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Article 1.

The Daily Beast

# **Great Britain Saves Itself by Rejecting the EU**

Niall Ferguson

December 9, 2011 -- To listen to some conservative commentary in London on Friday, you would think the British Prime Minister David Cameron just morphed into Winston Churchill, valiantly upholding England's ancient liberties against German aggression. In fact, what happened in Europe this week was nothing so grandiose.

David Cameron's refusal to back a Franco-German plan to revise the European Union treaty was the culmination of a consistent Conservative policy, dating back to Margaret Thatcher and continued under John Major. That policy has been to resist any steps taken in the name of European integration that would in practice lead to Britain's becoming a member of a federal Europe.

Cameron is not—despite the opprobrium that has been heaped on his head by everyone from the French President Nicolas Sarkozy to the shadow foreign secretary Douglas Alexander—a pathologically insular Little Englander. Like Margaret Thatcher, he believes in the single European market. Like John Major, he opposes British membership of the European monetary union. As over the Schengen Agreements on passport-free travel, as over the euro, Britain has once again reserved its right to retain sovereignty over key areas of policy. Nor is this an exclusively Conservative policy tradition. Gordon Brown, too, resisted the siren calls of the Europhiles in his own party to take Britain into the EMU. I don't think he did this out of high principle, mind you. I suspect it was partly to spite Tony Blair, partly to maximize the economic power he retained as chancellor of the

Exchequer and partly to please his friends in the City, many of whom were rather put off of monetary union by the trauma of Britain's brief membership of the Exchange Rate Mechanism. Nevertheless, Brown's preservation of the pound was his single greatest achievement. Had he yielded, the British economy would now be suffering a far more agonizing economic contraction, because we would have lacked the monetary flexibility that was so successfully used by Sir Mervyn King to mitigate the impact of the 2008-9 financial crisis.

So it is not that British policy has dramatically changed. The real historical turn is the one now being taken by the 17 euro zone members and the six non-euro states that have chosen to follow them. For there should be no doubt in anyone's mind that what they have just agreed to do is to create a federal fiscal union. Moreover, it is a fundamentally flawed one. The only surprising thing is that so few other non-euro countries—Sweden, maybe the Czechs and Hungarians—have joined Britain in expressing reservations. I quite see why countries with the euro are prepared to give up their fiscal independence to avert a currency collapse. But what on earth is in this for the others?

Nicolas Sarkozy, as usual, bad-mouthed the British prime minister in the hope of maximizing his own personal glory at the expense of la perfide Albion. "Very simply," declared the French president, "in order to accept the reform of the treaty at 27, David Cameron asked for what we thought was unacceptable: a protocol to exonerate the U.K. from financial-services regulation. We could not accept this as at least part of the problems [Europe is facing] came from this sector." This is claptrap of the lowest order.

To see why, you need to read the "international agreement" announced in the early hours of Friday. The stated aim of the agreement—which would have been the aim of EU treaty revision

had Cameron rolled over—is to establish and enforce “a new fiscal compact and strengthened economic policy coordination” in the euro area. The phrase “fiscal stability union” is explicitly used. It is to be based on “common, ambitious rules” and “a new legal framework.” How will this work? The answer is that there will be a “new fiscal rule”: “General government budgets shall be balanced or in surplus; this principle shall be deemed respected if, as a rule, the annual structural deficit does not exceed 0.5 percent of nominal GDP.” This balanced budget rule is to be adopted in the national constitutions of euro zone members. But there will also be an “automatic correction mechanism,” enforceable by the core EU institutions—the commission, the council, and the court—if member states violate their own constitutions.

Moreover, the document states that there will henceforth be “a procedure ... to ensure that all major economic policy reforms planned by euro area Member States will be discussed and coordinated at the level of the euro area” with regular euro zone summits to be held at least twice a year. The French and Germans leaders have made it clear that they envisage harmonizing labor law, taxation, and financial regulation on this basis.

This, in sum, is the founding charter of the United States of Europe. Notice two problems however. First, it is not clear how the European Commission, Council, and Court can act in this way, policing a 23-member fiscal union that is not covered by any treaty. Second, the balanced-budget rule is nuts. As it stands, it’s a recipe for excessive rigidity in fiscal policy—unless you think the rest of the Brussels Agreement implies a significant centralization of fiscal policy. Because you cannot have a balanced budget rule for member states if you don’t also have a federal government with flexible fiscal rules (as in the U.S.).

So where is the clause describing the new USE Treasury, with the right to issue bonds as well as to transfer resources from the more productive to the less productive member states? The answer is there isn't one because the German voter refuses to countenance such a thing. That means one of two things. Either it's going to be created by stealth—or this is a federal union that will be dead on arrival. I think it's supposed to be the former, but I am not sure.

Remember, none of this would be happening if it wasn't for a disastrous crisis of the Eurocrats' own making. Twelve years ago, I was one of a small band of commentators who warned correctly that a monetary union without some fiscal component would fall apart after about 10 years. Four years ago, I was also one of a handful of people who pointed out that the German banks were in worse shape than the American banks and needed urgent attention. Europe's leaders ignored these arguments. The result has been an entirely predictable combination of fiscal crisis and banking collapse.

