed at every tier of the hierarchy. All prospective leaders should be sensitized about the strategic direction of his organization. Unless he is focused on the horizon or has a fair idea about the vision of the organization, he is likely to turn out to be transactional. Need of the hour is to develop transformational leaders at every tier. There should be no compromise on such benchmark. Leaders can be trained or groomed. We should come out of the myth that leaders are always born. One has to also handle the routine, mundane affairs of the organization, but if he cannot transform the system to adapt to the changing environment, in line with the strategic direction, then he turns out to be less than useful in the long-run.

There are serious problems in the organizations and government machinery in as far as launching leadership training/development programme, both on the job and off the job, in Bangladesh is concerned. This is part of the strategic management of any organization. Leadership traits and charisma can also be learnt through constant practice, by even following role models like Nelson Mandela or Bill Gates. Counseling/mentoring or putting somebody through trials and tribulations may play an effective role in developing leaders. The moot point is: transformational leaders are better poised to follow and evaluate the strategic direction. Leadership development program is an effective method of creating balanced human resources. An effective leader's' right decision at the right time

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[152] Dominic O'Connell, "Do Not Disturb: Mr Watanaba Is Taking Over the World", *Car,* June, 2006.

[153] Sun-Tzu, *op.cit*. p.133.

is the real benchmark to evaluate the credibility or the image of an organization. This provides branding or image so critical even for a nation.

5. Strategic Change

Strategic change and direction are interrelated as one affects the other. Strategic direction that a leader formulates necessitates changes to the structures, systems, cultures, and even its technology. Such changes are problematic and prone to resistance from many quarters. Human capital should be able to link the relation between the strategic direction and strategic change. Change involves human emotions, perceptions, and attitudes also. This can be achieved through learning. Learning is "any relatively permanent change in behavior that occurs as a result of experience" Learning involves change—may be good or bad from organizational view point.[154] It results in change in values, attitudes, and behavior which should get ingrained in the human capital we are talking about. If human resources are not groomed up to understand and appreciate the fault lines in a problematic scenario, then chaos would take over. A chaotic scenario will directly affect the credibility or image of any organization. Change is the only phenomenon which is constant. Human resources should be able to cope and act proactively to face the changes. Our prospective leaders will have to constantly monitor and evaluate the changes.

"In today's business environment, more than the preceding era, the only constant is change. Successful organizations effectively manage change, continuously adapting their bureaucracies, strategies, systems, products, and cultures to survive the shocks and prosper from the forces that decimate the competition."[155] Here comes the challenge of the strategic vision. One has to constantly ask questions: are we in the right field and track? Does it need reshaping or revamping? Are the stakeholders changing? Who else is going to compete with us? Based on the answers ask the next question: what strategies should we follow? And these strategies should emulate the strategic direction. Strategic direction may, at times, need certain adjustments which are provided from the feedback loop. As highlighted in the Introduction, environment and competitive (in case of business)/conflict (in case of war) conditions trigger the need for change.

> When Napoleon won it was because his opponents were committed to the strategy, tactics, and organization of earlier wars. When he lost - against Wellington, the Russians, and the Spaniards - it was because he, in turn, used tried-and-true strategies against enemies who thought

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154 Stephen P. Robbins and Timothy A. Judge, *Organizational Behavior*, New Delhi: PHI Learning Private Limited, 2008, 13th Edition, p.54.
155 Robert Watermann, Jr., *The Renewal Factor: How the Best Get and Keep the Competitive Edge,* New York: Bantam, 1987.

afresh, who were developing the strategies, not of the last war, but of the next.[156]

After the event has taken place or the damage, if any, is already done due to change, mainly at the strategic level, crisis management is probably the answer. But that cannot be the desired response. Pro-active or intuitive or analytical responses are the crux that meets the demands of the strategic direction. Tried-out strategies are fine as far as an analytical tool. But the critical question should always haunt one: Are these going to be realistic, and environment-fit, say after 5-10 years? And while doing this analysis several options should be kept in vision. A case in point, as published in the Journal *Nature* recently, puts 80% of the world population under "water threats" which implies no secure source of fresh water for the majority of the world population. To address this critical issue, what are the viable options: reservoirs, dam building, or eco-friendly option like wetland protection?[157] Right strategic direction and vision should give us the right choice. Isn't the eco-friendly option a better choice? Are we prepared for that? Again the FAO Director General predicts "meeting the demand of the world's 9.1 billion inhabitants in 2050 would require 70% more food than the world produces at the moment." If right decisions and direction are not given right away, "there is the risk of finding the global cupboard dangerously bare in the near future."[158] Even this year, there are already trends towards global food shortage, maybe due to drought in Russia, which could not be predicted. Here, the regional or national food security food bank could be the answer. Appreciating such uncertainties and suggesting the right way forward is the essence of strategic direction.

6. Strategic Implementation and Strategic Relations

Strategic direction leads to strategic implementation and strategic relations. Strategic implementation may be called the action-stage of the vision and often called the most difficult stage. It would entail highest level of commitment, risks-taking, sacrifice, and motivation. It provides stimulus to the entire human resources. Human resources management should be tuned, keeping the strategic direction in focus, to support an organization's mission accomplishment and evaluate how well different milestones contribute to achieving the strategic goals of an organization or government. Human resource (HR) needs the most improvement in areas such as recruitment and staffing, employee development, and employee relations. They also get involved in firm's strategies like

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[156] Frederick Gluck, "Taking the Mystique Out of Planning", *Across the Board,* July-August, 1985, p.59.

[157] "Environmental Protection is Self-Protection", *The China Post,* Reprinted in *The Daily Star,* Dhaka, 08 October 2010.

[158] Quoted in Abdul Latif Mondal, "World Food Day—Uniting Against Hunger", *The Daily Star*, Dhaka, October, 2010.

downsizing and restructuring which could also be true to the functioning of modern government machinery. Restructuring involves "out placing employees, instituting pay-for-performance plans, reducing health care costs, and retraining employees". HR needs to get more involved and innovative in such areas. How to get involved and innovative has broadly been identified earlier in the paper. Staffing, development, and employee relations would make a difference or distortion in achieving an organization's goal achievement. Bureaucracy, in Bangladesh, is better poised to produce a good, reasonably realistic, project plan but dismally fails to give it a final fine finish. They tend to be divorced from ground realities or may not have requisite expertise and commitment to get it done. They are better seen more transactional than transformational. Without being transformational, strategic direction, implementation, and relations are bound to suffer.

HR should cater to the needs of building relationship with the organization's management or the political leadership and the clients or the stakeholders. As a matter of fact, strategic goals cannot be meaningfully implemented without developing good working relations with the stakeholders both inside and outside the country. This is related to the present day buzz word called connectivity. Connectivity entails both physical and mental dimension. Strategic direction looks for connectivity in ideas, outlook, perceptions, values, socialization etc. This again needs training on inter-personal relations/communication, cross-cultural leadership, networking, and socialization. Again in the days of mad race of globalization, merging two "wildly different cultures" and dealing with after-shocks and uncertainty are the challenges for the HR people. Unless the HR employees are armed with such abilities, an organization would lose its credibility and functionality. In these days of globalization, cross-cultural values affect networking. This is a big strategic challenge. HR people should be better armed with the techniques of emotional intelligence (EI), so that they can handle this great strategic challenge. Better emotional intelligence would also help in understanding and implementing the strategic direction and planning through better communication, regulation, team-working, networking, empathy, and socialization. This may also be called diversity management. Diversity management is the challenge of the present-day complex globalized world as already highlighted.

7. Competitive Advantage

As mentioned in the Introduction, human resources are critical resources to generate competitive advantage. This is buttressed by highly developed employee skills, distinctive organizational cultures, management processes, and systems. All these variables are dependent on a high quality workforce, provided they are armed with the strategic vision, and can energize the organizations to compete on the basis of market responsiveness, product and service quality, quality products,

and innovation. Chaturvedi in his work 'Strategic Human Resource Management' has seen strategic human resources management as 'the linking of human resources with strategic goals and objectives in order to improve business performance and develop organizational culture that foster innovation and flexibility.' Now, if the strategic goals and objectives cannot appreciate the human resources management, nothing will fall into place. The point that should be harped is: Please arm and prepare human capital with what to do tomorrow or day after or even after five years. Things are fast changing, especially in technology, systems, methodologies or even cultures and values. But above everything else, including having best of technologies, it is the human capital that makes the difference. Generally these days, technology-wise there may not be much difference in a given environment.

A Harvard expert, after having studied several manufacturing firms that installed special computer-integrated manufacturing systems to boost efficiency and flexibility, stated that, "All the data in my study point to one conclusion: operational flexibility is determined primarily by a plant's operators and the extent to which managers cultivate, measure, and communicate with them. Equipment and computer integration are secondary".[159] Things are also volatile and turbulent especially in the economic front. And unless these are taken seriously, the competitive advantage will be lost. Mere comparative advantage will not do. Bangladesh had comparative advantage in jute but failed to get the best out of it due to either slackness in raising our competitive advantage, or failure to appreciate the future use of a natural fiber such as jute. May be because of its lack of forecasting abilities and knowledge, the donor agencies overpowered it. This was again due to lack of its ability to look into the future. However, Bangladesh's golden days might come back due to unfolding of genome architecture of its golden fiber, jute. This has been made possible by a body of scientists comprising the top class human resources of Bangladesh. Innovation is, therefore, the order of the day. For such innovativeness, our scientists deserve due recognition and accolades.

Strategic formulation, after reviewing the strategic direction, is also facilitated by HR by providing information regarding any organization's strengths and weaknesses. HR people become strategic partners by playing prospective roles. They provide inputs to align HR practices with the business strategy. Through such formulation or playing prospective roles, HR experts contribute immensely to increasing competitive advantage, although it is sustained by other factors such as infrastructure, political stability, updated, yet flexible rules and regulations, lack of corruption and high ethical values etc. A recent study on Indian readymade garments industry identifies poor labour

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[159] Linda Stroh, "Integrated HR Systems", quoted in Gary Dessler, *Human Resource Management,* Pearson—Prentice Hall, 10th Edition, 2008, p.83.

conditions and unfavorable laws as weaknesses, while international law and environment laws are viewed as threats to the industry. Bangladesh may also have similar results; however, strength-wise it may not be the same. The golden goose may have limitations to lay eggs indefinitely.[160] And this is where other avenues or methods have to be worked out, as part of strategic direction, for better competitive advantage. Again to remain competitive, Bangladesh needs to invest more than 24% (savings as percentage of GDP). Bangladesh "saves nearly 35% of its GDP". This will then generate 8-8.5% growth rate. This could not be done due mainly to inefficiency in the economy (poor infrastructure, energy shortage, etc.) and as such is unable to "elevate the country into the next trajectory of growth".[161]

To derive more on competitive advantage, Bangladesh may look to the western countries that have accumulated a huge amount of cash/liquidity for suitable investments abroad. As for examples, private equity funds have US $500 billion available to buy existing assets or companies and "US non-financial corporations are holding US $ 1.8 trillion in cash". Emerging market economies "are likely targets for western fund managers". Our strategists may welcome portfolio investments in the fields of gas and power, given such an opportunity. Portfolio investments may have inherent risks that should also be looked into by the competent human resources. "Such equity capital from abroad can provide a basis for the local companies to upgrade their management systems and also attract more equity capital from the local investors who seem to be too hungry for investment outlets."[162] To be able to appreciate and taking advantage of our strengths and opportunities, and thereby devise the most cost-effective strategies, a competent human capital is essential. There is a technique called Six Sigma that links variations in developing and managing human capital and business outcomes, which can be applied to give rise to "quality revolution". Since human resources are "a large cost, a tremendous asset, and a critical source of sustainable competitive advantage", its management and development is central to any organization/government's success. "Human Capital Metrics" may be designed to assess how well human resources are managed and developed,[163]

8. Concluding Remarks

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[160] Ziauddin Choudhury, "Made in Bangladesh: Our Garments Sold Abroad", *Forum (The Daily Star,* Dhaka*)*, Vol. 4, Issue 10, October 2010, p.21.

[161] Mamun Rashid, "Monetary Policy in an Emerging Economy", *The Daily Star,* Dhaka, 07 October 2010.

[162] Prof. Shamsul Haque, "Debt and Economic Development Strategy", *The Daily Sun*, Dhaka, 24 October 2010.

[163] Laurie Bassi and Daniel McMurrer, "Applying Six Sigma Techniques to Human Capital Management", *White Paper*, McBassi & Company, Inc., July, 2006, p.3.

In any organization, nothing is achievable without a clear-cut vision or a strategic direction. Goals should be clearly spelt out in a realistic, achievable, and time-bound format. It should also be culture-bound. Both uncertain and certain futures could be explored to the extent possible. All the tangibles and non-tangibles need to be foreseen as far as possible. A broad picture must always be in sight. The broad picture should show the alternatives along with the contingencies. For each contingency, different options could be strategized. Those should be evaluated showing their advantages and disadvantages. As a matter of fact, SWOT (Strength, Weakness, Opportunity, and Threat) analysis or a reality check could be the ideal means. For this, one needs a mind, imbued with wisdom and courage, one that can comprehend the strategic direction. Human resources should be trained and motivated to understand such complexities. Without a clear broad picture, one is likely to stumble on the way, and likely to bring disaster to the organization.

