



THE  
**World This Year**  
2015

**FAIR OBSERVER**<sup>o</sup>  
make sense of the world

# The World This Year 2015

FO°

Atul Singh

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# ABOUT THE AUTHOR

Atul Singh is the founder, CEO and editor-in-chief of Fair Observer. He teaches Political Economy at the University of California, Berkeley and at the Indian Institute of Technology, Gandhinagar where he also teaches World History. He studied Philosophy, Politics and Economics at Oxford on the Radhakrishnan Scholarship and did an MBA with a triple major in finance, strategy and entrepreneurship at the Wharton School.

Singh worked as a corporate lawyer in London and led special operations as an elite officer in India's volatile border areas where he had many near-death experiences. He has also been a poet, playwright, sportsman, mountaineer and a founder of many organizations. Singh's knowledge is eclectic, and his friends often joke that it comes in handy when access to Google is limited.

# ABOUT FAIR OBSERVER

Fair Observer is a nonprofit media organization that aims to inform and educate global citizens of today and tomorrow. We provide context, analysis and multiple perspectives on world news, politics, economics, business and culture. Our online journal—[www.fairobserver.com](http://www.fairobserver.com)—is recognized by the US Library of Congress with International Standard Serial Number (ISSN) 2372-9112.

We have a crowdsourced journalism model that combines a wide funnel with a strong filter. This means that while anyone can write for us, every article we publish has to meet our editorial guidelines. Already, we have more than 1,500 contributors from over 40 countries, including former prime ministers and Nobel laureates, leading academics and eminent professionals, journalists and students.

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# Editorial: The Story of the World This Week

*December 31, 2015*

*In 2015, I wrote The World This Week 52 times and here it is in e-book form with a bit of an account of how I came to embark on this exercise.*

In the summer of 2009, two English friends from my Oxford days and I got together to muse upon our lives and times. It was a sun-kissed Berkeley evening with the hills to the east and the Pacific Ocean to the west. As the ocean swallowed the sun and the stars stole across the sky, our conversation meandered across time and space.

At some point, we started reminiscing about 2003 when the three of us were still in Oxford. We were then bitterly divided over the decision of George W. Bush and Tony Blair to invade Iraq. I had opposed the invasion and predicted sectarian strife in the region. As we revisited the discussion, my two friends told me with much certitude that I had to explain what was going on in the world.

As per them, I had lived a life out of the movies, running away from home at 17, living with tribes in the jungles of Nagaland, working in the City of London at the height of the financial bubble before moving to the land of the free and the home of the brave where I was starting to find my feet. My friends reckoned that I could just get someone to film me whilst I talked about the great issues of our times. Clearly, that did not transpire. At least, not yet.

Starting 2012, Rolf Dienst, a rather eminent German venture capitalist, began urging me to pen something on a weekly basis. At that time, I was deluged by a number of administrative and personal matters. In 2013, Fair Observer relaunched as a nonprofit and I lost much of 2014 to a nasty accident. In 2015, I ran out of excuses and I am proud to say that I have penned The World This Week with diligent regularity.

To be fair, I did try to pen something weekly in the days leading up to my accident. However, it was more of an account of events on all continents barring Antarctica and less of insights in my own voice. In 2015, I embarked on an ambitious exercise of

accounting for the key developments of the past week that were of greatest global significance. Over the year, I have evolved and you will notice the change in The World This Week as you read through this e-book.

I will be the first to hold my hands up and say that I have made numerous mistakes. There are events, issues and trends that I have missed. Sometimes, I should have gone into more detail. At other times, I could have been more brief. To echo Teddy Roosevelt, I have erred, I have come short again and again, but I have kept trying.

At its essence, The World This Week is a quick overview for the modern global citizen who is buffeted by far too many demands for his time and attention. Emails, social media and demands at school or work leave less time for reading books or perusing magazines than in days of yore. This new era demands a new response and that is what I have set out to provide.

Before I carry on, I must point out that The World This Week would not be possible without the people around me. Fair Observer's contributors and team members give me invaluable inputs. Managing Editor Abul-Hasanat Siddique supports me on a daily basis. Many of the ideas that I pen come from him and he edits everything I write. So, I would like to thank him and all the other members of the Fair Observer community.

Finally, I have to thank my family. I have spent the last few days traveling with my parents after more than five years. On a personal note, the last few years have been full of trials and tribulations. My parents and my brother stood by me and supported me during these years as they always have. I would not be the man I am without the prodigious amount of work my parents put into raising me. In still socialist India, my parents, my brother and I traveled on one scooter, but he and I got an education that money cannot buy.

When I was a child my father gave us four history books to read. They were British, American, Soviet and, of course, Indian. Often, these books would have four different things to say about a single event. You can imagine little me going to my father asking which one of the four versions were true. He would respond with a twinkle in his eye that it was for us to figure that out. When I look back, I realize that I learned the power of multiple narratives and plurality of perspectives very early. I have my father to thank for that.

My father also hammered into me that I could never see through someone else's eye or feel through anyone else's finger. Come what may, I had to think for myself. This is unusual anywhere but more so in India where far too many people have lost their cultural confidence and bravery. In the words of Sir Mark Tully, a dear and learned friend, India is aping America after centuries of emulating the British. Anyway, I count my stars to have a father who questioned Soviet propaganda and American claptrap equally ferociously.

To my mother I owe much of my intellectual rigor. She is tough and demands excellence. The bar was not set by my peers but the greats who were dead. She constantly reminded me how my paternal grandfather had died young and how life had been an uphill struggle for my father. My mother also schooled me in language and literature—in English, Hindi and Sanskrit—giving me a great foundation to build on.

Like all mortals, my aging parents have feet of clay. Yet as 2015 draws to an end, I dedicate this, *The World This Year 2015* to them. Here's hoping you enjoy this e-book.

Atul Singh  
Founder, CEO & Editor-in-Chief



# Tragedy in the New Year

*January 3, 2015*

*Bombings, a stampede and a plane crash mark the beginning of 2015.*

As the world rings in 2015, tragedy has struck in a few places. In Southeast Asia, AirAsia Flight QZ8501 crashed, killing all 162 people on board. In Burundi, the army has clashed with rebels near the Democratic Republic of Congo border. Two bombings have occurred in northern Nigeria, clashes escalated in Libya and nine people have died in a mass murder in western Canada. In Shanghai, at least 36 people died and 47 others were injured when a stampede occurred whilst people had gathered to

celebrate on New Year's Eve. The crowd was too thick and a commotion over fake currency thrown from a nightclub apparently led to disaster.

The year has ended badly for Russia. Its economy is in free fall. Oil prices have dropped by 46% in 2014 and are now less than \$60 a barrel. If prices stay at this level, then the Russian economy is expected to shrink by 4.5% over the next 12 months. This is bad news for Putin and for Russia. Sanctions slapped by the US and Europe will hurt more. Timothy Garton Ash, a historian at Oxford, has praised German Chancellor Angela Merkel for brilliantly handling "the return of war to European soil on the hundredth anniversary of 1914." He deems that Mercury, the god of trade, has triumphed over Mars, the god of war. Polina Popova, who is writing a book on Vladimir Putin and post-Soviet Russia, argues otherwise and believes that the sanctions have failed.

In the US, policemen in New York have turned their backs on Mayor Bill de Blasio. The mayor was sympathetic to protesters who were horrified by a jury's failure to charge policemen for causing the death of an unarmed black man. This event had been caught on camera and brought into stark focus the unfairness of the American criminal justice system. As crowds marched, chanting "black lives matter" and staging "die-ins" in public places, the police felt the full wrath of their fury. When a deranged gunman shot dead two policemen, tempers boiled over. The president of New York's police union declared that de Blasio had "blood on his hands" and blamed him for the deaths of his colleagues. A large number of Americans blame the police for being too trigger happy and killing too many innocent black men. Clearly, the divisions in the US are set to deepen and widen.

In Peru, protests have broken out as the government has cut employment benefits for those between 18 and 24. The unemployment figure for this age group is four times higher than the number for those between 30 and 65. The government is trying to reduce the cost of hiring, make labor markets more flexible and create new jobs. More than 5,000 people who protested this week see this as exploitation and some are particularly riled by the slashing of holidays from 30 to 15 days a year.

In Nicaragua, a Chinese company began a \$50 billion project to create an alternative to the Panama Canal. This 278 km (172 mile) canal is raising fears of Chinese domination in what has so far been the backyard of the US. Skeptics disparage

Chinese delusions of grandeur and claim that the canal will never be completed. The reality is that it is too early to tell.

In Egypt, the top court has ordered a retrial of three Al Jazeera journalists who were convicted of spreading false news. The Egyptian President wants them deported because their plight shines the light on the fact that Egypt is a de facto dictatorship where the military calls the shots. It is also complicating Egypt's relations with other countries such as Qatar and the US.

This week, the US released two Tunisians and three Yemenis from Guantanamo after holding them for more than a decade without any charge. These five gentlemen were nabbed in Pakistan and suspected of having links with al-Qaeda. They have been packed off to Kazakhstan. It seems that the US gambit of resettling Guantanamo inmates in third countries is working well. In 2014, 28 prisoners were sent off to safe locations and the US is hoping to mitigate the flak it deservedly gets for operating Guantanamo.



## **Je Suis Charlie**

*January 10, 2015*

*Terrorists strike the heart of Europe and Africa, with France and Nigeria in the thick of it.*

This is a week of two tragedies. In Paris, 12 people were killed and many more wounded when Islamist terrorists attacked *Charlie Hebdo*, a satirical newspaper renowned for its biting wit and scathing cartoons. In Nigeria, Boko Haram, an Islamist group, razed 16 towns and villages in Borno state. Earlier, it had captured the town of Baga and the headquarters of the Multinational Joint Task Force (MNJTF), which is made of troops from Nigeria, Niger and Chad. Hundreds have died as Boko Haram continues its war to impose Islamic law in the northeast of Nigeria.

France has a long history of radical philosophy, anti-clericalism and biting satire. *Charlie Hebdo* represented the best of the French tradition and took pot shots at everyone. In 2012, it published a cartoon of Prophet Muhammad naked and crouching. It was firebombed the next day. Undaunted, the celebrated cartoonists of *Charlie Hebdo* continued to mock the prophet. In an interview to *Le Monde*, Managing Editor Stéphane Charbonnier, or “Charb,” declared: “What I’m about to say is maybe a little pompous, but I’d rather die standing up than live on my knees.” This week Charb got his wish and it is terrific that *Charlie Hebdo* will go to print next week. Murderous fanatics have to be defied.

In Germany, Patriotic Europeans Against the Islamization of the West (PEGIDA) marched against the Islamization of Europe. With the exception of Dresden, where 18,000 turned up, not too many people seemed to support PEGIDA. The German press ridiculed demonstrators as washed up, elderly and xenophobic. Counter demonstrations attracted large numbers. Given Germany’s tortured history with minorities, it is unsurprising that Germans resist anything that smacks of xenophobia and are keen to show solidarity with minorities.

In Sri Lanka, President Mahinda Rajapaksa has admitted defeat in the national elections. Maithripala Sirisena won and will be the new president. Rajapaksa has been the strongman of Sri Lanka for the last decade. His brothers were part of his cabinet and other family members held powerful positions. Rajapaksa had crushed Tamil separatists with an iron hand and been tough with other minorities. Sirisena served in the Rajapaksa cabinet and announced his candidacy only in November. He claimed that Sri Lanka was heading toward a dictatorship. More importantly, Sirisena promised that he would end corruption and nepotism. He benefited from getting the entire minority vote. Even though Sirisena is a staunch Sinhalese nationalist, he will have to placate his support base. Some rollback of Rajapaksa’s hard-line policies is inevitable and minorities will breathe easier now that he is gone.

This week, grim news emerged about Syria and Central African Republic (CAR). A report by the Organization for the Prohibition of Chemical Weapons (OPCW) found evidence that the Assad regime had used chemical weapons against its people. The 117-page OPCW details the use of chlorine gas, but the complicated conflict makes this report an academic exercise. With the rise of the Islamic State, the Assad regime is no longer public enemy number one. In CAR, the United Nations has found that

Christian militias have carried out ethnic cleansing of Muslims during the country's ongoing civil war. It has also found that human rights were violated by all parties. The situation continues to remain grim.

After a frothy 2013, share prices have tumbled this year with the S&P 500 down by almost 5%, the Nikkei by 14% and the MSCI emerging-market index by almost 9%. The fall in global share prices has led to a loss of more than \$3 trillion of wealth. Worries about the Greek elections have not helped. Oil prices have decreased because supply increased and demand fell. For the first time since the financial crisis, the price of Brent Crude has dipped below \$50 a barrel. This creates winners and losers. Energy importers are in good shape, but energy exporters are seeing falling revenues.

Finally, Thomas Piketty, the celebrated economist and author of *Capital in the 21<sup>st</sup> Century*, has turned down the Legion D'Honneur, France's top award. He believes it is not the government's role to decide who is honorable. Last year, Jacques Tardi turned down the award too. Gallic indifference is a wonderful thing. As people gather with placards and pencils saying "Je Suis Charlie," we salute the spirit of Charb and *la grande nation*. *Vive la France!*



## **A Question of Freedom**

*January 16, 2015*

*Those who protest over blasphemy need to understand that freedom is a right in many democracies.*

The bloody attacks in Paris resulted in 17 deaths. Four Jews were killed at a kosher supermarket. They were buried in Jerusalem. At an emotional ceremony, Israeli Prime Minister Binyamin Netanyahu invited all French Jews to leave their homes and move to Israel. He declared that Jews "have only one country, the state of Israel that will accept them with open arms, like beloved children." He went on to say: "Today more than

ever, Israel is our true home, and the more numerous we are, and the more united we are in our country, the stronger we are in our one and only state.”

Meanwhile, the French staged a unity march that drew millions to protest extremism. Many commentators observed that the street gatherings were the largest in France since the liberation of Paris from Nazi Germany in 1944. The surviving staff at *Charlie Hebdo* marched as well and published a 3 million-copy print run. Muhammad, a prophet in the eyes of Muslims, is on the cover against a green background. The words, “All is forgiven,” are above the cartoon.

The reaction to the cartoon in much of the Muslim world has been severe. Egypt’s highest Islamic authorities warned that the cartoon would exacerbate tensions between the secular West and observant Muslims. Pakistan’s National Assembly unanimously condemned *Charlie Hebdo*’s “blasphemous caricatures” and urged the international community to discourage the publication of such “provocative material.” Pakistani Prime Minister Nawaz Sharif then left to meet ailing Saudi King Abdullah bin Abdulaziz, the third high level contact between the two strongly Islamic countries in less than a year.

The fundamental issue here pertains to freedom of speech. Many Muslim countries such as Pakistan are terrible places for minorities. Blasphemy can and often does lead to death. This was the case in Christian countries until not too long ago. The reason Portugal, Spain and Italy are almost completely Catholic is because they killed anyone who didn’t believe in Christ.

However, after centuries of struggle, freedom of speech now includes freedom to practice any religion or even attack the idea of God. Therefore, the likes of Tony Blair and George W. Bush can be devoutly Christian, while the likes of Richard Dawkins and Stéphane Charbonnier can mock the absurdities of religion. The White House doesn’t like much of what *Fair Observer* has to say, but it has no right to shut down this publication. Legislators in Pakistan and Muslim demonstrators need to understand that freedom is a right in many democracies, which political leaders cannot fetter anymore.

Speaking of freedom, British Prime Minister David Cameron is demonstrating a Putinesque approach to the Internet. He wants British intelligence agencies to have access to encrypted communications to “keep us safe” and is proposing a new legal framework that will strangle the Internet.

Boko Haram killed more than 2,000 people in Nigeria at the same time as the carnage in Paris. Ethan Zuckerman points out that even Nigerian media gave more attention to the *Charlie Hebdo* killings over the slaughter in their own country. Some lives clearly matter more than others.

A record 97 skyscrapers were constructed in 2014. They were at least 200 meters-tall and 58 of them were built in China. Fears of a bubble in construction in China are justified, although it is hard not to be impressed by the soaring ambition of the Middle Kingdom.

Germany balanced its federal budget for the first time since 1969. Critics see this as misguided austerity. Supporters see this as admirable German prudence. The reality is more complex. German banks have bad debts on their books and a default by Greece might expose their balance sheets. For now, Germany's economy is humming along like a Porsche engine. In 2014, tax revenues climbed to nearly €271 billion, people at work reached a record high of 43 million and the unemployment rate fell to a historic low of 6.5%. Germans know that these good times will not last, and they are setting an example for the rest of Europe.

To revive the anemic eurozone economy, the European Union moved toward quantitative easing. The European Court of Justice affirmed the European Central Bank's ability to buy unlimited amounts of government debt. Mario Draghi vowed to implement an "expansive monetary policy" as inflation fell to 0.1% in France and 0% in Italy.



## **Fasten Your Seatbelts**

*January 23, 2015*

*The euro was supposed to bring a once war-ravaged continent together, but now the eurozone faces the risk of a messy divorce.*

The bigwigs at the European Central Bank (ECB) have decided to emulate the US Federal Reserve. The ECB will begin quantitative easing (QE) by buying both government and private bonds. In doing so, it might create over a trillion euros of new money. By increasing the supply of euros, the ECB will cause devaluation. A cheaper euro is expected to help eurozone exporters, increasing employment and confidence. Increased money supply will also cause a fall in interest rates. This might boost spending and stimulate the economy.

Fear of deflation has caused the ECB to start QE. Recently, the world economy has been benefitting from cheap oil. Olivier Blanchard, the chief economist of the International Monetary Fund (IMF), called it “a gift of God.” Yet the eurozone remains moribund. Quantitative easing has left Europe deeply divided. Germany still remembers the hyperinflation of the Weimar Republic and opposes QE. German Chancellor Angela Merkel wants reforms to boost competitiveness instead. However, other European leaders are terrified of anemic growth, high unemployment, chronic lack of demand and the rise of the far-right.

The euro was supposed to bring a once war-ravaged continent together. Now the eurozone faces the risk of a messy divorce. The leader of the Greek anti-austerity party is promising an end to “national humiliation” and wants to renegotiate Greece’s debt. He might be elected to office soon. If Greece defaults and exits the euro, markets might panic. This might lead to contagion. Should that happen, Portugal, Spain and Italy might leave the euro too. Worse, it might be impossible to paper over the cracks of an increasingly obvious Franco-German conflict over the direction of the eurozone economy. The French want to borrow and spend. Germans prize prudence. The battle lines couldn’t be sharper.

QE has critics other than Merkel. George Soros, the legendary investor who forced the devaluation of the pound in 1992, has warned that the ECB’s QE will “reinforce inequality.” Soros has raised an issue that is not discussed honestly. The fear of deflation is prompting central banks to print money. However, this is leading to increased asset prices. Those with assets are getting wealthier, exacerbating inequality. It is little surprise that even *The Economist*, a patrician newspaper of 1843 vintage, has a story about inequality on its cover this week. It ignores the role of central banks in furthering inequality, which is increasingly becoming the burning question of our era.

Economic woes are plaguing Asia and Latin America as well. The Korean economy grew by a measly 0.4% last quarter. China's manufacturing sector contracted for the second consecutive month. The Chinese economy grew by 7.4% in 2014, the lowest figure in 24 years. As Chinese demand falls, economies of Latin America that export soybeans, copper, beef *et al* to the Middle Kingdom are not doing too well either. Turbulence lies ahead in 2015, and it is time for everyone to fasten seatbelts.

Saudi King Abdullah bin Abdulaziz has died at the ripe old age of 90. Salman, Abdullah's half-brother, has taken over a kingdom that exports oil, buys dollars and promotes Wahhabi Islam, a puritanical intolerant creed. To its south, the US-backed government in Yemen has just collapsed and, to its north, the Islamic State is growing in power. The Saudis are caught in a bind. Mild reforms have been accompanied with repression. Raif Badawi, a liberal blogger calling for greater liberty in politics and religion, will spend ten years in jail and be flogged a thousand times. The lashings will be dosed out at 50 per week, and Badawi can feel lucky that he was not executed for apostasy. So far, the House of Saud has managed to keep control but rockier days lie ahead.

Protests against blasphemous *Charlie Hebdo* cartoons of Prophet Muhammad continued in many Muslim countries such as Pakistan and Algeria. In Chechnya, 800,000 people protested in Grozny. In Niger, 43 churches were burnt. Clearly, protesters either see the cartoonists as Christian or Christianity as Western. In a Sydney protest, one speaker slammed "the arrogant West" and declared that freedom did not include insulting the prophet.

Thailand is in turmoil. In 2014, the military conducted a coup against then-Prime Minister Yingluck Shinawatra. It appointed new members to the National Legislative Assembly (NLA). This week, the NLA, a rubber stamp body, voted to impeach Yingluck and ban her from politics for five years. This is madness. First, Yingluck is not in office and, therefore, cannot be impeached. Second, a military-appointed body has no power to impeach a democratically elected leader. Naturally, protests have broken out in the strongholds of the Shinawatra clan. With democratic avenues unavailable, some protesters might take to the gun and start demanding independence.

While much of the world has struggled, the United States has enjoyed a good week. The economy is gaining strength. Job numbers are getting better. Talks with Cuba ended "positively." President Barack Obama has given a feisty State of the Union

address, promising to fight inequality. Negotiations with Iran will carry on. John Boehner, the leader of the House of Representatives, has acted with stupidity by inviting Israeli Prime Minister Binyamin Netanyahu to speak out against negotiations with Iran. In trying to spite Obama, Boehner is being ludicrous if not treasonous. Obama has rolled up his sleeves and is carrying on regardless.



# **A Volcano Erupts in Greece**

*January 30, 2015*

*Greece has elected a left-wing party as the country's economic woes shake the eurozone.*

In Europe, a volcano finally erupted. Syriza, a left-wing party, won the Greek elections. It has refused to negotiate with the “troika” team from the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF). The troika wants Greece to carry on as if it's business as usual. In 2010, the troika imposed tough conditions on Greece in return for a €240 billion bailout. The economy has since shrunk by 25%. Unemployment is 25% and youth employment is 50%. That is why Syriza won.

Greece's total debt is €323 billion — 175% of its gross domestic product (GDP). This year, Greece needs to repay about €20 billion. The bailout was madness. It threw good money after bad. The assumption was that Greece would emerge like a phoenix from the ashes after a good dose of German austerity. It would grow fast enough to repay its original as well as bailout debt. The reality was that the Greece situation was hopeless. Now, the chickens have come home to roost.

The entire euro project is in question. The Swiss have already decided to no longer peg their franc to the euro. They don't want the risk of inflation or, more importantly, asset market bubbles that will inevitably arise as the ECB's quantitative easing (QE)

program gathers steam. The Greeks will certainly not carry on with austerity. At the heart of the standoff are two divergent beliefs about creditor rights.

For Germany and the troika, creditor rights are inviolable. Reducing debt is not an option. Hence, they keep giving more debt to pay back old debt. However, with debt come obligations. For Syriza, the Biblical proverb that the borrower becomes the lender's slave rings true. It wants a European Debt Conference modeled on the London Debt Conference of 1953 that forgave 50% of Germany's post-World War II debts. It has turned down another €7 billion of bailout money, setting the stage for a clash that will decide the future of the euro.

Meanwhile, deflation is gathering pace across 19 countries in the eurozone. This is largely caused by falling energy prices that dropped by 8.9% in January. Normally, this would be good news. However, eurozone countries are deep in debt. Falling prices mean less revenue for governments, increasing the burden of repayments. Real interest rates have gone up, and the ECB has embarked on QE as a result.

Despite recording its slowest growth since 1990, China is still driving the global economy. According to the United Nations Conference of Trade and Development (UNCTAD), foreign direct investment (FDI) during 2014 was \$128 billion for China and \$86 billion for the United States. It is important to note that UNCTAD doesn't count Hong Kong as a part of China, which attracted \$111 billion of FDI in 2014. The center of gravity of the world economy is inexorably moving east.

Chinese consumption is behind the latest jaw dropping performance of Apple. The company recorded the biggest ever quarterly profit of \$18 billion, beating Exxon Mobil's 2012 record of \$15.9 billion. The Chinese cannot get enough of Apple's iPhone, and Steve Jobs must be smiling regardless of whether he is in heaven or hell. More importantly, Apple demonstrates how the Chinese economy is evolving. Earlier, China was the place where Apple got Foxconn to manufacture its products. Today, the Middle Kingdom drives Apple's profits, the returns to its shareholders and the bonuses to its executives.

As the Chinese economy evolves, its policymakers are scrambling to adapt. So far, growth has been official dogma. At least in Shanghai, this is no longer so. In a historic decision, the city of Zhu Rongji has abandoned the GDP growth target. Henceforth, "structural optimization" along with "quality and efficiency" will be Shanghai's focus.

Shanghai has become the first city to abandon the investment-heavy model that has led to unsustainable debt and ghastly damage to the environment. Expect other urban parts of China to follow Shanghai's lead.

US President Barack Obama attended India's Republic Day celebrations. He became the first American president to visit India twice and the first to be a guest for the Republic Day parade. Clearly, the US is betting big on India being a counterweight to China. The visit was high on hype. An agreement that will allow American companies to build nuclear reactors was announced. However, both countries have to roll up their sleeves and put in a lot of work for the relationship to move beyond cosmetics.

In Pakistan, an attack on a Shiite mosque killed 49 people and wounded many others. The Sunni radicalization of the country is increasing dramatically. Pakistan has long been a tough place for minorities. For a country whose much revered founder was Shiite, the attack on a Shiite mosque is deeply ironic and highly disturbing. Fears of the impending implosion of Pakistan are increasing both inside and outside the country.

Meanwhile, Hezbollah and Israel have had another spat. After the Israelis killed six Hezbollah fighters and an Iranian general in Syria on January 18, Hezbollah ambushed an Israeli convoy, killing two soldiers and wounding others. Hezbollah claims that the assault is a warning to Israel that it will pay a price for military attacks on its neighbors. The complicated civil war in the Middle East might get even more messy.

Fighting has also broken in Ukraine. In Donetsk, a city in the eastern part of the country, rebels have launched an offensive. Tanks and artillery have been called into action in another strategic town of Debaltseve. Russia's debt rating may have been lowered to junk, but it continues to train and arm rebels. Similarly, the US continues to back Kiev and the stage is set for a protracted conflict.

Finally, Zimbabwean President Robert Mugabe has been appointed the new chairman of the African Union (AU). The 54-member body could not have made a worse choice. The 90-year old is an incompetent dictator who has brought Zimbabwe to the brink of collapse. Inflation is sky high. The economy is in ruins. There is no rule of law. Mugabe's thugs rule the roost. With such a fossil as its head, the AU will have little legitimacy.



# Democracy is Messy

*February 6, 2015*

*This week, three Latin American countries are under the spotlight.*

For years, countries in Latin America were ruled by military dictators. Finally, democracy is taking root. Now, these countries are facing the perpetual questions that every democracy has to confront. How does a democracy further public interest when there are contending interests jockeying for power? How do political parties find funding to fight elections? How do voters ensure that politicians who get elected do not line their pockets or further the interests of those who fund them? This week, three Latin American countries confronted these questions in all their starkness.

In Brazil, the long-running Petrobras scandal claimed its biggest scalp. Maria das Graças Foster, its chief executive, has resigned along with five other senior colleagues. Petrobras is a state-controlled oil giant that has long had a cozy nexus with politicians. The recent scandal pertains to claims that Petrobras asked construction companies to cough up billions of dollars. Some of this money found its way to political parties, including the Workers' Party. Both President Dilma Rousseff and Luiz Inácio Lula da Silva, her predecessor, belong to this party and have been excessively favorable to Petrobras. The question of propriety and public interest will play out messily in Brazil over the coming days.

In Mexico, it is President Enrique Peña Nieto himself who faces scrutiny. He, his wife and his finance minister are under pressure for allegedly deriving inappropriate if not illegal benefits from contractors. In November, a news website run by Carmen Aristegui, a leading Mexican journalist, revealed that Grupo Higa had built a mansion for Peña Nieto and his wife, a former soap opera star. The mansion is valued at \$7 million, a bit more than 1% of the \$652 million contracts Grupo Higa won from 2005-11 when Peña Nieto was governor of Mexico State. It turns out that Finance Minister Luis Videgaray has also purchased a large weekend home from Grupo Higa for a suspiciously low price. People suspect that this is payback for the \$3.7 billion high-speed rail contract that it recently won as part of a Chinese-led consortium.

Peña Nieto announced an investigation into the matter but complained when it was not met with applause. Pent up fury broke out against him, with *#YaSeQueNoAplauden* (I know that they don't clap) becoming the trending topic on Twitter. Already, much of the country is furious with the government. In 2014, the police intercepted 43 student protesters who later went missing. It brought to a head widespread dissatisfaction with corruption, which many believe is the root cause of the lawlessness and violence afflicting Mexico. Mexicans see Peña Nieto as being unconcerned about corruption or violence that is blighting their lives. The truth is that state structures are rotten. The police are often worse than drug lords and courts simply do not function. Mexico is a young democracy that needs vigorous debate and institutions that work. Until 1997, Peña Nieto's party ruled the country for 71 years. The fact that he is being hauled over the coals is a jolly good thing for Mexican democracy.

Latin America is known for melodramatic soap operas, but all of them pale in comparison to events unfolding in Argentina. In January, prosecutor Alberto Nisman was found dead. He was investigating the 1994 bombing of a Jewish community center in Buenos Aires. Nisman had accused President Cristina Fernández de Kirchner of covering up Iran's role in the bombing. This week, it emerged that he had drafted a warrant for the arrest of Kirchner. This is Argentina and so the plot is thickening. A former spymaster wanted in connection with Nisman's death has gone missing.

The truth in such matters is rarely clear and never simple. However, in most decent democracies, inconvenient prosecutors and grizzled spooks do not usually die or go missing. Argentina is blessed by the bounties of nature with fertile soil and had the tenth highest per capita income in 1913. Decades of profligate Perónist populism has decimated the country's economy. Concentration of power under the Kirchner couple has broken the spirit of a country that has never been able to shrug off the shadow of caudillos ruling the roost. Democracy is not deep in Argentina, and the country will remain a cursed place until it develops institutions that function.

In the Middle East, the Islamic State (IS) beheaded a Japanese journalist and burned alive a Jordanian fighter pilot. It released gruesome videos of both events. Some claim that these are brilliant if inhuman tactics by an insurgent group that lacks the men, money and equipment of state actors. By shocking and scaring its enemies, it saps their will and draws new recruits. Others hold that this gratuitous violence is a product of irrational fanaticism. It will lead to a backlash and cause the eventual downfall of IS. Already, the burning of the pilot has caused outrage. Jordan executed two suspects in

retaliation. Its pilots unleashed air strikes on IS in both Syria and Iraq. More Jordanians support the fight against IS. Yet many are scared and a long drawn out battle awaits.

In Africa, Boko Haram, a jihadist group that has sworn allegiance to IS, launched its first attack in Niger. This followed close on the heels of its slaughter of 70 people in a Cameroonian town. Boko Haram has killed thousands and displaced millions in the northeast of Nigeria. This week, troops from Chad and Cameroon attacked Boko Haram bases with support from French jets. They claimed to have killed 250 militants, but it is clear that the group can punch back. Colonial state structures in West Africa seem to be crumbling in the face of millenarian ferocity, setting the stage for a protracted conflict.

In Europe, French President Francois Hollande and German Chancellor Angela Merkel are meeting Russian President Vladimir Putin as hostilities escalate in Ukraine. The pro-Russian rebel leader has announced that he would be expanding his militia to 100,000 men. It is an open secret that Russia is arming the rebels and testing new weapons. Moscow is increasing its military expenditure even as its economy is plummeting and its population is declining. Worryingly, it is increasing its nuclear arsenal. Russian fears of decline and dismemberment have been exacerbated by US actions. With US President Barack Obama sticking with his Asia Pivot policy, indebted and aging European states might find that a raging civil war to their east might be too hot to handle. Hence, Hollande and Merkel, who thoroughly dislike each other, have teamed up to visit Moscow in the hope that Putin can be persuaded to make peace.



## **Peace, Violence and Scandal**

*February 13, 2015*

*Putin has responded with characteristic ruthlessness as Russian prestige has taken a thrashing over the last few months.*

After protracted coffee-fueled all-night negotiations in Minsk, Ukraine has a deal for a ceasefire. Shelling has intensified after the ceasefire declaration. Pro-Russia rebels

have surrounded around 8,000 Ukrainian troops in Debaltseve, a strategic railway hub. As per Russian President Vladimir Putin, the rebels assume that Ukrainian troops will be surrendering. So, the deal in Minsk is already in doubt. It could go the way of an earlier ceasefire agreement signed on September 5, 2014, which collapsed within days.

Russian President Putin, Ukrainian President Petro Poroshenko, French President Francois Hollande and German Chancellor Angela Merkel spent 16 hours to agree upon the terms of a ceasefire. Peace is predicated on autonomy or some form of self-rule for parts of eastern Ukraine. At the heart of the conflict is a clash of two principles — apart from the jostling over contending interests. The issue of self-determination is clashing with that of state sovereignty. Russia believes that if Ukraine had the right to ally itself with the United States and the European Union (EU), then Russians in the eastern part should have the right to their own state. The US and EU believe that Ukraine's borders are sacrosanct and its sovereignty has to be protected against Russian aggression.

The reality is more complicated. First, the US is shifting its strategic focus to Asia. Earlier this year, the Pentagon announced that it was closing 15 long-standing US bases in Europe. Americans have long seen Europeans as freeloaders and want them to start paying for their own security. Second, Europeans are in no position to fight. They have aging populations and unaffordable welfare states. They want *la dolce vita* and not fisticuffs, particularly on their doorstep. It is an open secret that Merkel and Hollande detest each other, but they were willing to bury differences and negotiate for peace because neither of them can afford a war.

Finally, Russia is paranoiac about the constant whittling down of its power and status. Putin is an ex-KGB colonel who remembers the halcyon days of the Soviet Union. Now, he finds Russia's realm shrinking ever closer to Moscow. The Russian economy is in free fall. Mother Russia is one of the few countries with both a declining population and decreasing life expectancy. Yet it still does not care about casualties and has conscription. It has been sending young conscripts to Chechnya and failing to let their mothers know anything about them even if they die. Putin is responding with characteristic ruthlessness as Russian prestige has taken a thrashing over the last few months. Backed into a corner, the bear feels it has no choice but to lash out. Yet it is famished and is not quite up for a full fight. So, a ceasefire suits its purposes and, if

that fails, civil war in neighboring Ukraine using proxies is not too bad an option to preserve the little that remains of Russia's erstwhile influence.

Last week, Boko Haram militants launched their first attack in Niger. This week, they have struck in Chad. In an attack on a village, they torched two-thirds of the homes, killed at least five villagers and injured many more. Meanwhile, in another attack in northeastern Nigeria, a female suicide bomber blew herself up in a crowded market in Biu, a town 180 kilometers south of Maiduguri, the capital of the state of Borno. Due to the security threat posed by Boko Haram, Nigeria postponed its presidential elections scheduled for February 14 by six weeks. Recently, Chad, Nigeria, Niger and Cameroon have formed a military coalition against Boko Haram. Yet the Islamist group continues to remain strong.

Too many African states are arbitrary. Power is centralized in capital cities and dysfunctional bureaucracies are robbing the state exchequer in broad daylight. Tribes jostle to conquer power in national capitals to appropriate the patronage dispensed by the state. Those that get marginalized turn to leaders or groups who exploit religious or ethnic identities. Boko Haram's recruits are largely Kanuri, an ethnic group to which its leader, Abubakar Shekau, belongs. They are young people from rural areas who are lured by radical Islam and paid through extortion, kidnappings for ransom and bank robberies. Boko Haram buys weapons from smugglers in the Sahel region, where arms from Libyan depots looted in 2011 have made their way. The states that have formed a coalition have more resources than Boko Haram but are not as hungry or ruthless. The stage is set for a protracted fight.

The Greek parliament voted to end the country's bail-out agreement. The last four years have been disastrous for Greece. Nominal gross domestic product (GDP) fell by 22% from 2008-14. House prices fell by 40% and median incomes by 22% for the same period. Unemployment has soared. *The Economist* compares the Greek economic collapse to Libya's. It is little surprise that the new government has decided to jettison austerity and spend more public money. Wolfgang Schäuble, Germany's finance minister, is furious and has declared that if Greece did not seek an extension of its bail-out, "Then it's over." Alan Greenspan, the former chairman of the Federal Reserve, predicted that Greece's exit from the euro is only a matter of time. He went on to say that the euro itself is doomed — he may well be right.

In India, the ruling Bharatiya Janata Party was decimated in the election for the Delhi Assembly. The Aam Aadmi Party, a new populist outfit that is an offshoot of the anti-corruption movement, won 67 of the 70 seats. India's venerable Congress Party failed to win a single seat, and its share of the vote fell from 24.7% to a mere 9.7%, a dramatic fall for a party that ruled Delhi for 15 years. Clearly, voters are looking for alternatives, and inequality in India's capital has created space for a new left-leaning party that promises to be more democratic than others.

Finally, HSBC, a leading British bank, found itself in the spotlight when some of its leaked documents were published. It turns out that HSBC has helped clients ferret away \$120 billion in secret Swiss accounts. Like the scandal involving Rupert Murdoch's *News of the World*, the scent of this recent scandal seems to lead all the way to 10 Downing Street. British Prime Minister David Cameron once worked in a shady world of financial public relations. He claimed that his ministers have only come to know about potential tax evasion by HSBC over the weekend. This seems to be false.

In 2011, Britain's chief tax inspector told members of parliament that a disc containing 6,000 names from the Swiss subsidiary of a major UK bank were "ripe for investigation." Stephen Green, a former chairman of HSBC, was trade minister back then. In 2010, the *Financial Times* reported that HSBC fought to block French tax authorities from transferring the material to their British counterparts and to protect their clients' confidentiality. Rona Fairhead, the chairwoman of the BBC Trust, was the chair of HSBC's audit committee at the time and has refused to respond to queries about tax evasion. Again far too much smells rotten in Cameron's incestuous Britain and, to twist a proverb, Caesar's wife is not at all above suspicion.



## **Marx Returns from the Grave**

*February 20, 2015*

*Misjudgment and poor policy choices have led to the Greek crisis and Ukrainian conflict.*

Yanis Varoufakis, the Greek finance minister, has become a bit of a cult figure and even a sex icon. With his bald head, untucked shirt and clever turn of phrase, he has become the center of attention for many who want to throw a gauntlet to the status quo. In a smashingly brilliant article in *The Guardian*, he makes a complex argument for preserving “repugnant European capitalism” in order to buy time to formulate an alternative.

Varoufakis points out that the democratic deficit combined with a faulty monetary union has put European economies in permanent recession. However, he worries that the crisis might unleash regressive forces and lead to a bloodbath. He declares himself to be an “erratic Marxist” who blames two spectacular mistakes of his hero for the left’s current ineffectiveness. First, Marx did not take into account the adage that power corrupts and his disciples might turn tyrants. Second, the mathematical fanaticism of his model failed to take into account that human labor is impossible to quantify, paving the path for errors and authoritarianism.

Varoufakis’ beliefs are important because a third meeting is starting in Brussels to solve the stalemate over the Greek crisis. The Greek economist has clearly been traumatized by Margaret Thatcher and does not want to pursue a radical agenda. He believes the left is not ready to fill the gap should the current system collapse. Therefore, Varoufakis does not want dramatic change. Yet the existing bailout deal expires at the end of February and Greece will run out of money, unless it comes to some terms with its creditors. Greece has formally requested a six-month extension to its eurozone loan agreement. Germany has foolishly rejected it.