There is now a depression on the other side of the English Channel, and it is the continent that is cutting itself off—from sane economic policies.

In the past few months, incompetent leadership has brought the euro-zone economy, and with it the world economy, to the edge of a precipice strongly reminiscent of 1931. Then, as now, it proved impossible to arrive at sane debt restructurings for overburdened sovereigns. Then, as now, bank failures threatened to bring about a complete economic collapse. Then, as now, an excessively rigid monetary system (then the gold standard, now the euro) served to worsen the situation.

For some time it has been quite obvious that the only way to save the monetary union is to avoid the mistakes of the 1930s. That means, first, massive quantitative easing (bond purchases) by the European Central Bank to bring down the interest rates (yields) currently being

paid by the Mediterranean governments; second, restructuring to reduce the absolute debt burdens of these governments; third, the creation of a new fiscal mechanism that transfers resources on a regular basis from the core to the periphery; and finally the recapitalization of the ailing banks of the euro zone.

The problem is that the Brussels Agreement only does these things in the most half-hearted way. Aside from new borrowing, euro-area governments have to repay more than €1.1 trillion euros of long- and short-term debt in 2012, with about €519 billion of Italian, French, and German debt maturing in the first half alone. Meanwhile, the European banks need, we are now told, €115 billion of new capital—of which €13 billion is required by German banks.

Yet the European Financial Stability Fund has been capped at €500 billion, of which more than half has already been committed. The International Monetary Fund is to be given (by whom?) just €200 billion to recycle back (to whom?). And the ECB has committed itself to spend no more than €20 billion a week on bond purchases in the secondary market.

It is all, quite simply, too little. And the result is that the euro zone is about to repeat history. In the absence of sufficient resources for the new federal model, the new rules about budgets (and bank capital) are going to lead to pro-cyclical fiscal and monetary policies, deepening rather than alleviating the economic contraction we are witnessing.

“Eurozone Deal Leaves Britain Isolated” trumpets the Financial Times, for many years an ardent proponent of monetary union. But if David Cameron can succeed in isolating Britain from the disaster that is unfolding on the continent, he deserves only our praise. For once the old joke—“Fog in the Channel: Continent Cut Off”—seems applicable. There is now a Depression on the other side of the

channel, and it is indeed the continent that is cutting itself off—from sane economic policies.

Last month I warned that the disintegration of the European Union was more likely than the death of the euro. You now see what I meant. The course on which the continent has now embarked means not just the creation of a federal Europe, but a chronically depressed federal Europe. The Eurocrats have exchanged a Stability and Growth Pact—which was honored only in the breach—for an Austerity and Contraction Pact they intend to stick to. The United Kingdom has no option but to dissociate itself from this collective suicide pact, even if it strongly increases the probability that we shall end up outside the EU altogether.

Many more brickbats will rain down on David Cameron in the days to come. But he has done the right thing. And he will swiftly be vindicated by events on the cut-off continent.

Article 2.

SPIEGEL

## **Britain and the EU: The Failure of a Forced Marriage**

Wolfgang Kaden

12/10/2011 -- Was the outcome of the Brussels summit a bad one for the EU? Not at all. The British were never completely dedicated to European unity and the ongoing project of greater fiscal integration is better off without them.

It was to be expected. And now it's official: The British have elected not to join the treaty governing Europe's new financial system. Prime Minister David Cameron refused.

Does that mean, then, that German Chancellor Angela Merkel and French President Nicolas Sarkozy have failed? Not at all. Only incompetent amateurs could have believed that London would join the attempt to overcome the European debt crisis together. European leaders in Brussels hammered out an agreement that marks the end of unlimited fiscal sovereignty -- and that conflicts fundamentally with the British understanding of Europe.

The result of Thursday night -- the 17 euro-zone countries joined by nine others pending parliamentary approval in three of the non-euro-zone capitals -- is a success. A success for the majority of Europeans and for efforts to find a solution to the euro crisis. Any deal with the obstreperous British would have been a weak compromise, and one that would have allowed questionable economic practices to continue.

But from the very beginning, Great Britain's participation in a united Europe was a misunderstanding. When the EU was founded, the British still hadn't finished mourning over their lost empire. Europe

seemed far away and Continental efforts at unification were seen by many among the British elite as little more than naïve idealism.

Despite such doubts, the EU became a reality, and a success -- and it was economic realities that ultimately led London to join. Companies in the UK pushed the government toward Brussels because staying away was far too risky economically.

Still, the political classes in Britain never fully shared the Continental conviction that the European Union was an absolute political necessity following two destructive world wars in the 20th century. They never fully believed that Europe had to grow together, despite all the cultural, linguistic and societal differences.

In the 1960s, the empire was history, with one colony after the other declaring independence. But instead of turning toward Europe, Britain looked west to the US. And to this day, the UK feels much closer to America than it does to the frogs and the krauts on the other side of the English Channel. One could see the strength of that bond as recently as 2003, when then-Prime Minister Tony Blair joined President George W. Bush in his Iraq adventure despite grave misgivings on the Continent.

