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Article 1.

The Wall Street Journal

The Sources of the Next American Boom

Michael S. Malone

July 5, 2012 -- Three years after the recession was declared officially over, unemployment remains high and there's worry that a new recession is down the road. And yet waiting in the wings for when we get our economic policies in order are a mounting number of stunning discoveries, inventions and technological breakthroughs that could set off a burst of growth and wealth creation as big as any in living memory. The fracking technology that is making available vast new sources of recoverable oil and natural gas in North America is one such breakthrough. But all across the commercial and industrial landscape, there are exciting developments:

• Nanoculture: One of the truths of tech is that revolutions take longer than predicted, but they arrive sooner than we are prepared for them. That is the case with nanotechnology, the hot new science story of a decade ago.

Though it has largely disappeared from the front pages, nanotech is only now coming into its own. Breakthrough medicines; genetic research; new materials such as graphene (a lattice-sheet form of carbon used for everything from filters to computer chips); molecular electronics (extreme miniaturization, thus super-small sensors and other devices); and quantum computing (small, superfast supercomputers) have all been announced in recent months. Indeed, the range of emerging applications for nano materials is so wide-ranging and important that, together, they suggest an impending turning point in high tech as important as silicon and integrated circuitry were half a century ago.

• Cloud Crowd: In the world of information technology, the big story these days is the shift of data management from largely in-house computing centers to rented, easily scalable computing and storage from anonymous servers located somewhere out in the Internet. Much of this shift, driven by leading providers such as Amazon, is already well under way, rapidly driving down costs and making information management much more affordable both for industry and, increasingly, consumers. This in turn has kicked off a true revolution in what is being called "big data." Big data is the application of all of this new computing power to reach beyond the individual application of mass information to the mass application of individual data—for instance, by tracking a billion sensors in real time to monitor weather across a continent. It could mean capturing every step in the path of every shopper in a store over the course of a year, or monitoring every vital sign of a patient every second for the course of his illness.

Big data offers measuring precision in science, business, medicine and almost every other sector never before possible. It could ultimately have an impact as great as mass production did more than a century ago—creating a new world of mass personalization of products and services.

The big-data revolution is already happening, with hundreds of applications already in use, for instance, tracking millions of chickens from farms in Thailand to family tables around the world, or monitoring the location in real time of every emergency vehicle in a major city like Chicago. Over the next few years, it will spread across every industry and scientific discipline.

• Printing Dreams: Three-dimensional printing is a manufacturing technology that creates specific objects from buildings to machine components, and even human organs, either by laying down layers of material or carving away from a block of existing material. It's been around for several years but will soon influence everyday life.

Using new materials such as molten polymers and metal powders, highly focused lasers and, increasingly, nanotech, 3-D printing is an incredibly powerful design and modeling tool. Because it offers the potential for the same economies at any volume, this technology, especially when it gets bolted to big data and nanotech, rewrites the very notion of economies of scale. It could transform manufacturing, eliminating the current cost advantage enjoyed by developing countries and bringing jobs back to the U.S.

You can already find hundreds of consumer products, from furniture to jewelry, created with 3-D printing. Less obvious are the thousands of gears, motors and other industrial components that are now custom-fabricated this way. Says computer scientist Christopher Barnatt, "[Imagine] a future in which the everyday 'atomization' of virtual objects into hard reality has turned the mass preproduction and stockholding of a wide range of goods and spare parts into no more than an historical legacy." Then, imagine that future with the 3-D printer in your home.

• Handheld Diplomas: The discrepancy between the cost of university tuition and the return on that investment for most students grows every year. As students, increasingly priced out of traditional education, begin to abandon the college path, colleges and universities will have no choice but to pursue them—with ever-greater numbers of virtual courses (and eventually degrees)—on laptops, smartphones and tablets. This shift is already beginning to transform higher education and bring in a host of new competitors. Its potential to raise educational achievements in K-12 —where rising costs and diminishing results are even more out of control —could be even more revolutionary. And apart from formal schooling, why can't the Internet be harnessed to embed education into the daily life of people at any age, and wherever in the world they live?

• Self-Health: While Washington, the national media and the general public focus on draconian responses to the rising costs of health care, for-profit businesses are busy inventing small, affordable solutions. For example, there are now more than 12,000 new health-care apps available from independent developers for the iPhone and iPad. Examples includes the iTriage, which lets users check their own symptoms and find a nearby health provider, and iBGStar, a blood tester for diabetics that connects to the iPhone and lets users sync and manage information from test readings. Meanwhile, the first of scores of new home diagnostic and monitoring devices—small, affordable, and increasingly connected to health professionals via the Web—are now appearing on the scene. They promise greater drug regimen adherence (the current failure of which is a huge social cost); early identification of everything from a drug reaction to a heart attack; better maintenance of chronic diseases such as diabetes and hepatitis; and virtual doctor visits that make use of home monitoring devices and communications tools such as Skype.

It's all on the way. Together, these trends offer the potential for a golden era. Getting there won't be easy, as we are currently governed by leaders who want to manage our complex and dynamic economy from the top down, to tame entrepreneurs with regulation, to tax the productive and, ultimately, to pick the next generation of winners. That's never worked well and isn't working today. But a better world awaits us if we elect leaders who can imagine a better future and fight to unleash the animal spirits of the market that will get us there.

Mr. Malone is a tech journalist and the author of several books, most recenty "Charlie's Place" (History Publishing, 2012).

Article 2.

