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LETTER FROM THE EDITOR

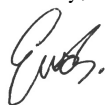
In light of the recent election of the president of the United States, it has become evident to our team at The Economics Review at NYU that a basic understanding of economics, or lack thereof, has crucial impacts on the acts of civil society. From the start, our publication has strived to produce respectable research, while at the same time engage students and spark interest in economics. This purpose has never been more important.

There is a need to broaden the conversation about economics, and that is exactly what we have done in this issue. We have exchanged the typical econometrics and statistics heavy research papers, with papers focusing on socioeconomic and political issues. Although mathematical proof and sufficient data will always be the core of economics, we want to make sure our readers can see economics in the light of current events, such as East-West relations, the aftermath of revolutions, and working conditions in third world countries. Our mission is to bring an understanding of economics to a greater student body.

I am proud to see an increase in interest in economics among NYU students, and I am thankful for the sponsorship provided by the university. We will continue to give students the opportunity to get published, conduct research and engage in their favorite topic within economics. I hope the set of papers in this issue will open your mind to economic issues and give you a better insight into current world affairs.

Happy reading!

Sincerely,

A handwritten signature in black ink, appearing to read 'Ewa' followed by a stylized surname.

Ewa Staworzynska
Editor-in-Chief

THE SWEATHSHOP DILEMMA

Nur Al Sharif

Sweatshops violate American labor laws, but when the factories are placed abroad, American companies are not necessarily committing anything criminal. Although sweatshops have been shamed for their poor working environment, sweatshops must be seen in the context of the workers' other alternatives. This paper examines how sweatshops they might even be a necessary stepping-stone to development of third world countries.

The connotations attached to the word “sweatshop” vary, but the most commonly accepted definition, which was proposed by the U.S. Department of Labor, is a factory that violates two or more labor laws in the United States. Sweatshops often involve employees working overtime in harsh and unsanitary conditions with little, delayed, or even no pay. Laws in the United States such as worker rights legislation, protection laws, and minimum wage laws prevent the occurrence of local sweatshops. However, sweatshops remain a worldwide phenomenon largely due to U.S. corporations. These American corporations take advantage of foreign laws, as although it is illegal to operate a sweatshop nationally, it is not against the law in other parts of the world, including many Asian countries. By outsourcing production to nations such as Indonesia, these corporations drastically cut expenses and maximize their profits. A leading example comes in the form of the infamous Nike scandal; the corporation was widely condemned for what social activists labeled to be “modern-day slavery.” Mass protests formed nationwide, beginning when the Nike CEO and co-founder, Phil Knight, was booed off of a Stanford University stage before even opening his guest speaker speech. (Klein, 2001, p. 362).

It is worth noting that Phil Knight and the company did not breach any laws, despite the fact that countless atrocities including forced dehydration and physical abuse (Teather, 2005). These actions are clearly illegal in countries such as Indonesia, however

Nike's legal innocence remains legally valid. By virtue of outsourcing their production to East Asia, Nike does not directly control operations within the factories in which their products are created. Rather, the company hires independent manufacturers in third world countries (including but not limited to China, Thailand, Indonesia, and Bangladesh). As a consequence, the managers of these independent companies controlling production are legally liable for any crimes committed. Todd McKean, the former director and spokesman of the corporation, explained that "the initial attitude [of Nike] was 'Hey, we don't own the factories. We don't control what goes on there'" (Gilmore, 2013). Regardless of the abusive conditions established by its manufacturers, Nike simply believed it was not their problem. This notion of neo-slavery is a product of a capitalistic economy, as there is a very limited demand for labor and an almost endless supply of laborers, thus economically plummeting the price of labor. In other words, there is a culmination of near perfect competition for the impoverished workers in Asia.

Todd McKean is correct in the sense that Nike does not control what goes on within the factories, but they most definitely could if they decided to do so. Conceding that he believes this was an irresponsible mindset, he continued "Clearly, we had leverage and responsibility with certain parts of the business, so why not others?" Nike partnered with manufacturers that generated the largest profits, while dropped those that were inefficient. In Andrew Morgan's documentary *The True Cost*, Arif Jehtik, a garment factory owner in Bangladesh, stressed "In the west, they want to have low prices, so every day they are hampering me, and I am hampering my workers. This is how it is." The foreign factories are competing against one another to sell their product at the lowest cost to U.S. corporations. Is it truly too much of a stretch to abandon those factories that commit the aforementioned atrocities? Can't corporations demand more humanitarian conditions for the laborers employed by Asian manufacturers?

Business models that incorporate the use of sweatshops are undoubtedly managing in the interest of their shareholders, as they

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are prioritizing profit maximization through the minimization of wages along with other expenses. After all, the principle foundation of for-profit businesses is value creation – essentially making as much money as possible. In Milton Friedman's *The Social Responsibility of Business is to Increase Its Profits* (1970), Friedman proposes that anyone placed in charge of operations, the managers of sweatshops abroad in this case, is hired simply to “make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom” (p.24). To prioritize any other cause not in line with creating value for one's employer, including any cause related to bettering societal welfare, would result in “act[ing] in some way that is not in the interest of his employers”(Friedman, 1970, p. 24). To put this in perspective of sweatshop managers: if a manager applies social responsibility in his work, he in turn lowers the profits of his employers by not focusing on the task he or she was appointed for, an action amounting to theft. Thus are Nike and other outsourcing corporations truly exempted from the crimes that occur in sweatshops? While they may be cleared from any legal wrongdoing, the fact that they so heavily pressure sweatshop managers to produce the highest results, which more often than not will result in immoral actions to produce those results, burdens Nike and rival corporations. Outsourcing corporations cannot be exempted from the ethical transgressions accrued by their partners abroad.

R. Edward Freeman's *Managing for Stakeholders* (1984) proposes that social progress and economic profits are intertwined. The betterment of society through following both legal and ethical customs will allow outsourcing corporations like Nike to benefit in the long run. Not only will they avoid future scandals that could burden their brands with a bad reputation, but by creating a more educated society (initiated through higher wages and offering more benefits to their workers), they will become more efficient in production and overall operations. However, the fact that Nike is operating in a society that is not in the United States means that the validity of this logic is questionable in their specific context. It seems plausible that managing for shareholders as opposed to managing

for stakeholders, at least when operations such as factory production are taking place on foreign grounds, benefits an individual, for-profit corporation more. No one can deny the economic success of Nike (and several other outsourcing corporations), which was indeed gained through shareholder management. In the perspective of an individual for-profit corporation like Nike, it would not make sense to abandon a massively successful business model for an alternative model, no matter how altruistic that model may be. More often than not, their actions are not intended to be in line with that of societal welfare or social responsibility.

As a for-profit firm and acting under the ideology of Milton Friedman in that their goal is to maximize profits, Nike's ethics are questionable. Joseph R. DesJardins' *Ethical Theory and Business* (2008) contemplates the role of ethics in business. DesJardins defines an ethical theory as the effort of determining how humans should live their lives. To project this into a business context, the ethical theory evolves into the way in which human actions establish how businesses should operate. The three primary ethical traditions are utilitarianism, deontological ethical traditions, and virtue ethics, and they provide insight into the consequences, principles, and moral characters, respectively, of actions on behalf of individuals and in turn of corporations. Utilitarianism, defined as "making decisions based on the overall consequences of our acts", would suggest that any outsourcing, for-profit corporation would consider the overall consequences through a strictly financial perspective (Desjardins, 2008, p. 100). Deontological ethical traditions consider acting based on our perception of what is deserved; in 1993, PT Tong Yang Indonesia, a manufacturing company paid by Reebok, received \$10.20 for each pair of shoes produced, which were then sold in retail stores by Reebok for \$60 a pair. Reebok believed that the manufacturer of the very product their company sells for a profit is worth a sixth of the value of that product. Lastly, virtue ethics considers the "moral character of individuals and various character traits." DesJardins indicated that an example of using such reasoning would be labeling "executive compensation as greedy, distasteful,

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and as motivated by narrow self-interest” (2008, p. 101). If paying bonuses to executives would be considered as such, it would not be a stretch to consider the actions of corporations such as Nike and Reebok in a similar light. These ethical considerations are common amongst for-profit corporations because they are motivated primarily by profits. However, their intent and the implications raised by their actions are not one and the same.

With the criminally low standard of sweatshop working conditions and extremely low pay, workers in nations such as Indonesia and China continue to voluntarily pursue employment in sweatshops. In his essay *In Defense of Sweatshops* (2008), writer and economist Benjamin Powell acknowledges the harsh reality of sweatshop workers. However, he states that while this harsh reality is relative to our standards, they shouldn't be. He brings up the fact that because we have better alternatives, this “leads first world activists to conclude that there must be better alternatives for third world workers too.” The notion that these workers continue to employ themselves in sweatshops would suggest otherwise – they have nowhere else to work. Furthermore, Powell argues that these workers are making far more, on average, than the national averages. After conducting a long-spanning study, he came to realization that “working in the apparel industry in any one of these countries results in earning more than the country's respective average income and in half of the countries it results in more than three times the national average.” Yet, in *Rethinking Sweatshop Economics* (2011), Jason Hickel states “people only choose sweatshop jobs because they have been made desperate” and in turn, believes “it's not really a choice at all” because they are forced “by circumstance to sell themselves into sub-human conditions.” He then proceeds to propose various solutions claiming “this could be solved with an international minimum wage law and a targeted trade quota system.” However, if history is any indicator, the consequences of such propositions do more harm than good. A minimum wage law would simply mean more expenses directed at the outsourcing corporation in question, thus likely causing them to decrease their demand for labor; the

laborers that are employed will certainly be making more money, but the trade-off is that there will be far less workers in employment.

A similar foreign policy law was passed against sweatshop manufacturers previously. Powell described such a case, occurring when U.S. Senator Tom Harkin suggested a bill that would ban imported goods made by children in sweatshops. The consequence was harsh, even more so than working overtime in a hazardous factory. One Bangladeshi factory fired 50,000 children, only to be discovered later by the British charity Oxfam that “a large number of them became prostitutes” (Powell, 2008). As grim as the reality sounds, one should remain optimistic in an economic sense, about the future of sweatshops. The logic is that sweatshops are a necessary factor in the development of any nation and one day will “raise the living standards” (Powell, 2008). The idea that globalization bridges the inequality gap between nations is widely accepted by economists. Powell (2008) notes that this process “took 150 years in Britain and the United States [attributed to the Industrial Revolution], but 30 years in Japan and South Korea.” He continues “as more sweatshops open, more alternatives are available to workers raising the amount a firm must bid to hire them.” Acknowledging that sweatshops are commonly the best chance at survival for the majority of workers in Eastern Asia, to act against them would be economically unwise. Instead, Powell (2008) believes that the third world needs “more sweatshops, not fewer.” Functioning within their legal boundaries, Nike and co. exercise what may be widely considered to be unethical operations, but provide an economic service to the nations in which they situate themselves.

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A LOOK AT INFORMAL SOUTH-SOUTH COOPERATION IN PRACTICE: CHINESE MARKET PRESENCE ON DAKAR'S ECONOMIC, SOCIAL, AND SPATIAL RELATIONS

Virginia Zhang

South-South cooperation and formalizing informality in developing countries are easy to grasp on a theoretical level. However, their implications on local social and economic life differ greatly depending on geographical, historical and social context. Looking at South-South and informality through a small-scale, qualitative lens is important to understanding how these broad theories work given a unique set of players in an economy. We cannot fully understand the concepts of South-South cooperation and informality unless we consider their intersection with the stakeholders' cultural and social incentives

In the 1970s international aid agencies and Western academics began to use the term “informality” to characterize economic activities with limited labor, capital, and technology that do not conform to state regulations. “Informality” underlines an essential difference from “formal” economic norms established by developed countries, which involve business registration, tax payment, and state regulation of labor. The notion of “informality” thus easily stigmatizes informal actors in developing countries as obstacles to urban development and administration, and implies that they cannot even be accepted as normative to those economies they are prevalent in. Since the 1980s, international development agencies have initiated structural adjustment programs (SAPs) driven by the

theory that developing economies will grow if they adopt Western practices and formalize their informal sectors.¹

However, taking an ethnographic approach to informal street trade in Dakar, Senegal reveals that informality is a unique characteristic of the city that cannot be ignored. More importantly, the ethnographic approach opens our eyes to a whole set of participants that are often disregarded when studying Dakar's economy: Chinese informal street retailers. Over the past few decades, Chinese presence in Dakar's informal sector has shaped urban economy, social relations, and urban space beyond what international aid agencies can or find legitimate to measure quantitatively.