Right from the start of the crisis, it was clear that the Greeks would never have the money to repay their debts. Just as the Greeks had been reckless debtors, the Germans had been lazy lenders who failed to conduct due diligence. Greek debt should have been renegotiated to a realistic level and Germans should have forgiven some loans or, in other words, taken a haircut. Instead, the bailout was predicated on the absurd notion that Greece would follow the austerity program prescribed by the International Monetary Fund (IMF) and grow miraculously to pay back its debt. So, good money was thrown after bad only to kick the can down the road. The chickens have come home to roost.

The pretence that creditor rights are inviolable has led to bailouts in both Europe and the United States. Banks that made bad loans were bailed out. While this may have

prevented a depression, it also benefitted financiers inordinately. It led to capitalism on the upside and socialism on the downside. During good times, the bankers claimed multimillion dollar bonuses. During bad times, the taxpayer got stuck with the bill. Furthermore, central banks unleashed a torrent of money to grease the wheels of the economy. This has led to an increase in the prices of assets. So, those who owned property in London or shares in Facebook got richer. Others were crushed by debt. We are seeing a return to medieval-era inequality. It is to protest against this crazy economic order that the Greeks voted in a new government. It has promised to end austerity and, therefore, is unlikely to accept the existing bailout deal. It is high time for Berlin and Brussels to stop flogging a dead horse and propose a new deal. The future of the euro and the European Union (EU) hangs in the balance.

Ukrainian troops retreated from Debaltseve, a strategic railway hub in the east of the country. Now the rebels control a crucial swath of territory from Luhansk to Donetsk. European leaders may be jumping up and down in woolly underwear but are not likely to achieve much apart from breaking a sweat. In the United Kingdom, a committee in the House of Lords has stated that Europe “sleepwalked” into the crisis. After the financial crisis, European countries have been skimping on their foreign ministries. Neither the UK, nor the EU has “robust analytical ability” when it comes to large parts of the world in general and Russia in particular.

The US is more interested in challenging China in Asia. It is closing bases in Europe. The Greek crisis threatens to wreck the euro. Europe is aging and its economy is in the doldrums. More importantly, Europeans do not want to fight. European leaders have overplayed a bad hand. Russia believes that Russians in eastern Ukraine have the same right to self-determination that the Ukrainians exercised for themselves. They are more willing to fight for their kinsmen. The Europeans are not even keen on sanctions. After all, London and Paris profit from investments by Russian oligarchs seeking safe havens. In fact, Europeans do not even want Ukrainian refugees to flood their countries. The Russians have called Europe’s bluff as shelling continues in eastern Ukraine in violation of the ceasefire agreement. The Baltic republics are increasingly nervous, and drama in Ukraine is weakening an already feeble eurozone economy.

President Francois Hollande has used Article 49.3 of the French constitution to impose reforms through decree. To resuscitate the French economy, Sunday trading rules will be liberalized, disputed sackings will be resolved speedily and the legal profession will face greater competition. With Napoleonic flair, Prime Minister Manuel Valls declared

that “authority is needed to put the country back on track.” Now, the French National Assembly can only undo the law by passing a no confidence vote against the government. Needless to say, divisions in French politics are deepening.

Three governments bombed Islamist rebels this week. Egypt and Syria conducted air strikes against the Islamic State (IS). The former retaliated after IS beheaded 21 Egyptian Christians in Libya. Syria’s Assad regime is now poised to take back Aleppo, a key city close to the Turkish border. Nigerian planes attacked Boko Haram in the northeast Borno state as part of a four-nation offensive involving Nigeria, Niger, Cameroon and Chad. Disorder is increasing and new battles are breaking out between states and non-state actors. Colonial edifices are crumbling and some states will not survive in their current form.



# **Power is the Ultimate Aphrodisiac**

*February 27, 2015*

*Power is addictive whether it is Buenos Aires or London, and not many want to share it.*

Once upon a time, not a very long time ago, Argentina was the tenth richest economy in the world. A hundred years ago, the glorious Retiro railway station came into being. From 1871 to 1914, the Argentine economy had grown by 6% every year, the fastest in the world. European migrants flocked to the land of the Pampas, the bounteous plains that bless Argentina with bumper crops and exquisite beef. Perhaps most importantly, during the country’s Belle Époque, Argentines could look down on Brazilians, their pesky northern neighbors, as poorer cousins lacking the racial purity or macho virility of their great nation.

Today, the country is ruled with an iron fist by President Cristina Fernández de Kirchner, who is the successor to her late husband. A federal judge has just thrown out a case in which she is accused of covering up alleged Iranian involvement in a bomb

attack against a Jewish center in 1994. Alberto Nisman, the prosecutor who made the accusation, was conveniently found dead in his apartment. More than 400,000 people marched in pouring rain to protest. What is going on?

At the heart of the Argentine situation is a simple problem: Those in power find it addictive and resort to any means to hold onto it. Even at the height of its economic boom in 1914, Argentina suffered from concentration of power. Unlike the prairie homestead in North America or the settler farmer in Australia, *nouveau* aristocrats owned most of the land. Investment in education was neglected, and Argentina failed to develop a highly skilled labor force or a viable domestic industry. Its food exports swelled coffers of landholders but caused Dickensian misery to the working classes of Buenos Aires. When Argentina's triple bet "on agriculture, open markets and Britain soured," the smoldering social volcano erupted and led to a military coup in 1930. There were more coups in 1943, 1955, 1962, 1966 and 1976.

Juan Perón, the most charismatic of Argentina's military leaders, continues to cast a dark shadow on the country. His two goals of social justice and economic independence were laudable, and many of his policies such as centralizing the central bank were sensible. However, he suffered the familiar Latin American curse of the *caudillo* and resorted to populism to stay in power. Evita, his second wife, remains an icon and Isabel, his third wife, even succeeded him as president. The Kirchners with their expedient populism and concentration of power are worthy successors to the Perons. Instead of investing in infrastructure and education, they have doled out subsidies and dispensed patronage. Power is far too valuable an aphrodisiac and those who live in *La Casa Rosada*, the grand presidential palace, have no intention of sharing it.

Great Britain, once Argentina's biggest trading partner and investor, is well past greatness. Now, two former foreign secretaries, Sir Malcolm Rifkind and Jack Straw, have been caught in a media sting promising a fake Chinese firm that they could provide access to British ambassadors. At the heart of the "cash for access" scandal is the increasing concentration of power in British politics. The days of mavericks in parliament are over. Instead, a few bigwigs decide on the destiny of Britain and when they say "jump," party members respond by asking "how high?" The current government is run by Old Etonians, alumni of the infamously elitist school where people like Prince William studied. The headquarters of both the Conservative and

Labour parties have been growing in power. This means that the likes of Rifkind and Straw can command exorbitant fees for peddling influence.

The concentration of power in Britain is not confined to politics. Thatcher sacrificed Britain's industry on the altar of finance. The City of London, the square mile where bankers and lawyers in pin-striped suits work in impressive edifices, commands a disproportionate share of the British economy. The country does not have the equivalent of the Mittelstand, the small industries in little towns that form the backbone of the German economy. Instead, banks like the Royal Bank of Scotland (RBS), Standard Chartered and HSBC provide the backbone of the British economy. They are in trouble. RBS is still majority-owned by the British taxpayer. In 2014, it reported a loss of \$5.8 billion, its seventh consecutive annual loss. Standard Chartered got rid of its chief executive. HSBC is involved in a major scandal involving tax evasion and ferreting away cash in Swiss banks. Its chief executive was subjected to mild questioning by a parliamentary committee.

The fundamental issue here is private gain and public loss. Most people believe that those in power are benefiting their cronies or just selling out to the highest bidder. So, voters are turning to parties like UKIP. Disenfranchised immigrants are convinced that the system is rigged against them. Radicalization occurs when "a cleric with a cause" inspires people like Jihadi John and the three East London girls to join organizations like the Islamic State. People in Britain are disillusioned, disheartened and angry. At a time of increasing inequality, the elites might have to share some power with *les sans culottes* again.

Even as this is being published, xenophobic attacks on foreigners have occurred in South Africa, another shooting took place in the United States and a Bangladeshi blogger campaigning for a secular society has been hacked to death. These are turbulent times unless you are lucky to live in a place like Silicon Valley and are attending the Wisdom 2.0 Conference in San Francisco.



# Double, Double Toil and Trouble

*March 6, 2015*

*Internal dissent threatens the US more than Putin, Bibi, Iran or the Islamic State.*

In *Macbeth*, three witches conjure up trouble. For this week, replace the three witches with Russian President Vladimir Putin, Israeli Prime Minister Binyamin Netanyahu and US Speaker John Boehner.

Strongmen have long ruled Russia with an iron fist but without a velvet glove. Boris Nemtsov, a ferocious critic of Putin, was gunned down in Moscow. Putin's critics suffer the curious misfortune of dying prematurely. Anna Politkovskaya, a fearless investigative journalist, was murdered on Putin's birthday in 2006. Alexander Litvinenko was sensationally killed through polonium-210 radiation poisoning in London barely three weeks after Politkovskaya's murder. The finger of suspicion for both these deaths points to Putin's door.

Critics of Russian rulers have long met violent deaths. Even exile in Mexico did not save Leon Trotsky from Joseph Stalin's wrath. We will never know for sure whether Putin ordered Nemtsov's killing. What we do know is that Nemtsov had crossed a line in the sand. He was one of few Russians who denounced the annexation of Crimea and intervention in Ukraine.

No Russian leader could have let go of Crimea. Russia fought the Crimean War from 1853 to 1856 against a coalition of France, Britain, the Ottoman Empire and Sardinia to retain Crimea. Even now, Russia's Black Sea Fleet is stationed in Crimea. Only in 1954 did Russian leader Nikita Khrushchev gift Crimea to Ukraine — then a part of the Soviet Union. Khrushchev could have never imagined that Ukraine would jump into bed with the US. That Russia could lose Crimea could never have occurred to him in his wildest dreams. By going against Mother Russia at a time of conflict, Nemtsov had become a traitor in the eyes of many. He deserved death as per the harsh logic of a brutal land.

Since the collapse of the Soviet Union, brutality has seeped into the warp and woof of Israeli society. Israel's 1950 Law of Return gives every Jew the right to settle in Israel. Israel absorbed over a million people, nearly 20% of its population, in a span of a few

years. Many immigrants were highly skilled and helped boost innovation in the Israeli economy. The entrepreneurial chutzpah that Israel is now known for was not always the norm in the land of the kibbutz. In no small measure, this owes itself to the skills, energy and risk appetite of its recent Russian immigrants.

However, Russian immigrants brought with them traumas and imperial attitudes that have combined with Israeli nationalism to push politics to the right. Avigdor Lieberman is the leader of Yisrael Beiteinu, the party of Russian speakers. He makes Binyamin “Bibi” Netanyahu appear like a cuddly teddy bear by comparison.

Bibi was in Washington this week to cuddle up with a Republican Congress that adores him. He was Boehner’s guest but not US President Barack Obama’s. It is well-known that Obama and Bibi do not see eye to eye. In fact, Bibi turned up to protest against a potential US rapprochement with Iran. He painted Iran as a rogue regime rising in power and a greater risk to the world than the Islamic State (IS).

Meanwhile, in Israel, inequality has worsened and Bibi has been blamed for a housing crisis by the country’s official watchdog. Elections are around the corner and Bibi needs to look good to stand a chance.

Boehner gave Bibi the perfect gift to appear bold, big and strong. He is the leader who gives Republicans wet dreams. Sadly, Abraham Lincoln’s party has now been captured by Strom Thurmond. In Republican eyes, Obama is weak at best and a “foreign-born” traitor at worst. Many Republicans suspect that the son of an African Muslim is anti-Semitic. Such a sneaking suspicion weakens any president. So, Obama “doth protest too much” about the unbreakable bond between Israel and the United States.

Republicans in Congress are displaying a disconcerting tendency to see the world in Manichean terms. Human beings are complicated. The world is complex. Iran might be ruled by mullahs, but it conducts elections and women can vote. The same cannot be said about Saudi Arabia. In 1953, the US committed original sin in the Middle East. In a CIA-led military coup, it deposed Iranian Prime Minister Mohammed Mosaddegh. This coup paved the way for the rise of the mullahs by destroying the first democratically elected government in the region. The current sanctions have failed. They hurt ordinary Iranians and strengthen the regime.

Iran is exceedingly moderate as compared to the Islamic State. This fanatical organization is trying to create an atavistic version of Islam where violence and intolerance hold sway. It is wrecking invaluable human heritage such as the ancient Assyrian city of Nimrud. Just as the Taliban destroyed the giant Buddha statues at Bamiyan, the Islamic States is demolishing what it calls “false idols.”

The US inadvertently helped create IS by funding Syrian opposition. Now, it needs Iran’s help to fight IS and to bring some sort of stability to the region. A realignment of interests and alliances in the Middle East has begun, but people like Boehner and Bibi missed out on the memo. Not too long ago, Bibi argued that once the US got rid of Iraq’s Saddam Hussein, Iran would implode. After failing in Iraq and Afghanistan, the US cannot afford a mess in a more populous country.

Finally, the specter of Congressmen clapping hysterically for Bibi has weakened the reputation of the United States. The world has now seen how the tail wags the dog. De facto, Israel is the 51<sup>st</sup> state of the US and its leaders command deference.

Furthermore, the applause for Bibi demonstrated that the US lives in the shadow of fear. That is why in 2014, the country targeted 41 people via drone strikes but ended up killing 1,147. Most of the dead were innocent people, but little mention is made of them. Fear and hate are now directed inward as well, particularly toward Obama. Division in Washington has become a global spectacle.



## **Politics Makes Strange Bedfellows**

*March 13, 2015*

*Republican senators in the US and hard-line mullahs in Iran have made common cause against prospects of peace.*

Who would have imagined that clean cut white Christians in the US Senate would hop into bed with hard-line bearded Shiite mullahs in Iran? By writing a letter to the leaders of Iran, Senator Tom Cotton and 46 of his Republican colleagues have joined Iranian hard-liners opposing the nuclear deal. US President Barack Obama, in his usual mild-mannered way, pointed out that it was “somewhat ironic to see some members of Congress wanting to make common cause with the hard-liners in Iran.” He went on to say that it was an “unusual coalition.” Obama is wrong. Cotton and his friends are natural allies of Iranian hard-liners.

On paper, Cotton is an impressive fellow. He was a distinguished soldier, studied at Harvard Law School and worked at McKinsey, a consulting firm that is finishing school for blue eyed boys and girls from top schools. Yet he has publicly declared: “I believe in God; and only God has all the answers.” Ayatollah Ali Khamenei would approve. Cotton is a hard-line Bible bashing Christian who opposes abortion and evolution just like his Iranian friends.

Cotton has a habit of writing open letters. In June 2006, he wrote to *The New York Times*. The paper had published an article that shed light on the Bush administration’s secret program monitoring the finances of terrorists. Cotton flaunted his Harvard Law credentials and declared that the writers of the article had violated espionage laws. In his view, their rightful place was “behind bars.” If he grew a beard, got circumcised and learnt Farsi, Cotton might be the perfect successor to the ailing Khamenei.

Cotton and his friends are insecure white men frightened by the pace and scale of change that is shaking the ground beneath their feet. They decry immigration from south of the border that is threatening their power base. They fear the rise of radical terrorists in the Middle East who are “beheading Americans and crucifying Christians,” and they want to “make America safer.” The 37-year-old Cotton believes that “the only problem with Guantanamo Bay is that there are too many empty beds and cells there” and the US should be “sending more terrorists there for further interrogation.” Ideally, he would like terrorists to rot in hell, but failing that they should rot in Guantanamo Bay.

It is clear that Cotton has a siege mentality and he is fighting for what he believes is right. Ironically, hard-line mullahs who also feel besieged are fighting for what they believe is right and would like the Great Satan to rot in hell.

Cotton's Gang of 47 betrays an astonishingly poor grasp of law. The letter is drafted more poorly than Binyamin Netanyahu's recent speech in Congress. The US-educated Iranian foreign minister, Javad Zarif, correctly points out that Cotton's "letter has no legal value and is mostly a propaganda ploy." The letter has howling mistakes that any half-decent law student would be ashamed of.

First, inter-state relations are governed by international law and a future president would not be able to "revoke" a multilateral agreement involving Russia, China, Britain, France and Germany. The future president could only "violate" an agreement that the US had agreed to.

Second, the Congress would have no rights to modify the terms of a multilateral agreement. Nation states make deals through negotiators not via legislators. Sometimes, the latter do not like the deals concluded by the former. Sadly, legislators cannot change the terms of the deal post facto.

Third, Cotton is wrong in claiming that the Senate must "ratify" a treaty. Article II, Section 2 of the US Constitution says the president can make treaties, "provided two thirds of the Senators present concur." This means the Senate "approves" or "authorizes" a treaty. It is the President who "ratifies" treaties.

Even as the Gang of 47 whips itself into a frenzy, Iran and the US are working together against the Islamic State (IS). They have backed the Iraqi army and its allied militia to seize large parts of Tikrit, the hometown of Saladin and Saddam Hussein. As per informed sources, Qassem Suleimani, the head of the Jerusalem Brigade of the Iranian Revolutionary Guards Corps, is the mastermind behind the Tikrit campaign. The Central Intelligence Agency (CIA) has so far aided and abetted this advance, much to the chagrin of the Saudis. Politics makes strange bedfellows indeed.

Boko Haram has declared its allegiance to IS, which has accepted it. Since 2009, Boko Haram has been fighting an insurgency in northern Nigeria to create an Islamist state. Now, the conflict has spread to other neighboring states. The IS dream of a caliphate with a single political and religious leader has been boosted by Boko Haram, even as it suffers military setbacks in its own strongholds.

Tumult is not confined to Iraq and Nigeria. On the 50<sup>th</sup> anniversary of the historic Selma civil rights march, racial tension took center stage again in the United States. The

Department of Justice published a damning report on the Ferguson Police Department (FPD). It found evidence of violation of the first, fourth and fourteenth amendments of the Constitution that deal with fundamental freedoms, protection against unreasonable searches or seizures and equal protection of the laws respectively.

It turns out that the FPD's key focus was revenue generation instead of public safety. The report states that police and court practices "both reflect and exacerbate existing racial bias, including racial stereotypes." The FPD boss resigned and demonstrations broke out again. Two policemen were shot and wounded. Obama has declared those who shot the policemen to be criminals.

Too many African Americans are trapped in a vicious cycle of poverty, crime and broken families. Just as in Dickens' England, the US has been criminalizing poverty since the early 1980s. One in three black men is likely to go to jail in his lifetime. Incarceration acts as finishing school for already angry men. The police are increasingly militarized and uses force disproportionately. A culture of crime has taken deep root in African American communities. Just as the Middle East is complex, so is the US. Racial strife is not a simple function of racism. Economic and social divides crisscross racial divides to make a bad situation worse. At least 50 years after Selma, African Americans no longer suffer from segregation and have equal voting rights.

Finally, *The Washington Post* reports that Florida reportedly bans the use of the terms "global warming" or "climate change" and "sustainability." Republican Governor Rick Scott is purportedly the instigator of this ban. If this is true, this makes Florida worse than Iran, at least on the issue of the environment.



## **It's the Economy, Stupid**

*March 20, 2015*

*A global slowdown is in the offing as big beasts of the world economy stumble.*

Newspapers in the United States and Britain are still theorizing about Prime Minister Binyamin “Bibi” Netanyahu’s supposedly surprising victory at the polls. The reality is that the Israeli elections were not that big a deal. The elephant in the room this week is the world economy.

First, the US Federal Reserve (Fed) lowered its forecast for growth and inflation. At the same time, it did not promise to be “patient” about raising interest rates. The Fed is worried that loose monetary policy might be leading to bubbles in the American economy. Silicon Valley might be the prime example of “irrational exuberance” with Facebook shares reaching a record high on Thursday. Those with assets are prime beneficiaries of the Fed’s munificence and have got wealthier, while *les sans culottes* struggle to make ends meet and become poorer. No wonder the Fed is thinking about raising rates.

Yet the Fed is wary of raising rates. It is caught between the Scylla of a bubble and the Charybdis of a recession. Not raising rates might lead to a crash in asset prices in the same manner as 2008. Raising them might lead to a stronger dollar, lower exports and fewer jobs. It might derail an anemic economic recovery. At a time when Sweden’s central bank has joined the European Central Bank (ECB) in pumping money into the economy by cutting its interest rate and increasing quantitative easing, the Fed is terrified of any action that might jeopardize the economy.

Second, property value in China fell on average by 5.7%, the steepest decline since 2011 when a nationwide survey was instituted. Chinese banks have been merrily lending to real estate companies. These companies are in trouble. Banks had to bail out Evergrande, a behemoth deep in debt, by offering a \$16 billion line of credit. The fall in property prices will increase the bad debts banks have on their books. Pessimists predict a crisis if not a crash. Optimists like Aditya Rana point out that pundits in London and New York have been wrong before. *The Economist* predicted a financial crisis and a decade of instability in June 2002.

The new normal for the Chinese economy will be lower growth. It will be increasingly driven by domestic demand instead of exports. Lower Chinese growth will still be a lot higher than growth in the US or Europe. It is for this reason that foreign companies increased their investment in China from \$123.9 billion in 2013 to \$127.6 billion in 2014. However, lower Chinese growth means less demand for commodities. This explains the slump in commodity prices, which is bad news for countries like Brazil.

Third, countries that relied on the boom of the 2000s face tough times in the coming years. Brazil's economy is likely to shrink in 2015 for the second consecutive year, the first such contraction in the country since the Great Depression when the economy contracted in both 1929 and 1930. During the recent boom, Brazil's political bosses implemented short-term populist policies. They did not invest in infrastructure or education. Brazil's roads remain ghastly and its ports are clogged. The country's infrastructure is decrepit and the World Economic Forum ranks it at 104<sup>th</sup> out of 142 countries. Poor education in a deeply unequal society has led to a labor force with low skills and fewer opportunities to move up in life.

While Argentina and Venezuela are basket cases lurching from one crisis to another, Brazil's economy manages to raise expectations before dashing them repeatedly. This week, over a million people marched across Brazil to protest against President Dilma Rousseff and demand her impeachment. The long-running Petrobras scandal has been gnawing away at her credibility for a while. Her recent re-election was "a damn close-run thing," and her political base is shriveling dramatically day by day. Inflation is high, jobs are scarce and corruption rife. The heady days of 2010 when the country grew at 7.5% growth are over. Brazil has to tighten its belt at a point of low oil prices. Troubled times lie ahead.

Often, democracy does not lend itself to long-term thinking. In Brazil, the government primed the pump to win the election. It achieved its goal. Now, the hangover has set in. Felipe Machado, a journalist and author in São Paulo, points out that the legal and political grounds for Rousseff's impeachment are flimsy. The protests are just an expression of disappointment and discontent.

Even in as corrupt a country as Brazil, people are shocked by the amounts stolen. More importantly, a rising middle-class has long wanted a more modern state where red tape strangulates them a little less and where they can lead better lives. Comically, Fernando Haddad, the foolish mayor of São Paulo who belongs to Rousseff's party, is banning breastfeeding in public. He will fine women \$150 if they disobey. This is a regressive measure that will hurt women in general and poor women in particular. Clearly, Rousseff's party has been in power a touch too long.

Even as the world economy sputters, Jack Lew, the US Treasury secretary, turned up in Congress to plead support for "quota reforms" in the International Monetary Fund (IMF). He wants to give China a greater role in the IMF by increasing its quota of voting

rights that is more cognizant of its economic might. Lew argued that it is a good idea to embed China in the system of multilateral institutions that the US itself created at the end of World War II. As Lew points out, today the rest of the world wonders if the US is committed to multilateral institutions anymore. Many emerging economies believe that the IMF is a white man's club where those with black, yellow and brown skin are meant to polish shoes and clean table tops. They are not willing to wait anymore for a seat on the table.

The Chinese have taken the bull by the horns and created the new Asian Infrastructure Development Bank in Shanghai. This week, Britain, France, Germany and Italy signed up for the new club despite the opposition of the US. All of them are long-standing allies of the US and wield considerable power in the IMF. Yet they recognize the return of the Middle Kingdom to the world stage and are demonstrating a new willingness to kowtow. The "Asia Pivot" of US President Barack Obama has been an abject failure, thanks in no small part to the lovely people in Congress.

Last week, US senators wrote an ill-conceived and poorly drafted letter to Iran. They demonstrated that those who did not know the law are now drafting the law of the land. This week, in three hours, thirty minutes and thirty seconds of infernally boring questioning, congressmen demonstrated horrific ignorance about the world economy. They delighted in chasing squirrels and missed the wood for the trees. With such wonderful helmsmen, God help America!

Finally, God did help Bibi, the leader of the chosen people. He trumped exit polls and pundits to win. Fear worked. Israelis voted for the man who stands up to Iran and the White House. The two-state solution is dead. It is springtime for Bibi and Israel, but winter for Obama and Palestine.



## **Yes, It's Complicated**

*March 27, 2015*

## *Conflict in Yemen complicates negotiations between the US and Iran.*

The conflict in Yemen escalated this week. Shiite Houthi rebels seized Aden airport and tightened their grip on the southern port town. They already control Sana'a, the capital city, and large parts of the country. President Abd Rabbuh Mansour Hadi has fled to Riyadh, the capital of Saudi Arabia. The Saudi-led coalition is bombing rebels and Operation Decisive Storm has begun in full swing.

For Saudi Arabia, the rise of the Houthis is unacceptable. Saudis want Sunni domination south of their border and fear the growing influence of Iran in Yemen. It is little wonder that Saudi Arabia has summoned the entire Sunni world to its cause. A huge number of warplanes are already in action — 100 from Saudi Arabia, 30 from the United Arab Emirates (UAE), eight from Bahrain, six each from Morocco and Jordan, and three from penurious Sudan.

Others are joining this multi-star operation. Egypt has declared its willingness to send troops to fight Houthi rebels. Nuclear-armed Pakistan, whose founder was Shiite, might also jump in. Prime Minister Nawaz Sharif has declared that Pakistan has brotherly relations with Saudi Arabia and will fight to protect Saudi security. A little bit of oil goes a long way. Petrodollars help too.

Naturally, Iran is not too pleased. It condemned Saudi aggression as an American-backed attempt “to foment civil war in Yemen or disintegrate the country.” Iran is backing the Houthis, though it does not have the same influence over them as it does over Hezbollah in Lebanon. Complicating the picture further is the presence of al-Qaeda in the Arabian Peninsula and the emergence of the Islamic State (IS). Tribal divisions further muddy the waters to the extent that it is unclear as to who is fighting whom at any given time.

The escalation of violence in Yemen is making negotiations at Lausanne tougher. US Secretary of State John Kerry and Iranian Foreign Minister Javad Zarif have less than a week to hammer out some outline of a deal. If they make progress, diplomats from Britain, China, France, Germany and Russia will join them. The incentives for peace are strong, but the Great Satan and a member of the Axis of Evil are not the best of bedfellows. The Saudis and the Israelis make a bad situation worse.

At least, rapprochement is fast taking place between Cuba and the European Union (EU). Federica Mogherini, the foreign minister of the EU, visited the island to boost trade and investment. Just like Myanmar, Cuba presents a salivating prospect for investors and exporters. The island itself needs to energize its economy and create jobs. Therefore, it is little surprise that both sides agreed to speed up negotiations to normalize relations and set the goal of reaching a framework agreement by the end of the year.

The foreign ministers of China, Japan and South Korea met for the first time in three years. Tensions have run high in the recent past over islands that each of them claims for itself. Chinese assertion rattles its neighbors in Asia, including Japan and South Korea. Japanese denial of war crimes and prime ministerial visits to Yasukuni irk China and South Korea. Yet China is the biggest trading partner of both South Korea and Japan. The destiny of these three countries is increasingly intertwined. Therefore, it is heartening that they are talking instead of scrambling jets in a standoff against each other.

This week Lee Kuan Yew, the creator of modern Singapore, died. He studied law at Cambridge, and as the British “civilized” him, he lost his deference for them. As he went on to say: “I saw no reason why they should be governing me; they’re not superior. I decided when I got back, I was going to put an end to this.”

Lee Kuan Yew led a life out of a movie. During World War II, he nearly died at the hands of the Japanese. Later, he experienced many upheavals, and his greatest achievement was the transformation of a tiny struggling island into a rich modern city state. He did not desire the independence of Singapore and announced it in tears when Malaysia kicked out the city from the federation in 1965. Yet he rebounded as he always did in a spectacular manner. By the end of his life, he emerged as the senior statesman of Asia who was trusted by the United States and China.

Today, Singapore is seen as a shining example of meritocracy, dynamism and good governance. Yet the Singaporean model is in question. Falling birth rates and increasing immigration are creating new tensions. The exam-based meritocracy favors middle-class families and a new class system has emerged. Lee Kuan Yew’s son is now prime minister and younger people chafe for more freedoms. Once Lee Kuan Yew declared: “Everybody knows that in my bag I have a hatchet, and a very sharp one. You take me on, I take my hatchet, we meet in the cul-de-sac.” Younger Singaporeans,

including his son, do not have the same iron in them as the old man, and the city state will change now that Lee Kuan Yew has gone.

Meanwhile, the China National Chemical Corporation (CNCC) bought a controlling stake in Pirelli, a leading tire manufacturer based in Italy. For \$7.7 billion, the state-owned CNCC will gain control of a global brand name. In the past, Lenovo bought IBM's personal computer business and has been able to maintain its brand in the global market. Chinese firms will move up the value chain in the days to come. They will buy leading companies and acquire technology as well as know-how to run a new kind of multinational corporation with closer ties to the state.

Finally, two tragedies occurred this week. First, a plane crashed in the Alps, killing all 150 people on board. It turns out that the German co-pilot, Andreas Lubitz, crashed the plane deliberately. This puts into focus the mental well-being of pilots who have the ability to kill many people and cause a terrible tragedy. Second, floods caused mayhem in the Atacama Desert in Chile, one of the driest places on the planet, while forest fires wreaked havoc in three national parks because of a prolonged drought. Clearly, weather patterns are changing dramatically, creating uncertainty and causing devastation in many parts of the world.



## **Romeo Kisses Juliet**

*April 3, 2015*

*The multilateral deal the world's great powers have cut with Iran is wise, courageous and the right thing to do.*

In a week blighted by tragedy and violence, there were two remarkably positive developments. First, the United States, Britain, France, Russia, China and Germany concluded a successful deal with Iran regarding its nuclear program. Second, in

Nigeria, a democratic transition of power occurred after the president lost the election to the opposition candidate.

In the case of the Iran deal, US President Barack Obama is bang on the money when he says a “historic understanding” has been reached. In 1953, the US committed original sin in the Middle East by toppling Mohammad Mosaddegh, the first democratically elected leader of Iran. At the time, the Americans were paranoiac about the spread of communism. Mosaddegh had nationalized the Anglo-Iranian Oil Company (AIOC). This spooked Washington.

The reality is that nationalization was a measure of last resort for Mosaddegh. All he wanted was for AIOC, which is now British Petroleum, to give Iran the same deal that Aramco, an American company, had given Saudi Arabia. The Saudis were getting 50% of oil revenues in contrast to 16% in the case of Iran. For decades, Iran had been a de facto colony with the British dictating the course of events. They found Iran’s demand for a better deal to be an uppity claim by an undeserving vassal.

In 1951, Winston Churchill beat Clement Attlee, the Labour leader who had been prime minister since 1945. Churchill is a great hero for the British. For those who are not white, he is not quite the champion of freedom. In his view, the colonies had primitive cultures and were inhabited by inferior races. In 1913, as First Lord of the Admiralty, he had given AIOC its first break. He replaced coal with oil as the fuel for British ships, with AIOC supplying the oil. In 1923, Churchill was on the payroll of AIOC to lobby the British government. When he became prime minister again, he was adamant that AIOC interests had to be protected.

In Washington, the McCarthy era was in its heyday. There was a communist under every bush. Churchill was able to convince the Americans that Mosaddegh had to go. In 1953, the Central Intelligence Agency (CIA) obliged. Henceforth, the Shah would rule with CIA support, and SAVAK, his secret police, would destroy the secular opposition, paving the way for the rise of Ayatollah Ruhollah Khomeini.

The events of 1979 such as the hostage crisis are well-known. For 444 days, 52 Americans were held hostage in the US Embassy in Tehran. Since then, the Great Satan and the member of the Axis of Evil have had fraught relations. Each side has sinned mightily against the other. The Americans are guilty of supporting Saddam Hussein during the eight-year Iran-Iraq War in the 1980s, when the Iraqi ruler used

chemical weapons with impunity. The Iranians hit back through Hezbollah, which bombed the US Embassy in Beirut in 1983. The vicious tit-for-tat has gone on for far too long.

After years of mistrust, the nuclear deal is the first one that has brought the US and Iran to some agreement. Already, it has enemies. Senator Tom Cotton's Gang of 47 is having conniptions that Obama, with his shady African and Muslim roots, has kissed Iranian President Hassan Rouhani. Similarly, hard-liners in Iran are not too pleased. Israeli Prime Minister Binyamin "Bibi" Netanyahu called Obama and tweeted his opposition to the deal. Romeo and Juliet now have to convince Montagues and Capulets that the deal might actually work.

*Haaretz*, Israel's oldest daily newspaper that began in 1918, declared that the nuclear framework agreement with Iran was not a bad deal. It points out that the agreement respects Iran's objectives of continuing with its nuclear program and the lifting of sanctions, whilst giving the US in conjunction with other powers invasive oversight for years to come. As per the details released by the US State Department, the deal clips Iran's nuclear weapons potential for the next two decades if not more.

The deal with Iran did not come a day too early in the context of what is going on in the Middle East. Yemen is going the way of Syria. After pitched street battles, Houthi rebels seized the presidential palace in Aden. Forces loyal to Abd-Rabbu Mansour Hadi, the exiled Yemeni president, and some of the local population are battling rebels. The Islamic State (IS) and al-Qaeda in the Arabian Peninsula (AQAP) are also active. The Saudis have launched Operation Decisive Storm with support from Egypt, Morocco, Jordan, Sudan, the United Arab Emirates, Kuwait, Qatar and Bahrain. Pakistan might also pitch in.

In the midst of madness, the Chinese navy showed up to rescue almost 600 Chinese citizens and 225 foreigners from Aden. For the first time in its history, the Chinese have rescued foreign nationals in a danger zone. This does not augur well for US command of the high seas and its domination of the world order.

The biggest threat to much of the world is not Iran, but non-state fundamentalist organizations such as al-Qaeda and the Islamic State. Needless to say, both these organizations were provided seed capital by Saudi Arabia. The Saudis have been pumping money around the world into *madrassas* (religious schools) to increase their

influence. In the process, local heterodox traditions of Islam are being wrecked. Bangladesh is a case in point.

Recently, Avijit Roy, a liberal writer based in the US, was murdered while he was visiting Dhaka. This week, Washiqur Rahman, a blogger who had critiqued fundamentalist Islam on a liberal Bengali website, was hacked to death on a street in full view of onlookers. The murderers were students at a *madrassa*, one of the many where Saudi-sponsored poison is destroying the soul of a naturally syncretic society.

In Kenya, al-Shabab, an extremist Islamist group, killed 147 people and wounded 79 in an attack on Garissa University College. It is led by Ahmed Abdi Godane, a man wedded to the pure Salafi jihadist doctrine. Once, he trained with the Saudis of al-Qaeda in Afghanistan. Today, he sees hard-line Sunni Islam of the sort practiced in Saudi Arabia with flogging and beheadings as a solution to Somalia's problems. As per al-Shabab, those killed or wounded are simply infidels who deserved to die. Kenya, Somalia and the rest of Africa have manifold problems, but the violent visions of Saudi-inspired Sunni Islamists prescribe a remedy worse than the disease.

Finally, a heartening development in Nigeria was a largely fair election followed by a peaceful transfer of power. President Goodluck Jonathan, in office since 2010, deservedly lost but, to his everlasting credit, he was quick to concede defeat. Muhammadu Buhari, a former general who ruled Nigeria 32 years ago, won. Then, he threw thousands in jail and throttled the press. He also kicked out 700,000 immigrants because of a hare-brained notion that this would create new jobs. Hopefully, Buhari has learned a thing or two since.

The new president is a Muslim from the north. This will take out some steam from Boko Haram. Many Muslims saw Jonathan as a Christian usurper, and they will have less reason to be riled up. It is unlikely that Buhari will make institutional reforms and restrain the kleptocratic elites that run Nigeria. The country needs fundamental reforms, but Buhari does not seem to be the man with the mettle to make them. Yet the peaceful transfer of power from Jonathan to Buhari is a positive development for Nigeria and Africa.



# Some Are Still Less Equal

*April 10, 2015*

*The life, liberty and pursuit of happiness of African Americans continue to be in jeopardy 150 years after the Civil War.*

On April 9, 1865, the American Civil War ended. On the 150<sup>th</sup> anniversary of the end of that war, inequality and injustice continue to blight the lives of African Americans. In South Carolina, a policeman shot an unarmed black man eight times in the back as he was running away. Captured on video, the incident has triggered outrage. In the land of the free and the home of the brave, some are still less equal.

In August 2013, the United Nations Human Rights Committee (UNHRC) published a report on the US criminal justice system. The report makes grim reading. The democratic US boasts of a higher incarceration rate than dictatorships like Egypt and Russia. More than 2.2 million people are locked up. One in three black men is likely to go to jail in his lifetime. Black men are also more likely to be stopped, searched and shot dead.

Videos capturing egregiously excessive police violence are belatedly bringing to light what being tough on crime truly entails. Punitive laws, draconian policing and tough sentencing result in too many people getting locked up for far too long. As is well-documented, prison often exposes convicts to an education in crime. Besides, the United States has criminalized poverty surreptitiously over the last three decades. Missing out on paying a fine can lead to prison in a manner reminiscent of Dickensian England.

The UNHRC report found that the black drug arrest rate in the US rose from 6.5 to 29.1 per 1,000 persons between 1980 and 2000. During the same period, the white drug arrest rate increased from 3.5 to 4.6 per 1,000 persons. A 2012 study by the National Institute on Drug Abuse found that white high school students were more likely to have used drugs in the past month than black students. By most accounts, drug use is similar among blacks and whites. Yet black students are much more likely to be targeted, arrested and convicted.

The US sees itself as a multicultural society. It has even elected an African American president. Yet the rules of the game and the unspoken mores of its society are highly discriminatory. Ronald Reagan, the hero of the right, wooed the white vote in former slave owning states by championing “states’ rights” that Abraham Lincoln had once trampled during the Civil War. Unsurprisingly, Reagan also supported apartheid in South Africa.

It is Reagan’s “War on Drugs” that led to an exponential increase in prison population. Bill Clinton, Reagan’s political stepchild, signed into law the Violent Crime Control and Law Enforcement Act of 1994. This 356-page act is the most elaborate piece of legislation pertaining to crime in US history. It provided for 100,000 new police officers and granted \$9.7 billion for prisons. Midnight basketball programs were jettisoned for punitive deterrence measures, in keeping with the country’s puritanical tradition. Today, the chickens have come home to roost. A prison industrial complex has emerged, the criminal justice system is broken and the inhumanity with which the country treats its black “*untermensch*” sits uneasily with its stated ideal that “all men are created equal” with unalienable rights such as life, liberty and the pursuit of happiness.

Even as the US faces trouble at home, Ashton Carter, its secretary of defense, traveled east to resuscitate the moribund US “pivot” to Asia. Carter’s mission is doomed. The US is far too preoccupied in the Middle East and Europe. It can spare little time, energy or money for Asia. Besides, Congress does not help Carter’s cause by ignorantly stymieing increased Asian representation in the very international institutions the US created after World War II. Since these institutions are located on US soil, the superpower can influence and intimidate others to play by its rules. Yet Congress no longer invests in them, leaving the field open for China to create new institutions like the Asian Infrastructure Development Bank, which is unsurprisingly located in Shanghai.

