CONTENTS

The Changed World of South Asia: Afghanistan, Pakistan, and India after September 11
>>.........................................................Richard J. Kozicki 1

U.S. Base Mania in Central Asia
>>..................................................Patrick Lloyd Hatcher 11

The Making of an Integrated National Grain Market in China
>>..........................................................Wubiao Zhou 17
The Changed World of South Asia: Afghanistan, Pakistan, and India after September 11
by Richard J. Kozicki, Ph.D.

Abstract

The unprecedented attacks on the United States on September 11, 2001 dramatically reoriented American policy interests in South Asia. Before the attacks, the George W. Bush administration had nearly relegated Pakistan to the category of a ‘rogue state’ because of its coup against a democratically elected government, its support for the Taliban regime in Afghanistan, its involvement in terrorist insurgency in the Indian-controlled Kashmir, and its involvement in nuclear and ballistic missiles deals with China and North Korea. In the immediate aftermath of September 11, the Bush administration did a complete volte-face in its dealings with Pakistan. However, this shift has further aggravated tensions in South Asia. This paper discusses why.

The horrendous attacks of September 11 on the World Trade Center have resulted in countless observations on the changed world of the United States and the general international community. The focus and scope of this essay is more limited, although regionally large: South Asia, particularly the countries of Afghanistan, Pakistan, and India as the most critical portion of this vast region. They have experienced significant political change before and, notably, changes during the six months since September 11. More can probably be expected. But this juncture affords an opportunity for an examination of the changing international scene in present South Asia while providing some brief historical background material for contextual purposes.

Several pertinent questions may be posed at the outset of this overview, among them: How did Afghanistan fall into such a sorry condition that a terrorist non-Afghan organization, the Al Qaeda, was established within and operated from Afghan territory? How involved has neighboring Pakistan been in this highly disruptive development of a militant Islamist force and international network? What have been the implications and challenges for India, Pakistan’s southern neighbor and standing adversary, especially in regard to the dangerous issue of Kashmir? Can another Indo-Pakistani war be averted with both countries being spared the harm and devastation they endured in 1971 and 1979? And what valid national interests do states outside the immediate South Asia region have in its international affairs, notably the United States?

Afghanistan: Externally and Internally Besieged

The land-locked area of Afghanistan has had a long history of invasions by various peoples and armies. In the 19th century it became a leading locale for major power competition amidst the Afghan ethnocentric mosaic. The

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Concurrently, a nexus and dovetailing of interests developed in the mid-1990’s between Taliban-led Afghanistan and Osama bin Laden, the exiled wealthy Saudi businessman who became the leading proponent of a militant Islamist theology and the purveyor for measures of holy terror. Following his sojourn in radical Sudan in the early 1990’s, a safe haven of sanctuary was granted to bin Laden by the kindred new Taliban regime in Kabul. He then proceeded to truly create with noteworthy help from Egyptian revolutionaries also exiled in Afghanistan his Al Qaeda (‘the base’) organization, training facilities and global network. Muhammad Omar and Osama bin Laden became, in effect, confreres in jihad (‘holy war’).

The vulnerability of fragmented Afghanistan to foreign penetration and influence was historic but it was not simply a vacuum of power. The close relationship developed between the Taliban and bin Laden’s expanding organization in Afghanistan was grounded in a similarity of their fundamentalist views of Islam and its proper role in the world. This was mutually reinforcing but the Al Qaeda, not the Taliban, was more geared to activism and militancy outside of Afghanistan.

Other helping hands or contributors to the establishment and role of the Taliban in Afghanistan were individuals in Saudi Arabia donating funds and in neighboring Pakistan, which had made an increasingly conservative Islamic turn after 1979. The latter shares a 1,500 mile border with Afghanistan and would also be impelled by geopolitical considerations with regard to India. A discussion of Pakistan in South Asia must be give here.

Pakistan: Toward Major Changes in Policy?

As an independent entity since Partition in 1947, Pakistan has had a continuous, sometimes revolving set of problems and issues challenging its becoming a successful nation-state. These have included, ironically, its quest for national identity as an Islamic state (how progressive or conservative?) with various and sometimes halting efforts toward realizing economic viability and political stability (half its governance has been under a series of military national leaders), and a readiness in foreign affairs to rely significantly on external powers for economic, political, and military assistance (namely to counter the abidingly perceived threat of much larger neighboring India). The four Indo-Pakistani armed conflicts since 1947, plus the lingering issue of Kashmir, have, understandably, intensified Pakistan’s perception of India as its chief adversary. The 1971 war and the emergence of Pakistan’s eastern wing as independent Bangladesh (with critical help from India) was especially traumatic. “Dismemberment” cried Islamabad, and no amount of U.S. ‘tilt’ toward Pakistan could prevent it.

Fifteen years earlier in the Cold War, Pakistan had become a U.S.-supported ‘front line’ state in the global struggle against international Communism. Pakistan welcomed U.S. military and economic assistance, granted U.S. base rights on its soil, and joined both the SEATO and CENTO anti-Communist pacts. As President Field Marshall Ayub Khan declared in the early 1960s, Pakistan had become the United States’ ‘most allied ally’. The relationship seemed quite firm, and over the decade 1954-65 Pakistan was the recipient of some $2 billion from the U.S. in military and economic aid. A trend was apparently started, even though Pakistan chose for security reasons to look south toward India rather than north beyond Afghanistan toward the Soviet Union.

During the early 1960’s, Afghanistan became a different foreign policy concern for Pakistan. The “Pashtunistan” issue arose when Pashtuns in Pakistan attempted a political reunification with their ethnic groups in Afghanistan. Pakistan closed its Afghan borders to discourage such efforts and they eventually faded.

In 1963, much to the surprise of Washington, Pakistan began a special relationship with Communist China, which also had a major armed border clash with India in the Himalayas in the fall of 1962. The close Pakistan-U.S. relationship, however, survived until the second Indo-Pakistani war in September 1965, after which the U.S. (and Britain) placed an arms embargo against both Pakistan and India. The disappointment—was that Pakistan (plus the U.S. ‘tilt’) was unable to prevent the secession in 1971 of Bangladesh. (A case study and lesson in realpolitik was accorded Washington). By the 1970’s, Pakistan was allocating about 50 percent of its budget for defense and arms procurement (including from China) and with another 20 percent going for debt servicing. Relatively few funds were left for needed domestic economic and social programs, with questions raised as to whether it was becoming a ‘failed’ state. In 1977, General Zia ul-Haq led another Pakistani military takeover of government. This lasted eleven years and further damaged the state’s image.

Fortunately in the early 1980’s, Pakistan returned to ‘front line’ status and U.S. largesse soon after the Soviet invasion of Afghanistan. The new Reagan Administration withdrew the arms embargo and lavished economic and military aid on Pakistan (India had already turned to Moscow after 1965 as its chief arms supplier). Equally important, during the 1980s Pakistan served as the main conduit for military, technical and financial assistance to the mujahideen fighting the Soviet invaders in Afghanistan.

The disparate mujahideen were rightly seen as ‘freedom fighters’, even though they were commonly at mutual odds and sometimes joined by an assortment of fighters from outside Afghanistan (‘Afghan Arabs’), including some individual Pakistanis. They were all combating the Soviet invaders. Saudi funds and U.S. arms (particularly ‘Stinger’ missiles) were vital in this armed Cold War struggle north of the Khyber Pass, which finally resulted in the Soviet withdrawal in February 1989.

Especially noteworthy here were the controversial linkages established in this process between the American Central Intelligence Agency (CIA) and its Pakistani counterpart as a spy agency, the Inter-Services Intelligence (ISI). The military-led and staffed ISI had grown markedly in influence with regard to not only intelligence-gathering and assessment but also apparently policy formulation and execution. This became so much so by the late 1990s, observers began to see the ISI as a ‘rogue’ agency in the near-failed state of Pakistan, or at least one with serious ‘rogue pockets’.8

India had long taken careful note of the expanding role and authority of Pakistan's ISI, accusing it of providing support to a Sikh secessionist movement (‘Khalistan’) in India’s Punjab state in the 1980s. This was later crushed by New Delhi but the terms and charges of ‘cross-border’ and ‘state-sponsored terrorism’ were already in common usage. They would be repeatedly used in the case of divided Kashmir in the 1990s, the most dangerous issue and historic flashpoint for Indo-Pakistani armed clashes and tensions through September 11 and after.

In passing to a consideration of independent India, a note must be added of another aspect of Pakistan’s ISI, one seemingly domestic in character but with growing international implications in South Asia. This presumably followed the public decision of President General Zia ul-Haq’s announcement in 1979 that Pakistan should become a more Islamic state based on a closer adherence to the Shariatli (Islamic law). In any event, close ties would be developed from the 1980s between military staffers and senior figures in the ISI with militant Islamists and their organizations in Pakistan. (More on this below.)

India: Resurgent Regional and Asian Power

Mahatma Gandhi bemoaned the 1947 partition of the Indian subcontinent as the ‘vivisection’ of India. But he sadly accepted the resultant bifurcated Pakistan as a neighbor and argued that all related agreements must be fully honored. For this ‘pro-Pakistani’ stand he would be assassinated by a Hindu fanatic in January 1948.

The incendiary blend of religion and politics would not be limited to anyone part of South Asia. It clearly, we are periodically reminded, remains a great and recurring challenge for independent India. Communal riots between Hindus and Muslims do break out from time to time and lives are lost. However, taking into account the complexity and scope of India’s ethnic diversity, it can be said that a fair degree of harmony and stability generally prevails.

India, the largest and most diverse country in South Asia, has not experienced further balkanization after partition (confounding the many pessimists) and New Delhi is determined that it will not. Instead, under able and committed civilian leadership, it adopted a constitution enshrining parliamentary principles and institutions, then proceeded to become a secular and social democracy. Regular national and state (provincial) elections, the rule of law, and the fact of no military takeovers, are genuine sources of Indian national pride—any disappointments regarding the pace of economic and social development notwithstanding.

In addition, throughout the Cold War India steadfastly rejected joining any alliances and held to the principled policy of nonalignment advocated by her longtime mentor and first Prime Minister, Jawaharlal Nehru (1947-64). The general corollary and posture by India of peaceful coexistence among nations was interrupted four times in armed clashes with neighbors (three with Pakistan, 1947-48, 1965, 1971; and one with China, 1962). Commentators and analysts usually accorded India major regional power status but falling short of its potential for real international influence beyond South Asia. Comparisons of India with China as a dynamic actor in world affairs have been inevitable and unfavorable. On the other hand, Pakistan, to the irritation of New Delhi, has seen itself as a regional ‘balancer’ to India (a view shared for years by the U.S.), although in reality this status was artificially sustained by external aid from the U.S. and later China. (The Bangladesh breakaway in 1971 and Pakistan’s becoming a member of the Non-Aligned Movement in 1979 helped to correct this picture.)

India’s ‘peaceful nuclear explosion’ (PNE) in 1974 added a new dimension to India as a power, although the Indian government of Indira Gandhi’s premiership foresawed that this would not lead to India’s developing nuclear weaponry. It nonetheless served as a notice to China, which had first exploded a nuclear device ten years earlier, and also to Pakistan, Beijing’s semi-client partner. In effect, in the offing in New Delhi was a reassessment of the objective use of power and its instrumentalities. Increased purchases of military hardware to India (mainly from the Soviet Union) and the growth of domestic Indian ordnance were additional indices. In the 1980s, India made definite military responses to separatist movements in the Punjab, northeast India, and Kashmir. There was also an ill-fated Indian military incursion into Sri Lanka, where it had been invited by the Sri Lankan government fighting tenacious Tamil rebels in the north and east of the island nation. India seemed more confident as an international actor in the late 1970s and early 1980s, but it gained no luster by its halting criticisms of China’s 1979 (‘punitive’) incursion into Vietnam or, more importantly, of the full-scale Soviet military intervention into Afghanistan in December 1979. Not sharing any frontier with Afghanistan, India was not in any strategic position to move any arms and equipment directly to the Afghan mujahideen, even if it were so inclined. Evidently New Delhi was not.

During the 1990s several notable international and domestic events and actions affect India’s perceived role in South Asian and general world affairs. The following can be listed here:

2. More fragmentation in the Indian federal political system as the venerable secular Congress Party weakened and faced rising Hindu nationalism, symbolized by the Bharatiya Janata Party (BJP).
3. An historic decision to modify the traditional Indian socialist economy and pursue a policy of ‘liberalization’ (privatization).
4. Terrible Hindu-Muslim communal riots following the destruction by militant Hindu mobs of a sixteenth century Muslim mosque in Ayodhya, in the state of Uttar Pradesh.
5. Increasing insurrection in (Indian-held) Kashmir by Kashmiri militants seeking independence, resulting in heavy Indian armed response.
6. The assumption of national power and the central Indian government by a BJP-led coalition in 1998.
7. The detonation in May 1998 of five nuclear weapons devices by India, followed immediately with successful nuclear explosions by Pakistan.

