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Article 1.

Wall Street Journal

**Pentagon Seeks Mightier Bomb vs. Iran**  
[Adam Entous](#) and [Julian E. Barnes](#)

January 28, 2012 — Pentagon war planners have concluded that their largest conventional bomb isn't yet capable of destroying Iran's most heavily fortified underground facilities, and are stepping up efforts to make it more powerful, according to U.S. officials briefed on the plan. The 30,000-pound "bunker-buster" bomb, known as the Massive Ordnance Penetrator, was specifically designed to take out the hardened fortifications built by Iran and North Korea to cloak their nuclear programs. But initial tests indicated that the bomb, as currently configured, wouldn't be capable of destroying some of Iran's facilities, either because of their depth or because Tehran has added new fortifications to protect them. Doubts about the MOP's effectiveness prompted the Pentagon this month to secretly submit a request to Congress for funding to enhance the bomb's ability to penetrate deeper into rock, concrete and steel before exploding, the officials said. The push to boost the power of the MOP is part of stepped-up contingency planning for a possible strike against Iran's nuclear program, say U.S. officials. The Defense Department has spent about \$330 million so far to develop about 20 of the bombs, which are built by [Boeing](#) Co. The Pentagon is seeking about \$82 million more to make the bomb more effective, according to government officials briefed on the plan. Some experts question if any kind of conventional explosives are capable of reaching facilities such as those built deep underground in Iran. But U.S. defense officials say they believe the MOP could already do damage sufficient to set back the program. Defense Secretary Leon Panetta, in an interview with The Wall Street Journal Thursday, acknowledged the bomb's shortcomings against some of Iran's deepest bunkers. He said more development work would be done and that he expected the bomb to be ready to take on the deepest bunkers soon.

"We're still trying to develop them," Mr. Panetta said.

President Barack Obama has made clear that he believes U.S. and international sanctions can curb Iran's nuclear program if they are given more time to work. At the same time, however, Mr. Obama has asked the Pentagon to come up with military options.

In Tuesday's State of the Union address, Mr. Obama said: "Let there be no doubt: America is determined to prevent Iran from getting a nuclear

weapon, and I will take no options off the table to achieve that goal." Iran denies it is trying to develop atomic weapons.

The U.S. has sought in recent weeks to tamp down tensions with Iran, but the Pentagon is at the same time pushing ahead with contingency planning. "The development of this weapon is not intended to send a signal to any one particular country," Pentagon press secretary George Little said. "It's a capability we believe we need in our arsenal and will continue to invest in it." Officials said the planned improvements to the MOP were meant to overcome shortcomings that emerged in initial testing. They said the new money was meant to ensure the weapon would be more effective against the deepest bunkers, including Iran's Fordow enrichment plant facility, which is buried in a mountain complex surrounded by anti-aircraft batteries, making it a particularly difficult target even for the most powerful weapons available to the U.S.

Developing an effective bunker-buster is complicated in part because of the variables, experts say. Penetration varies depending on factors such as soil density and the types of stone and rock shielding the target. Boeing received a contract in 2009 to fit the weapon on the U.S.'s B-2 Stealth Bomber. The Air Force began receiving the first of the bombs in September, a time of growing tensions with Iran. The Air Force has so far contracted to buy 20 of the bombs, and more deliveries are expected in 2013, after additional tests are made.

Should a decision be made to use the MOP as currently configured, it could cause "a lot of damage" to Iran's underground nuclear facilities but wouldn't necessarily destroy them outright, Mr. Panetta said.

"We're developing it. I think we're pretty close, let's put it that way. But we're still working at it because these things are not easy to be able to make sure that they will do what we want them to."

Mr. Panetta added: "But I'm confident, frankly, that we're going to have that capability and have it soon,"

The decision to ask now for more money to develop the weapon was directly related to efforts by the U.S. military's Central Command to prepare military options against Iran as quickly as possible, according to a person briefed on the request for additional funds.

A senior defense official said the U.S. had other options besides the MOP to set back Iran's nuclear program. "The Massive Ordnance Penetrators

are by no means the only capability at our disposal to deal with potential nuclear threats in Iran," the official said.

Another senior U.S. official said the Pentagon could make up for the MOPs' shortcomings by dropping them along with other guided bombs on top of a bunker's entry and exit points—provided the intelligence is available about where they are all located.

Successful strikes on bunker entry and exit points could prevent an enemy from accessing such a site and could cause enough damage to stop or slow enrichment activity there.

"There is a virtue to deepness but you still need to get in and out," the senior U.S. official said.

The Pentagon was particularly concerned about its ability to destroy bunkers built under mountains, such as Iran's Fordow site near the Shiite Muslim holy city of Qom, according to a former senior U.S. official who is an expert on Iran.