This week, China witnessed phenomena that capture both the dynamism and dangers that it faces. Hong Kong’s Hang Seng stock index rose above 27,000 for the first time since January 2008, when the Chinese government allowed domestic mutual funds to buy stocks listed in Hong Kong. This demonstrates the big effects of little policy changes in China. However, soaring stock prices might be a bubble that is increasing the already stark inequality in the Middle Kingdom.

A massive explosion rocked a chemical factory in Zhangzhou, bringing into stark focus the costs of explosive economic growth. The factory produces paraxylene (PX ), a chemical used in the manufacture of polyester fiber and plastics. PX plants have long been opposed by residents who live nearby. They fear pollution and consequent ill-health. The explosion has led to a public outcry and it became the most discussed topic on the Chinese web.

In Beijing, over 30 taxi drivers protested new restrictive laws on renewing licenses through a mass suicide attempt. All of them survived despite drinking bottles of pesticide. They had traveled from the northern Chinese city of Suifenhe, which lies close to the Russian border and has apparently been hit hard by the slowdown in the Russian economy. The spectacular protest demonstrates that far too many Chinese live on the edge of desperation and the many perils that lurk in the Chinese system.

Meanwhile, the desperate Greeks are flirting with resurgent Russians much to the chagrin of Europeans and Americans. Even as Greece made a crucial payment to the International Monetary Fund (IMF), Alexis Tsipras, its populist prime minister, met Russian President Vladimir Putin in Moscow to discuss economic cooperation. Both leaders preside over wobbling economies and the meeting is largely cosmetic. Tsipras is demonstrating to Brussels and the IMF that Greece has a poor but sexy suitor. Putin is proving to European capitals and Washington DC that he has the power to seduce a NATO member, which follows the same Orthodox Christian tradition.

Finally, Turkish Prime Minister Recep Tayyip Erdogan met Iranian President Hassan Rouhani in Tehran. Earlier in the month, Erdogan had infuriated Iran by claiming that it was “trying to dominate the region,” and this was a visit to smooth ruffled Iranian feathers. Even as Sunni-Shiite tensions and geopolitical rivalries play out, Turkey and Iran share a long border and their trade for 2014 amounted to \$14 billion. Relations may have cooled from five years ago, but these two countries are the biggest and most democratic nations in the region. One day, they will play a major role in the rapprochement and reordering of the Middle East in the post-Sykes-Picot era. So, it is important that Erdogan and Rouhani keep talking.



# Hola Amigo, Let's Do Business

*April 17, 2015*

*Cuba and the US bury the hatchet, friends, both old and new, are doing business with each other.*

The ink has barely turned dry on the Iran nuclear deal, but Russia has declared that it will be supplying S-300 missile systems to Tehran. The delivery of S-300s was cancelled in 2010 after the United Nations imposed sanctions on Iran. The nuclear deal is supposed to be an interim one and has many enemies. Israeli Prime Minister Binyamin Netanyahu, US senators such as Tom Cotton and hard-line Iranian mullahs are united in their opposition to the agreement.

Ayatollah Ali Khamenei has already declared that there is no guarantee of a final deal. Congress has pushed through a compromise bill that has forced US President Barack Obama to give it a voice on the final agreement with Iran. But Russia is treating the nuclear deal as fully done. The S-300s are on their way to Iran despite Israel and the United States jumping up and down in woolen underwear.

More importantly, Iran and Russia have begun a \$20 billion oil-for-goods swap, exchanging grain, equipment and construction materials for up to 500,000 barrels of Iranian crude a day. Russian Deputy Foreign Minister Sergei Ryabkov argues that “this is not banned or limited under the current sanctions regime.”

Love is in the air not just for Russia and Iran. A *ménage à trois* is going on that involves China, too. Russia sold S-400 missile systems to China even as 300 US paratroopers arrived in Ukraine. With a tottering economy, Russia has few things to sell to the world and defense is the quickest way to earn some cash. China is not only beefing up its defense but also securing access to energy. Its insatiable thirst for oil and gas make it cozy up with Russia and Iran. Iran is already a founding member of the Shanghai-based Asian Infrastructure Investment Bank (AIIB), and the Chinese are planning huge investments in Iran's energy sector to develop both gas and oil fields.

In 2014, China's state-owned Xinhua News Agency published features titled "New Silk Road, New Dreams" and "New Maritime Silk Road" that delved into China's historic, cultural and trade ties with neighboring countries. Both of these are now rumored to touch Chabahar, the only Iranian port with access to open seas. AIIB is planning to finance a number of New Silk Road projects in Iran. Russia is also promising to pitch in.

It is little surprise that this week the BBC published an article titled, "Is the West Losing Its Edge on Defense?" In the article, a former British general bemoans two decades of "physical and moral disarmament" by the West. Wage inflation and exorbitantly expensive equipment mean that Western budgets for defense look inflated. Furthermore, politicians in ageing Europe are increasingly unwilling to commit time, money and energy to defense issues. Research supports the arguments made in the BBC article, and it reveals that tectonic plates are shifting to create a new balance of power on the planet.

As power shifts, even the US is taking a backseat in the Middle East. In a breathtakingly brilliant article at *Fair Observer*, Landon Shroder cuts through the noise to lay bare the tectonic plates that are on the move. Even as three weeks of Saudi airstrikes have failed to stem the advance of the Houthis in Yemen, al-Qaeda in the Arabian Peninsula has taken over Mukalla, a Yemeni port. Shroder says that the Saudis are committing strategic suicide. They will get bogged down in Yemen and play into Iranian hands.

As the Saudis commit *hara-kiri*, the US is finally changing course in Latin America. Years of meddling and supporting dodgy generals during the Cold War have led to resentment against Uncle Sam in the Western Hemisphere. Finally, President Obama had a historic meeting with Cuban President Raúl Castro at the Summit of the Americas in Panama City. Obama promised an end to meddling, and the US has taken Cuba off the list of state sponsors of terrorism, where it was placed in 1982.

Leaders of the United States and Cuba last met in 1958. Much of Latin America has admired Cuba if not liked it for standing up to big brother. The US-Cuba rapprochement is immensely popular among Latin American leaders and it is a big feather in Obama's cap. Since the success of the Cuban Revolution in 1959 and the days of the Cold War, relations between these two neighbors have been fraught with

distrust. Now, despite Castro's railing and ranting against the US, both countries are burying the hatchet.

Perhaps it was symbolic that Eduardo Galeano, the fiery Uruguayan writer who penned *Open Veins of Latin America: Five Centuries of the Pillage of a Continent*, died this week. Since 1971, when the book was first published, it has fired up generations of Latin Americans to fight for justice. Galeano himself declared that his book belonged to "a past era" and the new era has finally begun.

The US-Cuba deal works well for both countries. Cuba needs investment to generate employment and raise living standards. The US needs new markets and relationships in a region that is increasingly leaning toward China. The Middle Kingdom is now the de facto banker of countries like Venezuela, Argentina, Brazil and Ecuador. As per *Forbes*, China lent Latin American countries \$22 billion in 2014 alone, taking the total since 2005 to \$119 billion. Chinese goods flood Latin American markets and commodities make their way from the region to China. It is little surprise that Obama is paying heed to Latin America.

Even as there is good news from Latin America, South Africa is witnessing xenophobic violence against foreigners. Immigrants from other African countries have long faced discrimination and now face spreading violence. This is most embarrassing for South African leaders, who were once given refuge by other newly independent African states when they were fighting apartheid.

As per the World Bank, 54% of the South African population lives below the poverty line. Unemployment is over 25%, and for the 15-24 population, it is as high as 53%. Unsurprisingly, desperation runs high. Entrepreneurial immigrants tend to outperform struggling natives and become obvious villains because they are seen as stealing resources and jobs. Urban ghettos and a culture of crime socialize people into violence. A tiny spark can lead to an eruption of long accumulated resentment. Only economic growth and a rebuilding of the social fabric can contain violence, but that is easier said than done.

Finally, technology giant Google was in the news. Many years ago, Microsoft was targeted by competition authorities that nearly broke up the behemoth. Today, it is the turn of Google. European authorities think that Google is abusing its dominant position by pushing consumers to purchase in-house shopping services. Android, Google's

mobile platform, is also under investigation. It is the first time that the “don’t be evil” company faces an antitrust investigation. This may be a sign of things to come.



# Triumph of South Africa’s Spirit against Adversity

*April 24, 2015*

*Even as economies slow down and jobs dry up, South Africans march against xenophobia to demonstrate admirable solidarity.*

News on Africa is usually about violence, corruption and poverty. When positive developments occur, they are often ignored. Such is the case this week as well.

Every major media outlet covered the post-*Charlie Hebdo* killings march in Paris. Few except Al Jazeera have noted that thousands of South Africans marched to demonstrate their support for foreign nationals and oppose xenophobic violence. Many South Africans say that their country is a powder keg waiting to explode. Yet the march reveals a resilience that is oft ignored.

On March 30, violence began in Durban. Since then, eight people have been killed and many thousands displaced. The government has deployed the army to quell the violence. A procession of people that spanned five kilometers, over three miles, may do more good than the deployment of the army.

A major theme of the march was pan-Africanism. This idea was born during imperial times to bring the oppressed Africans together. The collapse of communism and Africa’s inter-tribal rivalries led to this idea falling out of fashion. During the march,

placards like “One Africa, One Nation” and “I am African before South” demonstrated the new sentiment of solidarity that people are seeking to foster.

The divisions in South Africa are deep. A society scarred by apartheid and beset by crime is struggling to create jobs for its young. Unemployment is at a staggering 25%. Immigrants are easy scapegoats. For years, South African institutions were instruments of oppression and exploitation. Today, they lack structures and capacity to tackle the scale of challenges in townships. As the global demand for commodities has weakened, growth has slowed down. In any case, growth in South Africa did not lead to much job creation.

Just as the Arab Uprisings were preceded by an increase in the price of bread, the violence in South Africa was foreshadowed by an economic crisis. The country’s debt rating was downgraded toward the end of last year and is in danger of junk status. A huge public sector wage bill leaves little money for roads, ports and schools. Power cuts are rampant. In March, the government bailed out Eskom, South Africa’s leading power supplier, to the tune of \$2 billion. Economic strains led to the ripping apart of the social fabric and consequent xenophobic violence. The march this week is far more remarkable than the one in Paris in light of the challenges that South Africans face, and it is a triumph of their spirit in the face of much adversity.

Adversity is affecting other BRICS nations too. Brazil’s economy is floundering and jobs are hard to find. Petrobras, its petrochemical giant, has been involved in a long-running scandal that has seen \$2 billion misappropriated. In Russia, people are suffering because the economy has shrunk by 2% as sanctions start biting. The rouble has collapsed, causing Russia’s import bill to skyrocket and its export income to shrivel. Falling oil prices have not helped.

Even the Chinese dragon is breathing less fire. Its economy grew at its slowest pace since early 2009 this quarter and industrial production dipped in March. The People’s Bank of China has responded by lowering the bank reserve requirement ratio by one percentage point, the biggest cut since the Great Recession of 2008. This means that banks have to keep less cash as reserves. This in turn implies that banks will have an extra 1.2 trillion yuan (\$194 billion) to lend. Chinese authorities hope that more lending by banks will stimulate businesses and create jobs. The great risk is that this action might only increase the already Himalayan levels of bad debts on the banks’ books.

India is in the news this week because of the suicide of a farmer at a political rally. Even as parties accuse each other for causing the death, the reality is that far too many farmers commit suicide in this country. In 2004, over 18,000 farmers killed themselves, while more than 13,700 did so in 2012. Debt and distress can be a daily feature of life for those tilling the soil. Any setback such a drought or a crop failure tips them over the edge. In the past few weeks, many farmers have killed themselves because heavy rain has damaged their crops.

It is important to note that farmers are prone to suicide in all parts of the world. In India, their lives are more extreme because irrigation, credit and storage are largely unavailable. For instance, a third of the produce rots because of a lack of storage. This means that farmers have to sell when prices are low and buy when demand is high. The volatility that farmers face is so extreme that they can easily end up in a debt trap from where there is no escape but death.

To be fair, India's political elite has tried to address this problem in fits and starts. However, even its inadequate efforts have been wrecked by India's notoriously callous bureaucracy. Banks that are supposed to lend to farmers end up giving money to big landlords. Relief money for farmers suffering from calamities is siphoned off by crooks and officials. The elite's criminal neglect of irrigation, storage and education is the key reason for farmer suicides and low agricultural growth.

Even as farmers die in India, immigrants seeking to reach Europe drown in the Mediterranean Sea. The turmoil in North Africa and the Middle East is causing thousands to flee to Europe. This year, an estimated 35,000 immigrants made it. Some 1,750 did not. This week, a boat sank killing 800 people on board. Horrified by the incident, Europe tripled its migrant rescue funding. *Die Zeit* summed up the dilemma facing Europe with characteristic German forthrightness: "We don't want migrants to drown. We don't want them over here. So what do we want to do?"

The United States and President Barack Obama face another dilemma. Drones don't quite work as well as claimed, but they avoid body bags returning home. Many argue that over reliance on technology might be weakening the fine art of intelligence gathering by robbing it of the human element. Some weeks ago, "The World This Week" pointed out that the US targeted 41 people via drone strikes but ended up killing 1,147. Most of those killed were innocent, but the US does not acknowledge that fact.

This week, Obama admitted that two hostages had been killed in a drone strike on al-Qaeda. Both were fair-skinned Caucasians holding US and European passports. Some lives are worth more than others and, therefore, Obama had to apologize. Yet the dilemma will continue. Drone strikes are likely to cause increasing “collateral casualties” but will save American lives. Obama is a fine intellectual and a churchgoer. He and his fellow citizens might do well to remember the words from the Hebrew Bible: “They that sow the wind, shall reap the whirlwind.”



# **Baltimore Burns and Japan Says Sorry**

*May 1, 2015*

*Dominant narratives ignore African Americans, Germans, the weak and the meek.*

Far too often, history is mythology and news is fiction. Dominant elites construct narratives in which they fight with honor and valor for truth and justice against devious and deadly foes to create a safe and just world. Like *Mahabharat*, the great Indian epic, reality is 100,000 shades of gray.

The World This Week has repeatedly highlighted the tragic plight of African Americans. It is now almost a cliché that one in three black men is likely to end up in jail in the United States. Yet the devastation of inner cities is not quite a feature of mainstream American narrative. For that matter, neither is the desolation of Native Americans in reservations accorded much attention. In popular culture, the US is a land where seductive cheerleaders have 1,000 watt smiles and brawny athletes have superhuman strength. In Robert Browning’s unforgettable words, “God’s in His heaven — All’s right with the world!”

It turns out God might be in heaven, but parts of the world have turned to hell. Baltimore is burning. Fox News is furious. CNN is concerned. How can such things happen in the US? As Jon Stewart, the man many Americans trust most for their news, points out, such things happen repeatedly in the land of the free and home of the brave. African Americans are the untouchables of their society, lacking access to decent education, nutrition and jobs. Every now and then, when someone like Freddie Gray, a 25-year-old man, suffers from a spinal injury and dies a week after his arrest, the simmering volcano of resentment explodes.

The legacy of slavery, Jim Crow and segregation has been burnished by Ronald Reagan and Bill Clinton, who decided to wage a war on drugs and crime. The operating assumption was that a state based on the Old Testament would foster order and instill respect for the law. More police and tougher laws such as California's "three strikes law" would keep troublemakers off the streets. Packing people off to prisons is indubitably more sensible than investing in schools or sports or any other activities for disaffected young men. Furthermore, taxing the poor through punitive fines and locking them up when they fail to pay is a fine idea. It creates the right incentives for people to pull themselves up by their bootstraps. Unlike sub-Saharan Africa, no one in the US lacks bootstraps or goes barefoot. If there is no bread, those in the US can always eat cakes.

It is now an open secret that there are fewer jobs on offer in an increasingly unequal US. A service economy has created a generation of baristas. Those who serve have to be pleasant and non-threatening. So, a pretty white girl is more likely to be hired at Starbucks than a threatening black man. Statistics tell us that black men are more likely to commit crime and tend to lack respect or discipline. It is little surprise that even in Silicon Valley, black men who turn up to interview for top firms get stopped by white cops and are told to get out of town. Discrimination is a daily phenomenon, and black men who want to work "normal" jobs have to be more proper, dress better and smile incessantly to allay the suspicion that they might be angry gorillas capable of murder, rape and worse.

As per Fox News, if only African Americans did not have multiple sexual partners, had fewer illegitimate children, became more caring parents, valued respect and inculcated responsibility, they would get ahead like Indians and Koreans who are the living proof of meritocracy and social mobility in multiracial America. No one is trying to keep

African Americans down. They themselves shoot themselves in both their knees because of their culture of criminality, consumption of crack cocaine and the ravaging rage of rap.

Like all narratives, the Fox News one has an element of truth. Africans often comment on how they cannot relate to African Americans. Black ghettos are prisoners of a culture that rip apart the souls of those who live there. Bling, anger and gratuitous violence make people turn on each other. Places like Inglewood and South Central in Los Angeles have “shoot ‘em up” gas stations, murderous gangs and “drive by shootings” on a regular basis. Yet what Fox News fails to note is that African Americans are traumatized by their past, scarred by incessant discrimination and underserved by institutions that favor a dominant elite that tends to be disproportionately white. This elite is afraid of its own shadow and fears both its dark-skinned underclass and foreigners who speak in strange cadences.

Anyone who arrives from Britain to the US cannot help but notice that the immigration official is wearing a fancy uniform and packing a gun. Why is that so? Those stepping off a plane are highly unlikely to be armed. An unarmed official could question visitors and get their fingerprints. Similarly, the police in the US always carry guns and are increasingly militarized. Far too often, they shoot first and ask questions later. As many black men say, the police “ride their ass,” and they have to be super polite to avoid getting locked up. The doctrine of using disproportionate force as a deterrence destroys trust in the police. Hence, many minority communities turn to the likes of Don Corleone instead of the police. Their narratives are not part of the one peddled by CNN or Fox News.

Outside the US, narratives are equally nonsensical. Japanese Prime Minister Shinzo Abe turned up at the US Congress to express “deep repentance” for Japan’s actions in World War II and offer “eternal condolences” for all Americans who died during the war. Abe has not offered any apology to any Asian neighbor for enslavement, torture and rape. He fails to acknowledge the infamous Nanjing Massacre that justifiably stirs Chinese passions. Starting on December 13, 1937, the Japanese slaughtered an estimated 200,000 to 300,000 unarmed civilians and raped with a brutality that has few parallels in the 20<sup>th</sup> century. Japanese textbooks ignore this and Abe pays his respects at Yasukuni, a shrine that honors some of those responsible for the massacre.

Abe's apology is a simple reflection of the fact that an aging Japan with a tottering economy is terrified of a rising China with growing economic heft. Hence, Japan is asking its "so big and so strong" lover "to come a little bit closer." De facto a satellite state since the end of World War II, Japan has lived under US protection and, in many ways, is culturally a colony. When Richard Gere danced with Junichiro Koizumi, he insisted on playing the man and taking the lead. A pretty faced American actor reduced a powerful Japanese prime minister to the role of a woman in a society known for its chauvinism and atavistic attitudes toward women.

If Japan were to apologize to fellow Asians on whom it inflicted enormous suffering, Asia would be a more peaceful and harmonious place. But then fellow Asians did not drop nuclear weapons on Hiroshima and Nagasaki. So, why should the Japanese apologize? Needless to say, the US has not apologized for Hiroshima and Nagasaki. Forty years after the end of the Vietnam War, the US has yet to apologize for Agent Orange, napalm and Mỹ Lai Massacre. Vietnamese Prime Minister Nguyen Tan Dung is bang on the money when he says that the US "committed barbarous crimes" and slaughtered millions of innocents. Yet the United States has chosen to forget what it did in Vietnam whilst demanding apologies from others.

Like the US, Russia is yet to apologize for mass rapes that its soldiers committed in Germany at the end of World War II. Diaries like *A Woman in Berlin* are unknown in countries that won the war. Russian troops raped an estimated 2 million German women. About 100,000 were raped in Berlin alone. Neukolln, just one of Berlin's 24 districts, approved 995 pleas of abortion between June 1945 and June 1946. At that time abortions were illegal in Germany, but a special provision was made in the light of mass rapes. Today, no one sees the Germans as victims. In Vladimir Putin's Russia, a recent law makes denigration of Russia's record in World War II an offence. Authorities can throw those who talk about the country's war crimes into jail for up to five years.

The dominant narrative is that most Germans were evil Nazis who gassed innocent Jews. Winston Churchill is celebrated as a champion of freedom, despite the fact he locked up Mahatma Gandhi and aimed to perpetuate British imperial rule over those with more melanin in their skin. The aptly named "Butcher" Harris bombed Dresden in 1945 when it became clear that the war had already been won because he did not "regard the whole of the remaining cities of Germany as worth the bones of one British Grenadier." Yet he remains a war hero and, in 1992, Queen Elizabeth, the last Empress of India and mother to the current British queen, unveiled his statue outside

the RAF Church of St. Clement Danes in London. It seems the Germans are the sole villains of Europe because they slaughtered white people on European soil instead of colored people overseas. And, of course, they lost.

Perhaps, the Bible did not quite get it right when it claimed that “Blessed are the meek: for they shall inherit the earth.” To paraphrase an old saying, God lies on the side of those who have more guns and gold.



## Devils Known and Unknown

*May 8, 2015*

*Known devils like David Cameron are better than unknown devils such as French soldiers in Africa or Sunni Islamists in Pakistan.*

British Prime Minister David Cameron has led the Conservatives to an emphatic victory. He ran a lackluster campaign and made a few gaffes, but his opponents were too dull and boring to win. Only Nicola Sturgeon of the Scottish National Party (SNP) caught the imagination of the people, and her party has decimated Labour in Scotland. In previous elections, Labour had relied on its Scottish fiefdom to propel it to power. Now, it faces prospects of languishing in opposition much like the Conservatives during the heyday of Tony Blair. At least, Labour can take solace from the fate of the perennial bridesmaid of British politics. In the words of Nick Clegg, the former leader of the Liberal Democrats, his party suffered “a cruel and punishing” night and might be on the verge of extinction.

*The Economist*, once the trumpeter of the British Empire, claims that “British elections matter beyond Britain’s shores.” The truth is that the sun has set on that era. The elections are significant for Britain because a new era of fragmentation has dawned in the island’s politics. The Conservatives have emerged stronger after the election. The weakening of Labour and the decimation of the Liberal Democrats is jolly good news

for the likes of Old Etonians such as Cameron, George Osborne and Boris Johnson. The rise of the SNP signals that the marriage between Scotland and England is on the rocks. Both countries have different political and economic ideologies. With the SNP sweeping Scotland, it is a question of time before the flags for independence are unfurled again.

The real significance of the Conservative victory is twofold. First, a country with a current-account deficit of 5.5% and a budget deficit of 5% has voted for frugality. The Tories are trusted to be “conservative” with people’s money. Second, prosperous voters in Britain, who tend to be older, are more organized, disciplined and united. The pain of British austerity has fallen disproportionately on the poor and the young. Yet the Conservatives have been able to sell what *The Economist* calls “a jobs-rich, squeezed-wage recovery” as a preferable alternative to the southern European malaise of mass unemployment. This is clever marketing, and one has to bear in mind that this class-divided country’s pragmatic elite has consistently reinvented itself. The onset of democracy was supposed to decimate the Conservatives, but they dominated the 20<sup>th</sup> century. They might well continue that domination in the 21<sup>st</sup> century.

Fundamentally, Britain is an island where London dominates the country. Canary Wharf and the City of London, that square mile of resplendent stone architecture, make London the throbbing heart of international finance. Yet Britain has few world beating companies. It is not home to a Google or a Toyota. Expensive private schools, incongruously called public schools, are the only ticket to advancement in British society whether it is law, media or politics. The state school system is broken and parents with means send their children to schools like Eton, Westminster or Winchester. This means that Britain’s incestuous elite has little in common with the hoi polloi. In more ways than one, Britain is a pre-modern society where a smug group of insiders rule the roost in a manner reminiscent of the 19<sup>th</sup> century. It is no coincidence that both Conservatives and Labour leaders studied Philosophy, Politics and Economics (PPE) at Oxford. Alumni from Oxford and Cambridge, collectively known as Oxbridge, run the show in Britain. Those who fail to get into these spectacularly beautiful places find it hard to break through the thick glass ceilings of British society.

Yet Britain’s incestuous elite is smart enough to maintain rule of law and attract billionaires to live in London. The United Kingdom can afford to run a current account deficit because capital continues to flow into the country. Rich Russians continue to buy mansions in London. So do Indians and others. Before the financial crisis,

numerous foreign companies listed on the Alternative Investment Market (AIM), many of them from countries like Russia, Poland and China. The frenzy at AIM caused a well-known partner at a leading law firm to comment that the legitimization of ill-gotten gains of criminal syndicates across the world was bringing much wealth to his green and blessed isle. Britain may manufacture little these days, but it is a safe destination for wealth, regardless of how foreigners garner their riches. The British creed is simple: You can rob any part of the world and bring your money with you, but behave when you get here. The Conservatives understand this and it seems so do the voters. In the modern service economy of Britain, most seem happy to serve the likes of Roman Abramovich and Rupert Murdoch for some bread and a bit of butter.

While the British steam on smoothly with continuity amidst change, the French are floundering. In December 2013, *La Grande Nation* was quick to dispatch troops to the Central African Republic. A classified United Nations (UN) report reveals that French troops were engaged in more than peacekeeping. Some Frenchmen were raping young savages of the “Dark Continent” with some victims as young as 9 years old. Phenomena like this constantly take place when any foreign intervention occurs whether it is peacekeeping, development or good old *mission civilisatrice*.

People like Tony Blair and neoconservatives in Washington DC imagine themselves as enlightened members of advanced societies. They send troops to establish peace, promote democracy and foster development. These troops subconsciously if not consciously feel superior. Locals invariably end up resenting them. Some of these troops react disproportionately to protests by crowds or attacks by insurgents. Others abuse power because they are only too human. Besides, if the locals look different or speak another language and are deemed to be less evolved beings from “primitive” societies, then it is easier to transgress norms of propriety or legality and exploit them.

The French are not the only villains in town. As per a report of the Colombian government, US troops sexually abused at least 54 children in that country whilst conducting the War on Drugs between 2003-07. Needless to say, US media has blissfully ignored this. French crimes would have gone unnoticed too, thanks to the efforts of the UN to cover-up. Anders Kompass, a Swedish official, leaked the report that chronicled French crimes. Kompass has since been suspended for sharing confidential information and breaching UN protocol. In the eyes of UN bigwigs, this is perhaps a wise and just move.

In Pakistan, Sabeen Mahmud, a peace activist in Karachi, was assassinated by gunmen after an event that she called “Un- Silencing Balochistan.” Mahmud was shedding light on grave human rights abuses by the Pakistani Army and its shadowy surrogates whom many people hold responsible for thousands of deaths and disappearances in the country’s biggest province. In the words of Sanam Maher, “corpses are found daily in the Balochistan countryside, bearing the marks of torture.” The Pakistani government is believed to follow a “kill and dump” policy in its resource-rich but poverty-stricken province. Mahmud was planning to host the event at the Lahore University of Management Sciences (LUMS), but the school reportedly cancelled it because of government pressure. LUMS is a relatively new school that has become the training ground for technocrats in Pakistan, but it demonstrated abject pusillanimity in pulling the plug on Mahmud’s event.

The death of Mahmud is only the latest tragedy in a litany of violence that is wrecking this young nation. Muhammad Ali Jinnah, the Shiite founder of Pakistan, set out to create a state based on Islam. The name of the country means “Land of the Pure” and is derived from Farsi. It is this terrifying idea of purity that has proven to be toxic. Whilst India has a significant Muslim population, Pakistan chased out or killed its Hindu and Sikh minorities when it was carved out of India in 1947. Of late, Sunni Islamists have been gunning down Shiite professionals, a fact that would be causing Jinnah to toss and turn in his grave.

Many Pakistanis joke about Allah, Army and America as the three gods that run their country. Those who love Allah do not like women like Mahmud who are deemed unchaste and ill-behaved. The Army has long used lovers of Allah such as the Taliban to fight its proxy wars in Afghanistan and India. Now, the violence that the Army once exported has turned inward and the country is imploding. Too many who raise their voice against the status quo die like Mahmud or disappear forever. To steal a line from *Hamlet*, something is rotten in the state of Pakistan.

This week, three interesting developments took place when it comes to the world economy. First, the US economy grew by a measly 0.2% in the first quarter. Most blame a harsh winter and a labor dispute at California’s ports for the slowdown. Second, Apple sold more phones in China than in the US during the first quarter. This is the first time China has beaten the United States to become Apple’s largest market. This has happened at a time when the Chinese leadership is trying to unleash the

genie of entrepreneurship among its youth. It is also trying to bring about massive reforms that stimulate growth and create jobs.

Finally, economies around the world are facing challenges that are both similar and different. Both Brazil and Sweden are struggling to generate growth and create jobs. But Brazil faces the specter of inflation, while Sweden is striving to slay the monster of deflation. The former has increased its benchmark interest rate by 0.5% to 13.25%, while the latter is enlarging its quantitative easing, the purchase of government bonds by the central bank to release money into the economy. As the old Chinese saying goes, we live in interesting times.



## **Debt, the Dragon and the Eagle**

*May 15, 2015*

*As the Greek debt saga plays on, the US talks tough and China flirts with its neighbors.*

Yanis Varoufakis, the Marxist finance minister of Greece, is under pressure. In his words, Greece's liquidity situation is "terribly urgent ... we are talking about the next couple of weeks." Varoufakis has raided Greece's holding account at the International Monetary Fund (IMF) to repay a €750 million loan installment owed to the IMF itself. Unsurprisingly, the Greek economy has slipped back into recession again. As the Bard of Avon pointed out, Shylocks tend to want the proverbial pound of flesh from debtors.

The crisis in Greece comes from a simple fact: The Greeks took on debt recklessly and the Germans lent them money carelessly. When the chickens came home to roost, lenders lent Greece more money on the assumption that it would miraculously grow enough and pay back its debt. This was fiction. Yet the prevailing dogma is that the rights of creditors are inviolable. Hence, creditors did not take a haircut and insisted

that Greece pay back loans that it could not afford. Syriza, Varoufakis' party, won because it promised to renegotiate debts and end the austerity blighting Greek lives.

After winning power, Syriza has had to backpedal on its promises. The reasons are simple. The US can always devalue the dollar and make its debt cheaper. For a tiny country, unilateral default is painful even when it is possible. Greece is not flush with capital and would be frozen out of bond markets if it defaulted. The cost of debt would rise steeply. Besides, many items that Greeks consume on a daily basis are imported from the rest of the world. Greece would no longer have the money to pay for them.

At the end of the day, Greeks perceive the benefits of staying in the European Union (EU) to be higher than striking out on their own. The return to drachma would add the scourge of inflation to mass unemployment that already plagues the Greek economy. An aging society such as Greece is generally averse to inflation because older people want their savings to last longer. Therefore, when push comes to shove, Varoufakis and his colleagues are likely to blink and make a deal. Already, the Greeks are caving in to creditor demands and privatizing their biggest port, Piraeus.

The IMF and the EU know fully well that all hell will break loose if Greece exits the euro. Portugal, Spain, Italy and any EU member that displays weakness will spook markets. The cost of borrowing will rise for all these weaker EU countries. What John Maynard Keynes once called "animal spirits" will be disturbed and contagion could follow crisis. Hence, even Shylockian creditors such as the hidebound IMF will make a deal, even if at the last minute. Yet creditors have not evolved enough to forgive any loans or take a haircut. The Greek saga will play on like a broken record, lurching from crisis to crisis for a while.

Speaking of crisis, the US has upped the ante in Asia. Defense Secretary Ash Carter has decided that the US might be flying aircraft and sending ships to within 12 nautical miles of the reefs that China claims as its own in the Spratly Islands. China has been building artificial islands in the energy-rich South China Sea and claims sovereignty over 90% of it. Over \$5 trillion of trade passes through sea routes in this area, and Vietnam, Brunei, Malaysia, Taiwan and the Philippines also claim the South China Sea as their territory, in whole or in part.

The US stance is provocative and unnecessary. China is a rising power that is still smarting from the humiliation it faced in the 19<sup>th</sup> century. It wants to exert more power

in its near neighborhood just as the US once imposed the Monroe Doctrine in Latin America. Until not too long ago, the United States clandestinely conducted coups in Latin America and trained many of the military dictatorships in the dark arts of torture. China is flexing its muscles far more gently than the US in its near neighborhood.

For many in the little town on the Potomac named Washington DC, there are damsels in distress in Asia. China is a potential rapist. The US has to be the knight in shining armor and ride to the rescue. Washington pundits forget three cardinal facts.

First, the aggressive policy of the US in the Asia Pacific raises tensions and increases risks of conflict needlessly. How would the Americans feel if a Chinese ship or plane showed up 12 miles off Hawaii or California? The ghost of Pearl Harbor would certainly emerge from the grave.

Second, the US is now a declining power. Its share of the world's gross domestic product (GDP) is no longer 50% as it was at the end of World War II. Most estimate this share to be 21-25%. Furthermore, the US is a debtor nation, owing a fair bit of money to China. It is Chinese cash that funds in part the very ships and planes that will set sail to keep the Middle Kingdom in check. The Chinese are no fools and will invariably start undermining the dollar, the world's reserve currency. Already, they have started creating institutions such as the Asian Infrastructure Development Bank (AIDB), and this process would inevitably hasten.

Finally, the US has increasingly dysfunctional institutions. Washington pundits point out that the US might be in bad shape, but the others are worse and China's institutions are brittle, opaque and even nonexistent. However, pundits forget one simple fact: The US is now a deeply divided, discordant society. Tom Cotton and his Gang of 47 senators wrote a ridiculous letter opposing President Barack Obama on the Iran deal, even though that is the only option for the US given the rise of the Islamic State. It is hard to imagine that various arms of the US government will be able to act in concert to come up with a coherent plan to back up Carter's aggressive declaration. Besides, most Americans are weary of war. Afghanistan and Iraq are not exactly poster children for more intervention. A society that locks up one out of three black men in prison, struggles with costs of health care and groans under student debt is seeking more justice, social mobility and jobs. Perhaps a war economy might be the answer, but no one is jumping up and down with pom poms to usher in the draft.

Even as the US talks tough, the Chinese are flirting with their neighbors. President Xi Jinping showed up in Moscow on May 9 to attend a typically spectacular Russian parade celebrating victory in World War II. Leaders of its former allies such as the US and Britain failed to show up, snubbing invitations from the Kremlin. Currently, Indian Prime Minister Narendra Modi is in China and is receiving the red carpet treatment. Though he has called on China to “reconsider its approach” to issues that strain China-India relations, Modi is trying to attract Chinese investment into India and bolster trade ties. Xi, who rarely receives foreigners outside the capital, hosted Modi in the ancient city of Xian, home to the terracotta warriors, to imbue this trip historical significance.

Even as China, India and Russia flirt with each other, Pakistan and Bangladesh flirt with disaster. Close on the heels of the murder of Sabeen Mahmud, a bold human rights activist, comes the killing of 45 Ismailis, a minority Shiite Muslim sect. Pakistan, a country founded by a Shiite leader, is now in the throes of endemic violence and, in the words of Anwar Akhtar at *Fair Observer*, it is a tough place for minorities and everyone else. Bangladesh is keeping pace with Pakistan when it comes to fanaticism and violence. Ananta Bijoy Das, an atheist of Hindu origin, was hacked to death by four men using meat cleavers. This is the third time a writer has been murdered in Bangladesh for spouting atheist views. The Islamization and radicalization of Bangladesh is poisoning the soul of the country and threatening the future of this poor nation.

Finally, Burundi is in a major crisis as President Pierre Nkurunziza decides to stay on for a third term in violation of the constitution. Mass protests broke out in the capital, Bujumbura, and Gen. Godefroid Niyombare attempted a coup whilst the president was out of the country. Now, the general and his co-conspirators have been arrested and Nkurunziza has returned home. Yet 105,000 refugees have fled from Burundi. About 70,000 have gone to Tanzania and over 50,000 are living on the shores of Lake Tanganyika. Many fear that the crisis might reignite the 13-year civil war between Hutus and Tutsis, which ended in 2005. It is perilous times for both Central and East Africa.



# The Middle East's Thirty Years' War

*May 22, 2015*

*As Sykes and Picot toss and turn in their graves, the Middle East is going through its own version of the Thirty Years' War.*

In 1916, Sir Mark Sykes and Monsieur François Georges-Picot got together to divide the carcass of the rotting Ottoman Empire. Post-Versailles, the British and the French would carve up the Middle East into arbitrary nation states with ridiculous borders. The light-touch administration of the Ottomans, where local notables largely ran cities and tribes were autonomous in their territories, was replaced by the Franco-British model of a centralized state.

In new states, concentration of power occurred. Now, capitals lorded over other cities. During the rule of the Ottomans, Aleppo was the third largest city of the empire after Istanbul and Cairo. In the new state of Syria, Damascus destroyed Aleppo. Capitals in all states assumed disproportionate importance. From here rulers would dispense patronage and exercise control.

The new rulers of these centralized entities were far more brutal and ruthless than the Ottomans. Dictators like Saddam Hussein and Hafez al-Assad censored, jailed and tortured anyone they wanted. They were paranoiac and tended to trust their clansmen above others. They claimed to represent the entire nation. They spouted fealty to ideals such as equality and socialism. In reality, they were just new rulers with a European centralized bureaucracy controlling a diverse and divided land.

In the aftermath of the Arab Uprisings, the world created by Sykes and Picot has emulated Humpty Dumpty and fallen off the wall. All planes, drones, missiles and men will not be able to recreate that world again. As if to underline that fact, the Islamic State (IS) has taken over Palmyra in Syria, Ramadi in Iraq and al-Tanf, the last Syria-Iraq border crossing controlled by the Syrian government.

As per the Syrian Observatory for Human Rights, IS controls “more than 95,000 square kilometers” (36,679 square miles) of Syria, about 50% of the country's entire territory. It

also controls much of Anbar province. Ramadi is the capital of Anbar and merely 105 kilometers west of Baghdad. Unsurprisingly, the Iraqi government is spooked. It has summoned Shiite militia to fight the Sunni IS. As Managing Editor, author and journalist Abul-Hasanat Siddique remarks, this is “fighting fire with fire.”

Shiite militias are no angels. As *Fair Observer* reporter Landon Shroder points out, these militias “have a documented history of killing, displacing and abducting civilians.” Even if they were to recapture Ramadi, what happens thereafter is the fundamental question. For years, Saddam Hussein’s Sunni kinsmen wreaked havoc on Shiites and the Kurds. Murder, torture and even chemical weapons were fair game. Once the Baathist regime fell, Iraq’s Shiite-dominated government has been less than forgiving of the past.

In fact, many analysts argue that a key reason for the rise of IS in Iraqi territory has been the resentment Sunnis feel toward what they see as a Shiite regime in Baghdad. Qasem Soleimani, the renowned commander of Iran’s Quds Force, helped Iraqi troops recapture Tikrit from the Islamic State. His presence did not go down well in Saddam hometown. Lest we forget, Saddam started the eight-year Iran-Iraq war, and animosities toward Iraq’s eastern neighbor run deep in Sunni territory.

The rise of the Islamic State has made the US and the countries in the region behave like cats on a hot tin roof. The US is caught in a bind. It wants to crush IS but is war weary and unwilling to put troops on the ground. Other Sunni countries bemoan the rise of IS and fear its fanaticism, but they do not want to upset their Sunni populations and certainly do not want Iranian-led Shiites to control more territory. Hence, the outrage against IS, whilst real, does not trigger military operations or even serious airstrikes by the likes of Turkey, Egypt or Saudi Arabia, three of the biggest powers in the region.

