

The Dutch retreat



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“ Now that the Dutch have done their duty in Afghanistan, the Social Democrats want to make sure that this does not happen again. ”

The Dutch army has been operating as part of NATO in a remote and unruly part of Afghanistan since 2006. Fighting against the Taliban has been heavy at times. Twenty-one Dutch lives have been lost, out of about 1,800 men and women. The Dutch were supposed to have been relieved by troops from a NATO partner in 2008. No one volunteered. So their mission was extended for another two years. But now the Social Democrats in the Dutch coalition government have declared that enough is enough. The Dutch troops will have to come home. Since the Christian Democrats do not agree, the government has fallen.

This is highly inconvenient for US President Barack Obama, who needs all the help he can get in Afghanistan, even from small allies, if only for political reasons. To many Americans, especially of the neo-conservative persuasion, Dutch behavior might confirm all their suspicions about perfidious Europeans, addicted to material comforts, while remaining childishly dependent on US military protection. When the going gets tough, they argue, the Europeans bow out.

It is true that two horrendous world wars have taken the glamour out of war for most Europeans (Britain is a slightly different story). The Germans, in particular, have no stomach for military aggression, hence their reluctance in Afghanistan to take on anything but simple police tasks. Mindful of Ypres, Warsaw, or Stalingrad, not to mention Auschwitz and Treblinka, many regard this as a good thing. Still, there are times when pacifism, even in Germany, is an inadequate response to a serious menace.

Pacifism, however, does not really explain what happened in the Netherlands. The reason the Dutch are wary of carrying on in Afghanistan is not the trauma of World War II, but of a small town in Bosnia called Srebrenica. In the mid-1990s, the Dutch volunteered to protect Srebrenica from General Ratko Mladic's Serbian forces. Under United Nations rules, the Dutch,

bearing only side-arms, could fight, and only in self-defense. Air support, although promised, never came. Dutch hostages were taken and threatened with execution. The world then watched as the hapless Dutch allowed Mladic's heavily armed Serbs to massacre about 8,000 Bosnian Muslim men and boys.

Then, too, pacifism had nothing to do with what happened. Quite the contrary: the main reason the Dutch allowed themselves to be maneuvered into an impossible situation, without military support from the UN or from NATO allies, was their over-eagerness to play an important role, to be taken seriously by the larger powers, to play with the big boys. As a result, they were left holding the bag. Now that the Dutch have done their duty in Afghanistan, the Social Democrats want to make sure that this does not happen again.

Hope of punching above their weight, of influencing the US, was also an important reason why Britain joined in the invasion of Iraq, even though public opinion was set against it.

Tony Blair enjoyed the limelight, even if the light was reflected from the US. But this was not just national hubris; it exposed a basic condition of postwar Western Europe. In return for US protection, European allies always tended to fall in line with US security policies. This is what kept NATO going since 1949. It made sense while NATO did what it was designed to do: Keep the Soviets out (and, sotto voce, the Germans down).



Dutch Prime Minister Jan Peter Balkenende (2nd Right) leaves the Noordeinde Palace after talks on Feb. 23, 2010 with Dutch Queen Beatrix to chart a way forward after the collapse of the government. Balkenende tendered the resignations of the 12 members of the Labor Party (PvdA) to Queen Beatrix after the party demanded the withdrawal by year-end of 1,950 Dutch troops deployed in Afghanistan. (AFP)

After the fall of the Soviet Union, NATO suddenly found itself without a clear goal (and the Germans no longer needed to be kept down). It is never easy to mobilize people in democracies for military enterprises. It took a direct Japanese attack on the US Navy to bring America into World War II. And when the former Yugoslavia was sliding into serious violence in the 1990s, neither the US nor the Europeans wanted to intervene. By the time NATO forces finally took military action against the Serbs, 200,000 Bosnian Muslims had already been murdered.

A military alliance without a clear common enemy, or a clear goal, becomes almost impossible to maintain. NATO is still dominated by the US, and European allies still fall in line, if only just to keep the alliance going - and in the

hope of exerting some influence on the only remaining superpower. This means that Europeans participate in US-initiated military adventures, even though national or European interests in doing so are far from clear.

It is hard to see how this can continue for much longer. Democratic countries cannot be asked to risk the blood of their soldiers without the solid backing of their citizens. The only solution to this problem is for Europeans to reduce their dependence on the US and take greater responsibility for their own defense.

This can no longer be accomplished on a purely national level. No European country is powerful enough. Yet, in the absence of a European government, there can be no common defense policy, let alone a common army. It is like the euro-zone's problems: Only political unity

could solve them, but that is a step that most Europeans are still unwilling to take.

