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REPUBLIC OF MACEDONIA

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Why is America Hated?

By: Dr. Sam Vaknin

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It is hard to articulate, let alone justify hatred. It is, by definition, irrational and one is immediately suspected of intellectualizing that which is really visceral and counterfactual. It is politically incorrect to hate, an insensitive and "primitive" "gut" reaction. Hating is widely decried as counterproductive.

Collective hatred is reserved to "hate figures" designated by the media and the elite and rendered obnoxious and abominable by ceaseless indoctrination, often tinged with falsities. One hates a Hitler or a bin Laden. One is exhorted in most Western media to merely disagree with the United States, or to criticize Americans - but never to hate them.

Mercifully, large swathes of humanity - being less synthetic and fake - are still prone to the unbridled expression of their emotions. One of the most frequent and all-pervasive sentiments among them seems to be anti-Americanism - a spectrum of reactions ranging from virulent aversion, through intense dislike, to vocal derision.

The United States is one of the last remaining land empires. That it is made the butt of opprobrium and odium is hardly surprising, or unprecedented. Empires - Rome, the British, the Ottomans - were always targeted by the disgruntled, the disenfranchised and the dispossessed and by their self-appointed delegates, the intelligentsia.

Yet, even by historical standards, America seems to be provoking blanket repulsion.

The Pew Research Center published last December a report titled "What the World Thinks in 2002". "The World", was reduced by the pollsters to 44 countries and 38,000 interviewees. Two other surveys published last year - by the German Marshall Fund and the Chicago Council on Foreign Relations - largely supported Pew's findings.

The most startling and unambiguous revelation was the extent of anti-American groundswell everywhere: among America's NATO allies, in developing countries, Muslim nations and even in eastern Europe where Americans, only a decade ago, were lionized as much-adulated liberators.

"People around the world embrace things American and, at the same time, decry U.S. influence on their societies. Similarly, pluralities in most of the nations surveyed complain about American unilateralism."-expounds the Pew report.

Yet, even this "embrace of things American" is ambiguous.

Violently "independent", inanely litigious and quarrelsome, solipsistically provincial, and fatuously ignorant - this nation of video clips and sound bites, the United States, is often perceived as trying to impose its narcissistic pseudo-culture upon a world exhausted by wars hot and cold and corrupted by vacuous materialism.

Recent accounting scandals, crumbling markets, political scams, technological setbacks, and rising social tensions have revealed how rotten and inherently contradictory the US edifice is and how concerned are Americans with appearances rather than substance.

To religious fundamentalists, America is the Great Satan, a latter-day Sodom and Gomorrah, a cesspool of immorality and spiritual decay. To many European liberals, the United States is a throwback to darker ages of religious zealotry, pernicious bigotry, virulent nationalism, and the capricious misrule of the mighty.

According to most recent surveys by Gallup, MORI, the Council for Secular Humanism, the US Census Bureau, and others - the vast majority of Americans are chauvinistic, moralizing, bible-thumping, cantankerous, and trigger-happy. About half of them believe that Satan exists - not as a metaphor, but physically.

America has a record defense spending per head, a vertiginous rate of incarceration, among the highest numbers of legal executions and gun-related deaths. It is still engaged in atavistic debates about abortion, the role of religion, and whether to teach the theory of evolution.

According to a series of special feature articles in The Economist, America is generally well-liked in Europe, but less so than before. It is utterly detested by the Moslem street, even in "progressive" Arab countries, such as Egypt and Jordan. Everyone - Europeans and Arabs, Asians and Africans - thinks that "the spread of American ideas and customs is a bad thing".

Admittedly, we typically devalue most that which we have formerly idealized and idolized.

To the liberal-minded, the United States of America reified the most noble, lofty, and worthy values, ideals, and causes. It was a dream in the throes of becoming, a vision of liberty, peace, justice, prosperity, and progress. Its system, though far from flawless, was considered superior - both morally and functionally - to any ever conceived by Man.

Such unrealistic expectations inevitably and invariably lead to disenchantment, disillusionment, bitter disappointment, seething anger, and a sense of humiliation for having been thus deluded, or, rather, self-deceived. This backlash is further exacerbated by the haughty hectoring of the ubiquitous American missionaries of the "free-market-cum-democracy" church.

Americans everywhere aggressively preach the superior virtues of their homeland. Edward K. Thompson, managing editor of "Life" (1949-1961) warned against this propensity to feign omniscience and omnipotence: "Life (the magazine) must be curious, alert, erudite and moral, but it must achieve this without being holier-than-thou, a cynic, a know-it-all, or a Peeping Tom."

Thus, America's foreign policy - i.e., its presence and actions abroad - is, by far, its foremost vulnerability.

According to the Pew study, the image of the United States as a benign world power slipped dramatically in the space of two years in Slovakia (down 14 percent), in Poland (-7), in the Czech Republic (-6) and even in fervently pro-Western Bulgaria (-4 percent). It rose exponentially in Ukraine (up 10 percent) and, most astoundingly, in Russia (+24 percent) - but from a very low base.

The crux may be that the USA maintains one set of sanctimonious standards at home while egregiously and nonchalantly flouting them far and wide. Hence the fervid demonstrations against its military presence in places as disparate as South Korea, Japan, the Philippines, and Saudi Arabia.

In January 2000, Staff Sergeant Frank J. Ronghi sexually molested, forcibly sodomized ("indecent acts with a child") and then murdered an 11-years old girl in the basement of her drab building in Kosovo, when her father went to market to do some shopping.

His is by no means the most atrocious link in a long chain of brutalities inflicted by American soldiers overseas. In all these cases, the perpetrators were removed from the scene to face justice - or, more often, a travesty thereof - back home.

Americans - officials, scholars, peacemakers, non-government organizations - maintain a colonial state of mind. Backward natives come cheap, their lives dispensable, their systems of governance and economies inherently inferior. The white man's burden must not be encumbered by the vagaries of primitive indigenous jurisprudence. Hence America's fierce resistance to and indefatigable obstruction of the

International Criminal Court.

Opportunistic multilateralism notwithstanding, the USA still owes the poorer nations of the world close to \$200 million - its arrears to the UN peacekeeping operations, usually asked to mop up after an American invasion or bombing. It not only refuses to subject its soldiers to the jurisdiction of the World Criminal Court - but its facilities to the inspectors of the Chemical Weapons Convention, its military to the sanctions of the (anti) land mines treaty and the provisions of the Comprehensive Test-Ban Treaty, and its industry to the environmental constraints of the Kyoto Protocol, the rulings of the World Trade Organization, and the rigors of global intellectual property rights.

Despite its instinctual unilateralism, the United States is never averse to exploiting multilateral institutions to its ends. It is the only shareholder with a veto power in the International Monetary Fund (IMF), by now widely considered to have degenerated into a long arm of the American administration. The United Nations Security Council, raucous protestations aside, has rubber-stamped American martial exploits from Panama to Iraq.

It seems as though America uses - and thus, perforce, abuses - the international system for its own, ever changing, ends. International law is invoked by it when convenient - ignored when importune.

In short, America is a bully. It is a law unto itself and it legislates on the fly, twisting arms and breaking bones when faced with opposition and ignoring the very edicts it promulgates at its convenience. Its soldiers and peacekeepers, its bankers and businessmen, its traders and diplomats are its long arms, an embodiment of this potent and malignant mixture of supremacy and contempt.

But why is America being singled out?

In politics and even more so in geopolitics, double standards and bullying are common. Apartheid South Africa, colonial France, mainland China, post-1967 Israel - and virtually every other polity - were at one time or another characterized by both. But while these countries usually mistreated only their own subjects - the USA does so also exterritorially.

Even as it never ceases to hector, preach, chastise, and instruct - it does not recoil from violating its own decrees and ignoring its own teachings. It is, therefore, not the USA's intrinsic nature, nor its self-perception, or social model that I find most reprehensible - but its actions, particularly its foreign policy.

America's manifest hypocrisy, its moral talk and often immoral walk, its persistent application of double standards, irks and grates. I firmly believe that it is better to face a forthright villain than a masquerading saint. It is easy to confront a Hitler, a Stalin, or a Mao, vile and bloodied, irredeemably depraved, worthy only of annihilation. The subtleties of coping with the United States are far

more demanding - and far less rewarding.

This self-proclaimed champion of human rights has aided and abetted countless murderous dictatorships. This alleged sponsor of free trade - is the most protectionist of rich nations. This ostensible beacon of charity - contributes less than 0.1% of its GDP to foreign aid (compared to Scandinavia's 0.6%, for instance). This upright proponent of international law (under whose aegis it bombed and invaded half a dozen countries this past decade alone) - is in avowed opposition to crucial pillars of the international order.

Naturally, America's enemies and critics are envious of its might and wealth. They would have probably acted the same as the United States, if they only could. But America's haughtiness and obtuse refusal to engage in soul searching and house cleaning do little to ameliorate this antagonism.

To the peoples of the poor world, America is both a colonial power and a mercantilist exploiter. To further its geopolitical and economic goals from Central Asia to the Middle East, it persists in buttressing regimes with scant regard for human rights, in cahoots with venal and sometimes homicidal indigenous politicians. And it drains the developing world of its brains, its labour, and its raw materials, giving little in return.

All powers are self-interested - but America is narcissistic. It is bent on exploiting and, having exploited, on discarding. It is a global Dr. Frankenstein, spawning mutated monsters in its wake. Its "drain and dump" policies consistently boomerang to haunt it.

Both Saddam Hussein and Manuel Noriega - two acknowledged monsters - were aided and abetted by the CIA and the US military. America had to invade Panama to depose the latter and plans to invade Iraq for the second time to force the removal of the former.

The Kosovo Liberation Army, an American anti-Milosevic pet, provoked a civil war in Macedonia two years ago. Osama bin-Laden, another CIA golem, restored to the USA, on September 11, 2001 some of the materiel it so generously bestowed on him in his anti-Russian days.

Normally the outcomes of expedience, the Ugly American's alliances and allegiances shift kaleidoscopically. Pakistan and Libya were transmuted from foes to allies in the fortnight prior to the Afghan campaign. Milosevic has metamorphosed from staunch ally to rabid foe in days.

This capricious inconsistency casts in grave doubt America's sincerity - and in sharp relief its unreliability and disloyalty, its short term thinking, truncated attention span, soundbite mentality, and dangerous, "black and white", simplism.

In its heartland, America is isolationist. Its denizens erroneously believe that the Land of the Free and the Home of the Brave is an economically self-sufficient and self-contained continent. Yet, it is

not what Americans trust or wish that matters to others. It is what they do. And what they do is meddle, often unilaterally, always ignorantly, sometimes forcefully.

Elsewhere, inevitable unilateralism is mitigated by inclusive cosmopolitanism. It is exacerbated by provincialism - and American decision-makers are mostly provincials, popularly elected by provincials. As opposed to Rome, or Great Britain, America is ill-suited and ill-equipped to micromanage the world.

It is too puerile, too abrasive, too arrogant - and it has a lot to learn. Its refusal to acknowledge its shortcomings, its confusion of brain with brawn (i.e., money or bombs), its legalistic-litigious character, its culture of instant gratification and one-dimensional over-simplification, its heartless lack of empathy, and bloated sense of entitlement - are detrimental to world peace and stability.

America is often called by others to intervene. Many initiate conflicts or prolong them with the express purpose of dragging America into the quagmire. It then is either castigated for not having responded to such calls - or reprimanded for having responded. It seems that it cannot win. Abstention and involvement alike garner it only ill-will.

But people call upon America to get involved because they know it rises to the challenge. America should make it unequivocally and unambiguously clear that - with the exception of the Americas - its sole interests rest in commerce. It should make it equally known that it will protect its citizens and defend its assets - if need be by force.

Indeed, America's - and the world's - best bet are a reversion to the Monroe and (technologically updated) Mahan doctrines. Wilson's Fourteen Points brought the USA nothing but two World Wars and a Cold War thereafter. It is time to disengage.

Containing the United States

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

Also Read

In God We Trust

Why America is Hated

The Iraqi and the Madman

God's Diplomacy and Human Conflicts

European intellectuals yearn for the mutually exclusive: an America contained and a regime-changed Iraq. The Chinese are more pragmatic - though, bound by what is left of their Marxism, they still ascribe American behavior to the irreconcilable contradictions inherent in capitalism.

The United States is impelled by its economy and values to world dominion, claimed last week an analysis titled "American Empire Steps Up Fourth Expansion" in the communist party's mouthpiece People's Daily. Expansionism is an "eternal theme" in American history and a "main line" running through its foreign policy.

The contemporary USA is actually a land-based empire, comprising the territorial fruits of previous armed conflicts with its neighbors and foes, often one and the same. The global spread of American influence through its culture, political alliances, science and multinationals is merely an extrapolation of a trend two centuries in the making.

How did a small country succeed to thus transform itself?

The paper attributes America's success to its political stability, neglecting to mention its pluralism and multi-party system, the sources of said endurance. But then, in an interesting departure from the official party line, it praises US "scientific and technological innovations and new achievements in economic development". Somewhat tautologically, it also credits America's status as an empire to its "external expansions".

The rest of the article is, alas, no better reasoned, nor better informed. American pilgrims were forced westward because "they found there was neither tile over their heads nor a speck of land under their feet (in the East Coast)." But it is the emphases that are of interest, not the shoddy workmanship.

The article clearly identifies America's (capitalistic) economy and its (liberal, pluralistic, religious and democratic) values as its competitive mainstays and founts of strength. "US unique commercial expansion spirit (combined with the) the puritan's 'concept of mission' (are its fortes)", gushes the anonymous author.

The paper distinguishes four phases of distension: "First, continental expansion stage; second, overseas expansion stage; third, the stage of global contention for hegemony; and fourth, the stage of world domination." The second, third and fourth are mainly economic, cultural and military.

In an echo of defunct Soviet and Euro-left conspiracy theories, the paper insists that expansion was "triggered by commercial capital." This capital - better known in the West as the military-industrial complex - also determines US foreign policy. Thus, the American Empire is closer to the commercially driven British Empire than to the militarily propelled Roman one.

Actually, the author thinks aloud, isn't America's reign merely the successor of Britain's? Wasn't it John Locke, a British philosopher, who said that expansion - a "natural right" - responds to domestic needs? Wasn't it Benjamin Franklin who claimed that the United States must "constantly acquire new land to open up living space" (the forerunner of the infamous German "Lebensraum")?

The author quotes James Jerome Hill, the American railway magnet, as exclaiming, during the US-Spanish War, that "If you review the commercial history, you will discover anyone who controls oriental trade will get hold of global wealth." Thus, US expansion was concerned mainly with "protecting American commercial monopoly or advantageous position." America entered the first world war only when "its free trade position was challenged," opines the red-top.

American moral values are designed to "serve commercial capital". This blending of the spiritual with the pecuniary is very disorienting. "Even the Americans themselves find it hard to distinguish which matter is expanding national interests under the banner of 'enforcing justice on behalf of Heaven' and which is propagating their ideology and concept of value on the plea of national interests."

The paper mentions the conviction, held by most Americans, that their system and values are the "best things in human society." Moreover, Americans are missionaries with a "manifest destiny" and "the duty and obligation to help other countries and nations" and to serve as the "the beacon lighting up the way for the development of other countries and nations." If all else fails, it feels justified to "force its best things on other countries by the method of Crusades."

This is a patently non-Orthodox, non-Marxist interpretation of history and of the role of the United States - the prime specimen of capitalism - in it. Economy, admits the author, plays only one part in America's ascendance. Tribute must be given to its values as well. This view of the United States - at the height of an international crisis pitting China against it - is nothing if not revolutionary.

American history is re-cast as an inevitable progression of concentric circles. At first, the United States acted as a classic colonial power, vying for real estate first with Spain in Latin America and later with the Soviet Union all over the world. The Marshall Plan was a ploy to make Europe dependent on US largesse. The Old Continent, sneers the paper, is nothing more than "US little partner".

Now, with the demise of the USSR, bemoans the columnist, the United States exhibits "rising hegemonic airs" and does "whatever it pleased", concurrently twisting economic, cultural and military arms. Inevitably and especially after September 11, calls for an American "new empire" are on the rise. Iraq "was chosen as the first target for this new round of expansion."

But the expansionist drive has become self-defeating: "Only when the United States refrains from taking the road of pursuing global empire,

can it avoid terrorists' bombs or other forms of attacks befalling on its own territory", concludes the opinion piece.

What is China up to? Is this article a signal encrypted in the best Cold War tradition?

Another commentary published a few days later may contain the public key. It is titled "The Paradox of American Power". The author quotes at length from "The Paradox of American Power - Why the World's Only Superpower Can't Go It Alone" written by Joseph Nye, the Dean of the John F. Kennedy School of Government at Harvard and a former Assistant Secretary of Defense:

"Hard power works through coercion, using military sticks and economic carrots to get others to do our will. Soft power works through attraction ... Our attractiveness rests on our culture, our political values and our policies by taking into account the interests of others".

As it summarizes Nye's teachings, the tone of the piece is avuncular and conciliatory, not enraged or patronizing:

"In today's world, the United States is no doubt in an advantageous position with its hard power. But ... power politics always invite resentment and the paradox of American power is that the stronger the nation grows, the weaker its influence becomes. As the saying goes, a danger to oneself results from an excess of power and an accumulation of misfortunes stems from lavish of praises and favors. He, whose power grows to such a swelling state that he strikes anybody he wants to and turns a deaf ear to others' advice, will unavoidably put himself in a straitened circumstance someday. When one indulges oneself in wars of aggression under the pretext of 'self security' will possibly get, in return, more factors of insecurity ... Military forces cannot fundamentally solve problems and war benefits no one including the war starter."

Nor are these views the preserve of the arthritic upper echelons of the precariously balanced Chinese Communist party.

In an interview he granted to Xinhua, the Chinese news agency, last week, Shen Jiru, chief of the Division of International Strategy of the Institute of World Economics and Politics, Chinese Academy of Social Sciences, reiterated his conviction that "the United States aims to create a unipolar world through the Iraq issue."

Mirroring the People's Daily, he did not think that the looming Iraq war can be entirely explained as a "dispute on oil or economic interests." It was, he thought, about "the future model of international order: a multipolar and democratic one, or the US strategic goal of a unipolar world." China has been encouraged by dissent in the West. It shows that the "multipolar international community is an "inevitable" momentum of history."

Why this sudden flurry of historiosophic ruminations?

According to Stratfor, the strategic forecasting consultancy, "for Beijing, the only way to stymie the fourth phase is through promoting multilateralism; barring that, China must be prepared to confront the United States in the future, and U.S. history can give some guidance ... Thus, Beijing continues to focus on the concept of multilateralism and the legitimacy of the United Nations as the best ways to slow or even disrupt U.S. expansionism. At the same time, Beijing is preparing to face a future confrontation with the United States if necessary."

When its economy matures, China wants to become another United States. It has started emulating America two decades ago - and never ceased. Recent steps include painful privatization, restructuring of the banking system, clamping down on corruption and bad governance, paring down the central bureaucracy, revamping the military and security apparatus and creating mechanisms for smooth political transitions.

China plans to send a man to the moon. It invests heavily in basic science and research and development. It is moving gradually up the manufacturing food chain to higher value added industries. It is the quintessential leapfrogger, much of its cadre moving straight from the rustic to the plastic - computers, cellular phones, wireless and the like.

Ironically, it could never have made it even this far without its ostensible foe. Thousands of bright Chinese students train in the United States. American technologies, management, knowledge, capital and marketing permeate Beijing's economic fabric. Bilateral trade is flourishing. China enjoys the biggest share of the world's - in large part American - foreign direct investment flows. Should the United States disintegrate tomorrow - China would assuredly follow.

Afghan Myths

An Interview with Anssi Kullberg

By: Dr. Sam Vaknin

Anssi Kristian Kullberg is presently employed as a researcher for the Legal and Country Intelligence Service, Western and Central Asia Desk, at the Finnish Directorate of Immigration. This interview represents his personal views only and not those of his employer. On Black Tuesday, 11th September, he was in Kyrgyzstan, on his way to the notorious Ferghana Valley, in a reconstruction of the late Finnish Marshal C.G.E. Mannerheim's intelligence expedition to Turkistan and China in 1906-1908.

Q: Was the Taliban the creation of Pakistan? Can you tell us about its formation and how was Russia involved in it?

A: The Taliban was not a creation of Pakistan, although Pakistan was among several states that contributed to the genesis and development of this peculiar movement. It is true that the Taliban (which was

established only as late as in 1994 as a religious movement) had a significant influx from Pakistani madrassas. But the Taliban is not only an extreme religious movement, but also an ethnic Pashtun one. The Pashtuns are a bit less than half of Afghanistan's population, but in Pakistan there are 16 million resident Pashtuns plus 3 million as refugees. There are more Pashtuns in Pakistan than in Afghanistan nowadays. The "Pakistanis" involved in Afghanistan are in fact Afghans.

The role of the Pakistani Islamist opposition in the formation and support of the Taliban is widely recorded. But more important are those who made it a military power. This is where Russia enters the game, too. In order to understand the Taliban, we must recall the background situation in Afghanistan ever since the events in 1970s.

The Taliban is not monolithic. Even less so is the Northern Alliance. Neither were the Afghan communists united. This was made evident by the internal power struggles following the ousting of King Zahir Shah in 1973. Daoud was overthrown and killed by communists in 1978. But the communists were divided into the Khalq faction, favored by China, and the Parcham faction, favored by the Soviet Union. In 1978 it was the Khalq faction that took over, but their more moderate leader Nur Mohammed Taraki was overthrown and killed by the hardliner Khalq communist Hafizullah Amin. In 1979, the Soviet Spetsnaz murdered Amin and replaced him with the Parcham follower Babrak Karmal, who was close to the KGB. Then the Soviet army invaded.

The communist secret service Khad (KhAD), whose leaders were Karmal and Sayid Mohammed Najibullah, was actually an Afghan branch of the KGB. It had been preceded by the communist secret services of Taraki and Amin (AGSA, KAM), but from 1979 onwards this organization of terror was instructed and trained by the KGB. The culture of terror and the horrible persecution of the civil population continued without a pause from the communist takeover up until the overthrowing of Najibullah's regime in 1992 when Massoud liberated Kabul. Western minds seem to implicitly suppose that when the Cold War was over, the communists and the structures they had created just suddenly disappeared. This is a recurrent fatal misperception especially of the Americans.

According to Professor Azmat Hayat Khan of the University of Peshawar, when Ahmad Shah Massoud's mujaheddin liberated Kabul in 1992, and Najibullah gave up power, the communist generals of the army and of Khad agreed to prolong the Afghan civil war in order to discredit President Burhanuddin Rabbani's mujahid government and prevent Afghanistan from stabilizing. The Uzbek communist General Abdurrashid Dostum continued the rebellion against Rabbani and Massoud in Mazar-i-Sharif, massively backed by the Soviet Union and later by Russia and Uzbekistan. Another rebellious general was Gulbuddin Hekmatyar. Most of the ethnic Pashtun Khalq army generals as well as those of the Khad defected to Hekmatyar's troops. A decisive role was the one played by General Shahnawaz Tanai, the communist commander of the artillery, who defected to Hekmatyar's side as early as in 1990. Later in 1995, when Hekmatyar's rebellion was losing strength, Tanai defected to the Taliban. So did many other communist army and Khad

officers.

It was Tanai's defection that provided the Taliban with Soviet artillery, Soviet air force, Soviet intelligence and Soviet technical and military knowledge. The American Anthony Arnold argued already then that Tanai's moves were a KGB-inspired provocation. The former KGB General Oleg Kalugin said that it was Moscow who trained most of the terrorists the US is now chasing.

As regards the Taliban, it was nothing special when they took over Kandahar in 1994. Kandahar was a Pashtun city and the strict interpretation of Islam the Taliban propounds is not so much based on the Qur'an but on the narrow-minded social norms of an agrarian Pashtun village. Mullah Omar is often described as having the background of a relatively simple-minded rustic mullah, although he was also politically active in Mohammed Nabi Mohammadi's Harakat-i-Inqilab-i-Islami (Revolutionary Islamic Movement), which later opposed the Taliban.

But apart from Mullah Mohammed Omar and some other leaders who seem to have truly religious backgrounds (and no other education), the Taliban's military and intelligence are dominated by Soviet-trained communists.

Besides Tanai, there is for example the late first Taliban military commander and one of its founders, "Mullah Borjan", whose real name was Turan Abdurrahman, a prominent communist military officer. Many Taliban "mullahs" have no religious training at all. They are former communist military and security agents who have grown up beards and adopted new names and identities replete with the title "mullah". The Taliban artillery commander was the former Soviet Army's Afghan military intelligence officer Shah Sawar. The Taliban intelligence service chief Mohammed Akbar used to head a department of the Khad. And the Taliban air force commander Mohammed Gilani was a communist general, too.

Perhaps because of this immensely influential influx into the Taliban, their interpretation of Islam is quite alien for most of the world's Muslims, but closely resembles the interpretation of Islam that the communists and Russia have traditionally espoused in their anti-Islamic propaganda.

The decisive strengthening of the Taliban took place in 1995-1996, when it was seen as a "stabilizing" force in Afghanistan. This was a great fallacy based on the Taliban's success in Kandahar, which was indeed their "home field". Anywhere else the Taliban did not bring about stability, but quite the opposite. Among those with a rising interest in the Taliban forces, were all the main players: Russia and its satellite regimes in Central Asia, the US, Pakistan, and Saudi Arabia. At the initiative of the Turkmen dictator Saparmurat Niyazov, the Russian energy giant Gazprom, headed by the then Russian Prime Minister Viktor Chernomyrdin, and the US firm Unocal, contracted to lay a pipeline from Turkmenistan to Pakistan, circumventing Iran and crossing the Afghan territory that the Taliban had supposedly "stabilized". For

Pakistan, it has been a traditional national interest to secure energy supplies from Central Asia, since it is sandwiched between two vehemently hostile great powers, India and Iran. For Russia, this was seen as a way to control Central Asian energy resources and to extend its influence towards the Indian Ocean. Two Saudi Arabian oil companies were also involved.

During the same years, the Taliban received sizable armed support. It did not come mainly from Pakistan. Financial succor came from Saudi Arabia. But the most decisive increase in the Taliban's strength came from Russia: the defections of the Khalq and Khad generals directly into the Taliban's leadership, vast amounts of Russian weaponry in several mysteriously "captured" stashes, including a very suspicious "hijacking" and escape of a Russian jet loaded with weapons that ended up in the hands of the Taliban's ex-communist leaders. With these new weapons, the Taliban marched on Herat in 1995, and finally managed to capture Kabul in 1996.

Najibullah was hanged, but Najibullah's hanging by his former Taliban-turned protégés seems to have camouflaged the actual developments in the Afghan power struggle.

Russia had an interest to cut the strong ties between Massoud's mujaheddin and the Tajik opposition that Russia had crushed since it attacked Tajikistan in 1992 and backed the communists into power there. The old provocateur Hekmatyar was by then defeated and had finally given up his fight - after losing his men and arms by Tanai's defection to the Taliban - and accepted a seat in the government in compensation. Since Hekmatyar was finished, a new Pashtun force was needed in those years. Taliban was a rising force that various external players tried to exploit by infiltration, support and manipulation.

When the Cold War was declared over by the West, it did not stop elsewhere. After 1989 the West really lost interest in Afghanistan and until some months before his death Massoud was trying to appeal to it in vain. The West was uninterested, but others were. Pakistan, of course, was interested in the goings on in its unstable neighbor. Saudi Arabia was financing and supporting dangerous Sunni fundamentalist groups, and later the Taliban. The Saudis also provided them with their own Saudi fanatics that had become troublesome at home. Iran was supporting its own agents within Afghan Shia groups. And the Soviet Union and later Russia continued to provide massive armed support to the last communist dictator of Afghanistan, Najibullah, and later to the notorious General Dostum.