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South Asia After September 11 / Kosicki · 3
8. Limited but intensive mountain warfare in the summer of 1999 in the Kargil sector of Kashmir when ‘freedom fighters’ from the Pakistan side of the Line of Control (LOC) took up positions on the Indian side.


10. The Pakistani policy of lending full support to the Taliban, which began in the mid-1990s, continued unabated under the new military regime in Islamabad until shortly after September 11, 2001.

A detailed discussion of the above-listed and inter-related developments and in South Asia is beyond the scope of this essay. But some of them must be noted as interfacing with and having considerable spill over and influence. India had virtually lost a major export market and arms supplier, Russia, at least for some time. New Delhi, however, did not rush forward to embrace the sole remaining super power, the United States. On the other hand, with the Cold War officially over questions were naturally asked about the Nonaligned Movement (NAM) and its future: who would India and like-minded states be nonaligned against now? Would not a new thrust in Indian foreign policy based partly on substantial economic growth and modernization of India’s armed forces and defense be the future course, including probably a visible Indian nuclear deterrence? Why not plan for a ‘Great India’?

In the meantime, Pakistan was cementing its special relationship with China, amidst reports of nuclear and missile technology transfers being made from Beijing to Islamabad. With the Russians gone from fragmented Afghanistan (and unlikely to return), Pakistan began to view the adjacent tormented land as an opportunity for penetration and gaining ‘strategic depth’ against India—assuming some order would emerge in Kabul from growing chaos there. Here, as in other moments, measures would be taken or contemplated in the context of the distrustful Indo-Pakistan relationship.

India did, on the whole, enjoy sustained economic growth during the 1990s under the new economic policy of privatization and selectively welcoming foreign investment. Born out of a foreign exchange crisis, the policy released Indian energies, and an annual average growth rate later resulted of almost seven percent. Moreover, India succeeded in avoiding the widespread Asian financial crisis (‘flu’) of the late 1990s. Defense modernization of India advanced apace, and defense be the future course, including probably a visible Indian nuclear deterrence? Why not plan for a ‘Great India’?

The BJP had publicly indicated its heightened security concerns for India. These were obliquely addressed to the eleven percent Indian-Muslim minority and their ‘loyalty’ to India, but also to the need for achieving an Indian nuclear deterrent as soon as possible.

The Indian nuclear weapons explosions in the Rajasthan desert in May 1998, soon after the BJP came to power in New Delhi, were a surprise but one not really unexpected. The immediate fallout included the Pakistani nuclear weapons explosions soon afterwards. Both rival countries had been preparing for their nuclear moments for some years. Western embargos and economic sanctions, led by the US, predictably followed and with minimal effect. A new and fearful dimension had burst over the Asian scene as New Delhi and Islamabad realized their nuclear weapons explosions, but without the truly desirable safeguards, especially alarming in view of their continuing tense relationship.

In February 1999, that relationship was, as many saw it, moving to a more hopeful footing when India’s Prime Minister, Atul Bihari Vajpayee, made a goodwill gesture and trip to Pakistan. The potential mutual benefits from ‘bus diplomacy’ faded rapidly, however, only a few months later. The occupation of strategic Himalayan locations along the LOC in Kashmir by ‘freedom fighters’ crossing over from the Pakistani side (presumably with regular Pakistani help) required a determined and costly Indian military response. The United States provided some diplomatic cover to Islamabad toward the withdrawal westward of the incursive force from the Kashmir LOC in September. On October 5, 1999 the Pakistani army coup headed by General Pervez Musharraf took place.

Prospects now for any rapprochement between India and Pakistan seemed dismal. India continued to accuse Pakistan of ‘state-sponsored terrorism’ in Kashmir, while Pakistan denied this and took the high road saying India was thwarting the Kashmiris ‘right to self-determination’. Underlying all the accusations and posturing was the great mutual distrust extending back more than half a century. Somewhat ironically, it would finally take the cataclysmic event of September 11, originating in neighboring Afghanistan, to encourage significant policy changes in India and Pakistan.

**Convergence of Issues, Political Conflicts and Policy Changes**

The centrality of Pakistan in the South Asian conflagration is obvious. Geo-strategically situated between Afghanistan and India and sharing lengthy borders with each (over 1,500 miles), Pakistan had related policies to formulate and
roles to play. The question would be the acceptability of these policies to their neighbors, particularly India.

India's tense post-Cold War security environment may have improved during the late 1990s but it was still focused on Pakistan and China. Nuclear proliferation in May 1998 by India was a signal to both countries. India's relations with China recovered soon from a subsequent brief period of tension and the two giant Asian neighbors moved pragmatically toward building a new relationship, border and other Sino-Indian issues notwithstanding.13

There was not a similar development between India and Pakistan. The mutual visits by their chief executives in February 1994 and July 2000 resulted in no relaxation of Indo-Pakistani tensions. On the contrary, the Indians, by contrast, witnessed increased incursion in Kashmir during the 1990s as cross-border penetration and crossings had become, they charged, a premier activity of Pakistan. Moreover, the government there enabled militant Islamists to function openly and even aided them. Patience in India was wearing thin, and it was not limited to Hindu nationalists.

Simply put, as noted above, the nurturing and support the Taliban in Afghanistan received from Pakistan meant that the activity moved in a northern and western direction. Quetta to Kandahar was the basic direction. The ‘moral and political’ Pakistani support (only?) given to Kashmiri rebels, termed ‘freedom fighters’ by Islamabad, meant that the activity there moved in an eastern and southern direction. Another factor here was the surplus of mujahideen in the area with fighting skills after the Afghan war with the Soviets, and the ensuing Afghan chaos before the Taliban victory.

Moreover, also available in Pakistan were funds, training facilities and madrassas (religious schools), which rapidly multiplied as sources for future young holy warriors and offered a curriculum dubbed ‘Jihad 101’. Two influential militant Islamist organizations operated freely in Pakistan to the great concern of Indians: The Jaish-e-Muhammad (‘Army of Muhammad’) and the Lashkar-e-Toiba (‘Army of the Pure’). In addition, from his sanctuary in Afghanistan, Osama bin Laden had pledged publicly in 1998 to wage war on America, Israel and India.

Looking backward, no one at the time in the American CIA or foreign intelligence agencies could gauge the transformation of Al Qaeda from an obscure group of Muslim extremists to a global terrorist organization. The bombings later that year of the American embassies in East Africa were eye-openers. Perhaps, most important was Osama bin Laden’s decision “to act as a franchiser of terrorism, providing crucial financial and logistical assistance to locally sponsored plots brought to his organization by Islamic extremists. This new approach gave his group a much broader range of possible targets.”14 India could well have become one of them before the horrendous terrorist overreach of September 11.

The issue of Islamist extremism and terrorism, plans of supporting governments, special agencies and individual leaders, had been joined by the American response and call for an international coalition to fight the ‘war on terrorism’ diplomatically, financially and militarily. It resulted in other positive responses, including India’s. But it also involved policy dilemmas and needs, and opportunities for policy changes.

The most critical would be for Pakistan: how to avert becoming an international pariah and remain a relatively viable entity while containing the many Islamic extremists within the country. For India, it meant how far to cooperate in the war on terrorism and possibly modify its security policy without losing the country’s security independence. New Delhi would also seek (unsuccessfully) to have the terrorism experienced in north India and allegedly originating from Pakistan tied to the international war on terrorism.

Pakistan was one of the three countries to maintain full diplomatic relations with Taliban-led Afghanistan. The other two, the United Arab Emirates (UAE) and Saudi Arabia, severed their ties first. Pakistan did not do so finally until late November, after the military defeat of the Taliban was almost total.

About the same time, the Pakistan Information Secretary said at a press conference that the country had come through the crisis ‘safely’. Pakistan had supported the war on terrorism as a “matter of principle” but that, “If we would not support the international coalition, one cannot imagine the consequences for Pakistan.” He added that this was not done for “any economic considerations.”15

It was not an easy road for Pakistan to negotiate over the course of the two months after September 11. After the initial decision to join the anti-Taliban (and anti-Al Qaeda) international coalition, the passage was made hesitantly, if not reluctantly. General Musharraf had to face continuous vigorous public demonstrations, notably in Peshawar, Quetta and Karachi, protesting the decision to abandon the Taliban and join the U.S.-led international coalition. Islamic militants were out in force in the ethnic Pashtun urban areas (Lahore in the Punjab was relatively calm). Pakistan, repeatedly hailed by Washington as a “crucial” partner and ally, naturally expected rewards, hoping not only for debt relief but also for the release of F-16 fighters purchased earlier (the latter was denied). By late October, the U.S. had given Pakistan $600 million in cash and was preparing an aid package “likely to total several billion dollars” including “sweeping” debt rescheduling, and various grants and trade benefits.16 As one observer put it at the start of the new year:

The survival of Pakistan in its existing form is a vital U.S. security interest, one that trumps all other American interests in the country. A collapse of Pakistan—into internal anarchy or an Islamist revolution—would cripple the global campaign against Islamist terrorism. Strengthening the Pakistani state and cementing its cooperation with the West have thus become immensely important to Washington.17

There was still the question of Pakistan’s ISI, plus the militant Islamic groups and profusion of madrassas (Islamic religious schools) in Pakistan. From the 1980s, the ISI had formed links with militant groups in Pakistan, Afghanistan and in Indian-controlled Kashmir. It was staffed primarily by military intelligence officers, including some so-called ‘jihadi generals’. General Musharraf replaced a hard-line ISI head in the fall of 2001 but moved more cautiously in restructuring and shutting down cell units, especially those involved in Kashmir-related operations, with some progress reported by

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early 2002. Concurrently, in mid-January the Pakistani President vowed over television to purge Islamic militant groups, including those abetting militant actions and violence in Indian-held Kashmir, and a round-up of some 1,400 people and closing of offices started. India indicated it would wait for “evidence on the ground” (No revolving doors or repackaging, please.)

A long-range problem centers on curriculum revision and the madrassas. Here, science and math are absent while intensive Islamic religious studies prevail, including the glory of jihad. More basic education would seem a desired change; not providing breeding grounds for young Islamic militant recruits. General Musharraf has pledged to do this in the 39,000 Pakistani madrassas (these were reportedly totaling only 3,000 in the late 1970s). It remains to be seen what can be done to create a moderate, progressive vision for Islam in Pakistan. Skeptics are not limited to neighboring India.

General Musharraf’s noteworthy televised speech of January 12 promised such a vision. Protest demonstrations had already subsided significantly by November 2001 and his innate sense of confidence and political timing had evidently grown remarkably. It was probably impelled partly by the full-scale mobilization of Indian military forces along the northern Indo-Pakistani border after terrorist attacks on the Kashmir Legislative Assembly and the Indian Parliament in October and December. (More on this below.)

As year 2001 was ending, popular Pakistani as well as official reassessments of Pakistan’s abortive policy in Afghanistan were apparent. Some self-reproaches were duly included. Dawn, the leading Pakistani newspaper, politely welcomed the “historic Bonn accord”, gave tribute to the diverse Afghan delegates’ “wisdom and realism”, and noted President Musharraf’s assurance that Pakistan would provide “all possible assistance and cooperation” to the Afghan “interim set-up” in the task of national reconstruction.

But a pro-Taliban Pakistan policy in its near north and west had clearly failed. A typical signed op-ed article in Dawn, entitled “The Afghanistan Boomerang”, conceded that Afghanistan was “earmarked” to be Pakistan’s “western strategic depth” but treated like an “accidental colony” and kept in “some form of surrogate occupation through the Taliban by exporting and encouraging them through a few fundamentalist organizations.” The author then charged that Pakistan was “summarily ejected from Afghanistan and finds itself ostensibly a coalition partner only in name...not being taken into confidence on most major matters.”

Another angry Pakistani writer evincing strong anti-U.S. sentiments penned an op-ed piece entitled “Our Taliban Policy in Tatters.” He claimed that all the U.S. Presidents from Jimmy Carter (sic) to George W. Bush, have been “among the authors of the blinding Taliban flash-in-the-pan of our times.” He lamented the “shame and resultant heartache from our reckless Taliban enterprise” and called for a Pakistan national commission to examine “our Afghanistan disaster.”