The message is loud and clear: If the strategy goes wrong, tactics or operational activities are bound to go wrong. Because of this, the Americans suffered a defeat in the Vietnam War. Interestingly this is also true in the corporate or government culture. Looking into the future along with making oneself competent with necessary knowledge, skill, and competencies maybe what one should constantly pursue. This may be a difficult tight rope walking but unfortunately, there is no viable alternative. Bangladesh received the prestigious United Nations award this year for attaining the Millennium Development Goal (MDG) in reducing the child mortality rate from 149 deaths per thousand live births in 1990 to 54 in 2008. This is an extraordinary achievement that speaks volumes about strategic direction and implementation. But there is no room for complacency since eradication of extreme poverty, which straddles around 20% of the total population, achievement of universal primary education, with drop-out rate in the range of 50%, improvement of maternal health, ensuring environmental sustainability would pose greater challenges to fulfill the MDG by 2015. All these challenges call for world-class human resources development program. But Bangladesh lacks significantly in producing quality human resources because of its lack of infrastructure, planning, faculty, connectivity with the latest technology, investment etc. May be public-private partnership could be a way forward but again such harmonization needs to be formalized and tried out at the operational level. It is yet to be tried as a workable concept. In this connection, the government has to work out a perspective plan showing both long term and year-wise objectives. Before formulating the objectives, Key Result Areas (KRAs) need to be identified after exhaustive brainstorming with all the stakeholders. These are definitely done in Bangladesh, in one form or other, but implementation continues to be problematic, half hearted at best. Now, to do all these apparently uphill tasks, transformational leaders are needed, most importantly at the political/strategic direction level. Bangladesh has huge

potentials, especially at the private level. Everything else will fall into place after that. It will be able to take the next leap forward.

Ishtiaque Selim

IS FOREIGN CAPITAL A VIABLE OPTION FOR DEVELOPMENT IN DEVELOPING ECONOMIES?

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Abstract

Traditional economic theories and models have contested in favour of foreign capital for developing and less developing economies. Typically, low saving rate in the underdeveloped regions accumulating less capital generally inspires these theories and models. Hence, liberalisation of the capital account in order to attract foreign capital has become a dominant development strategy for developing countries. However, the inflow of foreign capital has its costs giving rise to a pertinent question: is foreign a viable option for development for the developing countries? The article seeks to address this query. To this end, it looks into a number of research works, empirical studies and investigation on the viability of foreign capital on the development front in less developed economies. The article concludes that foreign capital's role in development is quite contentious.

1. Introduction

In the 1990s, many developing economies opened up their capital account to ensure the free flow of foreign capital or foreign saving to attain growth. Prescribed by the developed nations and international financial institutions[164], the central message of this policy was simple and straightforward: liberalise the capital account to stimulate the development process.[165] This development strategy apparently looks quite justifiable for the capital-hungry developed nations.

However, debates and arguments have encircled this policy ever since. Naturally, importance of foreign capital on the development front has become a

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[164]Refer to the World Bank (WB) and the International Monetary Fund (IMF).

[165]See, Luiz Carlos Bresser-Pereira and Paulo Gala, "Why Foreign Savings Fail to Cause Growth?", final version (2007) of the paper presented at the Sao Paulo School of Economics of the Getulio on 23 May 2005, p. 2; Luiz Carlos Bresser-Pereira and Yoshiaki Nakano, "Economic growth with foreign savings?", *Brazilian Journal of Political Economy,* Vol. 23, No. 2, April-June 2003, pp. 3-4; Joshua Aizenman, Brian Pinto and Artur Radziwill, "Sources for Financing Domestic Capital-Is Foreign Saving a Viable Option for Developing Countries?", *SCCIE (Santa Cruz Center for International Economics) Working Paper*, No. 04-15, University of California, Santa Cruz, 2004, p. 3.

heavily contested issue in economic literature. While conventional economic wisdoms make a strong case in favour of foreign capital, a number of empirical studies have revealed that foreign capital in many countries is not growth-enhancing; rather its role in development is controversial.[166] Inflow of foreign capital, among other things, channels into consumption activities, which in turn strains long-term growth. In many developing economies, foreign capital is employed to import consumption goods, thereby compelling their people to incur debt burden.

On the other hand, economists over the years have also argued for accumulating capital from domestic sources, such as household and business savings, government savings, budgetary savings and enterprise savings. Empirical evidences have supported this view. Against this backdrop, the main query of this paper is whether foreign capital a viable option for development. The article makes an attempt to address this question from the perspectives of developing and less developed nations. By reviewing a number of findings and evidences from some other empirical studies, it tries to argue that foreign capital is not quite beneficial in the developing countries.

This article is organized as follows. While section I takes up the introductory part, section 2 presents the economics behind foreign capital. The evidences relating to the effectiveness of foreign capital are provided in section 3. The last section, concluding remarks, summarizes the paper with its main points and presents a direction for future research.

2. The Economics of Foreign Capital

The benefits or importance of foreign capital and the rationale behind capital inflows especially in developing nations could be traced in the traditional macroeconomic theories and neo-classical growth models. Results from some empirical studies also champion the cause of foreign capital to stimulate development in the capital-poor nations.

It is widely perceived and acknowledged that the less developed as well as the developing economies are not well-equipped to finance their development activities from the domestic sources. Typically, low savings rate generating even lesser proportion of funds for investment caught these less developed nations in a trap of underdevelopment. Hence, they badly need capital, which Rostow dubbed the "missing component"[167] of development for the Least Developed Countries (LDCs). On the other hand, savings rate is relatively high in a capital-rich nation.

[166] Pradumna B. Rana and J. Malcom Dowling, Jr., "The Impact of Foreign Capital on Growth: Evidences from Asian Developing Countries", *The Developing Economies*, XXVI-1, March 1988, p. 3.

[167] W. W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge: Cambridge University Press, 1960.

But the savings usually find little profitable investment opportunity in these rich nations. As a result, the savings generated in the developed nations make way to the underdeveloped economies for investment purpose. However, there are pure economic arguments explaining such investment decision by the developed nations.

According to the neoclassical theory, the return from each unit of capital in a developed nation is lower in relation to the marginal return from capital in a less developed nation. As intensity of capital is quite high in a developed country, its marginal return tends to be diminishing.[168] Another simple neoclassical model—the Kemp-MacDougall model—implies that marginal return from capital in a poor nation is higher than that of in a rich nation in the absence of international trade. The poor nation will be benefited from the capital inflow, given that there is no restriction on capital movement, until equilibrium[169] is restored between both nations[170]. Frankel (1965)[171] also mentioned that a capital importing country benefited more than the capital exporting country; for the capital exporters only receive the direct benefits of their investment.[172] Indirect benefit like development effect, at the same time, is linked with the foreign capital inflow.

Some growth theories have also implied the need for foreign capital. The famous Solow growth model postulates that output or growth is a function of capital stock and labour, while the endogenous growth model augments the term capital by adding human capital and knowledge capital. Hence, these growth models implicitly inspired the capital-poor nations to import foreign capital. Much vaunted theories like the Harrod-Domar growth theory or the two-gap theory literally contested for the inflow of foreign capital to accelerate the development process of the less fortunate countries. These models explicitly indicated that when capital is imported, each monetary unit of it is invested and nothing is expensed for consumption.[173] In other words, foreign capital merges with domestic savings converted into investment.

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[168] Helmut Reisen and Marcelo Soto, "The Need for Foreign Savings in Post-Crisis Asia", p. 66, available at: http://www.adb.org/Documents/ Conference/ Sustainable_ Recovery_Asia/adb5.pdf accessed on 22 February 2010.

[169] Marginal product of capital is equal in both nations.

[170] Helmut Reisen and Marcelo Soto, *op. cit*., pp. 66-67.

[171] Frankel used a "development modifier of foreign capital" in his growth equation. This modifier is assumed to be taking value that is larger than unity. Hence, importation of capital is growth-enhancing. See, Seung Park, "Is Foreign Capital an Engine for Development?", *Journal of Economic Development*, p. 110, available at: http://www.jed.or.kr/full-text/2-1/5.pdf accessed on 27 February 2010.

[172] *Ibid*., p. 109.

[173] Riyad Momni, "Foreign Capital Inflow, Consumption, and Economic Growth: The Experience of Jordan, 1968-1987", *Journal of King Saud University*, Vol. 3, No. 2, 1991, p. 73.

The celebrated two-gap model[174], due to Chenery and Bruno in the early 1960s, claimed that foreign saving along with local saving is a determining factor for development.[175] However, because of a few limitations associated with this model, a new one, namely, the "three gap model" emerged which included fiscal gap as the third gap.[176] This model points out that the lack of resources to finance the government expenditure is more critical than limited savings or foreign exchange. Thus, foreign capital could be the way forward in diminishing the budget deficit.

Even eminent economists, such as Arthur Lewis, Ragnar Nurkse and Rosenstein-Rodan, in the 1930s and 1940s had mentioned in their seminal contributions that foreign borrowing and investment "would be the way par excellence" to drive development and growth process.[177]

Various studies have also reported the favorable impacts of foreign capital on overall development. For instances, Gulati (1978), and Dowling and Hiemenz (1981) found a positive and significant impact of foreign capital on growth.[178] Gulati examined data on GDP growth rate, capital inflow and saving rate for 38 LDCs during the 1960s and regressed the GDP variable on the remaining ones. The model developed by Dowling and Hiemenz was better specified because it included a few policy variables for the period of 1968-1979 and covered 52 developing nations.

Another study by Gupta and Islam (1983) revealed that foreign capital during the 1970s played important role in speeding up growth compared to domestic savings.[179] The authors performed both Ordinary Least Squares (OLS) and Two Stage Least Squares (TSLS) methods in their study. Mosley (1980) applied TSLS procedure to find that foreign capital played significant role in development for 30 poorest nations during 1969-1977.[180] In a research work focusing on the nexus between foreign aid and per capita real GDP of 56 nations from 1974 to 1993, Hansen and Trap (2001) identified a positive correlation between the two variables.[181] Another empirical research, by pulling cross section and time series

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[174] The two-gap indicates the difference between investment and the rate of desired savings. The foreign component of capital eventually bridges this gap.

[175] Helmut Reisen and Marcelo Soto, *op. cit.*, p. 66.

[176] NH Bao, "Foreign Capital and Economic Growth: A Comparative Study of Malaysia, Thailand and Vietnam", 2003, p. 4 available at: www.hshimpo.com/jp/Bao-thesis.pdf accessed on 21 October 2010.

[177] Luiz Carlos Bresser-Pereira and Paulo Gala, *op. cit.*, p. 1.

[178] Abdul Waheed, "Foreign Capital Inflows and Economic Growth of Developing Countries: A Critical Survey of Selected Empirical Studies", *Journal of Economic Cooperation* 25, 1, 2004, pp. 5-7.

[179] *Ibid.*, p. 7.

[180] *Ibid.*, p. 6.

[181] *Ibid.*, p. 12.

data from 1965 to 1982, suggested that foreign capital's contribution to the growth of nine Asian developing nations was quite considerable.[182] Especially Foreign Direct Investment (FDI) increased the available resources and efficiency in investment sectors in those nations.[183] This particular empirical work employed a simultaneous equations model which included variables, such as domestic saving, foreign aid, export, labour force, etc.[184]
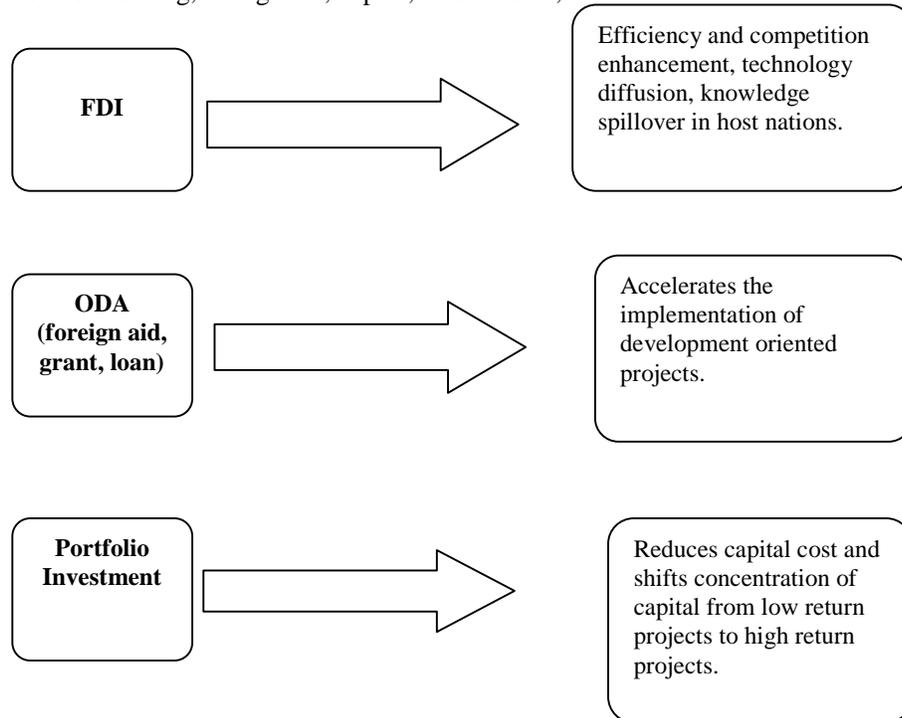
FDI	→	Efficiency and competition enhancement, technology diffusion, knowledge spillover in host nations.
ODA (foreign aid, grant, loan)	→	Accelerates the implementation of development oriented projects.
Portfolio Investment	→	Reduces capital cost and shifts concentration of capital from low return projects to high return projects.