Over the past decade, development academics have been shifting their focus from North-South aid models (e.g. IMF and World Bank's SAPs, loans with conditionality) to South-South economic cooperation between developing countries: combining trade, aid, and investment in both formal and informal sectors (Ofodile, 2011). In theory, South-South cooperation is a better model for participating nations because it allows them to share relevant human capital, technology, and other comparative advantages to support mutual interests in trade and development. The South-South model promises "more inclusive, collaborative, development-oriented, and people-centered economic arrangements" (Ofodile, 2011). But as optimistic as South-South's mutual economic benefits are in theory, our ethnography on relations between Chinese informal street retailers and Senegalese locals both validates and challenges this ideal.

For this study we visited three of over 200 informal shops managed by Chinese migrants on Boulevard Général de Gaulle, a prominent two-way road in the neighborhood of Le Centenaire,

¹ In 2015 the IMF published an overview of "Reducing Informality" to ensure tax regulation for debt relief, and the ILO issued a recommendation to "Transition from the Informal to the Formal Economy" on the basis that informality's lack of labor regulation violates human rights.

downtown Dakar (Gehrold and Tietze, 2011).² The three Chinese shop owners are Mr. Qing, Mr. Ye, and Miss Gong.³ It is a hot Saturday afternoon during the month of Ramadan, which explains the lack of local consumers browsing the shops in both Chinese and Senegalese markets across town.⁴ But our timing lets us observe the typical conditions inside the shops during moments of downtime. The Boulevard is lined with two-story houses, each occupied by individually or family run Chinese informal businesses and one to three Senegalese employees. Senegal's first president Leopold Sédar Senghor constructed the houses on the Boulevard for government employees in the 1970s. Original occupants retired and passed away over the following two decades, devaluing the houses enough for middle class Senegalese to move in. In the 1990s these middle class Senegalese gradually transformed their garages into shops and rented them to migrants from China's rural southeastern provinces to start informal businesses (Dittgen, 2010). The walls of every shop are covered with colorful fashion products: shirts, scarves, shoes, women's tights, purses, and jewelry; plastic toys; small home decor. One or two Senegalese employees stand around the fronts of each shop, prepared for customers to approach, sometimes exchanging small talk.

At a glance, the Chinese informal trade on Boulevard Général de Gaulle seems to exemplify South-South cooperation's economic win-win ideal.

Most of the Chinese retailers here have limited education and faced unemployment in China's urban areas, where tastes now favor higher quality imported products, and the government seeks to replace informal retail space with formal shopping centers (Scheld. 2010). For them, Dakar's informal sector represents an opportunity to run a business without the same competition and discrimination they would face in China, earn a profit, and later

² Me and a Wolof translator (Thiaba Cisse, ACI Baobab Center)

³ Names have been changed. Quotes are translated from Mandarin or Wolof.

⁴ About 95% of Senegal is Muslim. During Ramadan, Muslims who do not need to work usually stay home from sunrise to sunset to pray, fast, avoid the heat, and spend more time with family.

return home with the possibility for vertical social mobility (Scheld, 2010). “My hometown friends and I weren’t getting enough income by trading informal products in Jiangxi Province...I think that coming to Dakar to sell products independently, without serving a company or my government, is strategic” (Mr. Ye). The Chinese operating independent informal shops in Dakar have quickly adapted their business strategies to suit the demands of a highly Muslim population for whom street bargaining is normative.⁵ Mr. Qing welcomes me into his parent’s nightgown shop, first in Wolof and French, then in Mandarin. He owns a shop across the Boulevard, where he strategically sells photo frames for Muslim Senegalese to display images of marabouts in. Because the Chinese informal retailers can use connections from their home provinces to buy cheap goods directly from Chinese factories (which are known for low labor and manufacturing costs), they can sell the goods in Dakar at low prices, maintaining demand and profit (Cissé, 2013). Mr. Qing says: “Most of the products we [Chinese vendors] sell, [the Senegalese] have here. But we sell more styles at lower prices...At first [in 2009] my parents and I brought our nightgowns and frames to Dakar from China in suitcases. Later we shipped them over in masses in boxes.” By setting low prices to bargain from, learning basic Wolof, and taking Islam into consideration to doing businesses, many Chinese retailers in this foreign market become successful enough to support their families in China with remittances (Mohan and Kale, 2007). Besides remittances, the retailers are also able to afford local property and hire local employees (Dittgen, 2010; Cissé, 2013; Marfaing and Thiel, 2013).⁶ Since their influx in Dakar in the 1990s, Chinese informal retailers have relied on the middle-class Senegalese property owners on Boulevard du Général de Gaulle for a central business location and place to live for 200,000–300,000 CFA Francs per month (about

⁵ In Dakar taxi rides, groceries, clothing, and household supplies not sold in branded shops are all bargained for.

⁶ Chinese informal retailers on Boulevard du Général de Gaulle live in the backs of their shops on the ground floor. Some who have more successful businesses, like Miss Gong and her cousin, rent the second floor as well and live there.

\$350-520 USD) (Dittgen 2010). Meanwhile, hundreds of middle class Senegalese property owners have more regular income to invest in Dakar's new vertical housing developments (Dittgen, 2010; Scheld. 2010).

The one to three Senegalese each shop employs to assist transactions in Wolof also benefit from Chinese informal trade in Dakar. They are mostly local youth-some with college degrees-who were previously unable to find jobs due to limited vacancies in the formal sector and competition in the informal sector (IMF, 2015).⁷ Issa, Mr. Qing's employee who recently graduated college in Dakar, still cannot find a formal job for which he could put his degree to use. Issa says that at this point "I am glad to have employment and income to support my wife, one child so far, and big family." Mr. Ye, who employs two locals, tells us: "Many young people here are very smart...But even those who graduate college have difficulty finding jobs...One of these two men I hire is a graduate. I don't know why it's so hard for educated youth in Senegal to find jobs in the formal sector."⁸ Hady, that college graduate, says he chose to work for Mr. Ye instead of a Senegalese street vendor because "The Chinese pay me a bit more". Miss Gong, another retailer, says her employee Ablaye is "paid daily based on what the entire shop earns." Miss Gong's extended family, which has been doing businesses on the Boulevard before her, has employed Ablaye for ten years so far. He is now middle aged and says: "For ten years, I haven't found a Senegalese [informal] shop to work for." In a city where both formal and informal employment is becoming harder to secure, Chinese presence in its informal sector on Boulevard du Général de Gaulle alone gives hundreds of Dakar youth basic means

⁷ Much of the development aid that Senegal's current president Macky Sall recently accepted from the World Bank and IMF regulates the formal sector's growth with loans and conditionality.

⁸ The weak path from college to formal employment requires additional research on Senegal's higher education system, including the quality and applicability of education to Senegal's emerging industries, and long term impacts of the World Bank and IMF's privatization of Senegal's education during structural adjustment in the 1980s. But our ethnography gives us enough information to acknowledge that Chinese presence in Dakar's informal market has its unique place in this issue.

to support themselves and their families (Cissé, 2013; Marfaing and Thiel, 2013). Despite that these jobs do not build human capital necessary for high-skill formal work, pay much lower than many educated employees' earning capacity, and directly support foreign businesses, they keep many locals employed.

Local Senegalese consumers on Boulevard du Général de Gaulle can also make their own economic gains off the Chinese in the informal market (Marfaing and Thiel, 2013). Mr. Qing tells us: "Many [Senegalese] come into my shop and other shops on the Boulevard, buy clothes and accessories, and go around Dakar or other African countries to resell them...at a higher price...bit by bit for their own profit...Most things are not bought for personal use." But he asserts that reselling does not hinder his own success: "Once a product leaves my hands I support whatever the Senegalese does with it. I don't need to worry because I get a profit too."

So far, our ethnography on Chinese entry into Dakar's informal market suggests that the mutual economic benefits of the South-South cooperation model stay true in practice. But a closer look shows that while some locals make important economic gains off Chinese informal business success, others make limited gains or suffer losses.

Because the Chinese businessmen on Boulevard du Général de Gaulle operate in a foreign informal sector, they are not supported by business contracts, state enterprises, or mission assignments. Therefore, they must rely on social networks for market entry and economic success. It is because of their strong connections with family and friends from their hometowns that they can access cheap goods directly from factories, and then migrate to Dakar for remittances (Mohan and Kale, 2007). The individual Chinese traders who established the informal businesses in Le Centenaire in the 1990s initiated "chain migration" of their family members and other "laoxiang" (co-villagers) to work with them (Mohan and Kale, 2007; Marfaing and Thiel, 2013). "Every Chinese person who sell things on this road is here because of family or friends" (Miss Gong). Mr. Qing and his parents entered Dakar's informal market in 2009 after friends from their hometown in

Fujian Province told them about the economic opportunities. Mr. Ye came to Dakar with his friends in 2011 via word of mouth from relatives and neighbors in Jiangxi Province. Similarly, Miss Gong and a cousin migrated in 2013 from Henan Province to join an extended family member who has been working in Dakar's informal sector for ten years.

The interviews demonstrate that these Chinese retailers are footloose, and were never interested in staying in Dakar after making enough profit for their families back home. Considering that the retailers on Boulevard du Général de Gaulle will likely return to China after some years, their market exit will disrupt the economic win-win they have established in Dakar's informal sector. Miss Gong emphasizes that she and her cousin are in Dakar for purely economic reasons, and their intentions have not changed since arrival: "Last year we could make a living from our shops, but this year business is not as good...I might return to China next year...Maybe it's time for all the Chinese here to return or go sell in another city in Africa." Mr. Ye says: "If I didn't employ these two young men (one of them, Hady, is a college graduate), I don't know what work they would have now...I hope they will find work they can use their education for soon, because most Chinese vendors here return home after a few years, or continue selling products in other African countries." Hady, one of Mr. Ye's employees, is "worried [about employment] because this kind of cooperation is usually temporary." Both Chinese informal shopkeepers and their local employees are aware that the Chinese will eventually exit the informal market, and that once they do, many Dakar youth will become employed. This will worsen job market competition in both the informal and formal sectors, and financial insecurity for entire families.

The Chinese retailers' sense of duty to their own families, in addition to market competition between other Chinese families and differences in language dialects across provinces, also contributes to smaller social circles within their generalized group. Even though the retailers on Boulevard du Général de Gaulle share a common nationality, economic motives, and business strategies, they only

develop limited relations with each other. The Chinese do not necessarily socialize with each other if they are not from the same family, hometown, or province (Cissé 2013). “We [Chinese vendors] are here together, but business makes us competitive...We sell similar products with no standard market price. I drop the price of a wallet to 1400 CFR, my neighbors drop it to 1300, and we go on until neither makes a good profit. We have good relations but my family is not close with theirs.” (Miss Gong). This tit-for-tat strategy emphasizes that individual Chinese families’ economic interests for being in Dakar leave little concern for expanding existing networks, especially beyond their nationality. Though academic researchers often look at Chinese sellers in Dakar’s informal market as one community that succeeds and struggles together, our ethnography shows that one business’ gain is another’s loss (Gehrold and Tietze, 2011, Scheld, 2010, Dittgen, 2010).

Despite these social realities, the Chinese informal shops on Boulevard du Général de Gaulle are labeled by locals as a “Chinatown” (Gehrold and Tietze, 2011; Scheld, 2010; Marfaing and Thiel, 2013). As Chinese informal shops cluster around the Boulevard for economic advantages, their geographical organization defines clear spatial separation according to nationality. Spatial separation, on top of Chinese interest in earning for their families, justifies the popular local perception of the Chinese business cluster on the Boulevard as an enclave rather than just another street market. Because the Boulevard is a business cluster (a geographic concentration of businesses in the same informal market with similar products and strategies), local Senegalese informal businesses tend to differentiate themselves from those on the Boulevard, both geographically and economically.⁹ Though the Chinese families we observe are perfectly competitive, the Boulevard’s economies of agglomeration build its local reputation for cheap products, and

⁹ Marché HLM is a large informal Senegalese textile market in Dakar. It is only a few minutes’ walk from the Chinese shops on Boulevard du Général de Gaulle. But HLM and the “Chinatown” are geographically separate. HLM’s textiles are purchased to be tailored into traditional African gowns rather than used for casual wear or resold for profit.

attracts more customers than any individual Chinese shop can if geographically isolated. This geographical agglomeration gives local consumers easy access to many styles of fashion and decor, and allows them to compare price offers, simply by walking down the Boulevard. Meanwhile, economics of scale give multiple Chinese shops at a time the opportunity to profit from the same customers (Dittgen, 2010). If locals want to buy cheap fashion and decor, he or she knows to go to the Chinese shops in Le Centenaire. Business clustering on the Boulevard therefore contributes to the mutual economic benefits in informal South-South cooperation.