In Brussels, which has for decades been depicted in the British press as little more than a bureaucratic monster, London has mostly played but a single role from the very beginning: that of a spanner in the works. There has hardly been a decision aimed at greater European integration that Britain hasn't sought to block. And it was a role that even brought financial benefits. Ever since Prime Minister Margaret Thatcher famously demanded "I want my money back," Britain has had to contribute less to the EU than the size of its economy would otherwise require.

To avoid misunderstandings, it is important to note that Britain is a fabulous country, as are its people. Their finely honed humor, tolerance, composure, language, culture and, yes, their worldliness

are all to be praised and envied. Germans particularly, with their predisposition to overwrought fear, could learn a lot from the British. But the UK and the EU was a source of frustration for decades. On the long term, a member cannot demand all of the benefits of a community while refusing to shoulder its share of the burdens. One can't constantly seek to thwart all efforts at greater European integration while at the same time demanding a say in all decisions. Great Britain is an EU member that never truly wanted to be part of the club. It was more of an observer than a contributor and it always had one eye on Washington. Indeed, it is telling that the country never joined the border-free travel regime known as Schengen -- Britain still checks everybody who enters the country from the other side of the Channel. The political establishment was likewise extremely skeptical of the common currency from the very beginning.

It is true that much of the criticism was spot on, which is why the euro zone is now in crisis and in need of repair. But it wasn't really the design shortcomings which led the British to stay out of the euro zone. Rather, it was their independence -- one could say currency nationalism -- which led to the country remaining on the outside. Though that hardly kept them from acting at EU summits as though they had long since introduced the euro. At the summit before last, in fact, Sarkozy even lost his cool, telling Cameron "you missed a good opportunity to keep your mouth shut." The French president continued: "We are sick of you criticizing us and telling us what to do. You say you hate the euro and now you want to interfere in our meetings."

Now, finally, there is a clear line of separation. On the one side is euro-Europe with a treaty obligating them to stay within clear budgetary and sovereign debt boundaries. And there is the rest which still has complete sovereign control over their finances. The 17 euro-

zone member states will no longer be forced to accommodate a country that rejects anything that smells like supra-nationalism. There is certain to be a debate over the question as to how a divided Europe should continue. But that doesn't have to be a disadvantage. Such a debate has been necessary for a long time and conflicts can not always be avoided. Sometimes, a bit of bickering is necessary to create clarity.

The questions for Britain, however, are equally difficult. What exactly is the country's role in the EU? British historian Timothy Garton Ash, a critic of the euro-skeptic course followed by the Cameron administration, said recently in an interview with SPIEGEL: "If the euro zone is saved, there will be a fiscal union, which means a political union of the euro countries.... Then, in the next two, three or four years, we in Great Britain will face the final question: in or out?"

If the British political class does not undergo a fundamental transformation, there is only one possible answer. Out.

Article 3.

The Atlantic

## **The Inevitable Rise of Egypt's Islamists**

Thanassis Cambanis

8 December -- Cairo -- Egypt's liberals have been apoplectic over the early results from the recent elections here. Everybody expected the Islamists to do well and for the liberals to be at a disadvantage. But nobody -- perhaps with the exception of the Salafis -- expected the outcome to be as lopsided as it has been so far. Exceeding all predictions, Islamists seem to be winning about two-thirds of the vote. Even more surprising, the radical and inexperienced Salafists are winning about a quarter of all votes, while the more staid and conservative Muslim Brotherhood is polling at about 40 percent. The saga is unfolding against a political backdrop of alarmism. One can almost hear the shrill cries echoing in unison from Cairo bar-hoppers and Washington analysts: "The Islamists are coming!" In short order, they fear, the Islamists will ban alcohol, blow up the sphinx, force burqas on women, and declare war on Israel.

Before we all worry too much, however, and before fundamentalists in Egypt start to crack the champagne (in their case perhaps literally, with crowbars), it's worth taking a look at what's really happening with Egypt's Islamists.

Egypt is still not a democracy, so election results mean only a little; the key players in shaping the country remain the military, the Muslim Brotherhood, and the plutocrats. To a lesser degree, revolutionary youth, liberals, and former ruling party stakeholders will have some input. The new powers-that-be in Egypt and other Arab states who are trying to break the shackles of autocracy are likely to be more religious, socially conservative, and unfriendly to the rhetoric of the United States and Israel. That doesn't mean they'll

be warmongers, or that they'll refuse to work with Washington, or even Jerusalem, on areas of common interest.

Islamism has been on the rise throughout the Arab and Islamic world for nearly a century and will probably set the political tone going forward. The immediate future will feature a debate among competing interpretations of Islamic politics, rather than a struggle between religious and secular parties.

One example of that intramural fight took place this week in Alexandria, in a parliamentary runoff election pitting a business-as-usual Muslim Brother against a fire-and-brimstone cleric from the Salafi call, Abdel Monem El-Shahat. During the campaign period, Shahat reminded the Egyptian public that its beloved literary laureate Naguib Mahfouz "incited prostitution and atheism" and reassured Egypt that he wouldn't kill all of its all-important tourist trade, just the part that depended on liquor and nudity (which part is that again?). His colleagues have called for the faces on Pharaonic monuments to be covered with wax. Shahat lost in this week's runoff to the Muslim Brotherhood candidate, whose Freedom and Justice Party has taken pains to reassure the ruling military and nervous liberals.