The Russian principle was "divide and rule", with the basic idea of keeping the West out and assuring that the region would not strengthen so that the Soviet empire could return once it has regained its military might. Because of this stratagem, Russia has supported the Tajiks of the Northern Alliance through Tajikistan - only sufficiently to form a buffer zone against the Taliban, but without being able to gain substantial victories or to intervene in Tajikistan. Moreover, Russia has been arming and supporting the Uzbeks under the command of

Dostum and General Malik who later defected to the Taliban's side. This support has been directed through Uzbekistan and still continues - ironically, with the West's full blessing. Less known has been the Russian support directed through Turkmenistan to the Taliban, and to the Islamic Movement of Uzbekistan that is said to threaten Karimov's rule there.

Q: What was and is the role of the CIA in all this? Was Pakistan's ISI the CIA's long arm? Was bin Laden a CIA agent?

A: A chronic feature of American intelligence policy seems to be historical amnesia and inability to see the complex nature of conflicts and local relationships. This was also manifested during the Soviet occupation of Afghanistan. British intelligence and part of the Pakistani intelligence community clashed with the US already during the Cold War period, because they wanted to support Ahmad Shah Massoud, the "Lion of Panjshir". It was Massoud and his mujaheddin who finally, after getting Stingers from the British, managed to make the war too expensive for the Soviets, forcing them to retreat in 1989.

Meanwhile, the CIA was incompetent enough to be dependent on the Pakistani intelligence services that, especially in Zia ul-Haq's period, favored Gulbuddin Hekmatyar, a pompous figure who claimed to have extensive contacts throughout the Islamic world. He indeed had some contacts, including with Osama bin Laden, but he was considered to be a KGB provocateur by Massoud and many others, and was never of any help in the Afghan independence struggle.

Instead of fighting the Soviet occupants, Hekmatyar preferred to fight other Afghans, and to conspire with suspicious Arab circles imported by his contact bin Laden to Peshawar. The Stingers that the CIA had provided to Hekmatyar, were not used to liberate Afghanistan. Instead, Hekmatyar sold them to Iran, and they were later used against the Americans in a well-known incident.

When the Soviet troops moved out, Hekmatyar pursued a bloody rebellion against the legal Afghan government, devastating the country along with another rebel general, Dostum. (Though they were not aligned.) In 1993, Hekmatyar supported the KGB general and spymaster Haidar Aliyev's coup in Azerbaijan and, in 1994, Hekmatyar was involved in supporting pro-Russian Lezghin terrorists in the Caucasus. Hekmatyar is still active. He lives in Teheran, and has recently finally revealed his true colors by siding with the Taliban.

As far as I know, Osama bin Laden was never a CIA agent. However, there are relatively plausible claims that he was close to Saudi intelligence, especially to the recently fired intelligence chief Prince Turki bin Faizal, until they broke up.

Osama first appeared in the Afghan War theater either in 1979, or, at the latest in 1984. But at the beginning he was first and foremost a businessman. He served the interests of those who wished to construct roads accessible for tanks to cross through Afghanistan to the Indian

Ocean. This might also explain his characteristic opportunism - quite atypical for a self-proclaimed warrior of faith.

International jihadists surely want to portray him as a religious fighter or Muslim hero, but this is not the true picture, but, mostly, a myth created by the Western media. This is where Arab, Pakistani and Indonesian teenagers learn that Osama is a fighter in a universal struggle of Islam against its oppressors.

But bin Laden never fought the Soviets to liberate Afghanistan. For most of this period, he was not even in Afghanistan. He was managing an office in Peshawar, and the only credible claim about him being in a battle has been made by the former CIA official Milton Bearden concerning a minor skirmish that took place in spring 1987.

Bin Laden's first significant contact in Peshawar was the Palestinian Professor Abdullah Azzam, whom bin Laden has later described as his mentor. Azzam was an Arab idealist, who wanted to concentrate on the liberation of Afghanistan, and who wanted to support Massoud, whom he correctly regarded as being the right person to uphold. Bin Laden disagreed. He wanted to support the disloyal Islamist fanatic Hekmatyar. As a result, Azzam and his son were blown up in a car bomb in 1989, and consequently, bin Laden took over his organization and transformed it into Al-Qaida (the Base).

Already before these events, he started to transform the agency by flooding it with his Arab contacts from the Middle East. These Arabs were not interested in liberating Afghanistan as much as in hiding from the law enforcement agencies of their own countries, most of all Egypt's.

When Russia attacked Tajikistan, bin Laden and his folks were by no means interested in liberating Tajikistan from a new communist yoke. Instead, bin Laden left Afghanistan and dispersed his terrorist network, directing it to act against the West.

It is bizarre that a man claiming to be an Islamic fundamentalist supported the invasion by the Arab socialist (and thereby atheist) Iraq against Kuwait and Saudi Arabia, both with conservative Islamic regimes.

Al-Qaida's supported all causes and activities against the West: the US, Turkey, Israel, and any pro-Western Muslim regime like Pakistan. Robbers on the island of Jolo in the Philippines qualified for Al-Qaida's support although they hardly knew anything about the Qur'an. They were immediately they were portrayed as "Islamic fighters". Even the strictly atheist anti-Turkish terrorist organization PKK has been welcomed. At the same time they definitely have not supported Muslims advocating Turkish-modeled moderate independence, like the Chechens, the original Tajik opposition or the Azeri government under President Abulfaz Elchibey.

As concerning Pakistan's intelligence service, the ISI, I think it would be gross underestimation of a potential regional great power and

its British colonial traditions of military and intelligence to describe it just as an arm of the CIA or of the Islamists.

These are widespread myths. The ISI is neither the hero nor the villain of this story. I think the ISI is interested simply in the national interest of Pakistan, which consists of four main elements: security against the hostile strong neighbors India and Iran, security against the instability and uncontrolled forces ravaging Afghanistan and infiltrating Pakistan through the large Pashtun population, the conflict over Kashmir, and Pakistan's own international status.

Afghanistan is an historical buffer zone in the ancient Great Game of Central Eurasia. It is the gateway through which Pakistan's enemies can attack or destabilize it, and it is equally the buffer that stops these enemies. Pakistan is interested in regional stability while its enemies seek to use any instability against it. There is a great divide within Pakistan between Pakistani nationalists and internationalist Islamists. Pakistan is relatively democratic compared with its neighbors - even including India, considering its treatment of minorities and the Kashmir issue. It, thus, has the problems of a democracy. Pakistan has quite free and critical press, local administration and intellectual opposition, the Islamists included. It is not, and has never been, an Islamist dictatorship like Saudi Arabia.

Q: Can you chart the relationship between the ISI and the Taliban?

A: The policy of the ISI was strongly correlated with developments in Pakistan's leadership. The main divide concerning the ISI's Afghanistan policies did not concern religious issues as it did the ethnic question related to the political and military aspirations of the Pashtun people in both Pakistan and Afghanistan.

Actually one of the greatest dangers to Pakistan's national existence would be the emergence of the idea of Greater Pashtunistan, splitting Pakistan in two.

This was an idea favored and agitated by the pro-Soviet Pashtuns - many of whom are now influential in the Taliban. The Pakistani researcher Musa Khan Jalalzai noticed this and described these people as "enemies of Pakistani interests".

India and Iran would like to split Pakistan and destroy it, and Russian geopolitics is still based on a "final thrust to the South". Iran and India equally fear that Baluchistan, Kashmir and Punjab would finally be united under Pakistani rule. Incorporating Pashtunistan, Pakistan has the potential to become a South Asian superpower with plausible expansionist chances. Yet this has never really been an aspiration of Pakistan. Like Turkey under Ataturk, Pakistan under such leaders as Ayub Khan and now Pervez Musharraf has been introverted in its nationalism and based on constitutional and national ideas similar to those of present day Turkey and France.

During the military dictatorship of Zia ul-Haq the policy turned more

Islamist, and during this period the ISI strongly supported Hekmatyar. Hekmatyar proved disloyal and finally defected to Iran. During Benazir Bhutto's government, support has shifted to the Taliban. This was decided by the Interior Minister Nasirullah Babar. It is history's irony that the first female prime minister of Pakistan helped to strengthen the misogynist Taliban regime.

The ISI started to get disillusioned and disappointed with the Taliban during the thoroughly corrupt "democracy" continued under Nawaz Sharif. There have been rumors that the ISI wished to influence the Taliban and to empower "a third force" among the more moderate Taliban leaders to take over it. It is in connection with this that Shahnawaz Tanai actually defected to Pakistan, and the ISI was dealing with the former communists who were so powerful within the Taliban.

Luckily for Western interests, General Pervez Musharraf took over. This takeover was the best event in Pakistani history as far as the West is concerned, although it was sadly ignored in the West during the Clinton administration. Musharraf was portrayed as a military dictator and a supporter of the causes of the Taliban and of an alliance with China (all sins of his predecessors). Musharraf is profoundly pro-Western, secular in mind and pragmatic in foreign policy. He in fact tried to form constructive relationships with all the neighboring countries (Iran, India and Afghanistan). His peace initiatives in Kashmir were stalled by Indian arrogance, and the West turned a cold shoulder to its old ally, which has been a source of great bitterness in Pakistan, especially since the West has been very inconsistent in choosing when to support Pakistan and when not to. But during the Musharraf reign, human rights and the position of women in Pakistan have improved considerably.

Constructive relations with whomever rules Afghanistan have been Realpolitik for Pakistan.

Although Musharraf, immediately after seizing power, started to undermine the support for the Taliban, he could not remove the recognition given to the Taliban government, as there was no other Afghan government - the Rabbani government having been ousted and categorically hostile to Pakistan, partly for legitimate reasons. Pakistan has been trying ever since to construct new anti-Taliban alliances, as well as trying to find intra-Taliban frictions to exploit. But the West should be very careful and measured in its pressure on Pakistan. The Taliban is really not under Pakistan's thumb, and never was.

I think the ISI first saw the Taliban as a potential instrument. Then it saw it as a threat that had to be infiltrated and controlled. Then they saw it as a burden. Surely the ISI wished to control and contain the Taliban, but their success has been rather doubtful (as has been others'). Many analysts have paid attention to the fact that Afghan as well as non-Afghan adventurers like bin Laden, have always been very talented at exploiting the surrounding states as well as both superpowers.

Another distorted myth is propagated by India. It is that the Kashmiri secessionism is terrorism and a Pakistani creation. This is very far from reality. More than 80% of Kashmiris would probably prefer independence, but at the same time they reject the Islamist model. There are several small but media-visible Islamist groups operating in Kashmir, or at least proclaiming the Kashmiri cause. But these people are not really interested in Kashmiri independence. They are interested in jihad. Such Islamists appear wherever there is a war (during Bosnia's struggle for independence and in the Albanian civil war, in Chechnya, Kashmir and so on).

Their "help" is usually just an added burden to the ones they purport to help, since they are seldom fighting for any liberation. These "professional" jihadists also seem to be more common in internet cafes and among Arab diasporas in the West than in places where Muslim nations face real oppression.

We must remember that Musharraf cannot possibly surrender to India in the Kashmir dispute. This would not only be political suicide, but it would not end the Kashmir conflict - quite the contrary. It would mean importing the Kashmiri conflict into Pakistan, and against Pakistan. What happened in Afghanistan, with millions of refugees flooding to Pakistan, should not happen with Kashmir. This would be an outright catastrophe for both Pakistan and India, let alone the Kashmiri people. Therefore it is the most crucial interest of the West to prevent India from escalating the Kashmir conflict and turning Kashmir into another weapon against Pakistan's stability.

Q: The "Arab" fighters in Afghanistan - are they a state with a state, or the long arm for covert operations (e.g., the assassination of Massoud) for the Taliban? Who is the dog and who is the tail?

A: The dog and tail can get very entangled here. Everybody is exploiting everybody, and finally all organizations and states are tools which consist of individuals and used by them. The Arabs in Afghanistan are indeed Arabs. There are also lots of "Pakistani" volunteers on the Taliban side, but these are mainly Pashtuns, that is, Afghans.

The mentioning of Chechens, Uighurs and so on is more designed to satisfy the propaganda purposes of Russia and China. There are less than one million Chechens and they have a very harsh war going on in Chechnya. Chechens who choose to go to Afghanistan instead must be quite unpatriotic.

The Arabs form the hard core of Al-Qaida. They are the Egyptian, Syrian, Iraqi etc. professional revolutionaries and terrorists who have gathered around the figurehead of Osama bin Laden.

Many of these share the same old background in Marxist-inspired revolutionary movements in the Middle East. Ideology and facade have changed when green replaced red, but their methods as well as foreign

contacts have mainly remained the same. This is why they are much more interested in attacking the West and pro-Western Muslim regimes than in supporting any true national liberation movements. Even if they try to infiltrate and influence conflict outcomes in the Balkans, the Caucasus, East Turkistan and Kashmir, they are set against the nationalist and secular - and usually pro-Western - policies of the legitimate leadership of these secessionist movements. So the people whom Al-Qaida may support and try to infiltrate are usually exiled or otherwise opposition forces acting in fact against the idea of independence. This has been the case in Chechnya, Dagestan, Bosnia, Kashmir and so on.

And this has been the case in Afghanistan as well. Osama bin Laden and his Arabs never contributed to the actual Afghan national liberation struggle. Instead they acted against it by infiltrating Afghan circles and turning them against each other.

Their jihad is not intended to defend the Muslims against infidel oppressors, but to cause chaos and destruction, in which they apparently hope to overthrow Muslim regimes and replace them with the utopia of Salafi rule. It is not hard to see how this set of mind was inherited from the communist utopian terrorist movements that preceded the present Islamist ones. They had the same structures, the same cadres, the same leaders, the same sponsors and the same methods.

The Arabs in Afghanistan have feathered their nests, though. Osama bin Laden and his closest associates have all married daughters of Afghan elders - from different factions and tribes - and their sons and daughters have, in turn, married the off-spring of eminent Afghan leaders. This is how they secured their foothold in Afghan social networks - something neither the West nor Pakistan succeeded to do. When issues are reduced to family relationships, it is not to be expected that the Afghans would hand over the Arabs to the West or to Pakistan. Al-Qaida is not only fortifying itself physically, but also socially. At the same time their cells and countless collaborating agencies - some of whom are clearly non-Islamist, and some of which are government agencies of certain hostile states - are hoping to escalate this "war against terrorism" and to exploit it for their own purposes.

Q: Do you believe that the USA had long standing designs to conquer Afghanistan and used the September 11 atrocities as a pretext?

A: I would rather say that somebody else had long standing designs for a major conflict in which it was necessary to get the US involved. Those who wiped out Mr. Massoud a couple of days before the terror strikes in the US probably knew that the terrorists will be hunted in Afghanistan.

It is clear that the US, among many others, has long desired to overthrow the Taliban, and I see nothing wrong with it. Afghanistan was the easiest target, because the Taliban was not internationally recognized (except by three countries at the beginning of the war), and because there was nobody strong enough to really side with the Taliban.

There was no special need to demonize them, as they seemed to have done a good job demonizing themselves. The West was more concerned with the blowing up a couple of Buddha statues than with the thousands of victims of the Taliban's tyranny and of the civil war that continued to rage in Afghanistan all this time totally ignored by the Western media until the US got involved again. The US can, of course, be blamed for hypocrisy, as always, but the truth is that getting the US involved has greatly helped those in Afghanistan who had hoped for decades to overthrow the Taliban.

It is also quite surprising that even Musharraf's Pakistan seems to have actually benefited from the present course of affairs, since terrorism has given Musharraf the pretext of openly siding with the West, and abandoning all remnants of Pakistan's tolerance of the Taliban.

Still I would be inclined against any conspiratorial depiction of the recent events that would blame the US for all that happened. The US had to react, and Afghanistan was a logical target. In this sense, the US did what the terrorists wanted. But they did so in a much more moderate way, and after much longer preparations than their enemies had probably hoped for. One reason is that in the Bush administration there seems to be significantly more foreign political expertise than in the Clinton administration that hastily bombed a couple of targets, including a factory in Sudan, but always failed to respond to the real challenge.

In the long run, the threat posed by terrorism will not be defeated by military operations and not in Afghanistan. What can be done there is just the removal of the Taliban regime and helping to construct a stable and recognized Afghan government. It is important to give security guarantees to Pakistan and to support the development that is transforming Pakistan into a strong and relatively stable pro-Western Muslim country that can play a similar role in Central and Southern Asia as Turkey does in the West and Middle East. At best, this could even encourage a Musharraf to rise in Iran, which would yield ultimate benefits to Western interests in Asia.

But then, terrorism must be fought by other means.

This means that Western intelligence must rise to the level of the Cold War to face challenges by terrorist organizations as well as by colluding governments.

The West must also resist Huntington's vision coming true, since this is exactly what the terrorists want: a clash of civilizations. And we must keep in mind that there are also many others who would like to see a worldwide conflagration between the West and Islam.

Q: What is the geostrategic and geopolitical importance of Afghanistan?

A: Afghanistan is not so significant in itself, if we only consider economic interests. Of more importance are some countries situated near

Afghanistan, especially those in Central Asia and Azerbaijan.

Afghanistan is also a traditional buffer zone, since its landscape is hard to penetrate for tanks and modern armies. It has prevented the expansion of the Eurasian Heartland Empire towards Eurasia's southern rim lands for centuries. It has protected the areas included in Pakistan and India today, but on the other hand, turning Afghanistan into a politically or militarily active area was used to destabilize Pakistan, or Central Asia, in order to alter the status quo, whatever it was.

Regarding oil, Afghanistan again forms a bridge or a barrier. As long as Iran is regarded as a hostile country by the US, Afghanistan forms an oil transport route from Central Asia to Pakistan. As long as there is war in Afghanistan, it remains a barrier preventing the countries of the Caspian Sea from benefiting from their oil. Wars in the Caucasus have exactly the same outcome. While this is the case, only Russia and perhaps China will have access to and hegemony over the energy resources in the vast Eurasian heart-land.

I think this is the main geopolitical importance of both Afghanistan and the Caucasus. It is the question of Russia monopolizing the geopolitical heartland, first and foremost. Considering the colossal weight of geopolitics and geopolitical thought in present Russian security thinking, these implications cannot be overestimated.

Q: Can Turkey be drawn into the conflict and, if yes, what effect will this have on Iran, Central Asia, and NATO?

A: It seems Turkey has been drawn into it already. Or rather, Turkey has volunteered to be drawn into it. Iran and Russia, of course, share a very hostile attitude towards any expansion of Turkish influence in Central Asia and the Caucasus. Turkey and Pakistan, on the other hand, may finally find each other after a long period of mutual hostility. They both share a similar geopolitical importance as potential guardians of the West. They are among the most important rim land nations, to borrow a phrase from classical geopolitics. This means that they are also the most important barriers on the way of a heartland empire to aspire to sole Eurasian hegemony.

Turkey has sought to advocate its interests in Central Asia, where most of the Turkistani nations are ethnically Turkic (that is, Uzbeks, Turkmen, Kazakhs, Kyrgyz and Uighurs, while Tajiks are Persian). At the beginning of the 1990's Turkey tried to play the ethnic and linguistic cards and the Central Asians were quite enthusiastic to embrace "the Turkish model" - that is, a Western orientation and secular state. But the Central Asian states are still dominated by communist nomenclatures with strong ties with Moscow.

Turkey's economic problems and generally overly cautious foreign policy have greatly undermined its capacity to advocate its own and Western interests in Central Asia. Moreover, the Central Asian dictators have interpreted the "Turkish model" in most peculiar ways, being often

closer to the Chinese model than the Turkish one.

I think Turkey is again trying to prove how pro-Western it is and how loyal it is to NATO. The West has usually been much less loyal to Turkey. When it comes to NATO's influence in Central Eurasia, once Afghanistan is pacified and US presence probably strengthened through Uzbekistan (though it is one of the notoriously disloyal allies of any Western interest, much resembling the role played by Saudi Arabia), it is time to come to Georgia's rescue again. The West had better not be too late in coming to the aid of Georgia and Azerbaijan, which are both under serious Russian pressure right now. If the Baku-Ceyhan pipeline can be completed, then it could be time for a major reform in Iran as well.

Pakistan's Nice Little War

By: Dr. Sam Vaknin

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Causing trouble is sometimes a profitable business. The Taliban is, to a large extent, the creation of Pakistan. Yet, it stands to benefit greatly, economically as well as politically, from the destruction of the Taliban at the hands of the anti-terror coalition. In the process, its autonomous and contumacious intelligence services keep supplying the Taliban with food and weapons. The government denies either knowledge or responsibility but the border remains porous, to the economic benefit of many.

The self-appointed President of Pakistan, General Pervez Musharraf, said a few months ago that Pakistan was "on the road to economic recovery". This was incompatible with a simultaneous official reduction in the economic growth target of country (from 4.5% to 3.8%). But, in May, Pakistan's debt was being rescheduled with the blessings of the IMF (which contributed 200 million US dollars to the effort) and the World Bank (in the process of approving \$700 million in soft loans). Yet another Paris Club rescheduling seemed imminent.

Two months later, talk was in the air about a multinationally-managed natural (non-liquefied) gas pipeline from Iran to India, through Pakistani territory. "The Economist" (July 14, 2001) estimated that "... the pipeline might yield Pakistan anything from \$250m to \$600m a year in transit fees".

There was cause for this optimism.

To their credit, Musharraf's skilled economic team of technocrats went where their predecessors feared to tread. They imposed a highly unpopular and much protested against sales tax on all retail trade. Musharraf threatened to imprison tax evaders and debt defaulters and backed his threat with (constitutionally dubious) arrests. The immediate result was that tax collection (by the outlandishly corrupt tax authorities) increased by c. \$800 million in the 12 months to June

30, 2001 (the end of the Pakistani fiscal year) - though mostly from import inhibiting exorbitant customs and indirect taxes.

Funds, doled out by corrupt bank managers to defunct enterprises and used to roll over bad loans - were suddenly recalled. The hitherto symbolic prices of oft-wasted and oft-stolen oil, gas, and electricity were gradually increased and subsidies to state-owned utilities (such as cotton mills) decreased. This brought about a belated wave of painful restructuring and Pakistan's shambolic and patronage-based industries almost evaporated. Serious privatization is on the cards. The phone company is up for grabs and all privatization proceeds (optimists put them at \$3 billion, realists at a billion dollars less) are earmarked to pay off foreign debt. The budget deficit stabilized around 5% of GDP (compared to 6.5% the year before), aided by a cut in defence spending (which reached 6% in 1997 but deteriorated ever since compared to India, whose defence spending increased by 40% in the same period). Despite growing energy costs, inflation was tamed, down to 4% (2000) from 8% (1999).

Yet, tax revenues are still less than 17% of GDP and less than 1.5% of all taxpayers bother to file tax returns of any kind. In other words, these largely cosmetic measures failed to tackle the systemic failure that passes for Pakistan's economy. Reform - both economic and political - was still sluggish and half-hearted, Pakistan's current account deficits ballooned (to \$3 billion in 1999), the geopolitical neighbourhood roughened, and the world economy dived. Pakistan's imminent economic collapse looked inevitable.

Then came September 11. Weeks later, US sanctions imposed on Pakistan since 1990 and 1998 (following its nuclear tests) were waived by President Bush and he rescheduled \$400 million in Pakistani debt to various agencies of the US administration. The predicted wave - which has yet to materialize - of 1.5 million Afghan refugees - was worth to Pakistan \$600 million in US aid alone (\$150 million of which were already disbursed).

The IMF - ostensibly an independent organization bent on economic reform and impervious to geopolitical concerns - swiftly switched from tentative approval (the second tranche of the almost twentieth IMF loan was approved in August, before the attacks) to unmitigated praise regarding Pakistan's economic (mis)management. The \$200 million it so reluctantly promised in May and the \$1 billion a year (for a period of 2-3 years) Pakistan was hoping to secure in August gleefully mushroomed to \$2.5-3.5 billion in October. The rupee shot up in response. Debt forgiveness is discussed with Pakistan accorded a status of HIPC - Highly Indebted Poor Country - which it, otherwise, doesn't deserve, on pure macroeconomic grounds.

Consider this:

On September 10, each citizen of Pakistan, man, woman, and infant, owed only \$300 in external government debt. This represented a mere 60% of GDP per capita (or 53% of GDP) in 1997. On that same year, Pakistan's

GDP per capita was 25% higher than India's, average GDP growth in the two decades to 1997 was 5.7% p.a. (India - 5.8%), and it was rated 3.4 (India - 3.7) on the economic freedom index. After a dip in 1999 (3.1%) - growth picked up again to 4.5% , fuelled by bumper cotton and wheat crops in 2000. Pakistani citizens had as many durables as Indians. Definitely not an HIPC, Pakistan is an emerging middle-class east Asian country.

Admittedly, though, the picture is not entirely rosy.

Pakistan's external debt - mainly used to finance consumption and to plug holes in its uninterrupted string of unsustainable government budgets - was double India's (as proportion of GDP) and it had only 4% of India's foreign exchange reserves (c. \$1 billion, enough for three weeks of imports). Per capita, it had 30% as much as India's foreign exchange reserves. As default loomed, growth collapse to 2.6% in 1995-2000, barely enough to sustain the increase in population. The usual IMF prescription (austerity) served only to depress consumption and deter FDI. Foreign direct investment was identical in both 2000 and 1988 - a meager \$180 million (less than FDI in Kosovo's neighbour, Macedonia, with its 2 million citizens to Pakistan's 140 million).

Luckily for it, Pakistan has a (largely underground) vibrant though impromptu private sector which fills the vacuum left by the nefarious public sector.

Many ostensibly public goods - from bus services to schools, from clinics to policing, from public toilettes to farming - are affordably provided by domestic, small time, entrepreneurs often aided by NGO's.

Yet, an economy is more than the sum of its statistics. A failed, feeble, passive-aggressive central government is largely supplanted in Pakistan by criminally-tainted regional political networks of patronage, venality, nepotism, and cronyism. More than 50% of all food aid may be squandered, "taxed" by local functionaries. Teachers pay schoolmasters a portion of salaries not to teach. Maintenance workers, sanitary squads, telephone installers, medical doctors, surgeons, professors in universities, policemen - all demand, and receive, bribes to fulfill their duties, or, more often, to turn a blind eye. Pakistan habitually trails the The UNDP's Human Development Index (which takes into account the quality of life - things like life expectancy, literacy, and gender and income inequalities). This dismal showing is after Pakistan made strides in literacy, life expectancy and decreasing infant mortality.

Since independence in 1947, Pakistan's GNP has quadrupled and income per capita has doubled. But it still spends more on defence than on health and education combined and less than most developing countries. The botched experiments with "Islamic economy" did not help. Pakistan, like certain belles, still survives on the kindness of others - remittances by expatriates and other external capital flows account for 10% of GDP and 50% of domestic investment. And the main export of this country is its skilled manpower - despite its surprisingly diverse

economy. Less than one third of Pakistanis bother to vote - a clear and sad statement by abstention.

The Afghan Trip

The Economy of Afghanistan

By: Dr. Sam Vaknin

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I. The Poppy Fields

Conspiracy theorists in the Balkan have long speculated on the true nature of the Albanian uprising in Macedonia. According to them, Afghanistan was about to flood Europe with cheap opium through the traditional Balkan routes. The KLA - denounced by the State Department as late as 1998 as a drug trafficking organization - was, in the current insurrection, in its new guise as the NLA, simply establishing a lawless beachhead in Macedonia, went the rumours. The Taliban were known to stock c. 3000 tonnes of raw opium. The Afghanis - Arab fighters against the Soviet occupation of Afghanistan - another 2000 tonnes (their fee for providing military and security services to the Taliban). Even at the current, depressed, prices, this would fetch well over 2 billion US dollars in next door Pakistan. It also represents 5 years of total European consumption and a (current) street level value in excess of 100 billion US dollars. The Taliban intends to offload this quantity in the next few months and to convert it to weapons. Destabilizing the societies of the West is another welcome side effect.

It is ironic that the Taliban collaboration with the United Nations Office for Drug Control and Crime Prevention (UNODCCP) culminated this year in the virtual eradication of all opium poppies in Afghanistan. Only 18 months ago, Afghan opium production (c. 4600 tonnes a year) accounted for 70% of world consumption (in the form of heroin). The shift (partly forced on the Taliban by an unusual climate) from poppies to cereals (that started in 1997) was thus completed successfully.