Though Boulevard du Général de Gaulle benefits Chinese sellers, Senegalese employees, buyers, and property owners as a business cluster, it does not encourage social and cultural integration between the Chinese and Senegalese as a clearly defined enclave. Only when we come closer to most shops do we spot their Chinese managers sitting on a stool in the back. Until we greet the Senegalese employees of each shop we visit, the Chinese managers and Senegalese employees rest in opposite corners of the shop in silence. Mr. Qing, who has become proficient in Wolof, the local native language, says: “Sometimes the [Senegalese] customers will converse with me briefly after we agree on a price, and ask about Chinese arts and lifestyle. But at most, the conversations about culture are only a few sentences long.” Hady, the local college graduate who works in Mr. Ye’s shop, personally considers that “[the Chinese] are friendly because they give us jobs”, but only knows a few family members and friends whose interactions with the Chinese extend beyond commercial relations. Miss Gong adds: “Chinese and Senegalese work together in shops for long hours. After work we are too tired and return to our own families...My employees go back home elsewhere in Dakar.” Both Chinese informal retailers and locals internalize the spatial separation of the “Chinatown”. Locals will typically only walk the Boulevard when they go to work with the Chinese or want to buy something. Chinese retailers typically stay within the space of their business cluster: “My favorite spot in Dakar? Well I haven’t been outside Le Centenaire enough to say” (Mr. Ye). Disintegration also pressures

Chinese to exit Dakar's informal market: "When Chinese like me come to Dakar to open these businesses, having kids here is as if one in a thousand! We will all go back home (to China) to have kids if we want" (Mr. Ye). When asked about the "local Wolof people" or "local Senegalese", Miss Gong says: "I'm so bored here! Besides selling things to the blacks who visit my shop occasionally, I don't know what to do. And the language is so hard to get past...I don't know anything about their culture that makes me interested in learning more." Our ethnography shows that high awareness and acceptance of spatial separation leaves little initiative from either Chinese vendors or locals to associate with each other beyond commercial reasons.

Social disintegration and spatial separation between the Chinese and Senegalese intensifies the existing tensions between the two groups caused by economic competition. Low prices are a comparative advantage for the Chinese, but a threat to Senegalese informal businesses, which many locals rely on for their livelihoods (Cissé, 2013; Scheld, 2010). Since the 1990s, Chinese presence in Dakar has even driven local sellers to exit the informal market (Mohan and Kale, 2007). In 2004, l'Union Nationale des Commerçants et Industriels du Sénégal (L'UNACOIS), Senegal's largest business association (mostly informal workers), and l'Association des consommateurs du Sénégal (ASCOSEN) initiated protests and strikes against those who they acknowledged as the bringers of unfair market competition (Cissé, 2013; Dittgen, 2010). In 2009 a group of locals murdered Zhao Suiqin, an informal shopkeeper from China's Henan province (where Miss Gong is from), in *Le Centenaire* (Xinhua, 2009). Even if Dakar locals support their families by working in the Chinese shops and reselling Chinese products, their economic cooperation is often seen as unsupportive of the Senegalese community and economy (Scheld, 2010). The murder in 2009 is an extreme example of a few documented incidences of physical violence between locals and Chinese in Dakar. However, if social and spatial disintegration between the two generalized groups remains normative, many potential benefits to their cooperation will not be realized.

Unfortunately, our study suggests that neither Chinese informal retailers nor their local employees are aware of how further integration can strengthen their economic win-win. Integration would serve as an incentive for Chinese to settle in Dakar rather than remain footloose. Then, current employees of shops on the Boulevard, including Issa, Hady and Ablaye, would not need to worry about unemployment and formal and informal job market competition. Chinese informal businesses could grow in the long run and hire more locals. Social and spatial integration would quell tensions (like strikes, protests, and violence) and reduce cultural barriers to economic cooperation between Senegalese and Chinese informal businesses. Local youth and consumers would experience less judgment once their engagement with Chinese shops is no longer seen as a threat to local businesses. In theory, long term Chinese settlement in Dakar could improve the existing South-South economic win-win for different Chinese and Senegalese, and transform Boulevard du Général de Gaulle from a “Chinatown” to a more culturally diverse neighborhood. However, this is merely hypothetical. Whether this can happen and how it could happen requires further research on national migration policies, urban planning, government or NGO incentives for encouraging integration, interactions between shops and customers on the Boulevard during a busier time than Ramadan, and social and economic relations between Chinese and locals in Dakar’s formal sector. But with the research done so far, it is reasonable to consider that popular Western development strategies to formalize informal trade would hinder the participants’ work and undo the South-South progress that Chinese retailers have brought to Dakar since the 1990s. Perhaps existing South-South cooperation (like that which we study in Dakar) can encourage social and spatial integration between nationalities to maximize mutual economic benefits, expand the informal sectors, and build more multicultural cities.

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THE WEST IS JUST AS COMPLICIT AS RUSSIA IN THE FAILED EAST-WEST RELATIONSHIP

Daniel Kurzyna

This paper provides detailed explanations for why the relationship between the United States/EU and Russia failed. A single chance to form a world order where both the East and the West could benefit was missed under the reign of Stalin. The World War II and the Cold War created a disparity between Russia and the United States that could never be resolved or compromised. The United States' forestallment of NATO expansion was deemed a threat to Soviet Union's national security interests, but it was also the United States' sacred mission to contain Communism. Although there had been a multitude of positive interactions between the two countries, the NATO expansion for the Baltic States overshadowed such efforts and ultimately created today's relationship. With Putin's aim to show Russia's reassertion in the world order and Obama's administration unwillingness to address the issue, there is an unsettling international conflict full of uncertainty.

The Complications of a World Rebuilding in the Post World War II Era

This paper analyzes the failed East-West relationship, specifically between the United States/EU and Russian Federation. Many experts on this topic hold different views on why, since the Post-Cold War era, the West and East could not get along and create a relationship that would benefit the entire world order. In the United States domestic political sphere, it is the norm to assert a profound anti-Russian stance; it has been evident that if any politician even attempts to paint Russian President Vladimir Putin as a leader, the politician will be scrutinized heavily. As the former Ambassador to the Soviet Union Jack F. Matlock, Jr. once wrote, "As a people, we Americans – at least those who dominate our politics – seem incapable of learning from history, perhaps because

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we make so little effort to understand it and assess it” (2016, p. 1). In this paper, I will lay out an objective analysis of why one should not be so quick to blame Russia for all the ills in the world, and why, according to history, the West is just as complicit as the East in a failed détente and less prosperous world order.

In 1945, the end of World War II had the potential to be a true turning point in the future of world order. As almost the entire globe was involved in this war, the rebuilding process was an arduous one for many countries, which included those of Europe and especially the Soviet Union. In the Soviet Union, a cruel, paranoid and murderous dictator, Joseph Stalin, prevented the Soviet Union from progressing forward in the liberal world order that was being established by the West. Although Stalin was such a conservative leader, there was a window to the inclusion of the East in the Western shaping of world order, a window that was missed and ultimately led to a forty-year Cold War. When Nikita Khrushchev took over the reins, following a power struggle for who would succeed Stalin, the landscape of the Soviet Union changed drastically, at least on the surface. At the 20th Congress of the Communist Party, Khrushchev delivered the “Secret Speech” which essentially included a denouncement of the purges of Stalin as well as the improvement of domestic policy that favored the people of the Soviet Union.

Almost 5,000 miles away, in Washington DC, President Dwight D. Eisenhower had the momentous task of providing the world with a foreign policy that would lead to a progression of civilization. Advised by a fiery Secretary of State, John Foster Dulles, Eisenhower decided to commit to the foreign policy of containment of all Communist states and was able to get the United States to ratify numerous bilateral and multilateral treaties (State Department, n.d.). Dulles was a staunch anti-Communist and was constantly in President Eisenhower’s ears on further containing the Soviet Union and the People’s Republic of China. Historians regard this period of history as a window of building East-West relations, as Khrushchev leaned more towards a progressive policy of liberalization, known as the Khrushchev Thaw. As one looks back at

this crucial opportunity missed and as it gets brushed further into the annals of history, the international community must not continue to make similar mistakes in today's flawed relationship.

Containment, and the World on the Brink of World War III

The United States and the Soviet Union, now known as the Russian Federation, has a sensitive history. One of the more prominent scholars of the Soviet Union was George F. Kennan. In his article "The Sources of Soviet Conduct," which was published in 1947 by Foreign Affairs under the pseudonym "Mr. X," Kennan laid out the evolution of political and economic ideology in the Soviet Union, from Lenin's Bolsheviks to the dictatorial and murderous reign of Joseph Stalin. While Lenin dreamed of a united Soviet Union, one that worked with Marxist principles for the people, Stalin masked his true intentions under that particular flag. Kennan writes, "Lenin, had he lived, might have proved a great enough man to reconcile these conflicting forces to the ultimate benefit of Russian society... Stalin... [was] not [a] man to tolerate rival political forces in the sphere of power which [he] coveted" (Mr. X, 1947, p. 2). Joseph Stalin possessed a sense of insecurity unparalleled with other dictators in the history of civilization and was a fanatic in the sense of thirst for power. The willingness to compromise was scarce, as Stalin was too angry and envious of Anglo-Saxon traditions to "envisage any permanent sharing of power" (Mr. X, 1947, p. 2).

In 1947, The United States became the force for social progress and a harbinger of peace and stability to the European states that were in shambles after the disastrous war. World War II took a toll on the people of Europe and temporarily destroyed the cohesion that Europe had after over two hundred years of Westphalian sovereignty (Kissinger, 2014). President Dwight D. Eisenhower and his Secretary of State John Foster Dulles agreed with Kennan's policy of containment (Milne, 2015). The policy of containment, according to Kennan, was one where the United States had to prove to the World that Communism was quixotic and that, as the leader of the free world, the United States pushed the world

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towards peace and stability (Mr. X, 1947, p. 10). Containment was designed to “confront the Russians with unalterable counterforce at every point where they show signs of encroaching upon the interest of a peaceful world” (Mr. X, 1947, p. 10). The very ideology to which the Soviet Union adhered was twofold: according to a contemporary Russian expert, Alexander J Motyl, the Soviet Union “would have to expand, as its ideology dictated... [and] second, it was under no compulsion to expand immediately and unconditionally” (Motyl, 2014). George F. Kennan was ahead of his time when it came to the study of the Soviet Union and its form of political and economic ideology. The foreign policy elite during the Eisenhower administration feared Soviet expansion not only territorially, but also ideologically. There were serious concerns about the actions and inactions of the Kremlin, and these anxieties led to continuing the policy of containment (PBS, n.d.). However, a significant window of opportunity was a disappointing miss during this period; it was the one chance that could have averted the Cold War from ever occurring. The miscalculations and general unwillingness of both states to compromise led to the most dangerous point in the schism—the Cuban Missile Crisis—where the world teetered on the edge of nuclear holocaust.

The most significant Soviet leader was Mikhail Gorbachev, specifically in the general willingness to be diplomatic. Gorbachev was an influential figure in world politics, and, depending on where you were on this spectrum, he was either loathed or admired. In the Soviet Union, the old guards of Communists deplored Gorbachev; they were hard pressed in the belief that the Soviet Union should never compromise with its ideological enemies of the West because their Communist ideology was superior. Gorbachev endured an arduous domestic politics experience, attempting to appease his base and, at the same time, opening to the possibility to alleviate the issues between the Soviet Union and the world. Inevitably Gorbachev failed to produce on both fronts, in large part because there was not enough give and take in the development of an East-West accord.

The late 80s was a critical time in world affairs because of many key events that transpired during this period. In the end, the Soviet Union collapsed primarily due to internal strain caused by the political civil war between the old guard and the younger generation of leaders (Matlock, 2005). The use of unilateral actions by several important players in international affairs created a period of uncertainty and a perpetual struggle for the balance of power. Germany was partitioned into East and West and was separated by the Berlin Wall. The only two superpowers, the United States and the Soviet Union, were no closer to any compromise than during the preceding forty years of constant strife and animosity. The People's Republic of China began to grow into a sprawling economic and political powerhouse, and Latin America still had their problems with guerilla groups. In February of 1990, negotiations were underway in the reunification process of Germany, and both the United States and the Soviet Union were cautious not to give too much to the other side in these talks (Fischer, Hoffman, 2015). Even today, many Russians still believe they were and are the aggrieved party on the issue of the different historical accounts between the two states (Sarotte, 2014). It purports that, according to the transcripts, in Moscow, Secretary of State James Baker made an "iron-clad guarantee" that NATO would not expand "one inch eastward" in exchange for Soviet cooperation in the reunification process of Germany (Shiffrinson, 2016). President Mikhail Gorbachev understood that that forestalling NATO expansion was in the national security interests of the Soviet Union (Gorbachev, 2000). Albeit, there was never a formal deal crafted: the notions that there would be quid pro quo, that the United States would prevent NATO expansion, and that the Soviet Union would consent to the unification of Germany were all understood to be primarily set in stone (Gorbachev, 1996). These notions were clearly not supported by NATO, where it stressed the fact that there have never been any "political or legally binding commitments of the West not to extend beyond the borders of a reunified Germany" (Rühle, 2014).