The Noor Party has no track record and rises from an ultra-fundamentalist movement that in principle considers electoral politics sacrilegious. The Brotherhood, meanwhile, has been playing politics since 1928 and is well versed in the art of deal-making and compromise. It's possible to imagine a union between the two, but it's just as likely that they'll consider each other arch-rivals. The Brotherhood already has promised to seek a governing alliance with liberals rather than the Salafis. It's also unclear what policies the different Islamists will adopt. Brotherhood officials have openly planned for the prospect of running popular service ministries that would play to their organizational strengths and afford patronage

opportunities: health, education, maybe transportation or finance. The Salafis, meanwhile, have exhibited a willingness to fuel culture wars with less pious Egyptians.

The Brotherhood, if anything, has mirrored the rhetoric of Egypt's military rulers, who reflexively blame dissent on nefarious "hidden hands." In a statement this week that sounded almost plagiarized from the propaganda of the military junta, the Muslim Brotherhood decried the "hysteria" over their electoral success, calling it a "treacherous" and "heinous plot against the stability and security of Egypt."

It's too early in the game to predict the alliances and policy agendas that will flow from the high-performing Islamist parties. Moreover, the Supreme Council of the Armed Forces still holds all the cards. It alone appoints the government. The next parliament's job will be to help draft the next constitution, nothing more. As things currently stand, the elected parliament will select about 20 percent of the drafters of the next constitution. The military will appoint the rest. For the time being, the elected parliament will yield scant power, and the same would have been true had secular liberals won in a landslide.

The first-round election results are also creating a sort of moment of truth for secular liberal nationalists. The Egyptian Bloc, which included the two most popular and dynamic liberal parties, the Social Democrats and the Free Egyptians, bankrolled by Christian magnate Naguib Sawiris, won about 14 percent of the vote. The secular but hardly liberal Wafd Party, which thrived as a corrupt, sanctioned opposition party under Mubarak, won about another 10 percent. So, at a stretch, a quarter of the voters in round one went for secular parties -- and this in Cairo, Alexandria, and the Red Sea, all the most liberal urban districts in the country. Subsequent rounds will take place in areas that are more rural and religious demographically.

Secular liberals have made clear in the past that they're just as suspicious of the Muslim Brotherhood as they are of the military, perhaps even more so. Followers of Nobel laureate Mohamed ElBaradei were willing to accept new constitutional principles, issued undemocratically by military fiat, in advance of elections, so long as those principles safeguarded minority rights and rule of law -- in effect, liberal ends through illiberal means. That mistrust has broken out into the open now.

"We're all trapped between the Islamists and the army," said Hala Mostafa, an activist and spokeswoman for the Social Democratic Party. She fears that Islamists will take away her social freedom and her rights as a woman, while the military has already eroded her civil liberties and legal rights. "Even I think the Islamists are a bigger threat than the army. Nobody likes the SCAF, but I we have to choose between Islamist rule and the SCAF, I would choose military rule."

Perhaps the heat of the moment factored into Mostafa's glum assessment, but it suggests a shallow commitment to liberal ideas like representative democracy. Certainly, leading members of the Social Democratic Party have philosophically accepted the Islamists predominant role, and feel confident about their long-term chances. But they'll have to contend with a shrinking liberal constituency that values short-term security for the liberal lifestyle over long-term guarantees of liberal political principles. And perhaps that's a best-case scenario for Egypt's military rulers, who historically have goaded the elite opposition (and patrons in Washington) into silence by threatening that the only alternative to military dictatorship is Islamic rule.

Egypt is the Arab world's political center of gravity, and the time will come when it will experiment will authentic representative politics. As these election results indicate, those politics will be imbued with

Islamic values and dominated by self-professed Islamist movements. Fear and expedient coalitions can forestall the rise of the Islamists but they can't put it off forever.

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Article 4.

NYT

## **Democracy in the Brotherhood's Birthplace**

Nicholas D. Kristof

December 10, 2011 -- ISMAILIA, Egypt -- WHEN I reported on Twitter the other day that I was having dinner with members of the Muslim Brotherhood here in Egypt, followers tweeted back alarmed about my safety. Many Westerners (and some liberal Egyptians) are, frankly, freaking out about the rise of the Muslim Brotherhood and the more extreme Islamists known as Salafis in the Egyptian elections. To understand why they won roughly two-thirds of the votes, I drove to this Suez Canal city of Ismailia, where the Muslim Brotherhood was founded in 1928. The first clue to the success of the Brotherhood: its offices are social service agencies. Citizens dropped in to ask for blankets for the winter, and the party handed them out — along with campaign brochures. Several people asked for help paying medical bills, and they got it. In the evening, women arrived to take a free class about science. “They do good social work,” acknowledged Ahmed Kenawi, himself a social worker who hasn’t yet decided whom to vote for. Islamic parties get money for these social services partly from religious tithing by pious Muslims. Supporters of secular parties don’t seem as generous with their cash. Likewise, the Salafi parties are ubiquitous in the back alleys in a way secular parties aren’t. “The other parties, we just don’t see them,” said Samah Abdulkarim, a 25-year-old teacher who said she is supporting the Salafis. “Or, if we do see them, it’s only during the election season.” I asked her if the Salafi parties would curb female

professionals like herself, and she looked puzzled. No, she said, Salafis are good for women because they help needy women.