Figure 1: Impacts of Foreign Capital

The potentials of foreign capital can also be tapped by a labour-abundant economy. A study in this regard revealed that foreign capital's affect on development is quite significant in a labour-surplus nation. On the other hand, the effectiveness of foreign capital is not linked with the abundance of natural resources. Even the importation of foreign capital by a non-labour-surplus nation

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[182]Pradumna B. Rana and J. Malcom Dowling, Jr., *op. cit*., p. 9.

[183]These Asian nations were: China, India, South Korea, Myanmar, Nepal, Philippines, Singapore, Sri Lanka   and Thailand.

[184] For a detailed discussion, see, Pradumna B. Rana and J. Malcom Dowling, Jr., *op. cit*., pp. 4-9.

can hinder its industrial process.[185] Although the findings are questionable, they have implicitly recommended the developing nations, which are generally labour-surplus economies, to import foreign capital.

Now, it is worth mentioning the types of foreign capital. Inflows of foreign capital or foreign savings are usually disaggregated into various components like FDI, portfolio investment, bond finance, Overseas Development Assistance (ODA) and external loans and credit. They are quite beneficial in a number of ways for the capital-starved LDCs.

One can take the example of FDI. As widely recognised, it enhances investment and competition between local and foreign firms, raises local efficiency in production and helps to transfer technology, knowledge and know-how. Further evidences show that FDI smoothes consumption over time and assists to accelerate the growth of export oriented industries.[186] Desai *et al*[187] find that FDI does not crowd out domestic investment as common perception suggests and it helps lowering the cost of production in the host nations. FDI, in fact, has a much stronger impact on growth than other components of foreign capital for it is usually received by the private and the traded-goods sectors and therefore, increases private investment in the recipient country.[188]

Portfolio investment is also regarded as an important source to finance the local firms and enterprises. Studies suggested that inflow of portfolio investment has put downward pressure on capital cost and shifted the concentration of capital from the low return projects to the relatively higher return projects.[189] However, inflow of foreign capital is not without risks as its effectiveness, reported by various empirical studies, is often found questionable.

3. Role of Foreign Capital in Development: The Evidences so far

Most of the theories and models supporting capital account liberalisation or importation of foreign capital suffer from flawed assumption. A common assumption that all imported capital is invested but not consumed is itself problematic. In fact, one of the main criticisms against foreign capital is that it could spur domestic consumption by crowding out local savings and impact the

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[185] Seung Park, *op. cit*., pp. 121-122.
[186] Helmut Reisen and Marcelo Soto, *op. cit*., pp. 74 and 76.
[187] Mihir A. Desai, C. Fritz Foley and James R. Hines Jr., "Foreign Direct Investment and the Domestic Capital Stock", *Michigan Ross School of Business Working Paper Series*, Working Paper No. 1023, University of Michigan, 2005, p. 8.
[188] NH Bao, *op. cit*., p. 6.
[189] Helmut Reisen and Marcelo Soto, *op. cit*., p. 75.

budgetary balance adversely.[190] Griffin (1970) argued almost in the same vein.[191] He explained that foreign capital is actually a substitute for local savings, not necessarily added up with the domestic savings.

Particularly, foreign aid and credit are prone to stimulating consumption on the part of the government and household. An investigation by Cohen (1993) on 34 less developed debtor countries revealed that much of the foreign credit inflow in these nations had turned into consumption, thereby hindering the process of capital accumulation.[192] Economists have also argued that even if every unit of foreign capital is invested in an underdeveloped economy, it might pay-off in the short run but not in the long run due to technological backwardness.[193]

If foreign capital contributes more to consumption activities, then a country, even with a low current account deficit, might not reap much dividend from capital inflow.[194] The experience of Jordan from 1968-1987 further solidifies the argument. A study shows that inflow of capital in Jordan during that period reduced local saving by increasing the consumption level.[195] The study employed the classical OLS technique to examine how foreign capital inflow was correlated with consumption and investment. In the process of analysis the study found that a bulk of foreign capital was utilised to import consumer products in Jordan during the aforementioned period. A portion of the capital converted into local currency was also used for labor and raw materials. All these had boosted the consumption activities in Jordan. The Latin American economies had a similar experience in the 1990s with a large share of foreign saving was used for consumption leading to short run growth, but in the long run growth rate slowed down quite considerably.[196] One option for countering the foreign capital induced consumption is to generate a higher domestic saving rate which would eventually create a surplus in the current account to facilitate debt servicing.[197]

Table: Findings of Various Studies on Foreign Capital

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[190] See, Jan Priewe, and Hansjorg Herr, *The Macroeconomics of Development and Poverty Reduction: Strategies Beyond the Washington Consensus*, Baden-Baden: Nomos, 2005, p. 80 and Pradumna B. Rana and J. Malcom Dowling, Jr., *op. cit.*, p. 1.

[191] NH Bao, *op. cit.*, p. 4 and Seung Park, *op. cit.*, p. 110.

[192] Helmut Reisen and Marcelo Soto, *op. cit.*, p. 73.

[193] Josef T. Yap, "Managing Capital Flows to Developing Economies: Issues and Policies", *Discussion Paper Series No. 2000-41*, Philippine Institute for Development Studies, November 2000, p. 7.

[194] Luiz Carlos Bresser-Pereira and Paulo Gala, *op. cit.*, p. 4.

[195] Riyad Momni, *op. cit.*, p. 75.

[196] Luiz Carlos Bresser-Pereira and Yoshiaki Nakano, *op. cit.*, p. 22.

[197] Josef T. Yap, *op. cit.*, pp. 6-7.

Authors	Data/Observations	Findings
Dowling and Hiemenz (1981)	52 developing countries (1968-1979)	Foreign capital has positive and significant impact on growth
Hansen and Trap (2001)	56 countries (1974-1993)	Positive correlation between foreign capital in form of aid and GDP growth rate
Mosley (1980)	30 poorest countries (1969-1977)	Foreign capital stimulates growth
Rana and Dowling (1988)	9 Asian developing economies	Foreign capital has considerable impact on growth
Momni (1991)	Jordan (1968-1987)	Foreign capital reduced domestic saving by increasing consumption
Kabir (2007)	Bangladesh (1972-2005)	FDI does not cause economic growth
Crakovic and Levine (2002)	72 developing and developed economies (1960-1995)	FDI does not explain growth
Bresser-Pereira and Nakano (2003)	51 countries (1979-1998)	Only a meager rise in GDP due to increase in foreign capital inflow

Source: Compiled by the author from various sources

In addition to that balance of payment crisis and heavy external indebtedness are linked with foreign capital inflow. Mexico in 1994, Thailand in 1997 and Argentina in 2001 suffered from the balance of payment as well as from banking crisis due to their over reliance on foreign capital.[198] The balance of payment crisis was also quite critical for Jordan during the period mentioned earlier. The surge of foreign capital in the country led it to import more than the capital inflow and at the same time debt servicing burden reduced the country's export earnings, which created crisis in the Jordanian balance of payment.[199]

FDI, another important component of foreign capital, does not always bring about benefits to the host countries. Although advantages of FDI are recorded in the theories, in practice its impacts on the economies of the target countries are identified as less than encouraging. For example, investment of US companies from 1965 to 1969 did not influence growth of the destination countries positively due to the fact that the repatriated profit to the US was higher than the new investment in the host nations.[200] This phenomenon is consistent with the early views of a couple of economists from the Dependencia School namely,

[198] Luiz Carlos Bresser-Pereira and Yoshiaki Nakano, *op. cit*., p. 13.
[199] Riyad Momni, *op. cit.*, p. 77.
[200] Lyroudi Katerina, Papanastasiou John and Vamvakidis Athanasios, "Foreign Direct Investment and Economic Growth in Transition Economies", *South Eastern European Journal of Economics 1*, 2004, p. 99.

Hans Singer and Raul Prebisch. They argued that FDI is not growth-enhancing as most of its dividend is transmitted through the multinational companies to the originating countries.[201]

As a matter of fact, the relationship between FDI and growth often demonstrates unclear results. Kabir (2007) identified that FDI did not substantially explain Bangladesh's growth from 1972 to 2005.[202] Kabir further argued that inclusion of some important variables could have resulted in significant impact of FDI on growth. The study, also, performed a Granger Causality Test to report that "FDI does not cause economic growth and vice versa".[203] The growth of relatively weaker economies of the Balkan and the Eastern European countries did not explain by the FDI inflow either.[204] The study employed data on GDP growth rate and FDI of the sample nations for 1995 to 1998 to regress the former variable on the latter one. Similar findings came out from a cross country study conducted by Crakovic and Levine in 2002.[205] They considered the data of 72 developed and developing economies for 1960 to 1995. By using Generalized Method of Moments panel estimator, the authors found that insignificant affect of FDI on growth was true for both economies. FDI has some other adverse impacts on the host economy. For example, technology spillover as a result of FDI can cause unemployment in the recipient country, which in turn slows the long run growth process. FDI also leads to distortion of prices and depletion of natural resources in the less developed economies.

Foreign capital, nonetheless, could be paid dividend under some conditions. For instance, greenfield FDI[206] tends to augment domestic investment in the developing countries "under the condition of free capacities and unemployment".[207] Apart from that if a developing nation employs all her resources then additional import of capital enhances production.[208]

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[201] *Ibid.*, p. 98.

[202] For details, see, Mahfuz Kabir, "Is Fore̲
Bangladesh?", *BIISS Journal,* Vol. 28, No. 2

[203] Discussed in *Ibid.*, pp. 109-118.

[204] For details, see, Lyroudi Katerina, Papa̲
op. cit., 97-110

[205] *Ibid.*, p. 99.

[206] FDI used for building new production
production unit in the host country is defined

[207] Jan Priewe and Hansjorg Herr, *op. cit.,* p.

[208] *Ibid.*

- **Foreign capital spurs domestic consumption by reducing saving**

- **Especially, foreign aid and credit are prone to stimulate government and household consumption**

- **Foreign capital is often used to import consumption goods, thereby creating crisis in balance of payment and external heavy indebtedness (e.g., Jordan and Latin American nations in the 1990s)**

- **Banking crisis could be the result of over reliance on foreign capital**

- **Abrupt reversal of foreign capital leads to macroeconomic imbalances (e. g., 1997 East Asian crisis)**

- **Foreign capital tends to appreciate the exchange rate creating detrimental effect on the export of manufacturing sector**
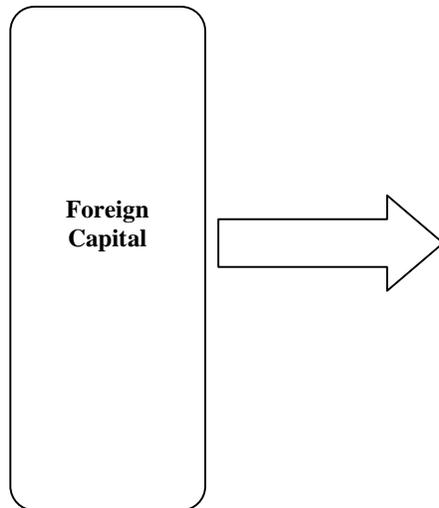
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Figure 2: Arguments against Foreign Capital

The lack of well functioned and well developed financial market does not help the cause of foreign capital either in the LDCs. Even if a developing country possesses certain profitable investment opportunities and at the same time, has high income, it fails to use foreign capital appropriately due to absence of a developed financial market. With a less developed financial system, inflow of foreign capital is more likely to be invested in non-tradable sectors like real estate, rather than in tradable sector like manufacture.[209] The underdeveloped

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[209]Eswar A. Prasad, Raghuram G. Rajan and Arvind Subramanian, "Foreign Capital and Economic Growth", *Project Muse Scholarly Journal Online*, 2007, p. 163.

financial sector according to Prasad *et al* is one of the main hindrances that does not let the capital-starved poor nation to use foreign capital efficiently.[210]