The official said some Pentagon war planners believe conventional bombs won't be effective against Fordow and that a tactical nuclear weapon may be the only military option if the goal is to destroy the facility. "Once things go into the mountain, then really you have to have something that takes the mountain off," the official said.

The official said the MOP may be more effective against Iran's main enrichment plant at Natanz but added: "But even that is guesswork."

The Pentagon notified Congress in mid-January that it wants to divert around \$82 million to refine the MOP, taking the money from other defense programs. The decision to sidestep the normal budget request process suggests the Pentagon deems the MOP upgrades to be a matter of some urgency.

Mr. Panetta said Iran wasn't the only potential target. "It's not just aimed at Iran. Frankly, it's aimed at any enemy that decides to locate in some kind of impenetrable location. The goal here is to be able to get at any enemy, anywhere," he said.

Mr. Panetta and former Defense Secretary Robert Gates have argued that a military strike would at best delay Iran's nuclear development for a few years. Advocates of a strike say such a delay could be decisive by buying time for other efforts to thwart the program.

According to Air Force officials, the 20.5 foot-long MOP carries over 5,300 pounds of explosive material. It is designed to penetrate up to 200 feet underground before exploding. The mountain above the Iranian enrichment site at Fordow is estimated to be at least 200 feet tall. Israel has large bunker-buster bombs but the U.S. hasn't provided the MOP to any other country.

Article 2.

The Washington Institute

## **Egypt's Muslim Brotherhood and Its Record of Double-Talk**

[David Pollock](#)

January 26, 2012 -- Amid new strains in U.S.-Egypt ties, some in Washington are studying the tensions and results of recent voting for indications that democracy can take hold. Those who say the Muslim Brotherhood is showing new signs of moderation should compare its message to outsiders, in English, with its message to Egyptians and other Arabs, in Arabic.

Take the Brotherhood's official English and Arabic Web sites, IkhwanWeb ( [REDACTED] ) and IkhwanOnline ( [REDACTED] ), from one day this month. In English, the home page featured no fewer than eight articles on the solicitude of the Brotherhood toward Egypt's Coptic Christian minority. The Arabic home page, by contrast, included just two small pieces on this theme. The contrast is sharper on other key issues. On democracy, the English home page one January day featured several articles with headlines such as "Why Islamists Are Better Democrats" and "Democracy: One of the Objectives of Shariah?" There was nothing comparable in Arabic. Instead, Arabic readers saw three pieces against freedom of the press, attacking two top independent Egyptian dailies for printing criticisms of the Brotherhood.

This kind of double talk is part of a pattern. Last February, right after Hosni Mubarak was overthrown, the Brotherhood published what it called an English-language version of Supreme Guide Mohammed Badie's

message to the Egyptian people, celebrating their revolution. In that version, he supposedly spoke mainly of democracy, tolerance, pluralism and coexistence between Egypt's Muslims and Christians. But the text of his statement, published simultaneously in Arabic, had a totally different tone. In his authentic message, Badie wrote at great length on how Egypt's uprising was a blessing from Allah -- and how much Egyptians needed to stay firm in their Muslim faith to reap its real rewards. The following headlines on the Brotherhood's Freedom and Justice Party (FJP) led the English site in recent months: "FJP and Christians Stem Sedition," "FJP Denounces Attack on Israeli Embassy" and "FJP Women's Committee Provides Free Medical Services in Sharqiyyah City." But not one of those stories appeared on the Arabic home page. Throughout the past year, women often are referred to by the Brotherhood in English -- but almost never in Arabic. The same is true for the English and Arabic Web sites of the FJP, which now controls Egypt's parliament.

Some might note that all political parties, to at least an extent, engage in mixed messaging. But when this degree of duplicity is demonstrated, the group's credibility is, or should be, compromised accordingly. Some will say the Brotherhood includes some relatively moderate voices. True, but it is a very disciplined, hierarchical movement: Many of its moderates have left in the past year or have been expelled, and its most senior leaders are the hard-liners. Some will continue to say the Brotherhood is demonstrating that it can modify its positions. But as the movement has gained strength on the street and at the polls in recent months, the modification is mainly less moderate, not more.

For example, the Brotherhood belatedly joined the protests in Tahrir Square, but after Mubarak fell, its leaders opposed any "supraconstitutional" guarantees of individual freedoms and then barred members from further demonstrations. The group initially said it wanted no more than 30 percent of the seats in parliament; then switched to around half; then said maybe a majority, but in coalition with others; and now is drifting toward exercising complete control by taking the most important leadership and committee positions without having established formal coalitions with other parties. As for the upcoming presidential election, the Brotherhood once said it would not participate, then said it

might support one of the existing candidates; now it appears it might search for a yet-unmentioned candidate of its choosing.