That reflected a common theme: People don't vote for Islamic parties because they seek Saudi- or Iranian-style religious repression. Rather, they vote for Islamic parties for the same reason Germans support Christian Democrats or Southerners favor conservative Christians: pious candidates are perceived as reflecting traditional values.

"Voters feel secular parties in the past were corrupted and didn't raise living standards," said Abdulwahab Syed Gamal, a volunteer for an independent voter-education group. "People think that if candidates are God-fearing, they won't take bribes."

"The price of sugar, the price of rice — that's what voters care about," he added. "If Islamists can deliver on that, they'll succeed. If not, they'll be voted out in the next election. We're not going to end up like Somalia."

Some Salafi leaders have made extremist statements — suggesting that women and Christians are unfit to be leaders, raising questions about the peace treaty with Israel, and denouncing the great Egyptian Nobel laureate in literature, Naguib Mahfouz, for sacrilege. But the voters I talked to were more moderate. Some did say that they liked the idea of an Islamic state or adopting some principles of Shariah law, but most viewed this as symbolic, a bit like "In God We Trust" on American coins. Many seemed stunningly naïve and insular, unable to understand why Egypt's Christian minority is nervous in the aftermath of attacks on churches. Conservative Muslims insisted that the Muslim Brotherhood is nondiscriminatory and the perfect home for pious Christians — and a terrific partner for the West.

"What is the West afraid of?" said Ayman Hisham, a 24-year-old Salafi, sounding genuinely puzzled. He said that under Salafi rule, diplomatic relations with Israel would continue unchanged and ties with America would strengthen. My interpreter in Ismailia was a

young Egyptian-American woman who wore American clothing and did not cover her hair. So I asked some conservatives if she would have to cover herself if Islamic parties controlled Egypt.

“This is her decision,” said Dr. Hisham el-Soly, a Muslim Brotherhood candidate for Parliament. “The state will not dictate how people should live.” (One Salafi did suggest that she could use some “guidance,” and two other Salafis fled in terror rather than be interviewed by an infidel and a woman.)

Secular Egyptians often distrust assurances from the religious parties. They despair, caught between an army with dictatorial instincts and a conservative religious movement that is winning votes.

My take is that it’s reasonable to worry, but let’s not overdo it. Let’s also remember that the Egyptian Army remains a force for secularism. And there’s a reasonable chance that a more secular president like Amr Moussa, a former foreign minister and Arab League secretary general, will be elected to balance religious parties in Parliament.

Our fears often reflect our own mental hobgoblins. For a generation, we were terrified of secular Arab nationalists, like Gamal Abdel Nasser, who ruled Egypt in the ’60s. The fears of the secularists proved overblown, and I think the same is true of anxieties about Islamic parties in Egypt today.

In any case, democracy is a step forward even when voters disappoint us. An 18-year-old student, Rana Abdelhai, told me that she would never vote for a Muslim Brotherhood or Salafi candidate. But, she added wisely: “This is democracy now. We have to respect who other people choose, even if they make the wrong choice.”

Article 5.

Newsweek

## **The Next Iraq War**

Babak Dehghanpisheh and Eli Lake

December 12, 2011 -- A convoy carrying Qassim Fahdawi sped down the desert highway toward Baghdad last month, but roughly 12 miles west of the capital, a roadside bomb blasted the vehicles.

Fahdawi, the governor of Anbar province, escaped unharmed, but three of his bodyguards were injured.

Fahdawi is no stranger to assassination plots. But this time was different. The bomb went off near an Army checkpoint manned by soldiers from the Muthanna Brigade, a notorious, largely Shiite unit that has been accused of human-rights violations against Sunnis.

"I was previously targeted by Al Qaeda," Fahdawi said the next day in an interview with a local TV station. "But this time, unfortunately, I was targeted by ex-militia military elements?...?who do not want the best for Iraq."

Roughly a month before the last American troops are set to leave the country, the attempt on Fahdawi's life appears to be yet another sign that the vicious, sectarian bloodletting that nearly tore Iraq apart almost five years ago may be set to resume. Only this time, there will be no American military presence to mitigate the carnage. With the remaining 20,000 American troops in Iraq set to depart by Jan. 1, the United States--despite a war that has cost roughly \$1 trillion and taken the lives of close to 4,500 Americans and more than 100,000 Iraqis--is set to leave behind a country still on the brink of chaos. Rather than decreasing sectarian tensions, Iraqi leaders appear to be pouring fuel on the fire. In recent weeks the government of Prime Minister Nuri al-Maliki has arrested more than 600 alleged former

Baathists who are suspected of plotting against the central government.

To many Iraqi Sunnis, who are already wary of the Shiite-dominated government in Baghdad, the crackdown looks like an all-out witch hunt. "I'm afraid a clash will happen in a very violent way," says Salih Mutlaq, a deputy prime minister who is Sunni.

