



# CIS FOR MIT

## MIT-Harvard Gaza Symposium Cosponsored by CIS

The second annual Gaza symposium, this year jointly organized by MIT and Harvard, hosted a series of panels on the role of U.S. and international actors, as well as human rights and international humanitarian law in the wake of recent events in Gaza. The symposium brought together experts in the fields of human rights, history, political science, U.S. foreign policy and law over the course of two days on both campuses.

The symposium opened with an address from Congressman Brian Baird who, along with Congressman Keith Ellison (the first Muslim U.S. Congressman in history), were the first U.S. government officials to set foot in Gaza in three and a half years. Congressman Baird stressed the need for more expanded, immediate aid into Gaza, with a focus on quality rather than quantity. For instance, Baird noted that the Israeli administration was not allowing in extraordinary things (lentils, tomato paste, macaroni, and toothpaste) as they were considered a “luxury.” To Baird, the issue was not the specific items, but the message being sent by saying that Gazans cannot have these commodities. He pushed the audience to move beyond the false dichotomy of “if you criticize the actions taken by Israel in Gaza, you condone rocket attacks on Sderot” (which he condemns). In reality, Baird argued that one can criticize both acts and recognize that there are many other options for dealing with them.



*Congressman Brian Baird speaking at the Gaza symposium on March 30, 2009. Photo courtesy Alexander Biletzki*

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Questions to the Congressman and subsequent panels pushed the debate forward while sharpening the claims of the speakers. One audience member asked if there is a way to address the conflict without addressing Israel as a racist state. Gabriel Piterberg,

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# Learning to be Capitalists

by Annette Kim

## Learning to Be Capitalists

ENTREPRENEURS IN VIETNAM'S TRANSITION ECONOMY



Annette Miae Kim

*An excerpt of Learning to Be Capitalists: Entrepreneurs in Vietnam's Transition Economy, published in October 2008, was reprinted with permission from Oxford University Press.*

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This book has considered a puzzle: why have some countries transitioned to capitalism so rapidly? How did they change their economies so fundamentally when so many reform efforts in developing countries have been ineffective? The conundrum has grown the last two decades as transition countries in Europe and Asia attempted to overhaul their entire economic systems with varying results. We must concede that a particular set of reforms does not correlate with economic growth, investment, and domestic firm formation. Vietnam is one of the most curious cases of transition, because while experts have ranked it as having the most inappropriate reforms, it is currently one of the fastest growing economies in the world.

I have focused on solving one part of Vietnam's transition puzzle. Its fastest growing city, Ho Chi Minh City, has a real estate industry that ranks as the worst place in the world for private capital to invest. Nevertheless, Vietnam's domestic housing market has flourished. And most intriguingly, hundreds of entrepreneurs and private firms emerged within the first decade of transition to develop large investment projects. Where did these people come from? How could they conduct business in such an inhospitable economic environment? The aim of my research was to help fill the gap in our understanding of economic transition by directly engaging this first generation of entrepreneurs. I lived in Vietnam and developed extended case studies to find answers.

My research eventually led me to the concept of social cognition. Social cognition's framework provides insights into the process of institutional change that better explain the diversity of transition outcomes than either the historical materialist or the neoclassical frameworks. It illuminates how market capitalism developed so rapidly in Vietnam despite conventional wisdom, why political connections and financial resources were not enough to determine the success of firms, why private firms did not emerge as readily in Hanoi as they did in HCMC, and why developers in Warsaw, Poland, emerged under the conventional set of reforms.

### Learning from the New Capitalists

I realized that my case firms, despite being an eclectic group in terms of size and productivity, ownership, domestic and foreign participation, political power, and social position, all shared a common understanding of the way private land development works in HCMC. This fiscal socialism system, outlined in chapter 4, was not recorded in any government economic development plan or in any urban economics textbook. Still, my fieldwork enabled me to diagram the system, and the entrepreneurs confirmed their roles in it and the terms of their new economic relationships. Their understanding of the terms of fiscal socialism distinguished these entrepreneurs from lay dabblers in real estate (who might, for example, build an extension to their house in order to rent rooms). This motley group of entrepreneurs possessed a new and shared cognitive paradigm.

The fiscal socialism model of land development was not only a significant change for Vietnam, but also completely unlike the conventional model of the way land development is supposed to work in a market economy—the model that development projects, overseas technical assistance, and capacity building projects presuppose. Rather than having secure property rights and enforcement of contracts through courts to encourage private investment, property titles were distributed after the land rights were sold, the project was financed by customers, and the construction was completed. Because it seems untenably risky to invest in property one does not own, policy experts have consistently viewed Vietnam's institutional framework as severely backward for a market economy.

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The obvious question arises as to why the fiscal socialism system emerged, rather than the conventional one. My fieldwork showed that it was the result of a social and political process. The state played a large role in the construction of fiscal socialism because it controls all land development through ownership, urban planning, and permits and approvals. Its bureaus decide which land parcels may be developed by private parties and thus which current land occupants must eventually relocate.

But HCMC's private market and entrepreneurialism did not form in response to a grand master plan designed by the state. For one thing, the government does not have the public finance to develop most of its plans. Nor can it command private entities to perform, as it could with state-owned enterprises during the era of central planning. Rather, the way the new system was structured requires a definition of power broader than state coercion and the manipulation of political elites. Some theorists have defined power as the strategic alignment of interests. The state needed public finance to fund the infrastructure development of its rapidly sprawling city and to bolster its legitimacy. Meanwhile, large segments of the exploding urban population, whose household incomes had tripled through trading, were seeking better housing options after decades of public neglect, as well as investment opportunities for their surplus. In the beginning of transition, with the city's need for heavy capital investments for economic development without effective means for the state to access private savings, the firms filled a role in mediating the interests of these parties. They were the dealmakers who could take household savings and build the city's infrastructure. But the rural population contested the share they received for being dispossessed and relocated for new urban development projects, to the point that they also shaped the terms of the land transfer and the firms' project location, size, and profitability. In other words, the less powerful members of society still had an important role in shaping the social construction of fiscal socialism through their resistance.

Identifying the alignment of interests helps us understand why the various social groups would choose to participate in the new economic system. But for these people to see and adapt to the new order required a socialization process. In other words, the reformation of the economy involved reconstructing cognitive paradigms in society as well as in the developers. One indication of the social cognition process is to observe how power struggles were fought in public discourse. The central and local governments faced limited resistance through public demonstrations and editorials in state-run media, but these acts were just the tip of the iceberg of social dissent that the state could not ignore. Society had generated several narratives about the transition, such as stories about the greediness of ward officials and private developers. But it had also generated narratives about the greediness of farmers and the need for rapid economic development. The tension between these competing narratives did not have a primary forum, such as a supreme court; rather, interpretive narratives and knowledge about conflicts and acts of resistance spread throughout society into its cognitive collective. The new economic system and the very material transfers of land and finance were enabled and shaped by the boundaries and definitions being constructed through this society-wide negotiation process.

Furthermore, the strategic alignment of interests throughout society is still not enough to explain how the firms could turn potential opportunities into reality. By Western standards, the substantial risks in this arrangement should still have inhibited investment. I observed that within the new paradigm of fiscal socialism, the firms that emerged still had to find practical ways to manage the risks and make projects work. Specifically, in order for the case firms to complete the four critical steps in urban land development projects, they had to create institutional arrangements of their own through private contracting and relationships. In chapter 3 I outlined the considerable institutional diversity in the ways the firms found land to develop, negotiated land compensation, collected development finance, and processed the many permits and approvals needed. The creation of these practical micro-institutional arrangements al-

*continued on page 16*



Panelists (left to right) Nancy Kanwisher, professor of cognitive neuroscience at the McGovern Institute, MIT (moderator); Gabriel Piterberg, professor of history at UCLA; Irene Gendzier, political science professor at Boston University; Karma Nabulsi, lecturer in international relations at Oxford University and former PLO representative. Photo courtesy Alexander Biletzki

professor of history at UCLA, argued that if you want to achieve a nonviolent solution, one must avoid descending into incendiary rhetoric and instead promote reasoned, serious debate and political progress. However, he argued that proper understanding of the situation can not be achieved without perceiving Israel through the settler-colonialist lens, similar in many ways to the British in South Africa and others.

Another audience member challenged one panel by asking: “Where is the talk of Hamas as a terrorist organization in this symposium? What is the purpose of firing missiles into Sderot? Is it democratic for Hamas to eliminate Fatah opposition in Gaza?” Karma Nabulsi, lecturer in international relations at Oxford University and former PLO representative, responded that Israelis would like to have peace and quiet without addressing questions of injustice. Nabulsi claimed that Sderot is built on destroyed Palestinian towns, and the people in Gaza are refugees from previous wars. Nabulsi agreed that firing rockets into Sderot is wrong and should be condemned, but claimed that Israel cannot guarantee its security until it engages with the major issues of the Palestinians. Another questioner later claimed that she had not heard

about the human rights of Israelis and asked about their rights to existence and self-defense. Rami Khouri, director of the Issam Fares Center at the American University of Beirut, claimed that he actually agreed with the audience member’s points, but only if she agreed that the rights of self-defense and existence apply to Palestinians as well. Khouri, a Palestinian, stated that if the rules of the game are that Israel gets security and then the Palestinians will later find out what they get, then the answer is thanks but no thanks. However, if the answer is respect and giving the right to existence and self-defense to both sides, then progress can occur.