The Post-Cold War Era, and the Failure of the West

A turning point in the history of the Cold War was all for naught. The ancient Greeks warned society about hubris, where arrogance and overconfidence would lead to ignorant decision making, only exacerbating the problem that needed resolution (Thompson, 1982). One of the more influential contemporary realist thinkers, John J. Mearsheimer, once wrote that liberal foreign policy was the “taproot of the trouble” (Mearsheimer, 2014), specifically in the expansion of NATO further to the East and at the doorstep of the Russian Federation. The assumed agreement between Gorbachev and Bush is one of the greatest windows of opportunity in the Post-WWII period. Like previous windows, hubris led to arrogance by the West, where they believed that the Soviet Union and the World should view promoting democracy and expanding NATO as good policies that had no malign intentions. The Cold War ended on December 25th, 1991, when former communist turned radical pro-reformer Boris Yeltsin on August 19, 1991, defeated the right-wing coup against Gorbachev, and put himself on the political map (Matlock, 1995). Boris Yeltsin was an imposing and burly figure in Russian politics. Whenever Yeltsin visited any particular location, specifically the United States, hilarity ensued many times due in part to his propensity to go on alcoholic binges (Thrush, 2009). Nevertheless, Yeltsin became quite a populist figure in Russia, and his pro-reform policies made the West consider their foreign policies towards the state (Aron, 2011).

The two windows of opportunity mentioned, Khrushchev and Eisenhower in 1956 and Reagan/Bush and Gorbachev in the late 80s, are just a tidbit of the significant windows missed throughout the Post-WWII period. Notwithstanding, the most critical window of opportunity to truly create détente and possibly the inclusion of the newly found Russian Federation into the Western world occurred when the young enthusiastic former Arkansas Governor was elected President in 1992 (Toner, 1992). Bill Clinton, like Yeltsin, was a charismatic figure who related well to the American people. His campaigning for the 1992 elections included playing the saxophone while wearing sunglasses at the

Arsenio Hall Show, wearing short-shorts along with Vice Presidential running mate Al Gore at a McDonalds, as well as implementing hilarious ways to handle hecklers on the campaign trail (Anthony, 2015). Many saw him as a destined president, as a period where two reformers with uncanny optimism could potentially direct the United States - Russian relations into an existing track. In the beginning, the Clinton and Yeltsin relationship looked very promising, thus the confidence that many experts like Stephen Cohen and Gilbert Doctorow felt seemed to be credible and justified. In 1993, President Clinton announced a 2.5 billion dollar aid package for the Russian Federation, as well as for now independent Soviet satellite states, with 1.6 billion dollars going solely to Russia (Friedman, 1993). Economic liberalism was the driving force in the positive relations between the two countries. President Clinton and his counterpart were both receptive to the liberalization of the economy in Russia, as they both felt that it would be a mutual benefit. Clinton pushed for a multitude of multilateral aid from different countries throughout Europe, and the World seemed as if it was progressing into a liberal's wet dream. Other shared interests arose between the two states, where both Russia and the United States worked bilaterally to resolve many issues. Three important post-Cold War security issues—involving Ukraine, India and that of the Baltic States—were addressed due to the cooperation of Russia and the United States. Both countries managed to solve the Bosnian War in 1995 where they were able to get the leaders of Serbia, Croatia, and Bosnia and Herzegovina to sign the Dayton agreement (Bernas, 2011).

Unfortunately, the multitude of positive events between the countries were all overshadowed by the disagreements that stemmed from the purported pledge from the United States to the Soviet Union that NATO would not expand eastward. In the mid-1990s, Clinton began pushing for NATO expansion because of a variety of reasons, but it was mainly due to the open letter from many lawmakers and foreign policy experts, as well as the hearing of the Senate Foreign Relations Committee (Mitchell, 1996). European security seemed to be at the forefront of the scholarship at the time,

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and many foreign policy professionals were leery of the Russian bear and whether it was tame or just hibernating and waiting for an opportunity to take advantage. Yeltsin, the wise leader he was, did not endorse the idea of moving the NATO borders on his doorstep. In 1995, Yeltsin used the example of the Bosnian War as the “first sign of what could happen when NATO comes right up to the Russian Federation’s borders... The flame of war could burst out across the whole of Europe” (Mearsheimer, 2014). It was evident to the experts at the time that Yeltsin would be vehemently opposed to any expansion of NATO and that he might have given many veiled threats if the West decided to do just that. In 1999, Russian fears ended up being justified, as NATO granted membership to the Czech Republic, Hungary, and Poland, otherwise known as Visegrad (Larrabee, 1999). The United States pushed an arrogant foreign policy when it came to the expansion of NATO. There was the perception by the West that, because they were a democracy, the campaign for NATO expansion should be viewed as benign. Apparently, Russia disagreed with this notion; the speculation was that it showed an intention of the West to debase the Russians and minimize its worth on the world stage. The friction and tension began to balloon out of control when Yeltsin handed over the reigns to a former KGB operative Vladimir Putin. This transfer of power was a clear-cut example of how the West’s offensive actions contributed to the production of a leader that would end up becoming the most influential Russian figure since Joseph Stalin (Shabaldin, 2016).

US-Russian Relations in the Putin Reign

A new era of Russian politics came about in 1999, with Vladimir Putin becoming the acting President and then the actual President in May of 2000. Putin, a product of the famous archenemy of the United States CIA, the Russian KGB, was an unyielding individual who understood history and fancied reasserting the Russian Federation into international affairs. He possessed the yearning for Russia to be a superpower once again in the world order. While the NATO expansion debacle unfolded, it led to Putin

being full of rage and distrustful of the liberal international order, and he, from the outset, wanted no part of it. However, Putin was not naïve; he understood the need for Russian inclusion in the global economy. Thus, he saw that globalization was in full force at that time and knew it would only become more prevalent. In November of 2000, George W. Bush, son of the former President George H.W. Bush, won the U.S. election in a controversial way, one that involved a Supreme Court ruling (Cornell University). After the attacks on September 11, 2001, President Putin offered his condolences, as well as lending a helping hand in defeating the terrorists who perpetrated such heinous attacks on the United States (Signs of the Times, 2016). For a brief period, it seemed that the United States - Russian relations were on the right path forward, but, like with many catastrophes, the unity only lasted for so long, and, eventually, everything reverted to the status quo. In 2004, the second round of NATO enlargements took place as membership was granted to Bulgaria, Romania, Slovakia, Slovenia, Estonia, Latvia, and Lithuania, which put the East on edge. NATO expansion made many experts wonder about the intentions behind it, as each state was in the particular regions of the World where Russia viewed them as in its sphere of influence. NATO membership for the Baltic States of Estonia, Latvia, and Lithuania was a critical threat to the security interests of Russia. Bulgaria and Romania were also nations that were very imperative to the Russians because of their geography as Black Sea states. In hindsight, Putin, surprisingly, was not infuriated with this decision by NATO, at least on the surface (Mydans, 2004). However, he understood the significance of the matter in his way. He believed that this action was a veiled threat to the sovereignty of Russia and that clearly there were more insidious intentions behind the move. The United States, under Bush, acted on liberal policy. For Bush, it was important that the United States spread its western ideals and beliefs and show the adherence to democracy and due process, across the former Warsaw Pact-states to continue to counter the communist ideals that were somewhat prevalent in Russia. There was the belief by the West that NATO expansion would advance democracy and that the intentions

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were benign, and that the world should not interpret in any other way.

NATO was not the only aggressor in Putin's eyes; he believed that the European Union was a threat to his authority over Russia and that it played a valuable role in expanding liberal democracy among the Eastern European nations. In 2004, like with the NATO expansion, the EU granted membership to the Visegrad states, the Baltic States and Slovenia, further damaging the relationship between East and West (Lukyanov, 2010). In April of 2008, NATO had its summit in Bucharest, Romania, a new member of NATO, and it considered granting membership to Ukraine and Georgia. The Bush administration supported the idea. However, France and Germany were vehemently opposed to the idea out of fear that it would prompt Russian reaction which would put the entire world on the verge of military conflict. The French and Germans were completely right with their assessment. On August 7th, 2008, Russia invaded Georgia in defense of the South Ossetia rebels that had been fighting against the Georgian military. This was a message to the West that NATO interference in the region was off limits and that Georgia and Ukraine were not going to join NATO at any costs. Many experts believe that "NATO's widening umbrella [did not] justify Putin's bellicosity or his incursions in Ukraine or Georgia," and that it was a convenient justification for illegal aggression by Russia (Shiffrinson, 2016).

Once again, the view that United States-Russia relations could reset came about when in 2008 the first ever African-American presidential candidate won the elections. Barack Obama was a freshman Senator with limited political experience compared to many Presidents of the past. Although he worked on the Senate Foreign Relations Committee, his foreign policy experience was severely lacking. The Obama administration inherited the two problems: a reputation on the world stage that seemed almost irreparable and an economy that was on the verge of recession. Regardless of one's political ideology, one would make the claim that Barack Obama was not ready to tackle the issues at hand, where many believed that the United States was a declining power

and that China was growing into an exponential superpower. It was also clear that the Obama administration neither had interest in resolving the United States-Russia schism nor had any interest in keeping a military presence in the Middle East (Shiavenza, 2013). To cement his legacy, President Obama decided to make the pivot to Asia as his major foreign policy (Shiavenza, 2013). When the administration decided to address the threat of the Russian bear in the world, Secretary of State Hillary Clinton met with her counterpart, Russian Foreign Minister Sergei Lavrov, and announced a reset (Kessler, 2009). In 2014, the incursions of Russia into Ukraine and the annexation of Crimea, a peninsula that belonged to Ukraine, led to the United States immediate reactions of using sanctions to punish leaders and businesses. The combination of aggression by Russia and the sanctions by the United States resulted in a cessation in the feasibility of détente. Vladimir Putin argues that the use of the word annexation emanated from the propaganda of the West and disputes the claim that the referendum in Crimea was illegitimate (Withnall, 2015). At the United Nations Security Council, the United States sponsored a resolution that reaffirms the commitment to maintain the “sovereignty, independence, unity and territorial integrity” of Ukraine, a decision that ended with a China abstinence and a Russian veto (UN 68th General Assembly).

An Uncertain and Dangerous Future

The willingness to compromise and meet in the middle has been an ongoing issue since the Russian aggressions, which Putin blames on NATO expansion. In October of 2016, current Secretary of State John Kerry announced that talks on a Syrian peace deal fell apart with Russia (Wroughton, Winning, 2016). Any potential détente with Russia seems bleak, and, with Russian aggression in several reasons as well as Chinese activity in the South and East China seas, not many are optimistic regarding a bettering of East-West relations. With Vladimir Putin’s United Russia party winning a majority in the Parliamentary elections this Fall, there are no signs of Putin giving in to the demands of the West. The Russian economy

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took a significant loss primarily because of the sanctions as well as the contraction in oil prices, which eventually could lead to the transition from saber-rattling to the use of force. It is clear that the Obama administration is not willing to address the issue of Russia in their lame duck session. This crucial foreign policy issue will have to wait until Donald Trump steps in. Also, the European Union is in shambles, and it looks like ISIS is not going away anytime soon. With so many issues in the world and within the country, one can only wait and see what Putin has in store. It is evident that Putin aims to reassert Russia into the international order and that his longing for an exceptional Russia should put the issue on the forefront of every Western administration policy making. The entire world order, as well as the legitimacy of liberal institutions, is at stake.

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EGYPT AFTER THE ARAB SPRING

Sarvesh Mathiyazhagan

Egypt's uprising has failed. The most important test-case for the so-called 'Arab Spring' has proven to be nothing more than a move from one military dictatorship to another, with a brief moment of cynically artificial democracy in the middle. The 2011 revolution brought democracy to Egypt and yet people revolted again in 2013 against the democratically elected president. Has the Arab Spring failed Egypt? How does the current economic, political and social scenario reflect the outcome of the Arab Spring? Was the country better under autocracy? This essay aims to shed light on these questions as it explores the most populous Arab country five years after the 2011 revolution.

On the night of 11 February 2011, Tahrir Square, the heart of Egypt's revolution, was immersed in an ecstatic mix of emotions. It was packed with millions of Egyptians, from different walks of life, who all came together to end the three-decade autocratic rule of Hosni Mubarak. To the people who were in the crowd or watching it on television, the scenes brought "tears of inspiration to [their] eyes" (Culbertson, 2016, p. 316). The biggest Arab country was set to be free and it was an Arab Spring moment that should have redefined the entire region. Yet, two years later, in July 2013, the people gathered by the millions once again. This time, it was to demand the resignation of their democratically elected president, Mohammed Morsi

Background

"Why did Egypt have a revolution?" asked, Shelly Culbertson, the author of *The Fires of Spring* (2016), to her tour guide, Mahmoud. "Egyptians revolted because they didn't want military rule. And now they have military rule again," he replied (p. 311). Egypt's story extends back to the Ottoman Empire. From 1848 until 1952, Muhammad Ali's family ruled over Egypt. Initially it was an independent state under the Ottomans, but in 1882, the British

colonized the country. In 1922, after immense pressure from the people, Britain finally granted Egypt formal independence. However, the monarch remained the head and was a puppet to the British. The local conditions were deteriorating. Eventually, the population grew impatient and protested the lack of progress, social inequality, economic stagnation and continued foreign interference (Stacher, 2013, p. 372-374).