Meanwhile, one thing that has not changed is the Brotherhood's hostility toward U.S. policies and interests. In its electoral platform, the FJP begins its section on "Regional Leadership" by explicitly rejecting the old regime's approach of "supporting occupiers and colonisers, through its presence in the so-called axis of moderation, which is sponsored by the United States." In August, the Brotherhood called U.S. funding for Egyptian nongovernmental organizations "a disgrace." In its supposed denunciation of the violent police crackdown on NGOs in December, it nevertheless reaffirmed its continuing opposition to this funding.

Of course, it would be a welcome surprise if the Brotherhood does change into a more truthful and trustworthy interlocutor. In the meantime, however, we should pay no attention to anything the Brotherhood says in English and little attention to any private "assurances" it offers. And given the group's record of double-dealing, observers should take everything the Brotherhood says in Arabic with due doubt. The United States has to deal with the Brotherhood, but we don't have to trust anything it says -- at least until it proves we should.

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Article 3.

The Cairo Review of Global Affairs

## **The Fruit of Revolution**

[Nabil Fahmy](#)

January 24, 2012-- Little over a year ago, no political analyst I know would have argued that the leaders of Tunisia, Libya, Egypt, and Yemen would be deposed in the immediate future. This set of leaders, cumulatively, had been in office for more than 100 years. Nor would anyone have projected that there would be uprisings in Bahrain and Syria. Clearly, 2011 was the Year of Revolution in the Arab World.

I believe that Arab revolutions have started, that they are widespread, and that they will succeed. The price of success will vary from one country to the other and will, in almost all cases, be more costly than need be.

Nevertheless, these revolutions will redefine the relationship between the governed and governing in the Arab world. That is a momentous achievement in and of itself.

However, much more has occurred. Political parties have been legitimized, from Islamist political trends to liberal secular movements. Parliaments have been disbanded. Constitutions are being rewritten. Former officials have been killed, or are being put on trial. Most important, the average Arab feels empowered and is asserting his and her right to be governed democratically. It is self-evident in the streets of Tunisia, Egypt, Yemen, Bahrain, and now Syria, that the old axiom that authority rules is being challenged every day, almost to a fault.

Another positive development is that Arab governments and Arab societies are finally dealing openly with their reality. An Islamist opposition leader heads the newly established Moroccan government. Tunisia has distributed leadership positions in its interim arrangements between the majority and opposition. Islamist political parties gained a wide majority in Egyptian parliamentary elections, and voices of dissension are heard throughout the rest of the Arab world. Open discussion about the role of religion in society and government, as well as the role of the military and the powers of the executive branch versus legislative bodies, is ongoing and vibrant. The active engagement of youth—over 50 percent of the Arab population—in political expression is also of paramount importance, for theirs are the voices of the future. One cannot have a democratic or representative political system that is not reflective of society. It is this sense of empowerment and expression that ultimately provides the kernel of self confidence required to engage in public issues domestically, regionally, and internationally. And it is the inclusiveness of the system that gives it the credibility, which will ensure that it be taken seriously. These are among the strongest reasons for my optimism.

There were also disappointing and tragic events in 2011. The widespread use of force by the former Libyan regime against its people, the loss of Egyptian revolutionary martyrs in protests even after the change in Egyptian government, the killings in Yemen and Syria, and the human rights violations in Bahrain are all testimony to the high price of change. Regrettably, many of these losses could have been avoided had the

entrenched regimes moved swiftly to accommodate the legitimate demands of the protesters. Where this did occur, such as in Morocco and Tunisia, less physical violence was witnessed and a political consensus towards the future seems to be emerging, though some real differences still simmer under the surface.

The Egyptian case is exhilarating and frustrating at the same time. As society stood up unified around the goal of “change” from January 25 to February 11, expectations for rapid transformation into a truly democratic Egyptian society were widespread. Together the people’s voices were clearly stronger than an entrenched and deep-rooted security system. Power in the country was being redefined. United, the people quickly succeeded in removing the head of state, reshuffling the government several times, and dissolving the parliament. Then the process lost track. Egypt attempted to engage in democratic processes, such as competitive party elections, before developing a constitution, which should have provided the basic parameters for how the country would be governed in the future. As such, the united popular forces dispersed to compete for ownership of Egypt’s future without laying down the foundations of the new republic or creating a balanced playing field for the different stakeholders. In essence, they have embarked on picking the fruits of the revolution before actually nurturing it to ensure a bountiful harvest. The real challenge of the coming period in Egypt will be the development of a constitution that is reflective of the strategic outlook of the nation, rather than the immediate political strengths of existing political trends. Going to parliamentary elections early has made this process all the more difficult and will lead to highly volatile debate in the weeks to come, as well as potentially numerous revisions in the years after a new constitution is agreed upon. As frustrated as some of the youth movements may feel, they are duty bound to rise above their differences and again unite to ensure that the new constitution guarantees the values of equality, democracy and the rule of law that they demanded so proudly a year ago. For the constitutional process to have any chance of success, the provisions of the constitution must ensure four basic principles:

## 1. Transparency

Information should be accessible to Egyptians if they are to participate in determining the public interest. And they have the right to know how and why decisions were taken. Lack of clarity breeds corruption, while ambiguity fuels innuendo and false accusations.