II. Agriculture

Afghanistan is not a monolithic entity. It is a mountainous and desert territory (c. 251,000 sq. miles in size, less than 10% of it cultivated). Administratively and politically, it is reminiscent of Somalia. The Taliban government - now recognized only by Pakistan - rules the majority of the country as a series of tribal fiefdoms. The country - ruined by a decade of warfare between majority Pushtuns and minority Tajiks and Uzbeks in the north - lacks all institutions, or infrastructure. In an economy of subsistence agriculture and trading, millions (up to one third of a population of 27 million) have been internally displaced or rendered refugees. One third of all farms have been vacated. Close to 70% of all villages are demolished. Unemployment - in a mostly unskilled workforce of 11 million - may well exceed 50%. Poverty is rampant, food scarce, population growth unsustainable. The

traditional social safety net - the family - has unraveled, leading to widespread and recurrent famine and malnutrition. The mainstays of grazing and cattle herding have been hampered by mines and deforestation.

The Taliban regime has been good to the economy. It restored the semblance of law and order. Agricultural production recovered to pre-Soviet invasion (1978) levels. Friendly Pakistan provided 80% of the shortfall in grain (international aid agencies provided the rest). The number of heads of livestock - the only form of savings in devastated Afghanistan - increased. Many refugees came back.

Urban workers - mostly rural labourers displaced by war - fared worse, though. As industries and services vanished and army recruitment stabilized with the Taliban's victories, salaries decreased by up to 40% while inflation picked up (to an annual average of 20-25%, as reflected in the devaluation of the currency and in the price of bread). More than 50% of the average \$1 a day wage of the casual, unskilled, worker, are spent on bread alone!

But this discrepancy between a recovering agricultural sector and the dilapidated and depleted cities led to reverse migration back to the villages. In the long term it was a healthy trend.

Paradoxically, the collapse of the central state led to the emergence of a thriving and vibrant private sector engaged in both legal and criminal activities. Foreign exchange dealing is conducted in thousands of small, privately owned, exchange offices. Rich Afghani traders have invested heavily in small scale and home industries (mainly in textiles and agri-business).

III. Trade

In some respects, Afghanistan is an extension of Pakistan economically and, until recently, ideologically. Food prices in Afghanistan, for instance - the only reliable indicator of inflation - closely follow Pakistan's. The Afghan currency (there are two - one issued by the Taliban and another issued by the deposed government in Faizabad) is closely linked to Pakistan's currency, though unofficially so. The regions closest to Pakistan (Herat, Jalalabad, Kandahar) - where cross border trading, drug trafficking, weapons smuggling, illegal immigration (to Western Europe), and white slavery are brisk - are far more prosperous than the northern, war-torn, ones (Badakhshan, Bamyan). The Taliban uses economic sanctions in its on-going war against the Northern Alliance. In 1998-9, it has blockaded the populous provinces of Parwan and Kapisa.

Another increasingly important trade partner is Turkmenistan. It supplies Afghanistan with petrol, diesel, LNG, and jet fuel (thus reducing Afghani dependence on hostile Iranian supplies). Uzbekistan and Tajikistan, its two other neighbours, are considered by the Taliban to be enemies. This enmity results in much higher costs of transportation which price out many Afghan products.

With Pakistan, Afghanistan has an agreement (the Afghan Transit Trade) which provides the latter with access to the sea. Afghanistan imports consumer goods and durables through this duty free corridor (and promptly re-exports them illegally to Pakistan). Pakistani authorities periodically react by unilaterally dropping duty free items off the ATT list. The Afghans proceed to import the banned items (many of them manufactured in Pakistan's archrival, India) via the Gulf states, Russia, Ukraine (another important drug route) and into Pakistan.

IV. The Future

The current conflict can be a blessing in disguise. Western aid and investment can help resuscitate the Soviet era mining (Copper, Zinc) operations and finally tap Afghanistan's vast reserves of oil and natural gas. With a GDP per capita of less than \$800, there is room for massive growth. Yet, such bright prospects are dimmed by inter-ethnic rivalry, a moribund social system, decades of war and natural disaster (such as the draught in 1998-9), and intense meddling and manipulation by near and far. One thing is certain: opium production is likely to increase dramatically. And Western users will be treated to ever cheaper heroin and Hasish.

EU and NATO - The Competing Alliances

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

Saturday's vote in Ireland was the second time in 18 months that its increasingly disillusioned citizenry had to decide the fate of the European Union by endorsing or rejecting the crucial Treaty of Nice. The treaty seeks to revamp the union's administration and the hitherto sacred balance between small and big states prior to the accession of 10 central and east European countries. Enlargement has been the centerpiece of European thinking ever since the meltdown of the eastern bloc.

Shifting geopolitical and geo-strategic realities in the wake of the September 11 atrocities have rendered this project all the more urgent. NATO - an erstwhile anti-Soviet military alliance is search of purpose - is gradually acquiring more political hues. Its remit has swelled to take in peacekeeping, regime change, and nation-building.

Led by the USA, it has expanded aggressively into central and northern Europe. It has institutionalized its relationships with the countries of the Balkan through the "Partnership for Peace" and with Russia through a recently established joint council. The Czech Republic, Poland, and Hungary - the eternal EU candidates - have full scale members of NATO for 3 years now.

The EU responded by feebly attempting to counter this worrisome imbalance of influence with a Common Foreign and Security Policy and a

rapid deployment force. Still, NATO's chances of replacing the EU as the main continental political alliance are much higher than the EU's chances of substituting for NATO as the pre-eminent European military pact. The EU is hobbled by minuscule and decreasing defense spending by its mostly pacifistic members and by the backwardness of their armed forces.

That NATO, under America's thumb, and the vaguely anti-American EU are at cross-purposes emerged during the recent spat over the International Criminal Court. Countries, such as Romania, were asked to choose between NATO's position - immunity for American soldiers on international peacekeeping missions - and the EU's (no such thing). Finally - and typically - the EU backed down. But it was a close call and it cast in sharp relief the tensions inside the Atlantic partnership.

As far as the sole superpower is concerned, the strategic importance of western Europe has waned together with the threat posed by a dilapidated Russia. Both south Europe and its northern regions are emerging as pivotal. Airbases in Bulgaria are more useful in the fight against Iraq than airbases in Germany.

The affairs of Bosnia - with its al-Qaida's presence - are more pressing than those of France. Turkey and its borders with central Asia and the middle east is of far more concern to the USA than disintegrating Belgium. Russia, a potentially newfound ally, is more mission-critical than grumpy Germany.

Thus, enlargement would serve to enhance the dwindling strategic relevance of the EU and heal some of the multiple rifts with the USA - on trade, international affairs (e.g., Israel), defense policy, and international law. But this is not the only benefit the EU would derive from its embrace of the former lands of communism.

Faced with an inexorably ageing populace and an unsustainable system of social welfare and retirement benefits, the EU is in dire need of young immigrants. According to the United Nations Population Division, the EU would need to import 1.6 million migrant workers annually to maintain its current level of working age population. But it would need to absorb almost 14 million new, working age, immigrants per year just to preserve a stable ratio of workers to pensioners.

Eastern Europe - and especially central Europe - is the EU's natural reservoir of migrant labor. It is ironic that xenophobic and anti-immigration parties hold the balance of power in a continent so dependent on immigration for the survival of its way of life and institutions.

The internal, common, market of the EU has matured. Its growth rate has leveled off and it has developed a mild case of deflation. In previous centuries, Europe exported its excess labor and surplus capacity to its colonies - an economic system known as "mercantilism".

The markets of central, southern, and eastern Europe - West Europe's hinterland - are replete with abundant raw materials and dirt-cheap, though well-educated, labor. As indigenous purchasing power increases, the demand for consumer goods and services will expand.

Thus, the enlargement candidates can act both as a sink for Europe's production and the root of its competitive advantage.

Moreover, the sheer weight of their agricultural sectors and the backwardness of their infrastructure can force a reluctant EU to reform its inane bloated farm and regional aid subsidies, notably the Common Agricultural Policy. That the EU cannot afford to treat the candidates to dollops of subventiary largesse as it does the likes of France, Spain, Portugal, and Greece is indisputable. But even a much-debated phase-in period of 10 years would burden the EU's budget - and the patience of its member states and denizens - to an acrimonious breaking point.

The countries of central and eastern Europe are new consumption and investment markets. With a total of 300 million people (Russia counted), they equal the EU's population - though not its much larger purchasing clout. They are likely to while the next few decades on a steep growth curve, catching up with the West. Their proximity to the EU makes them ideal customers for its goods and services. They could provide the impetus for a renewed golden age of European economic expansion.

Central and eastern Europe also provide a natural land nexus between west Europe and Asia and the Middle East. As China and India grow in economic and geopolitical importance, an enlarged Europe will find itself in the profitable role of an intermediary between east and west.

The wide-ranging benefits to the EU of enlargement are clear, therefore. What do the candidate states stand to gain from their accession? The answer is: surprisingly little. All of them already enjoy, to varying degrees, unfettered, largely duty-free, access to the EU. To belong, a few - like Estonia - would have to dismantle a much admired edifice of economic liberalism.

Most of them would have to erect barriers to trade and the free movement of labor and capital where none existed. All of them would be forced to encumber their fragile economies with tens of thousands of pages of prohibitively costly labor, intellectual property rights, financial, and environmental regulation. None stands to enjoy the same benefits as do the more veteran members - notably in agricultural and regional development funds.

Joining the EU would deliver rude economic and political shocks to the candidate countries. A brutal and rather sudden introduction of competition in hitherto much-sheltered sectors of the economy, giving up recently hard-won sovereignty, shouldering the debilitating cost of the implementation of reams of guideline, statutes, laws, decrees, and directives, and being largely powerless to influence policy outcomes.

Faced with such a predicament, some countries may even reconsider.

The Euro-Atlantic Divide

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

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Bulgaria - The Quiet American

The EU and NATO - The Competing Alliances

Europe's Four Speeds

Switching Empires

Eastern Advantages

The countries of central and east Europe - especially those slated to join the European Union (EU) in May next year - are between the American rock and the European hard place. The Czech republic, Hungary and Poland, already NATO members, have joined Spain, Britain and other EU veterans in signing the "letter of eight" in support of US policy in the Gulf. NATO and EU aspirants - including most of the nations of the Balkans - followed suit in a joint statement of the Vilnius Group.

The denizens of the region wonder what is meant by "democracy" when their own governments so blithely ignore public opinion, resolutely set against the looming conflict.

The heads of these newly independent polities counter by saying that leaders are meant to mold common perceptions, not merely follow them expediently. The mob opposed the war against Hitler, they remind us, somewhat non-germanely.

But the political elite of Europe is, indeed, divided.

France is trying to reassert its waning authority over an increasingly unruly and unmanageably expanding European Union. Yet, the new members do not share its distaste for American hegemony. On the contrary, they regard it as a guarantee of their own security. They still fear the Russians, France's and Germany's new found allies in the "Axis of Peace" (also known as the Axis of Weasels).

The Czechs, for instance, recall how France (and Britain) sacrificed them to Nazi Germany in 1938 in the name of realpolitik and the preservation of peace. They think that America is a far more reliable sponsor of their long-term safety and prosperity than the fractured European "Union".

Their dislike of what they regard as America's lightweight leadership and overt - and suspect - belligerence notwithstanding, the central and east Europeans are grateful to the United States for its unflinching - and spectacularly successful - confrontation with communism.

France and Germany - entangled in entente and Ostpolitik, respectively - cozied up to the Kremlin, partly driven by their Euro-communist parties. So did Italy. While the Europeans were busy kowtowing to a repressive USSR and castigating the USA for its warmongering, America has liberated the Soviet satellites and bankrolled their painful and protracted transition.

Historical debts aside, America is a suzerain and, as such, it is irresistible. Succumbing to the will of a Big Power is the rule in east and central Europe. The nations of the region have mentally substituted the United States for the Soviet Union as far as geopolitics are concerned. Brussels took the place of Moscow with regards to economic issues. The Czechs, Poles, Hungarians, assorted Balkanians, even the Balts - have merely switched empires.

There are other reasons for these countries' pro-Americanism. The nations of central, east and southeast (Balkans) Europe have sizable and economically crucial diasporas in the United States. They admire and consume American technology and pop culture. Trade with the USA and foreign direct investment are still small but both are growing fast.

Though the EU is the new and aspiring members' biggest trading partner and foreign investor - it has, to borrow from Henry Kissinger, no "single phone number". While France is enmeshed in its Byzantine machinations, Spain and Britain are trying to obstruct the ominous re-emergence of French-German dominance.

By catering to popular aversion of America's policies, Germany's beleaguered Chancellor, Gerhard Schroeder, is attempting to score points domestically even as the German economy is imploding.

The euro-Atlantic structures never looked worse. The European Union is both disunited and losing its European character. NATO has long been a dysfunctional alliance in search of a purpose. For a while, Balkan skirmishes provided it with a new lease on life. But now the Euro-Atlantic alliance has become the Euro-Atlantic divide.

The only clear, consistent and cohesive voice is America's. The new members of NATO are trying to demonstrate their allegiance - nay, obsequiousness - to the sole identifiable leader of the free world.

France's bid at European helmsmanship failed because both it and Russia are biased in favor of the current regime in Iraq. French and Russian firms have signed more than 1700 commercial contracts with Saddam's murderous clique while their British and American competitors were excluded by the policies of their governments.

When sanctions against Iraq are lifted - and providing Saddam or his hand-picked successor are still in place - Russian energy behemoths are poised to explore and extract billions of barrels of oil worth dozens of billions of dollars. Iraq owes Russia \$9 billion which Russia wants repaid.

But the United States would be mistaken to indulge in Schadenfreude or to gleefully assume that it has finally succeeded in isolating the insolent French and the somnolent Germans. Public opinion - even where it carries little weight, like in Britain, or in the Balkans - cannot be ignored forever.

Furthermore, all the countries of Europe share real concerns about the stability of the Middle East. A divided Iraq stands to unsettle neighbours near and far. Turkey has a large Kurdish minority as does Iran. Conservative regimes in the Gulf fear Iraq's newfound and American-administered democracy. In the wake of an American attack on Iraq, Islamic fundamentalism and militancy will surely surge and lead to a wave of terror. Europe has vested historical, economic and geopolitical interests in the region, unlike America.

Persistent, unmitigated support for the USA in spite of French-German exhortations will jeopardize the new and aspiring members' position in an enlarged EU. Accession is irreversible but they can find themselves isolated and marginalized in decision making processes and dynamics long after the Iraqi dust has settled. EU officials already gave public warnings to this effect.

It is grave error to assume that France and Germany have lost their pivotal role in the EU. Britain and Spain are second rank members - Britain by Europhobic choice and Spain because it is too small to really matter. Russia - a smooth operator - chose to side with France and Germany, at least temporarily. The new and aspiring members would have done well to follow suit.

Instead, they have misconstrued the signs of the gathering storm: the emerging European rapid deployment force and common foreign policy; the rapprochement between France and Germany at the expense of the pro-American but far less influential Britain, Italy and Spain; the constitutional crisis setting European federalists against traditional nationalists; the growing rupture between "Old Europe" and the American "hyperpower".

The new and aspiring members of NATO and the EU now face a moment of truth and are being forced to reveal their hand. Are they pro-American, or pro-German (read: pro federalist Europe)? Where and with whom do they see a common, prosperous future? What is the extent of their commitment to the European Union, its values and its agenda?

The proclamations of the European eight (including the three central European candidates) and the Vilnius Ten must have greatly disappointed Germany - the unwavering sponsor of EU enlargement. Any further flagrant siding with the United States against the inner core of the EU

would merely compound those errors of judgment. The EU can punish the renege nations of the communist bloc with the same dedication and effectiveness with which it has hitherto rewarded them.

Russia Straddles the Euro-Atlantic Divide

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Russia's Idled Spies

Russia in 2003

Russian President Vladimir Putin warned on Tuesday, in an interview he granted to TF1, a French television channel, that unilateral American-British military action against Iraq would be a "grave mistake" and an "unreasonable use of force". Russia might veto it in the Security Council, he averred.

In a joint declaration with France and Germany, issued the same day, he called to enhance the number of arms inspectors in Iraq as an alternative to war.

Only weeks ago Russia was written off, not least by myself, as a satellite of the United States. This newfound assertiveness has confounded analysts and experts everywhere. Yet, appearances aside, it does not signal a fundamental shift in Russian policy or worldview.

Russia could not resist the temptation of playing once more the Leninist game of "inter-imperialist contradictions". It has long masterfully exploited chinks in NATO's armor to further its own economic, if not geopolitical, goals. Its convenient geographic sprawl - part Europe, part Asia - allows it to pose as both a continental power and a global one with interests akin to those of the United States. Hence the verve with which it delved into the war against terrorism, recasting internal oppression and meddling abroad as its

elements.

As Vladimir Lukin, deputy speaker of the Duma observed recently, Britain having swerved too far towards America - Russia may yet become an intermediary between a bitterly disenchanted USA and an irked Europe and between the rich, industrialized West and developing countries in Asia. Publicly, the USA has only mildly disagreed with Russia's reluctance to countenance a military endgame in Iraq - while showering France and Germany with vitriol for saying, essentially, the same things.

The United States knows that Russia will not jeopardize the relevance of the Security Council - one of the few remaining hallmarks of past Soviet grandeur - by vetoing an American-sponsored resolution. But Russia cannot be seen to be abandoning a traditional ally and a major customer (Iraq) and newfound friends (France and Germany) too expediently.

Nor can Putin risk further antagonizing Moscow hardliners who already regard his perceived "Gorbachev-like" obsequiousness and far reaching concessions to the USA as treasonous. The scrapping of the Anti Ballistic Missile treaty, the expansion of NATO to Russia's borders, America's presence in central Asia and the Caucasus, Russia's "near abroad" - are traumatic reversals of fortune.

An agreed consultative procedure with the crumbling NATO hardly qualifies as ample compensation. There are troubling rumblings of discontent in the army. A few weeks ago, a Russian general in Chechnya refused Putin's orders publicly - and with impunity. Additionally, according to numerous opinion polls, the vast majority of Russians oppose an Iraqi campaign.

By aligning itself with the fickle France and the brooding and somnolent Germany, Russia is warning the USA that it should not be taken for granted and that there is a price to pay for its allegiance and good services. But Putin is not Boris Yeltsin, his inebriated predecessor who over-played his hand in opposing NATO's operation in Kosovo in 1999 - only to be sidelined, ignored and humiliated in the postwar arrangements.

Russia wants a free hand in Chechnya and to be heard on international issues. It aspires to secure its oil contracts in Iraq - worth tens of billions of dollars - and the repayment of \$9 billion in old debts by the postbellum government. It seeks pledges that the oil market will not be flooded by a penurious Iraq. It desires a free hand in Ukraine, Armenia and Uzbekistan, among others. Russia wants to continue to sell \$4 billion a year in arms to China, India, Iran, Syria and other pariahs unhindered.

Only the United States, the sole superpower, can guarantee that these demands are met. Moreover, with a major oil producer such as Iraq as a US protectorate, Russia becomes a hostage to American goodwill. Yet, hitherto, all Russia received were expression of sympathy, claimed

Valeri Fyodorov, director of Political Friends, an independent Russian think-tank, in an interview in the Canadian daily, National Post.

These are not trivial concerns. Russia's is a primitive economy, based on commodities - especially energy products - and an over-developed weapons industry. Its fortunes fluctuate with the price of oil, of agricultural produce and with the need for arms, driven by regional conflicts.

Should the price of oil collapse, Russia may again be forced to resort to multilateral financing, a virtual monopoly of the long arms of US foreign policy, such as the International Monetary Fund (IMF). The USA also has a decisive voice in the World Trade Organization (WTO), membership thereof being a Russian strategic goal.

It was the United States which sponsored Russia's seat at table of the G8 - the Group of Eight industrialized states - a much coveted reassertion of the Russian Federation's global weight. According to Rossiiskaya Gazeta, a Russian paper, the USA already announced a week ago that it is considering cutting Russia off American financial aid - probably to remind the former empire who is holding the purse strings.

But siding with America risks alienating the all-important core of Europe: Germany and France. Europe - especially Germany - is Russia's largest export destination and foreign investor. Russia is not oblivious to that. It would like to be compensated generously by the United States for assuming such a hazard.

Still, Europe is a captive of geography and history. It has few feasible alternatives to Russian gas, for instance. As the recent \$7 billion investment by British Petroleum proves, Russia - and, by extension, central and east Europe - is Europe's growth zone and natural economic hinterland.

Yet, it is America that captures the imagination of Russian oligarchs and lesser businesses.

Russia aims to become the world's largest oil producer within the decade. With this in mind, it is retooling its infrastructure and investing in new pipelines and ports. The United States is aggressively courted by Russian officials and "oiligarchs" - the energy tycoons.

With the Gulf states cast in the role of anti-American Islamic militants, Russia emerges as a sane and safe - i.e., rationally driven by self-interest - alternative supplier and a useful counterweight to an increasingly assertive and federated Europe.

Russia's affinity with the United States runs deeper than the confluence of commercial interests.

Russian capitalism is far more "Anglo-Saxon" than Old Europe's. The Federation has an educated but cheap and abundant labor force, a patchy welfare state, exportable natural endowments, a low tax burden and a

pressing need for unhindered inflows of foreign investment.

Russia's only hope of steady economic growth is the expansion of its energy behemoths abroad. Last year it has become a net foreign direct investor. It has a vested interest in globalization and world order which coincide with America's. China, for instance, is as much Russia's potential adversary as it is the United State's.

Russia welcomed the demise of the Taliban and is content with regime changes in Iraq and North Korea - all American exploits. It can - and does - contribute to America's global priorities. Collaboration between the two countries' intelligence services has never been closer. Hence also the thaw in Russia's relations with its erstwhile foe, Israel.

Russia's population is hungry and abrasively materialistic. Its robber barons are more American in spirit than any British or French entrepreneur. Russia's business ethos is reminiscent of 19th century frontier America, not of 20th century staid Germany.

Russia is driven by kaleidoscopically shifting coalitions within a narrow elite, not by its masses - and the elite wants money, a lot of it and now. In Russia's unbreakable cycle, money yields power which leads to more money. The country is a functioning democracy but elections there do not revolve around the economy. Most taxes are evaded by most taxpayers and half the gross national product is anyhow underground. Ordinary people crave law and order - or, at least a semblance thereof.

Hence Putin's rock idol popularity. He caters to the needs of the elite by cozying up to the West and, in particular, to America - even as he provides the lower classes with a sense of direction and security they lacked since 1985. But Putin is a serendipitous president. He enjoys the aftereffects of a sharply devalued, export-enhancing, imports-depressing ruble and the vertiginous tripling of oil prices, Russia's main foreign exchange generator.

The last years of Yeltsin have been so traumatic that the bickering cogs and wheels of Russia's establishment united behind the only vote-getter they could lay their hands on: Putin, an obscure politician and former KGB officer. To a large extent, he proved to be an agreeable puppet, concerned mostly with self-preservation and the imaginary projection of illusory power.

Putin's great asset is his pragmatism and realistic assessment of the shambles that Russia has become and of his own limitations. He has turned himself into a kind of benevolent and enlightened arbiter among feuding interests - and as the merciless and diligent executioner of the decisions of the inner cabals of power.

Hitherto he kept everyone satisfied. But Iraq is his first real test. Everyone demands commitments backed by actions. Both the Europeans and the Americans want him to put his vote at the Security Council where his mouth is. The armed services want him to oppose war in Iraq. The

intelligence services are divided. The Moslem population inside Russia - and surrounding it on all sides - is restive and virulently anti-American.

The oil industry is terrified of America' domination of the world's second largest proven reserves - but also craves to do business in the United States. Intellectuals and Russian diplomats worry about America's apparent disregard for the world order spawned by the horrors of World War II. The average Russian regards the Iraqi stalemate as an internal American affair. "It is not our war", is a common refrain, growing commoner.

Putin has played it admirably nimbly. Whether he ultimately succeeds in this impossible act of balancing remains to be seen. The smart money says he would. But if the last three years have taught us anything it is that the smart money is often disastrously wrong.

Russia's Stealth Diplomacy

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

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Let My People Go - The Jackson-Vanik Controversy

Possibly irked by persistent American U-2 aerial spy missions above its fringes, Russia fired yesterday, from a mobile launcher, a "Topol" RS-12M Intercontinental Ballistic Missile (ICBM). On Wednesday, Agriculture Minister Alexei Gordeyev, offered Iraq aid in the form of wheat.

The Russian Grain Union, the industry lobby group, claims to have already provided the besieged country with half a million tons of grain

under the oil-for-food program.

Russia linked with Syria in declining to approve the new oil-for-food draft resolution as long as it implied a regime change in Iraq. The Duma - having failed to ratify a key nuclear treaty with the USA - called to increase defense spending by at least 3.5 percent of gross domestic product, or about \$4 billion this year.

Only 28 percent of Russians polled now view the United States favorably, compared with 68 percent a mere few months ago. A majority of 55 percent disapprove of the USA in a country that was, until very recently, by far the most pro-American in Europe. A Russian telecom, Excom, is offering unlimited free phone calls to the White House to protest U.S. "aggression".

Washington, on its part, has accused the Russian firm, Aviaconversiya, of helping Iraqi forces to jam global positioning system (GPS) signals. Other firms - including anti-tank Kornet missile manufacturer, KBP Tula - have also been fingered for supplying Iraq with sensitive military technologies.

These allegations were vehemently denied by President Vladimir Putin in a phone call to Bush - and ridiculed by the companies ostensibly involved. Russia exported c. \$5 billion of military hardware and another \$2.6 billion in nuclear equipment and expertise last year, mostly to India and China - triple the 1994 figure.

Russia and the United States have continually exchanged barbs over the sale of fission technology to Iran. In retaliation, Atomic Energy Minister, Alexander Rumyantsev, exposed an Anglo-German-Dutch deal with the Iranians, which, he said, included the sale of uranium enrichment centrifuges.

Is Putin reviving the Cold War to regain his nationalist credentials, tarnished by the positioning, unopposed, of American troops in central Asia, the unilateral American withdrawal from the Anti-Ballistic Missile (ABM) treaty and the expansion of NATO and the European Union to Russia's borders?

Or, dependent as it is on energy exports, is Russia opposed to the war because it fears an American monopoly on the second largest known reserves of crude? Russia announced on Thursday that it would insist on honoring all prewar contracts signed between Iraq and Russian oil companies and worth of billions of dollars - and on the repayment of \$8-9 billion in Iraqi overdue debt to Russia.

According to Rosbalt, every drop of \$1 in oil prices translates into annual losses to the Russian treasury of \$2 billion. Aggregate corporate profits rose in January by one fifth year on year, mostly on the strength of surging crude quotes. The Economist Intelligence Unit expects this year's GDP to grow by 3.8 percent. Foreign exchange reserves are stable at \$54 billion.

The threat to Russia's prominence and market share is not imminent. Iraqi oil is unlikely to hit world markets in the next few years, as Iraq's dilapidated and outdated infrastructure is rebuilt.

Moreover, Russian oil is cheap compared to the North Sea or Alaskan varieties and thus constitutes an attractive investment opportunity as the recent takeover of Tyumen Oil by British Petroleum proves. Still, the long-term risk of being unseated by a reconstructed Iraq as the second largest oil producer in the world is tangible.

Russia has spent the last six months enhancing old alliances and constructing new bridges. According to Interfax, the Russian news agency, yesterday, Russia has made yet another payment of \$27 million to the International Monetary Fund. The Russian and Romanian prime ministers met and signed bilateral agreements for the first time since 1989. This week, after 12 years of abortive contacts, the republics of the former Yugoslavia agreed with the Russian Federation on a framework for settling its \$600 million in clearing debts.

Recent spats notwithstanding, the Anglo-Saxon alliance still regards Russia as a strategically crucial ally. Last week, British police, in a sudden display of unaccustomed efficacy, nabbed Russian oligarch and mortal Putin-foe, Boris Berezovsky, charged by the Kremlin with defrauding the Samara region of \$13 million while he was director of LogoVaz in 1994-5.

The Russian foreign minister, Igor Ivanov, did not remain oblivious to these overtures. Russia and the USA remain partners, he asserted. RIA Novosti, the Russian news agency, quoted him as saying: "If we settle the Iraqi problem by political means and in an accord, the road will open to teamwork on other, no less involved problems."