In the most poignant moment of the symposium, Sami Abdel Shafi spoke to the audience via telephone from Gaza. Abdel Shafi, co-founder of the Emerge Consulting Group in Gaza, was scheduled to speak in person but could not attend because he—a Palestinian and a U.S. citizen—was not allowed to leave Gaza by Israeli authorities. Abdel Shafi stressed that Palestinians are being engineered into perpetual beggars. Palestinians are thankful for the assistance, but they have the skills to take their place among the nations of the world if empowered. Abdel Shafi claimed that no people in the world would accept a situation where they do not have control over their airspace, crossing points, and coastlines. His biggest worry is that people around the world and in Israel no longer visit Gaza and see the people there and their conditions, which has made knowledge of the situation scarce and the bonds between Gazans and outsiders weaker.

On the second day of the symposium, Richard Falk, United Nations Special Rapporteur on Human Rights in the Occupied Palestinian Territories, argued that there is no set of issues in which the American political consciousness is more out of tune with the rest of the world than Gaza and Israel-Palestinian issues. He lamented that international humanitarian law is largely absent from the discussion. Palestinians are so weak politically that the conflict gets framed in terms of bargaining over “facts on the ground” instead of recognizing rights of the Palestinian people. On key issues—refugees, removal of forces from territory, right to water—Falk contended that there exist clear statements of rights for the Palestinians that they simply do not receive.

Organizer Hilary Rantisi, director of the Middle East Initiative at the Harvard Kennedy School, closed the event by noting that this was the second annual symposium on Gaza. She expressed hope that there would not be a need for a third symposium and that the situation in Gaza would significantly improve, but recognized that the immense difficulties in the region today mean that Gaza will remain a central, challenging issue in Middle Eastern politics for years to come. ■

*The March 30-31, 2009, MIT-Harvard Gaza Symposium sponsors included: the MIT Center for International Studies and its Program on Human Rights and Justice; the Middle East Initiative at the Harvard Kennedy School; the Center for Middle Eastern Studies, Faculty of Arts and Sciences, Harvard; University Committee on Human Rights Studies Human Rights Program at the Harvard Law School.*

*Video of the symposium:*

*[http://web.mit.edu/cis/video\\_gaza.html](http://web.mit.edu/cis/video_gaza.html)*



# MIT Scholars Offer Advice to President Obama

Barack Obama has been flooded with advice on the many critical matters he must face as 44th president of the United States, as has the new Congress. To that end, scholars at MIT's Center for International Studies (CIS) offer fresh ideas, succinctly stated, on issues ranging from security strategy to the financial crisis to human rights. The short essays are presented in an easy-to-read publication and was released in January 2009.

Drawing on CIS scholars' deep knowledge and experience, the publication contains 23 forward-thinking essays, including thoughts from Admiral William Fallon (USN-Ret.), a Robert E. Wilhelm Fellow at CIS and former head of CENTCOM; and Barry Posen, Ford International Professor of Political Science, director of the Security Studies Program at CIS, and noted expert on security policy.

Among the topics covered are:

*Getting Asia Right*, by Richard Samuels, Ford International Professor of Political Science, director of CIS, and one of America's leading Japan experts;

*Real Diplomacy with Iran*, by Jim Walsh, research associate at CIS Security Studies Program, and co-author of "A Solution for the U.S. Nuclear Standoff," *New York Review of Books*, March 20, 2008, and "How to Deal with Iran," *New York Review of Books*, February 12, 2009;

*Create a West Bank Security Force*, by David Weinberg, a doctoral student in political science, and former congressional staffer with responsibility for the Middle East;

*Change Course in Afghanistan*, by Fotini Christia, assistant professor of political science, who has done extensive work on peacebuilding in the country;

*Reform Financial Regulation*, by David Singer, assistant professor of political science, and author of *Regulating Capital: Setting Standards for the International Financial System*;

*Manage the Mexico-U.S. Border*, by Chappell Lawson, associate professor of political science, and former White House adviser;

*Meet with Medvedev*, by Carol Saivetz, research associate at Harvard's Davis Center and a visiting scholar at CIS;

*Put a Science Advisor in the White House*, by Eugene Skolnikoff, Emeritus Professor of Political Science, and member of the White House science adviser's office under Eisenhower, Kennedy, and Carter;

*Frustrate Terrorism*, by John Tirman, executive director and principal research scientist at CIS, who has headed several international projects on political violence. ■



*CIS scholars offer 23 fresh ideas for the 44th president. The publication is available in PDF format here: <http://web.mit.edu/cis/Publications/pdf>*

## Thinking Clearly About China's Economic Statecraft

by William Norris

One of the most important phenomena characterizing the international environment today is the rise of China. At \$3.4 trillion, China's economy is the third largest in the world (having recently surpassed Germany) and continues to grow rapidly. Moreover, China seems intent to use its economic clout to help achieve its strategic objectives.<sup>1</sup> Indeed, as China pursues a "peaceful rise" grand strategy, economic power seems to provide a more and more attractive alternative lever of power than military force. Current indications seem to suggest that this economically-oriented "peaceful rise" strategy is producing favorable results and greatly strengthening China's ties to other countries in the region and beyond.



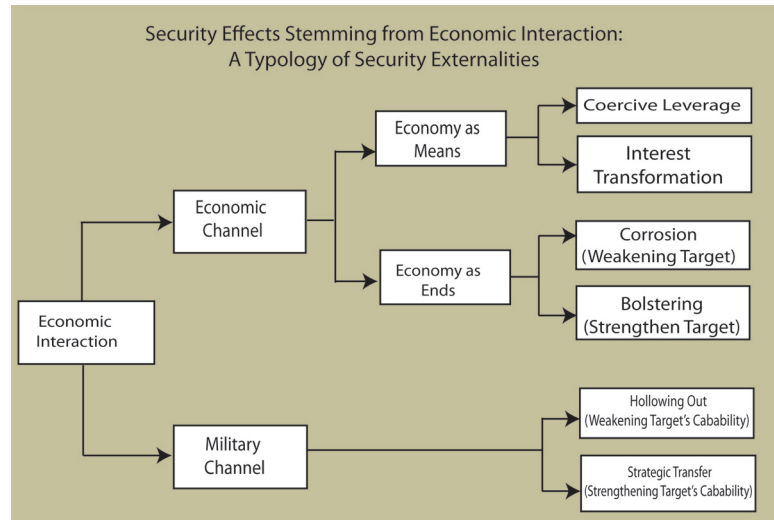
*William Norris is a Ph.D. candidate in political science at MIT and a member of the Center's Security Studies Program.*

How should strategists think about the exercise of economic power? Despite its importance, much of the discussion surrounding China's economic statecraft is often limited by a lack of an analytical framework to inform policy decision making. In this piece, I provide a typology that captures the range of ways that trade and investment can affect a country's security. Conceptually, it is important to distinguish between the pattern of trade or investment and the *security externalities* that result from that particular economic interaction. By being more precise about the specific security externalities arising from a particular pattern of economic interaction, debates over issues like Chinese overseas investment can more clearly discuss appropriate policy responses. Second, I introduce an often overlooked, but critical aspect of economic statecraft—namely the role of commercial actors. In today's modern global economy, firms—rather than states themselves—are responsible for conducting the investment and trade activities that comprise "inter-state" economic activity. As a result, an effective lens for thinking about economic statecraft must incorporate this principal-agent dynamic. Finally, I sketch a brief illustration of how this theory can be applied to questions of Chinese foreign investment.

### Thinking about Economics and Security: A Typology

This section introduces a typology that captures the full range of ways by which economic interaction can carry security consequences. There are six types of security externalities which fall into two broad categories: those acting through primarily economic channels and those externalities with directly military effects. Thus economic interaction may produce a direct effect on a state's military capabilities or security externalities may be indirect, acting on the state's security position through the channel of the target state's economy.<sup>2</sup> Both channels ultimately carry strategic consequences.