The Thirty Years’ War in Germany began as a civil war between Protestants and Catholics and degenerated into a protracted conflict with outside powers such as France and Sweden intervening. The civil war in Syria and Iraq has fused together to become a messy regional conflict with multiple parties and shifting agendas. The conflict will last for years to come and a new order will only emerge when all sides have fought each other to a standstill. In the meantime, invaluable treasures such as the world heritage site of Palmyra will disappear, thousands will die and millions will be displaced.

Even as battle rages in the Middle East, China has embarked on a charm offensive. This comes at a time when a US plane with CNN crew on board flew over the disputed man-made islands that China is building in the South China Sea. Chinese Prime Minister Li Keqiang embarked on an extended tour of Latin America, a place the US has long held to be its backyard and where it once imposed the Monroe Doctrine.

Latin American economies are now deeply reliant on China. Their biggest trading partner is no longer Uncle Sam but the Middle Kingdom. The growth of trade between China and Latin America has been spectacular. As per the US government, it grew from \$10 to \$130 billion between 2000-09, a rise of 1,200%. It continues to grow as a more prosperous China hungers for more soybeans, sugar, beef, copper, iron, timber and more. This means that millions of jobs in Latin America now depend on Chinese demand. It is little wonder that Li is getting a rousing reception in the region.

Li has signed significant trade and investment deals on this trip. Whether it is wood products in Chile, copper in Peru or beef in Brazil, exports to China will increase. Similarly, imports and investment from China will increase too. Over time, China's influence in the region will grow. Even Colombia, a staunch US ally, is cozying up. Li's pledge of \$8 billion for post-conflict reconstruction is far too alluring.

Not too long ago, Paul Kennedy, a British historian who trained at Oxford and teaches at Yale, came up with the idea of "imperial overstretch." He posited that a dominant power starts expanding strategic commitments. This leads to increasing military expenditures that eventually overburden that power's economic base. This in turn causes long-term decline. Kennedy made the claim that both the Soviet Union and the US were suffering from imperial overstretch. The Soviet Union is now dead. The US is dealing with the Islamic State at the same time as flying planes to scare the Chinese even as its debts keep growing. Meanwhile, the Giant Dragon is seducing Latin Americans whom Uncle Sam had long regarded as inviolable members of its *harem*.

Finally, this has been a week when American and British authorities fined the five largest banks in the world a record \$5.7 billion. Four banks — JPMorgan, Barclays, Citigroup and RBS — pleaded guilty to criminal charges. They were all accused of manipulating the foreign exchange market. Yet this settlement closes the door on transgressions by banks. What is interesting is that the group of 20 traders who

committed the crime called themselves the “cartel” and sent messages such as “If you ain’t cheating, you ain’t trying.” Yet none of them is going to jail.

Senator Elizabeth Warren, the darling of many Democrats, points out that over 1,000 people were prosecuted after the savings-and-loan crisis of the early 1990s and more than 800 were convicted. After the much bigger financial crisis of 2007-08, no senior banker has been convicted. The new fashion is murky settlements in which financial institutions pay big fines and prosecutors drop charges. This is both inefficient and wrong.

As *The Economist* points out, “negotiated settlements are no substitute for criminal proceedings.” They are inefficient because neither crimes, nor fines are scrutinized in a court of law. No precedents are established to deter future crimes. They are wrong because they are unjust. For the law not to be as ass, it has to be followed by all. This means that those who break it should be tried, convicted and punished regardless of their wealth or power. The US has no hesitation in criminalizing poverty and packing off poor black men to jail if they fail to pay a fine. Yet it is unwilling to hold wealthy white men to the same standards. Justice no longer seems to have a home in the land of the free.



## **God, Gays and the Beautiful Game**

*May 29, 2015*

*As Ireland embraces Satanic love, the Catholic Church chafes under its barefoot Argentine pope.*

The Catholic Church has long opposed abortion, contraception and homosexuality. Some argue that this doctrinal certitude has been a key reason for its success. Everyone knows what the Catholic Church stands for and it claims the allegiance of over 1.3 billion people. The Vatican presides over the most successful institution of all

time. Zeus and Odin are dead. The Vestal Virgins who once pardoned Julius Caesar have vanished. The Catholic Church has taken their place and is still going strong.

Yet all is not well in “the world’s oldest multinational” whose CEO is supposed to be “Christ’s representative on Earth.” Ireland, where the Catholic Church once withstood the wrath of Oliver Cromwell, is straying from the fold. In a country where homosexuality was illegal until 1993, 62% voted in favor of legalizing gay marriage. This is the first time that such legalization has occurred via popular vote. The institution that jailed Galileo Galilei and burned Giordano Bruno is aghast.

Cardinal Pietro Parolin, the Vatican’s number two, declared that Ireland’s vote was “a defeat for humanity.” Parolin was “deeply saddened” by the result and believes it is time for the Catholic Church to “strengthen its commitment to evangelization.” Cardinal Raymond Leo Burke, the former head of the highest court at the Vatican, finds the Irish “defiance of God” incredible. Speaking at an event organized by the Newman Society of the University of Oxford, Burke declared the Irish vote to be more depraved than the practice of “pagans” who tolerated homosexual behaviors but never dared to say this was marriage. For Burke, homosexual marriage “is a work of deceit” and comes from Satan himself.

After years of cultural hegemony, the Catholic Church is losing ground in its own backyard. At stake are fundamental values such as marriage. Paragraph 1644 of the Catechism of the Catholic Church affirms the unity and indissolubility of marriage. As per paragraph 1652, the purpose of marriage is “the procreation and education of the offspring.” Most religious people from different faiths would agree, but few institutions have such legalistic and detailed definitions about how people should live. The institutionalization and homogenization enforced by the Catholic Church is now under threat.

In countries like Ireland, people are now more *laissez faire* about how to live. The purpose of marriage is now associated with companionship and love. Sex is increasingly considered a jolly good thing and is associated more with pleasure than with procreation. Besides, in an overcrowded world of over 7 billion people, finding a job and doing well in a career is tough. Women are increasingly doing better than men in school and desire sexual pleasures without the risk of impregnation. Men also want such pleasures without the responsibility of fatherhood.

Modern parenthood is more intentional. People lead busy lives and invest more in their children. Hence, they have fewer progeny so that they can give them greater attention, care and love. Moreover, parents no longer intend to abjure carnal pleasures when they cease to have children. Attitudes to sex are changing around the world. Truth be told, Burke might be onto something. Zeus, Odin and other pagan gods might be dead, but pagan values might be making a comeback in the land named after Europa.

Changing values in Old Christendom are causing convulsion in the Catholic Church. As *Der Spiegel* reports, Jorge Mario Bergoglio, the Argentine Jesuit better known as Pope Francis, is creating confusion in an institution run by old European men. Bergoglio comes from the land of the Perons and is the first non-European to be the CEO of the world's biggest, oldest and richest multinational. It is important to remember that Bergoglio is the big boss because over 50% of Catholics now live south of the equator, mainly in Latin America and Africa.

Bergoglio's actions indicate that he has been influenced or, in the words of his detractors, defiled by "liberation theology." This was popularized by Latin American Catholic priests who set out to interpret the "Christian faith out of the experience of the poor," and their critics labeled them as Christianized Marxists. Yet since the 1950s, many members of the Catholic Church in the land of the *conquistadors* have tried to deal with the poverty that ravages their land and are inspired by Jesus' rebellion against the status quo. Tellingly, Bergoglio has declared Óscar Arnulfo Romero y Galdámez, the former archbishop of San Salvador who was assassinated for speaking out against poverty, injustice and torture, to be a martyr. Romero, a pin-up hero of the Latin American left, is now an official saint of the Catholic Church.

To the discomfiture of many, Bergoglio is playing a far more political role than his predecessors. He has stressed upon the dignity of man and the right to work. For him, the current economic system excludes many from wages and bread. In Bergoglio's words, "such an economy kills." The Argentine has also negotiated a rapprochement between Cuba and the United States, described Turkey's actions against Armenians of the early 20<sup>th</sup> century as genocide and recognized Palestine as an independent state. Bergoglio is also cracking down on corruption and cliques inside the Catholic Church. He has taken on the closeted network of gay prelates and intriguing insiders in the aftermath of the Vatileaks scandal. The Curia, the top ranking officials of the Catholic Church, do not know what to make of this "barefoot pope" and fear that Bergoglio might be the Mikhail Gorbachev of their Kremlin-like state.

As Bergoglio seeks to reform an old institution, Sepp Blatter is fighting for continuity at a relatively new one. FIFA, the institution that governs football or what the Americans call soccer, is in trouble. The Justice Department of the United States indicted nine FIFA officials and five corporate executives for racketeering, conspiracy and corruption. Attorney General Loretta Lynch declared corruption in FIFA to be “rampant, systemic, and deep-rooted” and to span “at least two generations” of FIFA officials. As per the Justice Department, officials have taken over \$150 million in bribes and kickbacks.

Despite the scandal, Blatter, who has been in power since 1998 and is a sprightly 79, won a fifth consecutive term, defeating Prince Ali bin Hussein of Jordan. Europe and Latin America, the traditional powerhouses of football, voted against Blatter. Africa and Asia rallied to his defense. Blatter insinuated that he was a victim of an Anglo-American conspiracy because England lost its 2018 World Cup bid to Russia and the US lost its 2022 bid to Qatar. Russian President Vladimir Putin concurred.

Blatter is shady. FIFA is corrupt. Yet the rest of the world is not as outraged as the Brits or the Yanks because they believe that Blatter and Putin might have a point. Neither the UK, nor the US is trusted and regarded to have a reputation for probity. British Prime Minister David Cameron is seen as a “mendacious” Etonian who presides over a country that lives off the billions that the likes of Roman Abramovich steal from their native lands. The US is perceived to be an unjust land that locks up a third of its black men but fails to convict rich white bankers who rob billions. They suspect that Anglo-Saxon outrage over Blatter arises from pique and envy.

It is important to remember that Blatter has won or bought support in the emerging economies by supporting football in poor and underprivileged areas. The football association of Burundi has the same vote as that of England, the birthplace of football. In some ways, FIFA is more democratic than the United Nations because it does not give any one country’s association veto rights. However, just as decolonization has been messy and corrupt, the democratization of football has led to patronage and kickbacks. The fundamental problem in football is that there is too much money in too few hands. This means that those with wealth get what they want.

In England, the likes of Abramovich can buy the best coach and the finest players from around the world. In Brazil, corrupt officials and private companies conspired to ensure

that the 2014 World Cup cost an arm and a leg. In England, the Premier League is now the Roman Circus of the modern world and local players struggle to get a break in the face of overseas talent. In Brazil, taxpayers have been left with a staggering bill and local players have to leave for foreign shores to achieve their potential.

The truth is that football is run by cosseted elites. Those from emerging economies are Mafiosi who do not bother about the rules. Those from rich countries are slick crooks who hire expensive Harvard lawyers to work around the law or manipulate it. Blatter is smart enough to pit these two elites against each other and generate enough support to continue his reign. Ugly people run the beautiful game.



# **Freedom, That Infernally Problematic Thing**

*June 5, 2015*

*Living in any society involves a curtailment of liberty, but citizens in each era have to make informed choices about which freedoms to give up and why.*

This week, the US Congress passed the USA FREEDOM Act or, to use its complete name, “Uniting and Strengthening America by Fulfilling Rights and Ending Eavesdropping, Dragnet-Collection and Online Monitoring Act.” Written in convoluted legalese, this piece of legislation modifies existing legislation to establish a new process through which the US government can obtain business records to protect Americans against terrorism and to carry out intelligence activities. Representative Jim Sensenbrenner, who once sponsored the USA PATRIOT Act, was a co-sponsor of this new act. In his words, the purpose of the new act is “to rein in” the US government, which had exceeded the powers assigned to it by the USA PATRIOT Act.

Sensenbrenner is a Republican who represents Wisconsin's richest district. He went to a private high school and then graduated from Stanford, the uppity expensive school on the West Coast that has set out to rival Harvard. Sensenbrenner has been in the House of Representatives since 1978 and tried to impeach the philandering Bill Clinton for his dalliance with Monica Lewinsky. Needless to say, it is no surprise that the venerable Sensenbrenner was the man who introduced the USA PATRIOT Act in the Congress on October 23, 2001. What is surprising is that even Sensenbrenner was aghast by an "out of control" National Security Agency (NSA) that answers to President Barack Obama, a Democrat who once wanted to close down the infamous Guantanamo Bay Detention Camp.

The Justice Department blurb about the USA PATRIOT Act is that it is all about preserving the life and liberty of Americans by protecting them against terrorism. A full reading of this act reveals that it gives far too much power to the government without adequate legislative oversight or judicial review. It was drafted in the post-9/11 paranoia that gripped the United States. Not since the British burnt the White House on August 24, 1814, had the mainland of the US been attacked so spectacularly. Even Pearl Harbor happened a long way away. So, a hysterical overreaction was inevitable, but the fact that the act was repeatedly renewed without discussion or debate is frightening.

Parts of the USA PATRIOT Act, including the infamous section 215 that gave the NSA the power to collect phone records of millions of Americans, were due to expire on June 1, 2015. Mitch McConnell, the Senate Majority Leader, put senators under the gun by delaying the discussion on the USA PATRIOT Act to the last minute. He wanted them to vote for the act in its entirety. Senator Rand Paul killed this planned extension by attempting a filibuster, a procedure that allows legislators to delay or prevent a vote on a bill by giving unending speeches. Paul spoke for 10 hours and 31 minutes, claiming that this was a time when "fear and complacency allow power to accumulate and liberty and privacy to suffer."

Paul, who is running for president, is right about fear and complacency. Those in power are afraid and the voters don't care. John Oliver, the Englishman from humble roots who made it to Cambridge and has now become a cultural icon in the US, captured the complacency that Paul refers to in his inimitably witty show. As he pointed out, few Americans know about Edward Snowden, the man who created the brouhaha about the US government snooping on its own citizens by revealing NSA activities in

2013. News shows interrupt legislators discussing the infamous section 215 to feature Justin Bieber.

The fundamental issue here is liberty. This has always been a tricky idea. For instance, most of us have the freedom to listen to music. However, even in the most *laissez faire* societies, listening to loud music at 1am is not quite welcome. Living in any society involves some curtailment of freedom, even something as basic as listening to music. The state formalizes this implicit restraint on freedom through law. There are many arguments for curtailing individual freedoms. Those like Thomas Hobbes have a grim view of the world and believe that life is “nasty, brutish and short” in the absence absolute power in the hands of a sovereign. Executive authority forges order out of chaos. Such a view is particularly popular in places like Russia and Saudi Arabia.

Yet others with a more benign view of human nature believe that individuals can manage to live harmoniously together without the heavy hand of the state. The idea of liberty or freedom has been powerful enough to inspire people like Mahatma Gandhi and Nelson Mandela. In the words of Isiah Berlin, a great philosopher of the 20<sup>th</sup> century, freedom is a protean word with “more than two hundred senses of it recorded by historians of ideas.” It goes without saying that each era demands a fresh discussion on freedom because the changing nature of power raises new questions.

For instance, do mood experiments by Facebook constitute fetters on the freedom of their users? Most of the over 1.4 billion people from around the world who actively use Facebook are probably fine with the company’s use of their personal information. At some level, they know that they are putting billions into Mark Zuckerberg’s pockets. Yet have they agreed to be manipulated by Zuckerberg’s bright young things from elite American schools like Harvard? If they fail to read Facebook’s data policy, does that mean they have signed away their privacy and freedom to own their information? When Facebook’s expensive lawyers change its terms of use to increase the company’s profits, is that an intrusion on the freedom of the people who sign-up for Facebook?

Similar questions pertain to the NSA, which has access to records of emails, phone calls and all kinds of personal information. Does the NSA need a bulk collection of private data to protect US citizens? In fact, the bigger question pertains to what is it that comprised protecting US citizens and what the government can and cannot do. Jon Stewart, the sage in motley whom many Americans trust for their news, rightly

points out the ridiculous inconsistencies in American discourse. Extending health care is executive overreach, but spying on citizens is fine. Even as parts of the USA PATRIOT Act expired, the USA FREEDOM Act promptly renewed the expired parts with some token safeguards.

Paul's filibuster generated headlines but not debate. There are key questions that remain unanswered. What is the balance between liberty and security? What do the two words even mean today? Do the unalienable rights of "Life, Liberty and the pursuit of Happiness" imply access to a healthy life or just safety from a terrorist attack?

In Nigeria, such questions are staring Muhammadu Buhari, the newly elected president, in his face. An Amnesty International report found that the Nigerian military had detained 20,000 boys and men since 2009. Of these, 7,000 are dead. This means that of the 17,000 people killed in northeast Nigeria since 2009, the military is responsible for 41% of the deaths. The Nigerian military has claimed the report is "biased and concocted." It makes the same argument that the NSA does to avoid scrutiny and retains its powers. The military is merely operating to "save citizens from abuse of their rights by mindless terrorists." These are arguments that governments in countries like Russia, Egypt and Pakistan routinely parrot.

Governments have long sought greater powers to fight wars and defeat terrorists. During both World Wars, even democracies curtailed liberty significantly. In the US, 127,000 citizens of Japanese descent found themselves in concentration camps. They lost their property and possessions but, unlike the Jews in Nazi Germany, they largely escaped with their lives. The McCarthy era during the height of the Cold War is notorious for the US version of Soviet purges when many upstanding Americans were hounded out of their jobs. Those deemed ideologically suspect suddenly found their lives and livelihoods under threat. Seven years ago, the British government spuriously used anti-terrorist legislation to take over Icelandic bank assets at the height of the financial crisis.

Americans would do well to remember that King George III considered George Washington to be a terrorist and their government considered Nelson Mandela the same. Terrorism more often than not has political, social and economic roots. Addressing them takes time, energy and money. More importantly, it requires the kind of wisdom that Britain, Ireland and the US demonstrated when bringing peace to

Northern Ireland. It is high time for an honest conversation not only on liberty and security, but terrorism and war.



# Trade is Good, But Not for Everyone

*June 12, 2015*

*Not everyone wins in trade, and winners have to compensate losers who might end up selling sex or worse to survive.*

Adam Smith is the patron saint of the modern world economy. Venerated as the father of capitalism, he is little read and even less understood. In his view, man has a “propensity to truck, barter and exchange one thing for another.”

It seems Africans have taken Smith to heart, and this week 26 countries of what Europeans called the “Dark Continent” signed the Tripartite Free Trade Agreement (TFTA). The TFTA amalgamates the Southern African Development Community, the East African Community and the Common Market for Eastern and Southern Africa, three of Africa’s main trading blocs. Its ambitious goal is to create a \$1.2 billion free-trade area.

The 54 countries of Africa do not trade much with each other. Barely 10% of the total commerce of the continent is intra-African trade. Intra-Asian trade is 25% and intra-European Union trade is over 75%. *Mission civilisatrice* of the Europeans brought Christianity and railways to Africa, but new borders, rapacious exploitation and colonial bureaucracies destroyed age-old trading relationships and routes.

The post-independence strongmen of Africa were far too often tyrants who robbed, plundered and pillaged their people while seeking the patronage of either the United States or the Soviet Union. Trade did not really flower and employment was scarce.

Today, there is a new energy in Africa. Corruption continues to be endemic, parts of the continent are plagued by inter-tribal violence or insurgency infected now by a new religious fervor, and most elites are still plagued by an inferiority complex that makes them wear ridiculously religious suits under the blazing African sun.

Yet what then-British Prime Minister Harold Macmillan called “the wind of change” in 1960 is blowing through the continent. For all its ills, Africa has entrepreneurial energy. Many young Africans have a hunger to learn. Writers like Chimamanda Adichie are engaged in an endeavor to find Africa’s authentic cultural voice. Young Africans who leave for the United States or Europe now retain roots with native homelands, and many are returning back with new ideas, skills and ambitions. China is now playing a much bigger role in Africa, bringing new opportunities and challenges.

*The Economist* rightly points out that the TFTA does not set timelines and that the regional trading blocs have not managed to boost trade. Yet the fact that African leaders are starting to talk about boosting trade among each other is a good thing. The borders in Africa—as in the Middle East—are completely arbitrary and were brutally drawn up on the whim of European colonizers. If they cause less of a hindrance to “truck, barter and exchange,” then Africans would have more jobs and better lives.

Even as Africans opt for more trade, the US Congress has become suspicious of it. Despite a personal trip to Capitol Hill by US President Barack Obama, the House of Representatives voted against giving him fast track authority to conclude trade deals. Obama has been trying to push through the Trans-Pacific Partnership (TPP), the biggest trade deal in history. There are 12 nations involved in the deal: the US, Canada, Mexico, Chile, Peru, Australia, New Zealand, Japan, Malaysia, Vietnam, Singapore and Brunei. Promoting exports has been a top priority for Obama. The Republican leadership, the Chamber of Commerce and the National Association of Manufacturers support the president. It is his own party, including long-term allies like the still-powerful Nancy Pelosi, who have given Obama a bloody nose.

So, what is going on? The White House website claims that not only will the TPP create jobs for American workers, but it will also end human trafficking and forced labor. The TPP is also supposed to promote the rights of the lesbian, gay, bisexual and transgender community as well as, in the words of Obama, “make sure that the global economy’s rules aren’t written by countries like China; they’re written by the United

States of America.” From the sounds of it, only ignoramuses would oppose this win-win deal that will bring peace, prosperity and power to the US.

If something sounds too good to be true, then it is usually untrue. The reality is that the TPP is not what it is made out to be. The devil invariably lies in the details, and critics of the TPP are right in making the case that it is secretive, intrusive and scary. Senator Elizabeth Warren is calling for the TPP to be public so that people can have the same access to it that corporations have had so far.

The conflict over the TPP demonstrates that the United States is now a deeply divided society, with different groups developing increasingly divergent interests. For a company that is listed on the Dow Jones, a trade deal is a win-win. It can sell more abroad and earn more profits. This gives investors more returns and the management more compensation. Such a deal might give the company the opportunity to set up factories more easily in Vietnam or Malaysia. This would lower labor costs and provide more feather for investors and management to line their nests. Yet it might lead to people losing jobs and getting so demoralized that they stop searching for work altogether. When they do so, they fall out of the labor market and do not show up in the unemployment figures that look a lot healthier for the US than they really are.

Trade produces both winners and losers. Democrats are responding to the pressure of constituents who have seen jobs leave the country. Despite all the wealth in the US, one survey found that 62% of Americans had no emergency savings and could not afford a \$500 car repair. Naturally, a number of them distrust trade deals that might take jobs overseas. Obama and his bedfellows supporting the deal have yet to spell out how they will compensate losers. The trade deal might be a great thing for America, but it is certainly not great for all Americans. Obama, Republicans and big business have yet to honestly state which Americans will lose out from the TPP and how will they compensate them.

Trade at an individual level occurs when people have things they can exchange. If someone has bread and another person has wine, then both can barter bread with wine. This is the classic win-win that ends up with both individuals having bread and wine. When people have nothing, then they can exchange their time for food or wages. However, if there are too many poor people, then their labor is not worth much and may not be needed at all. In New York, the affluent need nannies, hairstylists, chefs, personal trainers and even dog trainers. In Haiti, there are too many poor people with too little to do.

The United Nations Office of Internal Oversight Services has found that hundreds of women in Haiti have been selling sex to its peacekeepers. Hunger and poverty make people desperate. Prostitution has been called the world's oldest profession and it tends to increase when women are in desperate situations. *Love on the Dole* captured how the Great Depression in the early 1930s caused women like Sally Hardcastle to sell their bodies for sex. Peacekeepers posted in areas wracked with conflict have been buying sex for a while using cash, jewelry, cellphones *et al.*

Some say this is a result of human nature and is bound to happen. Others argue that peacekeepers are meant to adhere to a higher standard. The moral unease with this purchase of sex is compounded because it is done by supposedly benevolent men with both guns and money in poor and hungry places. The gradual bureaucratization of the United Nations has dimmed both the idealism and the professionalism of those who serve under its flag. So, they are exploiting the vulnerable in the same way as pedophile priests. The fact that a third of the purported victims are children demonstrates that big institutions are inherently flawed beasts. The United Nations deserves as much scrutiny as the Catholic Church to ensure those invested with power do not abuse it.

In the lawless Indian state of Uttar Pradesh (UP), a journalist who dared to investigate a minister for corruption has been burned alive. Apparently, the police accompanied the henchmen of the minister and killed the journalist. The politicians who rule UP have long had a reputation for ruthlessness, but the dying man's accusation has horrified even this criminal region where rape, robbery and murder are a daily occurrence and the police are regarded as the biggest of all criminal gangs.

Turkish President Recep Tayyip Erdogan suffered a setback as his party failed to win a complete majority. Turkey is back to the days of coalition politics. Voters disliked the increasing authoritarianism of Erdogan, who is seen by many as a new-age sultan. In a historic development, Selahattin Demirtas, the witty Kurdish leader, managed to lead his party into parliament. By appealing to both Kurds and Turks, he garnered more than 10% of the votes cast, the threshold needed by a party to gain seats in parliament. Risks remain, but the election results are a positive development for Turkish democracy.



# Race, Refugees and Russia

*June 19, 2015*

*Children of empires bred on ideologies such as “the white man’s burden” are struggling to cope with a changing world and are unleashing violence on imagined enemies.*

On June 17, Dylann Storm Roof, a fanatical white supremacist, killed nine African Americans at the historic Emanuel African Methodist Episcopal Church in South Carolina. On Facebook, Roof’s profile photo showed him wearing two flags. One was the flag of apartheid-era South Africa and the other was that of white-ruled Rhodesia, a country now known as Zimbabwe. Among those who died was Clementa C. Pinckney, a pastor, a state senator and a promising black politician. US President Barack Obama rightly pointed out that “this type of mass violence does not happen in other advanced countries.”

Jon Stewart, the modern day sage in motley, is bang on the money when describing the terror inflicted on a daily basis by racism in the US. It is not “one guy losing his mind” in the land of former slave owners where the Confederate flag flies high. Roof killed black people in a state where Strom Thurmond ruled the roost not too long ago. This formidable politician opposed all civil rights legislation in the US Senate and abandoned the Democrats to become Republican on the passage of the Civil Rights Act of 1964. Like Roof, Thurmond supported segregation and opposed interracial dating. Thurmond himself led a double life and had sex with his 16-year-old family maid. The existence of the black daughter he fathered came to light only after his death.

To examine the tortured issue of race in the US and elsewhere, we have to go back to the age of empire. For the vast majority of the people on the planet, empire-building by the Portuguese, the Spaniards, the French, the Dutch and, above all, the English was a grim experience. In South America, the Spaniards blazed their guns to rob natives of their wealth and to impose their version of God through the Catholic Church. In North America, settlers from Britain stole land and slaughtered natives with a ferocity that exceeded that of the Spaniards. As a result, fewer natives survive north of the Rio Grande.

European empires began with good old fashioned theft, robbery and murder. This sort of thing tends to be uncomfortable. Human beings need to believe in something, whether it is *mission civilisatrice* or communism. Hence, right from the early days, the British, with their felicity for language, called piracy privateering. Soon, a more sophisticated system emerged. In India, the British imposed extortionate taxes and forced farmers to grow opium. This was exported to China in the name of free trade, and the Middle Kingdom was humiliated when it lost in the Opium Wars.

In the Caribbean and the Deep South, the system took on a slightly different form. First, the white settlers killed most of the natives. Then, they took over native lands to grow sugar and cotton. Since working on plantation was back breaking and the few natives left did not quite take to such work, the plantation owners imported slaves from Africa. For owners, slaves were mere chattel. Owners worked their slaves to the bone, and a third of them died within three years of their arrival. Cotton and sugar, the produce of slave labor, was shipped to England for the enjoyment of the upper-classes, a rising bourgeois and a working-class that was fast developing a taste for sugary tea.

This economic system was not terribly pleasant for the slaves. In Episode 4 of *BBC Empire*, Jeremy Paxman, a combative journalist and a Cambridge man, talks about Thomas Thistlewood, a slave owner in Jamaica. Thistlewood kept a diary and recorded the punishments he meted out to errant slaves. One slave was “well flogged and pickled” and another slave was made to shit in his mouth. A second slave was rubbed with molasses. Thereafter, he was exposed to flies all day and mosquitos all night. A third slave was washed and rubbed in salt pickled lime juice and bird pepper. Thereafter, another slave was made to piss in his eyes and mouth. For historians of the empire like Niall Ferguson, such collateral casualties in the march to modernization are entirely acceptable.

Perhaps even Ferguson might balk at nutmegging, the rape of female slaves. Like many other slave owners, Thistlewood was particularly fond of this practice and recorded 3,852 occasions when he personally indulged in it. Like a good plantation man, he offered female slaves to his guests as well, who too had a taste for nutmegging. In more recent times, rich white men like Thurmond enjoyed their maids more discreetly and sometimes even paid for the education of their illegitimate

children. So, it is somewhat ironic that Roof told the people he murdered in cold blood: “You rape our women and you’re taking over our country. And you have to go.”

Americans who watch Fox News often dismiss the horrors of slavery as irrelevant history. They argue that African Americans should get off their backsides, embrace family values and work harder. After all, the governor of South Carolina is an Indian woman and the president of the US is a black man. So, bringing up slavery, Jim Crow and segregation is simply playing the blame game and preying on “white guilt.” The fact that one out of three black men end up in jail is merely a reflection of their dark proclivities. The reality is that the criminalization of poverty, the focus on policing and investment in prisons have led to a new kind of apartheid that is primarily economic, but poor African Americans suffer disproportionately from it.

It is important to note that the economic turmoil in the US is also affecting working-class white men. Some like Roof are looking to blame someone. Fox News feeds a steady dribble of diatribe that excoriates the poor for sponging off welfare. Now, it is an unfortunate coincidence that the poor tend to be people with more melanin in their skin. Fox News also paints a specter of hordes of brown-skinned immigrants streaming up into the United States from Mexico. Its outraged television hosts tell their viewers that bearded Muslim men in caves and deserts are plotting to destroy the US. They want their country to man up and be an assertive superpower as in the good not-so-old days of President George W. Bush. These hosts foam at their mouths in rage at Obama and his liberal friends for selling US interests down the river.

Roof is part of an increasing number of young white men who are finding the pace and scale of change far too much to handle. They want easy answers and a clear ideology. Some who grow up in the Deep South are subconsciously if not consciously infected by the ideology of white supremacy embodied by the Confederate flag. An education system that fails to expose them to ideas or inspire them to question hobbles their future. They find it hard to get jobs in an economy of patrons and baristas. When their self-worth is threatened, they succumb to addiction or fanaticism. Crumbling families and collapsing communities mean they have little support when they hit a downward spiral. A vituperative media and the Internet foster a siege mentality. Purchasing guns is as easy as buying coffee. So, pulling the trigger on the black *untermensch* can take place easily.

Even as the benighted white children of the European empires look back to the slavery days with nostalgia, the Russian empire is rearming again. At the end of the World War I, the Austro-Hungarian and Ottoman Empires collapsed. After World War II, other European empires ended. In 1989, the Soviet Union started crumbling. That process has continued and, as Ukraine looks West, Russian President Vladimir Putin, a former KGB colonel and modern day Tsar, is fighting a rearguard action to retain influence. Even as the US increased its military presence in eastern Europe, Putin declared that Russia will put more than 40 new intercontinental ballistic missiles into service in 2015.

Putin is upping the ante in a game of high stakes poker. Russia may be broke, but it can still needle cushy Europeans and war-weary Americans. To play poker at the top table, Russia is renting vast tracts of land to the Chinese in Siberia. Russia and China have had rollercoaster relations over the past few decades. Yet they have been inching closer of late. In 2010, the first pipeline between Russia and China was built. In 2014, the two countries signed a 30-year gas deal worth \$400 billion.

Finally, the United Nations High Commissioner for Refugees (UNHCR) announced that “wars, conflict and persecution have forced more people than at any other time since records began to flee their homes and seek refuge and safety elsewhere.” As the states created by empires collapse, angry young men like Roof seek scapegoats. Messianic leaders, warlords and toxic ideologies can seduce them. Race, religion, ethnicity *et al* create an explosive cocktail that leaves a trail of destruction in its wake. Richer societies are aging and do not want to bear the burden of supporting refugees. Poorer societies are already under strain, and an influx of large numbers of desperate people is pushing them to their limits.

The rise in refugees raises many questions about the global political and economic system. There are no easy answers, but disengaging with questions is no longer an option. It is time for the Facebook generation to look beyond its Uber lives and Starbucks experiences to recognize realities that stare humanity in the face.



# Terror Hits Tunisia, Kuwait and France

*June 27, 2015*

*Terrorist attacks, economic crises and two judgments by the US Supreme Court have far-reaching implications that might turn out to be historic.*

Ramadan is the ninth month of the Islamic calendar when Muslims are supposed to fast, pray and lead pure lives. This year, on June 26, tragic attacks took place on the same day of this holy month in Tunisia, Kuwait and France.

In Tunisia, 39 people died in an attack on Imperial Marhaba Hotel in Sousse, “a palm-flecked town on the northeast Tunisian coast,” home to vacationing European tourists. In Kuwait, the Imam Sadiq Mosque was targeted when more than 2,000 Shiite worshippers were kneeling down to pray, leaving at least 27 dead and more than 300 injured. In France, a US-owned gas and chemicals company near Lyon was attacked. Although only two people died in an explosion there, a decapitated head was found on the railings of the factory site.

The Islamic State (IS) has claimed credit for the Tunisian attack. Now, foreigners are fleeing the country, which will suffer immensely because over 15.2% of its gross domestic product (GDP) relies on tourism. This sector generates an estimated 473,000 jobs, 13.8% of the total employment.

Tunisia is the great hope of the Arab world. This is the country where the Arab Uprisings began. It has managed a relatively peaceful transition to democracy, even as neighboring Libya has imploded into civil war and Egypt has slipped back into tyrannical military rule. The Islamic State attack is a major setback for Tunisia because life itself is perceived to be under threat.

In the aftermath of the terrorist attacks, Tunisian Prime Minister Habib al-Essid declared that 80 mosques not controlled by the state would be closed down because they were purportedly inciting violence.

Tunisians could do well to remember that overreaction is unwise. During Easter 1916, some Irish nationalists launched an innocuous rebellion that was scarcely a threat to the grand British Empire. However, this was the height of World War I and the British were on an edge. Their draconian repression in Ireland made martyrs out of the dead and fueled a fervor that eventually led to Irish independence. The far more recent US overreaction to the 9/11 attacks has led to damaging consequences.

Tunisia's *en masse* closing down of mosques is a knee-jerk reaction. More importantly, they are an unreasonable restraint on the liberty of belief, faith and worship of Tunisian citizens.

An Islamic State affiliate has claimed credit for the attack in Kuwait. This tiny oil-rich state, ruled by the Sunni al-Sabah family, is sandwiched between Iraq and Saudi Arabia. The US State Department estimates that 30-35% of Kuwaitis are Shiite. They are underrepresented in government and resent being less than equal in a political system not renowned for its fairness. Kuwait's ruling family is in the throes of corruption scandals and is reportedly feuding for power. As Shiite-dominated Iraq is moving closer to Iran, Kuwait is drifting toward Saudi Arabia. The Shiite-Sunni sectarian schism that is blighting the Middle East is playing out in every country, and Kuwait is no exception.

The IS attack has put the ruling al-Sabah family in a bind. Either it defends the Shiites to stabilize Kuwait, or it persists with the anti-Shiite Wahhabist doctrine that it formally adheres to and promotes in its schools. As mentioned in a previous *The World This Week*, this is the Middle East's version of the Thirty Years' War.

Earlier this year, the *Charlie Hebdo* killings shook France. The recent attack has rattled the country. Modern sensibilities are particularly susceptible to beheadings, and the days of the *guillotine* are long gone in *la grande nation*. French President François Hollande held a second emergency defense council meeting and declared afterward: "It's difficult for a society to live for years under the threat of attack. The question is not if there will be another attack ... but when." He is right.

Thanks to its history of rebellions and revolutions, France has a legendary intelligence apparatus. After the *Charlie Hebdo* attacks in January, the French government promised to pour in billions of euros to beef up its intelligence and counter jihadist

ideology. It even began a de-radicalization scheme that involves online anti-jihadist material and improved training for imams. Yet jihadist ideology is seducing disaffected youths in France's wretched *banlieues*. *Pourquoi?*

Well, part of the answer is the economy. French unemployment reached a record high in the last quarter of 2014. This figure of over 10% is misleading, because it is a percentage of "active population" and the numbers of the active have dropped alarmingly. Among disaffected Muslim minorities living in terrible ghettos, jobs are few and pay little.

Yet there is something more brewing. The French are notoriously racist and treat minorities shamefully. Resentment is a toxic brew and makes young French Muslims susceptible to the charms of violent jihad.

French economic woes are miniscule when compared to the Greek ones, where the debt crisis has reached a flashpoint. By June 30, Greece has to pay €1.6 billion to the International Monetary Fund (IMF). It needs a new bailout to pay back an earlier bailout. The myth of the inviolability of creditor rights is leading to a circular repayment situation that defies logic. Instead of writing off some debt and taking a haircut, creditors want to lend yet more money to Greece on the fictional basis that it will all one day be repaid.

The creditors led by Germany demand austerity and fiscal reforms. They propose deregulation of the labor market, pension cuts and further reductions in public sector wages. They also want an increase in value-added tax on food, restaurants and tourism, and the elimination of tax breaks of the Greek islands. The Greeks have made concessions but want leniency, particularly in light of the fact that Syriza was voted in to lighten the weight of debt crushing the country. This anti-austerity party won power in a protest vote in Greece and has openly Marxist leanings.

Negotiations have put Greek Prime Minister Alexis Tsipras between a rock and a hard place. If he gives in to creditors, his supporters will view him as Judas. If he cocks a snook at eurozone and IMF bigwigs, a Greek default might lead to an exit from the euro and economic collapse. To remove his head from the chopping block, Tsipras has announced a referendum on July 5 so the Greek people themselves can make "a worthy decision" for future generations, for Greek history, for the country's sovereignty and dignity.

In an act of breathtaking arrogance, eurozone finance ministers have rejected Tsipras' request to extend the bailout program beyond June 30. Tsipras and his colleagues have not been the most adroit of negotiators. They have been guilty of many a *faux pas* such as skipping post-negotiation dinners with their creditors. Yet they are right to opt for a referendum. It is the only option for Syriza because they are being asked to go against what they campaigned for in the land of the fabled Athenian democracy. By their irresponsible intransigence, eurozone leaders are playing footsie with the euro and the destiny of the European project.

Even as Europe totters, the Chinese are feeling the tremors. Stocks sank in Shanghai on June 26. The Chinese have long feared three things. First, they worry about the bursting of a real estate bubble that has resulted in ghost cities. Second, they are uneasy about bad debts on the books of their banks. Many of these debts are owed by zombie construction companies. Third, they fear that the end of the yearlong debt-fueled stock market rally might spill over into the wider Chinese economy.

Even as top American and Chinese officials engaged in powwows during the US-China Strategic and Economic Dialogue in Washington DC, the Chinese worried more about their economy. To reassure everyone, Premier Li Keqiang declared that "China had the ability to maintain growth at a medium-high speed and upgrade the economy to a medium-high level." Also, the central bank announced a targeted cut of the reserved requirement ratio as well as 2015's third reduction of the one-year deposit and lending rates beginning June 28 to boost the economy.

For once, it is not the economy that is on top of Uncle Sam's mind. A Supreme Court, where five out of nine justices are Republican appointees, handed down two rulings that have delighted US President Barack Obama, Democrats and liberals. First, Obama's health care legislation that allows the federal government to dole out nationwide tax subsidies for poor and middle-class people so they can buy health insurance has been upheld in a 6-3 ruling. The richest and fattest country in the world spends an obscene 17.1% of its nearly \$17 trillion GDP on health care but still fails to provide health care to millions. The justices have blessed Obama's health care reform to make the United States a kinder and gentler nation.