Potentials of foreign capital are also depended on the internal settings of a country. More often bad policies and weak institutions make the environment difficult for foreign capital to work. In addition to that, foreign capital can not play its role in countries characterised by the absence of minimum cultural base and development-oriented social structure.[211] Many countries even with all the necessary institutions fail to accumulate capital from external sources due to bad governance. In fact, well governed countries are better poised to use foreign capital effectively than the countries governed rather poorly.[212]

Another drawback associated with foreign capital is its abrupt withdrawal from a developing or capital-poor country. Economic slowdown, unemployment, bankruptcy, reduction in domestic savings could be the results of such capital reversal. The 1997 Asian crisis is a case in point here. The developing Asian nations from 1988 to 1996 absorbed more and more foreign capital. In 1996, fifty four per cent of global capital inflow was transmitted to the developing economies of Asia.[213] But the 1997 financial crisis hit the Asian countries ultimately led to capital reversal mostly in the form of private capital. The capital outflow from the East Asian nations such as Indonesia, South Korea, Malaysia, Philippines and Thailand in 1997 depressed the domestic saving rate drastically. The sudden saving slash in these nations, which otherwise saved relatively highly, had created an adverse impact on capital accumulation and as a result, rate of growth declined significantly. Especially, Malaysia and Thailand suffered immensely from that downturn. Both of these nations during the pre-crisis period of 1990-96 used about 40 per cent of their saving (from domestic and foreign sources) to accumulate capital. However, the capital reversal repressed the domestic saving, and with the share of foreign capital in the GDP turned negative, the available savings for investment slumped dramatically to a mere 20 per cent in Thailand and around 27 per cent in Malaysia in the post-crisis period. The share of saving plummeted to a meager 10 per cent from around 30 per cent in Indonesia.[214]

Malaysia during the crisis adopted the policy of capital control to restore sanity in its economy. Although international institutes like the International Monetary Fund (IMF) opposed such policy, currently they are in favour of

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[210] *Ibid.*, p. 195.

[211] Abdul Waheed, *op. cit.*, p. 5.

[212] *Ibid.*, p. 11.

[213] Josef T. Yap, *op. cit.*, pp. 3-4.

[214] Helmut Reisen and Marcelo Soto, *op. cit.*, pp. 72-73.

capital control.[215] The Fund now considers capital control "a legitimate part of the toolkit to manage capital inflows".[216] In fact, Rodrik (1998) identified absence of capital control did not stimulate economic growth of a country.[217] Almost similar findings were reported by Eichengreen and Leblang (2002). The study showed that capital control led to faster growth and ultimately it avoided macroeconomic imbalance despite having microeconomic problems such as resource misallocation.[218]

Another argument against foreign capital inflow is related to exchange rate. When foreign capital inflow increases in a country, flow of foreign currency rises naturally. It puts upward pressure on the exchange rate of the local currency in terms of the foreign currency. As a result, the local currency appreciates making imports cheaper for the country but export of manufacturing industry becomes less competitive. Less costly imported products mean higher real wage for the workers, which consequently will increase consumption and constrain local savings. Hence, foreign capital can also augment consumption through exchange rate channel. It may be noted here that the above mentioned exchange rate and foreign capital nexus is similar to the so-called Dutch Disease[219], wherein a sudden discovery of natural resources eventually leads to the appreciation of local currency.

A number of economic studies, throwing light on the substitution of foreign saving for domestic saving, observe that if the former increases by one per cent the latter decreases by roughly 0.5 per cent.[220] Consequently, capital accumulation from the domestic sources had been affected negatively. For example, Mexico from 1983-94 experienced an increment of foreign savings by 7.4 percentage points of GDP, but its investment increased only by 4.4 percentage points of its GDP.[221] Again the reason behind such scenario was that a chunk of foreign capital was employed to finance consumption, which strained local savings. At the same time, nations financing development activities from domestic sources achieved much more robust growth in the 1990s than those relied on foreign capital.[222] Most of the Asian nations had high self-financing ratios and quite high growth in the 1990s. But the opposite was evident for the

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[215] IMF (International Monetary Fund), "Capital Inflows: The Role of Controls", IMF Staff Position Note, February 2010, pp. 1-29.
[216] *Ibid.*, p. 15.
[217] Luiz Carlos Bresser-Pereira and Paulo Gala, *op. cit.*, p. 10.
[218] Luiz Carlos Bresser-Pereira and Yoshiaki Nakano, *op. cit.*, p. 13.
[219] This phenomenon originates from the Netherlands, where influx of foreign currency in the 1980s due to oil and gas exports appreciated the real exchange rate of the Dutch currency.
[220] Luiz Carlos Bresser-Pereira and Paulo Gala, *op. cit.*, pp. 14-17.
[221] *Ibid.*, pp. 16-17
[222] Joshua Aizenman, Brian Pinto and Artur Radziwill, *op. cit.*, p. 4.

African and the South American economies characterised by low self-financing ratios and low growth rate.[223]

Some famous studies also reveal that despite having higher marginal return, capital flowing into a developing or capital-poor nation is not much and at the same time, foreign capital does not play a significant role in boosting investment. The widely acclaimed "Lucas Paradox" shows that capital just does not always transmit from a rich country with high capital-labour ratio into a poor country which has a low capital-labour ratio. What explains such tendency? Factors like lack of strong institutions and property rights, high cost involved with physical capital, incapacity to repay debt in due time by poor countries' governments might discourage the developed nations to invest their capital in the less developed nations.[224] For example, absence of well defined property rights pulls out foreign capital from industries requiring long-term high investment, instead foreign capital moves towards industries which does not need high level of investment. By contrast, one observes that often current account deficit of developed nations, such as the US, England, Australia and Spain, is financed by capital originating from developing or emerging economies like China and some South American nations, which are surplus in their current accounts.[225]

Another much talked about puzzle, the so-called "Feldstein-Horioka Puzzle" down plays the role of foreign capital, postulating that higher the rate of domestic savings higher the rate of investment.[226] This high correlation between domestic savings and investment rate was tested for 16 Organisation for Economic Cooperation and Development (OECD) nations. This phenomenon has also been found true for the developing economies. Even if foreign capital contributes to growth, it has been found rather meager. Bresser-Pereira and Nakano investigated the linkage between foreign saving and growth for 51 countries over a period of 1979 to 1998. They employed OLS and Feasible General Least Squares techniques to estimate the income elasticity of foreign saving, which was found only 0.005.[227] It implies that with a one per cent rise in foreign capital inflow, income increases by only 0.5 per cent. Conversely, the affect of domestic capital on output growth is found quite robust compared to foreign capital.[228]

Evidences from historical facts further suggest that domestic savings or capital accumulated locally has played a pivotal role in the development of some developing and developed nations. The 2008 growth report of Spence

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[223] *Ibid*., p. 10.

[224] Eswar A. Prasad, Raghuram G. Rajan and Arvind Subramanian, *op. cit*., pp. 156-157.

[225] Sebastian Dullien, "Central Banking, Financial Institutions and Credit Creation in Developing Countries", *UNCTAD Background Paper*, 2008, p. 2.

[226] Luiz Carlos Bresser-Pereira and Yoshiaki Nakano, *op. cit*., p. 10.

[227] *Ibid*., p. 24.

[228] Abdul Waheed, *op. cit*., p. 5.

Commission provides a glaring example in this regard. The report focuses on the success stories of 13 nations,[229] which have been maintained an annual GDP growth rate of seven per cent in the last 50 years and it further underlines the fact that the contribution of domestic saving among other factors was immense towards their development.[230] Countries like Malaysia, Japan, South Korea and Thailand had adopted mandatory savings policy to stimulate savings rate.

Another point of view is that foreign capital may not be needed at all for the developing nations; rather credit from domestic financial system could be used to accumulate capital. Keynes has contested for lesser role of foreign finance as he told that capital generated from domestic sources could increase local investment. By using the Keynesian-Schumpeterian view, Dullien (2008)[231]argued that given some preconditions,[232] financial system and central bank of the developing nations can pump credit into the system for investment, which would eventually result in creation of saving.[233]

4. Concluding Remarks

The article has tried to find out whether inflow of foreign capital has influenced development of the poor or developing countries. Despite all the advantages of foreign capital rooted in the neo-classical theories and growth models, the evidences suggest otherwise. This article reveals that foreign capital has its adverse affects on the growth of developing nations as it often fails to bring about the expected outcomes. Foreign capital is more likely to crowd out domestic investment and convert into consumption, for both households and government. Although the short-term growth is boosted by such increment in consumption, long-term growth can be damaged. Inflow of foreign capital may also overvalue the local currency, thereby creating a detrimental effect on the export sector. The absorption capacity of foreign capital by the developing nations is also poor due to lack of good governance and developed financial market. Hence, expected benefits of foreign capital tend to be very low in these economies. Additionally, there are other factors that do not help the capital to flow from rich countries to poor countries. Instead, one observes the other way

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[229] These 13 countries are Botswana, Brazil, China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Malta, Oman, Singapore, Taiwan and Thailand. India and Vietnam are not far from joining this group.

[230]"The Growth Report 2008: Strategies for Sustained Growth and Inclusive development", available at: http://cgd.s3.amazonaws.com/GrowthReportComplete.pdf accesses on 24 February 2010.

[231] Hansjorg Herr and Jan Priewe, *op. cit.,* p. 80.

[232] The conditions are: i) the financial system needs to be sound and ii) the financial institutions should have the desire to lend out to the business plant or unit which is production or investment oriented. (See, Sebastian Dullien, *op. cit*., p. 9)

[233] For details, see, Sebastian Dullien, *op. cit*., pp. 1-53.

around. Conversely, the evidences further demonstrate that domestic capital has been playing a significant role in the development of the less developed and developing economies. Countries that financed their development from domestic sources grew rapidly vis-à-vis the nations depended on foreign capital. Keeping all these in mind, one may argue that foreign capital is not quite a feasible option for development in developing nations.

However, one can observe that the models employed to identify the effectiveness of foreign capital inflow suffer from limitations. For example, the time period under consideration is often very short. Models are also sometimes miss-specified as they left out important variables, putting the affect of the missing variables in the error term. To measure the impact of foreign capital on growth, generally, the models include saving rate, investment, real exchange rate, current account balance, rate of inflation along with capital inflow as explanatory variables, ignoring qualitative variables like governance and stability of financial sector. These variables are responsible for explaining the foreign capital-development links as mentioned earlier. Estimation of econometric models is another problem as studies often follow methods such as OLS and 2SLS while dealing with time series and cross-sectional data, which do not generate good results. In the light of all these, studies in the coming days might adopt panel data econometric models to find a more reliable result. Future researches, at the same time, could develop or take into account variables which capture the governance and financial stability factors.

Razia Sultana
Akand Muhammad Faisal Uddin

IRAN'S NUCLEAR PROGRAMME: IMPLICATIONS FOR REGIONAL AND GLOBAL SECURITY

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Abstract

In recent time, Iran's nuclear programme has been of concern among the regional and international actors. The United Nations Security Council has imposed a number of sanctions to halt Iran's nuclear programme to maintain global and regional peace and security. The recent fourth round of sanction by the United Nations Security Council is an attempt to compel Iran to stop its much debated uranium enrichment programme, which the United States as well as the international community suspects, is aimed to make nuclear weapons. However, Iran has consistently denied the allegation, and repeatedly defended that its nuclear programme is aimed towards peaceful purposes like alternative fuel (electricity) generation and medical research. This has led to rising tension in the Middle East with various actors who have distinct perceptions and are not willing to change their stances. In this circumstance, the paper attempts to analyze the aims of Iran's nuclear programme and the positions of regional and international actors. To look at this issue critically, the paper also tries to find out the probable impacts of Iran's nuclear programme in the regional as well as global context. The paper concludes by looking into the issues and challenges for Iran and the external powers.

1. Introduction

Since the Second World War, the Middle East (ME) has been the hotspot at conflicts.[234] After the long lasting Arab-Israel conflicts, Iran-Iraq war, and the first and second Gulf wars, Iran's nuclear crisis has become a burning issue in the ME. Iran's recent nuclear crisis is one of the most talked about issues in

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[234] It is worth mentioning that the ME has been the cradle of many ancient civilizations and origin of major religions except Hinduism and Buddhism. Throughout the history, this area has experienced innumerable conflicts and wars.

contemporary international affairs as it has raised questions in and outside the region about Iran's nuclear ambitions. Side by side, the latest fourth round of sanction imposed on Iran by the United Nations Security Council (UNSC) in June 2010 coupled with the investigations by the International Atomic Energy Agency (IAEA) has made the Iranian nuclear crisis worse than ever. Although, the IAEA report did not find any secret nuclear weapon building programme in Iran[235], the United States (US) and its allies (the West European countries along with Israel) continue to accuse Iran of a clandestine nuclear weapon plant in the name of a civilian nuclear programme.[236] On the contrary, Iran has constantly been denying the claims made by the US and its allies. Iran has repeatedly stated that its nuclear programme is aimed at peaceful purposes, including electricity generation and medical research.[237] Such accusation and counteraccusation have led to the current nuclear crisis in Iran, affecting the political as well as security environment in the ME with tension mounting on both sides.