Stratfor

Halting Syrian Chaos

Robert D. Kaplan and Kamran Bokhari

July 4, 2012 -- What if Syrian President Bashar al Assad really goes? There is an assumption in the West that the way to win a strategic victory over Iran and improve the human rights situation inside Syria is to remove the Syrian leader. It is true that Iran's prospects of keeping Syria as its own Mediterranean outpost are probably linked with the survivability of al Assad's regime. But his removal might well hasten the slide into chaos within Syria and in adjacent Lebanon, rather than slow it. Al Assad's departure could even ignite a disintegration of the Syrian power structure into various gangs and militias. After all, we are talking less of the removal of one man than of the end of a 42-year dynasty. The president's father, Hafez al Assad, came to power in 1970 after 21 changes of government -- mostly through coups -- in Syria's first 24 years of independence. Moreover, the new Syrian state held free and fair elections in 1947, 1949 and 1954 that all broke down according to tribal, regional and sectarian interests. Hafez finally ended the chaos by becoming the Leonid Brezhnev of the Arab world: He staved off the future by institutionalizing fear, even as he did nothing to nurture a civil society out of the country's inherent divisions. Alas, the collapse of such a state is messy business. Sectarian awareness may be less deeply etched in Syria than in Iraq, but once the killing starts people have a tendency to revert to these default identities. Chaos in Syria benefits nobody. The Turks do not want a long-running refugee problem on their border. The Lebanese are afraid of their own state becoming a battlefront in an intensifying Syrian civil war. The Jordanian regime, already unpopular at home, is also afraid of regional upheaval. The Saudis, even more so than the Jordanians, are terrified of the specter of a major Arab state crumbling -- something they know is not out of the question for their dynasty of octogenarians now in its own tired, Brezhnevite phase. Simply because Riyadh wants to topple the pro-Iranian al Assad does not mean it would be pleased with an extended situation in which nobody is in charge in Damascus. The Israeli viewpoint is similar. The Shiite government in Iraq fears Sunni terrorists being given free rein in the Syrian border area. As for the Iranians, they will do all they can to keep the current Syrian regime in place even as they may privately abhor al Assad's inefficient brutality. (The Iranians effectively crushed the Green movement in 2009 by killing hundreds, not thousands.) The Russians require stability in Damascus only partly for the sake of naval rights in the port of Tartus. Syria and Iran are the two remaining levers the Kremlin has in the Middle East. Moreover, the collapse of a pro-Moscow dictatorship in the Middle East carries the potential to send shivers throughout Central Asian authoritarian states. As for the Americans, they don't want a Yugoslavia-style situation where they are under pressure to militarily intervene. One can also argue that from a human rights perspective, chaos can be worse than authoritarianism. To wit, the record of decapitation as it refers to fierce authoritarian regimes in the Islamic world is grim. Libya has slid into low-level chaotic violence in which the writ of the central government is nonexistent throughout broad reaches of the country. Nearby Mali has erupted into anarchy -- a situation ignited by regime change in Libya. The administration of George W. Bush decapitated the Saddam Hussein regime in Iraq, an act that cost perhaps 200,000 Iraqi lives over a few short years, even as Saddam had directly killed perhaps four times that many over the previous third of a century. Then there are the examples of the Soviet Union and Yugoslavia. When the Soviet state collapsed, it led to a rash of ethnic and regional wars across the Caucasus and Central Asia -- tens of thousands of people were killed in Tajikistan alone -- while in Yugoslavia, ethnic war resulted in 140,000 lost lives. Remember that the dynastic regime of the al Assads in Syria was built on an east bloc model during the height of the Cold War. It is true, in Romania in 1989, the tyrant Nicolae Ceausescu and his wife, Elena, were executed, and ethnic war (between Romanians and ethnic Hungarians) and chaos did not result. But that was because rather than a real democracy, the Ceausescu regime was informally replaced by another branch of the Communist party, which ushered in a half-decade transition before non-Communists finally took real power through elections. Romania, therefore, may now be somewhat relevant to the Syrian situation. Regional stability and moral considerations both require a transitional phase in Syria, not cold turkey democracy. Cold turkey democracy coupled with regime collapse in Syria, given the historical record, risks bloody anarchy. And a transitional phase may require an implicit deal between the United States and Iran. Iran and the United States have a record of dealing with each other behind the scenes; the Bush administration and the ayatollahs did likewise in Iraq even as they fought each other there. The Iranians, like the Americans, are already looking beyond al Assad. They are identifying generals and leading businessmen who could rule in his place and maintain the overall regime structure. There may come a point where American and Iranian interests in Syria overlap at least to the extent of agreeing on al Assad's replacement. Though, to repeat, the situation in Syria will probably have to further deteriorate before reaching that stage. Iran has to be made to feel that al Assad is no longer an option. We are not there yet. The fact that Syrian air defenses were able to shoot down a Turkish plane without incurring a military response means al Assad is still formidable. The real horse-trading, if and when it comes, may involve Turkey and Iran. Turkey wants to replace the entire regime structure; Iran wants the opposite. That's why both Ankara and Tehran will need to compromise, identifying high-ranking Syrians, probably military, who will protect each country's interests and upon whom a new regime can be based. If Turkey and Iran can reach some sort of agreement, it can then be blessed by both the United States and Russia. The Obama administration can play a role in this process, but to do so effectively will require more diplomatic realpolitik than it has demonstrated thus far in any crisis. This is all a long shot, but there may be no other way out that averts a worsening civil war. There is a stark realization in all of this: If the United States reduces its strategy toward Iran to only stopping its nuclear enrichment program, it increases the probability of ascending bloodshed in Syria. Easing al Assad out becomes easier when some deference is paid to Iran's and Russia's strategic interests. Washington now wants two things that may not go together: handing Iran (and maybe Russia) a total strategic defeat in Syria, even as bloodshed is reduced there.