Second, in a 5-4 judgment, the justices have made same-sex marriage legal in all 50 states of the US. Justice Anthony Kennedy declared that the plaintiffs asked "for equal

dignity in the eyes of the law. The Constitution grants them that right.” Ironically, Kennedy is a Ronald Reagan appointee and this has left many Republicans apoplectic.

Justice Antonin Scalia, a fellow Catholic and colleague, damned the judgment as a “judicial Putsch” and “a threat to democracy.” Scalia is being hyperbolic but has a point. The US would have been better off if this measure had been implemented via a referendum as in Ireland, the land of Kennedy’s roots. As Chief Justice John Roberts points out, social policy is best determined by legislatures and not judges. Yet leaving aside constitutional and philosophical musings, Obama is right when he says that this judgment “is a big step in our march toward equality.”



## **Greek Crisis Marks End of Debt Era**

*July 4, 2015*

*The Greek debt crisis signals the beginning of the end of the current debt-fueled global financial system.*

Once upon a time, a Greek named Aristotle purportedly wrote a treatise called *Economics*. This title literally means “household management” and is derived from *οἶκος*, which means household. This work deals with issues like private property, duties of a wife and management of slaves. It describes different kinds of economies, but states that all of them have one principle in common: income must exceed expenditure.

The modern world economy has come a long way from the days of Aristotle. The world is awash with debt. The national debt of the US is now over \$18 trillion, while its gross domestic product (GDP) is a touch short of \$17.5 trillion. The total debts of Italy and Portugal hover around 130% of their GDPs. The comparable figure for Spain is 93.9% and for France is 97.5%, which has debts totaling \$2.3 trillion. Greece is only the most extreme example of a pervasive global phenomenon. Its debts total \$367 billion, 180%

of its GDP. With aging populations, chronic unemployment and anemic growth in all these countries, these debts are not payable. With the Greek crisis, the chickens have come home to roost.

As with most crises, there is a back story. During the 1990s, Greece spent more than it earned. Budget deficits were high and so was inflation. When the euro was launched in 1999, Greece was not invited to the club. In 2001, it was let in but only after a tough austerity program that included deep cuts in public spending. Yet this austerity was not enough. Many publicly fretted that Greece had been let in despite failing to meet the Maastricht criteria—the membership conditions for the euro.

Truth be told, Greece was only emulating Italy. This land of Luca Pacioli, the man who first recorded the system of double-entry bookkeeping, used Goldman Sachs to hide its debt. *Voilà*, it sailed smoothly into the euro in 1999 itself. Two years later, Greece did the same and again Goldman Sachs duly obliged, indubitably for a fat fee. The Italian and Greek shenanigans epitomize the fundamental problem with modern finance. The system is too convoluted, frighteningly opaque and compulsively shortsighted. It is creating growing mountains of debt that can never be paid back.

Because of the Greek debt crisis, the euro project is now in question. The project was conceived by Jacques Delors, the big boss of the European Commission (EC) from 1985-95. He pushed through the internal market and the Economic and Monetary Union (EMU). The culmination of his work was the Maastricht Treaty, which led to the creation of the euro. Delors was a French socialist who was incongruously Catholic and at odds with the secular French tradition of *laïcité*, which imposes a strict separation of church and state. His idea of one currency for all of Europe was in some ways a Catholic idea. It was based on the premise that one set of agreed principles would usher in an era of peace, prosperity and harmony. That premise has proved false.

Delors went too far in pushing through the euro. The truth is that there is little in common with a tourist paradise like Greece and an industrial giant like Germany. Europeans point out that financial and liberal New York has little in common with agricultural and Confederate-flag-waving Mississippi, but they forget that New Yorkers are happy to subsidize their southern cousins. Are the Germans and the Dutch happy to support the Italians and the Greeks similarly? This is the multibillion dollar question.

Then there is another key question. What is the right interest rate for this motley group of countries with one currency? When the euro first came into being, the German economy suffered greatly. With classic British *schadenfreude* at the expense of their great rivals, *The Economist* dubbed Germany “the sick man of the euro.” Then, the country had recently reunited with its formerly communist eastern part and the costs of doing so were staggering. The interest rates set by the European Central Bank (ECB) were higher than what Germany would have set for itself. Yet these very same interest rates were too low for countries like Spain and Greece that started living off cheap debt and property bubbles.

For some time now, the interest rates set by the ECB have been too low for Germany. It has huge exports earnings and large savings. Hence, German banks have been chasing higher returns. They invested in the supposedly safe subprime market in the US where fancy derivatives were hiding dud loans made to people without incomes and jobs. They also invested in Spanish, Portuguese, Italian and Greek debt. The 2008 crisis shattered the status quo. The crisis began with the unraveling of US banks and turned into a panic regarding sovereign debt in 2009.

Greece was the worst affected of all European nations. The EC and the ECB decided to bailout the country and were joined by the International Monetary Fund (IMF), a de facto European club. Instead of admitting that Greece had taken on debts that it could never repay, the troika decided to kick the can down the road and maintain the illusion of the inviolability of creditors’ rights.

These creditors were largely French and German banks. As Karl Otto Pöhl, a former head of the Bundesbank, bluntly points out, the 2010 bailout “was about protecting German banks, but especially the French banks, from debt write offs.” He recommended slashing Greek debt by a third but was ignored by the powers that be. The 2010 bailout was followed by an encore in 2012. In both bailouts, European leaders were throwing good money after bad. Finally, even the IMF has accepted Greece’s debt dynamics to be “unsustainable.”

Syriza was elected because the Greeks were fed up with austerity. Greece’s unemployment rate is the highest in Europe at 25.6% and youth unemployment stands at nearly 50%. Syriza promised an end to the failed economic policies of the past. Needless to say, the new government is inexperienced and has handled the country’s creditors maladroitly. However, the creditors themselves have been breathtakingly

arrogant. They asked Syriza to go back on its electoral promises and commit *hara-kiri*. Syriza was left with no option but to call for a referendum. Regardless of the result, this turn of events marks the end of the era of debt.

The Greek debt crisis is about to go global. First, other European countries are bound to be affected. Even France, *la grande nation*, will eventually come under pressure. Second, even states and cities will face pressure. Already, Puerto Rico's government has declared that it cannot pay its \$73 billion debt. In fact, all government-backed debt from sovereign to municipal bonds will come under pressure. Third, the US and China will eventually face a debt crisis too. The crisis is global and about to amplify.

The ballooning of debt is the biggest challenge facing the world economy. To stave off economic collapse, governments bailed out American and European banks. Central banks then released a torrent of money into the system by lowering interest rates and using quantitative easing, emulating the Bank of Japan. Those who own assets became richer, exacerbating already terrible inequality. Governments support creditors to boost economic confidence, while home owners in the US and ordinary citizens are fed to the dogs.

There is certainly a glut of savings in some parts of the world. China and Germany are awash with capital and are looking to park their money in assets that give them higher return. Yet there are limits to returns in a world awash with capital. The Chinese bubble in real estate and stocks has burst. Yet China is putting more money into its economy. It has made a fourth cut in interest rates since November and has reduced reserve requirements for banks, so they can continue lending. China has also lowered transaction fees and relaxed collateral rules on borrowing to fund share purchases. This is debt-fueled madness.

Like all parties, the Chinese one is coming to an end and stocks have lost nearly 25% of their value since the middle of June. Hence, Chinese money is flocking to the US in search of a safe harbor. Chinese buyers are now purchasing houses in California without even looking at them. China continues to fund US debt and shudders in horror as quantitative easing dilutes the value of its reserves. Unlike smaller countries like Greece, the US will never face default. It has the unique luxury of diluting its debt by simply printing more dollars. As the superpower in-charge of the world's reserve currency, it can live off debt a little longer. It offers the greatest security to investors in an uncertain world. Yet the music will one day stop playing even for the US.

Once, Christianity and Islam enforced a ban on usury. This measure was aimed to protect the poor from creditors wanting their Shylock's pound of flesh at a time of incredible inequality. A new era of inequality has now dawned. Some own too much, while others have little. And debtors cannot afford to pay back their debts. So, loaning more money to debtors in the manner of the EC, ECB and the IMF is little more than a Ponzi scheme to prop up a failed system. As Greek Finance Minister Yanis Varoufakis points out in a lecture of breathtaking brilliance in Berlin, this has to stop.

Finally, creditors could do well to remember that there are precedents for restructuring debt. In the case of private sector, the Chapter 11 bankruptcy protection in the US gives companies a chance to nurse themselves back to profitability. No less a corporation than General Motors went through this exercise in 2009. Even for nations, debts have been restructured on multiple occasions. After World War I, US creditors were hard-line in their demands on Germany leading to hyperinflation, financial collapse and the rise of Nazism. After World War II, the same creditors acted more wisely and consensual debt relief led to the rise of Germany.

The choice the world faces is simple. Either it continues to persist with the fiction that all debts can be repaid and keeps issuing new debts to pay back old debts while stimulating the economy with all kinds of ridiculous measures. Or it accepts realities of the day and restructures debt before another age of chaos engulfs the planet.



# **Chinese Stocks Dive and Refugees Rise**

*July 11, 2015*

*Crashing Chinese markets, the Greek debt saga, protracted conflicts and a refugee crisis are causing anxiety worldwide.*

Even as the Greek debt crisis continues, Chinese stocks have dived to new depths. On July 7, trading in over 90% of the 2,774 shares listed on China's exchanges was suspended. Share prices have fallen by a third in less than a month and \$3.5 trillion of wealth has been wiped out as a result. To put matters in perspective, Greek debts total a mere \$367 billion.

The Chinese government has taken drastic measures to halt the slide. It banned major investors from selling shares and ordered some big players to buy them. It also prohibited short-selling, the practice of borrowing shares and selling them in the hope of buying them back at a cheaper price. Authorities also suspended initial public offerings. In addition, they injected a huge amount of cash into the market through market lending.

In a throwback to the days of the Great Depression, many Chinese men and women have been borrowing to buy shares. Authorities worry that the stock market crisis may spill over into the wider economy. Their efforts did seem to have some effect, with Chinese shares achieving their biggest two-day gain since 2008. Fidelity Investments, which manages more than \$2 trillion, declared that "the worst is over" and that it is now time to buy Chinese shares.

Despite all the government action, the Chinese economy is in trouble. China's bold fiscal expansion after the 2008 crisis stemmed an economic meltdown but fueled a massive real estate bubble. Property firms took on large debts from banks to construct huge housing projects. Local governments created financing vehicles to fund massive construction projects such as airports, stadiums and ports that they did not really need. The government views the stock markets as a way for companies to raise money directly from the public instead of borrowing from the banks. However, the people themselves have borrowed from the banks, short circuiting the grand design of their leaders.

China's leaders are in a bind. If they do not prop up their stock markets, many retail investors will be crushed by debts they cannot pay back. This might cause social instability and lead to protests. However, if they keep propping up markets, then they are serving champagne to keep a party going when everyone has drunk a touch too much. This will certainly cause a hangover.

The truth is that China's financial system is unhealthy. The Chinese are still a nation of savers. Yet banks offer a miserably low rate of return on deposits. This financial repression allows companies and individuals to borrow cheaply. So, risk takers borrow from banks and invest in real estate or stocks for quick gains. Their operating assumption is that the government will step in if things go bad. This assumption distorts incentives, amplifies bubbles and transfers risks to the taxpayer.

At some point, China has to put an end to the borrowing mania that has gripped the country. Chinese debts have quadrupled since 2007. They have risen from \$7 trillion in 2007 to \$28 trillion in 2014. This cannot continue *ad infinitum*. China has to reform its banks. They need professional management, market discipline and autonomy. Eventually, the Chinese have to write-off their bad debts instead of doling out more debts to keep bubbles going.

As the Chinese ponder their debt problem, Europe is painfully lurching through its debt crisis. The Greek government kicked out Yanis Varoufakis, its charismatic finance minister. Prime Minister Alexis Tsipras then submitted a new proposal that includes much of what Greece's creditors want. He is wrangling for a new three-year bailout amount of €53.5 billion, about \$59 billion. The French support the proposal and even the International Monetary Fund (IMF) is talking about debt relief.

Yet the crisis continues. Greek banks are insolvent. So, the bailout amount will exceed \$59 billion. Will the likes of the Dutch, the Finns and the Slovaks cough up the cash? More importantly, what will the Germans do?

Many in Germany believe the euro is an albatross around their neck. Instead of throwing good money after bad, some would prefer Grexit: Greece leaving the euro. The indecisive German Chancellor Angela Merkel will finally have to make a tough decision.

As economic woes hit China and Europe, Burundi is on the edge of bloodshed again. President Pierre Nkurunziza has decided to emulate other African strong men and defy the constitution by seeking a third term. Security forces and Nkurunziza's cronies are attacking his critics. The United Nations human rights chief has warned that an "explosion of violence" is imminent.

In Egypt, Nigeria and Yemen, bloodshed continues. The Italian Consulate was bombed in Cairo on July 11. Boko Haram, the infamous Nigerian Islamist insurgent group, has been on a rampage again, slaughtering 225 people in the last two weeks. Hundreds of civilians have been killed by Saudi Arabia in airstrikes as it tries to crush Shiite Houthi rebels south of its borders in Yemen.

Bloodshed is increasing the number of refugees. Due to the civil war, 4 million Syrians have fled the country. Of these, 1.8 million are in Turkey, 1.1 million in Lebanon, 630,000 in Jordan, 250,000 in Iraq and 130,000 in Egypt. Another 7.6 million have been displaced within Syria itself. Many live in abject poverty and are increasingly desperate. Some refugees are traveling all the way to Europe. About 1,000 of them, largely from Africa and the Middle East, arrive daily in Greek islands. So far in 2015, 77,100 refugees have already entered Greece. More will keep coming throughout the rest of the year, straining the already stretched fabric of Greek society. Other European societies face a similar challenge and have to guard against the rise of anti-immigrant sentiment.



## **Good Iran Deal, Bad Greece Deal**

*July 18, 2015*

*Obama deserves kudos for the nuclear deal with Iran and for his plans to reform the US criminal justice system.*

After protracted negotiations, the big powers have concluded a nuclear deal with Iran. The United States, Britain, France, China, Russia and Germany—together known as the P5+1—announced that they have reached an agreement “that will verifiably prevent Iran from acquiring a nuclear weapon and ensure that Iran’s nuclear program will be exclusively peaceful going forward.”

The White House claims the nuclear deal “will cut off all of Iran’s potential pathways to a bomb.” While US President Barack Obama spells out much detail about how the deal will work, he is understandably silent about why he pushed so hard for this agreement.

Once upon a time, Iran was a vassal state run by a pliant Shah Mohammed Reza Pahlavi, who was installed in Tehran in 1953 by none other than the Central Intelligence Agency (CIA). The first democratically elected government of Iran was deposed summarily. Its demand for a fairer share of oil revenues from the Anglo-Iranian Oil Company was contemptuously ignored.

Pahlavi's oppression, brutality, corruption, incompetence and extravagance meant that revolution was only a matter of time. When it eventually came in 1979, Pahlavi, rightly derided as "the suitcase monarch," fled the country. Ayatollah Ruhollah Khomeini, who claimed to be a descendant of Prophet Muhammad, captured power and Uncle Sam became the Great Satan.

Much water has flowed under the bridge since 1979. Power has softened the Shiite *mullahs* who rule Iran. Over 50% of Iran's nearly 80 million people are under 30. They want jobs and better lives. The *mullahs* have been under immense pressure to make a deal with the P5+1 to boost their economy.

Under Obama, the US has come a long way since the Cold War days. Rapprochement with Cuba is already a *fait accompli*. Reconciliation with Iran is the logical next step for a president seeking to leave a legacy.

Obama has accepted what has long been an open secret in intelligence circles. Meir Dagan, Israel's former spy boss from 2002-11, has declared that a military strike on Iran's nuclear installations is "a stupid idea," and this Mossad man contends that Israel's hawkish leaders lack judgment. Michael Hayden, the boss of the CIA under US President George W. Bush from 2006-09, agrees with Dagan and states that his organization concluded that attacking Iran was "a bad idea."

Since war is not an option, it makes little sense to maintain hostility through continued sanctions. The Middle East is going through its version of the Thirty Years' War. The Islamic State (IS) has unleashed fanatical violence and intolerance that has swept through the region. The US has worked tacitly with Iran-backed Shiite militias to push back IS in Iraq. The so-called democracy that Bush and his neoconservative cronies imposed on Iraq has led to a Shiite-dominated government in Baghdad that is closer to Tehran than to Washington. To deal with Iraq, the US now has to deal with Iran.

Furthermore, the US is increasingly worried about the rise of China. Obama's Asia Pivot has failed in no small part due to the fact that the US is still far too embroiled in the Middle East. Its military is weary and its veterans traumatized. There are also major problems at home. Budget deficits, increasing inequality, failing schools, crumbling infrastructure and rotting jails are real limits to American power.

Obama has demonstrated great courage in reaching out to Iran. His enemies, such as fanatical Republican Senator Tom Cotton and Israeli Prime Minister Binyamin Netanyahu, are already jumping up and down in woolen underwear to denounce the deal. Yet there is simply no alternative. Russia and China have already started doing business with Iran. The Germans and the British do not want to be left behind. Non-P5+1 powers such as India are itching to increase their trade with Iran as well. The era of American exceptionalism is over and it is to Obama's great credit that, by putting his name to the nuclear deal, he has recognized this fact.

This week, Obama set out what the BBC called "sweeping reforms to the US criminal justice system." He wants an end to mass incarceration that makes the entire country worse off. To drive home his point, Obama became the first sitting president to visit a federal prison. In a country where one in three African American males ends up in jail, this presidential visit is of historic significance. Obama has thrown the gauntlet to the failed puritanical policies of Ronald Reagan and Bill Clinton by arguing for more humanity, proportionality and common sense when dealing with crime.

Even as Obama has demonstrated courage, European leaders have behaved with pusillanimity, dogmatism and denial in dealing with the Greek crisis. They will give Greece another €86 billion (\$93 billion) bailout on the fictional assumption that the Greek economy will miraculously grow to pay back its debts. Yet they are imposing greater financial austerity on Greece at a time when its economy is contracting and forcing fire sales of the country's assets when confidence has tanked. Yanis Varoufakis, the former Greek finance minister, is right to proclaim that the deal will fail. Even the International Monetary Fund (IMF) has declared the deal is not viable and there is no alternative to substantial debt relief. The era of debt has come to an end, but the Europeans led by intransigent Germans are refusing to see the writing on the wall.

In China, authorities have unleashed heavy artillery to stem the collapse of confidence in the stock market. They put \$483 billion into the market to avoid the souring of loans

backed by equities. The Chinese are caught in a bind. They know that shares are overvalued in a slowing Chinese economy and this asset price bubble has to burst. However, they are well-aware that panic will wreck their financial system and derail the economy. So, they are desperately trying to buoy an overvalued market for now in the hope that the bubble will deflate gently, with a whimper instead of a bang. To use a Chinese proverb, the Middle Kingdom faces interesting times indeed.



# Entrepreneurship in the Air and Africa on the Move

*July 25, 2015*

*Entrepreneurship can transform emerging economies, but governments still have a role to play.*

Adam Smith, a professor of moral philosophy who practiced his craft in the Scotland of Enlightenment, would probably be pleased this week. For the first time, the Global Entrepreneurship Summit (GES) was held in sub-Saharan Africa and US President Barack Obama turned up to kick off the show. “Africa is on the move,” declared the president, who has Kenyan roots and paid obeisance to Smith’s idea that humans have “the propensity to truck, barter and exchange.”

Smith, a Presbyterian Scot, threw the gauntlet to Catholic mercantilists by declaring that the wealth of a land lay not in its gold and silver, but in the productive capacity of its people. He saw trade as a win-win with the butcher, the brewer and the baker focusing on their crafts and then exchanging the fruits of their efforts, thereby allowing each to consume more meat, whiskey and bread. Africa, a continent blighted by the legacy of imperialism and the death kiss of bureaucratic socialism, is starting to embrace Smith and usher in a new zeitgeist.

At the GES in Kenya, Obama declared that his administration had provided over \$1 billion of support to entrepreneurs around the world over the last year. This is less than a drop in the ocean when the total world economy is valued at over \$77 trillion. Yet it is a start, and this week's GES is significant for three reasons.

First, it sets out a new economic paradigm for Africa. By 2050, Africa's population will double and reach nearly 2 billion. In the next 15 years, 370 million youth will enter the job market. There is no way that governments or even big business can employ such numbers. There are limits to the number of bureaucrats, soldiers and peons that the African tax payer can fund. Besides, African governments are better off investing their money in education and infrastructure. Even building ports and railways is unlikely to create enough jobs. Eventually, it is only new small and medium-sized enterprises (SME) that will employ young Africans. Hence, a key contribution of the GES is that it makes entrepreneurship "cool" for both young Africans and their leaders.

Second, the GES recognizes the economic potential and entrepreneurial energy of Africa. In popular imagination, Silicon Valley is the Mecca of entrepreneurship. It has geniuses like Steve Jobs and Elon Musk reimagining the world. Bold venture capitalists take big bets on them, and armies of engineers march together to transform the planet. The reality is a little different to the romance. Silicon Valley has turned bourgeois in more ways than one. The Facebook generation far too often focuses on its rich world problems and does not give a damn about the fact that more than 750 million people on the planet lack access to safe water. In fact, most people in Silicon Valley are now working for big companies such as Apple, Google and Facebook, while people in many parts of the poorer world have no option but to hustle. Hardly anyone in Silicon Valley struggles like women entrepreneurs in Lesotho who rear poultry and pigs to make a living. This is a far more riveting story than yet another iPhone app.

Survival in many poor countries is an incredibly entrepreneurial affair. Slums in Asia, Africa and Latin America tend to be bustling with initiatives and communities from barber shops to childcare centers. Tapping this energy and providing an institutional support system for entrepreneurs to thrive is the big challenge for these countries. Some experiments such as rainwater harvesting, microcredits to women and chronicling local innovations have been successful. These have to be replicated and multiplied.

Third, as Obama pointed out, governments still matter. Corruption blights possibilities for individuals and economies. If entrepreneurs have to spend half their day running from pillar to post to get approvals and bribe functionaries to get started, they waste time and energy. Starting something is hard. Corruption often makes it daunting. The worst aspect of this phenomenon is that governments end up robbing their people instead of building schools, hospitals and roads.

Entrepreneurship in emerging economies would get a great shot in the arm with some simple reforms. For instance, investing in schools and slashing red tape would be a good start. Figuring out how to clean garbage would help too. The Lebanese are descendants of Phoenicians and legendary entrepreneurs. Yet the residents of Beirut are drowning in an ocean of trash. In India, 80% of sewage flows into India's rivers, damaging the health and endangering the lives of hundreds of millions. Many of these are farmers and fishermen who are going out of business and having to flee to urban slums. While entrepreneurship is empowering, there are certain things that require collective action. Making laws, providing schooling and cleaning cities or rivers are things only governments can do and have to do.

Speaking of laws, US Senators ended restrictions on Americans traveling to Cuba and eased trade barriers. Obama's bold rapprochement with Cuba seems to be attracting bipartisan support. Many Americans want to go diving in the coral reefs of Cuba, soak up the romantic ambience of Havana and sell stuff to their neighbors. Already, Oklahoma and Nebraska are gleefully eyeing a new market for their wheat.

Finally, the Islamic State (IS) conducted a ghastly attack in Suruc, a town in Turkey where young Kurdish activists were meeting to discuss the reconstruction of Kobane across the Turkey-Syria border. Earlier this year, Kurdish forces drove back IS from Kobane as Turkish tanks silently looked on. All that the Turks did was remove the Tomb of Suleyman Shah, the grandfather of the Ottoman Empire, to save it from IS. Now, Turkish jets have struck IS targets in Syria and the separatist Kurdistan Workers' Party (PKK) in Iraq.

So far, Turkey has tried to stay out of the Middle East's version of the Thirty Years' War. It even maintained a truce for over two years with the PKK. Now, Turkey has been sucked into the conflict. Its leaders are playing a risky hand. Turkish forces have taken on both IS and the PKK, who in turn are fighting each other. This makes the

Turkish state vulnerable to double-pronged attacks and the conflict in the Middle East bloodier and messier.



# Israeli Settlers and Turkey's New War

*August 1, 2015*

*Just as Mill believed that Indians did not deserve liberty, most affluent nations believe that Palestinians do not have the same rights to life, liberty and the pursuit of happiness.*

Few remember that John Stuart Mill, the author of *On Liberty*, worked for the British East India Company from 1823 to 1858. Mill refused to subscribe to the 39 articles of the Church of England that were concocted after much turmoil under Elizabeth I. As a result, Mill could not study at Oxford or Cambridge and had to attend University College London instead. Yet even this nonconformist who waged war for liberty and women's rights suffered from cognitive dissonance when it came to India and the colonies.

The company that paid Mill's wages was ruling India to rob it. Mill's employers taxed Indians extortionately and forced them to grow cash crops like opium. This was exported to China and, when the Chinese objected, the Royal Navy invaded the Middle Kingdom to uphold the principle of free trade. Mill's paymasters brought famine to India and addiction to China. Yet Mill had the cheek to argue for "benevolent despotism" because only "human beings in the maturity of their faculties" deserved liberty.

Echoes of Mill can be heard across cities in Europe and the United States. The rights to life, liberty and the pursuit of happiness are the prerogatives of advanced peoples. Palestinians who are under the thrall of the Islamist Hamas movement and the corrupt

Fatah party are not “in the maturity of their faculties.” Therefore, they have to be supervised by the Israeli military, robbed of their land by settlers and ignored by much of the affluent world that is terrified of the rise of radical Islam personified by the Islamic State (IS).

This week, an arson attack occurred on a Palestinian family in the West Bank village of Duma, south of Nablus. Israeli settlers are suspected to be the attackers. The parents and their 4-year old child have survived, but their 18-month-old son—Ali Saad Dawabsheh—was burned alive. Even Israeli President Reuven Rivlin and Prime Minister Binyamin Netanyahu have condemned the attack, calling it an act of terrorism.

Yet this attack is merely part of the ongoing violence that Israel and Jewish settlers unleash on Palestinians on a daily basis. Since 2004, Israeli settlers have conducted more than 11,000 attacks against Palestinians. The United Nations has documented 120 attacks in the West Bank in 2015 alone.

The dispossession of Palestinian land has been going on for decades. After centuries of anti-Semitism in Europe, Arthur Balfour promised Jews their homeland in the former Ottoman territory of Palestine. He paid little heed to the local inhabitants or to the promises that Lawrence of Arabia was making while inciting the Arabs to revolt against the Ottomans. The creation of Israel led to what Palestinians call the *Nakba*, an Arabic word that means catastrophe. Even as Arab nations attacked Israel, 700,000 Palestinians were expelled or fled their homes, which were taken over by Jewish families fleeing Europe after the Holocaust.

Since its smashing victory in 1967, Israel has been the dominant power in the Middle East. Since 1991, the influx of Russian Jews who arrived from the former Soviet Union has shifted Israeli politics to the right. New settlements continue unabated despite being illegal under international law. In fact, Netanyahu has been the worst of all Israeli leaders. Despite the desperate entreaties of his allies in Washington DC and London, the Israeli prime minister has executed a relentless and ruthless policy of building and expanding settlements. The death of Dawabsheh is just a bitter fruit of the toxic seeds that Netanyahu is sowing. He might do well to remember that those who sow the wind reap the whirlwind.

Turkish President Recep Tayyip Erdogan would also do well to remember the same point. Turkey’s new “sultan” has long wanted to restore the country to its cultural roots

and its rightful place in the world. After years of turning the Nelson's eye toward the Islamic State, Erdogan has finally ordered his troops into action against a barbaric terrorist organization that is destroying the cultural, social, economic and political fabric of the Middle East. However, he has unnecessarily opened a second front against the Kurds, who have been leading the fight against IS.

For decades, the Kurds have wanted their own state. Long before Erdogan, the Turkish state discriminated against the Kurds and conducted ferocious military operations against them. Hafez al-Assad's Syria and Saddam Hussein's Iraq murdered thousands of Kurds with impunity. They have enjoyed relative peace under Erdogan, but that has now ended. A brilliant article in *Der Spiegel* examines how Turkey might be on the brink of a civil war thanks to the megalomania of a sultan who wants to cling onto power at all costs.

Even as violence continues in the Middle East, the Brazilian economy is in trouble. Brazil's Central Bank has raised interest rates from 13.75% to 14.25% to curb inflation that reached 9.3% recently. Fiscal contraction and falling demand have caused a crisis of confidence. Inflation and monetary contraction are causing further pain. On July 28, Standard & Poor's Ratings Services downgraded Brazil's outlook to negative from stable. This will raise borrowing costs for Brazil, and its economy is expected to contract by 3% by the end of the year.

China's economy is also in turmoil. This week, Chinese stocks tumbled again. Many explanations have been proffered, including the increase in the price of pork. Yet the fundamental problem is straightforward. The Chinese financial system is unhealthy. Debt-fueled investment in both real estate and stock markets has created bubbles that have finally burst. Chinese authorities are pumping money through a fire hose into the stock market to stave off a collapse. Yet it is clear that the party is over. China is lucky that its citizens have not gambled like the Americans of the 1920s in the stock market. Hence, the effect of the stock market collapse will not be catastrophic. However, there is no reason for authorities to waste more money to keep the bubble going. Recognizing and writing off bad debts is the wiser course of action.

The great breakthrough this week is the news of a vaccine against Ebola. It has proved to be 100% successful in its trials and demonstrates two things. First, humanity has become incredibly successful in fighting diseases. Epidemics like small pox or plague seem a distant memory. Second, modern vaccine development has come a long way

from the days of Louis Pasteur. The Ebola vaccine was originally developed by the Public Health Agency of Canada that sold it to Merck to conduct tests, which were funded by the World Health Organization.

The whole project raises important questions. The most important of which is: Will taxpayers end up with costs while Merck shareholders end up with profits?



# Threats to Freedom from Bangladesh to Mexico

*August 8, 2015*

*The liberty of belief and expression is a fundamental right that is under increasing threat in countries like Bangladesh and Mexico.*

On St. Bartholomew's Day in 1572, Catholics slaughtered Huguenots in Paris. Soon, the killings spread across France. Historians continue to debate as to who instigated the massacre. Most hold Catherine de Medici, the Machiavellian Italian mother of the weak King Charles IX, responsible. More important is the way Catholic bigwigs reacted to the genocide. Pope Gregory XIII ordered the singing of *Te Deum* as a special thanksgiving and struck a medal with the motto "*Ugonottorum strages 1572*," which is Latin for slaughter of Huguenots. Even the dour Philip II of Spain "laughed for almost the only time on record."

Religion still remains a good reason to kill people. This week, Nilay Chatterjee, an atheist of Hindu origin, was murdered by radical Islamists in Bangladesh. He was killed at home by men yelling "*Allahu Akbar*" (God is great, in Arabic) and using machetes. Ansar-ul-Islam, a local chapter of al-Qaeda, has claimed responsibility. Chatterjee's murder follows that of three other bloggers: Avijit Roy, Washiqur Rahman and Ananta

Bijoy Das. They were attacked in public places, while Chatterjee is the first blogger to be murdered at home.

Like much of South Asia, Bangladesh is witnessing an increase in religious radicalism. The Bangladeshi government has failed to deliver basic services to its 160 million people, more than 90% of whom are Muslim. When Bangladesh became independent in 1971, it represented the failure of the idea of Pakistan. The idea that all Muslims in South Asia were one nation stood discredited after the fair-skinned Punjabi, Sindhi and Pathan Pakistanis refused to accept their electoral defeat and unleashed a campaign of subjugation on Bengali Muslims. Murder, rape and torture were part of the toolkit of the Pakistani army and its Islamist collaborators. However, despite their best efforts, East Pakistan died and Bangladesh was born.

Ironically, Bangladesh is now turning toward radical Islam. The people have lost faith in their leaders. They have no hopes from the political process and are falling prey to charismatic clerics with a call. Flush with Saudi funding, these clerics are changing the gentle Islam of Bangladesh into a harsher, puritanical and unforgiving creed.

Earlier this year, Islamists submitted a list of 84 bloggers to the government, demanding that they be arrested and tried for blasphemy. To placate them, the government arrested and then bailed out six bloggers. The targeted writers are fighting for secularism. They want a separation of religion and the state. They also want justice for war crimes committed by the former henchmen of Pakistan, who invariably tend to be Islamists. Unsurprisingly, Islamists want these bloggers dead and buried.

Even as bloggers are being killed in Bangladesh, journalists are being murdered in Mexico. Rubén Espinosa Becerril, an investigative photo journalist, died this week. The police found his body along with those of four women in an apartment. Espinosa was tortured before he was shot dead. According to Reporters Without Borders, he is the 88<sup>th</sup> journalist to be murdered in Mexico since 2000.

Espinosa was the official photographer of the Veracruz governor in 2009. He criticized the violence against journalists in Veracruz and had to resign. Veracruz is one of the deadliest Mexican states for journalists and Espinosa had publicly accused Javier Duarte de Ochoa, the governor, of violating the freedom of the press. Espinosa had left Veracruz and moved to Mexico City because he feared for his life and had claimed that Duarte had threatened him.

Espinosa's murder marks a new nadir even for Mexico. The country is ranked 148 out of 180 countries in the 2015 World Press Freedom Index. Both authorities and drug cartels get rid of inconvenient journalists when they fail to intimidate or buy them. It is safer to be a journalist in Iraq than in Mexico.

Citizens are not much better off. As per the Mexican government itself, 47,515 drug-related killings occurred in the country from 2006 and 2011. The real number is much higher. Mexico lacks rule of law. Its institutions are decrepit and corruption is a way of life. Extreme economic inequality and poverty continues to blight the country. The elite tend to be descendants of Spanish conquistadores who live in palatial mansions with private bodyguards, while the hoi polloi inhabit another universe where beheadings, kidnappings and extortion are daily phenomena.

For 71 years ending only in 2000, Mexico was ruled by *Partido Revolucionario Institucional* (PRI), and Mario Vargas Llosa, a Peruvian writer and Nobel laureate, rightly called the PRI government "the perfect dictatorship." Old dictatorial habits are still alive and well. Politicians enjoy dipping their hands in the till and expect deference from journalists. Media barons put pressure on journalists too. The culture of violence makes Mexico even more intimidating than Bangladesh.

The drug lords have added a sinister dimension to Mexican journalism. Once the British East India Company grew opium in India and exported it to China. Today, the likes of *El Chapo*, the notorious drug lord who recently escaped from jail, carry on the fine tradition of this legendary British company. People like *El Chapo* lead cartels that are locked in mortal combat for the control of the multibillion dollar narcotics business. These cartels bribe officials, police, military, judges and journalists to turn a Nelson's eye as they carry on with their daily business. Those who do not play ball are packed off to meet their maker. Might is right in modern-day Mexico. Espinosa, the murdered journalist, lost his right to life because someone powerful decreed so.

Threats to fundamental freedoms are increasing in many other countries such as Egypt, Rwanda, Pakistan, Thailand and even the United States. Concentration of power—whether in a government, church, corporation or mafia boss—is a dangerous thing. In the days to come, citizens will have to fight hard to speak truth to power.



# Explosions in China Rock the World

*August 15, 2015*

*Tragic explosions in China caused seismic shocks 160 kilometers away, and the devaluation of the renminbi has sent shockwaves worldwide.*

Tianjin is the biggest port in northern China. It is the maritime gateway to Beijing and the fourth largest urban center in the Middle Kingdom. In 2013, Tianjin handled more than 500 tons of cargo that included coal, oil products, mineral ores, steel and chemical products. It is a classic example of the ambition of modern China that has enabled the country to achieve the fastest and biggest industrialization in history. The recent explosions in Tianjin are a chilling reminder that Chinese success has come at a price and at huge risk.

The causes of the blast are still unknown, but the BBC suggests that water might have been sprayed on calcium carbide to create the highly explosive acetylene. This acetylene blast might then have detonated ammonium nitrate. The initial explosion on August 12 was the equivalent of detonating three tons of TNT, while the following one was the equivalent of 21 tons. Satellites orbiting the Earth picked up the second explosion and so did the seismometer station in Beijing, which is 160 kilometers away.

The explosions destroyed goods worth millions of dollars. More than 100 people have already died and over 700 have been hospitalized. The real risk is air, water and soil contamination. Many fear that toxic chemicals released by the explosions might cause lasting damage to Tianjin residents. Incidents of cancer and birth defects might rise dramatically. Chinese authorities have ordered residents living within a three-kilometer radius of the blast site to leave. Even as an evacuation is taking place, Chinese soldiers of the National Nuclear Biochemical Emergency Rescue Team have launched a rescue mission at the core area of the explosion site.

The tragic Tianjin explosions are a spectacular example of the catastrophic environmental damage currently taking place in China. As Berkeley Earth observes, 1.6 million people die every year because of air pollution in the Middle Kingdom. The Chinese Environment Ministry has admitted that about 60% of underground water and

a third of surface water in China is unfit for human contact. Heavy metals in China's soil are now entering the country's food supply. What people eat on a daily basis is damaging their health and wellbeing.

It is little wonder that President Xi Jinping has urged authorities to learn from the "extremely profound" lessons of the Tianjin explosions. He has called for "safe development" and asked authorities to put "people's interest first." The truth is that China is going through much soul-searching. As pointed out by this author earlier, Zhu Rongji's Shanghai has abandoned the gross domestic product (GDP) growth target. Furthermore, the current Chinese economic model might have reached its limits. China cannot grow as it used to and the costs of growth have become too high.

China's dash for growth was inaugurated by Deng Xiaoping. Deng initiated reforms in 1979 after his 1978-visit to Bangkok, Kuala Lumpur and Singapore. He took Lee Kuan Yew's advice and turned to markets, abandoning communes. In 1992, Deng famously embarked on *Nanxun*, which literally means southern tour. During this tour, Deng called for radical reform and the opening up of the Chinese economy. The rest is history.

In 2015, the Chinese economic juggernaut set into motion by Deng has stalled. Chinese property values have fallen dramatically and stock prices have dived to new depths. Both property firms and stock market investors are deep in debt. Therefore, the government has been bailing out both property firms and the stock market to maintain some semblance of confidence in the economy.

These bailouts have not quite worked. Hence, this week the Chinese decided to devalue their currency. On August 11, the renminbi dropped by 1.9% against the dollar. The next day it fell by a further 1%. The aftershocks of the devaluation are being felt in all parts of the world.

In 2010, Brazilian Finance Minister Guido Mantega declared that the world was witnessing an "international currency war." In his view, this game of competitive devaluation in which each country lowered the value of its currency to boost exports was *ade facto* trade war. His comments came in the aftermath of Japan, Taiwan, South Korea and the US devaluing their currencies. German Finance Minister Wolfgang Schäuble was not happy with the US policy of quantitative easing, which is simply buying assets from commercial banks and financial institutions to release more money

into the economy. Schäuble was of the view that the US policy did not make sense and increased “uncertainty to the global economy.”

Mantega and Schäuble were onto something. If every country was to devalue its currency, then no one would be any better off. Existing asset price bubbles would worsen and inflation would eventually rear its ugly head. Devaluations are only short-term measures that mitigate the immediate blow of a crisis. This is what Chinese authorities are trying to do. By lowering the renminbi, China is obviously attempting to boost exports by making them cheaper. It is also trying to stimulate domestic consumption of its products. For instance, shares of companies making luxury products such as Burberry have fallen because their products will now cost more for Chinese consumers. Authorities hope the Chinese will now buy domestic replacements instead.

The devaluation of the Chinese currency is affecting countries differently. The Federal Foreign Office of Germany states that China is the fourth biggest buyer of German exports. The Middle Kingdom will certainly be purchasing less Porsches and other German goods going forward. Latin America, Africa and Australia have flourished recently by sating ravenous Chinese hunger for natural resources. Between 2000 and 2012, Sino-Brazilian trade alone increased by 2,550%, from little over \$10 billion to \$255.5 billion. These China-dependent economies will suffer. The Chinese devaluation will hurt other economies seeking to boost manufacturing such as India and Vietnam. With a cheaper renminbi, China has become just a touch more seductive for companies competing to cut costs.