Possibly the most severe indictment came from the editorial staff of Dawn, Pakistan’s leading newspaper. In early December, they discovered the “passing into history” of the Taliban, scoring its “harsh policies and narrow and obscu-

rantist interpretation” of Islam, which served “only to cast Islam itself in a bad light throughout the world.” Then, in a telling paragraph they observed:

The Taliban’s fate also holds some lessons for Pakistan. While Islamabad has every right to see a friendly government in Kabul, interference in that country’s internal affairs has cost Pakistan dearly. By relying—in fact, patronizing—one section of Afghanistan’s population (Pashtuns), Islamabad earned the ire of the other ethnic and political groups. Worse, by arming the Taliban and letting them open and run recruiting and training centers in Pakistan, Islamabad helped create a Frankenstein’s monster.

India was not unaffected by events in post-September 11 Afghanistan and Pakistan. However, in marked contrast to Pakistan, secular India stood tall and relatively untarnished by the militancy and fighting in the region. A contrasting aspect is the thousands of Indian troops employed in Kashmir since 1989, sometimes brutally, against local Kashmiri insurgents and Islamic militants from across the border. It has been deadly. The number of deaths in the predominantly Muslim Indian state in the last 12 years reportedly “exceeds 35,000 by India’s count—and 75,000 by estimate of the militants.”

### Suicide Attacks on Indian Territory

However, India’s patience, restraint, and fortitude would be severely challenged by deadly suicide squad attacks against the Kashmir State Legislative Assembly building in early October 2001, followed by a similar attack later on December 13 against the Indian National Parliament in New Delhi. The latter would result in a massive Indian mobilization of armed forces along the border with Pakistan. The danger of war became great.

Dangerous situations are not new to India, which can practice artful diplomacy when indicated, as well as apply military or other pressures. New Delhi can also demonstrate a capacity for measured restraint in the face of provocation from outside India and flexibility when opportune international openings might occur.

Both India and Pakistan were partners early on of the U.S.-led global campaign against terrorism. But this did not lead to a subsuming of their rivalry within the context of international cooperation. India has continued to regard Pakistan as the main sponsor of terrorism against India. It was piqued at what was seen as the intense U.S. partnership growing with Pakistan (the ‘crucial’ ally). On the other hand, the opportunity existed in October/November to change the cool U.S.-Indian relationship existing since May 1998, when U.S. economic and military sanctions were imposed after the Indian nuclear tests.

It could lead to a deepening of Indo-U.S. relations on issues of trade, scientific cooperation, anti-terrorism and even military cooperation, provided India showed careful restraint when it came to Pakistan and was seriously interested in a possible strategic relationship with the U.S. Visits to India by Secretary of State Colin Powell and Defense Secretary Donald Rumsfeld in October and November, respectively, dealt with these matters and underscored the revived importance of India. In a joint press conference with India’s Defense Secretary, George Fernandes, Mr. Rumsfeld said his aim was “to
strengthen the military-to-military and defense ties between our two countries, which I think are so important.”26 Further Indo-U.S. discussions and progress would follow during the coming months.

India had already won many diplomatic points for showing military restraint and by not crossing the LOC during the Kargil warfare in Kashmir in the summer of 1999. Hardliners in India had urged a policy of hot pursuit against Pakistani military bases and ‘jihad’ training facilities located in the Pakistan-held third of Kashmir. New Delhi desisted then. But the shocking suicide attack on the Indian Parliament on December 13 was for most Indians a national indignity and the last straw. Would New Delhi show restraint now?

Moreover, with a decided view to forestalling a general Indo-Pakistani war and its harmful effect on mopping-up operations against terrorism in Afghanistan, what might the U.S. be able to do? (An important collateral U.S. concern was that Pakistani troops positioned on the Afghan-Pakistan border to intercept fleeing Taliban and Al Qaeda fighters would be shifted southwards to the Pakistan-Indian border.) A flurry of diplomatic visits would take place in South Asia in December 2001 and January 2002, heightened by more visits from Powell and Rumsfeld to reduce tensions.

The Pakistan government condemned the attack by “armed intruders” (five in number, all among the 12 dead) on the Indian Parliament “strongly” and “unequivocally”. The brief statement made no mention of the possible origin or identity of the attackers. (New Delhi swiftly pointed fingers at Pakistan). Dawn also condemned the “senseless” terrorist action (some make “sense?”) and hoped Indian Prime Minister Atul Bihari Vajpayee would maintain his equanimity and “not succumb to pressure from the hawks within his own ranks who seem keen to exploit the latest incident to score anti-Pakistan points.” (Some BJP members of Parliament were urging Mr. Vajpayee to follow “the U.S. model on terrorism” and pursue a policy of “hot pursuit” against the militants.) Dawn added that “Indo-Pakistan relations remain brittle and at a low ebb”, and with wars in Afghanistan and the Middle East, the “last thing the world needs now is a renewed confrontation between two nuclear powers in South Asia.”27 Two weeks later Dawn asked (and feared), with war rhetoric rising and large numbers of troops “amassing along their borders, whether India and Pakistan were closer to the brink.”28

Fortunately, although mobilization of forces along the borders continued (India had clearly decided to utilize ‘coercive diplomacy’ and to keep the pressure on Pakistan), there was a reduction of tensions by mid-January 2002. Some of this was attributable to President Musharraf’s televised speech of January 12 in which he banned the Jaish-e-Muhammad and Lashkar-e-Toiba militant groups, declaring that Pakistan would “not allow its territory to be used for any terrorist activity.” India welcomed this major policy ‘shift’ conditionally. New Delhi reaffirmed its call for a “bilateral dialogue” (no third party) on Kashmir awaited Pakistan action “on the ground,”—recording its disappointment that Pakistan still refused to hand over 20 persons named on a list by India as “Indian mafia bosses and criminals”. Some credit was accorded American pressure on Pakistan, while Secretary of State Powell’s visit to India in January was described by Jaswant Singh, India’s External Affairs Minister, as “part of the normal process of consultation,” not any mediation.29

A confident India was firmly positioned on the South Asian center stage, skeptical of Pakistan’s President Musharraf but giving him time to deliver on his promises. At the same time, it continued to conduct joint defense and “energy security” discussions with the U.S. (started in fall of 2000). These involve strategic ties, large arms sales, joint naval and military exercise, and prospective Indo-U.S. joint ventures in the defense sector.

All of this extraordinary activity and shifts in defense policies has been aptly described as a “Dramatic U Turn.”30

In January the Chinese Premier, Zhu Rongji, was on a quiet six-day state visit to India was courteously greeted and almost ignored. All of the above suggests an assertive India poised for a more active role on the wider global stage, but not necessarily in tandem with the United States, which still shows a disturbing preference for unilateralism, rather than joining international coalitions.

America, Afghanistan and the Aftermath

The globalization of the ‘war on terrorism’, immediate and future, is a continuing official American design which can be both reassuring and disquieting. Would America’s intensive military involvement in Afghanistan since October 5 and sudden victory in mid-November be matched by a skillful—and sensitive—handling of the political and economic aftermath there? In addition, where it is also indicated with regard to the neighboring rival countries of India and Pakistan?

There is room for both optimism and pessimism. Most important, the U.S. has made repeated public statements that it will not simply abandon Afghanistan after all the fighting ends. However, U.S. participation in needed peace keeping work outside of Kabul would still seem very desirable.31

The apparent reluctance of the U.S. to participate in any expanded international peacekeeping force in the insecure Afghan hinterland may be linked, in part, to a ‘Somali syndrome’—namely the ill-fated experience of American military as peace-keepers in that anarchic land in 1993-94. Moreover, any notable increase in the number of American military casualties in Afghanistan (thus far minimal) before the November 2002 U.S. national elections could have a negative political impact for Washington. Finally, there is some justification for the argument that the U.S. has already fought (with its Northern Alliance proxy ground forces) the major share of the war against the Taliban and the Al Qaeda in Afghanistan.

It is appropriate to recall here the remarks by U.N. Secretary General Kofi Annan in early March at the Council on Foreign Relations in New York. He deplored the failure of the world to act on warning signs in battered Afghanistan during the 1990s and noted: “There is a clear, if complicated, trail from the absence of engagement with Afghanistan in the 1990’s to the creation of a terrorist haven there to the attacks on the World Trade Center.” Mr. Annan emphasized the urgent need to create a “secure environment” in areas other

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This location in itself is a matter of definite additional concern. In the interior, 200 miles from the closest Afghan border point. 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ENDNOTES

1. A mild debate continues as to whether Afghanistan should be assigned to the region of South Asia, Central Asia or the Middle East. The distinct north-south line extending southwards from the juncture of Afghanistan, Turkmenistan and Iran clearly delineates the Iran-Afghanistan and Iran-Pakistan borders, leaving Iran and other Middle Eastern countries to the west. Afghanistan’s northern border touches the three countries of Turkmenistan, Uzbekistan and Tajikistan, all long identified as part of Central Asia, even when under Soviet domination. Moreover, the respected Bibliography of Asian Studies, published by the Association for Asian Studies, has always listed Afghanistan and the entries posted for it under South Asia.

2. In the preparation of this paper, the author has benefited greatly from reports and commentaries published in the New York Times, San Francisco Chronicle, Times of India (Mumbai), India Today (New Delhi), and Dawn (Karachi), particularly for the post-September 11 period, plus the valued Asian Survey (Berkeley).

3. The drawing and confirming of the Durand Line (1893) in north-western British India left about half the Pashtuns outside of Afghanistan, where they would otherwise be in a clear majority today, not chafing residents of Pakistan. In an ethnically coherent demarcation, Feshawar would be an Afghan city and the subsequent “Pashtunistan” issue would be moot.


5. In a final analysis, the intensive fighting of the mujahideen forces (including the non-Afghan members), their effective use of American-supplied surface-to-air “Stinger” missiles (deadly on low-flying Soviet helicopters), and the mounting Soviet popular dissent combined to end Moscow’s recent political and military “game” in Afghanistan.


7. Osama bin Laden had already made a positive impression in Afghanistan for his supporting of social and public programs there (hospitals, schools, roads) in the late 1980s. This was repeated in the late 1990s by bin Laden, further ingratiating him to the Afghans, then under Taliban rule. Bin Laden’s increasingly pronounced militancy as an Islamist came after the Gulf War and grew in intensity during 1990s. In addition to certain radical intellectual influences, it was connected to perceived corruption in the governance of the Kingdom of Saudi Arabia and, quite evidently, to the basing of 5,000 American military personnel in his native Saudi Arabia, land of the holiest Islamic sites, after the Gulf War. A natural issue add-on for him was US constant support for Israel in the prolonged struggle with the Palestinians.


10. Commonly described for almost 30 years after independence as a one-and-a-half party system (the Congress Party and all the ‘rest’), Congress dominance was ending by the mid-1970s. Questions were asked about how stable future Indian national governments would be.


12. Almost 1,000 Indian lives were lost in the extremely difficult mountain area fighting in 1999 along the Kashmir LOC. Indians generally have seen General Pervez Musharraf as the author of the Kargil plan of incursion.


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help train its military and police force. New York Times, January 29, 2002. This was in addition to the hundreds of millions of US dollars already pledged in direct aid to Afghanistan by Washington.

34. Dr. Abdullah Abdullah (half Pashtun) as foreign minister, Mohammed Fahim as defense minister and Yunis Qanooni as interior minister.

36. Source: Embassy of India, Washington, D.C., March, 2002. India had pledged $100 million to help Afghanistan in November. During Mr. Karzai’s February visit, India added $10 million more. A matching gift, as it were, of $10 million from Pakistan was made by Pakistan’s President on April 2 when he made a brief (36 hour) visit to Kabul and called Chairman Karzai his “brother.” It is uncertain how well this fence-mending foray went – the first visit by a Pakistani president to Kabul in 10 years. New York Times, April 3, 2002.

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U.S. Base Mania in Central Asia
by Patrick Lloyd Hatcher, Ph.D.

Abstract
Before the September 11, 2001 attacks on the United States, the Defense Department had no military bases in Central Asia. Half a year later it has over a dozen. Why? According to Bush Administration spokesmen, the Armed Forces need these bases to support the War on Terrorism in Afghanistan. Yet their successful (so far) Afghan counter-terrorism effort has been waged from either the decks of four aircraft carriers in nearby waters, from the British Indian Ocean base at Diego Garcia, or from bases in Afghanistan itself. The lust for land bases in areas near China’s borders or in former Soviet republics will draw America into local quarrels for which it has no solutions. The old Cold War tendency to make these bases permanent has already manifested itself in a demand for recreational facilities, pizza parlors, and coffee houses! This paper explains why ‘base-mania’ is the wrong way to fight terrorists.