So we are stuck with an unsatisfactory status quo, in which NATO casts about for a role, Americans are less and less able to afford to be the world's policemen, and Europeans struggle to find a way to define their common interests. The alliance forged in the Cold War will become increasingly fragile. For, whatever Europe's interests are, they are unlikely to be best represented by a seemingly endless war with the Taliban.

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Is corporate political speech bad for shareholders?



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The United States Supreme Court recently struck down limits on the freedom of companies to spend money on political elections. Large, publicly traded companies in other countries also often face lax limits on their use of corporate resources to influence political outcomes, fueling fears that the interests of shareholders will trump those of other groups, such as consumers and employees. But corporate spending on politics can also hurt the interests of shareholders. Stock market listed companies control a big share of almost every country's resources, so the free flow of corporate money into politics can have a profound impact on politicians' preferences and choices. In particular, the influence of corporations on politicians and political outcomes can be expected to weaken the rules that protect shareholders and ensure that companies are well-governed.

To understand why, it is important to focus on the individuals who make decisions for companies. When corporations decide which politicians to support, what kind of messages to send, and which political outcomes to seek; their general investors are not consulted. Rather, such decisions are likely to reflect the preferences and objectives of the insiders who manage the companies, ostensibly on shareholders' behalf. And politicians that benefit from corporate spending and access to corporate resources will have an interest in serving the insiders' preferences and objectives.

To be sure, on many issues the interests of corporate insiders overlap with those of investors, and here insiders can be expected to lobby in directions that are consistent with the interests of shareholders. But there are also important issues on which the interests of insiders and outside investors can sharply diverge. This is clearly the case with respect to the rules which govern investor protection and corporate governance.

The purpose of these important rules is to protect outside investors from the opportunism of insiders. When such rules are too lax, insiders face insufficient constraints on their ability to run the firm in ways that serve their private interests at the expense of outside, general investors. Of course, insiders do not want the rules to be so lax that it becomes impossible for them to raise capital from the public. But, because publicly traded companies usually have a large amount of capital in place, lax rules would enable insiders to use this capital to their advantage. As a result, insiders benefit from, and prefer to have, rules concerning corporate governance and investor protection that are more lax than those that are in the interest of shareholders and society.

The ways in which a country's rules can be expected to be too lax depend on how publicly traded firms are structured and run. In some countries, such as the US, ownership and control are separated, and companies are de facto controlled by professional managers. Such managers can be expected to use their influence to obtain and maintain rules that weaken the rights of dispersed shareholders and make it difficult for shareholders to replace them. Thus, in the US, corporate influence makes it difficult to obtain long-needed reforms that would eliminate barriers to takeovers and remove legal impediments to the ability of shareholders to replace company directors.

In many other countries, however, listed companies commonly have a controlling shareholder that dominates the firm's decision-making. In such countries, rules are supposed to limit the controlling shareholders' power to advance their interests at the expense of minority shareholders. But the insiders that direct corporate lobbying can be expected to seek to obtain and maintain rules that provide insufficient protection to minority shareholders from such opportunism. A large body of empirical evidence indicates that corporate governance and investor protection are better in countries that are more advanced in their economic and political development. This pattern is usually interpreted as support for the argument that improved corporate governance and investor protection leads to such development.

But causality might also run in the opposite direction. Countries that are more developed, and have political systems that are more accountable to voters and less vulnerable to corporate lobbying, may lead to better corporate governance and investor protection rules.

In sum, corporate meddling in politics is bad not just for those members of society who are not corporate shareholders. It also can be expected to reduce shareholder value and retard the development of an economy's corporate sector. That is bad for capitalists - and thus for capitalism.

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A reset in the Caucasus



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Rayyip Erdogan and the country's powerful army complicate further and delay the country's boldest initiatives in years - the moves to address decades-old tensions with both Armenians and Kurds? Restructuring the role of Turkey's army is vital, but if Turkey cannot follow through with the Armenian and Kurdish openings, the country's own domestic situation, its relations with the two peoples, as well as tensions in the Caucasus, will undoubtedly worsen. Of the several flashpoints in the region, including that between Georgia and Russia over South Ossetia and Abkhazia, the tension between Armenians and Azerbaijan over Nagorno-Karabakh is among the most challenging. As to Georgia and Russia, the disproportionate size, weight, and power on one side are enough to deter any return to violence. Moreover, there are no entangling alliances complicating the matter. Georgia is not a NATO member, and the United States, it is clear, will not go to war with Russia over Georgia.