In 1952, the military launched a coup and overthrew King Farouk. Thus began Egypt's journey under dictatorships. After a short term where Mohamed Naguib presided over the country, Gamal Abdel Nasser became the President of Egypt. The charismatic Nasser quickly began his modernization process by establishing a single-party system, disallowing dissent and creating an authoritarian state. He was successful in many ways: he spread the pan-Arab sentiment, raised the poor out of poverty and, most importantly, nationalized the Suez Canal and resisted any foreign influence. However, after Egypt's crushing defeat in the 1967 war against Israel and the fading away of its economic glory, it began a downward spiral. After Nasser passed away in 1970, Anwar Sadat, his vice-president took control of the nation (Stacher, 2013, p. 374-376).

Sadat wasn't a mere extension of Nasser; he carried out many of his own policies. He formulated a new constitution, liberalized the economy, and launched a war against Israel, which turned out as a diplomatic victory. The highlight of his career was when he offered peace to Israel and signed the Camp David Accords, which facilitated the growth of relations between Egypt and the US. Consequently, Anwar grew further apart from his people and the Arab community who were strongly pro-Palestine. Egyptians were constantly repressed under his regime and his liberal policies led to widespread social inequality. He was assassinated in October 1981 (Stacher, 2013, p. 376-377).

Sadat's second-in-command, Vice President Hosni Mubarak took the reins and became one of Egypt's longest serving leaders. He carried on executing the policies introduced by his predecessor. Repression increased and the economy reached new lows. His

liberal policies saw the wealth gap between the rich and the poor widening at an alarming rate and unemployment growing drastically. This eventually led to the popular uprising in January 2011 (Stacher, 2013, p. 377-379).

This uprising resulted in Mubarak's abdication of the presidency, dismantling his regime. Consequently, the Supreme Council of Armed Forces (SCAF) took control for a brief transitory period until the presidential elections were held. Mohammad Morsi, a member of the Muslim Brotherhood in Egypt, won the elections by a narrow margin and became the first democratically elected President of Egypt. Morsi was considered the "least worst candidate" (Culbertson, 2016, p. 164) and rather than reforming this image, he brought in many unwelcome changes: gave himself more power, heavily introduced Islamic elements into the constitution and continued an autocratic rule (Culbertson, 2016, p. 312). In two years, another uprising saw the military overthrow Morsi. Eventually, Abdel Fattah el-Sisi, the army general who led the coup against Morsi ran for presidential elections and won. He continues to be the President of Egypt.

From Mubarak to Morsi to Sisi, what has changed in Egypt? With this question as the basis, this essay will explore the changes in the economic, political and social spheres under these three regimes to determine the outcome of the Arab Spring revolution in Egypt.

Egypt's Economy

Despite Nasser's repressive regime, his populist measures and nationalization of private assets saw an upward social mobility among many Egyptians. Nevertheless, the model did not sustain for long and economic growth stagnated. Nasser's socialist policies were then dismantled by Sadat who famously said, "I want to send to the devil of Nasserism, the socialism and all this nonsense" (Amin, 2016, p. 32). He introduced various liberal policies that privatized most assets owned by the state, allowing military officers to acquire valuable assets during this privatization. The process eventually led to formation of monopolies that control the Egyptian economy (Amin, 2016, p. 33). As a result, the real wages for the majority of

the population, which is made up of mostly the working class, deteriorated drastically. Furthermore, the tax system favored the rich, widening the economic inequality between the rich and the poor. During Sadat's rule, Egypt's debt grew fivefold to \$30 billion. Mubarak, Sadat's successor, did not deviate drastically from Sadat's economic policies, therefore increasing the debt even more to \$48 billion (Stacher, 2013, p. 385). The Global Recession of 2008 then hit Egypt's economy, reducing the GDP growth rate from about 7% to 4.6%. The poverty rate was 25% in 2010, up from 17% in 1999. It wasn't long before that inflation pushed up food prices and unemployment to unprecedented levels. Mubarak wasn't finding solutions to the problems and this led to the uprising that resulted in his ouster.

Morsi's government had huge challenges set forth before them. Nearly 75% of Egyptians aged below 30 were experiencing joblessness (Danahar, 2013, p. 187) and more than half of Egypt's population was under 30 years of age. The Morsi government wasn't carrying out any radical economic reforms to help the public and this increased the frustration of the Egyptians, especially the youth. Morsi's decisions to increase public sector salaries by up to 80% further angered the public (Danahar, 2013, p. 187). The growth rate for Morsi's two years averaged at about 2%. Ahmed el-Naggar, an economist, warned that Morsi is no different from Mubarak: "Morsi has surrounded himself with the same business entourage as Mubarak had, and they all have the same ideas, the same interests, and they are stopping him from reforming the economy because it is not in their direct interests" (Danahar, 2013, p. 188). The lack of progress and a continuation of autocratic rule led to Morsi's ouster.

Sisi inherited much of the economic worries and has, thus far, followed the same liberal policies. Tourism, a very important contributor to Egypt's GDP has only declined after the coup and the revolution. Before 2011, tourism accounted for 10% of the GDP, but in late 2014 revenues fell down 95% from the pre-2011 levels (Culbertson, 2016, p. 310). The youth joblessness was still high at 60% and overall unemployment at 13.3% in 2014 (Culbertson, 2016, p. 324). There haven't been any measures taken

to reduce the stake of the army in businesses. The army owns nearly 35 large businesses, which might be worth as much as 5% of the GDP, that deal with the production of a vast variety of goods, and they are all tax exempt (Danahar, 2013, p. 159). Sisi, who was an army man himself, might be reluctant to correct this unfair advantage. On the brighter side, Sisi's government has announced initiatives for the poor, promising to develop slums by providing housing for low-income groups, as well as paving roads, increasing access to water and electricity and advancing trash removal (Culbertson, 2016, p. 370). Sisi reduced government subsidies that previously received criticism as these subsidies supported large corporations and were a significant portion of government expenditure (Culbertson, 2016, p. 376). But the initiatives are in the process and no real impact has been seen thus far. "Give Sisi a chance. Maybe it takes five years," says Omar, a taxi driver in Egypt (Culbertson, 2016, p. 373). Economic reforms do tend to take long periods of time to reflect changes and it is fair that we wait before passing any definitive judgment.

Politics

After the military took over the monarchy in 1952, Egypt was established as a republic; it was given a constitution and state institutions were set up to carry out regular duties. However, the presidency was given insurmountable power by Nasser and his successors, to the extent that the executive leadership controlled the military, legislature and the police almost completely. Nasser banned the parliament from citing any inefficiency in decision-making. Later on, Sadat reintroduced the parliament but his party was always ensured an overwhelming majority, which made it easier to carry out his agendas. Sadat and Mubarak's party, the National Democratic Party, won more than 3/4 of the seats in all elections held during their regimes. The first free and fair elections in Egypt were held after the revolution in 2011 and the Muslim Brotherhood, Morsi's party, won 47% of the seats (Stacher, 2013, p. 387- 389). The revolutionaries who led the protests in 2011 did not go any further than getting rid of Mubarak. "They knew what they were against,

but they are far less certain about what they are for” (Amin, 2016, p. 45). They could not convert their gain to political representation in the new government (Danahar, 2013, p. 160). The Muslim Brotherhood packed the parliament with Islamists, however, the Supreme Court ruled that the elections were unconstitutional and the parliament was dissolved. Nevertheless, Morsi won the presidential elections by a narrow margin and reintroduced the parliament in which his party had the majority once again.

The military that carried out the coup in 1952, 2011 and 2013 had a major say in the manner in which the government was run, however, their direct influence decreased over time. In Nasser’s cabinet, nearly 30% of the ministers were from the military; this was reduced down to 20% in Sadat’s cabinet and 8% in Mubarak’s cabinet. Nevertheless, they continued to indirectly control the presidency and the economy. The 2011 revolution was a chance for the military to regain power and they accomplished that by dictating terms for the new constitution. The army’s amendments to the new constitution meant that they could pull the handbrake on any newly introduced regime (Danahar, 2013, p. 178). They incorporated many amendments to their advantage and gave people reasons to distrust them. Although, they promised to exit the political scene after the people elected a president, they still had significant power until Morsi made a bold and remarkable move by cancelling the constitution favoring the military and sacking Mohamed Tantawi, the Chairman of SCAF. This was initially seen as a victory as the power shifted from the military to the people (Danahar, 2013, p. 180). Nevertheless, the new constitution that was formulated by the parliament dominated by Islamists did not go well with the public. The constitution marginalized the minorities and gave Morsi more power (Danahar, 2013, p. 171). Morsi tried to gain people’s trust by launching air strikes on Islamist militants in Sinai. An Islamist president targeting Islamist militants should’ve sent out a message of impartiality but it didn’t (Danahar, 2013, p. 180). Morsi also issued a decree requiring judges to retire, giving the impression that he was going to appoint Islamists to occupy the judiciary. He then declared that his instructions were immune from the courts (Culbertson,

2016, p. 332). All of this represented an autocratic government, just like the past. Khaled Fahmy, a professor of Middle Eastern Studies, described the new government as “ballotocracy rather than a democracy, meaning it was authoritarianism by election” (Culbertson, 2016, p. 338). No real progress was seen and the people protested again to sack Morsi.

Following the 2013 coup, Adly Mansour served as interim president but Sisi, the Chairman of SCAF, who served as Defense Minister was mostly in control of the state’s affairs. He later resigned from his military post and announced that he would run for president in the 2014 elections. He won by a landslide victory clinching 93% of the votes after many parties boycotted the elections. The parliament is now composed of various parties and is more inclusive than before. This is partly due to the new constitution adopted in 2014, which makes it easier to formulate new political parties and encourages society to take initiative. Amr El-Shobaki, one of the members who drafted the new constitution, believes that there is a change from the previous regimes, since the new constitution set a two-term limit of four years each for each president, as well as incorporate provisions that protected human rights (Culbertson, 2016, p. 375).

Social Life

During Mubarak’s regime, the police force was extremely brutal; one officer confessed that the police “don’t have enough resources, so they use other techniques that save time and money. In State security departments, they might bring someone’s wife, sister or daughter and rape her to make him confess” (Danahar, 2013, p. 144). The 2011 revolution did not change much. The SCAF resorted to violence when the protestors demanded faster transfer of power. The virality of images showing government forces drag a half-naked woman across the concrete and stomp her with their boots sparked outrage among Egyptians. (Danahar, 2013, p. 163).

After Morsi took over, the military was sidelined and the violence stopped for a brief period of time. Mahmoud, a local tour guide, although disappointed that the revolution didn’t change much

felt that the police are treating the people better; before the revolution, the police rudely demanded him to show his ID and questioned him for no apparent reason. After the revolution they ask, “Can I *please* see your ID?” (Culbertson, 2016, p. 311) Even during the 2013 protests, it was only after the coup that the violence escalated quickly as a standoff emerged between pro and anti-Morsi supporters.

On 14 August 2013, Egypt’s security forces carried out the worst mass killing in Egypt’s modern history. During what is now known as the Rabaa Massacre, at least 800 people were killed. The protestors who were targeted were supporters of Morsi and it is believed that Sisi ordered the crackdown on the protests (Hamid, 2015, p. 51). The repression continued with at least 22,000 Muslim Brotherhood supporters arrested and tortured. By 2015, 40,000 were imprisoned and in the most bizarre case, a judge sentenced 529 Muslim Brotherhood members to death for killing a single police officer (Culbertson, 2016, p. 329). According to Human Rights Watch, the repression under Sisi’s regime is “on a scale unprecedented in Egypt’s modern history.” Amnesty International stated: “In Egypt today anyone who challenges the authorities’ official narrative, criticizes the government, or exposes human rights violations is at risk of being tossed into a jail cell” (Culbertson, 2016, p. 336). Since the 2013 coup, there have been 1,223 attacks over two years, an average of about 50 per month. Before, the 2013 coup there was only 78 attacks, an average of 4 per month. In addition to that, attacks carried out by ISIS in Sinai increased after Morsi was overthrown. (Hamid, 2015, p. 53).