Following the events of September 11, 2001, a key consideration dominates American military strategy. Should the United States obtain Central Asian military bases? Does the United States need such bases in Central Asia to protect itself from terrorist attacks, now or in the future? The evidence suggests it should not and needs not. But foreign real estate attracts American defense planners the way that Nimitz-class aircraft carriers attract admirals, B2 stealth bombers and heavy Abrams tanks generals. In other words, they can never have enough. With the campaign in Afghanistan only phase one of a longer struggle against terrorism, the lust for land has taken the United States back to a Cold War mindset. From approximately 1947 to 1989 the United States tried, with some success, to ring the Soviet Union with bases from northern Norway to the Korean peninsula, an arc that became a Cold War landscape, along with military shopping malls (dry cleaners, beauty parlors, movie theatres, bowling lanes, commissaries with food flown in from the U.S., base/post exchanges similar to department stores, auto-mechanic garages, and even ski resorts with hotels in Garmisch and Berchtesgaden. Similar replication happened with Asian allies. Outside the city of Taegon, South Korea, the U.S. base at Camp Ames had paved roads and permanent cinderblocks buildings long before the nearby village had electricity or running water.

American defense down-sizing did not impact Asia as much as it did Europe. In Southeast Asia, the Philippines asked the United States to leave Subic Bay Naval Base and Clark Air Force Base, while the Nixon Administration’s “Vietnamization” program gave the American military what it hoped was a chance to withdraw with honor from bases in South Vietnam. But most Northeast Asian facilities remained relics of the Cold War. (The U.S. gave Camp Ames and other bases back to South Korea, consolidating American defense activities closer to the hub cities of Seoul and Pusan.)

The number of U.S. bases in Japan declined, mainly because of their cost. But some resurfaced in tiny Okinawa, which now hosts thirty-eight U.S. bases. Okinawa is now faced with yet another American base, this one to be built in the ecologically sensitive bay at Nago.

Base Openings in the Balkans, Persian Gulf, and Central Asia
In Kosovo, where former President Clinton committed the nation for no more than a six-month sojourn to enforce peace, his administration built a permanent base. Camp Bondsteel, Kosovo, which started as little more than a temporary tent site, has become a small, self-supporting town of wooden barracks and command centers, helicopter maintenance buildings, a water treatment plant, a movie theatre, a gymnasium and a hospital. Why not let the European Rapid Reaction Forces enforce peace on this Euro-zone periphery? (To borrow a Russian term, the Balkans are Europe’s ‘near abroad’.) Perhaps because officials like former Secretary of State Madeleine Albright spent much of the 1990s urging NATO to expand toward the Russian border. This reckless and regretful policy hobbled Eastern Europe, which needs economic membership in a dynamic European Union, not military memberships in an mission-less alliance. It also wasted Western European military assets. As Kenneth Waltz wrote: “Rather than learning from history, the United States repeats past errors by expanding NATO eastward and extending its influence over what used to be the province of the vanished. This alienates Russia and pushes it toward China…”

Thus did the U.S. divert its European allies from their real task of putting out border brushfires on their own, a backyard defense well within the capabilities of a rich West Europe.
Engagement in Kosovo came after the Clinton Administration ceded much of Bosnia to Bosnian Serbs and strengthened two pipsqueak dictators, Croatia’s Franjo Tudjman and Serbia’s Slobodan Milosevic.7 The U.S. intervened in Kosovo only belatedly and moved the forward headquarters of the 5th U.S. Corps from Heidelberg, Germany to the Hungarian-Croatian border. From there it created Camp Bondsteel.

Another case of base mania occurred following Operation Desert Storm. In 1991 the Pentagon decided it needed to stay in Kuwait and turned two small warehouses into the present 500-acre complex known as Camp Doha, Kuwait, headquarters for U.S.Army Central Command-Kuwait (ARECENT-KU). Here the Pentagon rotates battalion-sized task forces nearly continuously, flying one unit in from the U.S. while it takes another back. The U.S. Army conducts joint ‘Intrinsic Action’ training with Kuwaiti elements; the U.S. Marine Corps calls theirs ‘Eagle Mace’; while Special Operations Forces, the sneak and peek troops, cover their joint activities under codename ‘Iris Gold’. Not far from Camp Doha sits Ahmed al-Jabat Air Base, Kuwait, a home-away-from-home for U.S. Air Force aircraft. And King Hamad of Bahrain allowed the U.S. Fifth Fleet to build its headquarters on this strategic Persian Gulf island.

Will Camp Bondsteel and Camp Doha act as models for woebegone Afghanistan and its wounded neighbors? “That’s affirm,” as the military say and the New York Times reports. Several locations have won approval: in Afghanistan the Bagram Air Base north of Kabul and Kandahar airport are now home to the 101st U.S. Airborne Division, formerly of Fort Campbell, Kentucky. Major General Franklin Hagenbeck, when asked why U.S. troops at Bagram “cannot enjoy pizza and cappuccino, as their comrades do at Camp Bondsteel”, the general replied that “when you start creating a Bondsteel there’s an impression, rightly or wrongly, that you’re going to be there for an extended period of time.”8

Outside of, but near to, Afghanistan there is Khanabad Air Base in Uzbekistan, and a new air base going up outside Bishkek, capital of Kyrgyzstan, as a “transportation hub to house as many as 3,000 troops and accommodate warplanes and support aircraft.” Also to be located at Bishkek’s Manas International Airport will be a U.S. military surgical ward, gym, and a military exchange (i.e., shopping center). This base is only three hundred miles from the Chinese border. (The State Department has signed a one-year Status of Forces Agreement with the Kyrgyz government to legalize this expanded Pentagon footprint in Asia’s Wild West.) To mask the appearance of unilateral military expansion, the U.S. has invited France to station six Mirage 2000s in Bishkek “for combat air operations in northern Afghanistan.” Another agreement has been concluded with Tajikistan’s government for a base near Tashkent while talks continue with Kazakhstan for U.S. use of an airfield there. Add to this the February 9, 2002, agreement between the U.S. and Pakistan in which Islamabad’s military government agreed to allow the U.S “to use Pakistani facilities for joint exercises, training, deployments and other military operations.”10 (This Texas roundup of Stans—Persian for place—rivals Alexander the Great’s incursion over two thousand years ago.)

Moreover, what will Russian and Chinese elites think of their new backdoor neighbors, the U.S. military? President Vladimir Putin’s surprise decision following September 11 to side with Washington caught many Russian specialists off guard.11 The U.S. should build upon Russia’s support, not ignore it, nor allow it to wither because of base mania behind the Hindu Kush. Many of the bases the U.S. wants were former Soviet bases in what Russians call their ‘near abroad.’ As for China, President Jiang Zemin and his likely successor, Hu Jintao, can hardly brush aside the case of American bases astride arteries of the ancient Silk Road. Chinese elites, unlike their American counterparts, remember history. Ming dynasty China sent envoys to Herat—a former imperial capital now within Afghanistan—before Columbus failed to find a western route to China.12 Why antagonize these two great powers, which, along with India, have vital interests in the region?

Rationale for Bases: War on Terrorism

The ostensible reason given for requiring Central Asian bases is the U.S. desire to destroy the al-Qaeda as a functioning terrorist organization. A mainly pan-Arab grouping, the al-Qaeda’s hijacking of a non-Arab government, the Taliban, which had itself hijacked one of the world’s greatest religions, Islam, has certainly demonstrated that their operatives know their business.13 But are American bases in Central Asia and Arab countries the appropriate response?

With the World Towers inferno the al-Qaeda made themselves targets. To evade destruction, they went back underground. Where did they hunker down? The best guess is not Afghanistan where many Afghans would sell them for the price of a rug. Nor Cairo and Riyadh, which tend to execute dissidents on the spot. More likely places are the European cities of the Islamic Diaspora. For example, Islam has emerged as the fastest-growing religion in Britain with numbers ranging from 1.5 million to 2.5 million. (With over 5 million, France has the largest Muslim population in Western Europe. Paris versus London.) The British rap sheet of ‘Shoe Bomber’ Richard Reid, who terrorized American Airlines Flight 63 from Paris to Miami, is instructive. He had a Black Jamaican immigrant grandfather and a father who married a white British woman, the daughter of an accountant and magistrate. Both father and son did time in British jails, where they converted to Islam. British scholars like Ziauddin Sardar suggest that “Islam is a sort of natural religion for underdogs and that’s one reason why Afro-Caribbean people have found its message very attractive.”14 Assuming that Europe now contains vital remnants of al-Qaeda, central Asian military bases will not help find them, nor will military forces. Instead, it rests with police agencies, intelligence services, and financial institutions.15

A Better Solution

If recent history suggests anything about long-term hospitality in the Islamic world, the U.S. will probably get invited out soon after it settles in. Saudi Arabia is a perfect case in point. The almost 4,500 strong military force that the
U.S. Base Mania / Hatcher · 13

U.S. stations there, along with almost 1,000 British military, today find themselves proto-prisoners and terrorist-targets. The 1996 bombing of the U.S. Air Force Khorab Towers barracks in the Saudi city of Dharan killed nineteen U.S. airmen. Now concentrated mainly at the Prince Sultan Air Base outside Riyadh, U.S. forces once numbered 500,000 during the Persian Gulf War. Saudi strategists expected that the Desert Storm military would go home once they finished their job—expelling Iraq from Kuwait. But they stayed on because Washington held that the job remained undone so long as Saddam Hussein was in power. Baffled at first, the Saudis countered: no flights to bomb Iraq, then no over-flights of Iraq. Nonetheless, last summer the Pentagon proceeded to open a state-of-the-art command center on the Prince Sultan Air Base.

Saudi royals have now begun to hint that the Americans have overstayed their welcome. Among the reasons are the secular attitudes of the American military that conflict with Saudi religious authorities determined to defend their sacred soil. For example, Saudi elites see nothing but American arrogance in the case of Lieutenant Colonel Martha McSally, the highest ranking female pilot in the U.S. Air Force. Since the American military arrived in-country with the Gulf War, the Defense Department established a policy that female members should wear the traditional Saudi head-to-toe robe—the abaya in Arabic—when going off base. McSally challenged the abaya rule in a Washington D.C. court, arguing that policy is unconstitutional and improperly forces American women to conform to others' customs. General Tommy Franks has since modified the policy to state that the abaya is no longer required but strongly encouraged. No grand clash of civilizations here; just a choice of clothes. But little things such as this often erode relations between these two key allies who then misinterpret each other and clothe their arguments in terms such as Orientalism (anti-East) and Occidentalism (anti-West).

The U.S. should have followed the advice of two of its senior people in the area. General Charles Horner, the U.S. Air Force commander during the Gulf War argued “very hard to get all of our people out of there” when Washington withdrew most of its combatants following the U.S. rout of Iraqi forces from Kuwait. After the 1996 Khorab Towers attack, then-U.S. Ambassador to Saudi Arabia, Wyche Fowler Jr., suggested that it might be wiser to withdraw rather to confine American service personnel to sand-box stalags for their own protection. 18 Washington-based officials rejected this advise from the field, believing they knew best. But the basing issues pale compared to Saudi rage against what they perceive as America’s one-sided view of the Israeli-Palestinians issue.

Crown Prince Abdullah has stepped forward to offer his American ally solutions for both the base problem and the Israeli-Palestine war. His suggestion on bases is a gracious way for the U.S. to depart. “You (Americans) would still have access to Saudi bases after a withdrawal” said one adviser to the crown prince. Inasmuch as the two nations might face future troubles together, the then leaders could arrange a temporary solution to those threats. Meanwhile, Prince Bandar bin Sultan, the Saudi ambassador to the United States, has tried to placate disaffected Congressional members who feel betrayed by the desert kingdom.

Betrayal has nothing to do with it. The Saudis have bought over $30 billion in weapons over the past decade. With a population of 23 million they can defend their country. And Abdullah knows well the military politics of his region. Egypt’s President Hosni Mubarak has hosted joint U.S.-Egyptian military exercises in the land of the pharaohs. Almost simultaneous with the start of bombings in Afghanistan, 23,759 U.S. troops joined 43,350 Egyptian troops in land, sea, and air combat maneuvers. Eight other nations participated, each contributing an average of about 564 personnel. Code named ‘Bright Star’, Cairo and Washington have conducted these biennial, autumn war games for the last twenty years. At their terminus, the Americans terminate—they go away. Abdullah likes the going away part and apparently has no plan for yearly returns in any possible Saudi scenario. Skeptics should not sell this crown prince short. He holds the spigot to the kingdom’s much needed oil, and he proposed a striking solution to the Israeli-Palestine cancer that threatens sure-death for the region. But rather than bring the Saudi-based troops home, the Pentagon sees a replacement for its Arabian base just over the border in Qatar with its vast hangars and 15,000 foot runways at Al Udeid Air Base.