## 2. Inclusiveness

The constitution must remain a foundational document for all Egyptians, irrespective of their beliefs, creed, gender, etc. If they are expected to sacrifice equally in war, or share the benefits of peace and prosperity, they must have equal rights and find pride in their national identity.

## 3. Accountability

To ensure productivity and integrity, Egyptians in positions of authority must know that they are to be held accountable for their actions. To encourage the respect necessary to participate in policy making, business, or public life, authority figures must recognize that their efforts have consequences.

## 4. Competitiveness

The constitution must create a system that does not only provide equal opportunity in theory, but in practice as well. Legalizing autocracy was not the objective of the revolution.

These four principles, applied to all of the sensitive issues in Egypt, be it the role of religion in politics, the rights of the individual, the roles of the military and political system, and the balance of power between the presidency, government and parliament, are the best possible assurance for the success of the Egyptian revolution.

These principles provide foundations for the political compromises that will be required to satisfy the different stakeholders and unite varying opinions. They create a framework through which all our most contentious issues may be introduced, torn apart, then finally and equitably resolved in the elegant chaos of the democratic process. Without such a framework the threat of renewed autocracy will never truly recede. With it, we may enjoy the fruits of January 25, and ensure a sustained, if belated, harvest for the years and generations to come.

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Article 4.

Guardian

## **Iraq makes sanctions against Iran ineffective**

Nima Khorrami Assl

27 January 2012 The US and EU have announced [new sanctions](#) in the hope of persuading Iran to abandon its alleged nuclear weapons programme, though how effective these will be is questionable. China, India, Russia, Turkey, Japan, and South Korea have already refused to go along with the new measures. Iran also has the means to evade the sanctions – through its proximity to Iraq.

Iran has often been singled out as the main beneficiary of the US-led invasion of Iraq, as well as the biggest threat to Iraq's stability in the post-Saddam era. Iran's uninterrupted support for Shia militia groups in southern Iraq, particularly the Mahdi army, is seen as one indication of its involvement in Iraqi politics and its ability to cause problems for adversaries.

And yet Iran's key interest in Iraq is less about realpolitik than about trade. Iran is one of Iraq's most important regional economic partners, with an annual trade volume between the two sides standing at \$8bn to \$10bn (£5bn to £6.4bn). However, it is Iraq's 910-mile border with Iran, and therefore its geographical suitability as a smuggling hub for sanctioned goods, which is of paramount importance to Iran at present. Until 2010, most of the sanctioned goods smuggled into Iran came through the [UAE](#) and [Oman](#). Backed by the Iranian government and the Revolutionary Guards (IRGC), "small-size" strategic goods, including aircraft components and sophisticated electronic equipment, were smuggled into the Iranian islands of Kish and Qeshm from Dubai, Ras al-Khaimah and Madha. Since the beginning of 2010, however, the US

government has put immense pressure on the Emirati and Omani governments to curb smuggling, threatening that failure to do so would cost them access to US markets and technology.

Wary of this, the UAE and Oman have both made the obvious choice and cracked down on smuggling between the southern and northern edges of the Gulf. In response, the Iranian government has turned its attention to Iraq in order to bypass western sanctions, and has imposed restrictions on Iranian businesses in the Gulf.

So far, [most of the smuggling](#) through Iraq has taken place in the mountainous Kurdish regions. For instance, since June 2010, when the US and EU imposed tougher sanctions on Iran's gasoline imports, hundreds of millions of dollars in crude oil and refined products from the Kurdish region, Kirkuk, and Baiji have been smuggled to Iran on a daily basis. As direct smuggling from Oman and the UAE becomes more and more difficult and sanctions become more comprehensive, the Iranian government is now seeking to further utilise its long border with Iraq and create a UAE-Iraq-Iran smuggling network by, among other things, establishing [a free-trade zone](#) in the southern Iraqi city of Basra, only 10 miles from the Iranian border.

Iran is also supporting these smuggling activities by [opening private banks](#) in Iraq and front companies in the UAE and Iraq – some of which are owned by Lebanese, Iraqi, and Syrian citizens – which purchase banned goods on the market, legally ship them from the UAE to Iraq, and then smuggle them through various land routes into Iran.

It is also interesting that as the Iranian currency has come under pressure, some of the front companies in Iraq have entered the currency trade by [purchasing US dollars](#) from Iraq's central bank and selling them to both Iran and Syria. This is why there has been a "sharp spike" in demand for US dollars in Iraq in recent weeks.