Yet the devaluation has its downsides even for China. Chinese entities have borrowed \$1.6 trillion in foreign currencies, 80% of which is denominated in dollars. A more expensive dollar could mean companies defaulting on their payments and even going out of business. This would entail either loss of capital for foreign investors or bailouts from the Chinese government to save jobs, or a bit of both. The global economy is now infernally inextricably interlinked. The dragon has sneezed and the rest of the world has caught a cold.



# A New Age of Migration

*August 22, 2015*

*Millions are fleeing their homelands for their lives, and hundreds of millions are leaving ancestral villages for cities in search of better lives.*

*Homo sapiens sapiens* is the Latin name for the subspecies that human beings belong to. Apparently, this subspecies originated in East Africa and migrated to the rest of the planet. It seems that to migrate is to be human.

People have always migrated in search of greener pastures, fertile soils, temperate climates, metals, spices and more. The Mongols thundered across vast steppes on their galloping steeds. The Arabs reached both Sind and Spain in the blink of an eye. Even in the early days of the first human civilizations, Mesopotamians and Indus Valley natives settled in each other's lands. More recently, the 19<sup>th</sup> century was a period of European expansion. White Europeans turned up to claim land from the Native Americans, Aborigines, Maoris, Africans and Asians to bring "civilization" to these places.

Today, migration across continents and borders has a different hue. In the Americas, Latin Americans from countries like Mexico, Guatemala and El Salvador are streaming into the United States and even Canada. They clean toilets, mow lawns, repair cars and do the odd jobs that keep the US economy ticking. Europe is the key destination for migrants from the Middle East, North Africa and Sub-Saharan Africa who are fleeing hunger, persecution and war. Germany alone has received 179,000 asylum applications in the first six months of 2015. Smaller countries like Austria will be receiving 80,000 applications this year. Unsurprisingly, Werner Faymann, the Austrian chancellor, has described the migrant crisis as "Europe's biggest challenge."

In the US, immigration is turning out to be a key issue in the 2016 Presidential Election race. Donald Trump has come out with all guns blazing against illegal immigrants. The brash billionaire is leading the Republican primaries and wants a wall on the Mexican border to keep out immigrants. He has popularized the term "anchor baby" that has been used by rival Jeb Bush as well. The term refers to immigrants deciding to have

babies in the US because the 14<sup>th</sup> Amendment to the Constitution grants citizenship to anyone born in the US. Trump and other candidates are playing on the fears of aging white Americans who dread the day when they will be in a minority in the US.

In India, immigration from Bangladesh is vexing local populations and many politicians. States in the northeast of India such as Assam are seeing a massive demographic shift as Bangladeshis flee into India. The northeast of India has long been the region where the “brown” and “yellow” races mingle. The former tend to be Muslim, while the latter are mostly Christians. As the pressure on resources increases, race and religion are exacerbating tensions. In the rest of India, Bangladeshi immigration is causing unease because Hindus fear growing Muslim populations that bring back the specter of the country’s partition into India and Pakistan in 1947.

It is important to note that the greatest migration of our era is taking place from the villages to the cities. Hundreds of millions are on the march to huge urban centers as villages die by the thousands worldwide. This urbanization first began in England in the 19<sup>th</sup> century. From 1801 to 1891, the urban population of England rose from 17% to 72%. By now, urbanization has occurred in Europe and the US. The urban population in bankrupt Greece is 78%, 3% more than that of prosperous Germany. The figures for the US and Canada are 81% and 82% respectively. Now, the rest of the world is catching up. The *World Urbanization Prospects*, published by the United Nations, estimates that 66% of the world’s population in 2050 will be living in urban areas.

In China, hundreds of millions of villagers are marching into cities to work in factories that make everything from shoes to iPhones. Under China’s *hukou* system of household registration, most of these workers get a raw deal when they immigrate to cities. They work inordinately long hours in tough conditions for low pay and little vacation time. The Spring Festival is the one time in the year when they head home and reconnect with their roots. In the urban areas where they slave away, they do not qualify for social benefits such as health care or education for their children.

The rest of Asia is worse off than China. Slums in India, Pakistan and Bangladesh are infamous for their grinding poverty, abject living conditions and rampant disease. Those who leave behind villages to chase the urban dream often rue the nightmare of city life. Despite the pitfalls of urbanization, Dickensian England marches on. Already, Osaka, Karachi, Jakarta, Mumbai, Shanghai, Manila, Seoul and Beijing are home to over 20 million people—and their populations are growing.

While many are migrating to cities in search of a better life, others are fleeing for their lives. As of the end of 2014, a record-breaking 38 million people were forcibly displaced within their own country by violence that threatened their existence. Congo, Iraq, Nigeria, South Sudan and Syria caused 60% of the new displacement. As per the United Nations, nearly 60 million had to flee their homes because of war and persecution. This means that 22 million had to cross borders, and one in every 122 humans is now a refugee. This brings new challenges for humans from sanitation and disease prevention to social order and employment generation.

We are living in a new age of migration with hundreds of millions on the move. It is leading to upheaval, tension and even strife. Promise accompanies peril, and this unprecedented migration might force over 7 billion *Homo sapiens sapiens* to live more harmoniously on the planet.



# Global Economy Has a Great Fall

*August 29, 2015*

*A slowdown in China is making the world economy wobble and will lead to declining trade, growth and returns to capital.*

Soon after the fall of the Berlin Wall and the collapse of the Soviet Union, Francis Fukuyama published *The End of History and the Last Man*. He proclaimed: “The end point of mankind’s ideological evolution and the universalization of Western liberal democracy as the final form of human government.” Fukuyama was being a bit too Americano and just a touch premature in his prediction. The one thing we know from history is that trends toward universalization tend to trip up. Both fervent Catholicism and godless communism failed to convert everyone, despite their best efforts

After the end of the Cold War, new high priests emerged and their creed swept through the great universities of the planet. These priests were economists who assumed that

human beings were rational, that they were highly informed and they made highly conscious and wise choices. Just as Catholics worship Jesus, economists swore by Jeremy Bentham, an Englishman who wanted the greatest good of the greatest number in his utilitarian philosophy. He proposed the Panopticon prison, which would “cost nothing to the nation.” One gaoler would be able to watch all inmates who would do menial labor and pay for their upkeep. The Panopticon was meant to be “a mill for grinding rogues honest,” and the government of William Pitt the Younger duly paid Bentham £2,000 for his splendid ideas.

When communism fell, people turned to markets for salvation. Milton Friedman, the favored priest of Ronald Reagan and Augusto Pinochet, became particularly influential. His prescription of privatization of collectively-owned assets such as the post office and national parks suddenly became respectable. In former communist countries, privatization was duly carried out. The relatives, friends and cronies of former party bosses bought state-owned assets for a fraction of their value and appropriated most of the wealth of the public. Friedman, a midget cheerleader in short skirts, approved. He crudely conflated capitalism with freedom, forgetting Adam Smith’s fine point that “moral sentiments” underpin markets.

Like Humpty Dumpty, the new world economy that was born in 1991 has taken a great fall. In the first six months of 2015, world trade has contracted at the fastest pace since 2009. In simple terms, it means the Americans are cutting down purchases of Chinese-made goods, the Brazilians are buying fewer Ferraris and the Chinese are quaffing smaller quantities of Burgundies. As *The Economist* points out, this is “the reversal of a trend where for decades the growth in global trade outstripped that of the world economy.”

This growth occurred because of three reasons. First, people wanted to consume more. People in formerly communist countries were besotted with better products from advanced economies such as cars, washing machines and cosmetics. Similarly, people in richer countries wanted more for less, be it chocolate or lingerie. Second, the new free market *zeitgeist* led to the birth of a global framework for trade in the form of the World Trade Organization that had been stalled for over four decades. Finally, capital chasing ever greater returns flocked to poorer countries where labor cost less. So, companies such as Nike and Apple shifted manufacturing to places like Vietnam and China. These reasons have now been exploited to the hilt, and world trade can no longer grow as in the recent past.

The biggest immediate shock to the world economy is now emanating from China. In August, manufacturing “fell to a six-and-a-half year low” and the stock market plumbed new depths this week. Since July, Chinese authorities have unwisely thrown the kitchen sink to prop up share prices. This has transferred wealth from the poor to the rich in exactly the same way as Hank Paulson’s bailout of US banks in 2008. Like Paulson, the Chinese authorities have panicked and most of their knee-jerk reactions are not working. Over investment, bad debts, corruption, pollution and extreme reliance on exports have been longstanding problems. Rulers of the Middle Kingdom cannot keep flogging an ailing horse that might die soon.

August 24 is being referred to as “Black Monday” because the Shanghai Composite Index fell by nearly 9%, its biggest one-day drop since 2007. China’s crash caused pandemonium in markets worldwide. Germany’s DAX fell by over 20%, Britain’s FTSE 100 lost more than \$90 billion, Asian markets crashed and Wall Street buckled, with shares of General Electric dropping by more than 20% at one point. As this author has pointed out earlier, other economies are inextricably intertwined with China’s. If China buys less soybean and perfumes, then Brazil and France suffer. If Chinese factories start going out of business, then profits of US companies shrink. It is for this reason that market panic has spread faster than SARS. Currencies of emerging economies have slumped, commodity prices have crashed and oil prices are nearly back to the low levels of six years ago.

As a response, the People’s Bank of China cut its key lending rate to a record low of 4.6%. This follows the devaluation of the renminbi and the stock market bailout of two weeks ago. Other central banks are also pumping money into their economies and the world economy is now awash with cash. This excessive liquidity is leading to asset bubbles yet again. With stocks yo-yoing, capital is seeking a “safe haven” in bond markets, property markets and the US dollar. Yet bond market buyers of debt could do well to remember the Greek crisis. Economies of many countries will not grow dramatically and current levels of debt are unsustainable.

The debt restructuring deal that Ukraine agreed with its creditors proves this point. Bondholders agreed to write-off 20% of Ukraine’s \$19 billion debt and give the country another four years for repayment. *Prima facie*, the deal looks decent. On closer inspection, just as in the case of the agreement with Greece, creditors have kicked the can further down the road and refused to confront brutal realities. Ukraine is in a mess.

Conflict continues, inflation is nearly 60%, the dollar value of the gross domestic product (GDP) has fallen by 60% over the last two years and Ukraine is poorer than it was under the Soviet Union. Clearly, privatization of state assets without moral sentiments did not help. Similarly, repaying the International Monetary Fund over \$4 billion before 2019 will not do Ukraine much good either.

In the coming years, trade, growth and returns to capital will decline. Citizens, politicians and even economists have to take cognizance of environmental damage, decreasing wages, increasing inequality, social conflict and declining democracy.

Perhaps things are not so bad. Of the 1.5 billion people with access to the Internet, more than a billion logged into Facebook on Black Monday. Elon Musk, Marc Andreessen and Mark Zuckerberg might lead us to Fukuyama's end of history and Bentham's utilitarian utopia yet.



# **Migrants Welcome If They Play Football**

*September 5, 2015*

*Refugees fleeing for their lives have created a migrant crisis in Europe even as spending on football keeps rising to record highs.*

On August 22, this author talked about a new age of migration. This week, migration has taken center stage in Europe. In Hungary, authorities stopped migrants from traveling on to Germany and Austria. Hungarian Prime Minister Viktor Orban warned of "the end of Europe." He said: "Today we are talking about tens of thousands but next year we will be talking about millions and this has no end." A historian at Oxford who belongs to the British Conservative Party remarked in private that migrants might finally undo the Battle of Tours.

The fact that an Oxford man is referring to Tours is instructive. It was here that an army of Franks led by Charles Martel defeated an army of Moors, stopping the seemingly irresistible expansion of Islam in 730 AD. For years, Europe has feared Islam. In 2002, Valéry Giscard d'Estaing, chairman of the convention on the future of the European Union (EU), argued that Turkey was not a European country. Later that year, a Cambridge man developed this argument further. John Casey stated that Turkey had a traditional pull toward Central Asia and the Middle East. Casey made the point that Europe was “profoundly shaped by up to two millennia of Christian culture” and Muslim Turkey did not belong to it.

In the recent past, much of the world has belonged to Europe and Europeans. Since Christopher Columbus “discovered” the New World, Europeans claimed property rights in remote parts of the planet. They used *terra nullius*, an idea deriving from Roman law meaning “nobody’s land,” to annex the property of natives from Australia to Canada. As John Stuart Mill helpfully pointed out, the natives were not in the “maturity of their faculties.” Besides, they were certainly not using land productively and, hence, it was a duty of Europeans to till the fields and bring civilization to barbaric realms. Now, some of these barbaric natives are flocking to Europe for their life, liberty and pursuit of a better existence.

There is controversy over the term to use for those flocking to Europe. Should we describe them as migrants or refugees? “Migrant” has Latin roots and means someone who migrates. Refugees are people who flee their homes for safety. International law definitions are pernickety and insist on defining migrants narrowly as those who leave for greater opportunity because of choice: They want better lives. Refugees have no choice: They flee for their lives. The reality is neither clear, nor simple. Even the most desperate refugees clearly make a choice to migrate to a particular destination. Those fleeing from Syria to Turkey and then to Hungary from where they walk to Austria are certainly making choices. Similarly, Bangladeshi migrants going to Qatar to work on construction projects might be in debt traps or on the verge of starvation. The so-called choice is often not much of a choice at all. In broad terms, all refugees are migrants, but not all migrants are refugees.

As is well-documented, the Islamic State (IS) has slaughtered thousands, enslaved minorities and raped wantonly. This week, it destroyed some iconic buildings of the ancient city of Palmyra. Life in places like Syria, Iraq and Libya is increasingly “nasty, brutish and short.” As this author has explained earlier, the Middle East is going

through its own version of Europe's Thirty Years' War. Colonial structures are crumbling, ethnic hatreds are rising and religious divisions are adding fuel to the fire. It is little surprise that people are embarking on hazardous journeys across land and sea for a shot at a half decent life. Many do not make it such as the lifeless Syrian child who was washed up on Turkish shores in a red shirt and dark shorts.

Despite the risks, refugees are making perilous journeys by land and sea to Europe. Large numbers walked to the Austrian border when Hungarian authorities detained them at the Budapest train station. They had come this far and were not going to stop. To their credit, Austria and Germany have opened their borders. Refugees are supposed to seek asylum in the first country they set foot, but these countries are overwhelmed. So, refugees are heading north to Austria, Germany, Britain and Scandinavia. The Schengen agreement led to the dismantling of passport controls at the EU's internal borders, making it easier for refugees to travel through Europe once they are in. This is causing tensions. European countries are bickering with each other. Anti-immigrant sentiments and right wing parties are on the rise.

One in every 122 humans "is now either a refugee, internally displaced, or seeking asylum." Half of the refugees are children. Europe can make the choice to be hard-hearted and close down its borders, but its conscience does not allow it to do so. The EU was born at the end of World War II with the memory of the Holocaust, mass misery and soul degrading violence seared into its consciousness. Today, the biggest displacement of people since 1945 is challenging Europe to its core. In a thoughtful article, *Der Spiegel* poses the question: "Will Western Europe ultimately prefer to allow the refugees to die in trucks rather than to open the door to the desperate?"

These painful questions will constantly come up in the days and years to come. For instance, some parts of the world are running out of fresh water. Other parts of the world will suffer inordinately from climate change whether it is rising sea levels or increasing desertification. Yet many people in prosperous countries are living their oblivious Starbucks lives engrossed on Facebook. In the words of Slavoj Zizek, a Slovenian philosopher, consumers are buying their own redemption through the simple act of consumption itself. Simply put, the mere act of buying a cup of free trade organic coffee earns good karma for improving lives of the poor and saving the planet.

The best example of this is football. People now increasingly follow clubs instead of national teams. For the first time, the English Premier League spent more than \$1.5

billion on players in a single calendar year. Over \$1.3 billion was spent just over the summer. Now, the Premier League is full of players from around the world. There are numerous video games based on football as well. Cristiano Ronaldo, the fantastically gifted footballer, has over 106 million likes on Facebook. Fans can feel happy that they are bringing the world closer together, fighting racism and forging a shared identity.

The reality is that clubs are privately-owned giant entities, while footballers are modern-day gladiators. Unlike refugees and other migrants, these gladiators are more than welcome in Europe. The best of them command extortionate prices and stratospheric wages. Once, Rome pioneered bread and circuses. Today, others have adopted it. At some point, this fantastical denial of ugly realities will end. Thousands of migrants have brought the terrible refugee crisis to Europe's door. Eventually, something will make humans confront other challenges like climate change.



# Mama Merkel's Kinder, Gentler Germany

*September 12, 2015*

*Immigrants once contributed greatly to Germany and are exactly what the aging country with its plummeting birth rates needs.*

Angela Merkel is creating history. "Mama Merkel" has thrown open the doors of her once racially homogenous country to thousands fleeing to Europe. The refugee crisis caused by violence in the Middle East and North Africa is leading to a migrant crisis in Europe. Germany is taking in 800,000 this year. David Cameron announced that Britain would take in 20,000 by 2020, the same number Munich received last weekend. Already, nearly 12% of Germany's 82.5 million people, or nearly 10 million, are immigrants. Germany, more than the US, is now the refuge for the tired and poor "huddled masses yearning to breathe free."

Since World War II, Germany has had a bad press. It has been associated with Adolf Hitler, the Nazi Party, “*Sieg Heil*” and the horrific concentration camps where Jews, gypsies and homosexuals met their grisly end. Yet Germany has been unique in confronting its past. German guilt and relentless soul searching are legendary. Germans are determined not to repeat the horrors of their past. The renovated Reichstag building that houses the German parliament is a good metaphor for the country. It is open to everyone, including tourists, and has a glass dome that allows a view of parliamentary proceedings. It is clear that Germans are serious about creating a more democratic, transparent and equal society.

In contrast, Britain dishonestly glorifies its imperial past. The British engaged in conquest the Nazis could only dream of. As *The Economist* points out, China and India were the two biggest economies for almost all of the past 2,000 years and comprised more than 50% of the world GDP until 1820. Once the British East India Company took over, it forced Indians to grow opium, which was duly exported to China. Britain grew rich by robbing its colonies. Henry Charles Carey, Abraham Lincoln’s chief economic adviser, pointed out in 1853 that the British East India Company caused the death by starvation of many millions of Indians. Other imperial powers were no better. The Belgians were the worst of the lot and their terrible record of torture, dismemberment and slaughter in Congo still evades scrutiny. Those who single out Germany for blame forget that Winston Churchill shared many of Hitler’s beliefs.

On March 18, 1931, Churchill gave a thundering speech in the Royal Albert Hall. He declared: “Our fight is hard. It will also be long. We must not expect early success. The forces marshalled against us are too strong. But win or lose, we must do our duty.” This was not a speech prophesying World War II. This was a ferocious defense of the British Empire of India. It was a condemnation of the appeasement of Mahatma Gandhi. Churchill staunchly believed that Indians were *untermenschen* who did not deserve freedom or equality. His actions during World War II led to the Bengal Famine of 1943 in which 3 to 5 million people starved to death. Churchill responded to reports of mass starvation by asking why Gandhi hadn’t died yet.

Britain, France and Belgium were on the winning side in World War II. Their imperial past has never been discredited. In contrast, Germany tasted the bitterness of defeat. Ideas that led to Germany’s destruction were consigned to the dustbin. This new Germany is not without its problems. Extreme right groups still exist and PEGIDA, the anti-Islamist group, is popular in Dresden and other parts of former East Germany.

Germany was inflexible in dealing with Greece. Yet when it comes to refugees and migrants, Germany is demonstrating a maturity and wisdom that other countries could learn from.

Germany has experienced mass migration before. Contrary to the bogus myth of the Nazis, Deutschland has never been ethnically pure. Too many armies have marched through its land and far too many farmers, tradesmen and merchants have followed suit. When the Thirty Years' War broke out between Catholics and Protestants in 1618, other European countries joined in, including powers on the periphery such as Tsarist Russia and Ottoman Turkey.

Marauding armies ravaged much of Germany. They sacked castles, villages and towns along their way. Famine and pestilence stalked the land. Persecution was rampant. Witch-hunting increased as people sought to blame elderly women with supposedly supernatural powers for their misfortunes. Historians estimate that 25% to 40% of the population of German states perished. Some states and regions lost half to two-thirds of their people.

The Thirty Years' War ended with the 1648 Treaty of Westphalia that gave birth to the principle of state sovereignty that continues to dominate the international system till today. This treaty also brought an end to religious wars in Europe even if it did not end persecution. Louis XIV of France instituted *dragonnades*, a policy of looting and occupying Huguenot homes. Eventually, he declared Protestantism illegal and Prussia's Great Elector Frederick William welcomed *Huguenots* to rebuild his war ravaged nation. These immigrants went to become some of Germany's greatest intellectuals, engineers and businessmen. Today, the Middle East is going through its version of the Thirty Years' War and Germany is experiencing an influx of new people again.

Immigrants are exactly what Germany needs. Its birth rate is now the lowest in the world. It is aging dramatically and its workforce is shrinking. The generous welfare system that was once pioneered by Otto von Bismarck is under pressure. The *Mittelstand*, Germany's fabled family-owned small and mid-sized businesses, operate out of small towns. They are the engine of the German economy, producing 52% of the GDP, accounting for 19% of its exports and employing 15.5 million workers. Yet most *Mittelstand* companies were founded a century or more ago when German universities were blazing new paths in physics, chemistry and engineering. The young Albert

Einstein turned up with red roses for Max Planck and Walther Nernst at the Zurich train station to accept their offer of a prestigious position in Berlin. The Golden Twenties awaited Einstein. Berlin was a melting pot for scientists, artists and intellectuals. The rise of the Nazis destroyed the city from which it is only now beginning to recover.

Refugees and migrants will bring Germany some of its oomph back. They are entrepreneurial risk takers from different cultures. They will not only provide the workers that Germany needs, but also the entrepreneurs it is missing. They will make Germany diverse and dynamic. Barely a few months ago, the Greek debt crisis made Merkel appear harsh and unforgiving. Now, she is Mama Merkel, a female leader of courage and compassion offering a new vision for Germany and Europe. The land of Bach, Kant and Goethe is getting its mojo back.



## **Is Global Recession Around the Corner?**

*September 19, 2015*

*The Fed does not raise interest rates and sends shivers down markets as the risk of a global recession becomes real.*

Markets have tumbled after the US Federal Reserve (Fed) decided not to raise interest rates on September 17. It declared that “recent global economic and financial developments may restrain economic activity.” This is code for Chinese economic woes that are making the global economy wobble. Compared to other major economies, the United States is currently the healthiest. Yet as Shakespeare once put it, “something is rotten” in the global economy and the Fed is caught in a bind. Raising rates may lead to recession. Keeping rates low might not help either. It is increasing asset prices and deepening inequality, without necessarily warding off recession.

Not too long ago, markets were all powerful. James Carville, the fellow who plotted Bill Clinton's path to power, wanted to be reincarnated as the bond market instead of president, pope or baseball star. Today, Carville would like to be Janet Yellen, the chair of the Fed. Her power stems from the financial crisis of 2007-08. Markets and financial institutions have been propped up by the torrent of money released by central banks to stave off a worldwide depression. Central banks led by the Fed have certainly avoided economic disaster, but how long can they keep the party going? Like a spinning top losing momentum, the global economy faces the risk of tipping over into recession.

At the heart of the matter are three unresolved economic contradictions.

First, debts have grown much faster than GDP since the Great Recession. Global debt is now over \$200 trillion, inching toward 300% of the world GDP. On July 4, this author pointed out that the Greek debt crisis marked the beginning of the end of debt-fueled global financial system. The fiction that all debts can be repaid cannot be regarded as truth anymore. Issuing new debts to pay back old debts as in the case of the Greek bailout will not work for much longer.

Second, the continuous devaluation of currencies is unsustainable. Historians observe that declining empires and crumbling economic systems tended to debase their currencies. The content of gold or silver in Roman or Mughal coins fell as the strains on public finances and the wider economy increased. The lowering of interest rates and quantitative easing is the equivalent of printing more money and is the *de facto* debasement of currencies. This debasement is competitive and is a *de facto* trade war as each country tries to outdo another in a desperate attempt to encourage bank lending, increase investment, stimulate consumption, boost exports and lower imports.

Devaluation has another consequence. The world is certainly not producing dramatically greater quantities of wheat or cars. The supply of services such as accounting or law have not increased much either. Yet there are more dollars, yuans, euros and other currencies sloshing around. This generally leads to inflation, but the global glut of labor has kept wages down. So, the prices of assets instead of bread or haircuts are going up. Those who own apartments in New York and shares of Facebook are laughing all the way to the bank. Those who serve as baristas are not so thrilled. This is creating a new society of masters and serfs, which is not quite as sustainable as it seems.

Third, the economy is suffering from a mismatch of supply and demand. There is no shortage of the supply of socks, iPhones and email accounts. Yet the US, still the richest country in the world, has crumbling infrastructure. Its roads, airports, ports, public transport and schooling system are in shambles. There is clearly an unmet demand for better infrastructure. In emerging economies, there is massive demand for drinking water, basic health care and primary schooling. Yet supply lags demand by a long way.

What is going on?

There are over 7 billion people on the planet. A vast majority of them are earning their living selling their labor. Factories even in India and China no longer require as many hands. Efficiency gains in processes and technology mean that fewer people can do more. With the emergence of artificial intelligence, which is worrying technology savants like Elon Musk, there will be even fewer jobs. In the global labor market, demand is decreasing while supply is still increasing. Some economists posit that the service sector shall step in to create new jobs. Yet there is a limit to the number of nannies, cleaners, yoga instructors, masseurs and bartenders that the economy can support.

Blind trust in markets and technology *à la* Marc Andreessen cannot solve the global jobs crisis. This in turn is leading to a demand crisis. If people find it harder to get jobs and jobs themselves pay less than before, then how will they keep consuming the stuff that the factories are geared to produce. Central banks are trying to get the butcher, the brewer and the baker to keep producing by printing money. Yet how long is this possible, and how can the global economy keep growing?

Voters are starting to grasp this conundrum and are reacting accordingly. Jeremy Corbyn, a bearded old-fashioned man of the left, is the new leader of the Labour Party in the United Kingdom. Corbyn was an unknown entity until very recently, and he won because his party and his country are starting to chafe against privilege and inequality in a deeply divided society. The likes of Margaret Thatcher and John Major who came from humble roots are no longer in fashion, as Old Etonians like David Cameron and Boris Johnson strut the stage in a manner befitting the 1950s. Corbyn, a parsimonious chap, is a modern day Roundhead taking on Cavaliers.

Australia witnessed a coup too. Tony Abbott, the none too pleasant prime minister, has been ousted by Malcolm Turnbull, the brash former chairman of the Australian Republican Movement that aims to get rid of the British monarchy. One Catholic Rhodes Scholar has replaced another, but the new fellow has more progressive views on abortion, stem cell research and same-sex marriage. The reason Turnbull won, though, was because his party regards him as a safer steward of the economy. After years of boom, Australia is stumbling after living off a commodity-driven export bonanza led by Chinese demand. Even in idyllic Australia, “the times they are a-changin’” and the world is facing the specter of a global recession again.



## **Global Goals vs. Global Greed**

*September 26, 2015*

*Is it possible to achieve the promise by world leaders to eradicate poverty and hunger without changes to our economic system?*

The United Nations General Assembly has formally adopted 17 Sustainable Development Goals (SDG), which among other things promise to end poverty and hunger on the planet by 2030.

As world leaders, pious do-gooders and wheeler dealers congregate in New York at this time of the year, Pope Francis has stolen the limelight. Even Chinese President Xi Jinping is not getting the same attention. The first Latin American pope visited Cuba before showing up in the US and has ruffled many feathers. In a stirring speech at the United Nations, he championed the environment, assailed inequality and declared that “lodging, labor and land” are the “absolute minimum” for every human being.

As Bob Dylan once sang in 1964, “The Times They Are A Changin’” and even the institution that once enthusiastically engaged in the Inquisition is now infected by left-leaning tree-hugging sentiments. It was not always so. In the 1980s, Margaret

Thatcher and Ronald Reagan set out to roll back the excesses of the 1960s. They believed in Darwinian dynamism and the *zeitgeist* of their era was captured by Gordon Gekko, a character in the 1987 film titled *Wall Street*. In a dramatic speech *a la* Hollywood, Gekko decried deficits, blasted bureaucracy, advocated shareholder rights, extolled the evolutionary spirit and declared that “greed is good.”

Martin Shkreli, a New York hedge fund boss-turned-pharmaceutical entrepreneur, is the modern-day Gordon Gekko. Turing Pharmaceuticals, Shkreli’s company, bought rights to a 62-year-old drug named Daraprim. This drug treats toxoplasmosis, a parasitic affliction that affects people with compromised immune systems such as those suffering from cancer and HIV/AIDS. It costs \$1 to manufacture a pill of Daraprim. It was being sold for \$13.50, but Shkreli raised the price by nearly 5,500% to \$750. In an interview with the BBC, he claimed that he was only selling an Aston Martin for the price of a Toyota instead of the earlier price of a bicycle. The profits, he argued, would be ploughed back into research to develop newer and better drugs.

Shkreli’s actions and comments led to outrage. A storm raged on Twitter. Even pharmaceutical groups that, in the words of *The Washington Post*, have a reputation for circling their wagons and protecting their own have given Shkreli the boot. The truth is that Shkreli, the son of immigrants, is only emulating other pharmaceutical companies. In 2014, the US Congress summoned Gilead Sciences to explain the \$1,000-a-day or \$84,000-a-course price tag for Sovaldi, its hepatitis C medicine. There are other similar cases.

At the heart of this issue is a simple question: Is greed good?

Proponents of this philosophy believe that human beings are self-interested if not selfish. They function best when they are left to pursue their interests. Prices act as signals for society to allocate resources efficiently. Furthermore, decisions are made instantaneously through demand and supply, obviating the need for a cumbersome, tardy and oppressive bureaucracy.

Opponents of this philosophy contend that markets are unjust. Some have too much power because they own too many of the world’s resources and make most major decisions. More importantly, markets fail to consider long term issues such as environmental pollution that is threatening the health of billions in emerging economies,

causing extinction of other species and leading to climate change on a scale that might imperil human survival itself.

Markets have been on a roll since the 1980s. The collapse of the Soviet Union in 1991 made economists the new high priests of society and markets were seen as salvation. Yet they have not fulfilled their promise even in the US, the Holy Land of the modern economic system.

Health care is a classic example of the limits of markets. Uncle Sam spends 17.1% of its \$17.5 trillion GDP on health care. Yet Americans do not live as long as Germans, Swedes, Japanese, Australians and the Canadians. Despite Barack Obama's health reforms, far too many Americans still do not have any access to health care.

The United Kingdom is a society that has long embraced markets and provided the intellectual underpinning for the current economic system, starting from Adam Smith. It is home to the bustling City of London, the mecca of finance. Yet the UK flinches at greed in health care. In the aftermath of World War II, Clement Attlee's Labour Party government implemented the National Health Service (NHS) that even Margaret Thatcher did not dare to destroy. Health care is now considered a right in Britain and in Europe. Surprisingly, these supposedly inefficient Europeans spend much less on health care than the purportedly efficient Americans.

Intellectually, Shkreli is just articulating what many in Wall Street and the Republican Party hold as an article of faith. If Shkreli cannot make profits, he will have no incentive to produce drugs or make new ones. It is not from the benevolence of doctors, scientists or executives that we expect lifesaving drugs or treatment "but from their regard to their own interest." Even Hillary Clinton who has spoken out against price-gouging accepts this premise.

Yet it might be time to try something different. This has been a week when the CEO of Volkswagen has resigned because of the "diesel dupe" in which his company's cars were able to change performance when being tested. To boost profits, the German giant was selling cars emitting nitrogen oxide pollutants up to 40 times above the legal limit in the US. Pope Francis is right in saying "that a true "right of the environment" does exist" and similarly there is a true right to health care. The third Global Goal promises "healthy lives" and "well-being for all at all ages." This cannot be achieved through the self-interest of people like Shkreli.

Adam Smith, the father of capitalism, argued in *The Theory of Moral Sentiments* that human beings have a natural tendency to care about the well-being of others. Hence, he argued for education for all that would be funded by the public purse. This implied that the haves would fund the schooling of have-nots, at least in part. This principle has been accepted and extended to health care in most rich countries. If the US accepts this principle and sets out to reform its avaricious, opaque and expensive health care system, the world will be a healthier place.



# Russia Bombs Syria While America Guns Its Own

*October 3, 2015*

*Vladimir Putin blindsides the US, where internal divisions paralyze reform of gun laws and make coherent foreign policy impossible.*

Once upon a time, not a very long time ago, Peter the Great decimated Swedish troops in the Battle of Poltava in 1709. Charles XII, the last of the Swedish warrior kings, was forced into exile in Ottoman Turkey and later died fighting as his country was attacked on all sides. After Poltava, Russia emerged as a great power, while the death of the Swedish warrior king led to what his countrymen call *frihetstiden*, the age of liberty.

For centuries, Russia has been a great power with impoverished people. Russian soldiers have been used as cannon fodder by their leaders from Peter the Great to Joseph Stalin.

Russian President Vladimir Putin is no different. This former KGB colonel became president because he acted decisively to crush Chechen rebels in 1999. In keeping with Russian tradition, Putin's actions in Chechnya were brutal and thousands of

Chechens became refugees. In 2003, the United Nations called Chechnya's capital Grozny the most destroyed city on Earth. Putin's battle hardened troops have now entered the fray in Syria. The Middle East's Thirty Years' War has just turned a touch more deadly.

Russians are grandmasters at chess. This week, Putin blindsided the Americans by turning up at the United Nations and calling for a united front against the Islamic State (IS). Soon, Russian pilots in Syria started bombing rebels, many of whom were not IS. The Russians gave the US, which has some special forces in the area, an hour's notice to get out of Syrian airspace and move its assets off the ground. The BBC declared that there was something "totally jaw-dropping, gob-smacking, eyebrow-arching, ear twitchingly extraordinary—and not to mention, casual—about the way the Americans learnt about Russian plans." Not since 1900 have Russian and American military forces operated in such proximity.

No wonder US President Barack Obama is not thrilled. His displeasure was there for all to see during his first formal meeting with Putin in two years. For the last few weeks, Obama has been working Capitol Hill to boost support for the nuclear deal with Iran. Despite the tens of millions of dollars that the Israeli lobby poured to scuttle the deal, Obama was able to block Republican rejection by a mere two votes. All Republicans in the Senate opposed the deal and four Democrats strayed from the fold. The Obama administration was so consumed with Iran that it overlooked Putin's bold Syrian gambit.

In the past, this author has called Putin a modern-day Tsar fighting to retain Russian influence. Tumbling oil and gas prices have left the Russians broke. Russia's conscript army is staffed by the poor who cannot bribe their way out of military service. They further Russian interests in Chechnya, Ukraine and now Syria. Their families do not know where they serve. Soldiers' families are not even informed when they die. In the words of *Fair Observer's* Anna Pivovarchuk, despite Russia's "newly-found devotion to the Orthodox Church and its moral code, the price placed on human life and dignity still remains conspicuously unholy."

There are more ills plaguing Russia. Once, the country expanded by conquering numerous peoples and subjugating many ethnicities. Today, separatist sentiments are simmering as the Russian Empire unravels. Chechnya might be quiescent now thanks

to the brutality of Putin's henchmen, but Georgia and Ukraine have moved away from the arc of Moscow's influence.

Furthermore, Russian men are dying of drink. As of 2011, every seventh woman in Moscow was marrying a foreigner. The brightest Russians are fleeing their country, and even billionaires close to the Kremlin like Roman Abramovich stash money abroad in the form of yachts, real estate and Chelsea Football Club. Yet Putin continues to be popular with Russians and playing the military strongman is his best bet to retain power.

While Russia hurtles to ruin, the US is in a thick soup too. It still has the world's largest economy and the dollar is the global reserve currency. This means Uncle Sam can get cheap debt and not worry too much about paying it back. Even so, the US economy is anemic. Job growth in September was dismal. The strong dollar and weak global demand is hurting industry, which is therefore not hiring too many people. The US also averted a government shutdown at the last minute when Congress approved a temporary spending measure that will keep federal agencies operating till December 11.

Along with bad news about the economy, the US had to deal with yet another mass killing. Nine people died after a gunman went on a shooting spree. It turns out he had 13 weapons, all of them purchased legally. Obama spoke with anguish and rightly pointed out that mass shootings have become routine in America. Gun violence is rife in the US, yet the country does "not have sufficient common-sense gun-safety laws—even in the face of repeated mass killings." This phenomenon captures all that has gone awry in the nation of Manifest Destiny.

Democracy weakens when social bonds disintegrate. American society is increasingly a collection of interest groups clamoring for their share of the pie. The common bonds and fundamental values that held Americans together are weakening relentlessly. In 1947, Republican Senator Arthur Vandenberg, the chair of the Foreign Relations Committee, supported Democrat President Harry Truman and declared that "we must stop partisan politics at the water's edge." Today, that is no longer true.

Obama is already being "vilified for the vacillation and vagueness over his Syria policy." At the same time, his decisiveness on Iran has attracted such opprobrium that 58 out of 100 senators have voted to scuttle his historic deal. Internal divisions within

the US not only paralyze reform of gun laws and threaten government shutdown, but they also prohibit any action on climate change and make a coherent foreign policy impossible.

American politicians have turned their guns on each other with the same puritanical fanaticism with which their ancestors slaughtered Native Americans. Meanwhile, the global economy wobbles and the Middle East burns.



# America's Afghanistan Adventure is a Disaster

*October 10, 2015*

*The airstrikes on a hospital demonstrate how the US has failed miserably in Afghanistan and has no clue as to what to do.*

In 52 BC, Vercingetorix threw down his arms at the feet of Julius Caesar. This marked the Roman victory over Gaul. Caesar went on to write *Commentarii de Bello Gallico*, while Vercingetorix was paraded as a prisoner in Rome and then strangled to death. Caesar claimed he had to invade Gaul to protect Rome. In reality, he was deep in debt. His overriding motive was to pay back his debt by conquering and plundering Gaul. Yet over time, Romans built roads and aqueducts in Gaul and other conquered lands. The civil law systems used by much of the world have their roots in Roman law. This article itself is written in the Roman alphabet.

The United States is the Rome of our times. It fashioned the existing global order at the end of World War II. The United Nations, the International Monetary Fund and the World Bank are all located in Uncle Sam's backyard, making it easier to impose its will in international institutions. Hollywood and Harvard dominate the imagination of even its most ferocious rivals. The dollar is the world's reserve currency, which means the

US can get debt for free. The US is also a safe haven where insecure wealthy elites park their money. Russia and China might rattle their sabers from time to time, but their citizens are buying American property from New York to California.

The US does not just dominate economically and culturally. It is also the most formidable military power the world has ever seen. As the Peter G. Peterson Foundation points out, the US spent \$610 billion on defense in 2014. This is 20% of federal spending and more than the combined defense expenditure of the seven other biggest military powers. The US can strike a target anywhere around the globe, blow up the world many times with its nuclear weapons and even exert power in space. Many world-changing technologies have emerged from US military research, including the Internet.

Yet for all its might, the US has come up short in Afghanistan. This week, President Barack Obama apologized because US airstrikes targeted a Médecins Sans Frontières (MSF) hospital in Kunduz, killing 12 staff members and wounding 37 others. The United Nations has called the attack “tragic, inexcusable and possibly even criminal.” MSF has long operated in dangerous areas and its people have been killed before. In fact, it left Afghanistan in 2004 for five years after five of its members were brutally murdered. This time, the US has killed more MSF people than the Taliban. It brings into stark focus the failure of Uncle Sam in its Afghanistan adventure, which this author predicted in 2010.