This may sound like appeasement, but keep in mind that al Assad's Syria, so dependent as it is on Iran, already represents an Iranian satellite. Therefore, any deal between Ankara and Tehran on a new transitional

regime holds out the distinct likelihood of a less pro-Iran regime in the future, especially as elections in Syria would eventually be held under any arrangement. For Iran to try to undermine a post-al Assad Syria -- with no land border between the two countries -- to the same extent that it has undermined Iraq will, in addition to being opposed by Turkey, constitute a case of imperial overstretch with self-defeating consequences.
Syria's situation is dire. From both a moral and geopolitical point of view, fighting a proxy war with Iran and Russia there is less desirable for the United States than reaching out to them.
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Article 3.
Forbes

American Foreign Policy Must Take Into Account Dueling Irans

Rob Sobhani

7/03/2012 -- As the world grapples with Iran's nuclear ambitions, discussions abound in think tanks and capitals around the world concerning a key question: what makes Iran tick?
The real question should be: which Iran?
The Iran of the government of the Islamic Republic, a serial human rights abuser that executes more people per capita than anywhere else in the world, undermines Iran's enormous economic potential with corruption, mismanagement, and needless diplomatic spats, and sends money and weapons to Hezbollah, Hamas, and Bashar al-Assad's goons killing the Syrian opposition?
Or the Iran of a young, dynamic populace hungry for democracy, dignity, and jobs, a population that, as Nicholas Kristof has reported recently in the New York Times, harbors little antipathy toward the United States and wants the same freedoms we all want, who are heirs to one of the world's greatest civilizations that has produced some of the finest thinkers, artists, scientists – and even political leaders — the world has known?
The first Iran, of course, has the power, and sits at the negotiating table, but we must be very careful not to forget that second Iran, the one that

will play a more important role in the future of this geo-strategically vital nation.

Let's call the first one "the Iranian regime." Let's call the second Iran "the real Iran," because it is composed of real people with real dreams living real lives, while their government lives in an alternative universe of decaying, rotten revolutionary ideology totally devoid of any meaning in today's Iran.

Let me give you three examples from this past week.

Iran's Sports Minister announced this week that Iranian athletes would be prohibited from competing against Israeli athletes in the upcoming Olympic games in London – a gross violation of Olympics rules and the Olympics spirit.

He described this policy as "one of the values and sources of pride of the Iranian people and its athletes." Nothing could be further from the truth. The Iranian people take pride in their poetry – Rumi, Hafez, Saadi, Omar Khayyam. They take pride in the Persian empire and the tolerant king Cyrus – renowned for freeing the Jews from their Babylonian captivity. They take pride in their national cuisine, their scientific achievements (both past and present), and their brave youth who fought for freedom on the streets of Tehran over the past two years.

What's more, with a deteriorating economy, high rates of inflation and unemployment, an oil sector in rapid decline, the danger of an Israeli and/or U.S. military strike, high-level political elite squabbling, high rates of drug addiction and divorce, the sustained brain drain of Iran's best and brightest, and rising poverty in rural areas, does it make any sense to assume that Iranians would take pride in this ridiculous and hateful anti-Olympic spirit declaration?

On talk shows and on Persian language web sites, "the Iranian regime's" obsession with Israel is often ridiculed and condemned by the "real Iran." The web sites had another opportunity this past week when Iran's Vice President shocked an audience of international diplomats at a mundane conference on global drug addiction by blaming the entire phenomenon on "Zionists" and the Talmud. He said that "you cannot find a single addict among the Zionists," asserting that "they" have a grand plot to addict the world to drugs because "they" believe themselves to be "a master race" that views others as their slaves.

Beyond adding the statement to the "Iranian regime" hall of shame of speeches, it was totally devoid of the reality of the Iranian condition today. Some 2 million poor souls are addicted to drugs in Iran and a heroic team of NGOs and volunteers are working behind the scenes to help them. Meanwhile, on Iran's borders courageous young men die in the fight against drug smugglers from Pakistan and Afghanistan, a fight takes place every day. How about acknowledging those Iranian heroes of "the real Iran" rather than spouting hateful anti-Semitic rhetoric?

And let us pause for a moment to remember that the Persian king Cyrus is referred to in the Old Testament as "the Lord's Anointed one" for his role in freeing the Jews from their Babylonian captivity. "The Iranian regime" is obsessed with Israel, "Zionists," and Jews. "Real Iran" is not: they remember Jewish contributions to Iranian life and the large Jewish communities that had thrived in Iran for centuries.

But it's not just their obsession with Israel that sets them apart from their people. It's also the alternative universe they live in on the economy. Iranians suffer from chronic inflation, stagnant wages, soaring rents, and a host of economic ills that have decimated the middle class. Sanctions have only exacerbated this downward economic spiral.

Meanwhile, Iran's most important commodity – the one that accounts for more than 80% of hard currency earnings and more than 50% of fiscal revenues – is experiencing a rapid decline. Owing to sanctions, corruption and mismanagement, oil exports are down by almost a half and production is nearing twenty year lows. Before the late Ayatollah Khomeini announced that "economics is for donkeys" Iran's oil production stood at close to six million barrels per day. Today, after thirty-two years of "the Iranian regime" it is down to three million barrels per day.

Given the absence of capital and foreign investment, there is absolutely no chance that production will be raised in any meaningful way. The trajectory is muddle through and downward. And yet, Iran's Oil Minister, Rostam Ghassemi, announced boldly that Iran would quadruple production by the year 2015 – an absolutely laughable assertion that defies the laws of gravity, markets, and reality.

And lastly, Supreme Leader Ayatollah Ali Khamenei, the most powerful man in Iran, told a gathering of Qu'ran reciters this past week, according to the
DC-based Iran Times, that "the Islamic Republic is progressing at a speed 11 times the average world index." The newspaper noted "it wasn't clear what he was talking about."
Precisely.
All of these pronouncements from the alternative universe of "the Iranian regime" would be farcical were they not so tragic and hateful and detrimental to "real Iran" – the Iranian people.
U.S. policy, thus, must be focused on how we can support "real Iran" in their struggle to win the freedom and dignity they deserve. Military strikes will not be helpful in this regard. What is needed is a "real Iran" policy agenda, one that takes into account the aspirations and needs of ordinary Iranians.
That is the best "security guarantee" against Iran's game-changing nuclear program.