This new initiative, in turn, is facilitated by a number of factors. First of all, Iran not only exerts considerable influence over Iraq's prime minister, Nouri al-Maliki, and his government, but it also has good relations with the Kurdistan's ruling clans, especially the Talibani family, and many Shia factions based in central and southern Iraq.

Secondly, illicit trade with Iran brings considerable financial benefits to the participants and, in the case of Kurdistan regional government,

political benefits too. For example, the Kurdish region's illegal oil trade with Iran provides the regional government with an income that it does not need to share with Baghdad, thereby reducing Kurds' dependence on the central government.

Finally and most importantly, years of excessive focus on internal defence at the expense of external defence have led to a situation where Iraqi armed forces are proving incapable of defending Iraq's borders.

Corruption at ports of entry is widespread, the Iraqi border police are poorly trained and badly equipped, and suffer from poor leadership. Iranian forces effectively control the border on both sides and thus the flow of goods is largely unimpeded.

It is therefore no exaggeration to say that Iran has more to gain from preserving the current status quo in Iraq than from overturning it. Put differently, Iran prefers manageable instability in Iraq, since such a state of affairs keeps Iraq within its sphere of influence, which it can then use as leverage against the United States.

It may seem obvious that countries wanting sanctions against Iran to be effective should spend more time persuading the Iraqi government to cooperate and strengthen its border security forces, but it is not at all clear how they can achieve this. With so much goodwill towards Iran and immense financial benefits embedded in illegal activities, the Maliki government is unlikely to help.

In the overall scheme of the west's standoff with Iran, this probably means that neither war nor sanctions can stop the nuclear programme. Direct negotiations, on the other hand, could encourage Iran to make compromises, provided that western governments too are prepared to address its strategic concerns.

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## [Can Palestine survive after the U.S. cash dries up?](#)

Jackie Spinner

January 27, 2012 -- HEBRON, West Bank – This flashpoint city, nestled in the West Bank's Judean Mountains, is rarely noted for its bustling economy, neatly paved roads, or sparkling performance center. It is far better known for the nets shopkeepers have stretched above the market streets to keep Jewish settlers from throwing rocks on Palestinian pedestrians, its "apartheid sidewalks," the disputed Ibrahimi Mosque (both a Muslim and Jewish holy site), and [the recurring street clashes](#) between Jewish and Arab residents.

And yet, U.S. government funding has led to some small glimmers of economic life for Palestinians here -- gains that may crash to a halt because of a diplomatic feud spurred by the Palestinian bid for statehood at the United Nations.

As with many cities in the West Bank, Hebron's economic vitality centers around the millions in foreign dollars that have poured in, including money from the U.S. Agency for International Development (USAID). An April 2011 World Bank [report](#) noted that real economic growth in the West Bank and Gaza reached 9.3 percent of gross domestic product in 2010, exceeding the Palestinian Authority's budget projection of 8 percent -- although the growth was largely "donor-driven."

USAID has been one of those major sources of foreign funds. Since 1994, it has spent \$3.4 billion in development funds in the Palestinian territories of West Bank and Gaza, with new roads, water systems, health care facilities, and schools that have served both residents and businesses of cities like Hebron, the largest municipality in the West Bank, with some 189,000 residents.

The money has helped fuel Hebron's recent boom, especially as other economic indicators have improved. The city has doubled the number of building permits issued since 2006, and is preparing to solicit bids for a road to a new \$13 million water treatment facility -- financed, of course, by USAID.

"The USAID support is very essential," said Khaled Osaily, Hebron's mayor. "It creates a lot of jobs. The situation here, the infrastructure is very bad. This USAID money stopped a lot of suffering for the people." But since September -- when Palestinian President Mahmoud Abbas, frustrated with the lack of progress of peace negotiations with Israel, defied the United States and Israel by formally submitting a request to join the United Nations as a full member state -- the flow of U.S. funds has been in jeopardy. The congressional committees responsible for the aid moved quickly to stop it. "Despite decades of assistance totaling billions of dollars, if a Palestinian state were declared today, it would be neither democratic nor peaceful nor willing to negotiate with Israel," Rep. Ileana Ros-Lehtinen (R-FL), chairman of the House Foreign Affairs Committee, said at a congressional hearing to review the funding. "By providing the Palestinians with \$2.5 billion over the last five years, the U.S. has only rewarded and reinforced their bad behavior. It raises tough questions as to just what are the tangible benefits for the U.S., or for lasting peace and security between Israel and the Palestinians, derived from decades of assistance provided by the United States taxpayers." Although the Obama administration opposes Palestinian efforts to seek greater global standing outside of the peace process -- and cut off payments to UNESCO, as required by U.S. law after the organization accepted the Palestinian territories as a full member state in October -- it also rejected the congressional moves to punish the Palestinians. "This money goes to establishing and strengthening the institutions of a future Palestinian state, building a more democratic and stable and secure region," Victoria Nuland, State Department spokeswoman, said in an Oct. 3 briefing with reporters in Washington. "We think it is money that is not only in the interest of the Palestinians; it's in U.S. interest and it's also in Israeli interest, and we would like to see it go forward." The freeze on funds has created a climate of paralyzing uncertainty for the workers employed by USAID, for the agency's partners, for contractors who do business with the NGOs and for a Palestinian government that relies heavily on donors' largesse.