Despite the facts and figures showing that the social and human rights conditions have worsened over the years, there are some sections of the public who believe that true positive change has been brought about. The biggest accomplishment of the 2013 revolution was the empowerment of women according to Mervat Tallawy, the head of Egypt’s National Council for Women. Under Morsi, women were considered less important and inferior. “They tried to alienate women, to remove them from their posts, and to change what the curriculum in schools said about women,” says

Tallawy (Culbertson, 2016, p. 361). The 2014 constitution formulated under Sisi's regime introduced Article 11, which provides equality for women in five areas: economic, social cultural, civil and judicial. "For the first time, we have woman as a citizen in the constitution, because in the constitution of Morsi, they did not use the word 'woman,' but 'motherhood' and 'childhood,'" says Tallawy (Culbertson, 2016, p. 364, 365).

Another section of the society that found progress was the Christian Coptic sect, which makes up nearly 9% of the population. During Mubarak's regime they were marginalized and discriminated against. During Morsi's regime they walked out of the constitution drafting community as it heavily favored the Muslims. When Sisi became president, he included three Copts in his cabinet. He visited a church for Christmas, which was unprecedented for a Muslim leader. When ISIS beheaded 21 Christians, Sisi paid a visit to the Coptic pope offering condolences and reassuring him of the safety of Christians in Egypt (Culbertson, 2016, p. 367, 368). By not ignoring this minority community, Sisi has gained their support as well.

The social sphere has seen mixed progress under the three regimes. The alarming state of human rights has been condemned all over the world and it cannot be compensated for by the improvement in lives of women and religious minorities. Nevertheless, the government is now held accountable and if the current state of affairs continues, the people can choose a new leader, unlike before.

Conclusion

It would be incorrect and trivializing to say Egypt's uprising has failed. It isn't just a move from one military dictatorship to another. A revolution and a coup of such massive scale cannot go away without creating profound change. Yes, there are aspects that still need improvement: the economy is yet to start growing at a steady rate again, political conditions aren't changing as fast as expected and human rights conditions have worsened. But, the stagnation has ceased and progress is evident. "The revolution is not a political change. It is a *human* change. Egyptians who were really scared of even *talking* with the police overcame the barrier of fear. This is a basic change, but it is a great achievement. It is irreversible," says Al-Aswany, the author of *The Yacoubian Building*. "We wanted to be a democratic state like any other democracy, where the most important factor is the citizen, not the president, not the regime, not the police" (Culbertson, 2016, p. 325). The people have understood and adopted this fundamental aspect of democracy. The politicians are now aware that they are accountable to the people. To judge now offers very narrow perspective; Egypt deserves more time to bring about democratic changes that translate into changes in government institutions and practices. After all, they have to undo what has been done in the past sixty years.

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NIGERIA – TRADE AND INVESTMENT POLICY REVIEW

Shivangi Khanna

Nigeria is on the precipice of a large set of changes, arising from an ever-tense political climate, volatility in the price of oil, its major export and industry, a rise in foreign direct investment into its major industries and a push towards greater integration with global markets. This paper hopes to analyze the barriers Nigeria faces to healthy economic growth, as well as some necessary steps it needs to take to achieve those goals.

A nation infamous for government corruption as abundant as its oil reserves, Nigeria concluded peaceful and democratic elections last year—the first in its history. Former President Goodluck Jonathan amicably conceded defeat to President Muhammadu Buhari, transferring power from a Christian to Muslim leader in a state internally wrought with sectarian divisions (Gobry, 2015). In addition to these concerns, President Buhari faced incredible poverty and economic inequality within his oil-wealthy nation along with a corrupt government. Hanging above his policy decisions lay the declining role of petrodollars, the highest contributor to Nigerian GDP (CBN, 2015), which only further complicated balancing the trade and investment climate of the sub-Saharan country.

Within its regional trading blocs, Nigeria dominates international markets with its Bonny Light crude oil. However, this resource-reliant approach falsely minimizes the need for economic diversification through growth of the manufacturing sector—which the nation could achieve if it capitalizes on its enormous population. To maximize diversified growth, Nigeria should comply with intra-regional trade liberalization guidelines set forth in its agreements with its neighbors, lower protection, reduce technical barriers to trade, and improve its domestic regulatory environment. An inflow

of foreign direct investment (FDI) could provide much-needed capital, advanced technology, and immediate inputs that may not have otherwise been available for development (Johnson, 1972). However, Nigeria must first prioritize the construction of critical infrastructure to both entice and promote enterprise and entrepreneurship. If President Buhari's government remains vigilant against the potential harm from economic openness, foreign competition and investment can significantly accelerate economic growth (Akanni, 2007).

Political Climate: Changing Tides Ripe for Change

Since democratizing in 1999, Nigeria has sought to shed its image as a high-risk market. Bad governance, unstable macro-economic policies, and economic underdevelopment have dissuaded foreign investors from committing capital to long-term projects. However, the government has since made significant policy changes to reinvigorate foreign interest in Nigerian development by repealing laws counteractive to investment interests, implementing new investment law, and reestablishing its positive image through diplomacy (Akanni, 2007). Foreign investors have increasingly taken note of these changes – Nigeria has attracted about \$20 billion in FDI in the last three years alone. The nation now boasts the highest amount of FDI in the entire sub-Saharan region.

In March of 2015, the largest African democracy elected to defeat an incumbent leader for the first time. Former President Goodluck Jonathan, leader of the People's Democratic Party, stepped down after losing to Muhammadu Buhari: former military dictator, "born-again democrat," and leader of the All Progressives Congress (Mark and Smith, 2015). Jonathan's formal concession to Buhari boosted both domestic and international hopes the nation would not repeat the post-election violence in 2011 that killed eight hundred Nigerians. Despite the violent precedent, both domestic and international communities have greater optimism for policy changes and corruption reduction. Tony Blair, after congratulating Buhari and commending the bloodless democratic transition of power, summed it up by saying, "It gives all of us who are about

Nigeria great optimism and confidence in its future” (Mark and Smith, 2015). If the new government capitalizes on this chance to ameliorate its image and attack Nigeria’s rampant corruption, the nation may rid itself of its decades-old negative image in the eyes of foreign governments and corporations during trade and investment-related decision-making.

Declining Role of Oil

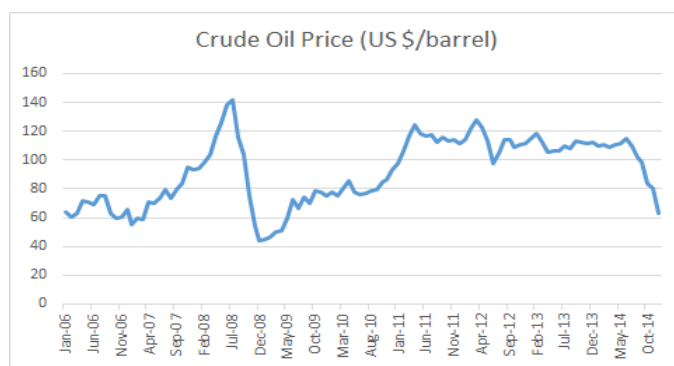


Figure 2: Crude Oil Price (2006-2014)

Data Source: Central Bank of Nigeria

Nigeria ranks eleventh of the world’s largest oil exporters per the U.S. Energy and Information Administration (n.d.). Both its exports and overall economy are heavily tied to the global price of crude oil, leaving the nation exposed to geopolitically-motivated and supply-driven price manipulations. Oil prices have been volatile since the 2008 global recession, stabilizing far below the ‘old normal’ due to oversupply and falling demand. Bonny Light crude oil, the variety produced in Nigeria, decreased from highs over \$141/barrel to lows under \$45/barrel (Figure 2) (Central Bank of Nigeria, n.d.). Still, the nation has striven to fulfill demand of its trade partners such as the United States and India.

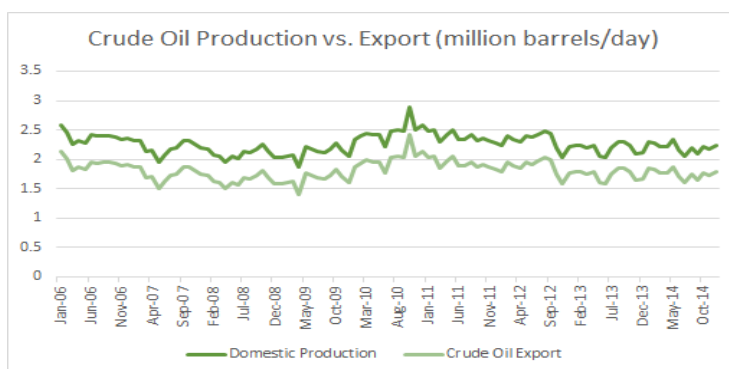


Figure 3: Crude Oil Production and Export

Data Source: CEIC Data Manager

Although Nigeria has maintained high production and export levels (Figure 3), declining oil prices significantly impact national GDP (U.S. Energy and Information Administration, 2015). Despite this setback, Nigeria’s real GDP has risen. The struggling oil sector has given rise to huge growth in non-oil industries such as manufacturing. The economy has refocused its efforts with “consistently high growth of about six percent a year over the last decade, largely driven by a fast-growing non-oil sector. In fact, the non-oil sector has grown at a rate of up to eight percent a year” (Hansen, 2013).

Foreign Direct Investment: Existing Policies and Agreements

Foreign investments are primarily regulated by two pieces of domestic legislation: (1) the Nigerian Investment Promotion Commission Act No.16 of 1995 and (2) the Foreign Exchange Act No.17 of 1995 (Nigeria High Commission, n.d.). The Acts largely deregulate Nigerian enterprise to entice greater levels of investment from abroad with the exceptions of arms and ammunition, narcotics and other related drugs, and military manufacturing. The legislation also promotes open access to non-Nigerians, declaring permission to “invest and participate in the operation of any enterprise in Nigeria” (Nigeria High Commission, n.d.). Further provisions go on to establish guidelines for liquidity, commitment, and investment protection assurance. Foreign investors are granted “unconditional

transferability of funds,” “total repatriation of capital” if investors choose to withdraw and relocate, and guarantees against nationalization or compulsory transfers of ownership. The government may not grant private entities the right of expropriation, however should a public need arise, the government may reverse the investment only after providing fair compensation in addition to the option to appeal the decision to higher judicial authorities.

Furthermore, Nigeria has active Bilateral Investment Treaties with Finland, France, Germany, Italy, Republic of Korea, Netherlands, Romania, Serbia, Spain, Sweden, Switzerland, Taiwan, United Kingdom. The government has also signed unenforced treaties with twelve additional nations (Investment Policy Hub, 2013).

Global Trade Regime

Nigeria may play a significant role in regional economic activity, however, when analyzed in the context of the developed world, its power is drastically reduced. The oil-rich nation signed onto The General Agreements on Tariffs and Trade (GATT) in 1950 and joined the World Trade Organization (WTO) in 1995.

The World Trade Organization’s aims include facilitating market access and trade liberalization, setting global rules governing trade, monitoring implementation and compliance with WTO rules and regulations, and mediating trade-related disputes. Its core principles are non-discrimination, reciprocity, and transparency. The non-discrimination principle is the most heavily contested aspect of WTO mandates because of the guidelines and exceptions it poses. It can be subdivided into two key concepts: most-favored-nation status (MFN) and national treatment (WTO, 1999). As per the guidelines of MFN treatment, all WTO members must be considered equal trading partners without discrimination or favors toward any partner over the others (WTO, 2015). However, developing nations may be granted certain, often heavily disputed, exceptions as well as trade blocs such as the European Union which grant additional benefits for members. WTO negotiations primarily focus on industrial relations, often with developed nations arguing

against trade barriers in developed nations. Nigeria has not yet been a primary party in any WTO complaint (WTO, 2015).

The national treatment guidelines mandate that all imported goods and services, after they have entered Nigeria, should be treated equal to domestic goods and services. Thus, the only leeway given to Nigeria under WTO guidelines comes in the form of MFN status exceptions. For Nigeria, MFN exceptions allow access to regional blocs within Africa that are closed off to most developed nations, and the nation should capitalize on this advantage. While industrialized nations have historically preached free trade doctrines, they, too, subsidize selective domestic industries, thereby eliminating associated foreign competition in domestic markets. Utilizing this example, Nigeria should not develop reliance upon trade partners in key industries when growing its non-oil industries whether industrial or agricultural.

Finally, Nigeria is also a part of the Global System of Trade Preferences Among Developing Countries (GSTP), which extends its membership past the continental confines of the AU to the global developing community. The GSTP includes Brazil, Chile, Egypt, India, and Sudan, among others, and constitutes a preferential trade agreement between all members to increase trade among all developing nations (Focus Africa, n.d.).