**AirCraft Carrier Battle Groups to the Rescue**

The Saudi bases were a mistake from the beginning. The U.S. should have remained over-the-horizon, its fleet patrolling nearby waters. That is what carrier battle groups do superbly. They patrol in international waters and function as floating bases that the Pentagon can move about the world’s oceans. Four of these blue-water behemoths were deployed into harm’s way after September 11: the U.S.S. Enterprise Battle Group in the Arabian Sea, the U.S.S. Carl Vinson Battle Group in the Persian Gulf, the U.S.S. Theodore Roosevelt Battle Group in the eastern Mediterranean, and the U.S.S. Kitty Hawk in the Indian Ocean. (The Roosevelt’s Battle Group had just arrived from its home port in Norfolk, Virginia, and the Kitty Hawk’s Group had to dash down from its overhaul in Yokosuka, Japan.)

In the recent past, the U.S. Navy has paid short-term rents for pier space for such carriers in Singapore, one of the few places that can take these giant warships. Note the verb ‘rent’, the adjective ‘short-term’. Moreover, American naval battle groups can and do use the British Indian Ocean base at Diego Garcia, which also offered U.S. Air Force B-52s runways from which to lumber north to drop their payloads on Afghanistan. And stealth bombers flew round trip from the U.S. to strike at Afghan targets. None of the above operations required permanent Central Asian bases.

The above combination will not always work. While the celebrated historian Paul Kennedy seems overawed by the size and power of U.S. aircraft carriers, he fails to see their weaknesses. They make excellent targets for Russian manufactured Moskit anti-ship cruise missiles, called Sunburns (SSN-22) by the Chinese who bought 48 in 2000 and have stockpiled more ever since. With a range of 80miles, a speed of Mach 2.34, its high-explosive warhead can sink most

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Asia Pacific: Perspectives · May 2002
U.S. ships. And the warhead can go nuclear, up to 200-kiloton, six–times as powerful as Hiroshima.

Beijing bought two Sovremenny-class guided missile destroyers from Moscow to go with these Russian anti-ship weapons. Indicators point to their willingness to buy more, particularly upgraded versions. Professor Kennedy may want to correct his use of decrepitude to describe the Russian military. Apparently their version of the military-industrial-education nexus still delivers complex weapons systems that work when tested, the first thing that the Chinese did before paying. Seen from Washington this equipment is offensive; from Beijing defensive. But it and other developments mean that the traditional carrier faces a future mainly in low-tech environments.

The Afghan conflict has proved the continued usefulness of carriers as floating bases in minimum intensity combat. Paul Kennedy correctly notes that in this conflict the U.S. pulled its forces from international bases it shared before September 11, 2001. Yet, as of March 2002 the U.S. has “a ring of new and expanded military bases established in thirteen locations in nine countries near Afghanistan since September 11.” Unfortunately, that is not a recipe for catching terrorists and more security but for a continuing cycle of violence aimed at the U.S. Exasperated by this base mania, Senator Robert Byrd, D-W.Va, who chairs the Senate Appropriations Committee, grilled Deputy Defense Secretary Paul Wolfowitz about the war’s costs and how “the Pentagon seems to be looking for opportunities to stay longer and expand our presence in the region.”

The United States has made a case that it is fighting a just war in Afghanistan. The Bush team must not let that war turn unjust by expanding it. Timothy Garton Ash, a British admirer of the U.S., warned his American friends of “the peril of too much power.” There is also peril in wasting power on extraneous bases and weapons. Prize-winning journalists like Thomas Friedman might want to reconsider the next time they congratulate the U.S. on its immense military power. Yes, the U.S. Air Force does fly airplanes that can land in the Yes, the U.S. Air Force does fly airplanes that can land in the dark, a feat that amazes Friedman. But as these military transport aircraft began to go into service, U.S. civilians began to lose their passenger train service. As the U.S. began to build high-tech M.A.S.H. facilities across Central Asia, it has not begun a national health care program at home. This does not bode well for America’s future.

If Pentagon history helps, in the 1960s two whiz kids, led by the economist Charles Hitch, came to their Defense Department jobs prepared to ask a tough question—How much is enough? If asked today about Central Asian military bases for the U.S., the number given should not rise above zero.

ENDNOTES


4. Chalmers Johnson, ed., Okinawa: Cold War Island (Cardiff, California, Japanese Policy Research Institute, 1999). Following the Korean War in the early 1950s, the number of U.S. bases in Japan declined from almost two hundred to nearly ninety, depending on how you count small service installations. The remaining ninety were mainly gigantic naval and air bases. “South Korea: U.S. To Close Bases”, New York Times International, March 30, 2002, A4. In the Korean case it is consolidation, not closure per se. The current number of American troops, 37,000, would remain the same, backing up 600,000 South Korean troops.


12. Shih-Shan Henry Tsai, Perpetual Happiness: The Ming Emperor Yongle (Seattle, University of Washington Press, 2003) 161, 188-90. (In 2001, Jang Zemin twice had to smooth over relations with the Bush Administration over aircraft issues; the uninvited landing of an American spy plane at Hainan Island and then the bugging of his presidential Boeing during a refit at San Antonio, Texas. In 2002 he now faces U.S. Air Force units on his southwestern borders. Henry


21. William German, “Enigma on the Nile”, San Francisco Chronicle, January 18, 2002, A29. ‘Bright Star’ grew out of the Camp David Accords which Egypt signed in 1978. Small at first (ground forces), operations have expanded since 1985 (air forces) and 1987 (special forces and naval elements), and 1996 (forces other than U.S.-Egyptian invited to join).


23. In fairness, some local governments made ground areas available to the U.S. military on an ad hoc basis for which the U.S. apparently paid. If Washington now wants to offer more assistance, it should funnel financial aid to international organizations that work on poor countries’ transportation infrastructures—road, rail, air-and-sea ports.

24. The Yale University historian Paul Kennedy apparently fell victim to a naval recruiting bombast in his February 5, 2002, article published in the Financial Times. Titled “The Eagle Has Landed”. It had Kennedy waving the U.S. flag as heartily as Prime Minister Tony Blair. A little navy history would correct Kennedy’s error. The ‘flat top’ carrier was the critical naval weapon of World War II just as the battleship was of World War I. During the Cold War the submarine replaced both. It remains the warship that can hide. The last time when carriers hid successfully was when the Japanese Imperial Navy hid part of its fleet before Pearl Harbor. Technology now makes it impossible to repeat that Japanese success. For example, when launched the U.S.S. Ronald Reagan will stand 22 stories tall from keel to masthead and be longer than the Empire State Building is high (1,100 feet). In its galleys cooks will serve 18,000 meals every twenty-four hours to its six thousand passengers. Michael Fabey, “It’s Time to Toast Carrier Reagan: Special Reagan Christening Edition”, Daily Press of Newport News-Hampton, Virginia, March 4, 2001, 3.


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Currently at work on his fourth book, *America’s Korean Odyssey*, Hatcher is also the author of *North Atlantic Civilization at War* (M.E. Sharpe, 1999) and *Suicide of an Elite: American Internationalists in Vietnam* (Stanford, 1990) as well as numerous articles and other writings. He helped narrate the film “Napoleon and Wellington” and is often seen on KRON-TV (NBC) in the Bay Area as a national security specialist.

Patrick Hatcher received his Ph.D. in history from the University of California at Berkeley. Prior to embarking on an academic career, he had risen to the rank of lieutenant colonel in the U.S. Army. From 1996 to 1999 Hatcher served as a judge for the Kiriyama Pacific Rim Book Prize and in 1999 he chaired the panel of nonfiction judges. He has taught at other Bay Area institutions, including St. Mary’s College, UC Davis, and Golden Gate University. Hatcher has led educational tours for the Library of Congress, the Art Institute of Chicago, the San Francisco Museum of Modern Art, and the University of California Alumni Association’s Bear Treks travel program.
The Making of an Integrated National Grain Market in China
by Wubiao Zhou, Ph.D. candidate

Abstract
A market economy will not emerge from a redistribution economy automatically once the state abolishes its redistribution system. Because of the cognitive incompleteness of market actors in post-redistribution societies, and also because of the conflicts between the state and local interests and among local interests, selective state interventions are inevitable and necessary for a successful market transition. By using unique networked trade data, this paper examines the evolution of market patterns in the new market transition economies based on the emergence of an internal grain market under market reform in China. The finding is that local markets, tightly "protected" by local officials, tried to curtail long-distance trade beyond local territories and thus are not starting points for an internal market in China's national grain market. The emergence of an internal grain market at the beginning of the 21st century in China is the result of the deliberate actions of the reform-oriented state.

I. Introduction
Market reform in former socialist countries provides an unusual opportunity to study the evolution of the market patterns in the contemporary era. Thus far, researchers have discussed much about the making of a market economy (Polanyi 1957; North 1981; Olson 1982; Block 1990; Walder 1992; Evans 1995; Oi 1999; Nee 2000). However, much of this research has focused on issues of economic development or property rights, but not directly on the evolution of the market pattern. If a market economy can be seen as a set of institutional arrangements, then it is more important to understand the institutional changes than simply to explain economic development; and it is at least as important to explain the evolution of market patterns as it is to understand the changes of property rights.

Polanyi is one of the pioneers who paid much attention to the evolution of market patterns during the emergence of a market economy. In his classical work, Polanyi (1957:63-65) argued that the formation of a laissez-faire economy does not result from the development of local markets because local markets, often controlled by territorial powers (towns, for example), inhibit burgesses from long-distance trade. It is the “nationalization” of the local markets, Polanyi argued, that creates an integrated national market (internal market) through the deliberate actions of the states which in turn enables laissez-faire.

Though Polanyi’s argument is based on the great transformation from a feudal economy to a market economy in Western Europe, his argument may also hold true during the ongoing market transition from a socialist redistributive economy. Take China as an example. Under China’s decentralized partial reform, the overall inefficiency of rural industry is seen by some researchers as partly resulting from the anti-market, protectionist conservatism of local officials and the Maoist legacy of a closed local economy (Wong 1986, 1987; Nee 1992). In this sense, it is quite understandable that many top economists in China have suggested that the central government construct an integrated national market. Thus it seems promising to examine Polanyi’s theory of the evolution of market patterns in non-Western-European environments, that is, in the new market transition economies.

The evolution of China’s national grain market since 1978 is a good case to test Polanyi’s theory in the new market transition economies. It is an appropriate case because the evolution of China’s national grain market has the following unique attributes that fit very well in terms of testing Polanyi’s theory. To test Polanyi’s theory, first, there should exist many local markets for one type of goods before an internal market emerges. In reforming China each province has been a local market for grain trade ever since the beginning of the grain market reform, especially under the provincial governor’s responsibility system (Findlay 1998:21-22); and there also exist dozens of local grain markets at the county level in each province. Second, there should be an inter-territorial state that has an interest in constructing an internal market. It is no wonder that the reform-oriented Chinese socialist state is such an inter-territorial political entity. Third, there should be a relatively long market development history so that one can see the influence of the state on the formation of an internal market. After more than 20 years of development, the grain market is now one of the most developed product markets in China.

This paper is organized as follows. Section II briefly reviews the history of the grain market reform in China. Research questions and hypotheses, based on both Polanyi’s theory of the evolution of market patterns and the history of China’s grain market reform, are proposed in Section III. Section IV discusses the data used in this paper. The block-modeling method is discussed in Section V separately. Section VI reports the empirical results. Concluding remarks are provided in Section VII.

II. Review of the History of China’s Grain Market Reform
Territorial grain flows in China before 1978 were not enforced through grain markets but through a Unified Purchase and Sales System (UPSS). Under UPSS, all grain surpluses of peasants were collected by the state under a planned price; the state then redistributed grain, in planned quantities, to citizens (people living in cities) and peasants who were short of grain. In 1960 people’s communes were constructed across the country to ensure the state’s control over peasants in order to enforce UPSS efficiently. By so doing the state extracted billions of agricultural surpluses for industrial capital, while national grain output declined continuously due to the low incentives of peasants to grow grain under such a system. This triggered the agricultural reform and thus the liberalization of UPSS in 1978.

From 1978 to 1984, the state launched a series of fundamental reforms in the rural sector (see Lin, 1992). The reforms at this stage were mostly aimed at increasing incentives for the direct producers to grow grain. The reform
measures at this stage include changing the collective system under the people’s communes to a Household-Responsibility System and increasing the grain purchase prices. Citizens were also permitted to buy grain directly from peasants from then on in the small local markets that has reemerged. But since surplus grains of each peasant household are not great, private grain merchants entered the market as a way of aggregation of products to supply to larger markets, and a network of trade began to emerge (Findley 1998:13). In 1984, the state officially approved the emergent free market system and allowed peasants to sell surplus grain on local markets after they had sold their grain quota to the state. However, because of the legacy of the Maoist closed local economy and socialist shortage economy, grain outflows to other territories, except for the centrally planned transfer, were still seen by local officials as destructive of local economic order.