It could get even messier. The reigniting of sectarian tensions could easily draw in regional heavyweights like Iran and Saudi Arabia, which are locked in a heated battle for power and influence across the Middle East. In fact, there are already disturbing signs that the two countries are preparing for a showdown inside Iraq once the American military pulls out.

This wasn't how things were supposed to be. Over the summer there were lengthy and labored talks with Iraqi officials about how many troops would stay behind in Anbar and the Kurdish provinces in the country's north. Neither the U.S. government nor its Iraqi counterparts anticipated a complete military withdrawal. But as the weeks passed, American officials were unable to get the Iraqis to agree to legal immunity for troops who remained--a necessary condition, according to the White House. To be legally binding, the Status of Forces agreement had to be approved by the Iraqi Parliament, according to American legal experts. And no Iraqi politician, certainly not Maliki, seemed willing to stake his political future on supporting legal immunity for American soldiers.

Of course, even after a full withdrawal, the United States will still have a sizable diplomatic presence in the country. A whopping 16,000 American personnel will work at the embassy in Baghdad, the vast majority of whom will be security contractors. There will also be some 200 American military personnel who will help train the Iraqi military to use the tanks, F-16s, and other equipment it has purchased from the United States. And the CIA has been quietly negotiating to

see what intel and counterterrorism missions it can inherit from the military.

All these Americans will be in the line of fire once the troops withdraw. Last month the fiery cleric Moqtada al-Sadr issued a blunt statement about American staff working at the U.S. Embassy in Baghdad after the Dec. 31 deadline. "All of them are occupiers, and it is a must to fight them after the deadline," Sadr wrote. That is no idle threat, given the Mahdi Army's bloody history of attacks against the U.S. military.

Sadr and his supporters could also increase sectarian tensions; recently they lauded Maliki's arrests of alleged Baathists. "If we forgive these killers, then we are not respecting our martyrs and widows," says Sheikh Talal Saadi, a senior Sadr representative in Baghdad.

The crackdown has provoked a serious backlash from Sunni leaders. Many are now calling for an autonomous region--which is legal under the Iraqi Constitution--that could include the three provinces of Salahuddin, Nineveh, and Anbar, the last of which is thought to be sitting on massive oil and gas fields. In response, Prime Minister Maliki and other Iraqi officials have criticized the move as an attempt to weaken the central government.

If an autonomous Sunni region is established, Iraq would face a de facto split along sectarian lines. And that might tempt Shiite Iranian leaders and the Sunni rulers of Saudi Arabia to ramp up their support for their respective communities in Iraq. A former senior Iraqi official, who asked not to be identified because of the sensitivity of the issue, says he has seen documents indicating that the Saudi government has begun funding Sunni leaders to push for an autonomous region.

Any attempt by the Saudis to increase their influence will not sit well with Iran, which has deep ties with the Iraqi government as well as

militant leaders like Sadr. The depth of their influence was on display three weeks ago: the same day that U.S. Defense Secretary Leon Panetta addressed the Senate Armed Services Committee about the readiness of Iraqi troops, the head of the Iraqi Army, Babakir Zebari, was being feted like a royal in Tehran. Zebari, who has made headlines in the past by announcing that American troops should stay in Iraq until 2020, seemed to be hedging his bets. He met with Iranian President Mahmoud Ahmadinejad during the trip, as well as with top commanders of the Revolutionary Guards.

Critics say the White House had a chance to curb Iranian influence but was too busy looking for an exit. The result, according to Doug Feith, one of the Bush administration's chief architects of the war, pushed Maliki toward greater reliance on Iran. Others, however, defend the developments as inevitable, given the divided nature of Iraqi politics. "You want a democratic Iraq, you get a democratic Iraq," said Douglas Ollivant, the former director of the National Security Council.

Regardless, the increasingly close ties between Baghdad and Tehran have left some Iraqis wondering whether the end of one occupation will signal the beginning of another.

"The occupation of Iraq by the United States was a disaster," says Deputy Prime Minister Mutlaq. "What's more disastrous is their irresponsible withdrawal. They are leaving Iraq completely occupied by Iran."

And Iran's leaders have no intention of pulling out.

Article 6.

Times of India

## **A new world order**

Minhaz Merchant

Dec 10, 2011 -- In 1700, the British Empire was a distant gleam in the eye of traders from the East India Company who had set up mercantile posts along India's busy port towns. India was a prize catch. Though fragmented, it had a population of 165 million and the world's largest economy. China was the world's second most populous nation with 138 million people. It was also the world's second largest economy after India. Together, the two Asian giants produced over 50% of global economic output. The yet-to-be United States was still a smattering of 13 British colonies. And Britain? It had a population of 8.6 million and produced a mere 3% of the world's output. Colonisation, the Atlantic slave trade and the industrial revolution changed the world dramatically over the next 150 years. By 1870, the average Briton was six times richer than the average Indian or Chinese. If history teaches us anything, it is that it repeats itself. In 2016, according to the International Monetary Fund (IMF), China's economy will overtake America's. Chinese GDP, assuming an average annual growth rate over the next five years of 9.50%, even as the global economy slows, will rise from \$11.20 trillion (by purchasing power parity) in 2011 to \$17.50 trillion in 2016. US GDP, hit by the eurozone meltdown, is likely to grow at an annual average of an estimated 1.75% during the same five-year period, rising to barely \$16.60 trillion from its current level of \$15.20 trillion - losing its status as the world's largest economy for the first time since the late 19th century. Meanwhile, establishing another milestone, India, despite the current slowdown, is set to become the

world's third largest economy - ahead of Japan - in 2011-12 with a GDP (PPP) of \$4.45 trillion.