As Robert Kagan correctly observes in his essay "Of Paradise and Power: America and Europe in the New World Order", the weaker a polity is militarily, the stricter its adherence to international law, the only protection, however feeble, from bullying. Putin, presiding over a decrepit and bloated army, naturally insists that the world must be governed by international regulation and not by the "rule of the fist".

But Kagan - and Putin - get it backwards as far as the European Union is concerned. Its members are not compelled to uphold international precepts by their indisputable and overwhelming martial deficiency. Rather, after centuries of futile bloodletting, they choose not to resort to weapons and, instead, to settle their differences juridically.

Thus, Putin is not a European in the full sense of the word. He supports an international framework of dispute settlement because he has no armed choice, not because it tallies with his deeply held convictions and values. According to Kagan, Putin is, in essence, an American: he believes that the world order ultimately rests on military power and the ability to project it.

Russia aspires to be America, not France. Its business ethos, grasp of realpolitik, nuclear arsenal and evolving values place it firmly in the Anglo-Saxon camp. Its dalliance with France and Germany is hardly an elopement. Had Russia been courted more aggressively by Secretary of State, Colin Powell and its concerns shown more respect by the American administration, it would have tilted differently. It is a lesson to be memorized in Washington.

Losing the Iraq War

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

The Security Council just approved a tough resolution calling upon Iraq to disarm or face military action. The decade-old sanctions regime has provided countries such as Ukraine, Belarus and the Serb part of Bosnia-Herzegovina with lucrative commercial opportunities. According to international and Israeli media, they all illicitly sold arms and materiel - from active carbon filters to uranium - to the Iraq's thuggish rulers, though Ukraine still denies it vehemently.

The impending war and the lifting of sanctions likely to follow will grind these activities to a halt. This would not be the first time the countries of central and eastern Europe - from the Balkan to the steppes of central Asia - bear the costs of Western policies against Iraq.

In the wake of the Gulf War, Iraq defaulted on its debts to all and sundry. The members of COMECON, the now-defunct communist trade bloc, were hit hardest. According to Mikhail Margelov, chairman of the International Affairs Committee of Russia's Federation Council (upper house), Iraq still owes Russia alone c. \$7-12 billion in pre-1990 principal, mainly for arms purchases.

Macedonian construction groups were active in Iraq between 1950-1990. They are owed tens of millions of dollars - the equivalent of 5 percent of GDP, say to sources in the government. Yugoslav, Czech, Polish, and formerly East German firms are in the same predicament.

A typical case: the Belarus news agency Belapan reported recently how Leonid Kozik, leader of the Federation of Trade Unions of Belarus, co-chairman of the Belarusian-Iraqi Joint Commission on Trade and Economic Cooperation and a close aide to Belarusian President Aleksander Lukashenka, traveled to Iraq in an effort to recoup millions of dollars owed to the Belarusian metals and energy concern Belmetalenerga. The unfortunate company - the country's exclusive export channel to Iraq - sold to it a range of goods, including 500 tractors worth more than \$5 million back in 1999.

The chances of recovering these debts diminish by the day. East-West Debt, an international financial company specializing in purchasing and recovery of overdue trade or bank debt in high-risk countries,

published this advisory recently: "Many enterprises, banks and insurance companies are still holding uninsured trade debts on Iraq, due to exports or loans originating from before 1990. Please be aware that these claims on Iraq may become time-barred."

Russia reasonably claims to have sustained \$30 billion in lost business with Iraq since 1991. Even now, dilapidated as it is, Iraq is a large trade partner. According to the United Nations, bilateral trade under the oil-for-food program since 1996 amounted to \$4.3 billion. The real figure is higher. Russia's oil industry is private and keeps much of its revenues off the books.

Tens of thousands of Russians used to purchase Iraqi goods in Turkey and sell them back home - a practice known as the "shuttle trade".

Russia and Iraq have confirmed in August that they are negotiating \$40-60 billion worth of cooperation agreements in the oil, agriculture, chemical products, pharmaceuticals, fertilizers, irrigation, transportation, railroads and energy sectors. According to the Washington Post, some of the 67 10-year accords relate to oil exploration in Iraq's western desert. An Iraqi delegation, headed by the minister of military industry, visited Belarus last month in an effort to conclude a similar economic package. But such contracts are unlikely to be materialized as long as the sanctions remain intact.

Radio Free Europe/Radio Liberty reports that Russian firms already control two fifths of sales of Iraqi oil in world markets. Even American companies use Russian fronts to trade with the embargoed country, claim sources in the energy sector. The Financial Times exposed two years ago similar arrangements between United States based suppliers, oil and service companies and west European entities.

According to the New York Times, a Russian consortium, led by Lukoil, signed a 23-year, \$3.5 billion agreement with Baghdad to rehabilitate some of its crumbling oil fields. According to the BBC, Lukoil also inked unusually favorable production-sharing agreements with the desperate Iraqi government.

Whether these \$20 billion dollar concessions will be honored by Baghdad's post-war new rulers is questionable. Even the current regime is incensed that Lukoil hasn't started implementing the contracts due to UN sanctions. According to Asia Times, the Iraqi government has recently excluded the Russian firm from its list of accredited suppliers under the oil-for-food program.

A Russian state-owned oil company, Zarubezhneft, is said by the London Observer to have signed a \$90 billion contract to develop the bin-Umar oilfield. It subcontracted some drilling rights in the West Qurna fields to Tatneft, another Russian outfit. The Washington Post reported a \$52 million service contract signed last October between Slavneft and the Iraqi authorities.

The International Energy Agency's World Energy Outlook 2001 claims that

the Iraqis have awarded foreign oil contracts worth a staggering \$1.1 trillion, much of it to Russian, French, and Chinese firms. Russia is well-placed to enjoy Iraq's graces while Saddam is in power. It is scrambling to secure similar access in an American-sponsored post-conflict reign. According to the Observer, hence much of the haggling in the United Nations over language and America's freedom of action.

Even more crucially, Russia's aspirations to replace Saudi Arabia as the world's largest and swing producer and to become America's primary source of oil may be dashed by United States control of Iraq's enormous proven reserves.

The rising tensions in the Gulf may be providing Russia and its extractive behemoths with a serendipitous windfall - but, in the long run, Russia's rising oil star is threatened by a permanent American stranglehold over Iraq's 112 billion barrels.

A successful American campaign not only jeopardizes Russia's future interests - but its present income as well. A drop in oil prices - more than likely as Iraq is pacified and its oil production surges - will hurt Russia. Below a certain price for crude, Russia's domestic fields are not worth developing.

Between the rock of contract-freezing sanctions and the hard place of American dominance, Russia was forced to vote in favor of the United States sponsored resolution in the Security Council. It may signal a new period of cohabitation - or, more likely, the beginning of a long tussle over commercial interests and economic benefits.

Germany's Rebellious Colonies

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

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The Czechs' Indian Gambit

Europe's Four Speeds

Switching Empires

Eastern Advantages

Invited by a grateful United States, the Czech Republic on Saturday sent a representative to meet with Iraqi opposition in Kurdish north Iraq. The country was one of the eight signatories on a letter,

co-signed by Britain, Italy, Spain and the two other European Union central European candidate-members, Poland and Hungary, in support of US policy in the Gulf.

According to The Observer and the New York Times, American troops in Germany - and the billions of dollars in goods and services they consume locally - will be moved further east to the Czech Republic, Poland and the Baltic states. This shift may have come regardless of the German "betrayal".

The Pentagon has long been contemplating the futility of stationing tens of thousands of soldiers in the world's most peaceful and pacifistic country.

The letter is a slap in the face of Germany, a member of the "Axis of Peace", together with France and Belgium and the champion of EU enlargement to the east. Its own economic difficulties aside, Germany is the region's largest foreign investor and trading partner. Why the curious rebuff by its ostensible partners?

The Czech Republic encapsulates many of the economic and political trends in the erstwhile communist swathe of Europe.

The country's economic performance still appears impressive. Figures released yesterday reveal a surge of 6.6 percent in industrial production, to yield an annual increase of 4.8 percent. Retail sales, though way below expectations, were still up 2.7 percent last year. The Czech National Bank (CNB) upgraded its gross domestic product growth forecast on Jan 30 to 2.2-3.5 percent.

But the country is in the throes of a deflationary cycle. The producer price index was down 0.8 percent last year. Year on year, it decreased by 0.4 percent in January. Export prices are down 6.7 percent, though import prices fell by even more thus improving the country's terms of trade.

The Czech koruna is unhealthily overvalued against the euro thus jeopardizing any export-led recovery. The CNB was forced to intervene in the foreign exchange market and buy in excess of 2 billion euros last year - four times the amount it did in 2001.

It also cut its interest rates last month to their nadir since independence. This did little to dent the country's burgeoning current account deficit, now at over 5 percent of GDP.

Unemployment in January broke through the psychologically crucial barrier of 10 percent of the workforce. More than 540,000 bread earners (in a country of 10 million inhabitants) are out of a job. In some regions every fifth laborer is laid off. There are more than 13 - and in the worst hit parts, more than 100 - applicants per every position open.

Additionally, the country is bracing itself for another bout of floods,

more devastating than last year's and the ones in 1997. Each of the previous inundations caused in excess of \$2 billion in damages. The government's budget is already strained to a breaking point with a projected deficit of 6.3 percent this year, stabilizing at between 4 and 6.6 percent in 2006. The situation hasn't been this dire since the toppling of communism in the Velvet Revolution of 1989.

Ironically, these bad tidings are mostly the inevitable outcomes of much delayed reforms, notably privatization. Four fifths of the country's economy is alleged to be in private hands - a rate similar to the free markets of Estonia, Slovakia and Hungary. In reality, though, the state still maintains intrusive involvement in many industrial assets. It is the reluctant unwinding of these holdings that leads to mass layoffs.

Yet, the long term outlook is indisputably bright.

The ministry of finance forecasts a rise in the country's GDP from 59 percent to 70 percent of the European Union's output in 2005 - comparable to Slovenia and far above Poland with a mere 40 percent. The Czech Republic is preparing itself to join the eurozone shortly after it becomes a member of the EU in May 2004.

Foreign investors are gung ho. The country is now the prime investment destination among the countries in transition. In a typical daily occurrence, bucking a global trend, Matsushita intends to expand its television factory in Plzen. Its investment of \$8 million will enhance the plant's payroll by one tenth to 1900 workers. Siemens - a German multinational - is ploughing \$50 million into its Czech unit. Siemens Elektromotory's 3000 employees export \$130 million worth of electrical engines annually.

None of this would have been possible without Germany's vote of confidence and overwhelming economic presence in the Czech Republic. The deteriorating fortunes of the Czech economy are, indeed, intimately linked to the economic stagnation of its northern neighbor, as many an economist bemoan. But this only serves to prove that the former's recovery is dependent on the latter's resurrection.

Either way, to have so overtly and blatantly abandoned Germany in its time of need would surely prove to be a costly miscalculation. The Czechs - like other central and east European countries - mistook a transatlantic tiff for a geopolitical divorce and tried to implausibly capitalize on the yawning rift that opened between the erstwhile allies.

Yet, Germany is one of the largest trading partners of the United States. American firms sell \$24 billion worth of goods annually there - compared to \$600 million in Poland. Germany's economy is five to six times the aggregated output of the EU's central European new members plus Slovakia.

According to the New York Times, there are 1800 American firms on German soil, with combined sales of \$583 billion and a workforce of

800,000 people. Due to its collapsing competitiveness and rigid labor laws, Germany's multinationals relocate many of their operations to central and east Europe, Asia and north and Latin America. Even with its current malaise, Germany invested in 2001 \$43 billion abroad and attracted \$32 billion in fresh foreign capital.

Indeed, supporting the United States was seen by the smaller countries of the EU as a neat way to counterbalance Germany's worrisome economic might and France's often self-delusional aspirations at helmsmanship. A string of unilateral dictates by the French-German duo to the rest of the EU - regarding farm subsidies and Europe's constitution, for instance - made EU veterans and newcomers alike edgy. Hence the deliberate public snub.

Still, grandstanding apart, the nations of central Europe know how ill-informed are recent claims in various American media that their region is bound to become the new European locomotive in lieu of an aging and self preoccupied Germany. The harsh truth is that there is no central European economy without Germany. And, at this stage, there is no east European economy, period.

Consider central Europe's most advanced post-communist economy.

One third of Hungary's GDP, one half of its industrial production, three quarters of industrial sales and nine tenths of its exports are generated by multinationals. Three quarters of the industrial sector is foreign-owned. One third of all foreign direct investment is German. France is the third largest investor. The situation is not much different in the Czech Republic where the overseas sales of the German-owned Skoda alone account for one tenth the country's exports.

The relationship between Germany and central Europe is mercantilistic. Germany leverages the region's cheap labor and abundant raw materials to manufacture and export its finished products. Central Europe conforms, therefore, to the definition of a colony and an economic hinterland. From a low base, growth there - driven by frenzied consumerism - is bound to outstrip the northern giant's for a long time to come. But Germans stands to benefit from such prosperity no less than the indigenous population.

Aware of this encroaching "economic imperialism", privatization deals with German firms are being voted down throughout the region. In November, the sale of a majority stake in Cesky Telecom to a consortium led by Deutsche Bank collapsed. In Poland, a plan to sell Stoen, Warsaw's power utility, to Germany's RWE was scrapped.

But these are temporary - and often reversible - setbacks. Germany and its colonies share other interests. As The Economist noted correctly recently:

"The Poles may differ with the French over security but they will be with them in the battle to preserve farm subsidies. The Czechs and Hungarians are less wary of military force than the Germans but

sympathize with their approach to the EU's constitutional reform. In truth, there are no more fixed and reliable alliances in the EU. Countries will team up with each other, depending on issue and circumstances."

Thus, the partners, Germany and central Europe, scarred and embittered, will survive the one's haughty conduct and the other's backstabbing. That the countries of Europe currently react with accommodation to what, only six decades ago, would have triggered war among them, may be the greatest achievement of the Euro-Atlantic enterprise.

The Disunited Nations

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

Also Read

The Washington Consensus - I. The IMF

The Self-Appointed Altruists

Arab nations plan to table a resolution at the United Nations General Assembly condemning the U.S.-British led "invasion" and "occupation" of Iraq and calling for immediate troop withdrawal. A similar effort at the Security Council last week failed, doomed by the veto powers of both alleged aggressors.

This is not likely to endear the organization to the Bush administration whose hawks regard it as a superfluous leftover from the Cold War era. Rep. Ron Paul (R-Texas) even introduced legislation to withdraw from the organization altogether. Nile Gardiner, a visiting fellow at the Heritage Foundation, summed up these sentiments in Insight Magazine thus

"I think the U.N. has been in gradual decline for many years. It failed to act spectacularly in Rwanda and did nothing about Slobodan Milosevic's brutal regime. Iraq is the latest in a long line of failures."

Admittedly, like any bureaucracy, the organization is self-perpetuating, self-serving and self-absorbed. But it - and its raft of specialized offshoots - still give back far more than they receive. In recognition of the U.N.'s crucial role, several liberal Democrats have entered legislation to create a "permanent U.N. security force" and to "voluntarily contribute" to the U.N. Population Fund.

Consider peacekeeping operations. At a total annual cost of c. \$5 billion last year, U.N. peacekeeping missions employ close to 40,000 police and military and another 11,000 civilians from 89 countries. The budget is shoestring and more than half the pledged contributions are still outstanding. The U.N. consumes less than 0.001 percent of the

world's gross domestic product. As James Paul, Executive Director of Global Policy Forum, observes:

"All UN staff, including the specialized agencies and funds, are fewer than the civil service of the City of Stockholm or the staff of McDonalds. The core UN budget is one half of one percent of the US military budget and far less than the cost of one B-2 bomber aircraft."

Even the United States Mission to the United Nations, on its Web site, seeks to debunk a few myths. Despite a massive increase in remit and operations, the organization's budget, at \$2.6 billion, has remained constant since 1995. The workforce was cut by 11 percent, to 9000 employees, since 1997:

"The UN has done a great deal to increase efficiency and overall accountability. In 1994, the UN created the Office of Internal Oversight Services (OIOS) to serve as the inspector general and promote efficient management and reduce waste, fraud and abuse. During the year ended June 30, 2001, OIOS recommended \$58 million in savings and recoveries for the UN and persuaded UN program managers to implement hundreds of recommendations for improving management and internal controls. OIOS investigations also led to successful convictions of UN staff and others for fraud and stealing UN funds."

Yet, bad - and expensive - habits die hard. Budget discipline is lax with no clear order of priorities. The United Nations suffers from an abundance of obsolete relics of past programs, inertly and futilely maintained by beneficiary bureaucrats. Follow-up U.N. conferences - and they tend to proliferate uncontrollably - are still being held in exotic resorts, or shopping-friendly megalopolises. United Nations entities at the country level duplicate efforts and studiously avoid joint programming, common databases and pooling of resources.

The aforementioned OIOS has hitherto identified more than \$200 million in waste and fraud and issued 5000 recommendations to improve efficiency, transparency and accountability. Disgusted by the flagrant squandering of scarce resources, the United States - which covers one fifth of the august establishment's pecuniary needs - accumulated more than \$1.2 billion in arrears by 1999, double the debts of all other members combined.

It has since repaid the bulk of these even as it reduced its share of the United Nations' finances. It now contributes 22 percent of the regular budget, down from 25 percent and 25-27 percent of the costs of the U.N. peacekeeping forces, down from 30-31 percent.

But a row is brewing in the corridors of power with regards to the proposed budget for 2004-5. Ambassador Patrick Kennedy, United States Representative for United Nations Management and Reform, called it "a step backwards". The European Union, predictably, "fully concurred" with it and urged members to increase the budget in line with the U.N.'s enhanced responsibilities.

Kofi Annan, the U.N. General Secretary since 1997, is promoting the nation-building and humanitarian credentials of his reformed outfit for the postwar reconstruction of Iraq. American President George Bush is less than keen and Prime Minister Tony Blair of Britain has moderated his pro-multilateralist rhetoric following his meeting with Bush last week.

Even erstwhile keen supporters of the United Nations, such as Japan, a surprising member of the "coalition of the willing", are hesitant. Japan contributes close to one fifth of the international body's regular budget. Yet, disillusioned by its inability to gain permanent membership of the Security Council despite its economic clout, Japan announced, in January, its intention to cut its participation by 5 percent.

The United States seems to wish to consign the organization to the humanitarian aspects of Iraq's restoration. Last Friday, the U.S. Agency for International Development (USAID) granted \$8 million to the U.N.'s Children's Fund (UNICEF) to pay for sanitation, healthcare and potable water schemes in Iraq as well as for micronutrients, vitamins and medicines for its malnourished and disease-stricken populace.

Succumbing to its niche typecasting, the United Nations has launched an unprecedented \$2.2 billion "emergency appeal for immediate humanitarian assistance for the people of Iraq over the next six months, with \$1.3 billion devoted to a massive food aid operation ... to help the displaced, refugees, children, the elderly and other especially vulnerable groups." The donor funds will augment the proceeds of the revamped oil-for-food program, now entirely under the control of the General Secretary.

So, is the United Nations really "just a farce" and its members mostly "petty despots" as Conrad Black, The Canadian media mogul, has it in recent interviews? Or, paradoxically, has this international body been strengthened by its faithful depiction of resistant world opinion in the face of perceived Anglo-Saxon bullying? The global assembly's future largely depends on an incensed and disenchanting United States.

Unable to rely on the kindness of strangers, Annan is reaching out to new constituencies.

At the 1999 World Economic Forum in Davos, he challenged the global business community to enter a "Global Compact" with the U.N. to uphold "human rights, labour standards and environmental practices." The International Chamber of Commerce, representing 7,000 business organizations in 137 countries, picked up the gauntlet and published a joint statement at a July 1999 meeting with United Nations bigwigs.

This uneasy partnership drew severe criticisms from non-governmental organizations the world over. Corpwatch, a California-based NGO, observed acidly that "in the first 18 months of the Global Compact, we have seen a growing but secret membership, heavy influence by the International Chamber of Commerce, and a failure to publish even a

single case study of sustainable practices. The Global Compact logo has been used without attribution by DaimlerChrysler, even as Global Compact officials insist that use of the general UN logo is strictly controlled. The Global Compact represents a smuggling of a business agenda into the United Nations. It should not be considered a contribution to or framework for the Johannesburg Summit."

The United Nations - like NATO and other Cold War critters - is an organization in search of a purpose. The demise of the USSR constituted a tectonic shift in international affairs. The U.N.'s inability to accommodate its institutions to the supremacy of the United States, the demography of China, the decline of Britain and France and the economic clout of Germany and Japan are symptoms of denial and delusion that are detrimental to the future of this otherwise benign and useful establishment. The war in Iraq is merely a rude wake-up call. And about time, too.

The Economies of the Middle East

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

Also Read

Iran between Reform and Mayhem

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Israel's Hi, Tech - Bye, Tech

Syria's Sunshine Policy

Israel's Economic Intifada

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The Iraqi and the Madman

God's Diplomacy and Human Conflicts

Yesterday, in the Islamic Financial Forum in Dubai, Brad Bourland, chief economist for the Saudi American Bank (SAMBA), breached the embarrassed silence that invariably enshrouds speakers in Middle Eastern get-togethers. He reminded the assembled that despite the decades-long fortuity of opulent oil revenues, the nations of the region - excluding Turkey and Israel - failed to reform their economies, let alone prosper.

Structural weaknesses, imperceptible growth, crippling unemployment and deteriorating government financing confined Arab states to the role of oil-addicted minions. At \$540 billion, said Bourland, quoted by Middle East Online, the combined gross domestic product of all the Arab

countries is smaller than Mexico's (or Spain's, adds The Economist).

According to the Arab League, the gross national product of all its members amounted to \$712 billion or 2 percent of the world's GNP in 2001 - merely double sub-Saharan Africa's.

Even the recent tripling of the price of oil - their main export commodity - did not generate sustained growth equal to the burgeoning population and labor force. Algeria's official unemployment rate is 26.4 percent, Oman's 17.2 percent, Tunisia's 15.6 percent, Jordan's 14.4 percent, Saudi Arabia's 13 percent and Kuwait sports an unhealthy 7.1 percent. Even with 8 percent out of work, Egypt needs to grow by 6 percent annually just to stay put, estimates the World Bank.

But the real figures are way higher. At least one fifth of the Saudi and Egyptian labor forces go unemployed. Only one tenth of Saudi women have ever worked. The region's population has almost doubled in the last quarter century, to 300 million people. Close to two fifths of the denizens of the Arab world are minors.

According to the Iranian news agency, IRNA, the European Commission on the Mediterranean Region estimates that the purchasing power parity income per head in the area is a mere 39 percent of the EU's 2001 average, comparable to many post-communist countries in transition. In nominal terms the figure is 28 percent. These statistics include Israel whose income per capita equals 84 percent of the EU's and the Palestinian Authority where GDP fell by 10 percent in 2000 and by another 15 percent the year after.

Faced with ominously surging social unrest, the Arab regimes - all of them lacking in democratic legitimacy - resort to ever more desperate measures. "Saudisation", for instance, amounts to the expulsion of 3 million foreign laborers to make room for indigenous idlers reluctant to take on these vacated - mostly menial - jobs. About one million, typically Western, expat experts remain untouched.

The national accounts of Arab polities are in tatters. Saudi Arabia managed to produce a budget surplus only once since 1982. Per capita income in the kingdom plunged from \$26,000 in 1981 to \$7000 today. Higher oil prices may well continue throughout 2003, further masking the calamitous state of the region's economies. But this would amount to merely postponing the inevitable.

Arab countries are not integrated into the world economy. It is possibly the only part of the globe, bar Africa, to have entirely missed the trains of globalization and technological progress. Charlene Barshefsky was United States Trade Representative from 1997 to 2001. In a recent column published by the New York Times, she noted that:

"Muslim countries in the region trade less with one another than do African countries, and much less than do Asian, Latin American or European countries. This reflects both high trade barriers ... and the deep isolation Iran, Iraq and Libya have brought on themselves through

violence and support for terrorist groups ... The Middle East still depends on oil. Today, the United States imports slightly more than \$5 billion worth of manufactured goods and farm products from the 22 members of the Arab League, Afghanistan and Iran combined - or about half our value-added imports from Hong Kong alone."

Indeed, Jewish Israel and secular Turkey aside, 8 of the 11 largest economies of the Middle East have yet to join the World Trade Organization. Only two decades ago, one of every seven dollars in global export revenues and one twentieth of the world's foreign direct investment flowed to Arab pockets.

Today, the Middle East's share of international trade and FDI is less than 1.5 percent - half of it with the European Union. Medium size economies such as Sweden's attract more capital than the entire Middle Eastern Moslem world put together.

Some Arab countries periodically go through spastic reforms only to submerge once more in backwardness and venality. Oil-producers attempted some structural economic adjustments in the 1990s. Jordan and Syria privatized a few marginal state-owned enterprises. Iran and Iraq cut subsidies.

Almost everyone - especially Lebanon, Egypt, Iran and Jordan - increased their unhealthy reliance on multilateral loans and foreign aid.

Young King Abdullah II of Jordan, for instance, dabbles in deregulation, liberalization, tax reform, cutting red tape and tariff reductions. Aided by a free trade agreement with America passed by Congress in 2001, Jordan's exports to the United States last year soared from \$16 million in 1998 to \$400 million.

A similar nostrum is being administered to Morocco, partly to spite the European Union and its glacial "Barcelona Process" Euro-Mediterranean Partnership. But, as everyone realizes, the region's problems run deeper than any tweaking of the customs code.

The "Arab Human Development Report 2002", published in June last year by the United Nations Development Program (UNDP), was composed entirely by Arab scholars. It charts the predictably dismal landscape: one in five inhabitants survives on less than \$2 a day; annual growth in income per capita over the last 20 years, at 0.5 percent, exceeded only sub-Saharan Africa's; one in six is unemployed.

The region's three "deficits", laments the report, are freedom, knowledge and manpower. Arab polities and societies are autocratic and intolerant. Illiteracy is still rampant and education poor. Women - half the workforce - are ill-treated and excluded. Pervasive Islamization replaced earlier militant ideologies in stifling creativity and growth.

In an article titled "Middle East Economies: A Survey of Current

Problems and Issues", published in the September 1999 issue of the Middle East Review of International Affairs, Ali Abootalebi, assistant professor of political science at the University of Wisconsin, Eau Claire, concluded:

"The Middle East is second only to Africa as the least developed region in the world. It has already lost much of its strategic importance since the Soviet Union's demise ... Most Middle Eastern states ... probably do, possess the necessary technocratic and professional personnel to run state affairs in an efficient and modern manner (but not) the willingness or ability of the elites in charge to disengage the old coalitional interests that dominate governments in these countries."

The looming war with Iraq will change all that. This is the fervent hope of intellectuals throughout the region, even those viscerally opposed to America's high-handed hegemony. But this may well be only another false dawn in many. The inevitable massive postwar damage to the area's fragile economies will spawn added oppression rather than enhance democracy.

According to The Economist, the military buildup has already injected \$2 billion into Kuwait's economy, equal to 6 percent of its GDP. Prices of everything - from real estate to cars - are rising fast. The stock exchange index has soared by one third. American largesse extends to Turkey - the recipient of \$5 billion in grants, \$1 billion in oil and \$10 billion in loan guarantees. Egypt and Jordan will reap \$1 billion apiece and, possibly, subsidized Saudi oil as well. Israel will abscond with \$8 billion in collateral and billions in cash.

But the party may be short-lived, especially if the war proves to be as decisive and nippy as the Americans foresee.

Stratfor, the strategic forecasting consultancy, correctly observes that the United States is likely to encourage American oil companies to boost Iraq's postbellum production. With Venezuela back on line and global tensions eased, deteriorating crude prices may adversely affect oil-dependent countries from Iran to Algeria.

The resulting social and political unrest - coupled with violent, though typically impotent, protests against the war, America and the political leadership - is unlikely to convince panicky tottering regimes to offer greater political openness and participatory democracy.