On the top main branch of the typology are those externalities that affect a state's security by way of primarily economic channels. For this family of externalities, the security ramifications are often the second-order consequences of the



Dia. 1: Typology of Security Externalities

economic interaction (as opposed to the military effects branch of the typology in which the economic interaction directly contributes or detracts from military capabilities). The economic branch is subdivided into two groups: 1.) the types of externalities that affect the overall health of the target state's economy as an end in itself and 2.) those security externalities in which the economic interaction plays an instrumental role as a means to a strategic end. In this first group, "Corrosion" is one category of externalities that weaken the target state's economy and "Bolstering" is another category of externalities that strengthen the target state's economy. Economic interaction can also be used instrumentally via "Coercive Leverage" which capitalizes on economic dependence to force targeted states to comply with the more powerful state's wishes<sup>3</sup>; and via "Interest Transformation" which is the externality generated by economic integration. The objective of "Interest Transformation" is not only to force the targeted state (let's call it "State A") to behave in a manner that is conducive to the sending state (let's call it "State B")'s interests, but rather to *redefine* State A's interests, goals and objectives in such a way that State A then actually wants the same thing as State B.

*"Understanding the role of economics in China's foreign policy requires a broader theoretical understanding of the economic dimension of grand strategy in general."*

The four categories of security externalities discussed above carry implications for a state's security by way of the economy. Each of these share a common causal root in that the ultimate security effect stemmed from what were primarily economic conditions. Unlike these first four categories, the categories of externalities discussed below derive their ultimate security consequences from what are primarily *military* conditions. On the branch of the typology labeled military channel, there are those security externalities that weaken the target state's military capabilities (this process is referred to as "Hollowing Out"—for example, weakening a state's military-industrial complex) and those that enhance the target state's relative military capabilities (this process is called "Strategic Transfer"—for example, transferring dual-use technologies or securing a supply of saltpeter). The typology is a useful way to organize thinking about the relationship between economics and security. This typology enables us to be specific about what particular security-related consequences of economic interaction we are worried about. In addition, by framing the topic of economic statecraft as an issue of externalities, we can be analytically tidy in distinguishing between the underlying economic patterns of commercial behavior and the security consequences stemming from these patterns.

### Accounting for Commercial Actors: A Principal-Agent Framework

Understanding the role of economics in China's foreign policy requires a broader theoretical understanding of the economic dimension of grand strategy in general. The typology introduced above provides some specificity regarding the manner by which states seek to use economic interaction to further their larger strategic goals. States conduct economic statecraft by seeking to influence the underlying

*continued on next page*

patterns of economic interaction in order to generate the various types of security externalities discussed above. Influencing these underlying patterns of trade and investment are an important part of economic statecraft. To the extent that commercial actors are largely responsible for conducting international economic transactions, a modern theoretical understanding of economic statecraft ought to explicitly incorporate commercial actors.

The dynamics present in a principal-agent relationship mirror those present in the relationship between the state and commercial actors when the state seeks to exercise economic statecraft. The state (acting as the principal) desires to achieve some strategic national objective through the use of economics. However, the real-world practice of economic interaction (trade and investment) is actually conducted by commercial actors. As such, if the state seeks to manipulate the security externalities stemming from various types of economic interaction and this economic interaction is being conducted on a day-to-day basis by commercial actors, the state must face up to the challenges of working through a proxy—namely, the commercial actors. Thus, the dynamics highlighted by principal-agent theory provide a useful guide for framing the issues that arise when states seek to practice economic statecraft.

At the heart of principal-agent theory lies a very simple concept: principals have one set of goals and objectives but they must rely on agents to act on behalf of the principals to realize these goals.<sup>4</sup> The wrinkle lies in that agents often have a different set of goals and objectives derived from the incentives that they face as self-serving actors. So the challenge becomes one of aligning the agents' incentives such that they will act in a manner that furthers the principals' goals. This is the principal-agent (P-A) problem in brief. The principal-agent issue is the core challenge that states must overcome to effectively use economics in their grand strategy.

In my research on China's economic statecraft, four factors seem to be important determinants of whether or not the state can effectively direct or control its commercial actors. The first is intrinsic compatibility of goals. How closely are the goals of the agent(s) aligned with those of the principal? If the basic objectives of the commercial actors are closely compatible with the basic goals of the state (i.e. the principal), it is much easier to get commercial actors to behave in a way that is conducive to state interests. The second factor is market structure. If a market in a particular industry or sector is highly fragmented, it is often more difficult for a state to monitor and control the commercial actors. At the same time, a highly concentrated market with a few large firms possessing significant autonomy and relative bargaining power enables these firms to more easily resist state attempts to direct their behavior. The most conducive market structure seems to be an oligopolistic one in which there are enough firms that the state can play one off the other, but not so many that the state cannot effectively monitor them. The third factor is bureaucratic capacity. The more advanced the principal's organizational capacity to monitor, enforce and regulate its agents, the more likely that the state will be able to control commercial actors. The fourth factor is unity of the principal. In situations where there are multiple, competing and conflicting principals or in situations in which the principal is internally divided among competing factions or groups, it is often more difficult to direct and control commercial actors.

### **China's Outward-Bound Investment**

The framework presented above is designed to more accurately consider the nature of the potential threats stemming from a commercial activity like Chinese investment abroad. For example, host nations like the U.S. have (rightly or wrongly) raised concerns about "Strategic Transfer" of sensitive technologies resulting from Chinese companies' acquisitions of U.S. companies as was the case with the Huawei-3Com deal.<sup>5</sup> Fears of "Strategic Transfer" of what were perceived to be critical petroleum assets also generated political pressure that doomed CNOOC's acquisition of Unocal.<sup>6</sup> There are also more general fears of "Corrosion" as long term corporate profits would be repatriated and "Coercive Leverage" concerns about China's concentrated ownership of U.S. debt. One of the reasons that China's international investment activities generate concern is that host-nation policy makers perceive that the PRC's Communist Government plays an active and effective role in controlling and directing its commercial actors.



The principal-agent framework suggests how we might think about determining just how easily a given commercial actor may be controlled by the Chinese government. Market concentration (the fraction of a given industry that is controlled by its top firms) provides a useful gauge for how powerful firms may be vis a vis the state. Likewise, an examination of internal Party power dynamics can provide important information regarding how splintered the state is. The degree to which China acts as a unified principal considerably determines whether the commercial firms are able to play one faction off another in an effort to maximize firm rather than national interests. Also an evaluation of the resources (expertise, human capital, financial, legal, etc.) available to the state relative to the resources available to a given firm provides important indicators as to who is directing whom. Finally, we cannot ignore the degree to which firm interests and Chinese national interests coincide.

Rather than arguing over generic, unspecified fears that can easily lead to counterproductive protectionism thinly-veiled as some form of “national economic security,” debates over the relationship between economics and security should strive to be precise about exactly what threats are present and what mechanisms states have at their disposal to control their commercial actors. ■

### Footnotes

1 Economics is a critical component of Beijing’s “New Security Concept,” “win-win cooperation,” and “comprehensive national power.” Economics seems likely to continue to play an important role in China’s pursuit of its strategic objectives. See: Fred Bergsten et al., *China: The Balance Sheet* (New York: Public Affairs, 2006).

2 The strength of a nation’s economy carries implications for its military power (since economic power historically has been the foundation of military power). In fact, assessments of relative power frequently rely on GDP or some other proxy of underlying economic power. See for example: Kenneth Waltz, *Theory of International Politics* (Reading, Mass.: Addison-Wesley Pub. Co., 1979); William C. Wohlforth, “The Perception of Power: Russia in the Pre-1914 Balance,” *World Politics* 39, no. 3 (1987): 353-381 or see Stephen Van Evera, “Why Europe Matters, Why the Third World Doesn’t: American Grand Strategy After the Cold War,” *Journal of Strategic Studies* 13, no. 2 (1990): 1 (especially his rationale for the strategic importance and unimportance of specific geographies).

3 “Power,” as I use the term here, is determined by who is dependent on whom for what. For a classic example, see Albert Hirschman’s depiction of pre-World War II Nazi Germany’s economic policies toward Central Europe: Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley and Los Angeles: University of California Press, 1945).

4 For a good introductory overview of principal-agent theory see: David E.M. Sappington, “Incentives in Principal-Agent Relationships,” *Journal of Economic Perspectives*, Spring 1991, Vol. 5, Issue 2, pp. 45-66 and Jean-Jacques Lafont and David Martimort, *The Theory of Incentives: The Principal-Agent Model* Princeton, NJ: Princeton University Press 2002. For some recent applications of principal-agent theory in international relations see: Darren G. Hawkins, David A. Lake, Daniel L. Nielson, and Michael J. Tierney, eds., *Delegation and Agency in International Organizations* (Cambridge: Cambridge University Press, 2006); Gary J. Miller, “The Political Evolution of Principal-Agent Models,” *Annual Review of Political Science* 8 (2005): 203-225.; and the classic: George W. Downs and David M. Rocke, “Conflict, Agency, and Gambling for Resurrection: The Principal-Agent Problem Goes to War,” *American Journal of Political Science* 38, no. 2 (1994): 362. In the more narrow field of security studies, see: Patrick Johnston, “The Geography of Insurgent Organization and its Consequences for Civil Wars: Evidence from Liberia and Sierra Leone,” *Security Studies* 17, no. 1 (2008): 107-137.; Thomas S. Sowers, “Beyond the Soldier and the State: Contemporary Operations and Variance in Principal-Agent Relationships,” *Armed Forces & Society* 31, no. 3 (2005): 385-409.; and Peter Feaver, *Armed Servants: Agency, Oversight, and Civil-Military Relations* (Cambridge, Mass.: Harvard University Press, 2003).