The first stage reform benefiting the direct producers brought about dramatic growth in grain production. As a result the state was encouraged to take a bolder approach to agricultural reforms. Thus began the second stage of grain market reform from 1985 to 1993. In 1985, the UPSS was replaced by the contract system. Under the new system state-decided grain prices were fixed on the 70:30 ratio of quota and over-quota prices. In 1988, in order to encourage inter-territorial grain flow, the state approved establishment of national wholesale grain markets to construct a national grain market (Ma 1999). The increase in grain production and the emergence of the grain markets in this stage had significant effects on the grain consumption of the citizens. People became increasingly concerned on the better quality and more variety, and quantity became less important. This in turn resulted in the abolishment of the grain redistributive system—UPSS—in 1993 because the redistributive system had been based on longtime shortage of grain. Also in 1993 the state decided to release prices of all grains, irrespective of quota or non-quota grain. Before this the state also established State Grain Risk Securities, to balance the supply and demand of grain, meat and all other farm foods. Thus the rises in prices are just a normal response to an emerging internal market. (2) Worsening barriers to internal trade because of the worsening local protectionism. (3) Rising concern of the state about the lack of control because the grain prices continued rising even after the state took macro-adjustment measures, such as the release of the state grain stock. (4) Complaints from consumers about the rising prices of grain, meat and all other farm foods.

These problems resulted in a short period of dual-track system from 1994 to 1997. The state recontrolled the prices of quota grains and also tried to influence market prices by issuing price ceilings. Also, it began to exclude private merchants in grain markets by giving state-owned grain enterprises rights to monopolize 80% of the purchase and sales of grain. Based on this state monopolized national grain market, the state then divided the responsibilities of the central and local government. First, in order to offset trade barriers among territories, the state established the Provincial Governor’s Responsibility System (PGRS) in 1995, requiring each province to be responsible to balance the supply and demand for grain within territory. Second, the state itself began to take responsibility in using macro-adjustment measures, such as National Grain Stock and National Grain Risk Securities, to balance the supply and demand of grain among provinces (Wang, 1999). However, the price-recontrol, the exclusion of private merchants, and the establishment of the Provincial Governor’s Responsibility System only exacerbated the situation, since these measures intensified local protectionism.

In 1998 Premier Zhu Rongji initiated the fourth stage of the grain market reform. This reform was initially aimed to bailout state-owned grain enterprises (SOGE). Deepening the 1994-97 dual-track system, the state controlled all of the purchase of grains by permitting only SOGE to purchase grains from producers with state-protected prices. At the same time it permitted SOGE to sell grains on local and national markets with prices higher than both market prices and purchase prices. Also, the state liberated SOGE from grain administrative bureaus in local governments thus caused SOGE to become self-constrained and autonomous firms. Though this reform is mainly concerned with SOGE, it also had effects on inter-territorial grain flow. First, by liberating SOGE the purchase and sales of grain are interfered much mess by local governments, and this helps break through territorial barriers. Second, the liberalization of SOGE, combined with the establishment of more and more national wholesale markets by the state during these years, increases the formation of an internal market.

From the discussion above we can see that the state (central government) has taken a series of important measures in order to create an internal grain market in the process of reforming China. First, it has broken down UPSS – the planned redistributive grain system. The grain market will not emerge until at least partial exit from such a system. Second, the state gradually replaced the planned inter-provincial transfer system with the market transfer system as...
the major grain exchange mechanism among territories. This is a necessary condition for the emergence of an internal grain market. Third, the state established an increasing number of national wholesale grain markets to promote long-distance grain trade throughout the country. Fourth, the state used macro-control measures to break through internal barriers and protect inter-provincial grain trade. Fifth, the state liberated SOGE from local governments to make them independent economic entities on the national grain market. The result is that grain has been circulated increasingly through markets rather than through a planned transfer system since the 1980s.

However, the road to a national grain market is uneven, and the grain market reform is incomplete. First, local governments are still preventing the formation of the national grain market (inter-provincial grain trade), though they have been interested in the development of local markets. Second, the central government is still monopolizing the purchase of grains through state-owned grain enterprises and prevents entry of those private grain merchants to purchase markets. Third, the state is still manipulating most of the prices of grains. Thus it seems that although the state has taken a series of deliberate actions to promote an internal grain market, it is still using planned measures, which are harmful to the formation of an internal market, to try to solve market problems. These planned measures are still the political economy of China’s grain market in the year 2000, the time span covered by my data.

III. Research Questions and Hypotheses

Local grain markets came into being soon after the state initiated rural reform in 1978 as we can see from the history of China’ grain market reform. These markets were soon officially approved by the state in 1984. However, an internal market did not emerge from the natural spreading of the local markets. There are two contributing factors here. First, as it has been shown by Polanyi in western history, developing an internal market conflicts with the interests of local authorities. Second, specific institutions of the planned economy, such as UPSS and the planned inter-provincial transfer system, also prevent the formation of an internal market in socialist China. These constraints predetermine the emergence of an internal market as an incremental process, even though the state has committed to developing a national grain market. Thus, my first research question is:

(1) What does the national grain market look like now? That is, has an internal grain market in terms of spatial differentiation emerged?

Spatial integration in goods flow is not the whole meaning of an internal market; to achieve an internal market, all market transactions in the country should be “directed by market prices and nothing but market prices” (Polanyi 1957:43). This was the object of the 1993 reform strategy when the state released all state-controlled grain prices and replaced dual-track transfer among provinces with uniform market transfer. However, this trend is reversed by the grain market crisis around 1994. Since then the obstacles to achieving such a self-regulating system of grain market are not only from the local governments but also from the anti-market policies issued by the central government, namely, the state, although the 1998 reform strategy has partly revised policies and thus reopened the door to an internal grain market. Therefore, the second research question is:

(2) Are the market transactions of grains in the national market directed by principle of market now? That is, are these transactions sensitive to demand and supply under the circumstances of both market reform and anti-market obstacles?

From the history of China’s grain market reform we know that the state has been interested not only in the making of an integrated national market – an internal grain market – but also has taken a series of important measures to promote it. Among these measures establishment of national wholesale grain markets is the most visible, continuous, and irreversible action. Since the state commissioned construction of a couple of large national wholesale grain markets in 1988, about 150 such markets has emerged till 2000 with an average constructing speed of about 12 markets per year.1 This performance is especially salient if we notice that there have always been so many doubts, hesitations, and even retreats in the state’s decisions to abolish UPSS, to release grain prices, to separate state-owned grain enterprises from local governments, to permit the entry of private grain enterprises, etc. Thus, to examine Polanyi’s theory of the evolution of a market pattern in China’s transition economy, we would ask the third question:

(3) Do the state’s actions significantly promote the formation of an internal market? Or with regard to China’s grain market, does the establishment of national wholesale grain markets by the state significantly contribute to the formation of an integrated national grain market?

To answer the above three research questions, this paper will employ unique network data to test the extent to which (1) spatial differentiation is a barrier to inter-provincial grain trades; (2) supply-side and demand-side factors have effects on these trade exchanges; and (3) the deliberate actions taken by the state to promote internal grain market are significant to these trade exchanges. The general null hypothesis is that four such dimensions are not significant for the inter-provincial grain flows in China today. There are three sub-null hypotheses, which correspond to the above three research questions, respectively. These sub-null hypotheses are:

Hypothesis 1. Spatial differentiation is not a barrier to the grain trade exchanges, meaning that the national grain market is spatially integrated;

Hypothesis 2. Demand-side and supply-side factors have no effects on the grain trade exchanges, meaning that the national grain market has not been economically integrated;

Hypothesis 3. The deliberate state actions to promote an internal grain market are not significant to grain trades.

http://www.pacificrim.usfca.edu/research/perspectives
IV. Data

The data used in this paper are about inter-provincial grain flows on the national market in China from November 1999 to October 2000. These data are collected mainly from the National Grain & Oil Information webpage of China Fuzhou Grain Wholesale Market, which is one of the 22 largest national wholesale grain markets in China (see footnote 1). Other sources include the webpages of Jilin Grain Exchange Market, China Net of Grain, Igrain Net, China Net of Grain & Oil Information, and China Cereals Trade Net. Since Internet trade can greatly reduce transaction costs, especially in information-searching costs, it becomes an important mode of inter-provincial grain trade, and thus all national wholesale grain markets have constructed or been constructing webpages (see footnote 1). Therefore, the data which are collected from webpages are quite reliable under the circumstance of the diffusion of the new information technology.

In China grain includes five categories: rice, wheat, corn, soybeans, and tubers. However, since rice, wheat, and corn account for about 86% of China’s total grain production in the 1990s and around 85% of its grain consumption, I will include only the inter-provincial flows of these three main types of grain in the data.

The information about inter-provincial flows of these three types of grains was collected from market reports and market information boards on the above webpages. Unfortunately, I could only obtain information about the direction but not the amount of grain flows among provinces. Because the amount of grain in each trade on wholesale markets is usually quite large, and also because my objective is to know whether market trade exchanges among groups of provinces exist, information about the direction of grain flows is sufficient for the purpose of this research.

I coded “1” for A → B if market grain flow from province A to province B exists, and “0” if no such flow exists from November 1999 to October 2000. Since there are 30 provincial districts outside of Chongqing Special City, the resulting data are dichotomized, directed, and 30x30 matrix network data according to Wasserman & Faust (1997) (see Appendix I for the whole data).

Two points are worth mention here. First, since numerous local grain markets exist in each province, reflexive relations from each province to itself also exist, and thus the main diagonal of the matrix is “1’s. Second, there are 158 directed arcs in the matrix. Since for a 30x30 matrix with main diagonal is “1’s, the total number of possible relations is 900, the density of this matrix equals to 0.1756 (158/900). The matrix is rather sparse, which indicates that the national grain market is not very developed yet.

V. Method

A Priori Blockmodeling Method

The a priori blockmodeling method was first developed by Wayne Baker. This method is based on a revision of the basic blockmodeling approach. According to the basic blockmodeling approach, the original social network data are permuted into distinct sets (or blocks), using the rule of structural equivalence by treating each set as internally homogeneous and homogeneous in its relations to every other set (Baker 1992). The next step is to calculate submatrix densities (A-density) in each block. If one submatrix density is greater than or equal to the overall density of the whole matrix which is often called as α-density (Wasserman & Faust 1997:400), it is called dense submatrix and the block is assigned “1” (oneblock); otherwise it is called sparse submatrix and the block is assigned “0” (zeroblock). The resulting image is a reduced-form representation of the original network, and the validity of this blockmodel can be judged on how adequately it fits the ties in the original data (Baker 1992). The a priori blockmodeling method is very similar to the basic one. All of the steps are the same except for the formation of the blocks, which in the basic blockmodeling method is based on the algebraic rule of structural equivalence while in an a priori blockmodeling model, however, it is based on a priori aggregation standard.

The a priori aggregation standard used in this paper is composed of the four explanatory variables affecting inter-provincial grain flows according to the research questions and hypotheses. These variables are discussed below.

Explanatory Variables

(1) Spatial differentiations (territorial factor)

This variable is used to test the first hypothesis; namely, whether spatial differentiation is a barrier to inter-provincial grain trades. Based on this variable I divided the 30 provinces into four a priori groups: Northern-eastern; Eastern; Central-southern; and Western (see Appendix II for the group identity for each province). There are two reasons for this aggregation. First, this aggregation is based on the six Bureaus of Large Administrative Districts once exiting during 1950s. Second, many provinces in each of the four territories are geographically approximate to each other. And thus traditionally grain exchanges in each group have been much more than among groups.

(2) Grain output per capita for each province (supply-side factor)

This variable is employed to test part of the second hypothesis; namely, whether the supply-side factor has an effect on the grain trade exchanges. According to this variable I partitioned the 30 provinces into four a priori groups: provinces with sufficient surpluses; provinces with marginal surpluses; self-sufficient provinces; and provinces short of grain. This category is seen as a supply-side factor because provinces with more grain output per capita will outflow more grain and inflow less grain than those with less grain output per capita on the market. For the GOPC and group identity of each province, see Appendix II.

(3) Living expenditure per capita in cities for each province (demand-side factor)

This variable is employed to test another part of the second hypothesis; namely, whether the demand-side factor...
has an effect on the grain trade exchanges. Since most peasants can feed themselves, only people living in cities need to buy grain from markets. Thus, to examine the demand-side factor in the grain market, I will compare Living Expenditure Per Capita in cities for each province (LEPC). Based on this variable, I divided the 30 provinces into four a priori groups: rich provinces; relatively rich provinces; relatively poor provinces; and poor provinces. If an internal market has emerged, provinces with higher LEPC will tend to have more grain inflows than those with lower LEPC. This is true even when provinces with higher LEPC are themselves grain-surplus provinces because citizens in these provinces tend to be concerned more about quality and varieties of grain than those with lower LEPC. For example, citizens in Jiangsu, a both surplus-sufficient and rich province would rather eat white wheat from Henan and Shandong provinces than eat red wheat, which is mainly produced in Jiangsu, because white wheat is of better quality than red wheat. The average LEPC and the group identity of each province are put in Appendix II.