War will traumatize tourism, another major regional foreign exchange earner. Egypt alone collects \$4 billion a year from eager pyramid-gazers - about one ninth of its GDP. Add to that the effects of armed conflict on traffic in the Suez Canal, on investments and on expat remittances - and the country could well become the war's greatest victim.

In a recent economic conference of the Arab League, Egyptian Minister of State for Foreign Affairs, Faiza Abu el-Naga, pegged the immediate

losses to her country at \$6-8 billion. More than 200,000 jobs will be lost in tourism alone. Egypt's Information and Decision Support Centre (IDSC) distributed a study predicting \$900 million in damages to the Jordanian economy and billions more to be incurred by oil-rich Saudi Arabia.

The Arab Bank Federation foresees banking losses of up to \$60 billion due to contraction in economic activity both during the war and in its aftermath. This may be too pessimistic. But even the optimists talk about \$30 billion in foregone revenues. The reconstruction of Iraq could revitalize the sector - but American and European banks will probably monopolize the lucrative opportunity.

War is likely to have a stultifying effect on the investment climate.

Saudi Arabia and Egypt each attract around \$1 billion a year in foreign direct investment - double Iran's rising rate. But global FDI was halved in the last two years. This year, flows will revert to 1998 levels. This implosion is likely to affect even increasingly attractive or resurgent destinations such as Israel, Turkey, Iraq and Iran.

Foreign investors will be deterred not only by the fighting but also by a mounting wave of virulent - and increasingly violent - xenophobia. Consumer boycotts are a traditional weapon in the Arab political arsenal. Coca-Cola's sales in these parched lands have plummeted by 10 percent last year. Pepsi's overseas sales flattened due to Arabs shunning its elixirs. American-franchised fast food outlets saw their business halved. McDonald's had to close some of its restaurants in Jordan.

Foreign business premises have been vandalized even in the Gulf countries. According to The Economist "in the past year overall business at western fast-food and drinks firms has dropped by 40% in Arab countries. Trade in American branded goods has shrunk by a quarter."

These are bad news. Multinationals are sizable employers. Coca-Cola alone is responsible for 220,000 jobs in the Middle East. Procter & Gamble invested \$100 million in Egypt. Foreign enterprises pay well and transfer technology and management skills to their local joint venture partners.

Nor is foreign involvement confined to retail. The \$35 billion Middle Eastern petrochemicals sector is reliant on the kindness of strangers: Indian, Canadian, South Korean and, lately, Chinese. Singapore and Malaysia are eyeing the tourism industry, especially in the Gulf. Their withdrawal from the indigenous economies might prove disastrous.

Nor will these battered nations be saved by geopolitical benefactors.

The economies of the Middle East are off the radar screen of the Bush administration, accuses Edward Gresser of the Progressive Policy Institute in a recently published report titled "Blank Spot on the Map:

How Trade Policy is Working Against

the War on Terror".

Egypt and most other Moslem countries are heavily dependent on their textile and agricultural exports to the West. But, by 2015, they will face tough competition from nations with contractual trade advantages granted them by the United States, goes the author.

Still, the fault is shared by entrenched economic interest groups in the Middle East . Petrified by the daunting prospect of reforms and the ensuing competitive environment, they block free trade, liberalization and deregulation.

Consider the Persian Gulf, a corner of the world which subsists on trading with partners overseas.

Not surprisingly, most of the members of the Arab Gulf Cooperation Council have joined the World Trade Organization a while back. But their citizens are unlikely to enjoy the benefits at least until 2010 due to obstruction by the club's all-powerful and tentacular business families, international bankers and economists told the Times of Oman.

The rigidity and malignant self-centeredness of the political and economic elite and the confluence of oppression and profiteering are the crux of the region's problems. No external shock - not even war in Iraq - comes close to having the same pernicious and prolonged effects.

The Costs of Coalition Building

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

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Foreign aid, foreign trade and foreign direct investment (FDI) have become weapons of mass persuasion, deployed in the building of both the pro-war, pro-American coalition of the willing and the French-led counter "coalition of the squealing".

By now it is clear that the United States will have to bear the bulk of the direct costs of the actual fighting, optimistically pegged at c. \$40-50 billion. The previous skirmish in Iraq in 1991 consumed \$80 billion in 2002 terms - nine tenths of which were shelled out by

grateful allies, such as Saudi Arabia and Japan.

Even so, the USA had to forgive \$7 billion of Egyptian debt. According to the General Accounting Office, another \$3 billion were parceled at the time among Turkey, Israel and other collaborators, partly in the form of donations of surplus materiel and partly in subsidized military sales.

This time around, old and newfound friends - such as Jordan, an erstwhile staunch supporter of Saddam Hussein - are likely to carve up c. \$10 billion between them, says the Atlanta Journal-Constitution. Jordan alone is demanding \$1 billion.

According to the Knight Ridder Newspapers, an Israeli delegation, currently in Washington, has requested an extra \$4-5 billion in military aid over the next 2-3 years plus \$8 billion in loan guarantees. Israel, the largest American foreign and military aid recipient, is already collecting c. \$3 billion annually. It is followed by Egypt with \$1.3 billion a year - another rumored beneficiary of \$1 billion in American largesse.

Turkey stands to receive c. \$6 billion for making itself available as staging grounds for the forces attacking Iraq. Another \$20 billion in loan guarantees and \$1 billion in Saudi and Kuwaiti oil have been mooted. In the thick of the tough bargaining, the International Monetary Fund - thought by many to be the long arm of US foreign policy - suddenly halted the disbursement of money under a two years old standby arrangement with the impoverished country.

It implausibly claimed to have just unearthed breaches of the agreement by the Turkish authorities. This systemic non-compliance was being meticulously chronicled - and scrupulously ignored by the IMF - for well over a year now by both indigenous and foreign media alike.

Days after a common statement in support of the American stance, the IMF clinched a standby arrangement with Macedonia, the first in two turbulent years. On the same day, Bulgaria received glowing - and counterfactual - reviews from yet another IMF mission, clearing the way for the release of a tranche of \$36 million out of a loan of \$330 million. Bulgaria has also received \$130 million in direct US aid since 2001, mainly through the Support for East European Democracy (SEED) program.

But the IMF is only one tool in the administration's shed. President Bush seeks to increase America's foreign aid by an unprecedented 50 percent over the next three years to \$15 billion. A similar amount will be made available over in the forthcoming five years to tackle AIDS, mainly in Africa.

Half this increase will be ploughed into a Millennium Challenge Account. It will benefit countries committed to democracy, free trade, good governance, purging corruption and nurturing the private sector. By 2005, the Account will contain up to \$5 billion and will be

replenished annually to maintain this level.

This expensive charm offensive is intended to lure and neutralize the natural constituencies of the pacifistic camp: non government organizations, activists, development experts, developing countries and international organizations.

The E10 - the elected members of the Security Council - are also cashing in their chips.

The United States has softened its position on trade tariffs in its negotiations of a free trade agreement with Chile. Immigration regulations will be relaxed to allow in more Mexican seasonal workers. Chile receives \$2 million in military aid and Mexico \$44 million in development finance.

US companies will cooperate with Angola on the development of offshore oilfields in the politically contentious exclave of Cabinda. Guinea and Cameroon will absorb dollops of development aid. Currently, Angola receives c. \$19 million in development assistance.

Cameroon already benefits from military training and surplus US arms under the Excess Defense Articles (EDA) program as well as enjoying trade benefits in the framework of the Africa Growth and Opportunity Act. Guinea gets c. \$26 million in economic aid annually plus \$3 million in military grants and trade concessions.

The United States has also pledged to cause Iraq to pay its outstanding debts, mainly to countries in Central and East Europe, notably to Russia and Bulgaria. Iraq owes the Russian Federation alone close to \$9 billion. Some of the Russian contracts with the Iraqi oil industry, thought to be worth dozens of billions of dollars, may even be honored by the victors.

Thus, the outlays on warfare will likely be dwarfed by the price tag of the avaricious constituents of president Bush's ramshackle coalition. New York Times columnist Paul Krugman aptly christened this mass bribery, "The Martial Plan". Quoting "some observers", he wrote:

"The administration has turned the regular foreign aid budget into a tool of war diplomacy. Small countries that currently have seats on the U.N. Security Council have suddenly received favorable treatment for aid requests, in an obvious attempt to influence their votes. Cynics say that the 'coalition of the willing' President Bush spoke of turns out to be a 'coalition of the bought off' instead."

But this is nothing new. When Yemen cast its vote against a November 1990 United Nations Security Council resolution authorizing the use of force to evict Iraq from Kuwait - the United states scratched \$700 million in aid to the renegade country over the following decade.

Nor is the United States famous for keeping its antebellum promises.

Turkey complains that the USA has still to honor its aid commitments made prior to the first Gulf War. Hence its insistence on written guarantees, signed by the president himself. Similarly, vigorous pledges to the contrary aside, the Bush administration has allocated a pittance to the reconstruction of Afghanistan in this year's budget - and only after it was prompted to by an astounded Congress.

Macedonia hasn't been paid in full for NATO's presence on its soil during the Kosovo conflict in 1999. Though it enjoyed \$1 billion in forgiven debt and some cash, Pakistan is still waiting for quotas on its textiles to be eased, based on an agreement it reached with the Bush administration prior to the campaign to oust the Taliban.

Congress is a convenient scapegoat. Asked whether Turkey could rely on a further dose of American undertakings, Richard Boucher, a State Department spokesman, responded truthfully: "I think everybody is familiar with our congressional process."

Yet, the USA, despite all its shortcomings, is the only game in town. The European Union cannot be thought of as an alternative benefactor.

Even when it promotes the rare coherent foreign policy regarding the Middle East, the European Union is no match to America's pecuniary determination and well-honed pragmatism. Last year, EU spending within the Euro-Mediterranean Partnership amounted to a meager \$700 million.

The EU signed association agreements with some countries in the region and in North Africa. The "Barcelona Process", launched in 1995, is supposed to culminate by 2010 in a free trade zone incorporating the European Union, Algeria, Morocco, Tunisia, Egypt, Israel, Jordan, Lebanon, the Palestinian Authority, Syria and Turkey. Libya has an observer status and Cyprus and Malta have joined the EU in the meantime.

According to the International Trade Monitor, published by the Theodore Goddard law firm, the Agadir Agreement, the first intra-Mediterranean free trade compact, was concluded last month between Egypt, Jordan, Morocco and Tunisia. It will be signed next month and is a clear achievement of the EU.

The European Union signed a Cooperation Agreement with Yemen and, in 1989, with the Gulf Cooperation Council, comprising Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates and Oman. A more comprehensive free trade agreement covering goods, services, government procurement and intellectual property rights is in the works. The GCC has recently established a customs union as well.

A similar set of treaties may soon be inked with Iran with which the EU has a balanced trade position - c. \$7 billion of imports versus a little less in exports.

The EU's annual imports from Iraq - at c. \$4 billion - are more than 50 percent higher than they were prior to Iraq's invasion of Kuwait in 1990. It purchases more than one quarter of Iraq's exports. The EU

exports to Iraq close to \$2 billion worth of goods, far less than it did in the 1980s, but still a considerable value and one fifth of the pariah country's imports. EU aid to Iraq since 1991 exceeds \$300 million.

But Europe's emphasis on trade and regional integration as foreign policy instruments in the Mediterranean is largely impracticable. America's cash is far more effective. Charlene Barshefsky, the former United States trade representative from 1997 to 2001, explained why in an opinion piece in the New York Times:

"The Middle East ... has more trade barriers than any other part of the world. Muslim countries in the region trade less with one another than do African countries, and much less than do Asian, Latin American or European countries.

This reflects both high trade barriers ... and the deep isolation Iran, Iraq and Libya have brought on themselves through violence and support for terrorist groups ... 8 of (the region's) 11 largest economies remain outside the WTO"

Moreover, in typical EU fashion, the Europeans benefit from their relationships in the region disproportionately.

Bilateral EU-GCC trade, for instance, amounts to a respectable \$50 billion annually - but European investment in the regions declined precipitously from \$3 billion in 1999 to half that in 2000. The GCC, on its part, has been consistently investing \$4-5 billion annually in the EU economies.

It also runs an annual trade deficit of c. \$9 billion with the EU. Destitute Yemen alone imports \$600 million from the EU and exports a meager \$100 million to it. The imbalance is partly attributable to European non-tariff trade barriers such as sanitary regulations and to EU-wide export subsidies.

Nor does European development aid compensate for the EU's egregious trade protectionism. Since 1978, the EU has ploughed only \$210 million into Yemen's economy, for instance. A third of this amount was in the form of food support. The EU is providing only one fifth of the total donor assistance to the country.

In the meantime, the USA is busy signing trade agreements with all and sundry, subverting what little leverage the EU could have possessed. In the footsteps of a free trade agreement with Israel, America has Having concluded one with Jordan in 2000.

The kingdom's exports to the United States responded by soaring from \$16 million in 1998 to c. \$400 million last year. Washington is negotiating a similar deal with Morocco. It is usurping the EU's role on its own turf. Who can blame French president Jacques Chirac for blowing his lid?

Is It All About Oil?

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

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The Iraqi and the Madman

God's Diplomacy and Human Conflicts

The Economies of the Middle East

If the looming war was all about oil, Iraq would be invaded by the European Union, or Japan - whose dependence on Middle Eastern oil is far greater than the United States'. The USA would have, probably, taken over Venezuela, a much larger and proximate supplier with its own emerging tyrant to boot.

At any rate, the USA refrained from occupying Iraq when it easily could have, in 1991. Why the current American determination to conquer the desert country and subject it to direct rule, at least initially?

There is another explanation, insist keen-eyed analysts.

September 11 shredded the American sense of invulnerability. That the hijackers were all citizens of ostensible allies - such as Egypt and Saudi Arabia - exposed the tenuous and ephemeral status of US forces in the Gulf.

So, is the war about transporting American military presence from increasingly hostile Saudis to soon-to-be subjugated Iraqis?

But this is a tautology. If America's reliance on Middle Eastern oil is non-existent - why would it want to risk lives and squander resources in the region at all? Why would it drive up the price of oil it consumes with its belligerent talk and coalition-building? Why would it fritter away the unprecedented upswell of goodwill that followed the atrocities in September 2001?

Back to oil. According to British Petroleum's Statistical Review of World Energy 2002, the United States voraciously - and wastefully - consumes one of every four barrels extracted worldwide. It imports about three fifths of its needs. In less than eleven years' time, its reserves depleted, it will be forced to import all of its soaring requirements.

Middle Eastern oil accounts for one quarter of America's imports. Iraqi crude for less than one tenth. A back of the envelope calculation reveals that Iraq quenches less than 6 percent of America's Black Gold

cravings. Compared to Canada (15 percent of American oil imports), or Mexico (12 percent) - Iraq is a negligible supplier. Furthermore, the current oil production of the USA is merely 23 percent of its 1985 peak - about 2.4 million barrels per day, a 50-years nadir.

During the first eleven months of 2002, the United States imported an average of 449,000 barrels per day (bbl/d) from Iraq. In January 2003, with Venezuela in disarray, approximately 1.2 million bbl/d of Iraqi oil went to the Americas (up from 910,000 bbl/d in December 2002 and 515,000 bbl/d in November).

It would seem that \$200 billion - the costs of war and postbellum reconstruction - would be better spent on America's domestic oil industry. Securing the flow of Iraqi crude is simply too insignificant to warrant such an exertion.

Much is made of Iraq's known oil reserves, pegged by the Department of Energy at 112 billion barrels, or five times the United States' - not to mention its 110 trillion cubic feet of natural gas. Even at 3 million barrels per day - said to be the realistically immediate target of the occupying forces and almost 50 percent above the current level - this subterranean stash stands to last for more than a century.

Add to that the proven reserves of its neighbors - Kuwait, Saudi Arabia, the United Arab Emirates - and there is no question that the oil industry of these countries will far outlive their competitors'. Couldn't this be what the rapacious Americans are after? - wonder genteel French and Russian oilmen. After all, British and American companies controlled three quarters of Iraq's mineral wealth until 1972 when nationalization denuded them.

Alas, this "explanation" equally deflates upon closer inspection. Known - or imagined - reserves require investments in exploration, development and drilling. Nine tenths of Iraq's soil are unexplored, including up to 100 billion barrels of deep oil-bearing formations located mainly in the vast Western Desert. Of the 73 fields discovered - only 15 have been developed. Iraq's Oil Minister, Amir Rashid, admitted in early 2002 that only 24 Iraqi oil fields were producing.

The country has almost no deep wells, preponderant in Iran, for instance. Though the cost of production is around \$1-1.5 per barrel, one tenth the cost elsewhere - while Texas boasts 1,000,000 drilled wells, Iraq barely sports 2000. The Department of Energy's report about Iraq concludes:

"Iraq generally has not had access to the latest, state-of-the-art oil industry technology (i.e., 3D seismic), sufficient spare parts, and investment in general throughout most of the 1990s, but has instead reportedly been utilizing questionable engineering techniques (i.e., overpumping, water injection/"flooding") and old technology to maintain production."

The quality of Iraqi oil deteriorated considerably in the recent

decade. Its average API gravity declined by more than 10 percent, its water cut (intrusion of water into oil reservoirs) increased and its sulfur content shot up by one third. The fields date back to the 1920s and 1930s and were subjected to abusive methods of extraction. Thus, if torched during a Gotterdammerung - they may well be abandoned altogether.

According to a report published by the United Nations two years ago, Iraqi oil production is poised to fall off a cliff unless billions are invested in addressing technical and infrastructural problems. Even destitute Iraq forks out \$1.2 billion annually on repairing oil facilities.

The Council of Foreign Relations and the Baker Institute estimated, in December last year, that the "costs of repairing existing oil export installations alone would be around \$5 billion, while restoring Iraqi oil production to pre-1990 levels would cost an additional \$5 billion, plus \$3 billion per year in annual operating costs."

Not to mention the legal quagmire created by the plethora of agreements signed by the soon to be deposed regime with European, Indian, Turkish and Chinese oil behemoths. It would be years before Iraqi crude in meaningful quantities hits the markets and then only after tens of billions of dollars have been literally sunk into the ground. Not a very convincing business plan.

Conspiracy theorists dismiss such contravening facts impatiently. While the costs, they expound wearily, will accrue to the American taxpayer, the benefits will be reaped by the oil giants, the true sponsors of president Bush, his father, his vice-president and his secretary of defense. In short, the battle in Iraq has been spun by a cabal of sinister white males out to attain self-enrichment through the spoils of war.

The case for the prosecution is that, cornered by plummeting prices, the oil industry in America had spent the last ten years defensively merging and acquiring in a frantic pace. America's twenty-two major energy companies reported overall net income of a mere \$7 billion on revenues of \$141 billion during the second quarter of last year. Only forty five percent of their profits resulted from domestic upstream oil and natural gas production operations.

Tellingly, foreign upstream oil and natural gas production operations yielded two fifths of net income and worldwide downstream natural gas and power operations made up the rest. Stagnant domestic refining capacity forces US firms to joint venture with outsiders to refine and market products.

Moreover, according to the energy consultancy, John S. Herold, replacement costs - of finding new reserves - have soared in 2001 to above \$5 per barrel. Except in the Gulf where oil is sometimes just 600 meters deep and swathes of land are immersed in it. In short: American oil majors are looking abroad for their long-term survival. Iraq always

featured high on their list.

This stratagem was subverted by the affaire between Saddam Hussein and non-American oil companies. American players shudder at the thought of being excluded from Iraq by Saddam and his semipternal dynasty and thus rendered second-tier participants.

According to the conspiracy minded, they coaxed the White House first to apply sanctions to the country in order to freeze its growing amity with foreign competitors - and, now, to retake by force that which was confiscated from them by law. Development and production contracts with Russian and French companies, signed by Saddam Hussein's regime, are likely to be "reviewed" - i.e., scrapped altogether - by whomever rules over Baghdad next.

An added bonus: the demise of OPEC. A USA in control of the Iraqi spigot can break the back of any oil cartel and hold sway over impertinent and obdurate polities such as France. How would the ensuing plunge in prices help the alleged instigators of the war - the oil mafia - remains unclear. Still, James Paul propounded the following exercise in the Global Policy Forum this past December:

"(Assuming) the level of Iraqi reserves at 250 billion barrels and recovery rates at 50% (both very conservative estimates). Under those conditions, recoverable Iraqi oil would be worth altogether about \$3.125 trillion. Assuming production costs of \$1.50 a barrel (a high-end figure), total costs would be \$188 billion, leaving a balance of \$2.937 trillion as the difference between costs and sales revenues. Assuming a 50/50 split with the government and further assuming a production period of 50 years, the company profits per year would run to \$29 billion. That huge sum is two-thirds of the \$44 billion total profits earned by the world's five major oil companies combined in 2001. If higher assumptions are used, annual profits might soar to as much as \$50 billion per year."

The energy behemoths on both sides of the pond are not oblivious to this bonanza. The Financial Times reported a flurry of meetings in recent days between British Petroleum and Shell and Downing Street and Whitehall functionaries. Senior figures in the ramshackle exile Iraqi National Congress opposition have been openly consorting with American oil leviathans and expressly promising to hand postwar production exclusively to them.

But the question is: even if true, so what? What war in human history was not partly motivated by a desire for plunder? What occupier did not seek to commercially leverage its temporary monopoly on power? When were moral causes utterly divorced from realpolitik?

Granted, there is a thin line separating investment from exploitation, order from tyranny, vision from fantasy. The United States should - having disposed of the murderous Saddam Hussein and his coterie - establish a level playing field and refrain from giving Iraq a raw deal.

It should use this tormented country's natural endowments to reconstruct it and make it flourish. It should encourage good governance, including transparent procurement and international tendering and invite the United Nations to oversee Iraq's reconstruction. It should induce other countries of the world to view Iraq as a preferred destination of foreign direct investment and trade.

If, in the process, reasonable profits accrue to business - all for the better. Only the global private sector can guarantee the long-term prosperity of Iraq. Many judge the future conduct of the USA on the basis of speculative scenarios and fears that it is on the verge of attaining global dominance by way of ruthlessly applying its military might. This may well be so. But to judge it on this flimsy basis alone is to render verdict both prematurely and unjustly.

The Axis of Oil

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

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Success is the best proselytizer. Faced with the imminent demise of Saddam Hussein's regime, both Russia and Germany - erstwhile champions of peace and the sanctity of international law - expressed their hope yesterday for a swift victory of the hitherto much-decried coalition forces.

But this may be too little and way too late, as far as the United States is concerned. The two prostrates are firmly included in the victors' grey list - if not yet in their black one. The friction is not merely the outcome of sanctimonious hectoring about human rights from the Chechen-bashing Russians. It runs deeper and it turns on more than a dime.

Another German-Russian collaboration may shortly attain the limelight: the \$800 million, 1000 megawatt light water reactor in Bushehr, an Iranian Persian Gulf port facing southern Iraq. Abandoned by West Germany in 1979, following the Iranian revolution, it was adopted by the Russians in the 1990s. A second reactor is in the offing. More than 2000 Russians are employed in the site.

Following the discovery by the International Atomic Energy Agency (IAEA) of a uranium enrichment facility near the city of Natanz and an Iranian admission that they are mining their own ore, Alexander Rumyantsev, the Russian Atomic Energy Minister, acknowledged that his country lost control over Iran's nuclear program.

Iran, like Iraq, is a celebrated member of the "Axis of Evil". Thus, the atomic complex, though protected by at least 10 SAM batteries, may well be the target of an attack, Israeli and Russian officials told the Bellona Foundation, a Norwegian environmental group. This will not be without precedent: in a daring air operation, Israeli jets pulverized an Iraqi nuclear power plant in Osirak in 1981.

Ironically, it is America's aggressive stance towards Iraq that drives the likes of Iran and North Korea back into the arms - and nuclear technologies - of the Russian Federation. Russia is positioning itself to become an indispensable channel of communication and intermediary between the USA and what the State Department calls "rogue states".

On March 17, Russia's State Property Minister, Farid Gazizulin, met Iran's Defense Minister, Ali Shamkhani, during a session of the Iran-Russia Economic Commission in Tehran. The host's message was unequivocal: "Cooperation between Iran and Russia is to contribute to sustaining peace and prevent conflicts in the region."

According to Asia Times, in an earlier visit to Tehran, Russia's Foreign Minister, Igor Ivanov, pledged to continue to collaborate with Iran on nuclear energy projects. "Iran has no plans to produce nuclear military projects, this is a fundamental truth." - he insisted.

Nor is the teamwork limited to commercial goods and services. An October 2001 bilateral framework agreement has since fostered more than \$400 million in Russian annual military exports to Iran, including air defense systems and fighter jets.

Russia is also increasingly involved in the crisis in the Korean Peninsula. South Korean President Roh Moo-hyun's security adviser, Ra Jong-il, have held talks earlier this week with their counterparts in Moscow and Beijing. Russia, like the United States, opposes the military nuclear efforts of North Korea.

Though vehemently denied by all parties, South Korea floated last week, in an interview Ra granted to the Financial Times, the idea of supplying Pyongyang with Russian natural gas from Siberia or Sakhalin through a dedicated pipeline, as a way to solve the wayward regime's energy problems.

According to the Korean daily, The Chosun Ilbo, Russian Ambassador to Seoul, Teymuraz Ramishvili, revealed that discussions have been held on posting Russian or South Korean troops in the North to protect such a pipeline

North Korea insists that its atomic reactors are intended merely to forestall severe power shortages, now that the 1994 Agreed Framework, to provide it with fuel and two proliferation-resistant reactors financed by the West, is effectively annulled. Even Beijing, hitherto an unflinching supporter of the Dear Leader, halted oil supplies to the North last month.

The scheme is not new. In February 2002, Russian Deputy Energy Minister Valentin Shelepov declared in Moscow at a

meeting of the Russian-South Korean Committee for Cooperation in the Sphere of Energy and Natural Resources that Russia seeks South Korean investments in the coal industry and in oil and gas extraction in Eastern Siberia and the Far Eastern regions.

The Russian daily, Nezavisimaya Gazeta, notes that, together with China, South Korea is already involved in LNG ventures in Irkutsk and the Yurubcheno-Tokhomszkaya oblast.

According to Stratfor, the strategic forecasting consultancy, Russia offered in the past to construct nuclear power stations on its side of the border and supply North Korea with electricity.

Russia is close to North Korea. In its previous incarnation as the Soviet Union, in 1965, it built North Korea's infamous Yongbyon facilities. Russia was also instrumental in convincing the North to agree to reactivate a railway line connecting it to South Korea. Kim Jong-il, the North's enigmatic leader, celebrated his 61st birthday, in February, in the Russian embassy in Pyongyang.

The mooted pipeline may be nothing but a pipe dream. Even optimists admit that it would require 4 years to construct - more likely 8 to 10 years. But Russia is in no hurry. Russian gas to the pariah state could yet prove to be a key ingredient in any settlement. Russia intends to drive a hard bargain. It is likely to try to swap gas supplies to the Koreans for the preservation of Iraqi oil contracts signed by Saddam's regime with Russian energy behemoths.

Regardless of geopolitical vicissitudes, Russia views Asia - mainly China, Japan and South Korea - as growth markets for its energy products. By 2008 or 2010, Russia plans to sell 20-30 billion cubic meters a year of gas from the Kovykta field, co-developed by Interros, the Tyumen oil company and British Petroleum, to China, South Korea and, possibly, Mongolia.

According to Asia Times:

"Russia is looking at two competing plans. One, backed by Russia's top oil firm Yukos and China, is a \$2.5 billion, 2,400- kilometer extension of the existing network from near Irkutsk to Daqing, China. The other, backed by Rosneft and Japan, would cost \$5.2 billion and circumvent China, running 3,800 kilometers to the Russian Far East city of Nakhodka on the Sea of

Japan ... The Russian Energy Ministry eventually recommended that the Japanese and Chinese proposals be combined into one project, a third option to build the (1.6 million barrel a day) pipeline to Daqing and then extend it to Nakhodka."