"New schools were built, wells were dug, and judges were trained," said Daoud Kuttab, director general of the non-governmental Community Media Network in the Palestinian territories. "All this positive change ...

is threatened to evaporate as the United States Congress decides to punish the Palestinian population for the acts of their political leadership."

On Jan. 16, the Palestinian Authority announced that it would need to raise taxes and cut costs to cover a more than \$250 million shortfall in foreign assistance, the majority of which was supposed to come from USAID.

"We're hopeful that the rest of the money will come back, but we're not sure," Ghassan Khatib, spokesman for the Palestinian Authority, told me. "This money is going mainly to development and humanitarian projects. There is no justified reason for holding it. It's important for stabilization." The Palestinians receive different payouts from different pots of U.S. money, both through USAID and the State Department. Of \$187 million in economic assistance from USAID that had been pledged to the Palestinians, Congress is still withholding \$147 million from the fiscal year 2011 budget cycle -- \$40 million was released in late December. Another \$200 million in direct budget support from the State Department to the Palestinian government was paid in two installments; the final \$50 million was released in early September after a U.S. congressional delegation returned from visiting the region. Later in the fall, an additional \$150 million was released for security assistance through the State Department's Bureau for International Narcotics and Law Enforcement.

"We have to use whatever levels of influence we have to try to get the peace process going," said Rep. Gary Ackerman (D-████), the ranking member of the House Subcommittee on the Middle East and South Asia. "They're not entitled to other people's money. We're not punishing them. We're trying to encourage them."

U.S. officials have declined to name which projects will be affected, saying only that health service and education projects will feel the biggest pinch. But Osaily, a businessman by training, is understandably worried about how he will keep his city thriving in the coming months without the money. He knows that Hebron will not get all of the pledged assistance it had expected. "If they cut it, all of these projects will be paralyzed," he said. "It's not in the favor of the Palestinians or America or even Israel to do this."

Palestinian businessmen are also wringing their hands as they look for ways to make up lost business revenues, which had been fueled by foreign-funded infrastructure projects.

Nabil Zghier, chief executive of the Royal Industrial Trading Co., which makes plastics in Hebron, said that although he gets no direct foreign assistance, many of his customers do. Zghier said he owes his suppliers \$2 million, but his customers, who rely on USAID funding, have not been able to pay him.

"I'm not sure what we're going to do," he said.

Israel initially withheld funds in retaliation for the statehood bid, freezing the monthly transfer of tax funds collected through customs and other fees, but [ultimately released](#) the money in late November. It is now pushing the United States to release the remaining USAID funds, under the logic that withholding the funds will only weaken the Palestinian Authority and empower Hamas.

Critics of the Palestinians' reliance on foreign funds argue that the freeze highlights how fragile the Palestinian economy remains, despite Prime Minister Salam Fayyad's much-touted state-building efforts. They also emphasize donor money's negative effects on private Palestinian businesses -- NGOs pay higher wages, for example, making it difficult for private companies to compete for workers.

Sam S. Bahour, a Palestinian-American businessman who lives in the West Bank, said the money was meant mostly to appease Palestinians, offered as a concession because diplomacy has failed to produce an independent state.

"Those donor monies are not coming in to sustain our economy," he said.

"Those monies are coming in to sustain a welfare system."

For many Palestinians, who are concerned about the upheaval in the Middle East and the future of their nascent state, this focus on U.S. congressional funding misses the point.

"The question is bigger than the question of money," said Mahdi F. Abdul Hadi, chairman of the Palestinian Academic Society for the Study of International Affairs, an important think-tank in East Jerusalem. "The stake is bigger than the question of funds. Those experiencing poverty, those experiencing misery, they are living in an apartheid system. They

have other priorities. The agenda is so big, so complicated, so much more than the people benefiting from the funds."

Hadi said he is confident the United States will restore funding. "This is a political matter, and it's a matter of timing," he said. "They don't want to be out of the arena."

For now, all the residents of Hebron can do is wait for foreign donors to decide their city's economic fate. And, so far, preoccupied with their own fiscal crises or domestic issues, no other countries have stepped in to fill the void. On the al-Haras road, one of the city's main arteries, the King of Falafel restaurant serves fresh pickles, hummus and, of course, falafel -- which, like most everything else in this disputed region, is claimed by both Palestinians and Israelis cuisine as their native cuisine.