Rob Sobhani, [redacted]. is the CEO of the Caspian Group and author of a book on Iran's relations with Israel.

Article 4.

Los Angeles Times

Will Iran crack?

Meghan L. O'Sullivan

July 6, 2012 -- The latest Iran sanctions came into full effect this week, adding to a byzantine array of unilateral and multilateral measures that prohibit Iranian oil imports, other trade and financial transactions, and freeze Iranian assets by countries concerned that Tehran's nuclear program is intended for military purposes, not civilian ones. The international community is now on watch for cracks in Iran's defiant stance: Will increased sanctions compel Tehran to make real concessions and allow for a diplomatic solution to the standoff? This characterization is too simplistic, however, and the record suggests there may be some reasons to

be optimistic that current sanctions on Iran will deliver. Sanctions generally get a bad rap, with many declaring that they don't work. First, sanctions against Iran are today just one tool in a larger strategy. In other cases — in South Africa, Serbia and Libya, for example — where sanctions have worked, they were not stand-alone instruments. In past decades, sanctions against Iran have constituted the entirety of the U.S.-led strategy against Tehran's nuclear ambitions. Today, in contrast, the U.S. approach involves not only sanctions but also diplomatic talks, and at least some threat of military force. Perhaps more important, sanctions against Iran have already had a real economic impact. Some reports assess that Iranian oil imports have dropped by as much as 1 million barrels a day since the end of 2011. This puts pressure on Iran's budget, nearly 70% of which is funded by oil revenue. Moreover, the value of the Iranian rial has dropped dramatically since September 2011 on account of Iran's growing isolation from the international banking system and the need to resort to barter arrangements. As a result, inflation is on the rise. But the real test of sanctions is not whether they are part of a nicely crafted strategy, or whether they create economic hardship, but whether they induce a change in the behavior of Tehran's leaders. Anticipating whether the pain from sanctions is sufficient to force this shift is always difficult, and even more so in a country like Iran where decision-making is opaque. After all, leaders from every country will insist they are impervious to the pressure — right up until the moment they make the sought-after concession. The latest round of talks in Moscow between Tehran and the five permanent members of the [redacted]. Security Council, plus Germany, provide us with some clues, and the news isn't good. Given the economic pain Tehran was already feeling, and the then-looming threat of increased sanctions, one might have expected Iran to respond positively. Unlike the [redacted]. or the International Atomic Energy Agency's board of governors, those negotiating in Moscow did not demand a complete cessation of enrichment but allowed for a continued low level of this activity.
But the Iranians didn't seize the opportunity. Instead, they demanded recognition of their right to enrich. This tough stance hardly indicates they perceived themselves to be under the sword of Damocles. Instead, it suggests that Tehran had decided to weather any and all economic pressure, seeing it as an unwelcome but possibly necessary cost of

pursuing its nuclear ambitions. The transmission belt between economic pain and political change is, of course, dynamic. As policymakers and market watchers evaluate the new sanctions, the economic barometer may not be the best predictor of whether Iran's leaders are going to make a strategic shift. Here's what else to focus on:

Whether the negotiation track remains alive. Absent negotiations, intensified sanctions are likely to reinforce Tehran's perception that the West is only interested in regime change, which could prompt an acceleration of the nuclear program rather than an abandonment of it.

Whether the threat of military force becomes more credible. Thus far, Tehran probably dismisses both the damage that Israeli military strikes could achieve on their own and the likelihood the United States would use military force. If the latter were perceived to be a real possibility, Tehran might change its calculations.

Internal developments inside Iran. Sanctions are envisioned as driving the Iranian regime to the negotiating table, but they could "succeed" by working in another manner. Although there is little indication this scenario is on the horizon, sanctions-induced economic problems could combine with indigenous political tensions to challenge the survival of the regime.

Global oil markets. Iranian leaders are no doubt hoping that new sanctions will drive up oil prices, allowing Iran to maintain revenue through higher prices even though it sells less oil. But should a breakup of the Eurozone, or slower Chinese growth, or even an increase in the amount of oil OPEC produces, dampen oil prices, the magnitude of economic hardship Iran experiences could far exceed that which Tehran is anticipating. It is perhaps inevitable that as negotiations faltered last month, focus returned to sanctions and the new July 1 strictures. But a closer look at how sanctions work, and how the Iranians have reacted to economic pressure thus far, suggests caution, and should be a prompt to the international community to intensify its efforts to combine existing economic duress with other forms of pressure, if it hopes to see a shift in Tehran's behavior.

Meghan L. O'Sullivan is an international affairs professor at Harvard University's Kennedy School, a former deputy national security advisor and a fellow at the Council on Foreign Relations. She is the author of "Shrewd Sanctions."

Article 5.

The Diplomat

Are Obama's Iran Sanctions A Ruse?

Robert Dreyfuss

July 6, 2012 -- Like the fairy-tale Big Bad Wolf, the United States and the European Union continue to huff and puff and say that economic sanctions will blow Iran's house down.

Referring to new U.S sanctions that can be levied against third-party purchasers of Iranian oil and to the ban, imposed July 1, by the EU against Iranian exports to Europe, Secretary of State Hillary Clinton declared, "Iran's leaders will understand even more fully the urgency of the choice they face." Stretching for an historical analogy, the New York Times compared oil sanctions against Iran to the pre-World War II U.S. embargo on oil shipments to Japan, adding, in case anyone forgot, that in response Japan opted to "strike before they were weakened."