Extending the network eastward is by no means the consensus. Prime Minister Mikhail Kasyanov opened a cabinet meeting last month with the confident - but speculative - declaration that there is enough oil in Siberia to justify a pipeline. Russia's Energy Minister, Igor Yusufov, observed correctly that, in the absence of sufficient exploration, oil and gas reserves in Siberia and the Far East, pegged at 1 billion tons, are, at best, guesstimates. If these are smaller than projected, the eastern thrust would prove to be a costly error.

More than \$12 billion are needed in order to explore the vast swathe and to develop it to a profitable level of production - about 100 million tons a year by 2020. The pipelines will funnel 70-80 million tons of crude and 30 billion cubic meters of natural gas a year to Asian buyers.

Still, Russia cannot ignore the Asian markets, nor can it wait a decade or two to avoid commercial risks. Last week, Russia's Energy Ministry concluded the negotiation of a 10-year collaborative effort with Japan involving the construction of oil and gas pipelines, the development of hydrocarbon fuel reserves in Siberia and other projects.

Yesterday, Russian Ambassador to China, Igor Rogachev, told Interfax, the Russian news agency, that "in the past three years, the dynamic growth of merchandise turnover (between Russia and China led to a volume (of) close to \$12 billion last year. This year the volume of bilateral trade grew 37 percent for the first two months and exceeded \$2 billion."

Russian exports to China since the beginning of the year soared by 27 percent and Russian imports by 62 percent. China is an avid consumer of Russian electricity generation, aviation, space, laser, and nuclear technologies. Russian firms made inroads into the construction of Chinese hydroelectric plants and railways.

The two countries have "plans for the construction of the Russia-China oil pipeline, and delivering up to 30 million tons of oil a year in it, and a gas pipeline from eastern Siberia to the northeast of (North Korea), and to consumers in third countries." Russia is constructing "a number of major, modern facilities ... in China, (including) the first and second (generating) units at the Tianwan nuclear power plant." China has also signed a contract to buy Russian Tu-204 civil aircraft.

Nor is the cooperation limited to heavy or military industry, explained the Ambassador:

"Agreements between Chinese and Russian companies that provide for the assembly in Russia color televisions and household air conditioners are being successfully implemented."

Twelve years after the demise of communism, Russia is regrouping. It is patching the torn fabric of its diplomacy. In the best American tradition, it is leveraging its growing pecuniary clout - now that it is poised to become the world's leading energy producer. It is reorienting itself - emphasizing Asia over Europe. It is building new bridges and forming new alliances, both commercial and strategic.

As long as these serve the interests of the sole superpower - as may be the case with North Korea - Russia's revival as an important regional player is tolerated. But, following its sudden swing to the Franco-German camp in the run-up to the Iraqi campaign, it is on probation. Should it engage in anti-American activities, it may find that American patience and tolerance are rather strained.

Saddam's One Thousand Nights

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

Iraq is preparing for yet another war and yet another seemingly mortal blow to its eerily resilient economy. According to Fred Horan of Cornell University, Iraq's GNP per capita contracted by one third in the aftermath of its protracted and bloodied war with Iran.

Similar drops in gross national consumption and government spending were recorded by Dr. Kamil Mahdi of the Center for Arab Gulf Studies in Exeter University. The CIA pegs the cost of the Iran-Iraq conflict at \$100 billion. This was three years before the Gulf War and the decade of debilitating sanctions that followed it.

Mahdi provides an overview of the devastation:

"A decade of war followed by a major air campaign against Iraq's infrastructure and eight years of severe and comprehensive sanctions have devastated the country's economy. Lost production and diversion of resources to military activities are far from being the only economic costs. Accumulated effects on society include the loss of life, physical impairment, breakdown of societal institutions, declining morale, emigration, and all the associated hemorrhage of skills and intellectual capabilities. The effects of induced technological backwardness, of destruction and accelerated degradation of the infrastructure, and of the increased environmental damage of short-term

palliative solutions need also be mentioned."

Still, the Wall Street Journal, Time Magazine, and the BBC have all reported recently that the streets of Baghdad are teeming with new cars and Chinese double-decker buses, its bustling markets replete with luxury products, restaurants are making a brisk business, and dozens of art galleries are prospering where two languished only 4 years ago.

The razed bridges and airport have been rebuilt. Electricity has been mostly restored. Sumptuous mosques have sprouted everywhere. Almost \$2 billion were devoted to new palatial mansions for Saddam and his family, wrote the "Washington Post" on February 27, 2001. Kurdish media related how 250 kilograms of gold were applied by imported Indian and Moroccan craftsmen in two of the palaces. Iraqi state television reported in June that Saddam exhorted his ministers to avoid corruption and nepotism.

Reconstruction reached the much-neglected Kurdish north as well. The year 2001 report of the "Ministry" of Reconstruction and Development (MORAD) in Irbil lists thousands of housing units, dormitories, schools, and guest houses built this year with an investment of \$70 million hitherto.

The "Kurdistan Regional Government" announced proudly the \$6 million completed restoration of the landmark Sheraton. It joins half a dozen other luxury hotels constructed with allocations from the oil-for-food program administered by the UN on behalf of the Iraqi government and money from Turkish investors.

But not all is rosy in the "safe zones". Irrigation projects, electricity, the telephone system, schools, teacher training, health provision, hospitals, clinics, roads, and public transport - are all in dire need of cash infusions. UPI reported that Arab employees of the UN are pressured by Saddam Hussein "to do his bidding" in the north. Iraq refuses to collaborate with UN authorities to release from its warehouses heavy equipment destined for the Kurdish parts, reports Radio Free Europe.

Iraq also continues to pursue its program of weapons of mass destruction. It is in the market for components and materials for nuclear bombs, warned the "Washington Times". Iraqi defectors confirmed the information and delineated a blood-curdling - and expensive - effort to reinstate the country's capacity to produce nuclear, chemical, and biological armaments.

According to Stratfor, "Iraq is procuring weapons systems - such as advanced conventional weapons rather than nuclear capabilities - that would more immediately affect the outcome of a war with the United States. It is specifically seeking to enhance its air-defense capabilities, improve its ground-to-ground missiles and upgrade major battlefield weapons systems for ground forces."

Iraq felt sufficiently affluent to declare a one month oil embargo in

April at a cost of \$1.2 billion, to protest US partiality towards Israel. It also generously supports the families of Palestinian "martyr" suicide bombers with grants of \$25,000 plus another \$25,000 per each house demolished in the Jenin refugee camp by the Israelis. Smaller amounts are distributed as disability and recuperation benefits, mostly through the "Arab Liberation Front", reports the "Daily Telegraph".

Family members of the "heroes" get free enrollment in Iraqi institutions of higher education. Iraq recently donated 10 million euros to the Intifada. Radio Free Europe/Radio Liberty estimates that this display of Arab solidarity has hitherto cost Iraq \$1 billion.

This hoary bravado masks a dilapidated infrastructure, decrepit hospitals and schools, spiraling prices, malnourished and diseased children, and a middle class reduced to penury. According to the World Bank, Iraq's population grows by 2.9 percent annually, from a base of 23 million citizens.

Infant mortality is 61-93 per thousand live births, depending on the source. Of those who survive, another 121 children perish by the age of 5. UNICEF estimates that at least 500,000 children died that shouldn't have under normal circumstances. The Iraqi Mission to the United Nations put the number at 713,000 plus a million adults. The CNN describes an ominous shortage of clean water. Inflation hovers around 100 percent.

But none of these data is reliable. Estimates vary widely. The CIA says that the trade deficit in 2000 was \$1 billion and the external debt amounted to a whopping \$139 billion. Not so, countered the Economist Intelligence Unit (EIU) - external debt was a mere \$53 billion last year. The EIU also forecasts a 2 percent drop in GDP this year - but a growth of 6 percent next year commensurate with a recovery in oil production.

Still, things are not as bad as relentless Iraqi propaganda makes them out to be. Infant mortality figures are suspect as are most other Iraqi statistics. The BBC interviewed an Iraqi defector whose two year old daughter was maimed by interrogators. He claimed to have participated in fake "baby funerals". There is no telling if this is true or a part of the propaganda war waged by the would-be combatants.

According to the BBC, Iraqi life expectancy for men is 66 years. Women outlive them by 2 years on average. Annual income per capita is c. \$600. GDP per capita is \$715, down from \$3000 only a decade ago - or maybe double that per the Economist Intelligence Unit.

But these figures are misleading. According to the CIA 2001 World Factbook, Iraq's GDP per capita in terms of purchasing power is a more respectable \$2500. GDP has grown by 15 percent in 2000 - or 4 percent according to The Economist Intelligence Unit - though admittedly from a dismally low base.

An efficient rationing system keeps Iraqis well fed at 2200-2500 calories per day, according to the UN. A thriving black market facilitates the smuggling of cigarettes, software, home appliances, video films, weaponry, food, carpets - and virtually every other necessity or luxury - into Iraq from Syria, Jordan, Turkey, Iran, Cyprus, and the West Bank.

UN reports consistently accuse Iraq of under-utilizing the funds at its disposal.

Between June and December 2000 - as the US State Department gleefully announced - Iraq disposed of only 13 percent of the money allocated to health supplies, 6 percent of the allotment for education, and 3 percent of the cash available for spare parts for its crumbling oil industry.

It neglected to mention, though, that, during the same period, more than 1150 contracts were still pending approval in a nightmarish bureaucratic battleground between the US and the UK and other members of the Sanctions Committee. This was before the introduction of "smart sanctions" earlier this year. The new scheme allows Iraq to import all things civilian not itemized in a 332-page dual use "Goods Review" list.

Iraq receives over \$4.5 billion of food and medicines a year through the UN-administered oil for food and medicines program. Another \$13 billion are in the pipeline. According to the UN, Iraq has sold more than \$56 billion of oil since 1996. Iraq's export income cannot be used to defray the costs of local goods and services or to pay salaries. The UN dispensed with \$15 billion in Iraqi oil proceeds since 1991 to compensate countries and individuals affected by Iraq's aggression.

Another unsupervised source of income is the surcharges Iraq levies on its oil. Middlemen and trading companies pay the official - bargain - price into a UN account and hidden commissions to Saddam's regime. The UN told the "Wall Street Journal" that between 20 and 70 cents per barrel have accrued in these illicit accounts since December 1, 2000.

The Congressional General Accounting Office stated that "conservatively ... Iraq has illegally earned at least \$6.6 billion since 1997 - \$4.3 billion from smuggling and \$2.3 billion in illegal surcharges on oil and commissions from its commodities contracts."

This translates to c. \$1 billion per year. Yet, it may be a wild over-estimate. The typical surcharge has long been more like 15 cents a barrel. Moreover, downward pressure on oil prices coupled with renewed UN vigilance may soon put a stop to this lucrative arrangement. Retroactive pricing of Iraq's oil by the UN has already considerably damaged Iraq's exports to Russian and other amenable lifters of its oil. There is a "substantial shortfall in the funds available for programme implementation", as the UN puts it.

The UN Secretary General himself criticized the program last June:

"The programme has continued to suffer because of a number of factors, including: the cumbersome procedures involved in formulating the distribution plan, and the late submission of the plan which has seem subjected to thousands of amendments; slow contracting for essential supplies by the Iraqi Government and the United Nations agencies and programmes; and the inordinate delays and irregularities in the submission of applications for such contacts to the Secretariat by both the suppliers and the agencies and programmes concerned."

In a letter addressed to the Acting Chairman of the Security Council's 661 sanctions committee on 1 August 2002, the Executive Director of the Iraq Programme, Benon Sevan, expressed "grave concern" regarding the cumulative shortfall in funds and warned of "very serious consequences on the humanitarian situation in Iraq".

Mr. Sevan appealed to the members of the Committee and the Government of Iraq to "take all necessary measures to resolve the difficulties encountered in improving the critical funding situation, including, in particular, the long outstanding question of the pricing mechanism for Iraqi crude oil exports ... The cooperation of all concerned is essential".

The UN registers the outcomes:

"As at 2 August, the revenue shortfall had left 1,051 approved humanitarian supply contracts, worth over \$2.25 billion, without available funds. The sectors affected by the lack of funds were: food with \$356 million; electricity with \$353 million; food handling with \$325 million; agriculture with \$297 million; housing with \$286 million; water and sanitation with \$216 million; health with \$159 million; telecommunication and transportation with \$152 million and; education with \$111 million."

Iraq bribes countries near and far with cheap oil. It recently signed nine free trade or customs agreements with, among others, Lebanon, Oman, and the United Arab Emirates as well as with Syria, an erstwhile irreconcilable foe. According to the "Washington Post", 200,000 barrels a day flow through the re-opened pipeline to the Syrian port of Banias - in breach of UN Resolution 986 (i.e., the oil for food program).

Syria sells Iraq goods worth at least \$100 million a month, including, according to the "Times" of London, tanks and other weaponry. The two countries agreed to establish a joint telephone company and to abolish capital controls. Syria and Jordan are the only two countries with air links to Baghdad and other Iraqi destinations.

Iraq also pledged to construct an oil refinery in Lebanon and re-open a defunct pipeline running to Lebanon's ports. It inked \$100 million worth of import contracts with Algeria and removed 14 Jordanian enterprises from its blacklist of companies which trade with Israel. Iraq caters to Jordan's energy needs by supplying it with heavily discounted oil carried by trucks across the border. A 100,000 barrels-per-day pipeline is slated to become operational by October

2004. A free trade agreement is being negotiated.

Not surprisingly, the Jordanians protested vocally against renewed inspections of freight in the porous Red Sea port of Aqaba. Even Iraq's mortal enemies are mellowing. A border crossing between Saudi Arabia and Iraq was recently inaugurated with great pan-Arabic fanfare. It was inundated by more than \$1 billion in bilateral trade, according to the London-based Arabic daily, "al-Hayat".

The list of renegades continues. Iraq and Sudan vowed to establish a free trade zone. Until it clamped down on the practice recently, Turkey turned a blind eye to a \$1 billion annual diesel-against-everything market on its border with the rogue state. Egypt allowed more than 90 of its companies to participate in a commercial fair in Baghdad in April.

Egyptian business concluded contracts worth \$350 million with Iraq between December last year and May, trumpeted the Egyptian news agency, MENA. This on top of more than \$4 billion of contracts signed since 1996. Residential and commercial projects with Egyptian construction groups are on track.

Russia peddled to Iraq more than \$5 billion of goods since 1997, confirmed Middle East and North Africa department head in the Russian Foreign Ministry, Mikhail Bogdanov. The Iraqis put the figure higher, at \$30 billion in bilateral trade. Even American companies were able to hawk \$230 million worth of food and pharmaceuticals, according to the Wall Street Journal. Iraq sold \$90 million of oil to South Africa's Strategic Field Fund, charged the South African opposition Democratic Alliance.

The Ukrainian UNIAN news agency reported the purchase of technical equipment by Baghdad even as the "Financial Times" aired the allegations of a former Ukrainian presidential security guard that his country sold a sophisticated \$100 million radar system to the outcast regime.

Iraqi largesse comes with strings attached. ITAR-TASS reports that the "Ural" auto works ships 400 trucks to Iraq every month. Interfax said in April that a Russian oil company, Zarubezhneft, was invited to develop an oil field in southern Iraq with proven reserves of more than 3 billion barrels.

According to Stratfor, Iraq still owes Russia \$10-12 billion for Soviet era materiel. But Iraq is open about its conditioning of future orders on Russian anti-American assertiveness. Similarly, it has cut wheat imports from Australia by half due to the latter's unequivocal support of American policies.

Iraqi business, both current and prospective, is alluring. The country is vast, mineral-rich, and with a well-educated and sinfully cheap workforce. Hence the decision by 185 multinationals, recounted by the "Wall Street Journal", to forgo almost \$3 billion in Gulf War related

reparations claims - in return for aid contracts under the oil-for-food program.

Still, Iraq's financial clout is constrained by the rundown state of its oil fields. Lacking spare parts and investments in exploration and development, it produces c. 2 million barrels per day - about two thirds its capacity. According to the US government, one third of this quantity is smuggled, in contravention of the oil-for-food program. Iraq's pipelines lead to Turkey and to the south of the ravaged country. This makes it vulnerable to Turkish or Saudi-Arabian and Kuwaiti collusion in a US-led campaign against its regime.

Moreover, U.S. oil companies, such as ExxonMobil, ChevronTexaco, and Valero Energy purchase nearly half of Iraq's oil exports. Iraq is trying to diversify but its interlocutors are currently confined to the likes of Belarus with whom it recently held talks about revamping its oilfields and petrochemicals industry. With 100 billion barrels in proven reserves, Iraq is bound to attract the attentions of Western oil companies following a regime change brought on by either war or nature. Iraqi citizens must be holding their breath.

Turkey's Losing Streak

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

Also Read

Turkey's Troubled Water

God's Diplomacy and Human Conflicts

The Economies of the Middle East

Turkey's Jewish Friend

In emphasizing its "special relationship" with Turkey, the United States conveniently overlooked the fact - confirmed yet again by a recent Pew Global Attitudes Project survey - that 84 percent of Turks view America "unfavorably".

According to the Anadolu news agency, the Chairman of the Union of Chambers and Commodity Exchanges in Turkey, Rifat Hisarciklioglu, cajoled his countrymen on Monday to rid themselves of their dependence on "foreign" assistance - common euphemism for handouts from America and, as the Turks firmly believe, its long arm, the International Monetary Fund.

A country's foreign policy stature, he averred, is conferred by its domestic product. Somewhat implausibly, he pegged Turkey's war-related damages this year at \$16.2 billion and between \$70-150 in the following decade. It will have to resort to more expensive alternative sources of

oil. Tourism, its second largest foreign exchange earner, will wither.

If true, Turkish refusal to be used by U.S. troops as a launching pad for a second, northern, Iraqi front - was nothing short of suicidal.

Turkey could have ended up with \$30 billion in sorely needed aid and loan guarantees - now reduced, perhaps, to a mere \$8.5 billion in commercial debt in return for overflight rights. Moreover, future IMF aid and even disbursements from an existing standby agreement are in jeopardy.

Last year, at the behest of the United States, Turkey received another dollop of \$17 billion in multilateral funds to shore up its ailing economy. According to the Washington Post, it already owes the Fund five times the ordinary borrowing limit under the lending agency's rules.

The country's finances are in dire straits. Its foreign debt catapulted from \$50 billion in the wake of the first Gulf war - to more than \$130 billion in the run-up to the second. The government's economic policies are still founded on the defunct assumption that U.S. aid will be allotted, despite Turkey's denial of service.

Inflation, at more than 25 percent, is rising as are real interest rates - at 30 percent above inflation - and an already unsustainable \$95 billion in domestic public debt, a sizable chunk of it extremely short term. Financial markets and the currency are plummeting. The yield on Turkish bonds is a stratospheric 70-80 percent. An incredible three quarters of the budget are earmarked for debt repayments.

The country should service \$80 billion in obligations in the remainder of this year. Not surprisingly, Standard and Poor's is contemplating a lowering of Turkey's country rating, currently below investment grade at B1. Fitch went ahead and reduced Turkey's rank to B minus with a negative outlook to boot - akin to destitute and near-default Moldova.

According to Stratfor, the strategic forecasting consultancy, risk premiums on Turkish treasuries leaped 90-122 basis points on March 17 alone - to 9.5 percent above comparable U.S. bonds. This spread narrowed by 0.85 percent the following day when Turkey came up with the offer to allow U.S. planes to make use of its air space.

Closer integration with the European Union, warned EU enlargement commissioner, G nter Verheugen, will be adversely affected by any unilateral Turkish move in north Iraq. The acrimonious breakdown of reunification talks between the Greek and Turkish-sponsored parties in Cyprus did not help either.

Turkey has been allocated \$1.1 billion by the EU as pre-accession aid. Unruly behavior on its part may endanger this carrot as well. To complicate matters further, America may drop its staunch political and pecuniary support for the Baku-Ceyhan Main Export oil Pipeline (MEP).

Nor is the domestic situation less ominous.

The new, hitherto popular, prime minister, Recep Tayyip Erdogan, vowed on Sunday to "carefully and diligently" implement the IMF's agonizing austerity program which calls for spending cuts of \$2 billion by the end of the month, the privatization of the tobacco and alcohol monopolies and tax reform. The 2003 budget envisages a primary surplus of 6.5 percent of gross national product. It aims to raise revenues by \$5 billion and cut expenditure by \$3 billion.

Such prescriptions ill-fit with promises to help the poor and fiscally boost growth. But a mid-April loan tranche of \$1.6 billion - of the \$3.5 billion left to be disbursed - is dependent on strict adherence. Nor is a new agreement with the IMF in the offing without considerable U.S. pressure or its implicit guarantee, both now unlikely.

The threat of dispatching troops to northern Iraq is Turkey's last, desperate, card in a depleted deck. To avoid this cataclysmic scenario, the United States may yet, teeth gnashing, revive the moribund economic aid package it has seethingly withdrawn. The alternative is an Argentina-style default with a shock wave cruising through a volatile and ignitable Middle East - or a military dictatorship in Ankara.

Turkey's Jewish Friend

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

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The Iraqi and the Madman

God's Diplomacy and Human Conflicts

The Economies of the Middle East

It is ironic that relations between Turkey and Israel have never been better. The former is ruled by yet another Islamic government - though constrained by secular-minded generals. The latter is increasingly nationalistic-Messianic and theocratic - though its newly elected Prime

Minister, a former army general, Ariel Sharon, has just put together a largely secular coalition government.

Each year, more than 300,000 Israelis spend their vacation - and more than a quarter of a billion dollars - in scenic and affordable Turkish resorts. A drought-stricken Israel revived a decade-old plan to buy from Turkey up to 400 million cubic meters a year, instead of expensively desalinating sea water.

Israeli land use, hydrological and agricultural experts roam the Texas-sized country. The parties - with a combined gross domestic product of \$300 billion - have inked close to thirty agreements and protocols since 1991. Everything, from double taxation to joint development and manufacturing of missiles, has been covered.

Buoyed by a free trade agreement in force since 1997, bilateral trade exceeded \$1.5 billion last year, excluding clandestine sales of arms and weapons technologies. According to the Turkish Ambassador to the United States, "Turkish exports to Israel consist mainly of manufactured goods, foodstuffs and grain, while Israel's main export items to Turkey are chemical products, plastics, computers and irrigation and telecommunications systems technologies."

A sizable portion of Turkey's \$3-5 billion in annual spending on the modernization of its armed forces is rumored to end in Israeli pockets. This is part of a 25-year plan launched in 1997 and estimated to be worth a total of \$150 billion. Israeli contractors are refurbishing ageing Turkish fighter planes and other weapons systems at a total cost exceeding \$2 billion hitherto.

Last May, the Israeli Military Industries and Elbit secured a \$688 million contract to upgrade 170 M-60A1 tanks. There are at least another 800 pieces in the pipeline. Small arms, unmanned aerial vehicles and rockets originating in Israel make only part of a long shopping list. Israeli pilots regularly train in Turkey. Joint military exercises and intelligence sharing are frequent. The Israeli backdoor allows friendly American administrations to circumvent a rarely Turkophile Congress.

The American-Israel Public Action Committee (AIPAC), the Jewish Institute for National Security Affairs (JINSA) and, more generally, the almighty Jewish lobby in Washington, often support Turkish causes on the Hill. Three years ago, for example, Jews helped quash a resolution commemorating the Armenian genocide perpetrated by Turkish forces during the first world war.

This exercise in hypocrisy did not endear the Jewish community or Israel to either Armenians or to European Union cardholding Greeks who have long permitted Palestinian terrorists to operate from the Greek part of Cyprus with impunity. The friend of my enemy is my enemy and Israel is clearly Turkey's Jewish friend.

But Israeli hopes that Turkey will reciprocate by serving as a conduit

to Arab regimes in the Middle East proved to be ill-founded. Only one tenth of Turkish trade is with its neighbors near and far. Turkey's leverage is further limited by its chronic economic distress and its offensive designs to monopolize waterways shared by adjacent countries.

Though Moslem, like the Iranians, Turkey is not an Arab nation. It counts Syria, Iraq and Iran as potential enemies and competitors for scarce water resources - as does Israel. The recent rebuff by its parliament of America's request to station troops on Turkish soil notwithstanding, the country is defiantly pro-American against a backdrop of anti-Western virulence.

Turkey aspires to join the European Union because it regards itself as an island of civilization in an ocean of backwardness and destitution. This counter-regional orientation is another thing it has in common with the Jewish state. In an effort to differentiate themselves, both polities were early adopters of economic trends such as deregulation, equities, venture capital, entrepreneurship, privatization and hi-tech.

Turkey was the first Moslem state to recognize an ominously isolated Israel in 1949. Both Israel and Turkey are democracies though they are implicated in systemic human rights violations on a massive scale. The political class of both is incestuously enmeshed with the military.

The two countries face terrorism on a daily basis and feel threatened by the rise of militant Islam, by the spread of weapons of mass destruction - though Israel is hitherto the only regional nuclear power - and by global networks like al-Qaida.

In his travelogue, "Eastward to Tartary", published in 2001, Robert Kaplan notes:

"Turkey's more friendly position toward Israel was the result of several factors. (Turkey) became tired of diplomatic initiatives that failed to induce the Arabs to end their support of the Kurdish Workers' party, which was responsible for the insurgency in southeastern Turkey. The Turks felt, too, that the Jews could help them with their Greek problem (via the Jewish lobby) ... (The Turks realized) they might never gain full admittance to the European Union. Thus, they required another alliance."

This confluence of interests and predicaments does not render Israel the darling of the Turkish street, though. Turks, addicted to conspiracy theories, fully believe that the second Iraq war is being instigated by the Israelis. They also decry the way Israel manhandles the Palestinian uprising. Flag-burning demonstrations are common occurrences in Ankara and Istanbul. Suleyman Demirel, Turkey's former president, nearly paid with his life for the entente cordiale when a deranged pharmacist tried to assassinate him in 1996.

Turkey's power behind the throne and future prime minister, Recep Tayyip Erdogan, called Israel's Ariel Sharon a terrorist. The previous prime minister called Israel's behavior in the occupied territories

"genocide" - hastening to reverse himself when faced with the possible consequences of his Freudian slip.

Indeed, the looming conflict in Iraq may well be the watershed of the Turkish-Israeli love fest. Turkey is growing increasingly religious and more pro-Arab by the year. The further the United States - Israel's sponsor and unwavering ally - pushes into the region, the less aligned are its interests with Turkey's.

Consider the Kurdish question. Turkey is committed to preventing, if need be by force of arms, the emergence of independent Kurdish polity in Iraq. It would also wish to secure oil-rich northern Iraq as a Turkish protectorate. But the Kurds - America's long-standing and long-suffering collaborators - are the United States' "Northern Alliance" in Iraq. It cannot abandon them for both military and moral considerations.

But even in the absence of such blatant conflicts of interests, Turkey's shift is inevitable, a matter of geography as destiny.

Turkey continues to ignore the Arab world at its peril. Regional conflicts fail to respect international borders - as the country is discovering, faced with the damaging Iraqi spillover. Until 1998, Syria, another restive neighbor, actively aided and abetted the rebellious Kurds. It may yet resume its meddling if Israel, its bitter enemy, is neutered through a peace accord. The dispute over precious water sources is embedded in Turkish-Syrian topography and is, therefore, permanent.

It may have been in recognition of these facts that Abdullah Gul, Turkey's prime minister, embarked on a tour of Arab capitals in January. Simultaneously, the Turkish Trade Minister, Korsad Touzman, led a delegation of 150 businessmen in a two day visit to Baghdad to discuss trade issues. Turkey claims to have sustained damages in excess of \$30 billion in the 1991 Gulf War - a measure of its regional integration.

Turkey has also recently begun considering the sale of water in the framework of the "Manavgat Project for Peace" to Egypt, Jordan and even Libya. Turkey's foreign minister, Bashar Yakis, is a Turkish diplomat who knows Arabic and had served in Damascus, Riyadh and Cairo.

Turkey's Occidental orientation has proven to be counterproductive. As the European Union grows more fractured and indecisive and the United States more overweening and unilaterally belligerent, Turkey will have to give up its fantasies - bred by the country's post-Ottoman founding father, Kemal Ataturk - of becoming an inalienable part of Western civilization.