5 Reuters, “Opposition Leads Bain to Call Off 3Com Deal,” *The New York Times*, March 21 2008, sec. C, p. 4.; Steven R. Weisman, Michael J. de la Merced in New York, and Eric Lipton in Washington contributed reporting, “Brakes on a Foreign Deal,” *The New York Times*, February 21 2008, sec. C, p. 1.

6 Ben White, “Chinese Drop Bid to Buy U.S. Oil Firm,” *The Washington Post*, August 3, 2005, at <http://www.washingtonpost.com/wp-dyn/content/article/2005/08/02/AR2005080200404.html> (January 12, 2009).

# Roadmap and Rationale for U.S.-Iran Relations



*John Tirman is the executive director and a principal research scientist at CIS.*

A months-long study of U.S.-Iran relations concludes that a new diplomatic approach by the United States to transform the relationship with Iran could produce a breakthrough that will boost security and prosperity for the entire region.

The 50-page document by John Tirman, executive director and principal research scientist at CIS, provides a roadmap and a rationale for the new approach. Tirman recommends that:

A) President Obama must take the lead role in reshaping the bilateral relationship; as past diplomatic breakthroughs have shown, there is no substitute for presidential leadership; B) While the president is changing the language used toward Iran—a major step—he must soon follow with concrete actions, which Iranians have repeatedly called for; C) The most urgent and powerful actions, in sequence, would be:

1. a partial lifting of unilateral sanctions (those not related to nuclear development) and unfreezing Iranian assets
2. explicit U.S. disavowal of military threats and regime change strategies
3. normalization of the diplomatic relationship
4. discussions on new security arrangements and cooperation in the region

The study also argues that this series of actions does not place U.S. security or interests in jeopardy should Iran not seriously engage. While calculations about Iran's likely response are speculative, it is likely they would enter into a productive dialogue with appropriate reciprocation.

Tirman stresses that the 30-year policy of coercion and isolation, occasionally accompanied by small diplomatic steps that made little or no progress, is a proven failure. More “carrots and sticks” ideas will also fail. The approach to Iran needs a complete overhaul. Tirman notes, for example, that “in current discourse, normalization is held out as a reward; it should instead be viewed as an instrument of sensible statecraft.”

Sanctions are not working, as economic studies demonstrate. Iran has only grown stronger in the region in the wake of U.S. military ventures. The threats from the U.S. undermine the efforts of civil society activists in Iran; a number of prominent dissidents urge new opening of the relationship.

On the nuclear issue, a better U.S.-Iran relationship, with security guarantees and recognition of Iran's role in the region, holds some promise for resolving the outstanding issues regarding Iran's nuclear development. A U.S.-Iran détente would markedly improve the security of Israel and other states in the region. It would also benefit U.S. missions in Iraq and Afghanistan.

“Small gestures and better language are an improvement over the disastrous Bush policies,” Tirman says, “but small steps are not enough. We need bold diplomacy for a breakthrough, and we can do so confidently because U.S. security is not at risk. The benefits of a breakthrough would be colossal. President Obama can do this steadily over the coming months. But the time to start is now.”

The study was supported by the New Ideas Fund and is available in PDF here: [http://web.mit.edu/cis/Publications/IRAN-Tirman\\_2009.pdf](http://web.mit.edu/cis/Publications/IRAN-Tirman_2009.pdf). ■

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MIT  
MIT CENTER FOR INTERNATIONAL STUDIES  
**Audit**  
of the Conventional Wisdom  
October 15, 2008  
08-14

The Audit of Conventional Wisdom

In this series of essays, MIT's Center for International Studies tests the horizons of conventional wisdom that define U.S. foreign policy, and put them to the test of data and history. By subjecting particularly well-accepted ideas to close scrutiny, our aim is to re-engage policy and opinion leaders on topics that are too easily passing such scrutiny. We hope that this will lead to further debate and inquiries, with results we can all agree on: better foreign policies that lead to a more peaceful and prosperous world. *Audits* in this series are available to the press and policy community. Contact: Michelle Olsch (MOSCH@MIT.EDU, 617.253.1965)

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## The Global Financial Crisis and Obstacles to U.S. Leadership

David A. Singer  
MIT Center for International Studies

We are in the midst of a global financial crisis. The U.S. "sub-prime" crisis, which triggered some of the largest bank failures in U.S. history, has now spread in earnest to Europe and Asia. Bank failures around the globe are likely to continue as housing markets collapse and credit markets run dry. There are signs that the crisis may get much worse as of this writing, the U.S. Federal Deposit Insurance Corporation (FDIC) has identified more than 100 banks on its "troubled bank" list, and European regulators are faring poorly in their efforts to keep their own banks standing. In response, central banks have created *ad hoc* swap arrangements to ease international liquidity problems, and they have recently slashed interest rates in an unusual exercise of international coordination. The governments of the G-7 economies may in fact coordinate their fiscal policies as well, given the pressing need for a unified fiscal stimulus to counteract the pending global economic slowdown. But the important question for global governance is, will the financial crisis prompt a serious international effort to change the rules of domestic and global banking? Will the U.S. join forces with its financial peers not just to *respond* to the crisis, but to *prevent* such a meltdown from happening again?

In our *Audit* essays, *CIS* scholars tour the horizon of conventional wisdoms that animate U.S. foreign policy, and put them to the test of data and history. By subjecting particularly well-accepted ideas to close scrutiny, *CIS* aims to re-engage policy and opinion leaders on topics that are too easily passing such scrutiny.

All *Audits* are available here:  
[http://web.mit.edu/cis/acw\\_h.html](http://web.mit.edu/cis/acw_h.html)

MASSACHUSETTS INSTITUTE OF TECHNOLOGY  
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**précis**  
FALL 2008

## A Conversation with Admiral William Fallon

précis After stepping down from your command of CENTCOM, what made you decide to join the Center for International Studies?

WE: Dick Samuels and Barry Posen, whom I met in the past when I spoke up here, contacted me right away and put that out in the water. CIS has a great reputation, not only for deep thinking, but also for turning those thoughts into action. And that's appealing. I had a technical background to begin with, and I know that there's a good mix of technology with policy here. What I think it will offer is a lot of opportunity to engage with people who are thinking seriously about the challenges we face in the world today. The academic arena provides many ideas and good thoughts, but I've spent the last 40 years actually *out* doing things and I think I have a fair idea of what has worked, certainly in the past, and what doesn't work so well. And I might be able to offer some of that experience to the ideas around here, and come up with a better product. I really have a very great opportunity here, and I'm happy to be here for the academic year. It certainly hasn't been slow in terms of pace.

précis How would you characterize your role at CIS?

WE: Well, I'm here for students to have access to me, as well as the faculty. Every Wednesday I usually have office hours. I've done a seminar. I'll probably look to do a couple more. I know a lot of people in many places in the world outside the academic arena, and I'm helping to line up some speakers. I'm thinking about doing a conference. I'm really interested in getting results, so just having a chat is intere-

Admiral William J. Fallon, the former commander of U.S. Central Command and U.S. Pacific Command, joined the MIT Center for International Studies in its 2008-09 Robert E. Witham Fellow.

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*précis*, the *CIS* newsletter, is published twice yearly, once during each academic semester. *précis* covers the wide range of Center activities and tracks the accomplishments of our faculty, researchers and affiliates.

Issues of *précis* are available here:  
<http://web.mit.edu/cis/newsletter.html>

## Fotini Christia

Assistant Professor of Political Science, MIT  
Member, Security Studies Program



*Fotini Christia joined the MIT faculty in fall 2008 as assistant professor in political science. She recently completed her Ph.D. in Public Policy at Harvard University, where she was a recipient of research fellowships from the Weatherhead Center for International Affairs, the Olin Institute for Strategic Studies and the Belfer Center for Science and International Affairs. Her research interests deal with issues of ethnicity and civil wars and her dissertation addresses the question of civil war alliances.*

**précis:** You joined MIT as an assistant professor this fall after receiving your Ph.D. from Harvard. What brought you to MIT?

**FC:** I was particularly interested in work on civil wars and security more broadly, and MIT is clearly renowned for that. MIT has a Security Studies program, which means that there is overlap between the subfields of international relations, comparative politics, and political economy, which I appreciate as it mirrors my own approach to research. I had also previously taken classes and attended seminars on ethnic politics and civil war at MIT while a graduate student, so I had extensive interactions with MIT students and faculty before I came here as a professor.