But while the new sanctions will inflict a significant measure of pain against Iran's already struggling economy, virtually no one in Washington believes that they will compel Iran to make unilateral concessions at the bargaining table over its nuclear enrichment program. And, experts say, Iran can get along fine for the foreseeable future with a little belt-tightening.

"Consider the Iranian economy, which is nowhere near collapse," wrote Hossein Mousavian, former spokesperson for Iran's nuclear negotiating team and the author of The Iranian Nuclear Crisis, A Memoir, and Mohammad Ali Shabani, a political analyst in Tehran, in The National Interest. "The reality is not that 'Iran is on the verge of a choice between having a nuclear program or an economy,' as Cliff Kupchan, a senior analyst on the Middle East at the Eurasia Group, insists. [The] Islamic Republic will still rake in an estimated $40 billion from oil this year. That's roughly twice as much as when Mohammad Khatami was president a decade ago."

The only way sanctions against Iran make sense is not as policy, but politics.

Since 2009, when the first round of talks stalled between Iran and the United States, Russia, China, Britain, France and Germany, the so-called P5+1, the Obama administration has used economic sanctions as a way of kicking the can down the road. Rather than make real concessions to Tehran, including recognition of Iran's right to enrich, if Iran accept air-tight international oversight by the International Atomic Energy Agency, the White House used the sanctions as a way of deflecting pressure from neoconservatives, hawks, and right-wing backers of Israel in the United States who demanded confrontation with Iran. Inside the administration, few if any officials actually believe that sanctions will work as intended, namely, to force Iran to comply with UN Security Council resolutions that demand a stop to enrichment. Since 2009, President Obama has opposed, deflected, and tried to weaken sanctions legislation enacted by Congress. Were sanctions too draconian, and were the United States to move overtly toward military confrontation with Iran, the P5+1 coalition would instantly shatter and both Moscow and Beijing would align more closely with Tehran.

So, even as it huffs and puffs, the United States last week took steps to undermine the very sanctions it cites as pressure against Iran. Using a loophole in the law, the administration simply exempted China, Singapore and other countries from heavy financial penalties that might be levied against nations that buy Iranian oil. On June 28, Hillary Clinton announced that the U.S. had "made the determination that two additional countries, China and Singapore, have significantly reduced their volume of crude oil purchases from Iran" and so the law "will not apply to their financial institutions for a potentially renewable period of 180 days."

That, of course, was a polite fiction. As a July 2 editorial in the Wall Street Journal succinctly summarized the toothless nature of the sanctions law: "It's so weak, in fact, that all 20 of Iran's major trading partners are now exempt from them. We've arrived at a kind of voodoo version of sanctions. They look real, insofar as Congress forced them into a bill President Obama had to sign in December. The Administration has spoken incantations about their powers. But if you're a big oil importer in China, India or 18 other major economies, the sanctions are mostly smoke."

Indeed, perhaps one of the reasons why the United States failed to cite China and other countries in Asia under the law is that the sort of secondary sanctions against Iran that the United States wants may even be illegal under the rules of the World Trade Organization. In any case, by sanctioning China the United States would set off a full-blown diplomatic row that, at the very least, would propel China out of the P5+1 and lead Beijing to escalate its Iranian oil imports.

To be sure, Iranian oil exports to Asia, including China, have steadily declined in 2012 as several Asian importers sought to deflect American attention on their economic ties to Iran. As Reuters reported, "Imports by Japan, China, India and South Korea from Iran fell 25 percent in May alone to 999,230 bpd [barrels per day] from 1,338,193 bpd a year earlier, according to Thomson Reuters calculations from the Asian countries' customs data." Even so, despite the law, China's imports from Iran have once again quietly begun to rise after a gradual decline during much of this year. Erica Downs, a Brookings Institution expert writing for the U.S. Institute of Peace, notes that a great deal of the decline in China's imports was the result of a diplomatically convenient "contract dispute," and she adds: "The contract dispute, which began in late 2011, was resolved in March 2012. As a result, China's oil imports from Iran began to rise in April, and by May, China's oil imports from Iran were back to 2011 levels of more than 500,000 bpd."

In the United States, anti-Iran hardliners fumed over the seeming futility of the sanctions policy and the exemptions granted to China, India and other countries in Asia. Patrick Clawson, an Iran specialist at the Washington Institute for Near East Policy (WINEP), laid out a detailed argument explaining why economic sanctions won't work, and he concluded bluntly that success "may require a profound shock of some sort, be it remarkably tough sanctions, more-complete political isolation, or military action." His WINEP colleague, Michael Eisenstadt, chimed in. "If nuclear diplomacy with Tehran is to succeed, Washington must be prepared for the kind of brinkmanship it has not engaged in since the Cold War," wrote Eisenstadt, in a paper entitled, "Not By Sanctions Alone." And uber-hawks William Kristol and Jamie Fly of the Foreign Policy Institute, a neoconservative think-tank, writing in the hawkish Weekly Standard, exclaimed, "It's time for Congress to seriously explore an Authorization of Military Force (AUMF) to halt Iran's nuclear program."

It's precisely to head off such critics that the Obama administration has adopted its curious hybrid policy of 'negotiations-plus-pressure'. And, for the same reason, it's very unlikely that the Obama administration will make any concessions to Iran in order to win tit-for-tat concessions from Iran in 2012. Better, they calculate, to stall, look tough, and if need be engage in a military buildup in the Persian Gulf now and then.

That U.S. and E.U. sanctions against Iran aren't likely to force Iran to back down doesn't mean that Tehran isn't feeling the pain. Problem is, in order for Ayatollah Ali Khamenei, Iran's Supreme Leader, to be forced into concessions, [redacted] have to conclude that the very survival of the clerical regime was threatened by a popular revolt triggered by economic crisis, and there's no sign that Iran is anywhere close to that. Though the Iranian rial has fallen about 40 percent and oil exports have dropped from 2.5 million barrels a day to about 1.5 mbd, Iran is not on the verge of an internal crisis.