Benefits of Integration: Big Fish in a Small Pond

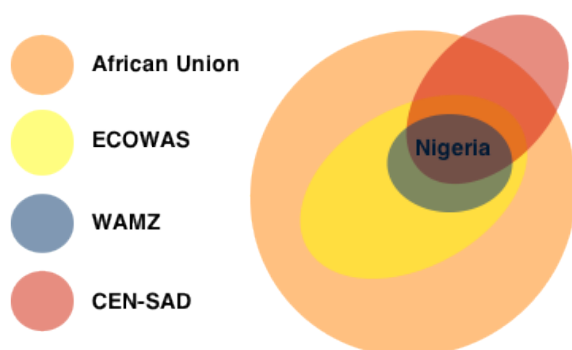


Figure 4: Nigerian Membership in Economic Communities

In the two decades following the fall of the Soviet Union, much of Africa felt the effects of capital diversion to the newly open markets of the former second world. Eastern European nations badly needed capital to begin transitioning into market economies as developed nations provided funding (Akanni, 2007). Now, as the initial excitement surrounding Eastern European markets has settled, developed nations have paid more attention to developing nations in Africa and Asia. This shift puts Nigeria at the forefront of investors' gazes as it dominates regional communities based on GDP. As a member of the developing world, Nigeria cannot expect to compete at a leveled playing field with the developed world on its own. Thus, its participation in geopolitical and economic communities such as the AU, ECOWAS, and GSTP is key.

Generally confined to the African continent, the African Union promotes a sense of solidarity between African nations and establishes a set of economic, social, and political standards for all member nations to emulate. Its purpose and power are modeled after those of the European Union, as it outlines its official economic aims, “to make Africa a more integrated trading bloc and a significant and competitive trading partner in the global economy... to establish the Continental Free Trade Area (CFTA)... to harmonize industrial policies within and between RECs and monitor the implementation of AU decisions by RECs, Member States and Strategic Partners” (African Union Department of Trade and Industry, 2015). On a trade and investment level, the union eventually seeks to combine African nations into a broad free trade area, single market, customs union, central bank, and common currency. In the meantime, the African Economic Community, an organizing body of the African Union, supervises the Regional Economic Communities (RECs) within the AU of which Nigeria has two memberships: ECOWAS and the Community of Sahel-Saharan States (CEN-SAD). Both create free trade areas within their sub-groups, however ECOWAS delves even further into economic integration between nations with international investment agreements and plans for a future currency union (ECOWAS, n.d.).

Within its regional sphere of sub-Saharan Africa, Nigeria's participation in investment and trade far surpasses most of its counterparts. Of the combined GDP of the fifteen member states in ECOWAS, a majority is derived from Nigeria and Côte d'Ivoire. (Focus Africa, 2015, Meyer, 2010). ECOWAS officially promotes economic integration in "all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions, social and cultural matters" (African Union Department of Trade and Industry, 2015). Nigeria's dominance of this economic sub-group implies that its industries should theoretically be less threatened by those of its ECOWAS trading partners. In fact, cumulatively, the fourteen other nations provide a larger market for the expansion of Nigerian manufacturing and agriculture in addition to Nigeria's oil exports. Within ECOWAS, Nigeria also takes part in West African Monetary Zone along with six other ECOWAS members, who plan on introducing a common currency, the Eco (The West African Monetary Zone, n.d.).

Regional Standards Benefit Nigerian Industry: Technical Barriers to Trade (TBTs)

The World Trade Organization's Agreement on Technical Barriers to Trade aims to mitigate the effect of imposed technical regulations and other related measures on industrializing economies. The agreement equally extends itself to "achieve legitimate policy objectives, such as the protection of human health and safety, or protection of the environment" (WTO, 2015). However, most Regional Trade Agreements within sub-Saharan Africa eliminate TBTs from trade policy (Meyer, 2010). First, this reflects lower standards of living of locals in developing economies than those in developed economies; goods produced with weaker product standards can be produced at lower costs. These lower standards create an import-export bias per OECD Trade Policy Working Papers where "developing regions in Africa seem to favour low technical requirements in respect of their imports whereas they face

high TBT requirements for their export to developed regions” (Meyer, 2010).

However, this circumstance alone may not justify a need for Nigeria to enhance its compliance with developed nations’ standards. Currently, two bodies within the Nigerian government monitor technical regulations of goods produced, imported, and exported: the Standards Organization of Nigeria (SON) and the National Agency for Food and Drug Administration (NAFDAC) (Nigeria: Federal Ministry of Information, 1969). The latter ensures the safety and quality of Nigerian exports by issuing export certificates for products that conform to its standards. Four main laws set forth these export standards: the Export of Nigerian Produce Act, the Export Incentive and Provisions Act, the Export of Produce Federal Powers Act, and the Export Prohibition Act (Meyer, 2010). Domestic manufacturing industries also fall under the governance of the SON and NAFDAC, both of which adhere to the International Standardization Organization (ISO) and the African Organization of Standardization (ARSO). Their established standards comply with international norms, yet “enforcement seems weak” and “there exists little awareness of international standards among local firms and farmers” (Meyer, 2010).

Hopes and Aims of Cautious Investment Inflow

An investor seeks stability, security, and profit. However, the goal of trade and investment policy is Nigerian economic independence and development. The second goal, development, requires four main inputs: investment capital, technical skills, enterprise, and natural resources (Akanni, 2007). Though the Nigerian government should seek to increase trade and investment on a broad scale, it should especially encourage opportunities that provide long-term development of the first three inputs. Successful FDI should provide Nigeria with capital inflow, industrialization, infrastructure construction, controlled resource extraction, employment creation, and technology transfer, and taxes.

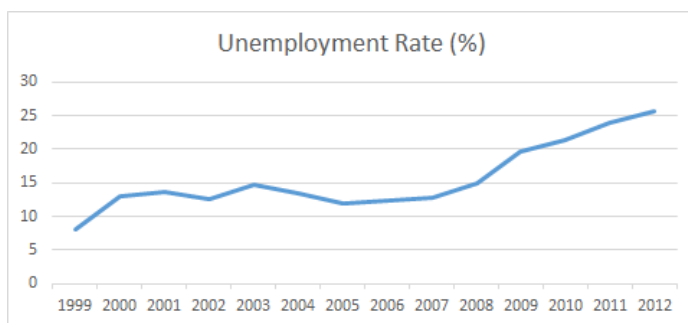


Figure 5: Unemployment Rate

Data Source: CEIC Data Manager (2015)

As Nigeria opens its doors to foreign involvement in domestic projects, it must be wary of the harmful effects of unlimited corporate control. These risks include the displacement of local businesses, a worsening of the national balance of payments, a monopolization of existing capital resources without the injection of additional capital and mass structural unemployment from new technologies without education initiatives for local labor (CEIC Data Manager, 2015). Investment does not unconditionally benefit Nigeria; without careful vigilance, the government may find its economy inextricably wound to its business partners whether in trade or investment. With unemployment at all-time highs, it is more imperative now than ever to ensure that Nigerian jobs are increased and not taken away by opening trade barriers and inviting capital investment. If our workers' skills are rendered irrelevant without proper remediation, unemployment will only rise, leading to lower standards of living overall.

Nigerian interests should always be at the forefront of the decision-making process, rather than solely the investor's bottom line. Quantitatively, this means that the change in Nigeria's real national income should be greater than the change in investors' incomes (Meier, 1991). Thus, the most beneficial form of investment contributes to overall capital supply rather than to individual, short-term investment projects. The purpose of allowing investment is not only to enhance economic activity and build infrastructure but to also expand managerial and labor skills along with it to raise Nigerians' standard of living. If the investors were to

withdraw their projects, Nigeria should not be left in the lurch. A fully open investment climate would do little to limit the detriments on industrial policy, disempowerment of Nigerians against foreign enterprise, and environmental degradation. As Nigerian political commentator Arthur Nwonkwo notes, “No nation could provide for the welfare of its citizens as long as its economy is fettered.” (Kalu, 1987).

Stay Wary of Free Trade Agreements with Developed Economies

David Ricardo’s empirically proven theory of comparative advantage asserts that specialization and free trade increases global production, expands enterprises, and raises overall standard of living. However, the theory does not consider the nuances in real-world applications of the model. Theoretically, both countries should experience expansion in both industrial and agricultural sectors. Yet, the reality may be skewed and force developing economies to concentrate on low-skill labor, effectively deskilling the labor force and slowing development. Free trade can introduce variety in consumer goods, new technologies, and competition leading to better quality. Yet, if local populations do not have the means to enjoy these supposed benefits because of a lack of increase in national income, these factors have no value.

In fact, developed economies have often instituted protectionist measures during the industrialization of their economies. In the eighteenth century United States, Alexander Hamilton, who established the foundations of the American economic system, sought to protect domestic industries and monitor foreign competition. German-American economist Friedrich List also characterized the notion of developing nations adopting free trade policies as “throwing away the ladder.” Protectionist policies are crucial to industrialization, as shown by Taiwan, South Korea, and Singapore, all of whom successfully industrialized in the late twentieth century with these policies in place. Without any form of trade protectionism, heavily industrialized nations will be able to easily overtake small-scale,

Nigerian industries through their large economies of scale. By pushing cheaper goods into developing markets, they retain their industrial monopolies on a global scale.

As beneficial as trade agreements with developing nations may be for Nigerian development, open access measures such as the Economic Partnership Agreement (EPA) may prove equally detrimental. The agreement would open trade between signatory African nations and the European Union. Free trade proponents of EPA claim that the elimination of import duties would aid Nigerian companies by lowering input costs and lower costs of manufactured goods across the board through the unlimited access to the EU market (Nwoke, 2008). However, this ignores the drastic monopolization of the Nigerian economy as its market would be flooded with goods at prices below what local businesses could sustainably provide. One assessment of an EPA reality showed the potential effects on Nigeria to include “massive loss of government revenue, emasculation of the manufacturing industry, devastating employment losses, increase in poverty levels and erosion of policy space”(Nwoke, 2008). As Olesegun Aganga, the Nigerian Minister of Industry, Trade, and Investment stated, “We should leverage our abundant natural resources and large market to develop our industries; create jobs for our people; increase intra-African trade and achieve regional integration. We must not be in a hurry to give away what we have” (Oladunjoye, 2014). Nigeria’s resources should first be utilized in its domestic growth until it reaches higher competitive levels of economic production and stability.

Diversify Away Economic Reliance on Crude Oil

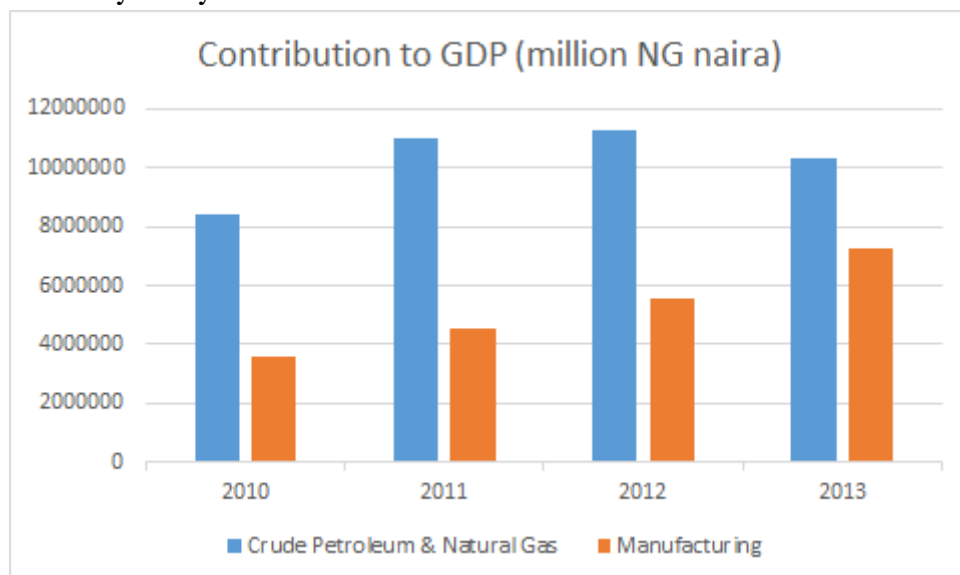


Figure 6: Contribution to GDP by Industry (2010-2013)

Source: National Bureau of Statistics of the Federal Republic of Nigeria

Allowing the Nigerian economy to remain so closely linked to global crude oil prices leaves gaping opportunities for drastic instability. Falling oil revenues “could trigger a downturn in Nigeria’s domestic consumption and hamper non-oil growth” as well as a bad “security environment” and increased political risk (Hansen, 2013). On one hand, crude petroleum and natural gas have historically provided high contributions to national GDP. Total real GDP has soared to higher levels than that of its main competitor in the continent, South Africa (BBC, 2014) (though not on a per capita basis). Remarkably, though, the non-oil sector has rapidly risen in the past decade, accounting for most of GDP growth and masking the effects of oil instability. Though crude oil production continues to provide a solid basis for the Nigerian economy, it cannot be relied upon for sustainable economic success.