Both Turkey and Israel will, in due time, be forced to accept - however reluctantly - that they are barely mid-sized, mostly Asiatic, regional powers and that their future - geopolitical and military, if not economic - lies in the Middle East, not in the Midwest. Turkey could

then serve as a goodwill mediator between erstwhile enemies and Israel as a regional engine of growth.

Until they do, both countries are major founts of regional instability, often deliberately and gleefully so.

Israeli engineering firms, for instance, are heavily involved in the design and implementation of the regionally controversial Southeast Anatolian Project (GAP), intended to block Turkish water from reaching Syria and Iraq. Additionally, protestations to the contrary aside, the thrust of Israel's burgeoning military cooperation with Turkey is, plausibly, anti-Arab.

Turkish security officials confirmed to the English-language daily, Turkish Daily News, in March last year, that Turkey worked with Israel to counter the Hezbollah in Lebanon. As early as 1998, Turkey threatened war with Syria - and mobilized troops to back up its warnings - explicitly relying on the always-present Israeli "second front". The Egyptian government's mouthpiece, the daily al-Ahram, called this emerging de-facto alliance "the true axis of evil".

Israel's massive army, its nuclear weapons, its policies in the West Bank and Gaza, its influence on right-wing American decision-makers and legislators - provoke the very same threats they are intended to forestall, including terrorism, the coalescence of hostile axes and alliances and the pursuit of weapons of mass destruction by regional thugs.

Turkey's disdain for everything Arab, its diversion of the Tigris, Asi and Euphrates rivers, its arms race, its suppression of the Kurds and its military-tainted democracy have led it, more than once, to the verge of open warfare. Such a conflict may not be containable. In 1995, Syria granted Greece the right to use its air bases and air space, thus explicitly dragging NATO and the European Union into the fray.

It is, therefore, the interest of the West to disabuse Turkey of its grandiosity and to convince Israel to choose peace. As September 11 and its aftermath have painfully demonstrated, no conflict in the Middle East is merely regional.

Israel - The Next Target

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

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Turkey's Jewish Friend

Its leader seems more comfortable in battle fatigues than in civil suits. He has been long pursuing a policy of bloody oppression and annexation. The regime is often castigated due to rampant human rights violations. The country possesses weapons of mass destruction, though it repeatedly denies the allegations. It refuses to honor numerous Security Council resolutions. President Bush senior once subjected it to sanctions. The United States has already trained its sights on this next target: Israel.

The chieftains of the New World Order have made it abundantly clear that Iraq's capitulation will be closely followed by the official release of a much-leaked "road map" for peace in the Middle East propounded by the "Quartet" - the USA, UK, United Nations and Russia.

A series of disclosures in the Israeli media made it equally evident that prime minister Ariel Sharon's crew beg to differ from substantial portions of the foursome's vision.

To demonstrate to skeptic and embittered Muslims everywhere that its motives in waging war on Iraq were more altruistic than ulterior, the Administration will impose an even-handed peace on a reluctant Israel. Should it resist, the Jewish state will find itself subjected to the kind of treatment hitherto reserved for the founding members of the axis of evil - economic sanctions to the fore.

Can it withstand such treatment?

Institutional Investor has just downgraded Israel's 2002 country credit rating to 45th place - seven rungs lower than in early 2000. It is ranked behind Kuwait, Cyprus, Qatar, and Oman. Moody's, Fitch and Standard and Poor's (S&P) has refrained from a further rating action, following a series of demotions in the past two years.

The country's economy - especially its dynamic construction, tourism and agricultural segments - has been weakened by three years of civil strife both within the green line and throughout the occupied territories. This has been reflected in the shekel's and the stock exchange's precipitous declines, by one fifth each. Profits in the banking sector slumped by more than three quarters due to augmented loan loss provisions.

A global recession and the bursting of the hi-tech bubble have not helped. Gross domestic product growth in 2000 was a spectacular 7 percent. In the next two years, however, the economy has contracted. The calling up of reservists to active duty, the dwindling of immigration - from 78,400 in 1999 down to 31,491 three years later - and the disappearance of the Palestinian shopper depressed consumption, services and retail sales.

Uriel Lynn, chairman of the Israeli Chamber of Commerce, told BBC News Online, that the country has lost about \$2.5 billion "in terms of business product". Defense spending spiked at 10 percent of the budget, double the American ratio and triple the military outlays of the typical EU member.

Social solidarity is fraying. The Histadrut (General Federation of Labor in Israel) - run by members of the shriveled opposition Labor party - declared a labor dispute on Sunday, heralding a general strike. This in response to reforms promulgated by the Ministry of Finance, now headed by a hardliner, the former prime minister Benjamin Netanyahu.

The private sector accounts for 70 percent of GDP in Israel and is already stretched to the limit. Instead, the hard-pressed ministry wants to sack thousands in the bloated public services and cut the salaries and pension rights of the remaining civil servants by 8 percent. Government consumption amounts to one third of GDP and public debt exceeds it.

In a reversal of decades of tradition, collective wage agreements will be abolished. The finance ministry is trying to reduce the spiraling budget deficit - now pegged at more than 6 percent of GDP - by \$2 billion to c. 3.5-4.5 percent of GDP, depending on one's propensity for optimism.

Netanyahu also pledged to trim down the top marginal tax rate from a whopping 60 to 49 percent and to aggressively privatize state holdings in companies such as El Al, Bezeq Telecommunications, Oil Refineries and Israel Electric Company. He told the Israeli daily Ha'aretz that the fate of an American package comprising \$1 billion in extra military aid and \$9 billion in loan guarantees depends on such "proper economics".

Trying to balance fiscal profligacy, David Klein, the governor of the Bank of Israel, kept real interest rates high, cutting them by a mere 0.2 percent yesterday to 8.7 percent. Inflation last year, at 5.7 percent, was way above the 1998-2002 average of 3.7 percent.

Partly due to this contractionary bias, more than 50,000 small businesses closed their doors in 2002. According to the CNN, another 60,000 will follow suit by yearend. The number of tourists plunged by a staggering three fifths. Foreign investment crumbled from \$11 billion in 2000 to \$4 billion last year.

Unemployment is stubbornly stuck above 10 percent - and double this figure in the Arab street. The State of the Economy Index, published by the central bank, fell for the 30th consecutive month in February. Of 1.6 million employees in the business sector, 61,000 were fired since January 2001.

It is the third year of recession: the economy contracted by 1 percent last year and by 0.9 percent in 2001. Nor is it over yet. Business Data

Israel (BDI), a forecasting consultancy, reckons that the damage to Israel's economy of a short war in Iraq would amount to \$1 billion, or 1 percent of GDP.

One fifth of the population survives under the poverty line. Strains between well to do newcomers, mainly from the former Soviet republics, and impoverished veterans are growing - as do tensions between destitute immigrants and their adopted homeland. Many emigrate from Israel back to the Commonwealth of Independent States, to Germany, Australia and New Zealand.

American aid - some \$2.7 billion a year - largely goes to repay past debts. U.S. Secretary of State Colin Powell has announced in January the U.S.-Middle East Partnership Initiative. Local groups will be encouraged to invest in the private sectors of their countries. But the Partnership is geared to tackle the needy Arab polities rather than the far-advanced and sated Israel.

Consider next door Palestine, now severed from its main market employer next door.

A World Bank report released in early March stated that half the 3.5 million denizens of the Palestinian Authority live under an impossibly depleted \$2 a day poverty line. One in two employees in the private sector lost their jobs and GDP declined by two fifths in the first two years of the intifada.

The UN Conference on Trade and Development (UNCTAD) warned last September that the economy of the West Bank and the Gaza Strip was drained of up to \$2.4bn due to closures, mass unemployment, and damages to infrastructure. "The profound changes that have taken place in the functioning of the economy ... are unlikely to be easily reversed even if stability is attained," the report concluded gloomily.

Israel withholds more than \$400 million in back taxes it had collected on behalf of the Palestinian Authority. Business Week predicts that donor aid - more than \$1 billion annually at current levels - will dry up in the wake of the Iraq conflict with resources diverted to reconstruct a nascent and oil-rich democracy on the Euphrates.

Hence Blair's sense of urgency. Come victory in Iraq, Israel will face a united "land-for-peace" front, encompassing ostensible adversaries such as France and the United States. Unity on the Palestinian question will salve the wounds self-inflicted on the Euro-Atlantic coalition on the road to Baghdad.

Few place bets on Israel's ability to resist such concerted action, led by the sole superpower. The Economist Intelligence Unit foresees the imminent collapse of Sharon's narrow right-wing government - this despite a modest economic revival.

The current account deficit, prognosticates the EIU, should fall to 1.7 percent of a GDP growing, in real terms, by 3.1 percent in 2004

(compared to a rosy scenario of 0.3 percent this year). This may be unrealistic. Exports have sharply plunged to less than \$28 billion in 2002, two fifths of it to the USA and a similar proportion to the European Union.

Still, with a GDP per head of about \$16,000 (or \$20,000 in purchasing power parity terms), Israel is one of the richest countries in the world - particularly if its thriving informal economy is considered and if the global hi-tech sector recovers which is widely tipped to happen. According to Jane's Defense Weekly, Israel is the third largest exporter of armaments, materiel and military services, ahead of Russia.

The country's foreign exchange reserves per capita, at \$3500, are higher than Japan's. Its external debt - c. \$27 billion - is puny and almost entirely guaranteed by the United States. Only one tenth of it is held by ordinary foreign investors. Israel can withstand years of economic sanctions unaffected - as it has done well into the 1970s. The Jewish state also enjoys the support of a virulently nationalistic diaspora, willing to dip into bulging pocketbook in times of need.

Another scenario, however unlikely, would see the European Union siding with Israel against a bullying United States and its sidekick, the United Kingdom. Last week, Italy's outspoken prime minister, Silvio Berlusconi, normally a staunch supporter of president George Bush, floated the idea of further enlarging the EU to incorporate Russia, Turkey and Israel.

But visionaries like Stef Wertheimer, an Israeli industrial tycoon, talk wistfully of a regional "mini" Marshall Plan. It calls for massive infusions of aid and credit, overseen by the International Monetary Fund (IMF) and the World Bank, into the eastern Mediterranean - Jordan, Turkey, the Palestinian Authority and Israel's minorities - at least until GDP per capita throughout the region surges fivefold, to \$6,000 per year.

Such misguided development nostrums are alluring. They cater to the Western misconception that terrorism is born of poverty and ignorance. Removing these alleged causes of violence, goes the refrain, will end all aggression. Throwing money at problems is an inveterate American and European reflex. Prosperity and democracy are keys to stability and moderation, they preach.

But the unpalatable truth is that Israel is the haughty outpost of Western civilization in an area distinctly un-Western and anti-Western. Terrorism is about clashing values and opposing worldviews, not about the allocation of scarce jobs and the benefits of technology parks.

People like Osama bin-Laden are rich and well-educated. Muslim fundamentalists - in between atrocities - provide health, welfare benefits and schooling to millions of the poor and the deprived. They don't seem to think, like Wertheimer and his patronizing ilk, that higher standards of living negate their mission to oppose American culture, ethos and hegemony by all means, fair or foul.

Oil for Food Revisited

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

Also Read

Saddam's Thousand Nights

Is It All About Oil?

The Iraqi and the Madman

God's Diplomacy and Human Conflicts

The Economies of the Middle East

It is payback time. The United States has every intention of sidelining France, Germany and Russia in the lucrative reconstruction of a war-ravaged Iraq. U.S. Ambassador to the United Nations, John Negroponte, said, last Wednesday, that Washington is bent on "streamlining" the 8 years old U.N. oil-for-food program, now on hold since last Monday.

Money from Iraqi oil sales currently flows to an escrow account, co-managed by the Security Council's Office of the Iraq Program (OIP) and the Iraqi government. More than \$42 billion worth of contracts for humanitarian supplies and equipment have been signed since December 1996.

The U.N. states that "supplies and equipment worth almost \$26 billion have been delivered to Iraq, while another \$11.2 billion worth of humanitarian supplies and equipment are in the production and delivery pipeline." Of these, reports the Washington Post, \$8.9 billion in humanitarian goods, including \$2.4 billion worth of food, are "ready to be imported into Iraq". The program's budget is c. \$10 billion a year.

America and Britain wish to make Kofi Annan, the Secretary General of the United Nations, the sole custodian of the program, exclusively empowered to approve applications and disburse funds - as he has hitherto been doing in north Iraq. According to their proposals and the Secretary General's 8-page letter, the program's remit will be extended to cover war refugees as well.

Other novelties: Annan would be authorized to renegotiate contracts - for instance, with Russian, French and Chinese energy behemoths - and prioritize purchases. Additional routes and sites - both inside and outside the besieged country - would be approved for Iraq's energy exports and for the delivery and inspection of humanitarian supplies.

Stratfor, the strategic forecasting consultancy, explains why this

stratagem is anti-Russian and, more so, anti-French:

"The process would greatly speed up the aid disbursement process and cut out the middlemen who profit from the contractual go-betweens ... (which) have been almost exclusively French and Russian companies ... French and Russian banks usually have channeled the funds to the appropriate places ... The contracts were bribes to Paris and Moscow to secure French and Russian support for Iraq within the United Nations."

The non-disbursed portion of the fund has now ballooned to equal 2-3 years of Iraqi oil revenues, or more than \$40 billion. Iraqi Vice President, Taha Yassin Ramadan, scathingly criticized Annan yesterday for seeking to expand the exclusive role of the U.N. in administering the oil-for-food program. He said the proposal was "based on a colonialist, racist and despicable illusion that pushes the despot oppressors in Washington and London towards eliminating the state of Iraq from existence."

The increasingly cantankerous Mohammed Al-Douri, Iraq's disheveled Ambassador to the U.N., invoked the inevitable conspiracy theory. Iraq, he seethed, is to be eliminated and transformed "into colonies under the control of the world American and Zionist oil mafia". It is "a great insult to the United Nations." Annan's scheme "calls for the forfeiting of the oil of the Iraqi state and implementing the colonial illusion of the removal of the State of Iraq." - he thundered.

The Washington Post quotes a "confidential U.N. paper" as saying that "the U.N. image is already tarnished among the Iraqi people. It will be further damaged if the question of Iraq's oil resources is not managed in a transparent manner that clearly brings benefit to the Iraqi people."

The stalemate costs the under-nourished and disease-plagued people of Iraq dearly. More than three fifths of them - some 14 million souls - rely on the program for daily necessities. Over the weekend, experts from the 15 members of the Council, presided over by Germany, met to iron out the details. They were aided by Deputy Secretary-General Louise Fr chette, Benon Sevan, Executive Director of the OIP, UN Legal Counsel Hans Corell and Under-Secretary-General for Humanitarian Affairs Kenzo Oshima.

Negroponte reiterated Washington's mantra that the United States "will ensure that Iraq's natural resources, including its oil, are used entirely for the benefit of the Iraqi people". But Annan did not sound convinced when he exhorted the USA and the United Kingdom in the letter he delivered last week to the Security Council:

"The primary responsibility for ensuring that the Iraqi population is provided with adequate medicine, health supplies, foodstuffs and materials and supplies for essential civilian needs will rest with the authority exercising effective control in the country ... (But) without in any way assuming or diminishing that ultimate responsibility, we, in the United Nations, will do whatever we can to help."

Thus, continues Annan's missive, money in the U.N. account, originally earmarked for equipment and infrastructure, would be diverted to purchase food and medicine "on a reimbursable basis". Who would reimburse the fund he left unsaid. Nor did he limit the newfangled "interim" oil-for-food regime in time.

Whatever the outcome of the recent tussle, the U.N. would still have to rely on the Iraqi government to distribute goods and provide services in the southern and central parts of this California-sized polity. The United Nations' own staff has been withdrawn upon the commencement of hostilities. Annan already conceded that "the Iraqi State Oil Marketing Organization should be allowed to continue to retain ... the authority to conclude oil contracts with national purchasers."

But Saddam Hussein's regime fails to see the urgency. Baghdad said last Monday that it had distributed food to the populace to last them through August. Even non-governmental organizations in the field claim that no shortages are to be expected until May. So, what's the hurry? - wonder the authorities aloud, as they cower in their offices, awaiting the next, inevitable, blast.

Iraq's Middle Class

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

Iraq had no middle class to speak of until the oil boom of the 1960s-1970s. At the turn of the previous century, Baghdad sprawled across a mere tenth of its current area. However, since then and as late as 1987, the Iraqi capital was renowned throughout the Arab realm for its superior infrastructure, functioning services, splendor, conspicuous consumption and educated populace. "Baghdadi" in many Arab dialects meant "big spender".

Two thirds of all Iraqi children attended secondary school, thousands studied abroad, women actively participated in the workforce. The oil wealth attracted hundreds of thousands of menial laborers from Africa and Asia. It was Saddam Hussein, the country's tyrant, who rattled the moribund and tradition-bound entrenched interests and ratcheted up living standards by imposing land reform, increasing the minimum wage and expanding healthcare.

Even the Iran-Iraq war which decimated tens of thousands of intellectuals and professionals barely dented this existence. Rather, the - mostly Sunni - middle class was done in by the sanctions imposed on Iraq, the aggressor in the first Gulf War, after 1991.

Iraq's relatively affluent and well-traveled urban denizens had access to all the amenities and consumer goods - now proffered by the impoverished owners in improvised curb markets. As wages and the dinar plummeted, once-proud Iraqis were reduced to agonizing, humiliating and

sometimes life-threatening penury.

Prostitution, street kids and homelessness have flourished. Divorce and crime rates are sharply up. Young couples cannot afford to marry, so promiscuity and abortions are in vogue. On the other extreme, Islam - both moderate and fundamentalist - is making headway into a hitherto devoutly secular society. Headscarved women are not a rarity anymore.

Official unemployment is c. 20 percent but, in reality, it is at least double that. Polyglot professionals with impressive resumes drive taxis, moonlight as waiters, or sell vegetables from rickety stalls.

According to Humam Al Shamaa, professor of economy and finance at Baghdad University, quoted by the Asia Times, one in every two Iraqis are currently employed in agriculture - most of it subsistence farming, raising cattle and poultry. Many an urbane urbanite now tend to tiny plots, trying to eke a living out of the fertile banks of the Two Rivers - the Euphrates and the Tigris. Industry - cement, petrochemicals - is at a standstill due to the dearth of raw materials oft-proscribed by the ponderous sanctions committee.

The Boston Globe recounts the tale of an Iraqi Airlines pilot whose monthly earnings plunged from \$1500 to \$2.50. Malnutrition and disease prey on the traumatized and destitute remnants of the bourgeoisie, the erstwhile nobility of the Arab world. The virtual elimination of the purchasing power of one of the richest Middle Eastern countries has had a profound impact on neighbors and trade partners across the region.

The UN Human Development Index has chronicled the precipitous decline of Iraq's ranking to its 127th rung. The New York-based Centre for Economic and Social Rights says that "Iraqis have been extremely isolated from the outside world for 12 years. The mental, physical and educational development of an entire generation has been affected adversely by the extraordinary trauma of war and sanctions."

Public services - from primary healthcare through electricity generation to drinking water - were roughly halved in the past 12 years. Quality has also suffered. Iraq's gross domestic product plunged by four fifths. With infectious diseases on the rampage and a debilitating stress load, life expectancy dropped - men now survive to the ripe old age of 57.

Infant mortality, at 93 in 1000 live births, soared. Three fifths of the population depend on an efficient system of government handouts. An exit tax of more than \$350 virtually fenced in all but the most well-heeled Iraqis.

The American administration, in the throes of preparations for the reconstruction of a postbellum Iraq, acknowledges that the rehabilitation of the war-torn country's middle class is the cornerstone of any hoped-for economic revival.

But income inequality and a criminalized regime led to huge wealth

disparities. The tiny, fabulously rich elite beholden to Saddam (the "war rats") are removed from the indigent masses. They make the bulk of their ill-gotten gains by maintaining Saddam-blessed import monopolies on every manner of contraband from building materials and machine spare parts to cars, televisions and beauty products. The United States estimates that the dictator and his close, clannish circle have secreted away more than \$6 billion in illicit commissions on oil sales alone.

But the proceeds of smuggling and intellectual property piracy have trickled down to a growing circle of traders and merchants. So has the \$30 billion influx from the oil-for-food scheme, now in its eighth year - though, as Hans von Sponeck, head of the program between 1998-2000, observed in the Toronto Globe and Mail:

"Until May of 2002, the total value of all food, medicines, education, sanitation, agricultural and infrastructure supplies that have arrived in Iraq has amounted to \$175 per person a year, or less than 49 cents a day ... This has made postwar reconstruction impossible, and ensured mass unemployment and continuing deterioration of schools, health centers and transportation. 'Smuggled' oil revenues represent only a small fraction of oil-for-food funds. Even here, an estimated three-quarters of these funds have been directed to social services."

Still, Iraq's economy has been partly remonetized and is less insulated than it was in 1996. Even the stock exchange has revived.

Whatever the length of the war, its outcome is said to be guaranteed - the ignominious demise of the hideous terror regime of Saddam Hussein. Then, the scenario goes, the American and British "liberators" will switch from regime-change mode to the nation-building phase. Iraq will once again become the economic locomotive of the entire region, prosperous and secure.

But the bombed and starved denizens of Iraq may be holding a different viewpoint. Quoted in The Californian, Terry Burke and Alan Richards, professors at the University of California, Santa Cruz, noted that "the invasion and air attacks are forging intense hatred against the United States that will undermine any hope of gracefully replacing Saddam Hussein's dictatorship."

It would be instructive to remember that the 1958 overthrow of the monarchy by the Free Officers, followed by the Ba'ath party in 1968 and, later on, by Saddam Hussein, represented the interests of the lower middle class and the petty bourgeoisie: shopkeepers, low and mid-ranking officials and graduates of training schools, law schools, and military academies.

The most important economic policies in the past four decades - the agrarian reform and the nationalization of oil - catered to the needs and aspirations of these socio-economic strata. The backbone of Saddam Hussein's regime is comprised of bureaucrats and technocrats - not of raving rapists and torture-hungry sadists, as Western propaganda has it.

Saddam's days may well be numbered. But the levers of power, based on tribal affiliation, regional location, religious denomination and sectarian interests - will survive intact. If the West really aspires to resuscitate a stable Iraq - it has no choice but to collaborate with the social structures spawned by the country's long and erratic history. The Ottomans did, the British did - the Americans will do to.

Iraq's Revenant Sons

By: Dr. Sam Vaknin

Also published by United Press International (UPI)

Iraqi Jews - a quarter of a million strong - are known in Israel for their haughtiness and broad education, the latter often the cause of the former. They were forced to flee Arab-nationalist Iraq in 1941-1951, following the rise of Nazism and, later, the establishment of the State of Israel.

Yet, though they have left Baghdad physically after 2600 years of continuous presence - many of them are still there emotionally. This holds true for numerous other Iraqi exiles, expatriates and immigrants in the far-flung diaspora. There are 90,000 Iraqis in the USA alone, according to the latest data from the Census Bureau.

But nostalgia may be the only common denominator. Exile groups jostle aggressively for the spoils of war: political leadership, sinecures, economic concessions, commercial monopolies and access to funds. The Washington Times reported yesterday that the Pentagon and the State Department back different cliques. It quoted one Republican congressional aide as saying: "There's a deep and messy war in the administration, and it's in the weeds".

Arab countries are promoting Sunni future leaders. Pro-democracy souls support representatives of the hitherto oppressed Shiite majority. Most exiles oppose a prolonged postwar U.S. presence or even an interim administration. They opt for a government of Iraqi technocrats with a clear United Nations mandate. The fractious Iraqi opposition and the two main Kurdish factions set up an Iraqi Interim Authority, a government-in-waiting with 14 ministries and a military command.

The Brussels-based International Crisis Group warned last Tuesday against a provisional administration composed substantially of exiles and expatriates:

"It would be a mistake to short-circuit the domestic political contest by prematurely picking a winner. Under either of these scenarios, the bulk of Iraqis inside Iraq, Sunni and Shiite, Arab, Kurd and others, who have been brutally disenfranchised for over three decades, would remain voiceless."

The exile groups are out of touch with local realities and, as the

Washington Times notes, compromised in the eyes of the Iraqis by their extensive contacts with the CIA and the USA, their political amateurism and their all-pervasive venality.

The finances of such self-rule could come from the \$3.6 billion in Iraqi assets in the United States - about half of which have been recently re-frozen. The coffers of the United Nations administered oil-for-food program bulge with \$40 billion in undistributed funds - enough to bankroll the entire reconstruction effort.

Saddam and his clan are thought to have stashed at least \$6 billion abroad. Everyone, though, tiptoes around the sensitive issue of reimbursing the war expenses of the coalition of the willing.

The Pentagon has other ideas in mind. It has recently formed the Office of Reconstruction and Humanitarian Assistance, headed by a retired general, Jay Garner. A few exiles, worried by this "colonial" tendency, have infiltrated Iraq, at great personal risk, to ensure that an Iraqi alternative is in place when Operation Iraqi Freedom achieves its eponymous goal.

Iraqi immigrants are fiercely nationalistic. Though few love Saddam Hussein and his interminable reign of terror - fewer are willing to countenance the occupation of their homeland by invading forces, regardless of their provenance. Many bitterly recall the Shiite rebellion in 1991 when a policy reversal of the United States allowed the dictator to bloodily suppress the uprising.

According to officials in Amman, more than 6500 Iraqis - out of 200 to 300 thousand - left Jordan in Iraqi-arranged free transportation to fight the "aggressors", as suicide bombers if need be. Others are streaming in from Lebanon, Syria, Yemen and North Africa.

Iraqi exiles in Iran - mostly Shiites and invariably mortal foes of the tyrant from Baghdad - have nonetheless denounced the invasion and called it, ominously, a "war on Islam". Aware of this duality, Donald Rumsfeld, the American Defense Secretary, recently warned that Shiite combatants "will be taken as a potential threat to coalition forces. This includes the Badr Corps, the military wing of the Supreme Council on Islamic Revolution in Iraq."

But other Iraqis, Kurds included, are training, in U.S.-sponsored camps in east and central Europe, to liaise with the local population to help non-governmental organizations and the coalition forces deliver humanitarian aid. The program - now suspended - is financed with money allocated from the \$97 million 1998 Iraq Liberation Act.

According to the Boston Globe:

"During the four-week course, the volunteers learn battlefield survival skills including navigation, nuclear and biological weapons defense, marksmanship, first aid, and the laws of war and human rights. They also study civil-military operations such as processing refugees,

distributing humanitarian aid, and rebuilding infrastructure."

Iraqi professionals abroad with vital skills in administration, agriculture, oil extraction, finance, economics, law, medicine and education are preparing to return. Draft reconstruction plans call for tax incentives and soft loans for homebound entrepreneurs, investors and skilled manpower. There are many of these. Arabs say that Egyptians write, Lebanese publish and Iraqis read.

Aware of this untapped wealth of talent and experience, the American have belatedly started recruiting dozens of expats and immigrants for the future administration of the war-torn country. Some 40 lawyers from Europe and North America will complete tomorrow a fortnight of training provided courtesy of the Justice Department.

The Pentagon and the State Department are running similar programs with 100 and 240 participants, respectively. According to the Knight-Ridder Newspapers, "the ('Future of Iraq') working groups deal with such topics as defense policy, civil society, public health, transitional justice, news media, national security, public finance and anti-corruption efforts."

According to the Washington Post, there is even an Iraqi military contingent of up to 3000 exiles underwritten by the Pentagon and training in Hungary. Some of them are slated to serve as guides and translators for the coalition forces in their homeland. The program is suspended now but the camp in Hungary remains open and it is tipped to be renewed.

And then there is the hoped-for reversal of the last four decades of capital flight. Iraqi merchants, traders, military officers, members of the security services, politicians, bureaucrats and professionals are thought to have secreted away, out of the reach of the rapacious regime, some \$20-30 billion. Some of it is bound to come back and inject the dilapidated economy with much needed liquidity and impetus.