According to the Tehran Times, Iran's Ambassador to the UN, Mohammad Khazaee, told a press conference in New York on June 30, the day before the new sanctions were scheduled to take effect, that sanctions would only be counterproductive in getting talks to move forward.

"The U.S.A. and some Europeans have said they are going to increase their pressure and sanctions against us," he said. "This by itself indicates that they are not willing to engage with us in a meaningful dialogue. At the same time it is clear to us that some members of the 5-plus-1, for whatever reasons, obviously and mainly political reasons, are not forthcoming and serious enough for finding a solution. If the talks do not proceed as they should, we are going to have another standoff in the talks. Therefore, we can say that we are at a critical point in our talks with some members of the 5-plus-1."

He added: "We have learned how to cope with these problems. Sanctions may be intended to harm the Iranian nation but they will not bring Iranian(s) to their knees to accept illegitimate, I should say, expectations from the other side."

Article 6.

Foreign Policy

Think Again: India's Rise

Sumit Ganguly

July 5, 2012

"India Will Be the World's Next Great Power."

Not so fast. The dramatic opening of India's hidebound economy, substantial improvements in India-U.S. relations, and rapid, sustained economic growth for well over a decade have led most analysts and policymakers to conclude that India will easily emerge as one of the world's great powers in the 21st century. In 2010 while visiting India, U.S. President Barack Obama said, "India is not just a rising power; India has already risen." And just a few weeks ago, Defense Secretary Leon Panetta called India a "linchpin" in the U.S. "pivot" to Asia, while Secretary of State Hillary Clinton described the U.S.-India tie as a "critical bilateral relationship."

Certainly, there has been reason for such optimism. Until the recent global economic downturn, the Indian economy was the second-fastest-growing in the world, reaching a rate of 9.8 percent in October 2009. Poverty dropped 5 percentage points between 2004 and 2009, according to the widely accepted Indian National Sample Survey. Meanwhile, Indian firms have been going global. In 2006, Indian steel magnate Lakshmi Mittal purchased the French company Arcelor, creating the world's largest mining and steel firm. In 2008, the Indian conglomerate Tata purchased the iconic British Jaguar and Land Rover brands from Ford. And, despite some uncertainty now hovering over India's investment climate, key global firms continue to bet on India. In late June, Coca-Cola, which had left India in the early 1970s, decided to invest $5 billion by 2020.

Similarly, Swedish furniture retailer Ikea announced that it would invest almost $2 billion in the next few years.
On foreign policy, India has shown growing global aspirations -- and capabilities. It is the fifth-largest player in the reconstruction of war-ravaged Afghanistan, and its reach extends well beyond its neighborhood. At the recent G-20 summit in Los Cabos, Mexico, Prime Minister Manmohan Singh pledged $20 billion to an endowment designed to shore up the IMF's lending capacity.
Unfortunately, the fascination with India's growing economic clout and foreign-policy overtures has glossed over its institutional limits, the many quirks of its political culture, and the significant economic and social challenges it faces. To cite but one example, at least 30 percent of Indian agricultural produce spoils because the country has failed to develop a viable supply chain. Foreign investors could alleviate, if not solve, that problem. But thanks to the intransigence of a small number of political parties and organized interest groups, India has refused to open its markets to outsiders. Until India can meet basic challenges like this, its greatness will remain a matter of rhetoric, not fact.
"India's Growth Is Inevitable."
No. When India began to liberalize its economy after the 1991 financial crisis, many analysts concluded that the country was on a glide path to growth. The sheer size of India's market, its wealth of entrepreneurial talent, and its functioning legal system all seemed to herald economic success.
Sadly, these sunny assessments overlooked key hurdles. Many Indian politicians remained wedded to an anachronistic model of state-led growth. Powerful groups with vested interests in the existing economic order -- from well-subsidized farmers to well-entrenched industrial labor unions -- opposed reform. And the rise of coalition politics, with all their uncertainties, threatened coherent government action. These factors have now come together to create a perfect storm for India.
In the last quarter, India's economy grew at a mere 5.3 percent -- its worst performance in nearly a decade. In April, industrial growth was a paltry 0.1 percent. Many Indian policymakers are attributing this downturn to the European fiscal crisis and the global economic slowdown. But the real problems confronting the Indian economy are indigenous.

Indian politicians of all ideologies have supported unsustainable spending in an effort to placate the country's increasingly politically mobilized population. Farmers in significant parts of India pay little or nothing for electricity, but officials refuse to challenge their subsidies. Politicians fret about raising gasoline prices for fear that the middle class will revolt. And to avoid student unrest, they have allowed the university system to reach a breaking point, because the fee structure cannot meet even a fraction of operating costs. The result of all this pandering has been a fiscal deficit of about 6 percent of GDP.

India's leadership has also failed to reform the country's behemoth public sector. For example, the state-owned Air India requires routine infusions of cash, but the government refuses to privatize the company lest it anger organized labor. On the flip side, entrepreneurs are hobbled by antiquated legal regimes and idiosyncratic rule-making. Outdated land-acquisition laws have stopped a range of industrial projects, and quirky policy shifts have undermined growing fields like telecommunications.

What's more, some analysts are now arguing that the absence of transparent regulatory and legal frameworks has opened new vistas of corruption. Indeed, the lack of a clearly defined legal regime led to an ad hoc auction of the 2G spectrum in 2008. The flawed auction may have cost the treasury as much as $40 billion, according to an independent government watchdog. A new scandal is brewing which suggests that in 2004 state-owned coal seams were sold at well-below-market prices. Unsurprisingly, the specter of legal uncertainty combined with rampant corruption has had a chilling effect on foreign investment. All this makes India's future growth seem far from assured.