Against the backdrop, a modest attempt of this paper is to make an assessment of the present state of Iran's nuclear crisis. The paper argues that any failure to arrive at a peaceful solution to the Iranian crisis could turn into a devastating war, thereby destabilizing regional as well as global peace and security. Furthermore, if both parties show their reluctance for a peaceful solution of this crisis, tension will continue to prevail and any hope for peace will be remote. In this context, the paper endeavoured to address the following queries: What is Iran's rational for its nuclear programme? What are the major points of contention between Iran and the opposing parties on the issue? How is the crisis affecting regional peace and stability in the ME? What will be the future options and challenges for both Iran and others?

The paper is organized into six sections, including the introduction in the first section. The second section of the paper traces the evolution of Iran's nuclear

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[235] IAEA, 2004, *Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran,* Report by the Director General, available at http://www.iaea.org/Publications /Documents/Board/2004/gov2004-83.pdf accessed on 19 October 2010. In many articles, it has been repeatedly mentioned that IAEA reports did not find any secret nuclear programme in Iran. For details, see also Mark Fitzpatrick, "The Iranian Nuclear Crisis: Avoiding Worst-case Outcomes", *Adelphi Paper 398*, The International Institute for Strategic Studies (IISS), London: Routledge, 2008.

[236] Mark Fitzpatrick, 2008, *ibid.*

[237] For details, see, Hua Limin, "The Iran's Nuclear Issue and Its Impact on Big Power's Relations", *Peace,* Beijing, Chinese People's Association for Peace and Disarmament , June 2007; *The Guardian*, 9 June 2010, "UN Imposes New Sanctions on Iran", available at: http://www.guardian.co.uk/world/2010/jun/09/un- sanctions-iran-nuclear-ahmadinejad, accessed on 20 October 2010; also in Mark Fitzpatrick, 2008, *ibid.*

programme against its geo-strategic realities. The core of Iran's present nuclear crisis and the diplomatic initiatives taken by the international community are examined in the third section, while the fourth section analyzes regional and global implications of Iran's nuclear programme. In the fifth section, the paper sheds light into the challenges and future options for Iran and for the world. Finally, the sixth section draws the conclusion.

2. Iran's Nuclear Programme and Geo-strategic Realities

Iran's nuclear programme was primarily initiated in 1957 under the US government sponsored 'Atoms for Peace Programme'.[238] During that period, Mohammad Reza Pahlavi, the Shah (king) of Iran, had very deep and interactive relationship with the US. It was during this period in 1960, that the Tehran Research Reactor was built at Tehran University with supplied equipments from the US farms. It was a small establishment with a 5 Mega Watt (MW) capacity.[239] As a part of nuclear enrichment attempt, Iran also extended its cooperation and established links with former West Germany, France, Belgium, Denmark and South Africa. In 1971, Iran signed the Nuclear Non-proliferation Treaty (NPT) requiring it to share information with the IAEA regarding its nuclear programme. In return, the IAEA would provide adequate technological support and knowledge for developing its peaceful nuclear activities.[240] During the oil crisis in 1973, with the increase of petroleum price in the international market, the Shah envisioned a plan to build nuclear plants with a total capacity of 23,000 MW by 1994.[241]

The cooperation progressively extended beyond the Iranian border, when Iran joined Eurodif, a consortium that built a uranium enrichment plant in France in 1974. Iran disbursed an estimated US$1 billion loan to the Eurodif. In return, Iran became the owner of its 10 percent share.[242] In 1975, the construction of Bushehr nuclear power station was started with the help of former West

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[238] "Atoms for Peace" was a US government sponsored programme aimed at supplying nuclear knowledge and technology for peaceful research and medical treatment purposes to the developing countries. Under this programme, nuclear reactors were made in Iran and Pakistan. For further details, see, 'Atoms for Peace', address by Dwight D. Eisenhower, President of the United States of America, to the 470th Plenary Meeting of the United Nations General Assembly, available at: http://www.iaea.org/About/history_ speech. html, accessed on 25 October 2010.

[239] "Iran Profile – Nuclear Chronology 1957 -1985", available at: http://www.nti.org/e_ research/profiles/ 1825_1826.html, accessed on 25 October 2010.

[240] IAEA Website, available at:www.iaea.org, accessed on 2 November 2010. Also see, Hua Limin 2007, *op cit,* p. 18.

[241] "Iran Profile –Nuclear Chronology 1957 -1985", *op cit.*

[242] Hua Limin, 2007, *op cit.*

Germany.[243] After the Iranian Revolution in 1979, Iran's nuclear programme suffered setback due to regime change led by Shi'a clerics. The USA was disturbed with the revolution as it overthrew the Shah, the long and trusted ally of the USA and the West. Ayatollah Khomeini, the supreme leader of the Islamic regime in Iran, declared nuclear weapons to be inhuman. Subsequently, Iran voluntarily stopped its nuclear programme.[244] Besides, just after the revolution in 1979, a faction of Iranian students and common people kept 44 US diplomats hostage in the US embassy in Tehran for 444 days.[245] This incident further strained the US-Iran relation when the former conducted "Operation Eagle Claw" to rescue the Americans from Iranian territory in April, 1980. The event apparently made the Iranian furious as they considered it as an attack on their sovereignty.

Figure1. Sites of Research Reactors and Uranium Mines in Iran

Source: BBC Online, "Iran's Key Nuclear Site", available at:www.bbc.co.uk/2/hi/middle_east/4617398. htm, accessed on 2 November 2010.

Ever since, Iran has considered the US as its perpetual enemy. As a matter of fact, relationship with the other Western countries also deteriorated, resulting in a

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[243] Although the Bushehr nuclear power plant was started to build with the assistance of West Germany, after the Iranian Revolution in 1979, the country stopped its cooperation. However, in 1995, Russia started again to assist Iran for building this plant. In October 2010, Iran started pouring fuel in the power plants. For details, see, BBC Online, "Will Fuelling the Bushehr Reactor Give Iran the Bomb?", http://www.bbc.co.uk/news/world-middle-east-11045291, accessed on 26 October 2010.

[244] Hua Limin, 2007, *op cit.*

[245] For further details, see, BBC Online , "Remembering the Hostage Crisis", November 2004, available at: www.news.bbc.co.uk/2/hi/middle_east/3978523.htm, accessed on 22 October 2010.

negative impact on Iran's nuclear programme. Under the US influence, France, Germany and other countries stopped cooperating with Iran on nuclear issue. France, for instance, refused to provide any enriched uranium to Iran, and freezed Iran's investment to France. German companies that were engaged in Iran in constructing the reactor in Bushehr stopped working under US pressure. During the Iran-Iraq war (1980-1988), the Bushehr reactor was jeopardized by multiple Iraqi air strikes, forcing Iran to stop work on nuclear programme.

In spite of the setbacks, the Iranian government decided to restart its nuclear programme in light of the missile and chemical weapon attacks during Iraq War in 1980s. During that period, the government sought technical cooperation from the IAEA. The IAEA finally agreed to assist Iran under its Technical Assistant Programme (TAP) to produce enriched uranium. Nonetheless, the initiative was strongly intervened by the US, and the IAEA eventually stopped to cooperate with Iran.[246] Afterwards, Iran had to look for new partners for its nuclear research and development. During the 1990s, it engaged with Russia in building Bushehr nuclear power plant (see, the Appendix). In 1995, Russia agreed to build the plant and supply the fuel rods, taking back the spent fuels so that Iran could not modify those for making plutonium. As a result, the US stepped back and remained silent on building the power plant. At the same time, the US government, in particular, the Clinton administration initiated diplomatic efforts to halt Russia from building four commercial light reactors in Iran which became a failed effort later.[247]

Iran's aspiration for gaining superior nuclear technology can be explained by its regional ambition, historical legacy, distinct geopolitical entity, cultural influence as well as mutual mistrust with the Arab countries. Historically, Iran has been an aspiring superpower in the ME as well as in Central Asia.[248] Therefore, explaining the apparent desire to expand its nuclear programme is far reaching. Iran's cultural influence, to some extent, spreads beyond its current territorial boundary. The ancient Persian Empire used to rule an area between the rivers of Euphrates and Indus (Black Sea to western China). The Persian Empire came under the rule of the Muslims during Hazrat Umar (RA), the Second Caliph of Islam in 637 A.D. After several hundred years of ruling by the Sunni Muslims, Iran came under the rule of Shi'a Muslims by the Safavid rulers. During that time, Shi'a beliefs replaced the Sunni ones in almost every part of the then Persia. However, this led to the increase in conflicts between the Shi'as and Sunnis, and a number of wars took place between the Ottoman Empire (Sunni followers) and the Safavid (who were Shi'as) dynasty, creating historical mistrusts between these two separate ideological groups.

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[246] Mark Hibbs, "US in 1983 Stopped IAEA from Helping Iran Make UF6", Nuclear Fuel, 4 August, 2003.
[247] Hua Limin, 2007, *op cit.*
[248] Mark Fitzpatrick, 2008, *op.cit.*

Another strategic reason for Iran's nuclear programme has been the nationwide psyche against foreign intervention as Iran had to face regular foreign interventions initially by Britain, later by Russia and the US. Iran is the second largest country in terms of land area, possessing huge energy reserves and thus making the country one of the most powerful nations in the ME region. Iran's unique geo-strategic location and abundant resources including oil instigated both Russia and Britain to exploit the country during the First and Second World Wars.[249] The geographical reality has also increased Iran's anxieties and vulnerabilities as the country is surrounded by Iraq and Turkey to the west, Pakistan and Afghanistan to the east as well as central Asia and Russia to the north.

Moreover, Iran has hostile relationships with almost all of its Arab neighbouring countries.[250] Due to the absence of regional allies, Iran wanted to be a trusted ally of the West. After the First World War, the Shahs of Iran tried to maintain good relations with the West and took initiatives to modernize[251] the economy coupled with increasing military strength of their country. Capitalizing on this, the Western companies invested heavily in the petroleum sector, and captured full control over Iran's petroleum reserves and oil industries. Since the mid 1950s, as mentioned earlier, Iran initiated the nuclear programme with the US assistance with the aim to using nuclear energy for peaceful purposes. With the rise of nationalism in 1951, Dr. Mohammad Mossadegh, the first elected Prime Minister of Iran, nationalized the petroleum industry and oil reserves. This initiative, however, severely went against the interest of the UK and irked the Anglo-American axis. In 1953, the UK and the USA allegedly organized a successful plot to overthrow Dr. Mossadegh and reinstated the control of Shah in Iran. In addition, the Western companies recaptured control over the petroleum industry of the country. This event, nevertheless, made long lasting negative impressions about the USA and the UK in the minds of the common Iranian.[252]

There were also other factors that instigated Iran to expand its nuclear programme. For instance, during the oil crisis of 1973, one of the reasons behind Iran's nuclear programme was its limited capacity to produce refined petroleum. Although it has a stock of around 10 percent of global crude petroleum reserves

[249] Karl Meyer, *The Dust of Empire: The Race of Supremacy in the Asian Heartland,* London: Time Warner Books, 2003, p.54.

[250] Fariborz Mokhtari, "No One will Scratch My Back: Iranian Security Perceptions in Historical Context", *The Middle East Journal,* Vol. 59*,* No.2, Spring 2005, p.210.

[251] Here, "modernization" needs to be considered as a process of cultural alignment with the West.

[252] For further details, see, Stephen Kinzer, *All the Shah's Men. An American Coup and the Roots of Middle East Terror*, New York : John Wiley and Sons, 2003.

for meeting its domestic demand, the country had to import refined oil from outside.[253]

Quite obviously, another crucial driving force that induced Iran to enhance its nuclear programme has been the long eight years of Iran-Iraq war (1980-1988). During this war, Iraq resorted to chemical weapons and missiles against Iran for several times. The war resulted in loss of lives and humiliation to Iran. As perceived by some experts, during that time, the Iranian regime certainly realized the need for possessing nuclear weapons which could have been a source of deterrence against its perpetual enemy.[254] Following the hostage crisis, the US had taken a series of actions against the Islamic Republic, like freezing Iranian assets in the USA. All these broke the diplomatic ties between the two countries which continue to date. Therefore, Iran has not only evolved as a rival of the West in the ME, but its rise has also challenged the Western dominance in the region.

The issue of Israel was conceivably another factor behind Iran's nuclear ambition as the former is considered as a persistent security threat for Iran. Iran has always believed that the Jews are the enemy to Islamic fundamentalism.[255] Ayatollah Khomeini once stated that deterring Israel and its allies was inevitable to preserve the pride of Islam.[256] In line of a similar thinking, President Mahmoud Ahmadinejad, since coming to power in 2005, is also giving emphasis on Iran's nuclear ambition and trying to reduce the influence of Israel and the US in the region.