The airstrikes occurred because the Taliban had taken over Kunduz. This town borders Tajikistan and is the gateway to Afghanistan’s northern provinces. It is connected by road to Mazar-e-Sharif, which lies west and to Kabul, which lies south. It commands one of the most important drug smuggling routes in the region. Opium and heroin make their way from Afghanistan to Europe through Central Asia. The Taliban already controls much of the nearby rural areas and it was only a matter of time before it attacked Kunduz.

The ease with which Kunduz fell demonstrates how utterly out of its depth the US finds itself in places like Afghanistan, Iraq and Syria. Not too long ago, the US failed spectacularly in Vietnam despite throwing the kitchen sink at that tiny country, including using Agent Orange. Why does Uncle Sam come up short time and again in its overseas military adventures despite pouring much blood and treasure into them?

The answer to this question is neither simple nor straightforward. Yet a key factor that contributes to US failure is this country's ignorance of the Old World. The US is a land of immigrants who embrace the overriding myth that they are an "exceptional nation" that can extend the frontier and function without any constraints. This enables Americans to create new technologies and world beating companies. Silicon Valley, home to Apple, Google and Facebook, personifies this American radicalism. The rest of the world is not the US and certainly not Silicon Valley. Resources are limited. Rivalries run deep. The past is ever present. Constraints are real.

In Afghanistan, this ignorance of the Old World has led to disastrous consequences. Most Americans have no clue that many luminaries of the Taliban were beneficiaries of American largesse when they were fighting the Soviets as *mujahedeen*. Once the Soviets left, the US forgot old friends like Ahmed Shah Massoud, a Tajik who was the best of the anti-Soviet rebels and nicknamed the Lion of Panjshir. He was hated by the largely Pashtun Taliban and killed two days before the suicide attacks on American soil.

The US invasion of Afghanistan succeeded spectacularly because far too many people in Afghanistan were chafing against the Taliban. However, the US was clueless as to what to do next. George W. Bush invaded Iraq and American focus shifted, leading to catastrophic consequences. The half-hearted process of state formation with foreign diplomats, administrators, soldiers and contractors was conceptually flawed and implemented horrendously.

Afghanistan is a wild barren land where disparate tribes live in accordance with traditional norms. It is not a European nation state with a Weberian bureaucracy, old legal systems and a coherent national identity. Identities crisscross borders. Pashtuns in Afghanistan have more kinship with fellow Pashtuns in Pakistan than with Tajik or Uzbek Afghans. Sir Mortimer Durand once drew up the border of Afghanistan with utter disregard for the natives and with the sole aim of furthering British imperial power. The border and the Afghan national construct simply do not work.

Pakistan provides a toxic mix into an already combustible cocktail. The "land of the pure" has feared implosion right from its outset because Khan Abdul Ghaffar Khan, the leading Pashtun leader in British India, was an associate of Mahatma Gandhi. Khan opposed the creation of Pakistan and Pashtuns voted against the Muslim League, the

party of Pakistan's founder, for decades. Unsurprisingly, Khan ended up spending more time in Pakistani jails than in British ones and died under house arrest in 1988.

Despite the quick US victory, the Taliban was bound to bounce back. The so-called Afghan national government is not national and certainly not a government. It is a bunch of feuding warlords fighting for scraps of patronage doled out by the US. People, particularly in rural areas, choose the Taliban over foreign troops who do not speak their language and disappear after brief tours of duty to the other side of the world. Furthermore, elements in Pakistan's powerful military still back the Taliban. It is their way of keeping Pashtuns distracted and cultivating a natural ally that will back them against India.

Unlike Caesar in Gaul, Obama is trying to retreat, not conquer—to spend less instead of earn more. He uses drone strikes and airstrikes to fight the Taliban because he wants to save American blood and treasure. These strikes have long killed innocents, but they are now in focus because they hit a legendary humanitarian European organization.

Unlike Russia, the US prides itself for having a clear moral compass. That compass is increasingly erratic and will become more so until Americans become less ignorant of the Old World.



## **Conflict in Turkey and the Holy Land**

*October 17, 2015*

*Erdoğan and Netanyahu are acting cynically to preserve their grip on power, exacerbating the instability and violence engulfing the Middle East.*

In Ankara, bombings at a rally organized by left-wing organizations led to over 100 dead and more than 400 injured. It was the biggest attack in Turkey's recent history and has roots in the country's tortured past.

Mustafa Kemal Atatürk created the Republic of Turkey in the aftermath of ignominious Ottoman defeat in World War I. This was a time when the victorious allies sought to dismember Turkey, while British, French and Italian troops occupied Istanbul itself. Atatürk's remarkable military victories enabled the Turks to snatch victory from the jaws of defeat. They forced the allies to replace the draconian 1920 Treaty of Sevres with the 1923 Treaty of Lausanne. On October 29, 1923, a new Turkish nation state emerged from the ruins of the Ottoman Empire.

Atatürk was a remarkable leader who yoked Turkey out its Ottoman past through sheer force of will. He adopted *laïcité*, the French idea that imposes a strict separation of church and state. *Sharia* law gave way to new penal and civil codes. Gender equality and female education became state priorities at a time when much of Europe and the United States were frozen in patriarchal modes. Sabiha Gökçen, one of Atatürk's adopted daughters, became the world's first female fighter pilot. In a bid to modernize Turkey, Atatürk promoted European dress and was audacious enough to replace the old Arabic script with a new modified Roman alphabet.

Atatürk was opposed by many who believed he was jettisoning tradition. There were recriminations, rebellions and assassination plots. His abolition of the caliphate did not go down too well with devout Sunni Muslims at home and abroad. In India, Muslims began a Khilafat movement to defend the caliphate after World War I. They joined forces with Mahatma Gandhi whose noncooperation movement incorporated Muslim demands. Three Islamic conferences in Cairo, Mecca and Jerusalem attempted to restore the caliphate. Yet Atatürk remained resolute in forging a new secular nation state where Islam would cease to be a political instrument. The father of modern Turkey was obsessed with the idea of national progress, aspiring to create a "radiant civilization" based on science and knowledge.

Turkey experienced a tectonic shift when Recep Tayyip Erdoğan was elected as prime minister in 2003. Earlier, the secular republic had banned Erdoğan from politics and even sent him to jail. In one of his speeches, Erdoğan ostensibly quoted Mehmed Ziya Gökalp but used lines that Gökalp had not penned. "The mosques are our barracks, the domes our helmets, the minarets our bayonets and the faithful our soldiers,"

declared Erdoğan. Secular Kemalists who continue to detest Erdoğan promptly packed him off to the wilderness.

Luckily for Erdoğan, the secular Turkish elite gradually lost legitimacy. It turned effete, became irredeemably corrupt and failed to meet the expectations of its citizens. The rising middle-classes of Anatolia got tired of Turkish elites who, in the words of Erdoğan, “have drunk their whiskies for years overlooking the Bosphorus ... and have looked down on everyone else.” In 2003, Erdoğan won because he was dynamic and did a good job when he was the mayor of Istanbul. In 2014, Narendra Modi won in India for similar reasons.

In his early years, Erdoğan invested in education and infrastructure. The economy grew strongly under his watch as he pursued largely liberal economic policies. In an enlightened move, Erdoğan began a rapprochement with the Kurds, allowing the use of Kurdish language, restoring Kurdish names of towns and cities, and even reaching out to the Kurdistan Workers’ Party (PKK), which had been waging an armed struggle against the Turkish state since 1984.

With time, Erdoğan has turned more autocratic. In 2013, he crushed protests in Gezi Park. His government has been dogged by allegations of corruption. Tapes appeared on YouTube in which he was purportedly giving directions to his son to stash away huge sums of cash. Most symbolically, Erdoğan has built *Ak Saray*, a pure white palace on 50 acres of Atatürk Forest Farm. It cost more than \$615 million, caused massive environmental damage and was built in contravention of court orders. By building a 1,000-room palace on what was once Atatürk’s land, Sultan Erdoğan is inaugurating a new era where Islamic identity and Ottoman grandeur now define Turkey.

Many have suspected Erdoğan of sympathizing and even supporting extreme Islamists. A 2007 *Der Spiegel* article examined how cities like Malatya were turning radical and how *derin devlet* (the term Turks use for deep government) was creating an atmosphere of fear in Turkey. In the bloody civil wars engulfing Syria and Iraq, Erdoğan was suspiciously soft on Islamic State (IS). Earlier this year, Turkish tanks stood silent a few hundred meters away as Kurdish fighters battled IS for Kobane in Syria. The Kurds drove IS out of Kobane, but the latter responded by bombing young activists who had gathered to discuss Kobane’s reconstruction in the neighboring

Turkish town of Suruç. The conflagration raging in the region finally crossed Turkey's border on July 20.

Erdoğan's reaction to Suruç has been cynical and shortsighted. Although he managed to get elected as president in 2014, Erdoğan's party lost its parliamentary majority in June. Erdoğan used Suruç as an opportunity to portray himself as a strong leader and ordered his jets to strike the Islamic State. He also targeted the PKK, a move that made no strategic sense but makes perfect political sense. The left-leaning People's Democratic Party (HDP) won 13.1% of the vote and emerged as the third largest party in a hung parliament. Erdoğan sees Selahattin Demirtaş, the HDP's charismatic young Kurdish leader, as a threat. Erdoğan calculates that conflict with the Kurds will trigger latent Turkish pride, undercut Demirtaş and give his party a parliamentary majority in the forthcoming election on November 1. The fact this conflict might rip apart Turkey and bolster IS does not bother the sultan too much.

In the Holy Land, once ruled by the Ottomans from 1517 to 1917, Palestinians torched Joseph's tomb in Nablus, a city in the West Bank. Violence has been spiraling out of control throughout October. Angry Palestinians have been stabbing or shooting Israelis on a daily basis, seven of whom have died. In response, Israel has killed 30 Palestinians. More importantly, Binyamin "Bibi" Netanyahu's government has decided to demolish the homes of the families of those accused of or involved in attacks on Israelis. Once upon a time, the British carried out this practice against "Jewish terrorists," and today Israeli Jews are doing unto others what was done to them. Punishing people on mere suspicion makes a mockery of rule of law, and punishing their families for acts they might not have committed is simply barbaric.

Bibi has tightened the screws on Palestinians for a while. Under his watch, Israeli Jews have continued to build settlements in the West Bank, ignoring international law as well as pressure from the US government. For decades, Palestinians have been squeezed out of East Jerusalem. *Haaretz*, a leading Israeli publication of 1919 vintage, has chronicled the relentless repression, constant racism and violation of basic human rights that Palestinians experience on a daily basis. In September, it published a story that highlighted how "East Jerusalem residents feel they have nothing left to lose." Yet Bibi's government is squeezing the Palestinians further. Young Palestinians may have no organization, little training and primitive weapons, but their hearts are full of frustration, hopelessness and rage.

Both Erdoğan and Bibi are strong men who would do anything to retain their grip on power, but they could do well to remember that those who sow the wind reap the whirlwind.



# Turmoil in Jerusalem as Liberal Wins in Canada

*October 24, 2015*

*In a week of much turmoil, Canadians voted for the son of a legendary prime minister because he is promising a more transparent, just and accountable society.*

This week, Boko Haram carried out two bomb attacks in northeastern Nigeria. Syrian President Bashar al-Assad flew to Moscow to pay obeisance to his overlord, Tsar Putin. In Europe, tensions over race rose dramatically. Marine Le Pen, the French far-right leader, appeared in court to defend herself against charges of hate-speech for comparing Muslim street prayers to Nazi occupation. She used her court appearance to rail against Muslim asylum applicants who are flooding Europe this year. In Germany, the newly elected mayor of Cologne was stabbed in the neck during the final stages of her campaign but thankfully survived. In idyllic Sweden, a teacher and a student were not so lucky in an Americano-style school attack, when a far-right racist with a sword and a knife wreaked havoc in a traditionally peaceful community.

Interestingly, Hurricane Patricia became the strongest storm recorded in the Americas, but it pales in comparison to the storm that continues to rage in the Holy Land. In a spectacular attack, a Palestinian armed with a pistol and a knife killed an Israeli soldier at a bus station. The attacker then stole the soldier's rifle and started shooting, wounding at least ten Israelis. Israeli police killed him and then mistakenly shot an Eritrean man they suspected to be an accomplice. An angry mob then proceeded to beat the wounded Eritrean who later died in hospital.

This incident sums up what is going on in Palestine. For years, Israeli settlers have been nibbling away at land owned by Palestinians. As this author has repeatedly pointed out, this defies international law. More worryingly, the Office of the United Nations High Commissioner for Human Rights (OHCHR) has recorded how settlers are inflicting violence on a disturbingly regular basis on Palestinians in the West Bank and East Jerusalem. While Palestinian attackers are conveniently labeled terrorists, Israeli settlers engage in wanton violence with absolute impunity.

Palestinians live in abject penury. Noam Chomsky, a legendary American intellectual who teaches at MIT, has called Gaza “the world’s largest open-air prison, where some 1.5 million people on a roughly 140-square-mile strip of land are subject to random terror and arbitrary punishment, with no purpose other than to humiliate and degrade.”

The West Bank is increasingly a prison too. Hemmed in by the West Bank separation barrier—a daunting mix of concrete walls, tall fences and elaborate watch towers—that was deemed illegal under international law in 2003, this so-called Palestinian territory is now parceled into Areas A, B and C. In 1998, *The New York Times* published a story about Israeli army bulldozers that were clearing the way for a road linking a Jewish settlement to a highway. In the process, they “uprooted fruit trees and flattened grapevines.” Today, a network of roads meant only for Israelis has appropriated even more land from Palestinians and left them in isolated pockmarked *bantustans*.

In 2010, Human Rights Watch published a damning 166-page report on Israeli policies in the West Bank titled, “Separate and Unequal: Israel’s Discriminatory Treatment of Palestinians in the Occupied Palestinian Territories.” It meticulously detailed “systematic discrimination merely because of their race, ethnicity, and national origin, depriving them of electricity, water, schools, and access to roads, while nearby Jewish settlers enjoy all of these state-provided benefits.”

In the words of Raji Sourani, a noted human rights activist, Israel has carried out a policy of “systematic degradation, humiliation, isolation and fragmentation of the Palestinian people.”

Palestinians have lost hope and have nothing to live for. Years of simmering discontent against Jewish settlers and Israeli discrimination have now broken out in random acts of violence. This fuels Israeli paranoia and disproportionate reaction. The mob killing of the innocent Eritrean demonstrates how paranoia has gripped Israel. It is increasingly

a fear-based society where Prime Minister Binyamin “Bibi” Netanyahu is acting like a pantomime villain.

Not content with glaring at delegates of the United Nations General Assembly for 45 seconds, Bibi has now gone on to claim that Adolf Hitler was only planning on expelling Jews from Europe, but “the Grand Mufti of Jerusalem, Haj Amin al-Husseini, told Hitler: Burn them.” Bibi is blaming Arab Palestinians for the sins of Nazi Germany to create a false narrative vilifying his victims.

Meanwhile, many in Gaza, East Jerusalem and the West Bank have drifted to extreme ideologies and desperate actions. In Gaza, the Islamic State is now throwing the gauntlet to Hamas. The West Bank is a powder keg that is waiting to explode, and the young men of East Jerusalem are committing random, disorganized and ineffectual acts of violence.

Even as turmoil continues in the rest of the world, peaceful Canada has ushered in a new Liberal government led by Justin Trudeau. Stephen Harper, the outgoing prime minister of nine years standing, was considered by many to be the George W. Bush of Canada. Harper’s power base lay in oil-rich Alberta, Canada’s Texas. Historically, Canada had been run by Laurentian elites based in the cities of Toronto, Ottawa and Montreal that lie in the St. Lawrence River watershed. Harper gatecrashed this cozy party and assumed power like an *arriviste*. He rolled back regulation, kept taxes low, ran balanced budgets and focused on growth.

Harper championed exploitation of Alberta’s oil sands, the third-largest proven crude oil reserves in the world after Saudi Arabia and Venezuela. *Canadian Geographic* called them “scar sands” because of the devastating environmental impact of oil extraction, but this did not deter Harper. Under him, Canada even withdrew from the Kyoto Protocol on climate change on the grounds that it did not make sense to be a part of a deal to which the US and China were not party to.

Harper brought in a level of media and message control that is largely associated with politics south of the Canadian border. He also pursued a muscular Americano foreign policy with strong support for Bibi and active Canadian military operations against the Islamic State. The outgoing prime minister did not have a favorable view of Muslim immigrants and was not too welcoming of refugees from the Middle East and North

Africa. The “Zero Tolerance for Barbaric Cultural Practices Act” was clearly dog-whistle politics for Canadians suffering from Islamophobia.

Eventually, Harper suffered from the fall of oil prices. The Canadian economy that relies on energy exports is now in recession. Canadians hold Harper responsible and have voted for the good looking son of Pierre Trudeau, a legendary former prime minister. The young Trudeau is promising moderate deficits and investment in infrastructure. He is embracing Keynesian policies that have long been out of fashion in North America where even US Democrats “doth protest too much” about being fiscally responsible. Now, they might draw lessons from the young Trudeau’s campaign and victory.

Trudeau is also promising to admit more Syrian refugees, legalize marijuana and scale back Canada’s efforts in the US-led fight against the Islamic State. Canada has voted with hope for change and Trudeau could do well to remember the pitfalls of Bill Clinton or Tony Blair. Power can be a poisoned chalice and it is up to the “pretty boy” to become the man that he claims to want to be.



# **Genocide, Cannibalism and Forest Fires**

*October 31, 2015*

*Genocide in Myanmar and cannibalism in South Sudan are mere trifles compared to the catastrophic forest fires in Indonesia.*

The brown and yellow races mingle where the borders of Bangladesh, Myanmar and India meet. Less than seven decades ago, these lands were part of the British Empire. Largely autonomous tribes that had intermittently warred in small-scale conflict were

squashed together as the British forged European-style state systems and exploited natives for economic gain. Now, these natives are turning on each other and religion is adding a toxic element to the conflict.

Eric Arthur Blair, who went on to be known as George Orwell, served in Myanmar. He was an officer in the Indian Imperial Police and hailed from a family of imperialists. His father worked for the opium department of the imperial government, forcing Indians to grow opium for the Chinese market. It is the same trade that Afghan farmers try to ply today without the British Empire's political and economic nous. The aftershocks of British actions continue to this day from Palestine to Myanmar.

The collapse of the British Empire in South Asia was brutal and bloody. Communal violence erupted as British India gave way to India and Pakistan in 1947. It led to the biggest migration in history and exponentially higher deaths than all the subsequent wars in the region since. Pakistan itself imploded soon thereafter, and Bangladesh was born in 1971 because Bangladeshis were tired of the torture, killings and mass rape by Pakistani troops.

It seems it is now the turn of Myanmar to emulate Pakistan. This week, a report published by Yale University Law School concluded that "the abuses of Rohingya Muslims' human rights in Myanmar's Rakhine State amount to genocide."

An estimated 1 million Rohingyas live in Rakhine, a state bordering Bangladesh on the Bay of Bengal. In the late 19<sup>th</sup> and early 20<sup>th</sup> century, the British brought Bengali Muslims to work the paddy fields of the region, just as they had taken slaves to Jamaica and indentured labor to Fiji to work on sugar plantations. Thant Myint-U, a historian of Myanmar, records that as many as 480,000 Indians were arriving in Rangoon in 1927. For a time, Rangoon beat New York to become the biggest immigration port in the world. An iconic 1949 Indian song celebrates a telephone call from a pining husband in Rangoon to his wife back home. The song reflects the reality of its time. Myanmar was administered as a province of British India and Indians formed a majority in the country's biggest cities.

Naturally, such a huge influx of immigrants led to tensions. In Rakhine, animosity emerged between Buddhist natives and Muslim newcomers. The situation turned so tense that the British set up a commission to investigate immigration in 1939. In 1942, the British armed the Rohingyas to fight the Japanese, but this resulted in full-scale

communal violence with the natives coming off worse in the process. After the British packed their bags, Rohingyas demanded secession from Myanmar and a merger with Pakistan. When Pakistani leaders did not give them much support, they launched a *jihad* for an autonomous Muslim state.

After the 1962 military coup in Myanmar, General Ne Win decided it was payback time. The military started hunting the Rohingyas with ferocity and many had fled to Bangladesh as refugees.

Today, Myanmar is gearing up for elections as the military steps into the shadows but, as in Sri Lanka, ethnic Buddhist nationalism is now on the rise. Rohingyas have become convenient whipping boys in the process. Ma Ba Tha, also known as The Association for the Protection of Race and Religion, is an ultra-nationalist xenophobic group that is becoming increasingly powerful. Ashin Wirathu, a charismatic monk who is known as the “Burmese bin Laden,” has been warning about the impending Muslim takeover of Myanmar.

The extremists are backed by elements in Myanmar’s military who seek to retain power through creating a climate of fear. Islamophobia is so strong in Myanmar that iconic Nobel laureate Aung San Suu Kyi has not selected a single Muslim candidate for her party. The forthcoming election in Myanmar is certainly not going to be fair, and it is highly unfair to Muslims who will not be represented by a single candidate.

As the Yale Law School observes, security personnel, government officials and Rakhine natives have targeted Rohingyas and subjected them to arbitrary detention, torture and rape. In one of Orwell’s stories, the protagonist bitterly hated “the dirty work of Empire,” but still felt that “the greatest joy in the world would be to drive a bayonet into a Buddhist priest’s guts.”

It is such priests that are fueling paranoia against Rohingyas, who themselves are falling prey to their own charismatic Muslim clerics and taking to violence. On May 28, 2012, riots broke out after three Rohingya men raped and killed a local 27-year-old seamstress. Thereafter, a Buddhist mob killed ten Muslim men in retaliation, leading to riots where both sides slaughtered each other with fanatical zeal.

The Rohingyas have suffered enormously because the military backs the native Rakhine community. While the military supports Buddhist reactionaries, Saudi money

is flowing to Rohingyas in Myanmar and to neighboring Bangladesh—where most Rohingyas trace their roots—promoting puritanical Islam. Like elsewhere, Saudi-inspired radicalization is pouring fuel into the fire, and religious fanaticism on both sides is increasing the risk of a broader conflict.

Rakhine is relatively peaceful compared to South Sudan. Investigators from the African Union (AU) have discovered mass graves and recorded testimony of “the extremely violent nature of the rape of women and girls – that in some instances involved maiming and dismemberment of limbs.” Details of “killings, abductions, disappearances, rapes, beatings, stealing by forces and being forced to eat dead human flesh” have emerged.

President Salva Kiir, a Dinka leader, appears to have sanctioned the slaughter of Nuer men because Riek Machar, his rival and former vice president, is a Nuer leader. The formation of Westphalian European-style states in Africa is far too often a ruthless struggle for power and patronage that results in bloodlust. South Sudan is no exception. Although Kiir and Machar have signed a peace agreement, conflict still continues.

Even as violence rages elsewhere, “a great tract of Earth is on fire.” Yet as George Monbiot points out, mainstream media is largely ignoring the phenomenon. Nearly 10,000 active fires have been detected in Indonesia in 2015. Along with the trees, the land is burning too because Indonesian forests sit on great domes of peat. When fires penetrate the earth, they can smolder for months, releasing toxic amounts of methane, carbon monoxide, ozone and exotic gases such as ammonium cyanide.

Since September, Indonesia is generating more emissions per day than the US. More than 2 million hectares (20,000 square kilometers) of forest have been reduced to ashes. More than 500,000 people are suffering from respiratory ailments and at least 19 have died. Even neighbors such as Malaysia and Singapore are enveloped in haze. Orangutans, clouded leopards, sun bears, gibbons, the Sumatran rhinoceros and Sumatran tiger are among the many endangered species under threat of extinction.

It is a great tragedy that these fires are man-made. Like Myanmar, Indonesia is a former colony where European powers arrived to extract resources. Even today, its economy continues to rely on commodities. Consequently, annual fires are set off to clear forests so that the land can be used to produce palm oil and paper. Writing in the

*Jakarta Globe*, Erik Meijard has called Indonesia's fire crisis the biggest environmental crime of the 21<sup>st</sup> century. Indonesian President Joko Widodo has cut short his visit to the United States to deal with the fire crisis that his government has handled with spectacular incompetence.

As Indonesia suffers damage to the tune of multiple billions of dollars, none of the richer countries are chipping in to give cash, share expertise or send resources to fight a disaster that is devastating the planet. More importantly, few are questioning an economic system based on wasteful consumption that is wrecking the environment.

Despite the raging fires, Marco Rubio, a promising presidential candidate in the US, helpfully points out that human activity is not really changing the environment. For many leaders of the world's biggest polluter, combating climate change is not worth the cost to the economy.



# **Security Trumps Liberty for Cameron and Sisi**

*November 7, 2015*

*The argument that constraining liberty boosts security has been used time and again by governments to accumulate power.*

Thomas Hobbes of Malmesbury was born in 1588, the year the British defeated the Spanish Armada. This was the start of the rise of English global supremacy and the inhabitants of this blessed green isle were busy deifying Good Queen Bess. However, civil war broke out in 1642 between Roundheads and Cavaliers, and Hobbes was duly horrified to see the natural order of society so rudely upended. As a loyal royalist, he left England to live in exile in Paris, the land of Louis XIV, *Le Roi Soleil* (the Sun King).

Horrified by England and inspired by France, Hobbes argued for absolutism. He argued that monarchs need untrammled absolute power over their subjects to prevent “war of all against all” that is inevitable given human nature. He argued that without absolutism, there would be “no knowledge of the face of the earth, no account of time, no arts, no letters, no society, and which is worst of all, continual fear and danger of violent death, and the life of man, solitary, poor, nasty, brutish, and short.”

It seems David Cameron, Britain’s Etonian prime minister, is a devotee of Hobbes. On November 4, Cameron’s government tabled the draft Investigatory Powers Bill, which has been derisively termed Snoopers’ Charter for good reason. As with most government declarations during our politically correct times, this government has been full of pious homilies. The devil lies in the details though.

The bill authorizes Her Majesty’s 007 spies with their flashy suits, fancy cars and flirty seductresses to access records tracking the use of the Internet by everyone in the United Kingdom. Furthermore, “Internet service providers will be required to keep Internet communication records for a maximum period of 12 months.” In “urgent cases,” the government would not even need any judicial approval.

In 2013, the British Security Industry Authority estimated that there were up to 5.9 million closed-circuit television cameras in the country, including 750,000 in “sensitive locations” such as schools, hospitals and care homes. In Britain, Big Brother is always watching.

The new fashion of increasing surveillance is supposed to make Britain safer. Two questions arise. First, who acts as a safeguard against the intrusion into the daily lives of over 64 million people? Second, are the authorities even capable of handling the information they are collecting? Many intelligence professionals argue that the collected information increasingly acts more as noise than a signal.

The focus on mass surveillance has led to a neglect of traditional methods that have been far more effective in preventing terrorist attacks. For instance, building community relations with vulnerable poor minority communities is generally a better idea than tapping their phones. Similarly, improving sharing of information by a Kafkaesque state is a decent but unglamorous idea. Washington and London crave absolute control, though, and are in thrall to the new cult of technology that is supposedly omniscient.

Even as his government unveiled Snoopers' Charter, Cameron welcomed Egyptian President Abdel Fattah el-Sisi to London. In an interview with the BBC, Sisi defended Egypt's security laws. He claimed that extremists threatened Egypt and tough laws prevented it from suffering the collapses experienced by its neighbors.

Sisi masterminded the coup against President Mohammed Morsi in 2013 and then claimed power in a rubberstamp election. During his time in power, over 1,000 people have been killed and more than 40,000 have reportedly been locked up in a ferocious crackdown on dissent.

A little over two months ago, three Al Jazeera journalists were sentenced to three years in jail for "aiding a terrorist organization." After spending nearly two years in detention, Sisi was merciful enough to pardon them on the occasion of Eid al-Adha. Yet the entire episode revealed contempt for basic freedoms that has marked Sisi's regime. Sisi argues in the same vein as Hobbes and claims he is providing security to Egyptians. If Sisi did not have absolute power, Egypt would implode and would suffer civil war and anarchy.

Cameron is either staggeringly stupid or callously cynical to buy Sisi's claim. In the words of Jeremy Corbyn, the British opposition leader, the prime minister's welcome and military support of Sisi "makes a mockery" of British "claims to be promoting peace and justice in the region." Corbyn is right.

Just over a week ago, a Russian plane crashed in Egypt's Sinai Peninsula killing all 224 people on board. Sinai Province, a local jihadist group that has pledged allegiance to the Islamic State, claimed the honors. Even as Cameron was hobnobbing with Sisi, his government was joining others in suspending flights to Sinai. It is clear that despite repression and surveillance, Sisi is unable to provide security and stability to Egyptians or tourists. In fact, Sisi's actions are causing despair and pushing more of his people into extremism.

Like Cameron and Sisi, Turkish President Recep Tayyip Erdogan is promising security to his people too. In June, the Justice and Development Party, which Erdogan hails from, lost an election and the president's hold on power seemed tenuous. Now, Erdogan's cynical efforts to wrest back power have succeeded. He declared war on both the Islamic State and the Kurdistan Workers' Party (PKK). He labeled his

opponents of supporting terrorism. He has taken a leaf from the Vladimir Putin playbook and curbed press freedoms quite effectively.

Erdogan won because he was able to appeal to the same primal sentiments of identity and security as Putin and Binyamin “Bibi” Netanyahu. As many tyrants have discovered in the past, fear works. In uncertain and perilous times, Turks voted for stability and strength. The appeal to religious nationalism worked. Erdogan is now the indisputable sultan of Turkey.



## **Terror in Beirut, Baghdad and Paris**

*November 14, 2015*

*Turmoil leads to terror, which is merely a symptom of the deep disaffection and the disintegration of the political, economic and social fabric.*

This week, three terrorist attacks shook the world. In Lebanon, the Islamic State (IS) carried out a deadly attack in the Shia-dominated southern Beirut, killing at least 43 people and injuring more than 200. In Iraq, a suicide bomber blew himself up at the funeral of a pro-government Shia fighter in Baghdad, killing at least 21 people and injuring 46. In France, IS carried out its most spectacular attack in Paris. A series of shootings, bombings and hostage taking have resulted in 129 dead and more than 350 wounded.

In January, Islamist terrorists carried out attacks in both France and Nigeria. This week, the attacks in Paris have been of a different scale altogether. Not since World War II has the French capital experienced such violence. In Europe, an attack of this magnitude has not taken place since the Madrid train bombings of 2004. French President François Hollande has declared it to be “an act of war that was waged by a terrorist army, a jihadist army, by *Daesh*, against France.” It is important to note that

Hollande referred to IS by its Arabic acronym. He went on to declare, “France, because it was freely, cowardly attacked, will be merciless against the terrorists,” and that *la grande nation* “will triumph over barbarism.”

France is in a state of shock. This great European power with its legendary Gallic pride has woken up to discover that large-scale violence is not the monopoly of revolution and war. US President Barack Obama, German Chancellor Angela Merkel and others have pledged support for France. Buildings around the world were lit up in the French tricolor and sympathy is not in short supply. The Pavlovian media reaction worldwide is an unremitting focus on Paris alone. The same cannot be said for the dead in Beirut or Baghdad. Arab lives are clearly neither as valuable nor as worthy as French ones.

There is a veritable cornucopia of commentators who are wielding megaphones in the age of attention deficit disorder where social media has spread everyone a mile wide and an inch thick. Yet fundamental questions are not tackled. For instance, why is terror back in business?

A little more than 200 years ago, a French lawyer named Maximilien Robespierre launched the Reign of Terror after the French Revolution. He declared that virtue without terror was impotent and that terror was justice: “Terror is nothing but prompt, severe, inflexible justice; it is therefore an emanation of virtue.” Robespierre’s ideas did not fall to the *guillotine* even though his head did.

Terrorism emerged as a major political tool from the 19<sup>th</sup> century for those fighting for justice, equality and political change. In 1858, Felice Orsini, a patriot in the eyes of the Italians and a terrorist from the point of view of the French, tried to kill French Emperor Napoleon III. In 1881, Tsar Alexander II, the pragmatist reformist who had emancipated Russian serfs in 1861, was assassinated by anarchists whom some saw as revolutionaries while other condemned as terrorists. In the same year of the tsar’s assassination, the Irish Republican Brotherhood started the Fenway dynamite campaign. They shifted their focus from political assassination to indiscriminate bombings to instill fear in the heart of their English oppressors.

Terrorism during this era was a result of unprecedented political, economic and social strain. People wanted more liberty. Those in power wanted to retain most if not all of it. These tsars, emperors, kings, nobles and assorted flunkies were fighting to retain their privileges, and revolutionaries were waging what they saw as a struggle for freedom

and justice. Industrialization was leading to urban misery, increased inequality and unbridled exploitation. It was also ripping apart rural communities, destroying age-old rhythms of life and creating urban ghettos full of discontent. As the old social fabric disintegrated, a new *zeitgeist* of revolts, rebellion and revolution emerged. War and oppression were the terror of the strong, while terrorism was sanctified as the war of the weak.

To echo Hamlet, “the time is out of joint” again. Terrorism is the mere symptom of a world gone horribly wrong. In 1989, two centuries after the French Revolution, the Berlin Wall fell. By 1991, the Soviet Union collapsed. In the words of Francis Fukuyama, this development was meant to usher in “the end of history” and herald an age where human rights, democracy and liberal values would triumph worldwide. There was also an implicit and often explicit promise. People would benefit from markets that would offer them more freedom and choice. This brave new world was supposed to give people the opportunity not only to buy McDonald’s and Coca Cola, but also to provide them meaningful work that would give their children a better shot at life.

This economic promise of the end of history has been broken. In the words of Ti Ngo, a brilliant young historian at Berkeley, the disenchantment with the broken promise of economic opportunity is leading people to move away from ideas such as democracy and fairness to narrow sectarian and ethnic identities instead. In France, people are turning to Marine Le Pen, while the Islamic State is on the rise in formerly socialist entities of Syria and Iraq.

The attacks in Beirut, Baghdad and Paris ironically occurred barely 12 hours after Obama had declared that IS had been “contained.” Earlier this month, an IS affiliate had brought down a Russian plane in the Sinai, killing all 224 passengers on board. Clearly, Obama is wrong. The Islamic State is a cunning and formidable enemy. It has taken over the mantle of al-Qaeda and taken advantage of both the Syrian Civil War and the imbroglio in Iraq.

As is well-known, George W. Bush’s intervention destroyed the Sykes-Picot order based on arbitrary nation states with centralized bureaucracies and bloodthirsty despots. Saddam Hussein’s Tikrit-based ostensibly socialist gang was deposed and the Shias began to dominate Baghdad even as the Kurds drifted apart. Since the Syrian Civil War, the Sunni-Shia conflagration has spread across borders. Now, the

Middle East is going through its version of the Thirty Years' War. People are dying by the thousands and fleeing in the millions.

In such traumatic times, the millenarian version of Islam proffered by IS has become seductive to those disgruntled with the *status quo*. It evokes the myth of a glorious caliphate and provides ready enemies in the form of Shias, other heterodox Islamic sects, Sunnis who do not buy into radical Islam, Christians, atheists and imperial powers such as France, Britain and the US that have long imposed their writ on the Muslim world. Violence is a justified means to achieve God's will on earth.

The disaffected minorities who have long been discriminated against in countries like France provide rich pickings for IS. *La grande nation* has ghastly *banlieues*, suburban housing projects where unemployment, crime, discrimination, racism and social exclusion are daily phenomena. In 2005, riots broke out in 274 towns for three weeks. *The Independent* estimates that France provides the highest number of foreign European fighters in Syria.

The great risk for France and the world is to view terror through a simplistic lens. Bush's Global War on Terror was a pathetic failure because terror is just a tool that flares up in times of turmoil. More guns and planes do not necessarily lead to safety. More snooping by an Orwellian state does not do much good either. Slamming doors in the face of refugees will not work. Le Pen's far-right racism only provides more recruits for the Islamic State. Only an honest effort to tackle the political, economic and social dislocation of our times can curb terror.



# **No Pope Francis, There is No Third World War**

*November 21, 2015*

*The pope's talk about World War III is unwise because of its timing and its implications, as well as the track record of the Roman Catholic Church.*

Pope Francis is a fine fellow. He rails against inequality, rallies for the environment and fights corruption in his Kremlin-like state. On November 13, Caroline Wyatt of the BBC suggested that Francis' "Vatican reforms may be starting to bite." For far too long, the Roman Catholic Church has been plagued by "greed and mismanagement" that puts FIFA to shame. Now, Francis has decided to take on his fellow clergymen who lead "the life of a pharaoh." This "barefoot pope" from the land of liberation theology is shaking up his age-old opaque organization that has so far been run by fusty old Europeans with a *penchant* for *la dolce vita*.

While there is much to admire about Pope Francis, he has erred egregiously in declaring that the attacks in Paris are "a piece" of the "piecemeal Third World War." He first declared this in 2014 while "standing at the altar beneath Italy's fascist-era Redipuglia memorial." The Argentine pope's Italian grandfather had fought in World War I against the Austro-Hungarian Empire, and it must have been a sentimental occasion for him to visit the gravestones of 100,000 Italian soldiers. Yet Francis is inadvertently entering dangerous country. "War is madness," in his words, and he believes the Paris attacks do not represent Islam. Yet when he mentions a Third World War, he evokes ghosts from the past that still haunt us and menace peace.

Francis presides over an institution that is no stranger to violence. On November 27, 1095, Pope Urban II sought to unite conflict-ridden Europe under his leadership by launching Crusades. By now, Muslim Seljuq Turks controlled the Holy Land and Urban II wanted it back in Christian hands. He granted remissions for all sins of those who participated in the Crusades. An estimated 60,000 to 100,000 knights, peasants and serfs responded to Urban's call. They set off for Jerusalem via Constantinople.

What followed Urban's clarion call was centuries of war that is now sanctified in myth. Even today, the statue of Richard the Lionheart, sword in hand on a stately steed, guards the Palace of Westminster, the home to the Houses of Parliament in London. Pope Urban II himself was beatified in 1881. As per the Catholic Encyclopedia, through beatification the church "honors the saints because of the Divine supernatural gifts which have earned them eternal life, and through which they reign with God in the heavenly fatherland as His chosen friends and faithful servants." Like a lot of religious doctrine, this is humbug. Yet it stubbornly continues to be a part of the Catholic creed.

Even Francis cannot make his geriatric institution open, transparent and democratic. Like all of us, he is a prisoner of the past. The Roman Catholic Church is the same institution that burnt Giordano Bruno in 1600. As late as 2000, Cardinal Angelo Soldano, the dean of the College of Cardinals and secretary of state, defended Bruno's inquisitors. In the past, the church enforced dogma through Inquisition and was highly intolerant. Jews had to flee fanatical Spain to take refuge with tolerant Ottomans. Until recently, these Jews spoke Ladino, an old form of Spanish that is now dead in the Iberian Peninsula. As an Argentine, Francis must know fully well that he presides over an organization that once exterminated indigenous cultures and participated in the genocide of native populations. More recently, Pope Francis' church sided with Latin American military regimes that censored, tortured and jailed their citizens. Hence his talk of a Third World War sends shivers down many spines.

The pope's talk of a piecemeal Third World War is naïve, misguided and dangerous.

First, the timing of the comment could not be worse. France has joined countries such as Sweden, Hungary and Poland in closing its borders. The far-right is on the rise in much of Europe. In the United States, 28 governors have declared that they will not accept Syrian refugees. Some are willing to accept Christians, but certainly not Muslims. Donald Trump, a flamboyant presidential candidate with billions in the bank, is calling for expanded surveillance, monitoring mosques, tracking Muslim Americans, giving them special identity cards and even searching them without warrant. Pope Francis is providing ammunition for politicians like Trump by painting the specter of a world war.