**précis:** What is your current role at MIT?

**FC:** I taught two classes in the fall, an undergraduate course entitled “Political Science: Scope and Methods” and a graduate course on civil war. This spring, I have been teaching a course on violent non-state actors, which pleasantly surprised me with a large enrollment of students who have a wide array of backgrounds, from biology to nuclear engineering, including members of the U.S. Army and Navy. I also helped start the Violent Non-State Actors working group at CIS, which I chair with Roger Petersen. I served on a faculty search committee in the methods subfield, and we were very excited that the person we tried to recruit has agreed to join the faculty this coming fall. Finally, I am starting to get involved in a growing number of dissertation committees.

**précis:** Your dissertation focused on alliances during civil wars. What were the major findings?

My dissertation looks at a specific sub-sample of civil wars. I do not examine the traditional “strong state facing an insurgency” type of civil war, which is arguably two-thirds of all cases. I am more interested in the cases of all-out civil wars where there has been state collapse. For example, instead of the Russian-Chechnyan civil war I am interested in civil wars in the Congo, Bosnia, and Afghanistan, where everybody is at war with everybody else and there is no strong central state. My motivation stems from the fact that insurgencies tend to be two-sided affairs, whereas my research focus on alliances necessitates the study of three or more actors. I am also quite interested in the role of ethnicity in civil war. The original research question of my dissertation was: Are groups in civil wars strictly driven by power considerations or does ethnic identity matter, and to the degree that ethnic identity matters, how and when does it matter? My findings were slightly counterintuitive. I expected to find existence of minimum willing coalitions, but also that groups would be constrained to certain degrees in their alliance choices by their identity repertoire. Instead, I found that the relative power balance determines who is going to ally with who and identity does not matter in alliance decisions. However, identity is used in the narratives that these groups use to justify their alliance decisions. Therefore, everyone becomes a potential ally and a potential enemy of everyone else, which is why the title of my dissertation was “The Closest of Enemies.” It would be wrong to suggest that my findings demonstrate that identity does not matter. Identity certainly matters, but within the very proscribed context of alliances, groups only use identity in this way.



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**précis: President Obama has already begun to place a renewed focus on Afghanistan. Do you think this infusion of troops, money, and political attention, perhaps alongside a shift in strategy, can achieve “success” in Afghanistan? And, what is a reasonable definition of “success”?**

**FC:** One of the cases in my dissertation was the civil war in Afghanistan, and it was very interesting to see the shifts and changes in various ethnic groups including the Taliban, which we consider unchanging and irreconcilable. In a piece that is coming out in *Foreign Affairs* in July, I argue with a colleague that we should peel off layers of the Taliban to better stabilize the country and weaken the opposition. The new Obama administration seems amenable to this idea, although it has had a bit of a schizophrenic policy by constantly shifting the focus back to troop levels instead of strategy. We argue that the U.S. first needs to squeeze the Taliban, because they are currently winning and have no incentive to flip. However, once we shift the balance of power and make them feel greater pressure, we must then offer them some incentives to flip. We call this an “honorable exit,” and the way you get there is you need to have a patron within the government structure who is someone a Taliban leader trusts that will initiate a leader to flip and perhaps bring his troops along with him given the right sticks and carrots. We cannot simply say, “We’ll talk to the tribes and have another Awakening like in Iraq.” The human terrain in this regard is a lot more complicated. People in Afghanistan know who these people are in the Taliban, but you need a system in place to get people to flip. Nonetheless, one-fourth to one-third of the Taliban movement will have to be taken out because they are irreconcilable with no interest in flipping.

If the goal is a strong central government controlling everything and everyone, then that is unrealistic. The ideal scenario would be some sort of stability like that after the U.S. invasion in 2001, fostered in part by increasing the

quality and quantity of the army and police. Building a central state army in a place that is so ethnically fragmented and fractionalized is going to really be a challenge. People are going to have to make do with strongmen and warlords, but redefined in different ways. Local leaders will have to play a role in this reformed, stable Afghanistan. The notion that the Obama administration has right is that this is a counterterrorism operation pursued so that Afghanistan does not become a safe haven for Al-Qaeda or other terrorists. Frankly speaking, unless the Pakistani issue gets addressed, Afghanistan will never be stable, in part because half of the people do not recognize the border between the two nations because of the relationships between the Pashtun tribes in both areas. Unless the strategy toward Pakistan is taken more seriously, we cannot have stability in Afghanistan. The problem is that that is a lot harder on a number of different levels than dealing only with Afghanistan.

**précis: Having lived and worked in Iran, what do Americans not understand about Iran that they should? How can the U.S. best achieve a more stable, productive relationship with Iran?**

**FC:** Many people have already conveyed that even though there is this notion that Iran is very anti-American, they love American soft power in the sense that they are very culturally involved with things that are very Western. I was struck with how modern Iran is. I am from Greece and it seemed like home, or even more advanced than home in some ways. That said, they have major issues with what the U.S. is doing in the Middle East. They had major problems with the American invasion of Iraq and are uncomfortable with the close relationship between the U.S. and Saudi Arabia. However, for Iranians it is completely compatible to think these things and drink Coke, wear U.S. outfits, listen to Britney Spears and generally embrace American pop culture. They are very excited about interacting with Americans.

The other thing that is very interesting to me is that there is this notion that Iranians are being repressed and there is this regime we need to liberate them from. They have a very different view. Even among the very selective sample of people that I talked with, who were very Western and supportive of the Shah, some of them wanted regime change, but most people realize that the future is to reform the current structure rather than overthrow it. Reform is what they are after rather than radical change. I would ask members of the student and women’s movements, “What is it from the U.S. that you would like?” And they would say, “Please don’t touch us. Basically, stay away. Because when the U.S. is involved everyone sees us as puppets and illegitimate, not as an indigenous movement, which is what we actually are.”

**précis: Political science is sometimes referred to as a predominantly observational science, which can pose significant challenges. However, your current projects involve experiments. Why? Can/should political scientists look for more opportunities to conduct experiments?**

**FC:** I am interested in questions of war and security that are constrained in this regard, since you cannot run experiments on war. However, there are other questions of ethnicity and cooperation that can be operationalized in this fashion. My first project built on a natural experiment in Bosnia in the divided city of Mosdar. You had two Croat schools on the west side of Mosdar and two Muslim schools on the east side. The international community went in and merged two of the schools into a so-called integrated school, leaving the other two schools, which set up a natural experiment of sorts. We used this quasi-experimental set-up and then added our own layer of experiments by playing public goods games with the students at all of the schools, based on this notion that diversity supposedly undermines contributions to public goods.

*continued on next page*

The field is moving in this direction of trying to do more experimental work, be it lab work, natural experiments, or the increasingly popular field experiments. Field experiments have an advantage of being more externally valid as they are outside of the laboratory, but they need to be replicated in different geographical areas to determine how well the findings travel. I am currently working on a field experiment concerning the creation of local councils for development projects in Afghanistan, to determine the extent to which these local councils assist in state building by connecting citizens to the central government, giving citizens a greater voice, empowering women, and generally improving the standard of living. Some villages are given extra funding and others are not (the control group), and we are given the power to randomly assign the villages to groups. There is a question of fairness, but there are financial constraints that prevent all villages from receiving funding in the first place.

**précis: You speak a wide variety of languages from all parts of the world and have made field research a major part of your work; how have these endeavors impacted your research? There is some concern that area studies and language study are declining. Do you think young scholars of international relations and comparative politics will/should continue to do this type of research?**

FC: It would have been impossible for me to do any of the research that I do had I not invested long periods of time learning the language and studying up on the history of the places. This notion that area studies is a separate thing goes totally against my idea of how the subfields intermarry. There is no way I could have gotten the data I needed in order to conduct a randomized field experiment in Afghanistan or figure out ways of surveying and getting to women and what questions we can and

cannot ask without having extensive knowledge of the region and culture. I cannot emphasize enough how important it was for me and my work. At the same time, it is very hard for everyone to have every necessary skill, which is where cooperation happens, and it's nice to have people work together with complementary capabilities.

**précis: Can you give us a glimpse of your future projects?**

FC: I am currently most concerned about developing my dissertation into a book, which I will begin in earnest next year as a member of the Harvard Academy. My research agenda will continue to be motivated by issues of security, ethnicity, and cooperation (or the lack thereof). My agenda is currently focused on Afghanistan, due both to my interest and that of the policy community. ■

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## MISTI Awards Global Seed Funds

The MIT International Science and Technology Initiatives' (MISTI) Global Seed Funds Program selected its first recipients in spring 2009. The awards went to 27 of 104 proposals for grant money to jump-start international projects.

The winning entries represent 26 MIT departments, involve 42 countries, and include projects ranging from the study of stem cell-based engineered tissues to the regional, economic, and environmental implications of dual ethanol technologies in Brazil.

The selected teams, which are faculty-led but rely on student participation, will use the awarded \$457,400 to cover

international travel, as well as meeting and workshop costs. MISTI will provide cultural preparation for participating students before their departure.

"By enabling MIT students to participate in faculty-led international projects, we hope to increase opportunities for hands-on, global learning and connection to innovation around the world," said Richard Samuels, director of the Center for International Studies.