In the widest sense, Iran's aspiration for acquiring nuclear technology may be motivated by its desire to increase its national pride by being a member of the nuclear club. In this regard, the US National Intelligence Agency Report (2007) revealed that since 2003, the Iranian government did not pursue any nuclear weapon programme but wanted to develop their nuclear enrichment capacity. Furthermore, the nuclear programme received huge support from the Iranian people who consider this endeavor as a symbol of pride and nation's permissiveness in the technological field.[257]

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[253] Habib Siddiqui, "Western Meddling with Iran's Nuclear Programme is Unacceptable", *The New Age,* 3-4 February 2010.

[254] Mark Fitzpatrick expressed this view, for further details, see, Mark Fitzpatrick 2008, *op cit,* p.14.

[255] Hamid Algar, *Islam and Revolution: The Writing and Declarations of Imam Khomeini*, Berkeley: Mizan Press, 1981.

[256] *Ibid*, p.127.

[257] "Iran's Nuclear Programme", *The New York Times,* available at: http://topics.nytimes. com/top/news/international/countriesandterritories/iran/nuclear_program/i

3. Core of Iran's Present Nuclear Crisis and the Role of International Community

3.1 *The Crisis*

The core of the current nuclear crisis is Iran's development of fissile materials, not nuclear weapon building, as widely perceived. At present, Iran has enriched uranium up to 19.75 per cent which is required for medical research purpose.[258] There is a common perception that the West has always been skeptical about Iran's motives for nuclear programme, and they would not like to see Iran to enrich any sort of uranium as they fear that the country will use enriched uranium for making nuclear bomb rather than using the nuclear development programme for peaceful purposes. The steadily raised apprehension among the West is that, Iran being very close to making nuclear warhead for the ballistic missile, would easily convert its stockpile of High Enriched Uranium within a short period of time for making weapon grade uranium.[259]

Another concomitant issue of concern for the West is Iran's development of the missile programme. The country has developed fairly well ballistic missile capacity. In its missile inventory, Iran has a Shahab-3 missile which has 1300 kilometers (km) range with a payload capacity of one ton and an airframe diameter of 1.2 meters. This particular structure of missile is suitable enough to carry the nuclear weapons. The range of Shahab-3, as anticipated, is able to encompass Israel, Turkey and Saudi Arabia. Shahab-3M, another variant of this series, has a range of 2000 km. These weapons are strongly capable of carrying nuclear warhead, and therefore, is a threat, particularly to Israel. It is reported that Hezbollah, one of the most powerful non-state actors in this region, has become stronger than before as Iran in collaboration with Syria provided around 50,000 missiles, rockets and other arsenals since 2006.[260] Israel fears that if Iran has more capability of nuclear arsenals, it would be a direct threat for Israeli existence.

Under the prevailing situation, on 9 June 2010, the UNSC adopted Resolution no. 1929, with 12 votes in favour and 2 votes against it (Turkey and Brazil) with Lebanon and the remaining UNSC members abstaining from

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ndex.html?scp=1- spot&sq=iran%20nuclear&st= cse, accessed on 25 October 2010.

[258] "Uranium enrichment is the process of increasing the concentration of radioactive U-235 isotopes from the average 0.7% found in the uranium found in nature either to 3.5-5% to make for fuel reactors or to above 90% for nuclear weapons.", from Mark Fitzpatrick, 2008, *op. cit,* p.19.

[259] "Iran and the Nuclear Issue", BBC Online, available at: http://news.bbc.co.uk/2/hi/middle_east/4031603.stm, accessed on 20 September 2010.

[260] Quoted from *The Economist,* "Please, not again", 01 January 2010.

voting.[261] The new round of sanction against Iran added much harder conditions in addition to the earlier three rounds[262] by putting arms embargo and banning transaction with Iran's financial institutions and shipping companies that are in some way or the other involved in the country's nuclear programme.[263] The sanction was the hardest attempt so far to compel Iran for giving up it's much debated uranium enrichment and reprocessing programme (the fuel cycle). In reply to the latest round of sanction, Iran refused to stop its nuclear enrichment programme. In addition to the UNSC sanctions, on the other hand, the US and the European Union (EU) have imposed further unilateral economic sanctions on Iran.[264] The confrontational attitudes of various actors, however, have driven the situation towards a "perpetual stalemate".[265]

3.2 *Initiatives by IAEA and the UN to Solve the Crisis*

Imposing sanction on Iran is not new. Prior to the latest round of sanction in 2010, the IAEA and the UNSC have imposed a series of sanctions on Iran's activities from time to time, relating to uranium enrichment, processing of uranium, installation and development of centrifuge technology, and building and installation of heavy water reactor which could produce plutonium from used uranium fuel.[266] Since 1992, the Western media has regularly been accusing Iran for trying to make nuclear weapons, whilst the IAEA regularly inspected the nuclear sites to unpack the truth. However, the frequent IAEA inspections could not find any covert nuclear weapon generation programme.[267] Against the

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[261] UN Department of Public Information, *"Security Council Imposes Additional Sanctions on Iran"*, 9 June 2010, available at: http://www.un.org/News/Press/docs /2010/sc9948.doc.htm, accessed on 18 October 2010.

[262] The previous three rounds of sanctions blocked trading of sensitive materials, banning of arms export of Iran, freezing financial assets of entities and investigating Iranian banks which are involved in nuclear programme of Iran. For details, see, Mark Fitzpatrick, 2008, *op.cit.*

[263] UN Department of Public Information, 9 June 2010 , *op. cit.*

[264] Simon Tisdall, "Dread Juggernaut of Conflict with Iran is Drawing Closer: The US Drive to Isolate Tehran is Unrelenting But There is Little Evidence Iran's Leadership will Change Its Ways", available at: http://www.guardian.co.uk/commentisfree/2010/oct/21/ dread-possibility-of-conflict-with-iran, accessed on 23 October 2010.

[265] Liu Wei, "Recent Development of the Iranian Nuclear Issue", *International Strategic Studies,* 2nd Issue, 2009, China Institute for International and Strategic Studies (CIISS), Beijing, China.

[266] Production of plutonium is an alternative means to produce nuclear weapons. For details, see, "Q & A : Iran Nuclear Issue", available at: http://news.bbc.co.uk/2/hi/ middle_east/8495086.stm, accessed on 26 October 2010.

[267] For details, see, The IAEA Inspection Reports, available at: www.iaea.org accessed 29 October 2010.

backdrop of mistrust and suspicion, the UN, as well as the IAEA have undertaken a number of diplomatic consultations to diffuse the tension.

In 2002, a dissident group of Iran known as the National Council of Resistance of Iran published a report stating that Iran was secretly building two nascent plants in Natanz and Arak for uranium enrichment and heavy water reactor respectively. It created a controversy about Iran's nuclear ambition as it contradicted IAEA's previous report that Iran's nuclear venture would be for peaceful purposes. Following that controversy, international community mounted on Iran regarding its secret nuclear establishment. The IAEA Board of Governors passed two consecutive resolutions demanding that Iran should disclose information about those secret plans and allow IAEA for intrusive inspection on those sites.[268] Based on this, the IAEA immediately wanted to visit those sites. However, as per the NPT's original Safeguard Agreement, it was not obligatory for Iran to allow IAEA for inspection prior to six months. Under severe international pressures, Iran had to sign NPT Additional Protocol in 2003, allowing IAEA to conduct intrusive inspection to its nuclear sites at any time.

Meanwhile, in 2003, Germany, Britain and France (EU-3) started negotiation with Iran for a peaceful solution to its nuclear programme. In November 2004, Iran agreed to sign the Paris Agreement with the EU-3, voluntarily suspending its enrichment activities in order to build confidence among the international community on its peaceful motives. In response to Iran's initiatives, the EU-3, on the other hand, agreed to recognize Iran's rights for peaceful nuclear development. The negotiation intended to find a "satisfactory assurance" for Iran to pursue its nuclear programme and gain access to modern technology. However, both Iran and the EU could not come to an agreement in August 2005 as the latter demanded that Iran should hand over all of its enriched uranium in exchange for a package that offered political, economic and trade facilities. Iran, however, rejected the EU's demand. Several months later, Iran restarted its nuclear programme under the close monitoring of IAEA.[269] This time, Iran refused to help the IAEA inspector beyond the original Safeguard Agreement of NPT and as a result, the crisis turned more complex.

In 2003, after disclosing the secret nuclear programme, the IAEA made intrusive investigation on Iran's nuclear activities. During this time, IAEA did not find anything covert regarding Iran's nuclear programme, but expressed suspicion in its report about the possibility of a clandestine nuclear programme in Iran. To come to a solution, Iran engaged in a dialogue with the EU-3 and voluntarily implemented the Additional Protocol. The EU believed that maintaining trade ties with Iran could be a step forward to cool down the situation. The discussions, at this point, did not bring much fruitful outcomes;

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[268] *Ibid*, p.19.
[269] *Ibid*.

rather, Iran restarted its nuclear enrichment programme. In late February 2006, 35 members of the Board of Governors of the IAEA reported their split decisions (27 members were on behalf of the decision, 3 were against it and 5 abstained) to the UNSC. The initiative was supported by UK, France and Germany, and it was predominantly backed by USA. Russia and China, agreed on condition that the Security Council would take no action before March 2006. Venezuela, Syria and Cuba, however, voted against the decision. In response to the report of IAEA, on 6 February 2006, Iran suspended its voluntary implementation of the Additional Protocol and all other voluntary and non-legally binding cooperation with the IAEA required for materializing the initial Safeguard Agreement.[270]

On 31 July 2006, the UNSC adopted Resolution no. 1696, demanding Iran's suspension of all it's enrichment and reprocessing related nuclear activities. The resolution was passed by 14 votes while Qatar only voted against it.[271] On 26 December 2006, the UNSC adopted Resolution no. 1737, following a report from IAEA that Iran had permitted inspection under its Safeguard Agreement but did not suspend its nuclear enrichment activities. The resolution imposed a series of sanctions on Iran for its non-compliance with the earlier Security Council resolutions demanding that Iran should suspend enrichment related activities without any delay. The sanctions were primarily targeted against the transfer of nuclear and ballistic missile technologies. On 3 March 2008, the UNSC decided to extend those sanctions to cover additional financial institutions, restrict travel of additional persons and bar exports of nuclear and missile related dual use goods to Iran.

Table 1: List of the UN Sanctions on Iran

Resolution No.	Date	Core Aspects
Resolution 1696	31 July 2006	Fixing the time limit until 31 August 2006 to meet the demands of IAEA; Making alert the UN members to sell any sort of nuclear technology to Iran.
Resolution 1737	23 December 2006	Sanction to sell any kind of nuclear-oriented technology required for Iran; Freezing the financial assistance to Iran's 10 nuclear producing firms.
Resolution 1747	24 March 2007	Prohibition of nuclear enrichment by 24 May 2007.
Resolution 1803	3 March 2008	Ban the items sold for dual purposes; Prohibiting financial transactions with some

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[270] Website of IAEA, available at: www.iaea.org, accessed on 25 October 2010.
[271] UN News Centre Press Release, "Security Council Demands Iran Suspend Uranium Enrichment by 31 August, or Face Possible Economic, Diplomatic Sanctions", 31 July 2006, available at: http://www.un.org/News/Press/docs/2006/sc8792.doc.htm, accessed on 29 October 2010.

		banks of Iran like Bank Melli and Bank Saderat.
Resolution 1887	24 September 2009	Impose conditions while increasing nuclear programme in accordance with the NPT.
Resolution 1929	9 June 2010	Prohibition against Iran to participate in anti-ballistic missile activities; Freezing the funds of Iran's army and shipping lines.

Source: Syeda Fizzah Ali, "International Nuclear Regime and the Iranian Nuclear Challenge, *Pakistan Horizon*, Vol. 61, No.4, October 2008, pp.87-109. Also see, the UN News Centre, "Historic Summit of Security Council Pledges Support for Progress on Stalled Efforts to End Nuclear Weapons Proliferation", available at: http://www.un.org/News/Press/docs// 2009/sc9746.doc.htm, accessed on 2 November 2010.

Resolution no. 1929 adopted on 9 June 2010 imposed complete embargo on Iran's nuclear programme and travel ban on certain figures. It decided to freeze all assets of the Iranian Revolutionary Guard, Iran Shipping Lines, and inspect all Iranian cargos or financial institutions, such as banks on their territory. The resolution passed by a vote of 12-2. Turkey and Brazil voted against the resolution and Lebanon abstained. The Iranian government responded with a denial to stop their uranium enrichment programme. Moreover, Ali Ashghar Solanieh, Iran's envoy to IAEA commented, "Nothing will change. The Islamic Republic of Iran will continue uranium enrichment activities."[272] Along with the statement, Iranian President Mahmoud Ahmadinejad further declared if higher enriched nuclear fuel was supplied by the other countries, Iran would firmly consider suspending its nuclear enrichment activities. He, at the same time, accused the members of the IAEA for not fulfilling their pledges to supply up to 20 percent enrichment uranium to Iran.[273]

On 17 May 2010, Iran entered into a prospective deal with Brazil and Turkey. Iran agreed to send low-enriched uranium to Turkey in return for higher enriched uranium fuel for a research reactor. Consequently, Iran informed the IAEA and requested it to inform the USA, Russia as well as France to come to a written agreement and make contingent arrangements between Iran and other parties.[274] The proposal was welcomed by the Arab leaders, China and cautiously by Russia.