"India Can Help Contain China."

Hardly. Because of its longstanding disputes with Beijing, U.S. policymakers have hoped that New Delhi would join Washington in balancing against China. But though India has had significant quarrels with China, it remains extremely skeptical of the U.S. "pivot" to Asia and of playing any part in an American strategy of containment. Many Indian elites fear that joining the U.S. effort would simply provoke China's wrath, and their obsessive concern with policy independence, deeply rooted in India's political culture of nonalignment, reinforces the unwillingness to make common cause with the United States.

But it was India's reluctance to throw in its lot with the West that left it virtually defenseless when China attacked in 1962. A border dispute had erupted several years earlier over Chinese claims on what India deemed to be its territory. Nevertheless, Prime Minister Jawaharlal Nehru had limited defense spending because he believed it would divert critical resources from economic development and belie his staunch commitment to nonalignment. When the battle-hardened People's Liberation Army attacked, the Indian military was grossly unprepared. Soldiers without appropriate clothing, weapons, or training were rushed to the front, and large numbers died from frostbite and high-altitude ailments before they even had a chance to fight. The border dispute has never been resolved. In fact, over the past couple of years, China has actually expanded its territorial claims to include the entire Indian northeastern state of Arunachal Pradesh.

Sino-Indian differences extend into a number of other arenas as well. Beijing categorically refuses to accept the legitimacy of India's nuclear weapons program (which was begun in response to China's), and it tried to scuttle the 2008 U.S.-India civilian nuclear agreement. Furthermore, beyond its longstanding alliance with Pakistan, China is now developing relationships with the smaller South Asian countries and subtly encouraging anti-Indian sentiment in them. For example, as India has failed to resolve a series of ongoing differences with Bangladesh, China has quickly stepped in to improve Bangladesh's infrastructure.

Globally, China and India have begun to compete for long-term oil and natural gas contracts -- and India has been losing. Several years ago, the Angolan government rescinded an agreement with India to develop some offshore oil blocks after China offered it a $200 million line of credit. More recently, China sternly warned the overseas arm of India's Oil and Natural Gas Corp. against prospecting for hydrocarbons off the coast of Vietnam. None of these tensions is likely to abate anytime soon, especially because India remains acutely dependent on external energy sources.

Despite these significant conflicts, Indian officials have resisted a closer partnership with the United States. In addition to concerns about losing their freedom of action, Indian policymakers fear that U.S. policy will change with every election. The United States may be pivoting to Asia now, but if it changes its mind in the future and tries to accommodate Beijing, it will leave India in the lurch, subject to Chinese intimidation. So, for now, India is hedging its bets.

"Tensions With Pakistan Have Eased."

Not really. In recent months, there has been a minor thaw in India-Pakistan relations, but the two countries remain far apart on the critical question that has bedeviled their relations since independence: the disputed status of the state of Jammu and Kashmir. That rivalry will only intensify as the United States and the NATO-led International Security Assistance Force withdraw from Afghanistan. The Pakistani military establishment's obsession with "strategic depth" against India has not abated, nor has its commitment to install a pliant regime in Afghanistan post-2014. India's political leadership, which has made significant economic, strategic, and diplomatic investments in Afghanistan, is equally unlikely to cede ground for fear that a neo-Taliban regime will emerge. Consequently, relations are likely to cool markedly in the near future. And a return to the periodic crises that dogged India-Pakistan relations in the 1980s and 1990s will be distracting and expensive. India's military mobilization against Pakistan in the wake of the December 2001 terrorist attack on the Indian Parliament cost the country approximately $1 billion. Until tensions abate, India will have to remain vigilant along its western border, increase its military spending, and focus its diplomatic energies on keeping the peace. It will remain tied to its neighbor, and its aspirations to transcend regional politics will remain unfulfilled.

"India Will Be a Good Global Citizen."

Perhaps. Some scholars argue that states are more likely to accept global standards of behavior as they become more powerful and gain a stake in world affairs. The evidence, however, is distinctly mixed, and India is likely to march to the beat of its own drummer. In some arenas it will play a helpful role; in others it will remain as recalcitrant as ever.

For example, it will be reasonably forthcoming on nonproliferation issues now that it is, for all practical purposes, a nuclear weapons state. If China and Pakistan are willing to accept limits on production of plutonium and highly enriched uranium, India might well support a Fissile Material Cutoff Treaty. By contrast, it would be foolish to count on India in global climate change discussions. India's policymakers assert, with some justification, that the advanced industrial world is responsible for the bulk of anthropogenic climate change. Simultaneously, they contend that India can't afford to subordinate economic growth to carbon reduction. As then-Environment Minister Jairam Ramesh, said in 2009, "In the United States and the developed world, emissions are lifestyle emissions. For [India], emissions are developmental emissions." Furthermore, India argues that its per capita emissions will remain well below those of advanced industrialized states for decades to come. That argument may well be flawed, but it has a lot of political traction in India.

Nor will India yield much ground on global trade negotiations unless its concerns about agricultural subsidies in the advanced industrial world and trade in services industries are met. Given its size, India wields much clout in this arena, and Indian negotiators can be unyielding. Even if India achieves the international status it seeks, it may not always act in concert with Western powers.

"India Will Have Serious Power Projection Capability."

Not quite. There is little question that India is dramatically expanding its naval reach and airlift capabilities. And contrary to popular belief, these expansive plans are not a significant financial burden because, according to recent World Bank estimates, India's military expenditures are less than 3 percent of its GDP. Even with slower economic growth over the next few years, India should be able to arm itself more than adequately.