The Armenian-Azerbaijani struggle is more precarious. It is no longer a two-way tug-of-war between two small post-Soviet republics, but part of an Armenia-Turkey-Azerbaijan triangle. This triangle is the direct consequence of the process of normalization between Armenia and Turkey, which began when both countries' presidents met at a football game.

That process now hinges on protocols for establishing diplomatic relations that have been signed by both governments but un-ratified by either Parliament.

Completing the process depends directly and indirectly on how Armenians and Azerbaijan work to resolve the Nagorno-Karabakh conflict. This snarled three-way dispute, if not carefully untangled, holds many dangers. Turkey, which for nearly two decades has proclaimed its support for Azerbaijan, publicly conditioned rapprochement with Armenia on Armenian concessions to Azerbaijan.

Turkey, a NATO member, is thus a party to this conflict now, and any military flare-up between Armenians and Azerbaijanis might draw it in - possibly triggering Russia's involvement, either through its bilateral commitments to Armenia, or through the Collective Security Treaty Organization, of which Armenia and Russia are members. Given energy-security concerns, any Azerbaijani conflict would also seriously affect Europe. Iran too would be affected, since it is a frontline state with interests in the region.

Armenians and Azerbaijanis have not clashed militarily for more than a decade and a half. But this is only because there has been the perception of a military balance and a hope that ongoing negotiations would succeed. Today, both factors have changed.

The perception of military parity has altered. With Azerbaijan having spent extravagantly on armaments in recent years it may now have convinced itself that it now holds the upper hand. At the same time, there is less hope in negotiations, which appear to be stalled, largely because they have been linked to the Armenia-Turkey process,

which also seems to be in limbo.

The diplomatic protocols awaiting ratification by the two countries' parliaments have fallen victim to miscalculations on both sides. The Armenians came to believe that Turkey would find a way to reconcile Azerbaijan's interests with the Turkish opening to Armenia, and would open the border with Armenia regardless of progress on resolving the Nagorno-Karabakh issue. The problem is that Turkey initially closed the border precisely because of Nagorno-Karabakh, rather than any bilateral issue.

Turkey believed that by signing protocols with Armenia and clearly indicating its readiness to open the border, the Armenians could somehow be cajoled or pressured into resolving the Nagorno-Karabakh problem more quickly or cede territories surrounding Nagorno-Karabakh. But this has always been unlikely in the absence of a comprehensive settlement that addresses Armenians' greatest fear - security - and fulfills their basic political requirement, namely a definition of Nagorno-Karabakh's status.

Both sides seem to be somewhat surprised by the other's expectations. Indeed, there is a growing fear that a settlement of the Nagorno-Karabakh dispute is more distant now, because Turkey's public backing has raised Azerbaijan's expectations, while some Armenians fear collusion between neighbors out to railroad them into an unsustainable agreement.

This is Turkey's moment of truth. The Armenia-Turkey diplomatic process has stalled, and the Turkish government's effort at reconciliation with the country's large Kurdish minority has soured. Just as a loss of confidence among Kurds and Turks in eastern Turkey will rock the shaky stability that they have recently enjoyed, a loss of hope for a settlement of the Nagorno-Karabakh dispute may end the tentative military calm between Armenians and Azerbaijanis.

But the situation is not irretrievable. Endless public sparring between Turkish and Armenian officials through the media is not helping. It is time for both countries' leaders to speak privately and directly with each other, with an understanding of the instability that could result from any failure to complete the diplomatic opening that the two sides initiated.

So, even as Turkey tries to deal with the consequences of its history at home, and redefine the army's role in society, it must reset its tortured relationship with Armenia.

The recent resolution passed by the Foreign Relations Committee of the US Congress, which called upon President Obama to ensure that US foreign policy reflects an "appropriate understanding and sensitivity" concerning the Armenian Genocide, should serve as a wake-up call to both Turkish and Armenian governments that Armenians are not about to question the historical veracity of the genocide.

After all, if France and Germany can face their tortured history, Turkey should be able to do so as well.

The two sides must step back, look at the situation dispassionately, acknowledge the deficiencies in the protocols, address the other side's minimum requirements, and bear in mind that a single document will not heal all wounds or wipe out all fears. The international community must support this effort. The problem should not be dismissed as a mere settling of old scores. What is at stake is the future of a region critical to Eurasia's peace.

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In this April 6, 2009 file photo, President Barack Obama (left) and Turkey's President Abdullah Gul make a joint statement at Cankaya Palace in Ankara, Turkey. President Barack Obama faced a bind as a congressional panel prepared a vote on a resolution that would recognize the World War I-era killings of Armenians by Ottoman Turks as a genocide. (AP)