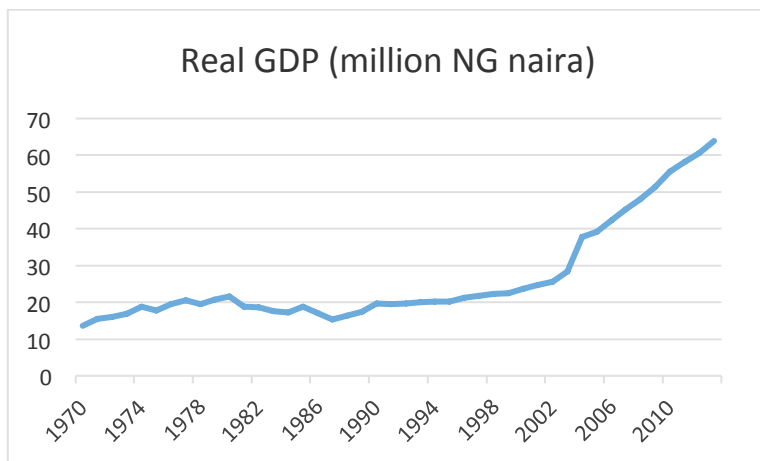


Figure 7: Real GDP (1970-2010)

Data Source: WTO

A diversified economy may also help reduce corruption. The consistent plundering of state oil wealth by upper-class insiders has severely dampened Nigeria's performance in export markets throughout the past few decades. This phenomenon has been tokened the "natural-resource-curse" where "natural riches have been found to engender institutional weaknesses as groups attempt to capture rents" (Melo & Ugarte, 2013).

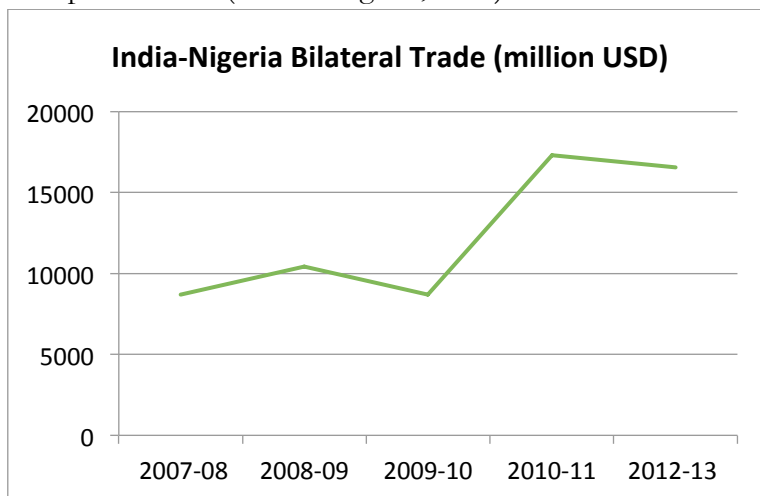


Figure 8: India-Nigeria Bilateral Trade Statistics (2007-2013)

Data Source: Ministry of External Affairs, Government of India (2014)

Nigerian oil production has earned the nation favorable trade relations worldwide with essential markets such as the United States and India. India currently imports more Nigerian crude oil than any other nation in the world, displacing the United States for the top position (Times of India, 2015). Bilateral trade between the two nations continues to climb. The 2007-2008 figures reported by the Indian Department of Commerce calculate bilateral trade of \$8.7 billion, however this figure nearly doubled to \$16.6 billion for the 2012-2013 figure. In addition, over one hundred Indian companies have presence in Nigeria including Bharti Intel, Bhushan Steel, and Ashok Leyland, to name a few (Ministry of External Affairs, Government of India, 2014). Nigeria should leverage these existing relationships when expanding its exports beyond simply oil. India boasts one of the world's largest populations, providing a significant foreign market for Nigerian consumer goods. However, it should still take caution against cheaper Indian goods flooding the Nigerian markets.

Leverage Population to Promote Manufacturing

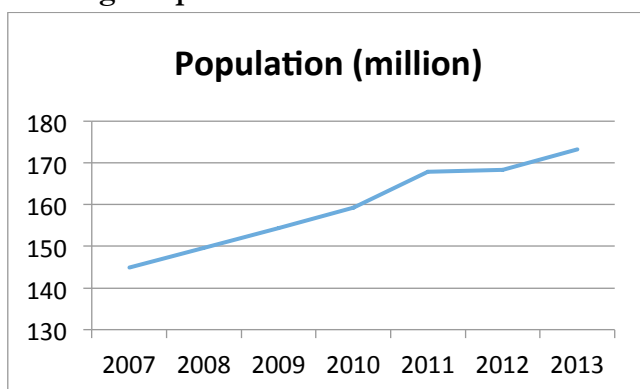


Figure 9: Population (2007-2013)

Data Source: CEIC Data Manager

Though India's population sets international records, Nigeria far outranks any other African nation with a population size of over 170 million people (CEIC Data Manager, 2015) with a "rapidly growing middle class" (Melo & Ugarte, 2013). This large consumer base satisfies an essential requirement for industrial

development: the existence of a large domestic market that fosters the growth of national champions. Further, increasing labor costs in China and other parts of Asia have left a gaping opportunity for Nigeria to capitalize on its low wages and focus on the export of labor-intensive goods. In the past, a weak institutional environment has “contributed to resistance towards reforms since those in power have vested interests to oppose reforms that would diffuse rents and political power” (Melo & Ugarte, 2013). However, the new regime under the leadership of President Buhari and the APC has an opportunity to strengthen the power of the majority population within the Nigerian state.

In addition to strengthening governance, Nigeria also must strengthen its regulatory environment. The NIPC cannot stand by as ARSO regulations are either ignored or not fully disclosed to local manufacturers if Nigeria is to create a favorable reputation in foreign markets. Government regulations must improve minimum standards for infrastructure as well to reduce energy costs and work towards reducing inefficiencies such as frequent power outages (Melo & Ugarte, 2013).

The promotion of low-cost exports may also temporarily remediate the issue of declining foreign exchange reserves. If the international political economic climate allows it, a slight depreciation of the real-exchange rate may aid in the initial start of manufactured exports. This would change previous policies of adhering to Bretton Woods-style manipulation of maintaining a close link with the value of the USD. Former Central Bank governor Lamido Sanusi, before his recent removal, remained “committed to keeping inflation steady and maintaining the Nigerian naira in a tight exchange rate band with the US dollar thereby creating a stable environment for investors” (Hansen, 2013). Though this creates investment stability, a depreciated currency could both boost initial exports as well as mitigate the loss of foreign exchange reserves. Thus, the Nigerian Central Bank could shift focus away from its thinning foreign exchange reserves as it has historically struggled to maintain.

Reduce Regional Trade Barriers to Increase Dominance

Nigeria's import bans need to be discontinued and replaced with a higher MFN tariff and a very low regional tariff. As of January 1, 2015, Nigerian tariffs on regional, ECOWAS trade follow a band from zero to thirty-five percent based on the type of good. Nigeria's Coordinating Minister for the Economy and Minister of Finance, Dr. Okonjo-Iweala, declared the reason for these figures, stating, "All the countries concerned were looking into the trade agreements so that individual countries would not become dumping grounds for frivolous exports" (Nzeka, 2014). Though this risk runs true for Nigerian trade relations with developed economies, this is less of a risk within ECOWAS. If Nigeria were to successfully industrialize, the chances of its markets becoming a dumping ground are low as it is "surrounded by less populous low-income countries" (Melo & Ugarte, 2013).

Removing the import bans in place of tariffs would have an additional key benefit: increasing trade regime transparency and increasing government revenues. This then "removes some of the market power in the hands of shielded domestic firms," thereby increasing domestic competition that forces these firms to raise standards. All in all, the Nigerian people benefit without the economic system becoming entirely fettered to home country investors. Implementing the ECOWAS Trade Liberalization Scheme (ELTS) on the other hand would "help Nigeria establish a leadership role in ECOWAS" and signal that Nigeria is willing to follow through on its promises. The ELTS dictates that the Free Trade Agreement between ECOWAS nations bars quantitative restrictions and promotes duty-free regional trade. Instead of continuing its policy of counteracting against ELTS guidelines, Nigeria should act as Brazil had in MERCOSUR and take a leadership position.

'Privatize' Infrastructure Through Public-Private-Partnerships

Privatization of traditionally state-held industries promotes competition and introduces foreign interest in these industries with open access to Nigerian enterprises. Speedy and competitive

infrastructure projects are essential for Nigeria's development. Before it can fully commit to building its manufacturing potential, it must first focus on a domestic-led growth strategy until domestic and foreign capital have produced a well-functioning infrastructure.

In 2013, Nigeria privatized the Power Holding Company of Nigeria, which directly affects the nation's core infrastructure as a wide-reaching energy provider. As a private company, non-Nigerian investors now have access to both compete with and acquire the enterprise. In cases related to infrastructure, this may be less than advisable for political economic reasons (Hansen, 2013). Core infrastructure should not be unconditionally controlled by foreign interests as NIPC assurances grant them with full decision-making power. Thus, not all decisions may prioritize Nigerian interests. Privatization invites the introduction of new skills, technologies, and knowledge from home country investors. However, it also strips away significant control over industrial policy. Thus, the government must devise a substantial model for public-private-partnerships for two main reasons. First, an established model would help entice capital for essential infrastructural projects that would not only profit the involved home country but also raise the standard of living for local populations. For example, a much-needed overhaul of the road networks throughout the nation would not only provide local jobs in industries such as construction, they would also spur the growth of numerous other burgeoning industries such as agriculture and commercial manufacturing as access to trade across the nation would increase exponentially.

However, Nigeria needs to strengthen its institutional capacity and not allow for state-sponsored kickbacks. These practices will exacerbate the current inequality gap, halt the construction of vital infrastructure, dissuade future investors, and severely slow industrial growth. Nigeria will be left with more "graveyard" steel plants such as the Ajokouta steel complex that, forty years after its supposed beginning, has yet to produce a commercial ton of steel (Melo & Ugarte, 2013). The new regime has a chance to change the corrupt practices of the Nigerian

government and finally promote development, transparency, and equality for the Nigerian people.

Foster Entrepreneurial Talent

In addition to enhancing traditional non-oil sectors such as manufacturing relating to consumer goods and infrastructure, the nation should place a high emphasis on its role as an African base for entrepreneurial talent. Though Johannesburg in South Africa has been ranked the “most popular city for African youth aged 15-29” by the 2015 Youthful Cities Index, the study has declared Lagos, Nigeria’s capital city, as the entrepreneurial capital of the continent (Tshabalala, 2015). The characterization, in part, stems from investor-friendly and business-friendly policies as well as more stable infrastructure in Lagos as opposed to its counterparts such as Johannesburg, Casablanca in Morocco, and Nairobi in Kenya--all of whom the report considered. As such, the government should actively pursue this image to attract global entrepreneurial talent as well as develop the existing environment to be even more conducive to innovative business. One way to accomplish this goal is to invite initiatives like that of the Tony Elumelu Foundation taking place this July. As “1,000 youth entrepreneurs from 52 African nations flock to Lagos for a 2-day entrepreneurial bootcamp... part of a \$100 million programme for young African entrepreneurs,” the Nigerian government should work towards ensuring these foreign entrepreneurs, their businesses, and their investment capital stay in Nigeria.

This type of long-term development and investment will increase Nigeria’s self-sustainability and economic independence as opposed to other modes of investment inflow that result in heavy reliance on investors. If successful, Lagos may establish itself as the entrepreneurial hub of Africa through historical accident as more and more firms flock to the capital, following the route of Silicon Valley. This simultaneously promotes middle-class jobs and education initiatives to fill the vacancies.

Concluding Remarks

Nigeria is ripe for policy changes given the new government, most notably with a chance to establish a favorable international image and to finally attack corruption. The economy should continue toward the trend of reducing economic reliance on oil exports to mitigate economic instability, internal corruption, and low standards of living for the majority. Before it can do so, however, the nation must upgrade its infrastructure such as extensive road networks to be able to sustainably support emerging industrial and business sectors. Joint ventures through public-private-partnerships provide the most efficient way to complete cornerstone infrastructural projects using both domestic and foreign capital and resources. Once these have been established, Nigeria should leverage its booming population by fostering domestic consumer goods and retail markets with trade and investment in domestic manufacture. The government should expand trade and investment-friendly policies and participation in its current customs and trade unions such as ECOWAS but be extremely cautious of trade and investment agreements with developed economies that have the potential to overtake Nigerian enterprise. Finally, the government should take advantage of recent reports promoting the entrepreneurial incubator of Lagos to attract new businesses and talent, while avoiding the potentially negative effects of FDI.

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