3.3   *Responses by Major Powers*

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[272]"UN Imposes New Sanctions on Iran", *The Gurdian*, available at: http://www.guardian.co.uk/world/2010/ jun /09/un-sanctions-iran-nuclear-ahmadinejad, accessed on 28 October 2010.
[273] "Iran Will Stop Uranium Enrichment, If Fuel is Provided", *Prothom Alo,* 26 October 2010.
[274] *Ibid.*

The international actors, per se, differed in their respective positions regarding Iran's nuclear programme. The US, Israel, UK, France, Germany as well as other likeminded countries viz. Australia and Japan are against any sort of nuclear programme in Iran, although in many forums, the major powers acknowledged Iran's rights to peaceful nuclear research development. In course of time, they have shown such postures that helped to give a clear perception about their intention on the issue. On the other hand, Russia and China, the two other permanent members of the UNSC, have been supporting peaceful development of the nuclear programme. But they are also aware of Iran's capability to build nuclear weapons. These two countries, nonetheless, have changed their positions in recent times, and are largely divided into two groups: those who supported and those who did not. This segregation gave a signal that they would not allow Iran to develop any kind of nuclear weapons. Given these ground realities, the following section briefly discusses the position of the big powers on Iran's nuclear programme.

3.3.1 *The US and Israel*

The US and Israel have almost the same positions on Iran's nuclear issue as both countries are strongly against Iran's nuclear capacity development. In case of the US, the country always tries to conduct "uncompromising containment policy" against Iran.[275] This ideological approach is clearly apparent from USA's different actions against the country. In 1981, before reinitiating nuclear programme, the government of Iran first sought cooperation from IAEA. But, the US took diplomatic measures to refrain IAEA from assisting Iran.[276] Since 11 September 2001, the US has perceived Iran's nuclear vision in the context of 9/11, particularly on the issues of war against terrorism and weapons of mass destruction (WMD). In 2007, the US National Intelligence Estimate (NIE) reported that Iran might be capable of producing nuclear weapons between 2010 and 2015 if it enriches High Enriched Uranium.[277] Amidst all these, Condoleezza Rice, the then US Secretary of State, opined that Iran is the only country which posed strategic threats to her country.[278] Although the US is not Iran's direct threat due to its geographical distance, the concern is, the US military installations in the ME, may be a target. Likewise, Israel considers Iran's ballistic missile capability as a security threat to its existence. The fear has been further

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[275] Bayram Sinkaya, "Turkey and the Iranian Nuclear Issue: From a Passive Stance to the Actual Contributor to the Peaceful Solution", Paper presented at the MERIJ-ORSAM-METU Joint Meeting titled *Contemporary Middle East: The Turkish and Japanese Perspectives*, held in METU, Ankara, Turkey, 23 November 2010.

[276] Zhu Qianguo, "The Sticking Points and the Prospects of the Iranian Nuclear Issue" in *Peace,* Beijing , Chinese People's Association for Peace and Disarmament, June 2007.

[277] Daniel Mockli & Andrin Hauri, "Iran Nuclear Crisis: Status and Options", *CSS Analyses in Security Policy*, Vol. 3. No.43, November 2008.

[278] Syeda Fizzah Ali, 2008, *op.cit.*

intensified by Iranian President Ahamadinejad's statement on wiping out the Israeli regime and wiping out the country from the world map.[279] In recent years, Iran tested missiles like Shahab-3 and Ghadr-1 which have a range of about 1,800 km and 2000 km respectively.[280] This has led the tension of escalating further conflicts between Iran and Israel. It is crucial to ponder that Israel is USA's number one ally in the ME and has a strong influence in US domestic politics. Therefore, Israel always gets a blind support from the US about its nuclear capability. Despite that, Israel is opposing Iran's nuclear enrichment capability as the latter has been supporting Hamas of Palestine and Hezbollah of Lebanon who are in struggle for regaining sovereignty over their respective land against Israeli occupation.[281] Israel fears if Iran could achieve the capability of building nuclear weapons, Hamas and Hezbollah may gain access to that and thereby threaten Israel's national security.

3.3.2 *The EU Countries*

The West European countries have always shown strong reservations against Iran's nuclear enrichment. But unlike the US, they try to adopt a policy of "diplomatic engagement and negotiation" about Iran's nuclear issue.[282] Before the Iranian Revolution in 1979, France and Germany were active partners in Iran's nuclear programme. During that period, both France and Iran had joint investments in Eurodif. West Germany had a deal to build the Bushehr nuclear power plant. Since the early days of revolution, the West European countries showed its opposition towards Iran's nuclear programme. In this continuation, France refused to return Iran's investment on Eurodif after the revolution. Germany which initially supported in building Bushehr nuclear power plant stopped cooperating with Iran. As a result, Iran had to turn to Russia for its assistance on that reactor. After 2003, UK, France and Germany actively engaged in negotiation with Iran, compelling the latter to voluntarily suspend its nuclear enrichment programme. The EU-3 demanded that Iran should stop its nuclear activities and continuously discuss with the officials to come to a final solution. Iran, however, refused to agree and withdrew itself from the negotiations.

3.3.3   *Russia and China*

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[279] Abdullah A Dewan, "No Nonsense: The Iranian Missile Test", *The Daily Star,* 7 July 2008, available at: http://www.thedailystar.net/story.php?nid=46022, accessed on 24 October 2010.

[280] For more details, see, Fitzpatrick 2008, *op cit.*

[281] "Iran's Mahmoud Ahmadinejad "Backs United Lebanon," *BBC News,* 13 October 2010, available at: http://www.bbc.co.uk/news/world-middle-east-11526143, accessed on 24 October 2010.

[282] Bayram Sinkaya, *op.cit.*

Since the beginning of cold relationship with the EU countries, Iran steadily built up good relations with Russia and China. Historically, both the countries have had strong economic ties with Iran and showed their keen interest in Iranian nuclear fields. Russia, as discussed earlier, has played a decisive role to complete Bushehr nuclear power plant and is incessantly supplying nuclear fuel rod for smooth running of that plant.[283] China, at the same time, imports petroleum from Iran and has become the largest trading partner of Iran. Although both countries supported Iran's rights for nuclear development for peaceful purposes, they do not have full trust in Iran. In the past, both China and Russia blocked any tough sanction on Iran by the UNSC. On the one hand, China and Russia blocked hard conditions or economic sanctions on Iran; on the other, they supported sanctions that asked Iran to stop its uranium enrichment activities. Thus, it is apparent that these two countries too are apprehensive about Iran being armed with nuclear weapons.

3.3.4 *The Arab States*

The Arab countries have different approaches towards Iran's nuclear issue. Saudi Arabia, Iraq, the United Arab Emirates (UAE), Kuwait and other Sunni Muslim states in the Arab region do not have trouble-free relations with Iran as the later may diminish their dominance in the region. The historical mistrust among the Shi'a and Sunni is a pertinent reason behind this uneasiness. Iraq now has a nascent democracy, while Iran has already increased its influence through its vast Shi'a majority. People in Iraq perceive this with mixed opinions. Other important countries in the region, like Syria and Lebanon have different viewpoints. Syria has good relations with Iran and firmly supports Iran's nuclear programme. In Lebanon, the Hezbollah, the major elected body of the government, is a long trusted ally of Iran and receives regular support from them. However, other factions of the government have lukewarm relations with Iran. Therefore, in the UNSC, Lebanon abstained from voting for several times believing the fact that Iran has the right to develop its peaceful nuclear programme.

3.3.5 *Others*

Apart from the West and some of the Arab countries, Iran has received strong vocal support from the non-aligned countries which agreed that Iran had a right to pursue its peaceful nuclear programme. Recently, Turkey's compromising attitude towards Iran's nuclear programme indicates that the

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[283] "Iran Begins Loading Fuel at Nuclear Reactor", *New York Times,* available at: http://www.nytimes.com/2010/10/27/world/middleeast/27nuke.html?_r=1&ref=nuclear_ program, accessed on 26 October 2010.

country is going to change its foreign policy remarkably. Turkey, by now, wanted to balance a relationship with Iran to preserve its national interest and get involved in mediation efforts between Iran and the West. Turkey, along with Brazil, already negotiated with Iran for a peaceful solution to its nuclear programme. Iran and Turkey made a nuclear swap deal, under which Iran exported a batch of low enriched uranium to the latter. However, the P5+1[284] countries were not convinced with that deal and passed the latest round of sanction on Iran which was opposed by Turkey and Brazil. Apart from Brazil, Iran has developed warm relations with a number of South American countries namely Venezuela and Bolivia that also support Iran's peaceful nuclear activities.

4. Implications of Iran's Nuclear "Crisis" on Regional and Global Security

4.1. *Regional Peace and Stability*

From the above discussion, it is clear that Iran's nuclear ambition is supported by some countries and opposed by others. The question that arises here, what kind of implication does Iran's nuclear programme have on regional and global peace and tranquility? It is widely believed that Iran's position as a nuclear power state might shift the regional balance of power. In particular, the expansion of Iran's nuclear programme as well as Iran's good relations with the Hezbollah and Hamas, will have both regional as well as global implications. According to the security experts, Dana H. Allin and Steven Simon, "A nuclear Iran would spur countries of the region to try to enhance their security in the face of what they would perceive as a significant, and in some cases existential threat".[285]

It goes without saying that in regional politics, the Arab states are aware of Iran's ambition as the regional power. Countries like Saudi Arabia and Kuwait have a cold relationship with Iran and they will not welcome Iran as a regional superpower as Iran's strong position in the region might diminish their influence. Already, Saudi Arabia has made a US $60 billion arms procurement deal with the US.[286] It is an indication that they are ready to challenge Iran's influence in the region. Besides, Iran's democracy is a threat to the Arab monarchs. In recent times, Syria is also trying to get out of the US influence and look for independent allies like Iran. Presumably, Syria is the only country apart from Turkey in the region that has support for Iran's peaceful nuclear programme. Turkey has not only signed an agreement with Iran for enriched uranium swap, but also has

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[284] Five permanent members (US, Britain, China, France and Russia) of the UNSC plus Germany.

[285] Dana H. Allin and Steven Simon, "Obama's Dilemma: Iran, Israel and the Rumours of War", *Survival*, Vol.52, No.6, December 2010-January 2011, pp.15-44.

[286] Peter Custers, "US-Saudi Arms Deal in the Making: Needs Public Scrutiny, *The Daily Star,* 5 October 2010.

voted against the sanction on Iran in the Security Council. Thus, it is fair to say that Iran's nuclear issue might bring a radical change in the regional power balance.

Iran's nuclear ambition may start a nuclear race in the region. Like Iran, many Arab States are also trying to develop their nuclear capabilities and some of them have already progressed significantly. Egypt, Turkey and Saudi Arabia are the prominent names of a few. Egypt signed an agreement with Russia to establish nuclear reactors in 2008 and Turkey planned to build three new reactors in 2008.[287] Besides, procuring advanced weapons from the US and Saudi Arabia as well as the signing of nuclear agreement with the US and France for developing civilian nuclear facility for medical treatment and power generation purposes are noteworthy initiatives. France had also made nuclear deal with Qatar, UAE, Algeria, Jordan, Morocco and Libya.[288] It is apparent that Iran's nuclear development will have a far-reaching impact on regional power politics as many countries are willing to commence nuclear programme in the name of peaceful purposes.

Apart from regional and global implications, the sanctions have already shown negative impacts on Iran's domestic economy. Iran needs to import one third of its gasoline for domestic consumption. By now, the additional sanctions by the West had adversely affected trade and other business sectors in Iran. Notwithstanding the fragile economic condition, it is assumed that the sanctions could prove to be a plus point for the Ahmadinejad regime. It could now easily blame the sanctions for Iran's economic misery and would make them determine to clinch their nuclear goal by any means. Moreover, the nuclear programme has received a vast popular support in Iran. Therefore, it is perceived that, the sanctions might not be a viable tool to reduce the domestic support.

4.2 *Global Implications*

The rise of Iran's influence in the ME is a threat to the US dominance in the region. The US has a strong influence on almost every country in the region except Iran. In addition, it has vast petroleum and arms businesses in the region. Increasing military and nuclear strength of Iran may possibly challenge the presence of the US in the ME in future. However, the US would try to keep its dominance in the region in order to ensure petroleum supply for its domestic consumption as the ME countries solely supply more than 70 per cent of total petroleum production of the world and it would be further increased to 83 per

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[287] Joseph Cirincione, "A Mideast Nuclear Chain Reaction", *Current History,* Philadelphia, December, 2008, p. 440.
[288]*Ibid.*

cent by 2020.[289] The heightened tension between the two countries will most likely increase instability in the region.