Applications for the 2009-2010 Global Seed Funds are now being accepted. Visit <http://web.mit.edu/misti/faculty/seed.html> to learn more.

# Devon Cone Joins CIS as Research Associate



*Devon Cone, Research Associate*

CIS welcomes Devon Cone, who joined the Center in the fall as a research associate working closely with executive director and principal research scientist John Tirman. Before coming to CIS, Cone was in Kenya working with Somali refugees under the banner of the United Nations High Commissioner for Refugees, with whom she had previously done an internship.

After receiving her bachelor's from Brigham Young University, Cone worked for an NGO in Thailand and Ghana before heading to the Fletcher School at Tufts University. She received her master's degree from Fletcher in law and diplomacy in May 2008.

Her main research interests lie in gender issues and human security, which she sees as located at the intersection of human rights and larger international relations issues of war and peace.

Cone currently is working on three CIS-related projects. She is assisting Tirman on a project that addresses mutual (and often incomplete) perceptions in the U.S.-Iran relationship. She is also working on an assessment of U.N. Resolution 1325, which calls for states to involve women in higher numbers in positions tasked with the prevention, management, and resolution of conflict. The resolution was passed in 2000, so the project is designed to assess its impact as we approach the tenth anniversary of its signing. Finally, she is working on an interdisciplinary project with members of CIS and the Department of Urban Studies and Planning that examines how individuals and institutions within cities adapt to chronic violence in their region.

Cone will continue her work with CIS next year and welcomes discussions with students and faculty who share her research interests.



Annette Kim is Ford International Career Development Professor of Urban Studies and Planning at MIT's Department of Urban Studies and Planning, and author of *Learning to Be Capitalists* (Oxford University Press, 2008).

*"The spread of entrepreneurialism in HCMC was shaped by the openness and extensiveness of its social networks and the availability of intermediaries. People were open to meeting people and sharing information. New people could enter the market without extremely strong political connections because they could develop them."*

lowed HCMC's unusual market to function with formal project approval and property titles distributed at the end of the project, customers supplying the bulk of development capital, and local government working closely with the developers.

As expected, I found that the firms' ability to create these institutions were in part constrained by their social position. The entrepreneurs were relatively young, educated urbanites. However, fieldwork in HCMC also showed that in the unruly social construction process, developers who were in similar social positions, and who had similar access to political resources, did not interact with the changing structures in the same way. In order to survive, all firms had to learn how to develop projects. They did not necessarily copy what other firms or actors did, but they did acquire tacit knowledge vicariously. In other words, agents started to perceive the underlying framework of new possible economic actions and sometimes generated behavior going beyond what they had seen or heard. The developers exhibited agency in the particular choices they made about how to develop projects that were important in determining such things as which firms succeeded in HCMC. The most productive firms, although varying in size and ownership, shared a common factor: their leadership continually learned and adopted new information and strategies into their operations. They learned how to be entrepreneurs in this particular market.

Thus the reformation of the entrepreneurs' cognitive paradigms made fiscal socialism practicable. Social cognition, however, means that the cognitive paradigms change not just in individuals but with the other members of society with whom they interact. Very important in understanding the change in these entrepreneurs is the change in some bureaucrats, in particular local wards and districts, that made fiscal socialism a practical reality in HCMC. Their discretion in interpreting and implementing the national laws and policies and becoming entrepreneurial themselves in trying new activities and relationships were key to the successful completion of projects. That is, it was not only the firms that learned, but also the local state actors who learned how to be a capitalist-friendly state. This was not true of all bureaucrats that I met, some of whom still spoke of the immorality of the private sector's existence. But my case firms freely introduced me to local bureaucrats who thought differently and with whom they could work.

Furthermore, the vicarious learning exhibited by the developers and local state actors was assisted by HCMC's informal social structures more than the formal, legal ones. The spread of entrepreneurialism in HCMC was shaped by the openness and extensiveness of its social networks and the availability of intermediaries. People were open to meeting people and sharing information. New people could enter the market without extremely strong political connections because they could develop them. Furthermore, the looser social norms about laws and regulations held by the bureaucracy in the south encouraged people to experiment and create new economic relations.

The importance of these informal, social structures and their cognitive nature became even clearer when we compared HCMC's situation to that of Hanoi. Although both cities are in the same country, with uniform laws and policies, and both have very high housing demand, private development firms did not emerge in Hanoi as they did in HCMC. Local political economy interests and social norms embedded in both state and private actors impacted the formation of markets. Several of the firms that had successful operations in HCMC tried to develop projects in Hanoi, in order to take advantage of the severe housing shortage there. But they reported that the closed power structure in Hanoi limited entry into the market, as did the more exacting regulatory enforcement by local bureaucrats. It was more than the bureaucracies that impeded the formation of firms, however. As evidenced in the statistical analysis of market prices in both cities, presented in chapter 6, households in Hanoi's new housing market possessed such deeply embedded norms about legal formalism that they would reduce the asking price of their own properties if they did not have property title papers in hand. In short, the fiscal socialism system could not have emerged in Hanoi because neither the political economy nor the cognitive structures allowed sufficient agency in state and private ac-



tors to create new relations and actions. That is, even if individual agents had had simple profit maximizing interests (instead of the social, interdependent ones we observed), they would have had difficulty performing entrepreneurial actions because the rest of society was not willing to engage with them. Which district officials would protect their projects? How many Hanoian households would pay installments for an unbuilt house for which they would not receive title until several years later? Individual Hanoians who wanted to enter the real estate business could relocate to the south and work there, but the reverse was not true. The unimaginability of new relations and actions is central to the variation we observe in transition economies.

This comparative example does not imply that Hanoi does not have the right cultural traits for capitalism, or that HCMC was somehow more naturally entrepreneurial. For example, around 2003, after the central government changed the top leadership in HCMC (something it does on a regular basis), the newly installed bureaucrats enforced a more formal and exact reading of the regulations and a closer oversight of district government activity. Concurrently, popular criticism increasingly vilified the land management practices of some local ward and district officials. The other HCMC state actors then became less amenable to suppressing the bargaining ability of rural landholders and facilitating the firms' applications for development approval through the many intergovernmental layers. HCMC's fiscal socialism system of land development slowed to a crawl, if not a halt. Because of a change in powerful agents and a shift in narratives about bureaucrats, the paradigm shifted so that the local state actors changed their dispositions. It also improved the farmers' bargaining position in relocation compensation. In other words, the market and its terms of exchange are being continuously reconstructed by agents in society.

However, the kinds of social networking and social norms present in HCMC were not necessary for private investment in other places. Another important insight of social cognition theory is that attention is not located in the same places in particular societies. In a comparative analysis with Warsaw, we saw that Polish developers did not learn how to develop projects from one another and did not collaborate or socialize with one another. Instead of networking, they paid attention to foreign firms and learned from them as unofficial apprentices. We also saw that Warsawians were sticklers about legal documents and notaries, much like Hanoians. But the firms took advantage of legal formalism and redeployed it in the post-Communist housing system. Despite being touted as an exemplar of conventional transition reforms, most of Warsaw's property contracts were not formally correct nor could they readily be enforced in courts. Their social legitimacy, however, could still be used to encourage customers to take risky full-recourse mortgages to pay for unbuilt properties and for landholders to sell development options to the new firms. As in HCMC, the key to firms being able to implement projects was the decentralization of development authority to the sub-city, gmina level of government. Some gminas would exercise discretion and help the firms gain planning approval to proceed with a project. In other words, Warsaw's housing market bore striking resemblances to HCMC's fiscal socialism.

In summary, housing markets and private firms developed rapidly in HCMC and Warsaw through a reconstruction of socially shared cognition that supported a strategic re-alignment of interests. This new paradigm, along with practical knowledge, spread through social processes of vicarious learning and the particular pathways of attention structured by their respective societies. The location of these happened to be in very different places between the transition societies. ■

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### **Ambassador Burns on Foreign Policy Challenges for Obama**

Ambassador Nicholas Burns spoke at CIS on February 11 as part of the MIT Security Studies Program Wednesday seminar series. Burns served as ambassador to Greece, Undersecretary of State for Political Affairs, and is now a professor at the John F. Kennedy School of Harvard University teaching courses in diplomacy and international politics. Although Burns noted that he could not recall a time with more foreign policy challenges, he argued that American security, prosperity and global leadership could be maintained with the right policies in place. He suggested focusing on transnational solutions, working through the G-20 rather than the G-7, and prioritizing the Middle East and South Asia during President Obama's first term. The schedule and summaries of past talks are online here: <http://web.mit.edu/ssp/seminars/wednesday.html>.