The problem, however, lies in its cumbrous, slothful, and, until recently, corruption-ridden weapons acquisitions process. Ironically, the effort to clean up this process has resulted in complex bureaucratic and legal procedures, further slowing what was already a glacial pace. For example, the decision to replace India's aging fighters with a new multirole combat aircraft has been ongoing for the better part of a decade, even though the new plane has already been chosen. The extraordinary complexity and sluggishness of the process do not bode well for India's ability to swiftly acquire and deploy the military capabilities it will need if it hopes to project power throughout the region.

Nor have indigenous efforts to build up military capabilities been successful. For example, faced with the increasing obsolescence of its MiG-21 fleet, India finally began work on a light combat aircraft in 1990 after much deliberation. The first prototype flew in 2001, but it was 10 years before the initial steps to raise a single squadron for the Indian Air Force finally went into effect. What's more, the aircraft's engine is American, its radar systems were built with Israeli assistance, and some of its munitions are of Russian origin. If India really wants to be a regional military power, it will have to either strengthen its indigenous efforts or radically streamline its foreign military acquisitions process.

"Hindu-Muslim Tensions Are History."

Unfortunately, no. After the defeat of the Bharatiya Janata Party (BJP) in 2004, many secular Indian intellectuals celebrated. They genuinely believed that the dark shadow of ethnic nationalism was receding and that the country could renew its civic and plural traditions. Such optimism, while understandable, was premature.

The Hindu right, which was ascendant in the 1990s, is now rudderless and leaderless. But it has yet to abandon its supremacist ideology, its membership is holding steady, and some within the Hindu-chauvinist BJP see Narendra Modi, a highly divisive figure known for his anti-Muslim sentiments, as a potential prime minister. India's electorate might well find him too contentious, but the mere fact that his party sees him as a possible contender for the country's highest elected post suggests that his pernicious ideology is alive and well.

What's more, small numbers of Muslims have also become increasingly radicalized -- by the intransigence of the Hindu right and the siren call of Islamism from the Middle East. Some of these radicals have links to global and Pakistan-based Islamist organizations, and some have even been connected to acts of violence on Indian soil. Unfortunately, beyond sounding the tocsin about the dangers of domestic militancy, India's policymakers have not taken serious steps to stem its rise. Their inaction in the face of this very real danger, in turn, feeds the BJP's charge that the secular political parties in India are guilty of pandering to minority extremism.

Obviously, the long-term consequences of this kind of religious and ethnic conflict could be extremely toxic. Continued and persistent outbreaks of Hindu-Muslim violence will have a chilling effect on foreign investment, they will sap the energies of India's political leadership, and they will damage India's global image as a secular, democratic state.

"India Can Be America's Most Useful Ally."

Probably not. Both U.S. President Bill Clinton and Indian Prime Minister Atal Bihari Vajpayee claimed that India and the United States were "natural allies." For Clinton, this characterization was a deft tactic to paper over important differences. He recognized India's status anxiety and saw that friendly rhetoric might yield quick dividends. Vajpayee's use of the term was equally instrumental. From his standpoint, aligning with the United States could help isolate Pakistan. And there were genuine reasons for cooperation: common democratic values, a shared fight against Islamist terrorism, and common concern about Chinese revanchism. However, a significant segment of the Indian public insists that the country retain full independence in foreign affairs, and India's policymakers rarely lose an opportunity to underscore this concern. As Prime Minister Singh said in a major address to India's armed forces, "We must therefore consolidate our own strategic autonomy and independence of thought and action." That attitude is a significant barrier to cooperation. Consequently, despite a convergence of interests, it may prove exceedingly difficult to forge an institutional partnership with the United States.

Given the values and concerns it shares with the United States, India's resistance to closer collaboration is bizarre. After all, during a significant part of the Cold War, despite profound ideological differences and a professed commitment to nonalignment, India was for all practical purposes a Soviet ally -- a relationship codified in the Indo-Soviet Treaty of Peace, Friendship, and Cooperation. But, today, two decades after the Cold War's end, Indian elites have again inexplicably taken refuge in the idea of nonalignment, under the guise of "strategic autonomy." In considerable part, the intellectual establishment's lack of imagination stems from its paucity of trained international affairs specialists. Shocking though it may seem, in a country of over a billion people, perhaps only a dozen or so political analysts are of truly global stature.

Other factors are also likely to constrain partnership with the United States. India's political order has become increasingly federalized, and despite the existence of at least two national parties, it is unlikely that either will be able to form a national government of its own in the foreseeable future. That means India's ruling party will be forced to pursue a compromise foreign policy. Thanks to the exigencies of coalition politics, for example, the United Progressive Alliance government in New Delhi has been forced to shelve a decision to allow investment from foreign multibrand retail stores like Wal-Mart. Similarly, a carefully negotiated water-sharing agreement with Bangladesh also fell prey to the demands of a fractious coalition partner.

Finally, the United States and India cannot paper over some fundamental differences of interest. The two countries remain at odds over how best to deal with Iran's apparent quest for nuclear weapons. Even though most Indian policymakers view Iran's nuclear pursuit with concern, they will not endorse unilateral military action against the country. India remains dependent on Iranian oil and natural gas, it has a substantial Shiite population, and, above all, it is extremely uncomfortable with the unilateral exercise of U.S. military power against recalcitrant regimes.

In fact, India becomes particularly concerned when regimes are forcibly ousted because of their human rights records, as in NATO's action against Libya. In considerable part, this fear stems from India's own domestic infirmities and its uneven record in suppressing domestic insurgencies. Admittedly, the notion that any country would militarily target India over its human rights record seems far-fetched, but the concern nevertheless animates Indian thinking about the subject.

Undoubtedly, the India of today is a far cry from the poverty-stricken, militarily weak, socially fractured, and diplomatically isolated country of the Cold War. Nevertheless, unless its leadership can tackle problems from corruption to bureaucratic stagnation to political dysfunction, its hope for global standing in the 21st century will remain just a hope.

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