On New Year's Day, King of Falafel was busy, with a steady line of customers keeping the falafel-maker busy scooping balls of mashed chickpeas and dropping them into a vat of oil. Two men who gave their names as Khalid and Waleed took long drags on their post-dinner smokes and discussed the loss of USAID funds.

"We have no resources like gold or oil like the other Arab countries," Khalid said. "We really care about the money that comes from the outside. [But] it all depends on politics. We get it if we are 'good.'"

As he spoke, Waleed interrupted, waving his hand. "The American support for us is not free," he said. "We do not ask for it. It's imposed on us. The one who asks for it is the leadership." In other words, Waleed explained, he who asks for the money is ultimately the one who benefits from it.

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Article 6.

Washington Post

## **Five myths about China's power**

Minxin Pei

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### **1. China's rise is marginalizing American influence in Asia.**

Just the opposite. Certainly, China's power in Asia is growing; its economy is now the biggest in the region, and China is the largest trading partner for every Asian nation. And its military modernization has made the People's Liberation Army a more lethal fighting force.

But instead of marginalizing or supplanting U.S. influence, China's expanding power is pushing most Asian countries closer to Washington — and elevating America's status. Uncle Sam's presence is still welcome because it prevents a regional power from dominating its neighbors and promotes strategic balance. Today, the more power China gains, the more critical the U.S. commitment to the region becomes, and the greater influence Washington exercises.

No surprise, then, that when [the Obama administration recently announced a strategic pivot toward Asia](#), China bristled, while most countries in the region felt reassured and applauded quietly. Today, U.S. security ties with key Asian nations — India, Australia, Japan, Korea and even Vietnam — are better than ever.

### **2. China's massive foreign exchange reserves give it huge clout.**

China owns roughly \$2 trillion in U.S. Treasury and mortgage-backed debt and \$800 billion in European bonds. These [massive holdings](#) may cause anxiety in the West and give Beijing a lot of prestige and bragging rights — but they haven't afforded China a lot of diplomatic sway.

The much-feared scenario of China dumping U.S. sovereign debt on world markets to bend Washington to its will has not materialized — and probably won't. China's sovereign wealth fund, which invests part of those reserves, has favored low-risk assets (such as a recent minority stake in a British water utility) and has sought to avoid geopolitical controversy. And in the European debt crisis, China has been conspicuously absent. China's hard currency hoard adds little punch to its geopolitical power because its stockpile results from a growth strategy that relies on an undervalued currency to keep exports competitive. If China threatens to reduce its investment in U.S. debt, it will either have to find alternative investments (not an easy task these days) or export less to the United States (not a good idea for Chinese manufacturers). Moreover, with so

much invested in Western debt, China would suffer disastrous capital losses if it spooked financial markets.

### **3. The Communist Party controls China's Internet.**

In spite of its huge investments in technology and manpower, the Communist Party is having a hard time taming China's vibrant cyberspace. While China's Internet-filtering technology is more sophisticated and its regulations more onerous than those of other authoritarian regimes, the growth of the nation's online population (now surpassing 500 million) and technological advances (such as Twitter-style microblogs) have made censorship largely ineffective. The government constantly plays catch-up; its latest effort is to [force microbloggers to register with real names](#). Such regulations often prove too costly to enforce, even for a one-party regime.

At most, the party can selectively censor what it deems "sensitive" after the fact. Whenever there is breaking news — a corruption scandal, a serious public safety incident or a big anti-government demonstration — the Internet is quickly filled with coverage and searing criticisms of the government. By the time the censors restore some control, the political damage is done.

### **4. China's regime has bought off the middle class.**

Hardly. Three decades of double-digit economic growth has elevated about 250 to 300 million Chinese — mainly urban residents — to middle-class status. Since the regime crushed the Tiananmen democracy movement in 1989, the middle class has been busy pursuing wealth, not demanding political freedoms. But this does not mean this group has thrown its support behind the ruling party. There is a world of difference between political apathy and enduring loyalty.

At most, the Chinese middle class tolerates the status quo because it is a vast improvement over the totalitarian rule of the past — and because there is no practical or immediate alternative. But as [the Arab Spring](#) shows, a single event or a misstep by authoritarian rulers can transform apathetic middle-class citizens into radical revolutionaries.

That can happen even without a precipitating economic crisis. Today, China's middle class is becoming more dissatisfied with inequality, corruption, unaffordable housing, pollution and poor services. In

Shanghai a few years ago, thousands of middle-class citizens staged a “collective walk” and stopped a planned train extension, a project that threatened their home values. A similar demonstration last year in Dalian resulted in the shutdown of a polluting petrochemical plant. The party knows it cannot bank on middle-class support. Such insecurity lies behind its continuing harshness toward political dissent.