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### **Bustani Seminar Examines Ahmadinejad's Legacy**

Ali Banuazizi, psychology research professor and political science professor at Boston College, gave a lecture in March entitled "Iran: Assessing Ahmadinejad's Legacy" for the Emile Bustani Middle East Seminar at MIT. Professor Banuazizi's talk focused on Mahmoud Ahmadinejad's domestic and foreign policies over the past four years, with special emphasis on the populist style of his leadership, his messianic worldviews, his failing economic policies, and his re-election prospects in the upcoming June presidential elections. He also discussed current efforts, both in Iran and in the U.S., to promote a U.S.-Iran rapprochement. Each year the Bustani Seminar invites scholars, journalists, consultants, and other experts from the Middle East, Europe, and the United States to MIT to present recent research findings on contemporary politics, society and culture, and economic and technological development in the Middle East.

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### **CIS Announces Two New Working Groups**

CIS announces two new working groups to encourage collaboration across disciplines to tackle global issues. The East Asia Regional Security Working Group will be run by David Weinberg and Tobias Harris, two graduate students in political science. The group aims to use the strengths of the Department of Political Science and the Security Studies Program to create a regular forum for discussion of ongoing security developments in the dynamic region of East Asia. The Interdisciplinary Workshop on Institutions and Development, organized by Ben Ross Schneider, professor of political science, focuses on the impact of institutions, broadly conceived, on economic and social development. The Center now sponsors twelve working groups, each being open to MIT faculty, students, and outside scholars. To learn more visit <http://web.mit.edu/cis/wg.html>.

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### **MISTI Honors More Than 360 Students**

MISTI held its annual gala dinner on April 29 to honor the 360 plus students who received fellowships to complete research and internships abroad in the summer and fall of 2009. MISTI (the MIT Science and Technology Initiatives) will send

more than 25 students to each of its programs in nine different countries: China, France, Germany, India, Israel, Italy, Japan, Mexico, and Spain. This represents the most students that MISTI has ever sent abroad, a fact that director Suzanne Berger noted was an amazing achievement given the program's humble beginnings more than a decade ago with a few students being sent to Japan under the guidance of CIS director Richard Samuels. At the event, MIT-Israel coordinator David Dolev announced that MISTI is launching MISTI 2.0, which provides students an opportunity to receive funding for new projects with international partners that the students create with the inspiration and connections they gain from their initial internships.

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### **Fallon and Christia on Afghanistan**

On April 30, Admiral William J. Fallon, USN (RET), gave a public talk on Afghanistan along with Professor Fotini Christia, an expert on Afghanistan who spent a great deal of time there conducting research. Fallon joined the Center for International Studies for the 2008-09 academic year as Robert E. Wilhelm fellow. Christia joined MIT last fall as an assistant professor of political science and a member of the Security Studies Program. The two speakers provided background on the current situation in Afghanistan and offered their advice for the Obama administration as part of a Starr Forum. Video of the event is available at <http://web.mit.edu/cis/starr.html>.

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### **Migration Seminar Hosts Three Lectures**

The Myron Weiner Seminar on International Migration sponsored three lectures this semester. Andrea Rossi from the John F. Kennedy School of Government at Harvard University delivered a lecture on "The Impact of Migration on Children" in February. In March, Oxana Shevel gave a talk entitled "Citizenship Politics in Post-Soviet Russia: Between Identity and Real-Politik." Mayumi Ueno from the John F. Kennedy School of Government delivered a lecture in May: "Trafficking in Persons in Japan." The Myron Weiner Seminar Series on International Migration explores factors affecting international population movements and their impact upon sending and receiving countries and relations among them.

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### **Feldstein and Johnson on the Global Economy**

Economist Martin Feldstein was the featured speaker at a Starr Forum entitled "The Challenges to the Global Economy" on February 11. Feldstein has been cited as "the most influential economist of his generation." He is economics professor at Harvard University, president emeritus of the National Bureau of Economic Research, and former chairman of the Council of Economic Advisers under President Reagan. Joining the talk as a discussant was MIT Sloan School's Simon Johnson. Johnson is an expert on the financial sector and economic crises and served as economic counselor and director of the research department at the International Monetary Fund from 2007-2008.

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### **CIS Announces New Program at McKibben Event**

The Center is pleased to announce the launch of the Program on Environmental Governance and Sustainability (PEGS). The new program is directed by JoAnn Carmin, associate professor of environmental policy and planning at MIT's Department of Urban Studies and Planning. The Center formally announced PEGS on April 13 at a Starr Forum event with environmentalist Bill McKibben. McKibben, a prolific writer on related subjects, is a scholar in residence at Middlebury College. Beginning in the summer of 2006, he led the organization of the largest demonstrations against global warming in American history. In an effort to help change the thinking of Americans and individuals across the globe, McKibben called on MIT students to share the alarming scientific truth behind global warming.

## People

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**Michal Ben-Josef Hirsch** accepted a post-doctoral fellowship with the Schusterman Center for Israel Studies at Brandeis University and will also teach in the politics department. Hirsch successfully defended her dissertation “And the Truth Shall Make You Free: The International Norm of Truth-Seeking” in March

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Assistant Professor of Political Science **Fotini Christia** received a post-doctoral fellowship at the Harvard Academy for International and Area Studies for the 2009-10 academic year.

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SSP Associate Director **Owen Cote** was quoted in an NPR article entitled “Gates Looking to Speed Up F-35 Production” in April. During March and early April, Cote and SSP Principal Research Scientist **Cindy Williams** conducted an interagency policy case study and a crisis simulation on the subject of dealing with a more confident Russia for the National Security Studies Program of the U.S. Department of Defense.

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**Jennifer Dignazio** joined CIS last summer as an office assistant. Her duties include supporting the Center’s Robert E. Wilhelm fellows, coordinating the Myron Weiner Seminar Series on International Migration, and assisting CIS headquarters’ faculty and staff.

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Ph.D. candidate **Keren Fraiman** presented a paper entitled “Three to Tango: Coercion and Violent Non-state Actors” at the annual meeting of the Midwest Political Science Association in April.

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Cecil and Ida Green Career Development Associate Professor of Political Science **Taylor Fravel** hosted a CIS workshop assessing China’s rising power in February where he delivered a lecture entitled “China’s Military Rise: Assessing Military Capabilities and National Influence.” Fravel presented a paper entitled “China’s Territorial Future: Will Conquest Pay?” at Cornell University in April.

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Ph.D. candidate **Brendan Green** received a pre-doctoral fellowship from the Miller Center at the University of Virginia as well as a pre-doctoral fellowship from the Belfer Center at Harvard University, where he will be in residence for the 2009-10 academic year.

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**Annette Kim** was promoted to Associate Professor by the Department of Urban Studies and Planning and is now Ford International Career Development Professor.

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Ph.D. candidate **Peter Krause** presented a paper entitled “The Political Effectiveness of Terrorism: Theory and Method” at the International Studies Association Conference in February.

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Ph.D. candidate **Jon Lindsay** presented a paper entitled “Commandos, Advisors, and Diplomats: Special Operations Forces and the Challenge of Counterinsurgency” at the International Studies Association Conference in February.

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Ph.D. candidate **Austin Long** accepted a tenure track position at Columbia University’s School of International and Public Affairs that will begin this fall.

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Ph.D. candidates **Austin Long, Reo Matsuzaki, Andrew Radin, Paul Staniland, Caitlin Talmadge,** and **Sarah Zukerman** all received the Smith Richardson Foundation World Politics and Statecraft Fellowship. MIT received six of the 20 fellowships awarded, more than any other school.

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**Topher McDougal**, Ph.D. candidate in the Department of Urban Studies and Planning, presented a paper “Survival Strategies of Production Firms in Civil War: The Case of Liberia” at the UNU-WIDER “Entrepreneurship and Conflict” conference in Londonderry, Northern Ireland, in March.



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**Rebecca Ochoa** joined CIS in the fall as an administrative assistant to CIS Director of Public Programs **Michelle Nhuch** and Associate Professor of Political Science and Director of the Program on Emerging Technologies (PoET) **Kenneth Oye**.

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Professor of Regional Economy and Planning **Karen Polenske** received recognition recently when colleagues and former students created the Karen R. Polenske Best Student Paper Award in honor of her leading work as a scholar of China's sustainable development. The \$1K award for best student paper will be presented annually to a student member of the International Association for China Planning.

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Professor of Political Science and Director of the Security Studies Program **Barry Posen** served as a member of The Study Group on Strategic Reactions to American Preeminence, which was sponsored by the National Intelligence Council and the Bureau of Intelligence and Research of the U.S. Department of State in Washington, D.C. Posen was a speaker at the 10th Military Power Seminar "NATO at 60: Challenges Ahead – Implications for Norway" sponsored by the Norwegian Institute of International Affairs (NUPI) and The Norwegian Defense Education Command in Oslo in December. Posen appeared on WBUR's *On Point* for a discussion of Obama's antiwar critics in March. He was a panelist on "American Grand Strategy and the Obama Administration" at The Center for International Security Studies' Inaugural Symposium at Princeton University in May.