As mentioned earlier, Iran has cultural influence on its neighbouring countries both in the ME and central Asia, especially in Iraq where the majority of the population are Shia's. Iran has gradually increased its ties with the Shi'as in Iraq and Afghanistan as well.[290] Therefore, the US would never allow Iran to become a nuclear power state within the region. On the contrary, Iran has disbursed huge amount of money in aid to the Afghan government.[291] Iran appears to be caught in the middle of fire now. The US has strong military presence in Afghanistan and Iraq, while maintaining equally strong influence in Pakistan. The concern is that all these states have borders with Iran. If the negotiation does not fall through, and Iran is attacked by any external force, a huge area (from Pakistan to Mediterranean region) would be in war. Consequently, it is likely to have spill over effects and can draw other countries of this region in war. It is also believed that "..the peace becomes a little more fragile and the danger of war increases. Sadly, there is reason to believe that unless remedial action is taken, 2011 might see the most destructive such war for many years" in the ME region.[292]

On top of these, Iran's rise in the ME as a nuclear power might challenge the Israeli dominance in the region. Iran does not recognize Israel as a state, therefore, the latter always considers the Islamic regime as a threat to its existence. The Israeli government fears that nuclear armed Iran may attack Israel at any time. The recent development of Iran's ballistic defense capacity has also raised tension in Israel. Israel has already threatened that they would organize air attack to the Iranian nuclear establishment like the similar attack they did on Syria in 2007.[293] In Israel's Intelligence Report, it is suspected that the country would go beyond 2012 for Iran to build any nuclear weapon and is planning to launch air attack on Iran's nuclear facilities.[294] In order to do that, they are collecting state of art aircraft from the US.[295] On the other hand, Iran has declared that it has acquired the technology of enriching uranium up to 20 percent and has

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[289] Institute for the Analysis of Global Security (IAGS), "Future of Oil", available at: www.iags.org/futureofoil. html, accessed on 3 November 2010.

[290] It is crucial to mention that the US has a huge oil business in Iraq for the development of its economy.

[291] "Cash and Keeping Friendly Relations in Afghanistan", *BBC News,* 25 October 2010, available at : http://www.bbc.co.uk/news/world-south-asia-11621525, accessed on 29 October 2010.

[292] Quoted from *The Economist,* 2010, p.7, *op.cit.*

[293] Mark Fitzpatrick , 2008, *op cit.*

[294] *Ibid.*

[295]BBC, "Iran and the Nuclear Issue", available at http://news.bbc.co.uk/2/hi/ middle_east/4031603.stm, accessed on 23 October 2010.

the ability to take it up to 80 percent and above.[296] However, the paradox is, Israel is not a party to NPT or Nuclear Non-proliferation Treaty (NNPT). They do not even disclose their nuclear capacity. The US and other Western nations are strongly backing Israel. Therefore, Iran has always raised its voice against this double standard.[297] This rivalry situation might ignite the conflagration in the region as Israel is likely to involve any confrontation with the support of the US.

It is pertinent to point out that the US and the EU countries have imposed additional unilateral economic sanctions on Iran in line with the sanctions of the UNSC. Russia and China, however, are comparatively flexible in this regard. It is likely that the UNSC could not take severe action as Russia and China opposed further tough sanctions. Earlier, both the countries prevented the UNSC from taking any tough economic sanctions against Iran. They were, however, assured by the West that their business interest in Iran would not be hampered in spite of their support for the sanctions against Iran. Russia, as discussed before, had completed Bushehr plant, which was built only for power generation in October 2010 after sanctions were imposed. It has already showed its opposition over additional sanctions imposed on Iran by the West.[298] Thus, it can be argued that any further persuasion by the West to put any punitive measure on Iran would not get consent from Russia and China that may result in further hostilities among the other permanent members of the UNSC.

5. Future Challenges of Iran's Nuclear Programme

5.1. *Challenges for Iran*

The prime challenge for Iran, in future years, would be to continue with its nuclear programme and simultaneously convince the international community regarding their peaceful ambition. In addition, confidence building of the West and its allies would be one of the major challenges for Iran. At present, there is a big "Trust Deficit" between the West and Iran.[299] Therefore, both parties are suspicious about their opposition's motives. This "Trust Deficit" gradually slows the process of negotiation and often fails to achieve any peaceful solution to the crisis. Moreover, the US might prefer regime change in Iran and consider that it

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[296] Jaydesh Mukh, "Iran to Propose Third Party Uranium Enrichment: Ahmadinejad", Agence France Press (AFP), 30 October 2009.

[297] CASMI Fact Sheet on US-Iran Standoff, "Campaign against Sanctions and Military Intervention in Iran", Willie Nelson Peace Research Institute, available at: http://willienelsonpri.com/peace/7488/casmii-fact-sheet-on-us-iran-standoff.html, accessed on 29 October 2010.

[298] John Cherian, "Tightening the Screw", *Frontline,* 16 July 2010.

[299] "Iran Nuclear Talks in Geneva End First Day without Deal", *BBC News,* available at: http://www.bbc.co.uk/news/world-middle-east-11923194, accessed on 21 December 2010.

will make easier to reach a solution for Iran's nuclear crisis.[300] This has apparently raised mutual impatience between the two countries. On the other side, the EU has already offered Iran to restart negotiation and Iran has responded cautiously. In November 2010, Iran and the West engaged in talks and the former officially announced that it would discuss with the latter after sometime in November 2010.[301] As continuation, there is little bit of progress in negotiation. Iran joined in talks in Geneva with P5+1 countries on 6-7 December 2010. The meeting ended without any further development of the issue but the negotiating parties agreed to meet again in Istanbul soon.[302]

Overall, the West wants to go through the sanctions imposed on Iran within a short period of time. Perhaps, that is not going to happen under the current regime in Iran. This is because, Iran's nuclear programme has gained acceptance among its people who consider this as a symbol of their nation's superiority in knowledge and technology. Besides, President Ahmadinejad's support for Iran's nuclear expansion should be taken note of.[303] Therefore, Western sanctions may have very little impact in reducing the mass support for the programme; rather, economic sufferings from the sanctions possibly will reunite the people against the West thereby, increasing the support for the current regime.

Another pressing concern is the sanctions, especially the economic ones imposed on Iran, have made the lives challenging for the Iranian people. Due to the sanctions of these sorts, the government has been currently facing revenue loss and has already withdrawn subsidy from the fuel sectors, consequently, raising the price of fuel in Iran's domestic market five folds.[304] Besides, with limited export income, it would be difficult for Iran to manage its economy. Such economic downturn may make the current regime unpopular, turning it to the advantage of the opposition political parties. Hence, maintaining domestic support will also be a great challenge for the current regime of Iran. In the regional front, gaining confidence among its Arab neighbours will also be a big challenge for Iran as the Arabian countries from the past do not have enough trust in the Iranian regime. Moreover, they perceive Iran's nuclear programme as a way to gain control over the ME region.

5.2 *Challenges for External Powers*

Iran's nuclear crisis poses greater challenges to Russia, China and other big powers. As Russia and China have not supported any harsh sanctions on Iran

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[300] See, Mark Fitzpatrick, 2008, *op.cit*.

[301] Jon Leyne, "Iran Nuclear Talks: Threats, Rhetoric, Shadow-boxing", available at: http://www.bbc.co.uk/news/world-middle-east-11653749, accessed on 20 October 2010.

[302] "Iran Nuclear Talks in Geneva End First Day without Deal.", *BBC News, op.cit.*

[303] Moreover, he is supported by the hardliners, including the supreme leader Khamenei, who are the main patrons of the nuclear programme in Iran.

[304] "Iran Fuel Prices Soar as Subsidies Cut", *The Independent,* 20 December 2010.

earlier, it is likely that in future, both countries will not support anymore sanctions, given the condition that IAEA does not find any military nuclear facility in Iran. Previously, both countries supported Iran on the condition that the latter would develop nuclear programme only for peaceful purposes. If Iran violates that condition, they would naturally withdraw their support. Brazil, Venezuela, Cuba and Bolivia are also supporting Iran. With that, it is anticipated that anti-American ties among these countries may become stronger.

The EU countries also have economic interests in Iran. Consecutive sanctions on Iran are restricting the firms from the EU countries to do business, which is being taken away by the Chinese and Russian firms in Iran. Therefore, they will also prefer a peaceful solution to the problem. However, for the US, as mentioned earlier, banning the nuclear enrichment is not the prime goal; rather, they want to see a regime change in Iran.[305] This apparent desire of the US makes the crisis more complex. Although in the 2005 election in Iran, the US showed unconditional support to the opposition party of Ahmadinejad, the crisis today is now more centered on Ahmadinejad versus the US establishment. The US is using every means to topple down Ahmadinejad but has failed to do so. Facing severe criticism for the Iraq war, the US government is highly unlikely to pursue any military attack on Iran within three years.[306]

Moreover, the future of Iran's nuclear issue would depend on the regime change of the US. In recent mid-term election in 2010, the Democratic Party suffered a setback. If the Republicans come into power in 2012 election, the crisis may deteriorate further as the US may take hard-hitting action against Iran. Recently, the US's signing of arms deals with Saudi Arabia raised the speculation that the Arab countries are developing their military in fear of increasing Iranian dominance in the region.[307] This might lead increased tension among the ME countries.

Israel is also showing impatience on the Iran's nuclear issue. Although their Intelligence Report has shown that Iran would not be able to produce nuclear weapon before 2012, the country is anxious about Iran's gradual increase of ballistic missile capacity which is a great threat for its own security.[308] As there is likelihood that Israel might conduct air attack on Iran, they are buying advanced warplane from the US. The predicament for Israel is that, Iran may retaliate with missile attack which would initiate another war in the ME. As Iran has strong influence on the Shi'as of Iraq, Hezbollah of Lebanon and Syria, the war may prove to be very costly for Israel. Moreover, disperse location of Iran's nuclear

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[305] Mark Fitzpatrick 2008, *op cit.*

[306] This assumption is based on the fact that the US is taking back all its troops from Afghanistan by 2013.

[307] Peter Custers, *The Daily Star,* 5 October 2010 , *op.cit.*

[308] Fitzpatrick, 2008, *op cit.*

facility is also reducing the probability of success of Israel's air attack. Therefore, Israel will calculate carefully before making any air attack on Iran. Conversely, Iran might regroup and take action against this country in association with the other ME countries and non-state actors like Hezbollah in Lebanon and Hamas in Palestine.

6. Conclusion

The tension is mounting regionally as well as globally on Iran's nuclear programme which could certainly deteriorate the stability and security of the region. The IAEA and other concerned parties are aware of Iran's nuclear programme since its inception. On the one hand, the world community recognizes Iran's rights for peaceful nuclear development, on the other, the US and its allies have always obstructed any international cooperation on Iran's nuclear programme. Despite the absence of any concrete evidence of nuclear weapons development in Iran, the Western countries do not want to acknowledge that Iran has no secret project for making nuclear weapons. Moreover, the series of sanctions imposed by the UNSC poses a great challenge to Iran. Already, Iran has assured that it would give up the nuclear enrichment programme, if the country is provided with higher enriched uranium for medical research purpose. The active involvement of Gulf countries to come into an acceptable solution and further negotiation with all the internal and international actors might show the way to peace and tranquility in the region. In the absence of consultation and compromise among the stakeholders and Iran's bitter relations with its neighbours, the US and Israel, the situation might be further worsened and the ME might turn into a field of battle which would have far-reaching global as well as regional implications.

APPENDIX
Iran's Nuclear Sites

Name of the Sites	Facility/Capacity
Tehran Nuclear Research Centre (TNRC)	Established in 1967, Tehran Research Reactor (TRR) with the capacity of 5 MW; managed by Atomic Energy Organization of Iran (AEOI).
Bushehr Nuclear Power Plant	Construction started in 1975 and yet to supply electricity with a capacity of 1000 MW power nuclear power plant.
Esfahan Nuclear Technology Centre	Run by the AEOI, the facilities are: Light Water Subcritical Reactor, Miniaturized Neutron Source Reactor, Heavy Water Zero Power Reactor, and Fuel Fabrication Laboratory.
Natanz	Fuel Enrichment Plant.
Lashkar Ab'ad	Pilot Uranium Laser Enrichment Plant.
Arak	Iran Nuclear Research Reactor.
Yazd Radiation Processing Centre	Engaged in geophysical research for analyzing mineral deposits.
Saghand	Iran's first uranium ore mines, operational in March 2005. Estimated deposit 3,000 to 5,000 tons of uranium oxide, operational from 2006.
Karaj	Radioactive Waste Storage.
Anrak	Waste Storage Site.

Source: IAEA Directors General Report on *Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran,* Vienna, November 2004.