(4) Degree of market development for each province (state factor)

This variable is used to test the third hypothesis; namely, whether the deliberate state actions to promote internal grain market are significant to grain trade exchanges. This variable uses the number of national wholesale grain markets in each province as its index. I partitioned all the provinces into four categories: very developed provinces; developed provinces; developing provinces; and undeveloped provinces. This is called a state factor because it is designed to examine the role of the state in producing an internal market. Under the circumstances of an internal market, the higher the degree of market development for a province, the more it outflows and inflows grain. The number of NWGM and the group identity for each province are put in Appendix II.

Goodness-of-fit Index for Evaluating Blockmodels

To evaluate how well the blockmodels fit the underlying network data, I will use the Carrington-Heil-Berkowitz (CHB) index to compare observed densities to a target blockmodel. For sociomatrixes whose main diagonal elements are defined and which have only a single relation, CHB index is as follows:

$$\Delta_{k,l} = \frac{(g - \alpha)^2}{\alpha}$$

Where

- $g$ = number of nodes in matrix
- $\alpha$ = matrix density of the whole data
- $B$ = number of defined blocks in the matrix
- $O_{kl}$ = number of “1”s in the $(k, l)$th block
- $O_{kl}^*$ = expected number of “1”s in the $(k, l)$th block = $g \cdot \alpha$
- $t_{kl}$ = “1”, if $O_{kl} < \alpha$; or “(1 - $\alpha$) / $\alpha$”, otherwise; here $O_{kl}^*$ means the submatrix density of each block.

Because this index is based on worst-possible a-fit, which indicates that it calculates the sum of deviations from the target blockmodel, the smaller the CHB index is, the better the blockmodel fits the network data (Wasserman & Faust 1997:682). The CHB index ranges from 0 to 1. However, there is still no developed standard for evaluating $\Delta_{k,l}$ (Wasserman & Faust 1997:684), and Wasserman and Faust (1997: 690) even treated $\Delta_{k,l} = 0.499$ as an evidence of a good fit of the blockmodel to the original network data in their example, I thus adopted 1/3, which is far less than 0.499, as the critical value. That is, only if $\Delta_{k,l} < 0.333$, will I claim that the blockmodel fits the original network data well.

Ideal Image

In blockmodeling, if the submatrices in the blocked matrix would have equal densities, then I would get the amorphous blockmodel image (Baker 1992):

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This image emerges when the four variables have no effects on the grain flow among provinces, indicating that the null hypothesis holds. Only when the blockmodel images we get significantly deviate from this amorphous one can we reject the null hypothesis and accept the alternative hypothesis. Here “significantly” means $\Delta_{k,l} < 0.333$.

VI. Results and Discussions

The results are calculated mainly by UCINET VI, a computer program used to analyze social network data. After densities in each block are calculated, the images of four target blockmodels are then constructed and $\Delta_{k,l}$ is calculated to evaluate if the blockmodels significantly represent the original network data. Lastly, the blockmodel images are compared to ideal images to examine whether the null hypothesis should be rejected.

The matrix density (a-density) of the whole grain trade data is the basis for forming the blockmodel images. According to whether we include the main diagonal, there are two values for $\alpha$-density. One is 0.1756 if we include the main diagonal; the other is 0.1471, if we don’t include the main diagonal. In each blockmodel, the values of $\Delta$-density (submatrix density for each block) are compared to 0.1756. However, to some blocks that are off main diagonal and with $\Delta$-density less than 0.1756 but greater than or almost equaling to 0.1471, I will also code them as “1”s.

Results for Hypothesis 1

Hypothesis 1, which states that spatial differentiation is not a barrier to the grain trades, meaning that the national grain market is spatially integrated, is designed to answer the first research question. Based on the territorial factor, spatial differentiation, I get the following blockmodel image:
flow from south to the north, trade exchanges from north to south are larger than those from south to north. This trend results partly from the fact that the development of the TVEs in southern provinces changed the comparative advantage of growing grain on the decreasing arable lands.

Results for Hypothesis 2

Hypothesis 2, which states that demand-side and supply-side factors have no effects on the grain trades, indicating that national grain market has not been economically integrated, is designed to answer the second research question. Based on the supply and demand-side factors: grain output per capita and living expenditure per capita in each province, we can get two blockmodel images. Let us begin with the supply-side factor.

Supply-side factor

Table 2. Supply-side Factor: Per Capita Grain Output for Each Province

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</tr>
</thead>
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<td>Sufficient Surpluses -7</td>
<td>1 0.3061/15</td>
<td>1 0.4107/23</td>
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<td>1 0.3810/24</td>
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<td>Marginal Surpluses (8)</td>
<td>0 0.1071/6</td>
<td>1 0.3438/22</td>
<td>1 0.2708/13</td>
<td>1 0.3194/23</td>
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<tr>
<td>Self-Sufficient (6)</td>
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<td>0 0.0208/1</td>
<td>Reflexive 0.1667/6</td>
<td>0 0.0556/3</td>
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<tr>
<td>Short of Grain -9</td>
<td>0 0/0</td>
<td>0 0.0185/1</td>
<td>Reflexive 0.1111/9</td>
<td></td>
</tr>
</tbody>
</table>

Goodness-of-fit index for this blockmodel is: \( _{b2} = 0.313 \)

| Notes: |
| 1. The number in the parentheses under supply-side categories equals to the number of provinces in each category. |
| 2. The bolded numbers “1” or “0” in each block indicates whether it is a oneblock or zeroblock. |
| 3. The two unbolded numbers of each block is \( \alpha \)-density before “/” and number of ties after “/” for each block. |

According to the value of \( _{b2} \) which is far less than a third, this blockmodel fits the original data very well. Also by comparing this blockmodel image to the ideal image, we can see that this image is very different from the ideal image, indicating that the null hypothesis, which states that spatial differentiation is not a barrier to grain flows, should be rejected. Thus, the territorial factor is still an obstacle to the formation of an integrated national grain market. However, here we can see that the three eastern groups, namely the northern-eastern, eastern, and the central-southern groups, have almost established an integrated grain market because the partial blockmodel image is very similar to the ideal image, with the exception of one zeroblock. This means that an internal market has to significant degree emerged in China, with the exception of the nine western provinces.

An examination of these western provinces, however, reveals that three provinces in the southwest are short of grain, three are merely self-sufficient, and only three have a surplus with two located in northwest. Therefore, this group would be better off were it to join the national market. One important reason as to why it is still not part of the national market is that the western provinces always lag in market reforms. There are still few national wholesale grain markets in this region (eight out of nine are still market undeveloped provinces). Also we can find that internal relationships (grain trade within each group) are much intensive than external relationships (grain trade among groups). This finding partly reflects the influence of the local/provincial governments because the latter can use political measures to prevent inter-provincial grain trade. This is also partly owing to the fact that all provinces are required to trade with neighbors first because of the macro-adjustment measures of the state. In addition, by examining the \( \Delta \)-densities we can see that, contrary to the pre-reform era when the main trend was

Table 1. Territorial Factor: Spatial Differentiation

<table>
<thead>
<tr>
<th>Territorial Factor: Spatial Differentiation</th>
<th>Northern-Eastern</th>
<th>Eastern</th>
<th>Central-Southern</th>
<th>Western</th>
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<tr>
<td>Northern-Eastern -8</td>
<td>1 0.3594/23</td>
<td>1 0.3393/19</td>
<td>1 0.2500/12</td>
<td>0 0.1111/8</td>
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<td>1 0.1429/8</td>
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<td>Central-Southern -6</td>
<td>1 0.1667/8</td>
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<td>0 0.3611/13</td>
<td>0 0.0926/5</td>
</tr>
<tr>
<td>Western -9</td>
<td>0 0.0556/4</td>
<td>0 0.0317/2</td>
<td>0 0.0370/2</td>
<td>0 0.1975/16</td>
</tr>
</tbody>
</table>

Goodness-of-fit index for this blockmodel is: \( _{b2} = 0.105 \)

Notes:
1. The number in the parentheses under territorial categories refers to the numbers of provinces in each category.
2. The bolded numbers “1” or “0” in each block signifies whether it is a oneblock or zeroblock.
3. The two unbolded numbers of each block is \( \alpha \)-density before “/” and number of ties after “/” for each block.

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two blocks); and at the same time, they inflow grains from two groups of grain-surplus provinces. This image demonstrates that the inter-provincial grain flows have been ideally enforced under the influence of the supply-side factor.

The strong effect of the supply factor is the direct result of reform policies – the release of grain prices, the abolishment of UPSS, and especially the replacement of a planned inter-provincial transfer system for a market transfer system. However, some people may argue that planned transfer under UPSS can also achieve the same image result as the above blockmodel shows, thus the strong effect of the supply factor is not necessarily the result of reform policies. This argument is incorrect. Even though planned transfer might also yield the same result, the efficiency of resource allocation of these two methods would be extremely different. Under the planned transfer system inter-provincial grain flows resulted only a couple of times each year under the guidance of central government because the transaction and transportation costs are too high for the state to enforce grain transfer as often as market does. This partially accounts for why provinces short of grains were always short of grains under a planned transfer system. However, under the market transfer system, grain flows are very sensitive to market information, and have far fewer transaction costs. From the above table we can see that densities in blocks (1,4) and (2,4), which indicate grain flows from two-grain-surplus groups to the short-of-grain groups, are very high. This means that provinces short of grain under a market system are much better than they were before reform.

### Demand-side Factor

#### Table 3. Demand-side Factor: Per Capita Living Expenditure in Cities for Each Province

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Rich</th>
<th>Relatively Rich</th>
<th>Relatively Poor</th>
<th>Poor</th>
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</thead>
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<td>Rich provinces</td>
<td>0.2500/16</td>
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<td>Relatively Rich</td>
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<td>0.2800/7</td>
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<td>0.0800/4</td>
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<tr>
<td>Relatively Poor</td>
<td>0.3393/19</td>
<td>0.2000/7</td>
<td>0.2041/10</td>
<td>0.2429/17</td>
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<tr>
<td>Poor provinces</td>
<td>0.2625/21</td>
<td>0.1800/9</td>
<td>0.1429/10</td>
<td>0.2700/27</td>
</tr>
</tbody>
</table>

Goodness-of-fit index for this blockmodel is: \( \chi^2 = 0.139 \)

**Notes:**
1. The number in the parentheses under demand-side categories indicates the number of provinces in each category.
2. The bolded numbers “1” or “0” in each block signify whether it is a oneblock or zeroblock.
3. The two unbolded numbers of each block are \( \Delta \)-density before ”/” and number of ties after ”/” for each block.

Let us turn now to the effect of the demand-side factor on the grain flow. As Table 3 shows, this blockmodel fits the original data also very well because \( \chi^2 \) is far less than 1/3. By comparing this blockmodel image to the ideal image we can see that this image is also very different from the ideal image; this means that the null hypothesis, which states that demand-side factor should have no effect on grain flows, should be rejected.

In the matrix, we can see that the group of rich provinces inflows grains from all other groups; the relatively rich provinces inflow grain from all other groups except for the rich provinces. However, the two poor groups are mainly self-fed and grain-outflow provinces, according to this blockmodel image. This image therefore demonstrates that the inter-provincial grain flows have been ideally enforced under the influence of the demand-side factor.

There are two reasons for the above mode of effects of the demand-side factor. First, under the circumstance of a market transfer system, citizens in two groups of rich provinces tend to concern more about quality and variety of grain than the other two groups, thus they were able to inflow varieties of high quality grains from everywhere. While citizens in two groups of poor provinces also had concern about quality and variety, they can not afford to buy varieties of high quality grains from everywhere as the rich provinces do. Since the new preferences of the citizens to quality and variety of grain are the direct result of market reform, it is hard to imagine that the planned transfer system before reform can mimic the effect of the demand-side factor of the market system. Second, many poor provinces are actuary grain-surplus provinces (Chinese Academy of Science, 1997:308-333; also see Appendix II), thus they seldom inflow grains from other provinces.

From the discussion above, though there are still anti-market obstacles from local protectionism and anti-market central policies, we note that grain trade has been to a large degree sensitive to both demand-side and supply-side factors in China today. The market transactions of grains in the national market have been directed by the principle of market to some degree. An internal grain market has been forming according to this criterion. And combined with the finding for research question (1), we may conclude that although imperfect, the internal grain market has emerged, especially in the eastern part of China. The following blockmodel is thus designed to test whether the state actions in making this internal grain market are significant or not to the ongoing pattern of grain flows in China.