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Professor of Political Science **Ben Ross Schneider** was named co-director of workshops on "Revitalizing Development Studies" in the Social Science Research Council program for Dissertation Proposal Development Fellowships in 2009. Schneider delivered a talk entitled "Hierarchical Market Economies and Varieties of Capitalism in Latin America" at the Watson Institute of Brown University in February. He gave a talk entitled "Varieties of Capitalism and Labor Markets in Latin America" at the David Rockefeller Center for Latin American Studies at Harvard University in February.

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Ph.D. candidate **Paul Staniland** has been awarded a 2009-2010 pre-doctoral fellowship at the Program on Order, Conflict, and Violence at Yale University's MacMillan Center for International and Area Studies. Staniland presented a paper entitled "When Does Ethnic Mobilization Lead to Ethnic War? Comparative Evidence from South Asia" at the International Studies Association Conference in February. He delivered a talk entitled "The Poisoned Chalice: Explaining Cycles of Regime Change in Pakistan" at the Naval War College in March.

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Senior Research Scholar **Sharon Stanton Russell** spoke at the Roundtable at the 2009 National Security Institute event "U.S. Grand Strategy After George W. Bush" held at MIT in January. Russell has recently begun to advise the Feinstein International Center at Tufts University regarding development of its Humanitarian Horizons Project, which is coordinating with the King's College London's Humanitarian Futures Programme.

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Ford International Professor of Political Science and Director of CIS **Richard Samuels** delivered the Henry Wendt III Lecture at Princeton University in May. Samuels also currently serves as co-chair of the MIT Global Council.

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Ph.D. candidate **Caitlin Talmadge** presented a paper entitled "Assessing the Iranian Threat to the Strait of Hormuz" at the Gulf and the Globe Conference on January 28 at the U.S. Naval Academy. Talmadge also received a Certificate of Distinction in Undergraduate Teaching from Harvard University for her instruction in the spring of 2008.

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CIS Executive Director and Principal Research Scientist **John Tirman** produced a 50-page report entitled "A New Approach to Iran: The Need for Transformative Diplo-

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macy” in April. The report is available here: [http://web.mit.edu/cis/Publications/IRAN-Tirman\\_2009.pdf](http://web.mit.edu/cis/Publications/IRAN-Tirman_2009.pdf). Tirman appeared on NPR’s “Diane Rehm Show” in April as part of a discussion on U.S.-Iran relations.

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Ford Professor of Political Science **Kathleen Thelen** delivered the inaugural keynote speech for the lecture series of British Journal of Industrial Relations at the London School of Economics in November. Thelen also gave invited lectures as part of the Comparative Politics Seminar Series at Princeton University in October and at Yale University as part of the Leitner Political Economy Series in February. Thelen delivered the Vilhelm Aubert Memorial Lecture at the University of Oslo in January.

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Professor of Political Science **Stephen Van Evera** was a panelist at the conference “Foreign Policy Challenges for the New Administration: Iran and the Middle East” held at Tufts University in March. Van Evera appeared on NPR’s program “The World” in April.

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SSP Research Associate **Jim Walsh** participated in a Pugwash Track II meeting with Iranian officials in Vienna in December. In February, Walsh delivered briefings for senior White House and State Department officials. He gave a presentation on nuclear terrorism to the Cato Institute Conference “Shaping the Obama Administration’s Counterterrorism Strategy” in January. Throughout the past four months, Walsh has appeared numerous times on CNN, Fox, and Iran TV discussing these and other issues.

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SSP Principal Research Scientist **Cindy Williams** is chairing the National Academy of Public Administration panel on Science and Technology in the Department of Homeland Security. Williams participated in an external peer review of the fiscal allocation process of the Coordinating Office for Terrorism Preparedness and Emergency Response (COTPER) of the Centers for Disease Control and Prevention (CDC). She was a panelist on the symposium “People, Policy, and Outcomes after the U.S. Elections” at the Geneva Center for Security Policy in Switzerland in January. Williams was part of a discussion entitled “Budgets for National Security” with Congressman Rick Larsen (D-WA) and staff at the Cannon House Office Building in March. Williams conducted a radio interview with Jessica Mador of Minnesota Public Radio in February, in which she discussed U.S. military recruiting and outreach using Facebook and other social networking sites.

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Ph.D. candidate **Sarah Zukerman** has been awarded a 2009-2010 pre-doctoral fellowship at the Center for International Security and Cooperation (CISAC) at Stanford University’s Freeman Spogli Institute for International Studies. Zukerman also received a Carroll Wilson Award for her project “Guns, Campaigns or Bankruptcy: Disentangling the Determinants of Armed Organizations’ Post-War Trajectories”. Zukerman presented a paper entitled “Disarm or Rearm: The Internal Politics of Colombia’s Paramilitary Groups” at the International Studies Association Conference in February. She presented a paper entitled “Achieving Post-War Peace: The Internal Politics of Colombia’s Demilitarizing Paramilitary Groups” to the Households in Conflict Network Annual Workshop at Yale University in December.

## *Published*

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**Annette Kim**, Ford International Career Development Professor  
*Learning to be Capitalists: Entrepreneurs in Vietnam’s Transition Economy* (Oxford: Oxford University Press, 2008).

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**Sigrid Berka**, Managing Director of the MIT-Germany Program  
“Institutional Strategies of International Engineering Programs” in John Grandin

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and Dan Hirleman, eds. "Educating Engineers as Global Citizens: A Call for Action/ A Report on the National Summit Meeting on the Globalization of Engineering Education," in *Online Journal of Global Engineering Education* Vol.4, No. 1 (2009).

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**Topher McDougal**, Ph.D. Candidate in the Dept. of Urban Studies and Planning  
"The Liberian State of Emergency: What Do Civil War and State-Led Industrialization Have in Common," *Journal of Peace Economics, Peace Science and Public Policy*, Vol. 14, No. 3.8.

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**Richard Samuels**, Ford International Professor of Political Science and Director of CIS  
"Japan's Lost Leaders," *Newsweek*, April 20, 2009.

"Wing-Walking: The U.S.-Japan Alliance," *Global Asia*, Vol. 4 No. 1.

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**Ben Ross Schneider**, Professor of Political Science  
"Inequality in Developed Countries and Latin America: Coordinated, Liberal, and Hierarchical Systems," (co-authored with David Soskice) *Economy and Society*, Vol. 38, No. 1 (February 2009): 17-52.

"Economic Liberalization and Corporate Governance: The Resilience of Business Groups in Latin America." *Comparative Politics*, 40, no. 4 (July 2008), pp. 379-98.

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**Paul Staniland**, Ph.D. Candidate in Political Science  
"What Makes Terrorists Tick," *International Security*, Vol. 33, No. 4 (Spring 2009): 180-202.

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**Caitlin Talmadge**, Ph.D. Candidate in Political Science  
"Costs and Difficulties of Blocking the Strait of Hormuz," correspondence with William D. O'Neil, *International Security*, Vol. 33, No. 3 (Winter 2008/09): 190-198.

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**Kathleen Thelen**, Ford Professor of Political Science  
"Institutional Change in Varieties of Capitalism" (co-authored with Peter A. Hall), *Socio-Economic Review*, Vol. 7, No. 1 (January 2009): 7-34.

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**Jim Walsh**, SSP Research Associate  
"Obama, Europe, and Iran: The Nuclear Question and the Future of Atlantic-Iranian Relations." Proceedings of the conference "After the Elections in the United States: New Chances for a Compromise in the Nuclear Dispute with Iran?" Bonn: Deutsche Welle-BICC, 2009.

James Walsh, Thomas Pickering, and William Luers, "How to Deal with Iran," *New York Review of Books*, Vol. 56, No. 2 (February 12, 2009).

James Walsh, Thomas Pickering, and William Luers, "Iran, Iran, Iran," *International Herald Tribune* (January 17, 2009): 6.

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**David Weinberg**, Graduate Student in Political Science  
"An Energy Pact for the Pacific" and "Is Japan the Weakest Link?," [www.163.com](http://www.163.com)

"Obama Knocked it out of the Park," *MIT Tech*, Vol. 129, No. 8, February 27, 2009.

"Three Myths about the President's Budget" *MIT Tech*, Vol. 129, No. 11, March 10, 2009.

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**Cindy Williams**, SSP Principal Research Scientist  
"Commentary" in Part IV, "Benefit Structure for the Future" in John D. Winkler and Barbara A. Bicksler, eds., *The New Guard and Reserve* (San Ramon, CA: Falcon Books, 2008): 247-251.

# CIS Releases DVD: Mind, Hand, World



Why have a Center for International Studies at MIT? What is the MISTI experience? How do CIS scholars impact policy makers? Why study war? How do we prepare students to compete in a global society? These are a few questions that are addressed in a new video about CIS entitled: Mind, Hand, World. The video, produced in collaboration with MIT's Academic Media Production Services, provides an inspiring overview of the Center's aims in eight minutes.

To view the video, visit: <http://techtv.mit.edu/videos/2486-mind-hand-world-the-mit-center-for-international-studies>



*Image courtesy Scot Frank*

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