Second, the idea of World War III evokes visions of apocalypse. It fosters fear and exacerbates the paranoia plaguing Europe and the US. When al-Qaeda attacked America, the country acted out of fear to create a surveillance state and wage war against Saddam Hussein. This brutal dictator had used chemical weapons against his own people, but he had no hand in the attacks of September 11, 2001. Yet in the hysteria that followed, George W. Bush and Tony Blair flouted international law with impunity to launch a war that was based on a laughable lie: Iraq possessed weapons of mass destruction.

Worst of all, the US regressed culturally and legitimized torture. This was a civilizational fall for a country that sees itself as a shining "City upon a Hill." Glenn

Carle, a former high ranking official of the Central Intelligence Agency (CIA), points out the irony of Uncle Sam practicing waterboarding when it had executed Japanese soldiers for conducting the same exercise during World War II. During this period, the infamous Executive Order 9066 called for the relocation and internment of its Japanese citizens. The idea of World War III will give people like Senator Tom Cotton the green light to lock-up and even torture American Muslims. Tragically, Francis is inadvertently emulating Urban.

Finally, Francis is completely wrong about a piecemeal Third World War. Carl von Clausewitz, the Prussian military philosopher, declared war as “nothing but a duel on an extensive scale” where “each strives by physical force to compel the other to submit to his will.” A war is certainly taking place in Syria where President Bashar al-Assad and the Islamic State are fighting a duel and attempting to impose their will. However, what this author has called the Middle East’s Thirty Years’ War is no world war: It is a regional war with multiple actors and large-scale foreign intervention.

The so-called War on Terror was never a war. The US did not have a defined objective or a clearly identifiable enemy. It did succeed in eliminating Osama bin Laden and in conquering Iraq. Yet it could not bring peace to the land. American blunders destroyed the fabric of Iraqi society and led to the emergence of the Islamic State that is imposing a reign of terror that makes Maximilien Robespierre appear mild and merciful by comparison. This fanatical, bloodthirsty and medieval organization is conducting murder, torture and rape on a mass scale. It kills or enslaves minorities like Yazidis. It is destroying priceless treasures of the past such as Palmyra. Worse still, the Islamic State is preying on old hatreds, appealing to puritanical Islamic doctrine and providing a vacuous vision of virtuous utopia for the future.

The Paris attacks demonstrate that the Islamic State is expanding its operations. It is no longer content with unleashing terror in Baghdad, Mosul and Raqqa. Terror is now to be exported to supposedly sinful cities like Paris. Yet the Islamic State is in no position to fire missiles, send ships and roll tanks into any NATO country, including Turkey. The US, Britain, France and Russia are all battling the Islamic State, but certainly not waging war against it.

Terror, as this author pointed out last week, is merely a symptom of the deep disaffection and the disintegration of the political, economic and social fabric. Since the 19<sup>th</sup> century, it has been a tool of revolutionaries against repression, imagined or real.

Russian, Irish, Tamil, Basque, Sikh and other groups have taken to terror to achieve their ends. The Islamic State is a product of the failed promises of Arab socialism and globalization. It is easy to forget that both Syria and Iraq were homes to Baathist parties that wanted a “just redistribution of wealth.” Globalization promised freedom and better lives to all. In an unequal, oppressive and disillusioned society, people are returning to religion for solace. Some are even turning fanatical.

The Islamic State draws its support from fanatics who are angry and impressionable. People who feel marginalized and victimized present ripe pickings. Therefore, the drone strikes of the US are counterproductive. Four former air force members have written to US President Barack Obama that drone strikes have “fueled the feelings of hatred” that ignite terrorism. In 2014, the US targeted 41 people via drone strikes, but ended up killing 1,147. Clearly, far too many people killed were innocent. These former soldiers are right in pointing out that killing civilians is one of the most “devastating driving forces for terrorism and destabilization around the world.”

Conflict is inevitable in a world of over 7 billion people. Eventually, rogue elements will acquire weapons of mass destruction. Biological, chemical and even nuclear strikes will occur. Yet even such large-scale violence is unlikely to lead to a Third World War. Millenarian militants such as the Islamic State will wither away. The horrors they impose will prove too much to bear. However, extreme ideologies and terror will persist in another form. We have to learn to live with them instead of fearing our own shadows.



# **Thanksgiving, Climate Change and Argentina**

*November 28, 2015*

*Thanksgiving is a good time to remember that the vast majority of Americans migrated to the New World and that climate change is real.*

This week, Americans celebrated Thanksgiving. In a time-truncated society where people get a mere 15 days off and where distances are gargantuan, this national holiday is one of those rare times when families get together and enjoy a leisurely meal. No wonder Americans have warm and fuzzy feelings for the holiday season.

The origins of Thanksgiving are shrouded in myth. As per legend, a ship called Mayflower with 102 Pilgrims—devout Protestants persecuted in Stuart England—sailed the Atlantic in 66 days. Arriving in the winter of 1620, barely half made it to spring. Squanto, a Native American who had once been kidnapped by an English sea captain and sold to slavery, paid them a visit. He taught these malnourished refugees how to grow corn, make syrup from the sap of maple trees, fish in the rivers flowing nearby and avoid poisonous plants. In November 1621, these colonists invited their native hosts to a feast, inaugurating a great American tradition of Thanksgiving.

The reality is not quite as squeaky clean as the myth. White Americans certainly have a lot to be thankful for. Native Americans have less reason for celebration. Fewer of them have survived north of the Rio Grande than south of it. Europeans arriving in America sought *lebensraum* or living space that the Nazis later craved in the 20<sup>th</sup> century. Even as Americans stuff themselves with turkey, few of them stop to think of the genocide of native populations, which enabled them to colonize a vast continent.

Europeans arrived in the New World as immigrants. Ironically, many of their descendants now oppose immigration and do not want to let in Syrian refugees. However, as John Oliver points out, this anti-refugee hysteria is nothing new. Once, the US turned back Jewish refugees even as Adolf Hitler was about to launch World War II. Many of the Jews who returned to Europe did not survive the war. Today, Rupert Murdoch's Fox News is hell bent on turning back refugees. It is painting refugees as terrorists in a country that is now terrified of its own shadow. Perhaps many Americans subconsciously expect refugees to do unto them what their ancestors did to the Native Americans.

Apart from its dark past, Thanksgiving has an ugly underbelly. It is the time of an orgy of consumerism. Black Friday, the day after Thanksgiving, inaugurates the country's Christmas shopping season. This year, sales have fallen but still total \$12.1 billion and

do not include online sales. Online shopping and sales that begin as early as Halloween are said to be two key reasons for the fall in sales this year. Despite the fall in Thanksgiving sales, shopping figures are clear evidence of extreme materialism. Americans buy far too much stuff. To be fair, so do the Chinese and the rich Indians, but no one can compete with the Americans who are in a league of their own.

For all its faults, the US strides the world like a colossus. Its national debt may be over \$18 trillion, a touch more than its GDP of \$17.5 trillion. It may have launched an illegal, irrational and idiotic war against Iraq. It may have suffered a civilizational fall by legitimizing torture. Its military might be plagued by pervasive post-traumatic stress disorder. Yet Hollywood and Harvard retain unrivaled luster in people's imaginations from Shanghai to Sao Paulo. Tara Whitaker, an entrepreneur, financial analyst and historian, points out that the US might do well to gain a church even as its empire collapses. Some would argue that Hollywood and Harvard are the modern counterparts to the Roman Catholic Church. The cultural hegemony that Antonio Gramsci once talked about is now the prerogative of the US.

Others are copying the United States blindly. This is tragic. The 21<sup>st</sup> session of the Conference of the Parties (COP 21) is about to kick off in Paris. The US Environmental Protection Agency (EPA) admits that America has the highest per capita emissions in the world. At the heart of this malaise lies a broken system. Consumerism is the basis of much of urban society. People want more of everything, even if it is wasteful. The effect on the environment is catastrophic.

The year 2015 is the hottest since 1880. Apart from American politicians who believe that Mary was a virgin, others accept that climate change is real, man-made and highly dangerous. In Brazil, two dams collapsed after heavy rain, and a mudflow thick with toxic mining waste has now reached the Atlantic Ocean. Many are calling it the worst environmental catastrophe in Brazil's history. Glaciers are melting in the Himalayas and the poles. As the world gets warmer, sea levels are rising and weather patterns are becoming more difficult to predict.

As COP21 kicks off in Paris with pious homilies and good intentions, there is no hiding from the fact that the economic model that the US exemplifies has to be jettisoned. Even as the world frets about climate change, it is besotted with consumerism and its appetite for energy remains insatiable. Arvind Subramanian, India's chief economic adviser, has come out with blazing guns against "the rich world's move against fossil

fuels.” Like many people from poorer countries, Subramanian suspects that rich countries are using environmental standards to keep poor countries down and out. The US and the rest of the rich world have to lead by example, learn to sacrifice and live more frugally. All talk of the environment will not go anywhere if the burden of preventing climate change falls disproportionately on the poor.

Many of the poor are already desperate and angry about injustice—perceived and real. They provide fertile breeding grounds for violence and terror. Drug wars continue in Mexico, and the murder rate in Latin American countries like Honduras, Venezuela and Brazil remains frighteningly high. In Mali, gunmen killed over 20 people. Another 12 were killed on a bus for the presidential guard in Tunisia. Palestinians are spontaneously attacking Israelis with primitive kitchen knives, and the latter are retaliating in a disproportionate manner.

Not only individuals but also states like Russia and Turkey have turned violent. Turkey shot down a Russian military plane, leading to a fierce response from the Kremlin. These two former empires with rampant inflation, slowing economies and rising unemployment have long been rivals. Turkey, a NATO nation, is opposing Russia in Syria. Now, both of them are upping the ante.

The Turkish-Russian spat appears mild in comparison to yet another mass shooting in the US. On October 2, Mahatma Gandhi’s birthday, *The Guardian* pointed out that the US had 994 mass shootings in 1,004 days. This week, Planned Parenthood, a nonprofit that provides reproductive health services, was attacked, leaving three people dead and nine others injured in the process. Earlier this year, anti-abortion activists had whipped up frenzy against it, accusing it of selling aborted fetal tissue for medical research. Far-right Christian fundamentalists who have taken over the Republican Party nearly caused a government shutdown.

Since 1977, there have been eight murders, 17 attempted murders, 42 bombings and 186 arsons against abortion clinics and providers in America. It is clear that the country has a homegrown terrorism problem. Fundamentalist Christians are attacking vulnerable health care providers to impose their version of medieval morality.

Finally, Argentina has voted in Mauricio Macri to be president. Macri is from a family of industrial tycoons and ran Boca Juniors, Argentina’s iconic football club. Macri was also the mayor of Buenos Aires and even his critics grudgingly admit he did a decent

job. Now, his party controls the national capital, the provincial government of Buenos Aires and the national government. Cristina Fernandez de Kirchner, the outgoing president, did not control the city or province of Buenos Aires. Along with her late husband, she dominated Argentine politics for over a decade. At least for now, the Kirchner era of cheap rhetoric with the politics of empty symbolism is over.

Macri has set out to restore some semblance of confidence to Argentina's economy. The statistics agency will regain its autonomy after years of fiddling with the numbers. Exchange controls will go and so will punitive taxation of farmers. Alfonso Prat-Gay, a respected former central bank chief, will be finance minister. Lino Baranao, a competent chap who served Kirchner, will stay on as minister of science, technology and innovation production.

Macri understands that he is governing a country where health and education is free. Despite the poverty and inflation that plague Argentina, this is country that veers left. Hence, Macri is sticking close to the center. He faces two major risks. First, the congress can throw a spoke in Macri's wheel. Second, Argentina has critically low foreign reserves. Additionally, Argentina has defaulted on its debt. The commodity boom is over and Argentina has no manufacturing or technology prowess.

The Kirchners have left a toxic legacy and Argentina is a mess. To access global capital markets, to curb inflation and to generate jobs, Macri needs "the hand of god" like Diego Maradona.



## **A Climate of Fear**

*December 5, 2015*

*A climate of fear is spurring gun purchases in the US and ill-conceived airstrikes by both France and Britain.*

Another mass shooting has taken place in America. Last week, this author pointed out how mass shootings have become a way of life in the land of the free and the home of

the brave. During that same week, a white Christian fundamentalist killed innocents at a Planned Parenthood clinic because he opposed abortion. This time, a Muslim fundamentalist couple killed 14 people and wounded 21 in San Bernardino, California. Frighteningly, it turns out that they were happily married and had a 6-month-old baby.

The Federal Bureau of Investigation (FBI) is treating the San Bernardino attack as a terrorism case. Syed Rizwan Farook and Tashfeen Malik were of Pakistani origin and had spent time in Saudi Arabia. Farook had grown up in the American Midwest and apparently turned radical after marriage. The couple were making bombs, stashing weapons and planning a massacre for a while. On Facebook, Malik posted her allegiance to the Islamic State (IS) around the time she and her husband began the massacre.

Predictably, Republicans and Democrats differed as to the cause and response to the shooting. *Vox* points out how Republicans changed from pious men offering prayers for victims to declaring war in a must-win “clash of civilizations.” For Republicans, more guns are the way forward. If people had their own guns, as in the days of the Wild West, they would be able to shoot down the bad guys. Ted Cruz, a Tea Party darling, thundered, “We don’t stop the bad guys by taking away our guns, we stop the bad guys by using our guns.”

President Barack Obama disagrees. He points out that “people on the no-fly list can walk into a store and buy a gun.” He rightly called this insane and declared, “If you’re too dangerous to board a plane, you’re too dangerous, by definition, to buy a gun.”

The Editorial Board of *The New York Times*, the newspaper of record in the US, brought out a front page editorial for the first time since 1920 to ask for a drastic reduction in the number of firearms. Even as it appealed to the nation’s “sense of decency,” Americans were “stocking up on guns and ammunition, bringing weapons into their daily routines and requesting refresher courses from firing ranges.” It is no surprise that less than 5% of the global population own more than 42% of the world’s privately held firearms. Mass shootings make the news, but suicide is the bigger problem.

A climate of fear is taking root in the US. Americans are easily spooked. Insulated from the Old World by two oceans, they are spoiled and soft. Unlike Europe, Asia, Africa and even Latin America, the US has avoided war on its soil since 1865, when its

bloody civil war finally came to a close. The historic attack on Pearl Harbor does not really count because it happened a long way off. In truth, 9/11 was the first real attack on the US mainland since the British burnt the White House in 1814, a year before they defeated Napoleon at Waterloo.

The US reaction after the al-Qaeda attacks was one of panic. George W. Bush, a draft dodger who avoided combat in Vietnam, did not understand war. He reacted emotionally and led the US into Afghanistan for revenge and then into Iraq, which he had no reason to attack. It is interesting to note that Bush's father, who fought in World War II, was not so gung ho about the war. George H.W. Bush had misgivings about his son's rhetoric, "iron-ass" Dick Cheney and "arrogant" Donald Rumsfeld. They have proven to be right.

Retired Lieutenant General Michael Flynn, the former director of Defense Intelligence Agency, is more candid about where the US went wrong. In a recent interview with *Der Spiegel*, he has called the Iraq War a "huge error." He also points out that "instead of asking why they attacked us, we asked where they came from. Then we strategically marched in the wrong direction." Blunders by the US prepared the ground for civil war in Iraq and the takeover by IS.

Under Obama, the US is trying hard not to get into another morass. In contrast, Europe is reacting far more skittishly after the Paris attacks. French President François Hollande has declared war on the Islamic State, failing to realize the implications of conducting airstrikes in conjunction with the Russians. This pudgy mediocrity is plummeting in popularity and heading to electoral guillotine. In the last throw of the dice, he is trying to act Napoleonic in his foreign policy with the same stupidity that earlier French leaders demonstrated in Algeria and Vietnam.

British Prime Minister David Cameron has joined Hollande in supposedly taking the war to IS. He believes that "the risks of inaction are greater than the risks of taking action" and airstrikes will degrade IS over time. Cameron, who has a reputation for superciliousness and mendaciousness, called opponents of airstrikes "terrorist sympathizers." Just as Tony Blair came up with fictional weapons of mass destruction, Cameron has magically conjured up 70,000 moderate Syrian forces raring to have a go at IS. Clearly, Cameron did not get Obama's memo when he stopped training Syrian rebels.

Both Hollande and Cameron, an Old Etonian and an *énarque*, have a flawed understanding of terrorism, the Islamic State and indeed the Middle East. The Sykes-Picot world is dead. Both Iraq and Syria are merely *de jure* states that are fast disintegrating. Airstrikes will only kill a few IS fighters and some innocents. Military action can defeat an organization like IS, but achieving security requires some solution to the social, political and economic dislocation millions are experiencing on a daily basis.

Neither Hollande nor Cameron can do much in the Middle East. Obama still retains the key man for the region, but his hands are tied. Many Iraqis believe that the US is in cahoots with the Islamic State. It is no surprise that Iraqi Prime Minister Haidar al-Abadi, an ally of the US, shot down Defense Secretary Ashton Carter's idea of an American expeditionary force based in Iraq. These American troops would have targeted IS, but now they find themselves unwelcome in the very country where they ran the show like cowboys.

Even as the discourse on terror heats up, so does the planet. The 21<sup>st</sup> session of the Conference of the Parties (COP 21) has begun in Paris. Simultaneously, southeastern India and northern Britain are experiencing massive floods. Tamil Nadu, the Indian state experiencing the floods, is in disarray. Flood waters and sewage have submerged the city of Chennai that faces risks of epidemics as waters recede. *The Hindu*, an iconic newspaper of the country, was not published for the first time since 1878. As this author pointed out last week, such floods and extreme weather conditions are now commonplace. This trend portends environmental disaster, economic catastrophe and much human suffering.

Terrorism is piffle when compared to climate change. Unprecedented weather conditions are wreaking havoc. If we fail to act, climate change will create a climate of fear far worse than the Islamic State.



## **Le Pen and Trump Rise Up**

*December 12, 2015*

*A global climate deal in Paris raises hopes even as the far-right gains influence in France and the US by preying on prejudice and targeting minorities.*

*La grande nation* is no longer that grand. In the previous century, it refused to see the writing on the wall and withdraw from its colonies with good grace. French rule of both Vietnam and Algeria ended in a disgraceful and bloody *denouement*. More than eight years ago, Paul Montfort, then a student at the famous Sciences Po, remarked that “revolution is the only way the French do change. The French carry on without changing until things go so bad that they blow up.” The victory of Marine Le Pen’s far-right National Front implies the time for radical change has finally come.

In 2007, this author pointed out the many challenges facing France—from low growth and high unemployment to red tape and rote learning. Nicolas Sarkozy, one of the few French politicians who did not graduate from *École National d’Administration* (ENA), had just been elected president. ENA is a highly selective school whose alumni have dominated business and politics in France for much of the last five decades. Jacques Chirac and François Hollande, Sarkozy’s predecessor and successor, are both *énarques*, the word used to refer to graduates of ENA. Sarkozy promised “rupture” with the past and, despite his misgivings, this author mistakenly thought Sarkozy might turn out to be Tsar Nicolas and inaugurate some long-overdue reforms.

Sarkozy turned out to be President Bling-Bling and his flashy lifestyle eventually disgusted French voters. He turned out to be intellectually vacuous, full of hot air and failed to follow through on any of his promises. In disgust, the French voted for Hollande who has been an unmitigated disaster in office. The pudgy Hollande has been dull and insipid, but he has matched Sarkozy in his amorous scandals. More importantly, Hollande has been a spectacularly incompetent president. Le Pen is right to claim that French voters have rejected “the old political class” that is far too incestuous and lacks vitality. She is bang on the money to say that France’s political elite of *énarques* is crumbling.

Le Pen has won a third of the vote and six of France’s 13 regions. Under her leadership, her party has become more palatable to voters than during the era of Jean-Marie Le Pen, her famously anti-Semitic father. Instead of Jews, Muslims are the new

whipping boys for her party. She innocently claims that France can no longer take in more Muslim immigrants. The global refugee crisis and the Paris attacks have proved gift horses for a party that has gleefully yoked them to a triumphant chariot.

Riding alongside the older Le Pen is her niece, the blonde and beautiful 26-year-old Marion Maréchal-Le Pen, who became France's youngest member of parliament in modern political history at the ripe old age of 22. Clearly, French democracy is in rude health: The incestuous political elite face an insurgent xenophobic family.

For far too long, French racism and the incompetence of its political elite have trapped its minorities in ghastly *banlieues*. Ten years ago, disaffected youth in these *banlieues* rioted in 274 towns, torching 9,000 cars and destroying over €200 million of property after two young men died. Sarkozy famously called these young men "scum" and went on to win the presidential election. Ten years later, "nothing's changed" and the *banlieues* remain in crisis. Actually, one thing has changed. Impetuous Sarkozy has given way to the ideological Le Pen clan whose intolerance is reminiscent of Catherine de Medici. Minorities can note with some trepidation that France's Medici era was defined by the 1572 Saint Bartholomew's Day Massacre, when Catholic mobs slaughtered Huguenots throughout the country.

American politics seems to be rivaling the French in its lurch to the right. Donald Trump, a flashy billionaire presidential candidate, has called for "a total and complete shutdown of Muslims entering the United States," drawing gasps of disbelief across the country. When talking about Mexicans, Trump has declared that "they are rapists." Even Le Pen claims that Trump has gone too far. For this author, the brash billionaire is a clownish buffoon. Ted Cruz of machine gun bacon fame is the more insidious and dangerous candidate.

Yet it is clear that Trump is tapping into a large section of the Republican base. He continues to lead the polls for the Grand Old Party (GOP). Jeb Bush has called Trump's plan "unhinged," Chris Christie said it was "a ridiculous position" and Marco Rubio termed it "outlandish." Apart from these three Republican candidates, no one else criticized Trump unambiguously. The most shocking response came from Carly Fiorina, an arrogant and avaricious former CEO of Hewlett-Packard, who claimed that "Donald Trump's overreaction was as bad as President Obama's under reaction."

The Republican Party has been lurching to the right since Strom Thurmond, a senator of the Deep South, broke ranks from the Democratic Party and became a Republican in 1964. This is a man who supported segregation and opposed interracial dating—though that did not stop him from fathering a child with his African American maid.

In 1980, Ronald Reagan played dog-whistle politics by launching his campaign at Mississippi's Neshoba County Fair in front of 10,000 raucous white supporters with a ringing endorsement of "states' rights." It is here that Michael Schwerner, James Chaney and Andrew Goodman, three civil rights workers campaigning against segregation, were murdered in 1964. Reagan was the first presidential candidate to appear at the fair. He would later go on to support Apartheid South Africa and treat Nelson Mandela as a terrorist. In Mississippi, Reagan was appealing to white supremacists of the Deep South who believed that segregation between the races was a matter of states' rights in which the Federal government had no right to intervene.

Under George W. Bush, the racial politics of Reagan was replaced by religious fervor. Bush claimed Jesus to be his favorite philosopher. He began breakfast meetings with a prayer and declared the so-called War on Terror a crusade. This author mentioned in a previous *The World This Week* how the beatified Pope Urban II launched the Crusades in 1095 for the cynical reason of uniting Christian Europe under his leadership. European invaders acted with extraordinary brutality, leaving a toxic legacy that lives on till today. Bush's use of the word crusade was idiotic and inflammatory because it gave religious hues and historical relevance to a heinous act by a fringe group of fanatics.

The lunatic lurch of the Republicans to the right is reaching its logical conclusion. Under Bush, the US went through a civilizational fall. Torture was legitimized as an enhanced interrogation measure. The irony that Americans had sentenced Japanese to death for torturing prisoners during World War II was lost on the Bush regime. That torture did not work was irrelevant as well. Opponents and critics were denounced as ignorant, incompetent and un-American. Patriotism implied chest thumping jingoism and support for an unintelligent linguistically-challenged president.

Throughout the years, Rupert Murdoch's Fox News has been pouring poison into America's soul. Murdoch comes from a country that followed a White Australia Policy for decades, and his organization preys on insecurities of white America through vitriol, distortion of facts, deliberate misinformation, racial prejudice and relentless outrage.

Fox News has successfully moved the needle of political discourse to the right. Fox News' tag line is "Fair & Balanced," and yet the only thing fair about its reporting are its blonder than blonde female news presenters. Murdoch has made his billions by murdering and then burying the Eisenhower Republican six feet under. In the process, he has made Republicans more racist, religious and reactionary. Donald Trump is only saying things overtly that Republicans have long hinted at.

Even as the US and France drifted to the far right, Venezuela voted for its center-right opposition. In a landslide victory, the opposition won 99 of the 167 seats in the national assembly. South America has its own tangled legacy of race and exploitation. White descendants of Spanish *conquistadores* have a sense of entitlement that they were born to rule. They often preside over economic growth, but the fruits of it end up in their own hands.

Populists who appeal to *mestizos* and indigenous populations tend to lack the wisdom to rule. More often than not they turn authoritarian, fall prey to corruption and bankrupt the state. Hugo Chávez and his successor, Nicolás Maduro, were no exceptions. They come from a long lineage of Latin American *caudillos* who failed to create institutions and viable alternatives to the elites they supplanted.

The election defeat of Maduro's party was a foregone conclusion because of the fall in oil prices. The Organization of Petroleum Exporting Countries (OPEC) was unable to limit production thanks to a Saudi-led policy of pumping until all rivals "are squeezed out of market share." As a result, prices have fallen from \$105.37 a barrel to well below \$40 today, and oil exporters like Venezuela are in trouble. Chavez and Maduro were relying on the oil price bonanza to last an eternity. That party has come to an abrupt end and the late Hugo Chávez's "Bolivarian revolution" is now in its death throes.

Finally, a landmark climate deal has been reached in Paris that aims to limit the rise in global temperatures to less than 2 degrees Celsius. Here's hoping that it sticks.



# End of an Era as the Fed Raises Rates

*December 19, 2015*

*The Fed's historic decision to raise rates will benefit savers, strengthen the dollar and increase volatility, as well as possibly reduce asset prices and inequality.*

On December 16, the Federal Open Market Committee of the US Federal Reserve (Fed) “decided to raise the target range for the federal funds rate to 1/4 to 1/2 percent.” This is the first time that the Fed has raised rates in nearly a decade, bringing an end to the zero-rate era that began in December 2008. This was three months after the collapse of Lehman, that infamous investment bank led by Dick Fuld who wanted to reach in, rip out hearts of short sellers of Lehman stock and eat them before they died.

The Great Recession of 2008 was a result of many factors. During the days of Alan Greenspan, the Fed kept monetary policy far too loose. The huge sums of money sloshing around in the economy led to bubbles, first dotcom and then real estate. During the latter bubble, banks lent to people without incomes and jobs. They then repackaged these so-called subprime loans as fancy derivatives and sold them on to others. The borrowers borrowed far too much. Then lenders lent irresponsibly. Those who bought derivatives did not really know what they were buying. The credit rating agencies were incompetent if not negligent. The regulators were out of their depths and asleep at the gate.

The Great Recession was in many ways a crisis born out of hubris. In the heady days after the fall of the Berlin Wall and the Soviet Union, policymakers in Washington, DC and London developed deep faith in the untrammelled powers and infinite wisdom of the markets. None other than Bill Clinton, the darling of the Democrats, signed into law the Financial Modernization Act of 1999. This reversed the Banking Act of 1933, better known as the Glass-Steagall Act, that separated commercial and investment banking after the 1929 stock market crash.

From now on, financial companies were able to consolidate into behemoths with oligopolistic power. Captains of finance were able to indulge in ever riskier activities. Compensation of people like Fuld reached astronomical proportions, totaling hundreds

of millions of dollars. Theoretical physicists flocked to Goldman Sachs instead of staying put at MIT or joining NASA. Deng Xiaoping's purported phrase, "to get rich is glorious" captured the new *zeitgeist* of this era. People like Byron Dorgan, the senator who opposed the reversal of Glass-Steagall and warned of impending doom, were dismissed as irrelevant troglodytes playing doomsday Cassandra.

The Great Recession of 2008 was inevitable, but the scale and speed with which it unfolded caught everyone by surprise. At the time, Hank Paulson, the former head honcho of Goldman Sachs, was the lord of the US Treasury. Like Fuld, he acted arrogantly and prized expedience over effectiveness. The bailout of Wall Street banks with mergers forced at gunpoint made too big to fail even bigger to fail. Moral hazard, the term that economists use to describe a situation where one party ends up with the benefit and the other the cost of the risk, was amplified.

Gridlock in Congress and ideological divides meant that fiscal policy was largely paralyzed. Both the Tea Party and Occupy Wall Street movements were full of sound and fury but failed to offer coherent critiques of what had gone wrong or alternatives for the future. It was left to the Fed to stop the Great Recession from turning into another depression. It did so by flushing the system with easy money. First, it slashed interest rates to nearly zero. Second, it embarked on a policy of quantitative easing or QE. This simply entails buying securities such as government bonds from banks with electronic cash that did not exist before. The greater the quantity of assets that central banks purchase, the higher bank reserves become, encouraging banks to make loans. This is a practice the Bank of Japan has been following for a while, but the jury is still out about its effectiveness.

In October 2014, the Fed ended QE after injecting \$3.5 trillion into the American economy. As Jeff Kearns of Bloomberg points out, this amount is roughly equal to the German economy.

Now, the Fed has raised interest rates just a wee bit, but this has massive implications for the global economy. First, savers will get a higher return on their investment. This is good news for elderly Americans who rely on interest income to get by. Second, the cost of capital has gone up after years of free money for banks. This will make credit more expensive for borrowers. Third, asset prices are likely to go down as future profits will be discounted by an increased rate.

Fourth and most importantly, the dollar will strengthen *vis-à-vis* other currencies. The European Central Bank is still following QE, as is the Bank of Japan. The International Monetary Fund (IMF) might have included the Chinese renminbi in its elite basket of currencies, but this has not stopped its slide. This means that money might flee other economies to gush into the American economy because the US will be more of a safe haven as China stumbles, emerging economies wobble, Japan remains paralyzed and the eurozone crisis carries on. Asset prices may not go down in the short-term because incoming capital might offset the deeper discounting rate.

The strengthening of the dollar will make imports cheaper and exports more expensive. Volatility will certainly increase in the global economy. Needless to say, fewer investment dollars will now leave American shores. This might exacerbate the slowdown in emerging economies. The US monetary policy has now decoupled from that of other major economies, and this carries unforeseeable risks.

Finally, as Alexander Friedman points out, the trend of increasing income and wealth inequality could come to an end. As this author has explained in the past, there are huge quantities of dollars, euros and other currencies sloshing around, but the world is not producing dramatically greater quantities of wheat or cars. Since 2008, low interest rates and QE have enabled those who own apartments in New York and shares of Facebook to laugh all the way to the bank. Those who serve as baristas are not so thrilled.

Friedman, who once headed UBS Wealth Management, rightly says, “America’s 20 wealthiest people now own more wealth than the bottom half of the entire population.” He goes on to state a shocking and oft-ignored fact. In Bridgeport, an hour north of Wall Street, “the Gini coefficient — a standard measurement of income distribution and inequality — is worse than in Zimbabwe.” This new society of masters and serfs is not quite as sustainable as it seems.

The Fed has long been navigating between the Scylla of a global slowdown and the Charybdis of inequality amplifying asset price bubbles. It has finally decided that the latter is now the bigger risk. It based its decision on the moderate expansion in economic activity. Even though inflation continues to be below its target rate of 2%, the Fed is making a bet that the declines in energy prices and non-energy imports are not sustainable. It expects inflation to rise to 2% “as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further.”

The Fed is making a big bet at a time when there are far too many variables effecting the global economy, many of which are unknown. Even the unemployment rate of 5% in the US is misleading because the labor force participation has dropped to 62.4%, the lowest in 38 years. The Yankee Doodle and Dragon dance that this author wrote about in 2007 still continues unabated, and the global imbalances get worse as the US fails to save while China invests the saving of its hundreds of millions utterly unwisely. The social, environmental and human costs of the current global economic system are barely factored in and the prevailing orthodoxy rules unchallenged, despite grandiloquent declarations at the Paris Climate Summit.

Even though the Fed has been most gentle in its rate rise, its unanimous decision is historic. It has most tenderly closed the tap releasing a torrent of money into the global economy. What happens now is anyone's guess, but an era has come to an end.



# **Tornadoes, Flooding and Climate Change**

*December 27, 2015*

*Climate change is causing extreme weather conditions, which are a wake-up call for humanity to come up with new ways to live.*

This is the last weekly account of 2015 that this author is penning. It has been written on a train speeding through India's arid state of Rajasthan. In such a dry part of the world, it is no surprise that people talk about water. These days the conversation about water has become more animated. At rivers, tanks and other local water bodies, people point out levels of yore. Traditional water harvesting methods have fallen into

disuse, water levels in tanks are dropping alarmingly and people have to dig ever deeper as groundwater gets depleted every passing year.

It is not just water that is the subject of conversations. Rajasthanis are emulating the English and talking about the weather. Farmers complain that it does not rain as much anymore. They say that the seasons are less predictable. Summer can begin early and winter often comes late. Besides, it is often unseasonably warm or cold. Both crops and livestock are affected, as are the flora and fauna. They talk about how agriculture has become trickier because of increasingly erratic weather. Older people say that Rajasthan's climate has changed dramatically during their lifetime.

It is not just rustic Rajasthan that worries about climate change. Other parts of the world worry as well. This week, extreme weather conditions have dominated news headlines. In the US, at least 25 have died after tornadoes and heavy rains lashed several states. Even as the dead were still being counted, a new storm hit Texas. In South America, vast areas in Paraguay, Uruguay, Argentina and Brazil are suffering the worst flooding in 50 years. Consequently, more than 150,000 people have been evacuated. Even the green and blessed isle of England is experiencing "unprecedented" flooding in Yorkshire and Lancashire. With rivers overflowing their banks in northern England, a relatively temperate place is facing the wrath of the weather gods too.

This author pointed out not too long ago that climate change presents a clear and present danger. It is obvious that human beings can no longer continue to live as they do. In Jaipur, India, the traffic from the city center to Amer Fort, a historic hilltop abode of the former local king, moves at a snail's pace. On the days that tourists arrive in droves from Delhi, it often comes to a standstill.

From nearby hilltops, anyone can see the urban sprawl of Jaipur. It takes up every bit of low-lying land available. The channels through which rain water flowed to reach reservoirs have now been blocked. Cars, shopping malls and new apartments proliferate even as green spaces disappear. Even places like Jaipur's posh Central Park are littered with plastic bottles, food wrappings and other rubbish. This is worrying because Jaipur is one of the cleaner cities of India.

Other parts of India are withering away because of waste. Indian rivers are now full of toxic pollutants. After Delhi, the Yamuna is full of human, animal and industrial waste.

So are other rivers including the Ganga, supposedly the holiest of all rivers as per Indian mythology.

Driving on Delhi's roads is an elaborate exercise in cognitive dissonance. Seductive film stars exhort people to buy fancy homes, luxury cars and expensive watches. Yet the traffic barely moves, the air is foul and roads in many neighborhoods are no longer walkable because of increasing numbers of cars parked on both sides. Excess consumption in Delhi has led to huge strains on public infrastructure and the social fabric. A culture of keeping up with the Joneses has developed, where neighbors strive to outdo each other in buying lavish cars or hosting extravagant weddings.

The nearby new town of Noida is teeming with shopping malls that epitomize this frenzied orgy of consumption. Yet the road leading to Noida's malls is designed for traffic jams. A narrow bridge over an open black drain holds up thousands of cars every day. The cars are a menace and so is the drain. It flows by the fancy malls, the glamorous film city and numerous residential areas. It goes on to discharge untreated sewage and industrial effluents into the Yamuna. Children in nearby neighborhoods complain of asthma. Many older people have breathing problems. People further downstream talk about how the Yamuna is turning their soil toxic. Yet the poisoning of the rivers continues unabated in a culture besotted with Bollywood, cricket and petty politics.

India is not alone in chasing the El Dorado of economic growth and conspicuous consumption. China's tryst with explosive growth has come at a toxic price with pollutants poisoning its air, water, soil, crops and meat. Africans talk of *Wabenzi* elites that ride in Mercedes Benzes, wear Rolexes and build many a mini-Versailles. They are taking a leaf out of post-communist Russia and privatizing public assets for a pittance. They are also stealing taxpayer money hand over fist.

This model of crony capitalism was pioneered in the heady days after the fall of the Soviet Union. During those days, Francis Fukuyama was proclaiming the end of history and the new dawn of liberal democracy. This *nouveau* order promised French perfumes, German cars and American fast food for everyone. Instead what happened was theft. Cronies of those in power took over public assets at a laughable fraction of their true value.

The post-Soviet days make England's 18<sup>th</sup> century enclosures appear like theft of pocket change. Communism collapsed because the utopian romance of equality for everyone crashed against the hard rocks of Stalinist oppression. In the memorable words of George Orwell, some were more equal than others. The endless lines for bread in Moscow were only a symptom of a broken system and a failed idea. This failed idea was replaced by a supposedly dynamic one. Virile robber barons took over public assets to squeeze greater productivity out of them. In theory, the new capitalism was supposed to benefit everyone. In reality, ruthless criminal syndicates replaced decrepit party bosses.

The global economic system of today might be reaching an inflection point similar to that faced by the Soviet Union. At the root of the current system is a simple premise: People are better off if they can consume more. Many argue that this is a fundamental human trait, which enables us to grow crops, settle cities and build rockets. They claim that greater consumption makes people happier. They also assert that the price of progress is inequality. People want bigger homes, fancier cars, lusher lawns and so on and so forth. The only way this can be achieved is through a Darwinian system of competition where the miracle of markets through Adam Smith's "invisible hand" leads to a bountiful world. The butcher, the brewer and the baker can produce more through specialization of labor and benefit more by trading with each other.

Smith's world sounds excellent in theory but starts falling apart when there are slave owners and slaves, masters and serfs, and the superrich and slum dwellers. Trade is now no longer possible. The only thing that a purportedly free underclass can trade is its labor. The rich are far too few to require the services of all of the poor anyway. After all, there is a limit to the number of chauffeurs, butlers and nannies the rich can hire. Besides, endemic poverty dehumanizes the poor. African American neighborhoods in Detroit, *favelas* in São Paulo and shanty towns in South Africa are trapped in a vicious cycle of deprivation, poor education and gang violence. Smith's blind devotees could do well to remember that he was a product of the Scottish Enlightenment in an egalitarian Presbyterian society. He also advocated public education, a fact conveniently ignored by American Republicans and Englishmen who study at Eton.

Smith's world of butchers, brewers and bakers plying their trade no longer exists. Their work is now carried out by poorly paid workers for low wages. Giant supermarkets and big brand names now dominate. Concentration of capital has killed the independent trader and the small businessman, particularly in countries like the US and the UK.

Most American towns look the same with McDonald's, Staples and Walmart beckoning those driving by. Capital chases ever higher returns and the name of the game is scaling up. People consume like gluttons, looking for ever cheaper deals. Hence, it is perfectly reasonable to cut down all trees for furniture and clever to pay people minimally to do so.

In this Darwinian system, the quest for ever-higher returns forces business to cut costs to the bone. To boost shareholder returns, it makes sense to discharge industrial effluents straight into the river instead of investing to make effluents less toxic. Strip mining for gold or drilling in the Arctic for oil is rational action regardless of the risks. Those who complain are woolly headed romantics, lacking the toughness and single-mindedness to succeed. Economists, the high priests of this global system, call everything that cannot be captured by the market "externalities." This word supposedly captures collapse of public institutions, the death of rivers, the damage to people's health and anything else. To use an oft-used phrase, we live in a world where we know the price of everything and the value of nothing.

The truth is that with over 7 billion people on the planet, unfettered consumption is criminal. Extreme weather conditions are a wake-up call for humanity to come up with new ways to live. Forests and rivers matter, as do social cohesion and personal fulfilment. Other species have the same right to survive and live on the planet as human beings do. Life is more than stuff and humanity has to think beyond markets.