### **5. China’s rapid economic growth shows no signs of slowing.**

The pace of growth [is already cooling somewhat](#) — from above 10.3 percent in 2010 to 9.2 percent last year — and the downward shift will accelerate in future years.

Like South Korea and Taiwan, which achieved stellar growth for three decades but have slowed gradually since the 1990s, the Chinese economy will encounter strong headwinds. The population is aging; citizens 60 and older accounted for 12.5 percent of the population in 2010 and are projected to reach 17 percent in 2020. This will reduce savings and the supply of workers, and raise the costs of pensions and health care. If China wants to keep its high growth rate, it must graduate to making Chinese-designed high-tech and high-value-added products. It will need more innovation, which demands less government control and more intellectual freedom.

Most critically, the investment-driven and state-led economic model responsible for China’s rapid growth must give way to a more efficient, consumption-driven, market-oriented model. Such a shift will not be possible without downsizing the state and making the party accountable to the Chinese people.

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Article 7.

TIME

# [Davos: The 5 Things Everyone's Talking](#)

## About

[Jim Frederick](#)

January 27, 2012 -- The topics and tropes fall faster than snowflakes here in Davos, where several thousand of the world's leading business people, politicians and policy makers gather once a year for an annual think-fest. And with literally hundreds of panels, debates, interviews, workshops and symposia taking place, it would be impossible to capture all of the ideas competing for attendees' attention. But, still, as in any complex system, patterns start to emerge. With three of the event's four days almost over, here are some early bets on what may go down as the major themes of this year's convocation.

**Capitalism needs a fundamental overhaul.** That capitalism is somehow broken has become one of Davos' most persistent themes. Indeed, "[Is 20th Century Capitalism Failing 21st Century Society](#)," was the topic of TIME's own panel, which kicked off the proceedings here on Wednesday. Since then, no fewer than three other panels have been devoted to some variation of "fixing capitalism" or "remodeling capitalism." No one here is arguing that capitalism should be scrapped wholesale, of course. Instead, the most rational arguments have pointed out that not only is capitalism the best system yet devised for enhancing the well being of the greatest number of people, but that it is also immensely supple and flexible. In 200 years, capitalism has already gone through several major iterations. But what, practically speaking, will a global capitalism retooled for the 21st century look like? More regulation? Or less? State Capitalism, like that practiced by China, Russia and many countries in the Middle East? Well, no one has quite figured that one out yet. But a surprising number of attendees (and these are the world's most direct beneficiaries of the current system) seems to agree that something is wrong. And that in itself is remarkable.

**The Arab Spring must end happily.** Representatives from the revolutionary movements that recently toppled regimes in Tunisia, Egypt and Libya are among the stars of this panel. Many of them are wearing the hallowed holographic badges, which means that they have been invited to

some of the very highest-level meetings usually reserved for heads of state, ministers of finance and their ilk. This indicates that the powers at the very core of the World Economic Forum are interested in the Arab Spring as a matter of paramount global importance. (That said, among the regular attendees, the Eurozone is of far more interest. At one panel discussion I attended on “The Future of North Africa,” the auditorium was about 10% full. For a “Future of the Eurozone” panel taking place immediately after, it was standing room only. This is worrying on several levels.)

**The Eurozone crisis will continue to muddle along, but muddling may be enough.** The European finance ministers in attendance are all staying on message: Eurobonds are not happening, austerity measures are the way forward now, greater fiscal union is the end goal, and Greece will not default or leave the Eurozone. Interestingly, for the first time in a long time, most of the political/policy/media hive mind is cautiously optimistic that the Eurozone may actually be starting to heal itself. (Note that UK Prime Minister David Cameron, who sharply criticized the euro rescue plans yesterday, is a spectacular exception.) Much credit is being given to Mario Monti, the unelected technocrat Prime Minister of Italy, who has been widely praised as walking the fine line between implementing reforms that will bring results gently enough not to incite mass revolt by Italian society.

**China is still the star.** Brazil has come to Davos in a big way. As has Mexico, and India, and Azerbaijan. But the panels on China are packed, and everybody wants to talk about China, and while the cult of the Chinese technocrat has long been on the rise, we are now reaching the full flower of absolute reverence. American business people speak in hushed tones about the new generation of Chinese leaders as if they are supermen: They are well-educated, worldly, wise, and compared to the haplessness and paralysis that western governments have demonstrated over the past two years, they are paragons of good governance. They glide over a lot of complexities, of course, but they can't help it. They are in love.

**Americans and Europeans are pointing fingers at each other.** Why is the global economy not in full recovery? The Europeans complain that

none of this would have happened if the Americans had not taxed the global financial system when its housing bubble burst. To which, the Americans respond that that may be true, but they claim to have put their house in order and the only thing that's holding America's economy back now is European uncertainty. Then, arguments commence.