Beyond the numbers, however, lies the real story. For the first time since the West became the world's dominant geopolitical, military and economic force 200 years ago, the tide has turned decisively. The rise of China and India, the relative decline of the US and the fall of Western Europe will establish a new world order.

For India, the next few years present great challenges but even greater opportunities. The defining relationship of the 21st century, as US President Barack Obama declared on his visit to India last November, will be between the US and India. For the US, India serves two purposes. First, as a counterweight to China, militarily and strategically. Second, as a market for the US economy which can no longer rely on sclerotic Europe. India will have the world's largest middle class by 2025 - double today's 270 million. Just as it was in 1700 to European traders and colonisers, India is once again the big prize. The US is a declining economic power but will remain dominant militarily for several decades. It has the world's largest blue sea naval fleet led by 11 aircraft carriers. In contrast, China's first aircraft carrier (of vintage Ukrainian stock) has only recently commenced sea trials. India's lone aircraft carrier, INS Viraat, is a 52-year-old British craft. China's rise could be slowed by two imponderables: one, the deep suspicion of its hyper-power among the littoral states of the South China Sea, especially Vietnam. Two, the unsolved dispute with Taiwan. While the present Kuomintang government in Taipei is friendlier to Beijing than previous regimes in Taiwan, the island remains a point of friction between China and the US. Tibet and the restive region of Xinjiang, with its large Muslim population of Uighars, are other worries for China's communist government. The largest concern, though, is the possibility of a 'Chinese Spring' erupting as more affluent Chinese seek real

freedoms. It is a social time bomb India must note as it nuances its relationship with Beijing.

India at first sight seems an unlikely global power. It has an obsessively hostile neighbour to its northwest, a four-decade-old Maoist insurgency, corrupt political governance and over 445 million poor people who live on less than Rs 26 a day. India's economy and markets are growing despite political misgovernance. The entrepreneurial energy unleashed by economic liberalisation in 1991 has given India a seat at the high table of world affairs. And yet, a timid foreign policy has let slip the advantages a world, starved of growth, offers India's demographically charged economy.

To play a role in world affairs in line with its size, population and economy, India needs to think and act like a major power. It must fix governance at home, build a strategic foreign policy and leverage its demographic and economic assets. In the emerging world order, the India-US partnership will be as pivotal as the Anglo-US axis was for most of the 20th century. China will play the role of the old Soviet Union with economic satellites in an arc curving down from central Asia to Africa where China is now the world's biggest investor.

As one of the pivots in this new world order, India has three priceless assets and two damaging liabilities. The assets are its growing economy, market size and plural democracy. The liabilities?

Misgovernance and social inequality. Unless good governance overlays our economic growth, poverty will persist. No nation can be great if nearly half of its people live in penury. Inclusive growth follows from good governance. Without that, India's rise as a great power will falter.

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Article 7.

Foreign Affairs

## **A Warning Shot For Putin**

Kathryn Stoner-Weiss

December 8, 2011 -- Russia's parliamentary election last Sunday saw Prime Minister Vladimir Putin's party, United Russia, receive slightly less than 50 percent of the popular vote. In most countries, this would be viewed as a stunning victory. Instead, it is being interpreted by the Russian and Western press as a rebuke by a restive Russian public to Putin and his policies.

Although the electoral results are undoubtedly a signal to Putin and his political protégé, President Dmitry Medvedev, that Russian voters will not blindly follow wherever the Kremlin leads, in reality they do not portend seismographic shifts in the Russian political landscape. Some reports, including that of The New York Times [1] earlier this week, have argued that with only 238 seats in the 450-seat Duma, as opposed to the 315 parliamentary seats it previously held, United Russia will now be unable to change the Russian constitution unilaterally. True enough -- but what they fail to mention is that the Kremlin has little need to make any significant constitutional changes in the foreseeable future. The constitution is already stacked in favor of the presidency, and even with a reduced number of seats in parliament for United Russia, the Duma will still be compliant, since no new parties have gained seats.

The Duma is already relatively powerless compared to what Russia watchers call the "super" presidency enshrined in the 1993 constitution that was hastily written by Putin's predecessor, Boris Yeltsin, Russia's first elected president. Between the collapse of the Soviet Union in 1991 and 1993, Yeltsin faced a recalcitrant parliament (then called the Congress of People's Deputies), whose

members resisted his attempts to reform the country's troubled economy. The standoff reached its climax in the fall of 1993, when Yeltsin disbanded parliament. When Russian deputies trapped inside the parliament building broke out and attempted to take control of a national television station, Yeltsin ordered tanks to fire on the building, putting an end to the showdown.