### Results for Hypothesis 3

Hypothesis 3, which states that the deliberate state actions to promote internal grain market are not significant to grain trades, is designed to answer the third research question. Based on the state factor, the number of national wholesale grain markets deliberately constructed by the state, we arrive at the following blockmodel image:

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The meaning of the deliberate establishment of national wholesale markets by the Chinese government deserves emphasis here. When discussing reasons behind the nondevelopment of Chinese capitalism during the imperial era, Fernand Braudel (1977: 32-33) convincingly argued that the lack of intricate exchange mechanisms – fairs and bourses (large wholesale markets) – and the hostility of Chinese governments in the history to these higher forms of exchange are the most important contributors. What Chinese state has done during the reform era is just the opposite of what its ancestors did. The emerging Chinese capitalism benefits much from the deliberate actions of the state in upgrading exchange mechanisms, and since these mechanisms are beginning to be rooted in the Chinese society, the road to capitalism is irreversible.

**VII. Concluding Remarks**

This paper has examined the evolution of a market pattern in the new market transition economies based on the emergence of an internal grain market under market reform in China. Just as Polanyi (1957:63) has argued, local markets “nowhere showed any sign of reducing the prevailing economic system to their pattern,” we found that local markets, tightly “protected” by local officials, always tried to curtail long-distance trade beyond local territories and thus were not starting points of an internal market in China’s national grain market. The approximate internal grain market at the beginning of the 21st century in China is the result of the deliberate actions of the reform-oriented state. In other words, Polanyi’s theory of the evolution of market patterns holds in the new market transition economies.

State interventions, however, are not always helpful to the formation of an internal market, especially when the state itself is still under an arbitrary central government but not under rule of law (Hayek, 1976). As we have learned from the history of grain market reform in China, the state (the central government) also has made some anti-reform policies in the name of “grain market reform” to intervene viciously in the formation of an internal market. Excluding private grain merchants from grain trade and permitting state-owned grain enterprises (SOGE) to monopolize grain purchase since 1994, for example, are two of the sources of the trade inefficiency in the national grain market (Wang 1999; Long 1998).

However, these vicious “state interventions in emerging markets aimed to protect state monopolies also contributed to the increased regulatory burden of the state” (Nee 2000). In 1998 the state had to loose controls over SOGE and permit private merchants to enter grain sales markets (but entry to purchase markets is still not permitted) in order to increase the efficiency of grain flows. Also, in 1999 the state divided the Central Reserve Bureau of Grain, which was both a government bureau and a super grain administrative corporation, into two parts: (1) the Central Bureau of Grain which takes responsibility in macro-controlling national grain flows; and (2) General Administrative Corporation of National Reserve Grain which is in charge of national grain stock. These measures all indicate that the state is transformed gradually into a regulatory one under rule of law by the
burdens of too many state interventions. We may predict here that only when the state begins to employ complete regulatory interventions, but no longer any authoritarian interventions in market, can a complete internal market emerge in the market transition economies.

Appendix I. **Network Data for Inter-Provincial Grain Flows in China, Year 2000**

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<th>Province</th>
<th>Fujian</th>
<th>Shanghai</th>
<th>Sichuan</th>
<th>Beijing</th>
<th>Heilongjiang</th>
<th>Tianjin</th>
<th>Guangdong</th>
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<th>Anhui</th>
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</table>
Appendix II. **Attributes and Blockmodel Identities for Each Province**

### Attributes of Each Province

<table>
<thead>
<tr>
<th>Province</th>
<th>Spatial Differentiation</th>
<th>Living Expenditure (Per Capita, RMB)</th>
<th>Grain Output (Per Capita, kg)</th>
<th>Degree of Market Development (Number of National Wholesale Markets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>Northern-Eastern</td>
<td>6410</td>
<td>190.6</td>
<td>9</td>
</tr>
<tr>
<td>Tianjin</td>
<td>Northern-Eastern</td>
<td>5118</td>
<td>218.7</td>
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</tr>
<tr>
<td>Hebei</td>
<td>Northern-Eastern</td>
<td>3754</td>
<td>433.2</td>
<td>4</td>
</tr>
<tr>
<td>Shanxi</td>
<td>Northern-Eastern</td>
<td>3177</td>
<td>326.4</td>
<td>8</td>
</tr>
<tr>
<td>Neimenggu</td>
<td>Northern-Eastern</td>
<td>2968</td>
<td>652.2</td>
<td>3</td>
</tr>
<tr>
<td>Liaoning</td>
<td>Northern-Eastern</td>
<td>3701</td>
<td>387.9</td>
<td>8</td>
</tr>
<tr>
<td>Jilin</td>
<td>Northern-Eastern</td>
<td>3298</td>
<td>845.2</td>
<td>7</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>Northern-Eastern</td>
<td>3208</td>
<td>816.7</td>
<td>13</td>
</tr>
<tr>
<td>Shanghai</td>
<td>Eastern</td>
<td>6816</td>
<td>155.1</td>
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</tr>
<tr>
<td>Jiangsu</td>
<td>Eastern</td>
<td>4493</td>
<td>489</td>
<td>16</td>
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<td>Zhejiang</td>
<td>Eastern</td>
<td>6050</td>
<td>337.8</td>
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<tr>
<td>Anhui</td>
<td>Eastern</td>
<td>3692</td>
<td>441</td>
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<tr>
<td>Fujian</td>
<td>Eastern</td>
<td>4788</td>
<td>292.8</td>
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<tr>
<td>Jiangxi</td>
<td>Eastern</td>
<td>3136</td>
<td>411.3</td>
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<td>Shandong</td>
<td>Eastern</td>
<td>3984</td>
<td>473.5</td>
<td>10</td>
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<tr>
<td>Henan</td>
<td>Central-Southern</td>
<td>3267</td>
<td>425.1</td>
<td>7</td>
</tr>
<tr>
<td>Hubei</td>
<td>Central-Southern</td>
<td>3881</td>
<td>433.1</td>
<td>4</td>
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<td>Central-Southern</td>
<td>4262</td>
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<td>4</td>
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<td>Guangdong</td>
<td>Central-Southern</td>
<td>6881</td>
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<td>Hainan</td>
<td>Central-Southern</td>
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<td>Sichuan</td>
<td>Western</td>
<td>4087</td>
<td>407.8</td>
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<tr>
<td>Guizhou</td>
<td>Western</td>
<td>3642</td>
<td>292</td>
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<tr>
<td>Yunnan</td>
<td>Western</td>
<td>4525</td>
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<td>Xizang</td>
<td>Western</td>
<td>*4536</td>
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<tr>
<td>Shuanxi</td>
<td>Western</td>
<td>2440</td>
<td>334</td>
<td>0</td>
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<tr>
<td>Gansu</td>
<td>Western</td>
<td>2961</td>
<td>330.5</td>
<td>2</td>
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<tr>
<td>Qinghai</td>
<td>Western</td>
<td>3352</td>
<td>257.2</td>
<td>2</td>
</tr>
<tr>
<td>Ningxia</td>
<td>Western</td>
<td>3229</td>
<td>513.1</td>
<td>2</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>Western</td>
<td>3686</td>
<td>483.6</td>
<td>3</td>
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</tbody>
</table>

* (just for 1996)
Appendix II. *Attributes and Blockmodel Identities for Each Province* (continued)

*Blockmodel Identities:*

(1) **Territorial Factor:** see the above table

(2) **Grain Output Per Capita for Each Province**

<table>
<thead>
<tr>
<th>Sufficient-Surplus Provinces</th>
<th>Neimenggu, Jilin, Heilongjiang, Jiangsu, Ningxia, Xinjiang, Shandong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marginal-Surplus Provinces</td>
<td>Hebei, Liaoning, Anhui, Jiangxi, Henan, Hunan, Hubei, Sichuan</td>
</tr>
<tr>
<td>Self-Sufficient Provinces</td>
<td>Shanxi, Zhejiang, Guangxi, Xizang, Shuanxi, Gansu</td>
</tr>
<tr>
<td>Short Of Grain Provinces</td>
<td>Beijing, Tianjin, Shanghai, Guangdong, Fujian, Hainan, Guizhou, Yunnan, Qinghai</td>
</tr>
</tbody>
</table>

(3) **Living Expenditure Per Capita For Citizens In Each Province**

<table>
<thead>
<tr>
<th>Rich Provinces</th>
<th>Fujian, Shanghai, Beijing, Tianjin, Zhejiang, Guangdong, Jiangsu, Yunnan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relatively Rich Provinces</td>
<td>Shandong, Hunan, Guangxi, Sichuan, Xizang</td>
</tr>
<tr>
<td>Relatively Poor Provinces</td>
<td>Hebei, Liaoning, Anhui, Guizhou, Xinjiang, Hubei, Hainan</td>
</tr>
<tr>
<td>Poor Provinces</td>
<td>Shanxi, Jilin, Heilongjiang, Jiangxi, Henan, Qinghai, Ningxia, Shuanxi, Gansu, Neimeng</td>
</tr>
</tbody>
</table>

(4) **Degree Of Market Development/Number Of National Wholesale Markets In Each Province**

<table>
<thead>
<tr>
<th>Very Developed Provinces</th>
<th>Beijing, Heilongjiang, Jiangsu, Zhejiang, Shandong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Provinces</td>
<td>Tianjin, Shanxi, Liaoning, Jilin, Anhui, Jiangxi, Henan</td>
</tr>
<tr>
<td>Developing Provinces</td>
<td>Hebei, Neimeng, Fujian, Shanghai, Hubei, Hunan, Guangdong, Sichuan, Xinjiang</td>
</tr>
<tr>
<td>Undeveloped Provinces</td>
<td>Guangxi, Hainan, Guizhou, Yunnan, Xizang, Shuanxi, Gansu, Qinghai, Ningxia</td>
</tr>
</tbody>
</table>
ENDNOTES
2. See http://go5.163.com/~fzlspf/new_page_5.htm
4. See http://www.cngrain.com
5. See http://www.icgrain.com.cn/icgrain/
6. See http://www.cof.net.cn
7. See http://www.cctn.com.cn/ccnt/
10. Chongqing City was part of Sichuan Province before 1997. So, maybe grain market reports are still taking it as a city under Sichuan province.
11. These bureaus are (1) northern bureau, (2) north-eastern bureau, (3) southeastern bureau, (4) central-southern bureau, (5) southwestern bureau, and (6) northwestern bureau. Here I combine (1) and (2) as northern-eastern group and (5) and (6) as western group. Provinces in southeastern bureau are coded as eastern group; and provinces in central-southern bureau as central-southern group.
12. In fact, even though the planned grain redistributive system has been dismissed since 1993, the Grain Adjustment Conferences Among Spatial Proximate Provinces each year have still been organized mainly according to this geographical division in order to balance the supply and demand on the national grain market. If an integrated national grain market has emerged, we may find that there are random relations among groups.
13. Here grain output per capita for each province (GOPC) is calculated from the Rural Statistical Yearbook of China by averaging grain output per capita for each province from 1996 to 1998 (See Appendix II for GOPC for each province). According to Yang Xie (see Footnote 2), here provinces with GOPC greater than 385 kg are coded as grain-surplus provinces. In these provinces, I furthered code those with GOPC greater than 470 kg as provinces with sufficient surpluses, and those with GOPC ranging from 385 kg to 470 kg as provinces with marginal surpluses. In China, provinces with GOPC ranging from 320 kg to 385 kg can be seen as self-sufficient provinces; while those with GOPC less than 320 kg are seen as provinces short of grain.
14. LEPC for each province is calculated from the Statistical Yearbook of China by averaging LEPC of citizens in each province from 1996 to 1998. Since the mean LEPC for all provinces is around 4000 RMB (about $500 US), we coded provinces with LEPC greater than 4500 RMB as rich provinces; provinces with LEPC ranging from about 4000 RMB to 4500 RMB as relatively rich provinces; provinces with LEPC ranging from 3500 RMB to 4000 RMB as relatively poor provinces; and those with LEPC less than 3500 RMB as poor provinces.
15. The number of national wholesale grain markets (NWGM) in each province is calculated from the webpage for “Zhongguo liangyou pifa shichang”(China’s National Wholesale Grain and Oil Markets). Totally there are 147 NWGM in 2000. So, the average number of NWGM for each province is about 4.8. Therefore, I coded those provinces with more than 9 NWGM as very developed provinces; those with the number of NWGM ranging from 5 to 9 as developed provinces; those with the number of NWGM ranging from 3 to 4 as developing provinces; and those with the number of NWGM less than 3 as undeveloped provinces.

SOURCES

http://www.pacificrim.usfca.edu/research/perspectives