The constitution that Yeltsin then forced through by popular referendum in December 1993 resolved the issue of legislative executive power in no uncertain terms. It allows the president to rule by decree in almost every area but the budget. At the same time, the president has the authority to disband the Duma and call new elections should parliament refuse three times to accept the president's choice of prime minister, and the executive branch has full control of the country's security and defense ministries.

The ruling tandem of Putin and Medvedev has made further constitutional changes to strengthen the executive's hand. In the constitution's original version, the president could serve a maximum of two consecutive four-year terms. In his first year as president, Medvedev changed the constitution, then approved by the United Russia-dominated Duma and the compliant Federation Council (Russia's appointed upper house of parliament), to allow for two consecutive six-year terms, paving the way for Putin to serve for a total of 12 years when he retakes the presidency (as he intends to do in the upcoming March 2012 presidential elections).

What is more, even if Putin and his allies decided they needed to change the constitution (and this is doubtful), they would still have little difficulty doing so. Sunday's election results, however dispiriting for United Russia, will not bring about any significant change to the composition of the Duma. The Communist Party (which finished second with just under 20 percent of the vote, translating into 92 seats in the Duma), the Just Russia party (13

percent and 62 seats), and the Liberal Democratic Party of Russia (11.7 percent and about 56 seats), are exactly the same parties that have sat in the pliant Russian Duma of the past four years.

Of the three, the Communist Party has taken the most oppositional positions toward United Russia -- at least relatively speaking -- but it has seldom voted against United Russia on legislation that actually mattered. It provided modest opposition on cuts to subsidized transportation fares for pensioners, for example, but strongly supported the invasion of Georgia in 2008.

Meanwhile, the Liberal Democratic Party, which was created by the Kremlin in the 1990s, has not provided any true opposition in the last ten years. Its outspoken and flamboyant leader, Vladimir Zhirinovskiy, is more concerned with attracting attention and outrage for his appearances on television than in having any substantive debate with Putin and those close to him.

Finally, although Just Russia did manage to increase its representation in the Duma over its 2007 standing, it, too, is a Kremlin construct. (The party was originally conceived as a social democratic alternative to United Russia, but one that would still vote with the ruling party on big issues.) Historically, it provided little opposition to United Russia and is unlikely to do so now.

In effect, the opposition parties that gained seats are no real opposition at all. Any true opposition forces were weeded out far in advance of Sunday's elections. Only seven political parties met the state's strict registration requirements; the courts simply did not permit other parties that represent more independent liberal alternatives to register. The leadership of some of these groups -- in particular, Boris Nemtsov of Solidarity -- are now leading street protests in Moscow and St. Petersburg. They have little nationwide support, however, and given the degree of state control over the media, their brave efforts this week will not bring about a popular

revolution.

In the end, the biggest loser on Sunday was neither United Russia nor Putin, but rather his fall guy, Medvedev. At United Russia's party congress on September 24, Medvedev nominated Putin to take over again as president. Accepting the nomination in a well-choreographed exchange, Putin then nominated Medvedev to become his prime minister should he win the presidency next March. This "castling" of positions is evidently the straw that broke the back of many Russians' tolerance for Putin's growing autocracy. Medvedev, now the party's nominee for prime minister, was the only name that appeared on the United Russia electoral list in the Duma elections. The Kremlin's apparent logic was that Medvedev's personal popularity would carry the party to easy victory.

Given the effects within Russia of the global economic downturn, a decline in the fortunes of the ruling party was inevitable, at least relative to United Russia's high in 2007, when it captured 62 percent of the vote. But few predicted that the party would receive less than 50 percent of the vote; as of late last week, reputable Russian polling agencies were predicting that it would receive at least 53 to 55 percent. The fact that United Russia supporters resorted to ballot stuffing and other falsifications to boost their votes and still fell below 50 percent will likely affect Medvedev's political prospects the most, given that he headed the party's ticket. In a foreshadowing of exactly such a scenario, Putin late last week amended his offer of the office of prime minister to Medvedev, suggesting the post might be contingent on United Russia's performance in the Duma elections. Medvedev is now particularly vulnerable.

Despite the clear falsification of electoral results, international expressions of displeasure with the electoral process, public demonstrations in Moscow and St. Petersburg calling for "Russia without Putin," the new Duma will most likely be seated by the end

of the month. Putin's largely successful efforts to control the country's media and curb freedom of expression and assembly eviscerated any meaningful opposition years ago. Further, Putin remains personally popular, still polling at slightly below 70 percent approval. And if the need for muscle arises, Putin has already shown willingness to use the security forces to put down any opposition activity; he is also adept at mobilizing the country's state-controlled media and government-created youth groups to counter protests.

Still, although there will be no immediate seismic shift in the balance of power in Russia today, the masses have fired a warning shot at Putin's presidential bid. Protests against the election may be relatively small and are unlikely to lead to a Ukrainian-style popular revolt, but should Putin and Medvedev not appear to listen to voters and be ready to make a few concessions, they may have to resort to the sporadic use of force to keep the regime afloat.

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