Last August, a group of Iraqi-born economists gathered at the Department of State in Washington. One of the participants, Dr. Salah Al-Sheikhly, a former Governor of Iraq's Central Bank, outlined to Washington File his vision of the future contribution of the diaspora to a liberated Iraq:

"People talk of the Iraqi Diaspora as if we have been idle. On the contrary, economists like myself have been working within the agencies of the United Nations and other international institutions. We have been consultants in many Arab countries. And many of us gathered around the table (in Washington) have extensive experience within the kinds of financial institutions that can assist Iraq enter the new world economy."

Forgiving Iraq's Debts

By: Dr. Sam Vaknin

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The French were at it again last Friday. Any reduction in Iraq's mountainous \$120 billion external debt should be negotiated within the Paris Club of creditor nations, they insisted. It ought not - indeed, cannot - be tackled bilaterally. And what about another \$200 billion in war reparations and contractual obligations? This, said French Foreign Ministry spokesman Francois Rivasseau, is to be discussed.

A day earlier, Paul Wolfowitz, the American Deputy Defense Secretary, prompted the French, Russian and German governments to write off Iraq's debts to them, so as to facilitate the recovery of the debtor's \$15 to 25 billion a year economy. He echoed U.S. Treasury Secretary John Snow who suggested, in an interview to Fox News Channel, that Iraq's debts should be discarded even as was the dictator who ran them up.

At first, Putin made conciliatory noises upon exiting a gloomy meeting with the two other co-founders of the discredited "peace camp". Russia, he reminded the media, is number one in erasing debts owed it by poor countries.

But he was swiftly contradicted by the Chairman of the Duma's Committee on the State Debt and Foreign Assets Vladimir Nikitin, who called the American proposals "more than bizarre". Iraq's debt to Russia - some "well verified and grounded" \$8 billion - is not negotiable. Contradicting his own contradiction, he then added that discussions on debts have to be held bilaterally.

Gennady Seleznyov, the Chairman of the lower house of the Russian parliament, concurred. For good measure, he also demanded \$2 billion from the USA for contractual losses due to the war. The Russian government and especially Finance Minister and Deputy Prime Minister, Alexei Kudrin, cautioned Wolfowitz that applying his proposal consistently would lead to the scrapping of the debts of another departed evil regime - the U.S.S.R.

Russia needs Iraq's money - especially if oil prices were to tumble. According to Russia's Central Bank, the Federation's foreign debt was up \$2.7 billion in 2002 and reached \$153.5 billion, of which \$55.3 billion is in Soviet-era debt, \$48.4 billion were accrued in post-Soviet times and the rest is comprised of various bonds and obligations.

But the U.S. is unfazed. US Ambassador to Russia Alexander Vershbow reiterated to the Russian news agency, Rosbalt, his government's position thus: "We intend to organize a conference of creditors in order to discuss ways of finding a balance between the rights of the creditors and the rights of the Iraqi people to develop their economy. In my opinion, it would be unwise to immediately demand large sums of money from the new Iraqi government."

In this debate, everyone is right.

Iraq's only hope of qualifying for the status of a Highly Indebted Poor Country (HIPC) is by reaching iron-clad debt rescheduling agreements with both the Paris and the London Clubs. Still, as the Americans envision, creditors can unilaterally forgive Iraqi debt - especially one arising from Saddam Hussein's misdeeds - without hampering the process with the World Bank and without hindering future access to global or internal capital markets.

This is especially true when it comes to the United Nations Compensation Commission which administers Iraqi reparations to victims of Iraq's aggression against Kuwait in 1990-1.

Signs of utter confusion abound. The International Monetary and Financial Committee of the International Monetary Fund, headed by Gordon Brown, Britain's Chancellor, is committed to the Paris Club multilateral route. Yet, James Wolfensohn, the President of the World Bank, a twin institution, plumps for a bilateral resolution of this novel controversy.

Anticipating a beneficent outcome, \$2 billion in traded Iraqi sovereign and commercial loans, harking back to the 1980s, have recently doubled in value to c. 20 cents to the dollar. According to The Economist, brokers are betting on a 70 to 90 percent reduction of Iraq's debt. This is way too exuberant. Moreover, not all creditors are created equal.

Iraq owes the IMF and the World Bank a mere \$1.1 billion. But there is an abundance of unpaid high priority trade credits and bilateral loans. Private banks and commercial firms come a dismal third. Moreover, following Nigeria's example, Iraq may choose to ignore Paris Club creditors and deploy its scarce resources to curry favor with those willing and able to extend new financing - namely, private financial intermediaries.

Trading Iraqi debt - sovereign notes, letters of credit and papers issued by the central bank and two other financial institutions, Rafidain Bank and Rashid Bank, is onerous. The Economist describes it thus:

"Trading, or even holding, Iraqi paper is loaded with traps. Its validity can expire every few years, according to the statute of limitations in various jurisdictions. Renewing it requires some acknowledgment from the borrower, and that was difficult even before the war. Assigning the debt from buyer to seller requires the borrower's assent, and the Iraqi banks have been unco-operative since 1988. The trick is to apply during public holidays, or when communications are down (as they are now), because the borrower's failure to respond within ten working days can be taken as agreement."

No one has a clear idea of how much Iraq owes and to whom.

According to Exotix, a sovereign debt brokerage, Iraq owes commercial

creditors \$4.8 billion and other Gulf states \$55 billion -regarded by Iraq as grants to cover the costs of its war with Iran in the 1980s. It owes Paris Club members - excluding Russia and France (\$8 billion apiece) - \$9.5 billion, the countries of Central Europe, mainly Germany - \$4 billion and others - about \$26 billion, including \$5 billion to the U.S. government and American businesses.

The tortured country's foreign debt alone amounts to \$5000 per every denizen. With reparations and commercial obligation, Iraq's destitute inhabitants are saddled with more than \$16,000 in debt per capita - or 15-20 times the country's gross national product. Iraq hasn't serviced its loans for well over a decade now.

Others dispute these figures. Frederick Barton compiled, together with Bathsheba Crocker, an inventory of Iraq's outstanding financial obligations for the Center for Strategic and International Studies in Washington.

According to Barton-Crocker, quoted by the Gulf satellite channel, al-Jazeera and by the Christian Science Monitor, Iraq owes \$199 billion in compensation claims to more than a dozen nations, another \$127 billion in foreign debts and \$57 billion in pending foreign contracts - public and private. Iraq owes Russia \$12 billion, Kuwait \$17 billion, the Gulf States \$30 billion and less than \$2 billion each to Turkey, Jordan, Morocco, Hungary, India, Bulgaria, Poland, and Egypt.

Most of the pending contracts are with Russian firms (\$52 billion) but the French, Chinese, Dutch, United Arab Emirates and Egyptians have also inked agreements with Hussein's regime. The United states and American firms are owed little if anything, concludes al-Jazeera. Debt forgiveness would allow a more sizable portion of Iraq's oil revenues to be ploughed into the American-led reconstruction effort, to the delight of U.S. and British firms.

Russia and France are not alone in their reluctance to bin Iraqi credits. Austrian Minister of Finance, Karl-Heinz Grasser, was unambiguous on Tuesday: "We see no reason why we should waive 300 million Euros of Iraqi debts". He noted that Iraq - with the second largest proven oil reserves in the world - is, in the long run, a rich country.

In the build-up to the coalition, the United States promised to buy the debt Iraqis owe to countries like Bulgaria (\$1.7 billion) and Romania. In Macedonia, Dimitar Culev of the pro-government daily "Utrinski Vesnik", openly confirms that his country's participation in the coalition of the willing had to do, among other, longer-term considerations, with its hopes to recover Iraqi debts and to participate in the postwar bonanza.

Poland's Deputy Labor and Economy Minister, Jacek Piechota, on Tuesday, affirmed that Poland intends to recover the \$560 million owed it by Iraq by taking over Iraqi assets in a forthcoming "privatization". Another option, he suggested, was payment in oil.

Nor are such designs unique to sovereign polities. According to Dow Jones, Hyundai hopes to recover \$1.1 billion through a combination of crude oil and reconstruction projects. During the Clinton administration, American creditors almost helped themselves to between \$1.3 and \$1.7 billion of frozen Iraqi funds with the assistance of the U.S. Foreign Claims Settlement Commission. Luckily for the looming new Iraqi government, the legislation languished in acrimony.

The debt question is not academic. As the London Times observes: "As things stand, no one can write a single cheque on Iraq's behalf until the question of its towering debts is sorted out. Not a single barrel of oil can be sold until it is clear who has first claim to the money; no reputable oil company would touch it without clear title."

According to Pravda, to add mayhem to upheaval, the Iraqi opposition indignantly denies that it had broached the subject with the USA. Iraq, they vow, will honor its obligations and negotiate with each creditor separately. But, some add ominously, members of the "friends of Saddam" fan club - alluding to Russia, Ukraine and Belarus among others - are unlikely to get paid.

The Iraqi opposition is as fractured as the Western alliance. Some exiles - like Salah al-Shaikhly from the London-based Iraqi National Accord - promote the idea of a big write-off cum grace period akin to the 66 percent reduction in the stock of Yugoslav obligations. Debt for equity swaps are also touted.

The trio of creditors - especially France and Russia - might have considered debt reduction against a guaranteed participation in the lucrative reconstruction effort. But a fortnight ago the House of Representatives approved a non-binding amendment to the supplementary budget law calling upon the administration to exclude French, Russian, German and Syrian companies from reconstruction contracts and to bar their access to information about projects in postbellum Iraq.

Kosovo's Iraqi Lessons

By: Dr. Sam Vaknin

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Also Read

The Disunited Nations

Washington and Sarajevo

Should the United Nations administer Iraq? Is it - as Kofi Annan, its General Secretary, insists, the best-qualified to build nations? Or will it act as a bureaucracy out to perpetuate itself by preventing

true transformation and indigenous rule? Kosovo is a lucrative post for more than 10,000 exorbitantly overpaid international administrators and perked consultants as well as 40,000 itinerant peacekeepers.

The U.N. has been reasonably successful elsewhere both in peacekeeping and administration - notably in East Timor, Afghanistan and Sierra Leone. It widely thought to have dismally failed in Bosnia-Herzegovina. But the lessons of its involvement in Kosovo - the second longest and least reserved - may be of particular relevance.

In the wake of NATO's Operation Allied Force in 1999, Kosovo was practically severed from Yugoslavia and rendered a U.N.-protectorate under resolution 1244 of the Security Council. UNMIK (United Nations Mission in Kosovo) was formed to serve as the province's interim administrator. It was charged with institutions-building and a transition to self-governance by the now overwhelmingly Albanian populace.

Its mission was divided to four "pillars": Police and Justice, Civil Administration, Democratization and Institution Building (overseen by the Organization for Security and Cooperation in Europe) and Reconstruction and Economic Development (managed by the European Union). Four years later, Kosovo has its own government, installed last month - and a viable police force.

UNMIK had to spend the first 18 months of its mandate re-establishing basic services in a land scorched by 78 days of massive bombardment. It also put in place the rudiments of a municipal administration. A parliament and presidency followed. Surprisingly resilient, they survived two - bloodied - elections. The U.N. is planning to transfer, over the next few months, many of its "competencies" to the three-party broad coalition in power. Last month, a transfer council was established to manage the transition.

But Kosovo is an unsettled place. Its status is unresolved. Is it to be independent, as its legislators demand - or an inseparable part of Serbia, as the late assassinated Serbian prime minister, Zoran Djindjic claimed? UNMIK's travel documents and its license plates, for instance, are still not recognized by many countries.

Investors - including wealthy diaspora Kosovars - are deterred by this uncertainty and the social and civil unrest it fosters. Had it not been for KFOR, the 35,000-strong NATO-commanded military detachment, Kosovo might well have reverted to civil war, or crime-infested anarchy. That, astoundingly, Kosovo has no law to deal with foreign investment does not help.

Partly because of that, Kosovo's economy is still a shambles. The United Nations - and the acronym soup of multilateral development banks, aid agencies and non-governmental organizations that descended on the region - failed to come up with a coherent plan for endowing Kosovo with a sustainable economy.

Where UNMIK, with European Union assistance, did intervene - in setting up institutions and abetting economic legislation - it has done more harm than good. The establishment of workers' councils, for instance, inhibited the proper management of socially owned enterprises and rigidified the budding labor market with dire consequences.

One in two Kosovars is unemployed. Whatever activity there is, is confined to trading (read: smuggling), retail and petty services. The wild construction or reconstruction of 250,000 houses wrecked by the war is fizzling out and the absence of both mortgage financing and a sizable domestic industry of construction materials are detrimental to the sector's viability.

Tenders for complex infrastructure jobs are usually snatched by foreign competitors. Reputable Kosovar-owned construction multinationals hint at discrimination and worse. But the business segment of the economy is illusive and dilapidated. Of 861 socially-owned firms identified by the International Crisis Group, only 330 are viable, according to UNMIK.

Kosovo has no private sector to speak of - though it has registered 50,000 small and medium, mostly paper, typically ad-hoc, enterprises. Of 2774 members of the Kosovo Chamber of Commerce - 1667 were fly-by-night construction outfits.

The majority of economic assets are still in public or "social" hands. In an interview granted to the Far Eastern Review last year, Ali Jakupi, Minister of Trade and Industry of Kosovo, diplomatically pointed the finger at UNMIK's glacial pace of reform.

Land ownership is a contentious issue. The privatization of utilities is a distant dream, despite the creation of the Kosovo Trust Agency, a convoluted attempt to dispense of certain assets while skirting the legal no man's land which is Kosovo.

Despite all efforts, commercial law is scant and poorly enforced. No one understands why the number of commercial bank licenses is limited, why, until recently, UNMIK worked only through one bank and why establishing an insurance company is such a harrowing - and outlandishly expensive - ordeal. Kosovo is the only place on earth where price cartels (for instance, in the assurance sector) are not only legal - but mandatory.

Kosovar banks still keep most of their clients' deposits abroad for lack of an indigenous legal framework of collateral and bankruptcy. Interest rates are prohibitively high and repayment terms onerous. The only ray of light in a decrepit financial system is the euro, Kosovo's official currency and a source of monetary stability and trust.

The new Ministry of Finance and Economy has introduced customs duties and a few taxes with modest success. But the government's revenue base is pitiful and a Byzantine, import-biased, tax law makes export-oriented manufacturing a losing proposition. Kosovo's trade deficit is almost equal to its gross domestic product. Had it not been

for generous remittances from Kosovar expats and immigrants - pegged at \$1 to 1.5 billion a year, the province's economy would have crumbled long ago.

Nor has Kosovo's infrastructure been rehabilitated despite the \$5 billion poured into the province hitherto. Electricity, for instance, is intermittent and unpredictable. The roads are potholed and few, the railways derelict. Fixed line penetration is low, though mobile telephony is booming. This sorry state was avoidable.

Kosovo is not as poor as it is made out to be by interested parties. It has enormous lead reserves, coal and lignite veins and loads of zinc, silver, gold, nickel, cobalt and other minerals, including rumored mines of uranium. The territory actually used to export electricity to both Macedonia and Montenegro.

Official statistics ignore a thriving informal economy, encompassing both the illicit and the merely unreported. Kosovo is a critical node in human trafficking, cigarette and oil derivatives smuggling, car theft and, to a lesser, extent, drugs and weapons trading networks. Revenues in service businesses - cafes, restaurants, gambling institutions, prostitution - go unreported. Kosovo is one of the global centers of piracy of intellectual property, notably software and movies.

The Central Fiscal Authority of Kosovo estimated that, in 2001, duties and taxes were paid only on \$590 million worth of imports (at the time, c. \$540 million euros) - only about 30 percent of the total. These figures are proof of the entrepreneurial vitality of the Kosovars and their aversion to state interference.

USAID chief Dale Pfeiffer praised Kosovo, in an interview granted to the daily paper, Koha Ditore:

"There is bureaucracy, there is a corruption, but if we compare with neighboring countries, it seems to be at a lower level. Since 1999, Kosovo is building its own new governmental structures. Mainly, your government is more modern than government in Serbia, Macedonia or even Bosnia. I think that corruption is not even same at the level as neighboring countries. Although corruption is something that can grow very easily, currently it doesn't seem to be a big obstacle for businesses."

Still, he reverted to typical counterfactual condescension. Federal Yugoslavia, of which Kosovo was a part, was a modern state, more advanced than many EU members. Yet, Pfeiffer professed to be worried.

"Day by day, more competencies are being given to the Kosovo Government. My concern is, does the Government have the ability to manage its own competencies. I think there should be a balance; you must gain competencies which can be applied."

Many observers think that had it not been hobbled by the indecision and overbearing officialdom of the international community, Kosovo would

have fared better. Even evident economic assets - such as nature parks, vineyards and ski slopes - were left undeveloped. Because it hasn't met EU regulations - Kosovo is unable to export its wines, juices and agricultural produce.

But to hold this view is to ignore UNMIK's contribution to the containment of organized crime - mostly imported from Albania and Macedonia. Admittedly, though, UNMIK failed to defend minority rights. Kosovo has been ethnically cleansed of its Serbs. The UN High Commissioner for Refugees (UNHCR) and OSCE warned last month that minorities "continue to face security problems and lack access to basic services (such as) education, health services and equitable employment."

Kosovo teaches us lessons which should be diligently applied in Iraq. The involvement of a long-term active military component intended to guarantee basic law and order is crucial. U.N. administrations are good at reconstruction, rehabilitation - including humanitarian aid - and institution-building.

But they are utterly incompetent when it comes to the economy and to protecting minorities from the majority's wrath. Pecuniary matters are best left to private sector firms and consultants while helpless minorities better start praying.

Worse still, as opposed to an occupying army, whose top priority is to depart - U.N. bureaucracies fast gravitate towards colonialism. The U.N.-paid and U.N.-sanctioned rulers of both Kosovo and Bosnia-Herzegovina exercise powers akin to erstwhile British viceroys. Nor do they have any incentive to terminate their position - gratifying as it is to both their egos and their wallets.

UNMIK is the reification of the concept of conflict-of-interest. If it succeeds to render the natives economically and politically independent - it is no longer needed. If it fails - it survives on a bloated budget. To be an international official in Kosovo is to endure the constant clashes between one's professional conscience and one's propensity to live the good life. Only saints win such battles. Whatever UNMIK is - it is decidedly not saintly.

But, as Augustin Palokaj, Brussels correspondent for Koha Ditore, notes, comparing Kosovo to Iraq can go too far:

"Kosovo has no oil and one-third of the population of Baghdad, and it is not interesting for investments ... Iraq will have an easier time when it comes to political status. Iraq is, and will remain, a state. It is still not known what Kosovo's fate will be. Unlike in Kosovo, there will be both aid and investment in Iraq. The Iraqi people will decide on the status of their country, whereas the Security Council, that is to say China and Russia, will decide about Kosovo."

And does he think the United Nations should administer a postwar Iraq?

"The UN would only complicate things, but the Americans will give it a

role, just for the sake of it, which will satisfy the bureaucrats that must get their huge salaries. Americans are also aware of the danger that if the UN takes over the administration of postwar Iraq ... criminals from various countries would be infiltrated into Iraq, as they have done in Kosovo. How can peace be established by an organization whose policemen allowed eight war crimes suspects to escape from prison, as happened to UN policemen in Kosovo. Instead of feeling shame for such things, the chiefs of UNMIK Police produce propaganda about their successes. The key American role in postwar Iraq will prove what was learned from Kosovo."

The Madman and the Iraqi War

By: Dr. Sam Vaknin

It is the war of the sated against the famished, the obese against the emaciated, the affluent against the impoverished, the democracies against tyranny, perhaps Christianity against Islam and definitely the West against the Orient. It is the ultimate metaphor, replete with "mass destruction", "collateral damage", and the "will of the international community".

In this euphemistic Bedlam, Louis Althusser would have felt at home.

With the exception of Nietzsche, no other madman has contributed so much to human sanity as has Louis Althusser. He is mentioned twice in the Encyclopaedia Britannica merely as a teacher. Yet for two important decades (the 1960s and the 1970s), Althusser was at the eye of all the important cultural storms. He fathered quite a few of them.

Althusser observed that society consists of practices: economic, political and ideological. He defines a practice as:

"Any process of transformation of a determinate product, affected by a determinate human labour, using determinate means (of production)"

The economic practice (the historically specific mode of production, currently capitalism) transforms raw materials to finished products deploying human labour and other means of production in interactive webs. The political practice does the same using social relations as raw materials.

Finally, ideology is the transformation of the way that a subject relates to his real-life conditions of existence. The very being and reproduction of the social base (not merely its expression) is dependent upon a social superstructure. The superstructure is "relatively autonomous" and ideology has a central part in it.

America's social superstructure, for instance, is highly ideological. The elite regards itself as the global guardian and defender of liberal-democratic and capitalistic values (labeled "good") against alternative moral and thought systems (labeled "evil"). This self-assigned mission is suffused with belligerent religiosity in

confluence with malignant forms of individualism (mutated to narcissism) and progress (turned materialism).

Althusser's conception of ideology is especially applicable to America's demonisation of Saddam Hussein (admittedly, not a tough job) and its subsequent attempt to justify violence as the only efficacious form of exorcism.

People relate to the conditions of existence through the practice of ideology. It smoothes over contradictions and offers false (though seemingly true) solutions to real problems. Thus, ideology has a realistic attribute - and a dimension of representations (myths, concepts, ideas, images). There is harsh, conflicting reality - and the way that we represent it both to ourselves and to others.

"This applies to both dominant and subordinate groups and classes; ideologies do not just convince oppressed groups and classes that all is well (more or less) with the world, they also reassure dominant groups and classes that what others might call exploitation and oppression is in fact something quite different: the operations and processes of universal necessity"

(Guide to Modern Literary and Cultural Theorists, ed. Stuart Sim, Prentice-Hall, 1995, p. 10)

To achieve the above, ideology must not be seen to err or, worse, remain speechless. It, therefore, confronts and poses (to itself) only questions it can answer. This way, it is confined to a fabulous, fantastic, contradiction-free domain. It ignores other types of queries altogether. It is a closed, solipsistic, autistic, self-consistent, and intolerant thought system. Hence the United States' adamant refusal to countenance any alternative points of view or solutions to the Iraqi crisis.

Althusser introduced the concept of "The Problematic":

"The objective internal reference ... the system of questions commanding the answers given"

The Problematic determines which issues, questions and answers are part of the narrative - and which are overlooked. It is a structure of theory (ideology), a framework and the repertoire of discourses which - ultimately - yield a text or a practice. All the rest is excluded.

It is, therefore, clear that what is omitted is of no less importance than what is included in a text, or a practice. What the United States declines or neglects to incorporate in the resolutions of the Security Council, in its own statements, in the debate with its allies and, ultimately, in its decisions and actions, teaches us about America and its motives, its worldview and cultural-social milieu, its past and present, its mentality and its practices. We learn from its omissions as much as we do from its commissions.

The problematic of a text reveals its historical context ("moment") by incorporating both inclusions and omissions, presences and absences, the overt and the hidden, the carefully included and the deliberately excluded. The problematic of the text generates answers to posed questions - and "defective" answers to excluded ones.

Althusser contrasts the manifest text with a latent text which is the result of the lapses, distortions, silences and absences in the manifest text. The latent text is the "diary of the struggle" of the un-posed question to be posed and answered.

Such a deconstructive or symptomatic reading of recent American texts reveals, as in a palimpsest, layers of 19th century-like colonialist, mercantilist and even imperialist mores and values: "the white man's burden", the mission of civilizing and liberating lesser nation, the implicit right to manage the natural resources of other polities and to benefit from them, and other eerie echoes of Napoleonic "Old Europe".

But ideology does not consist merely of texts.

"(It is a) lived, material practice - rituals, customs, patterns of behavior, ways of thinking taking practical form - reproduced through the practices and productions of the Ideological State Apparatuses (ISAs): education, organized religion, the family, organized politics, the media, the cultural industries ..." (ibid, p.12)

Althusser said that "All ideology has the function (which defines it) of 'constructing' concrete individuals as subjects"

Subjects to what? The answer is: to the material practices of the ideology, such as consumption, or warfare. This (the creation of subjects) is done by acts of "hailing" or "interpellation". These attract attention (hailing) and force the individuals to generate meaning (interpretation) and, thus, make the subjects partake in the practice.

The application of this framework is equally revealing when one tackles not only the American administration but also the uniformly "patriotic" (read: nationalistic) media in the United States.

The press uses self-censored "news", "commentary" and outright propaganda to transform individuals to subjects, i.e. to supporters of the war. It interpellates them and limits them to a specific discourse (of armed conflict). The barrage of soundbites, slogans, clips, edited and breaking news and carefully selected commentary and advocacy attract attention, force people to infuse the information with meaning and, consequently, to conform and participate in the practice (e.g., support the war, or fight in it).

The explicit and implicit messages are: "People like you - liberal, courageous, selfless, sharp, resilient, entrepreneurial, just, patriotic, and magnanimous - (buy this or do that)"; "People like you go to war, selflessly, to defend not only their nearest and dearest but

an ungrateful world as well"; "People like you do not allow a monster like Saddam Hussein to prevail"; "People like you are missionaries, bringing democracy and a better life to all corners of the globe". "People like you are clever and won't wait till it is too late and Saddam possesses or, worse, uses weapons of mass destruction"; "People like you contrast with others (the French, the Germans) who ungratefully shirk their responsibilities and wallow in cowardice."

The reader / viewer is interpellated both as an individual ("you") and as a member of a group ("people like you..."). S/he occupies the empty (imaginary) slot, represented by the "you" in the media campaign. It is a form of mass flattery. The media caters to the narcissistic impulse to believe that it addresses us personally, as unique individuals. Thus, the reader or viewer is transformed into the subject of (and is being subjected to) the material practice of the ideology (war, in this case).

Still, not all is lost. Althusser refrains from tackling the possibilities of ideological failure, conflict, struggle, or resistance. His own problematic may not have allowed him to respond to these two deceptively simple questions:

(a) What is the ultimate goal and purpose of the ideological practice beyond self-perpetuation?

(b) What happens in a pluralistic environment rich in competing ideologies and, thus, in contradictory interpellations?

There are incompatible ideological strands even in the strictest authoritarian regimes, let alone in the Western democracies. Currently, IASs within the same social formation in the USA are offering competing ideologies: political parties, the Church, the family, the military, the media, the intelligentsia and the bureaucracy completely fail to agree and cohere around a single doctrine. As far as the Iraqi conflict goes, subjects have been exposed to parallel and mutually-exclusive interpellations since day one.

Moreover, as opposed to Althusser's narrow and paranoid view, interpellation is rarely about converting subjects to a specific - and invariably transient - ideological practice. It is concerned mostly with the establishment of a consensual space in which opinions, information, goods and services can be exchanged subject to agreed rules.

Interpellation, therefore, is about convincing people not to opt out, not to tune out, not to drop out - and not to rebel. When it encourages subjects to act - for instance, to consume, or to support a war, or to fight in it, or to vote - it does so in order to preserve the social treaty, the social order and society at large.

The business concern, the church, the political party, the family, the media, the culture industries, the educational system, the military, the civil service - are all interested in securing influence over, or

at least access to, potential subjects. Thus, interpellation is used mainly to safeguard future ability to interpellate. Its ultimate aim is to preserve the cohesion of the pool of subjects and to augment it with new potential ones.

In other words, interpellation can never be successfully coercive, lest it alienates present and future subjects. The Bush administration and its supporters can interpellate Americans and people around the world and hope to move them to adopt their ideology and its praxis. But they cannot force anyone to do so because if they do, they are no different to Saddam and, consequently, they undermine the very ideology that caused them to interpellate in the first place.

How ironic that Althusser, the brilliant thinker, did not grasp the cyclical nature of his own teachings (that ideologies interpellate in order to be able to interpellate in future). This oversight and his dogmatic approach (insisting that ideologies never fail) doomed his otherwise challenging observations to obscurity. The hope that resistance is not futile and that even the most consummate and powerful interpellators are not above the rules - has thus revived.

Just a War or a Just War?

By: Dr. Sam Vaknin

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In an age of terrorism, guerilla and total warfare the medieval doctrine of Just War needs to be re-defined. Moreover, issues of legitimacy, efficacy and morality should not be confused. Legitimacy is conferred by institutions. Not all morally justified wars are, therefore, automatically legitimate. Frequently the efficient execution of a battle plan involves immoral or even illegal acts.

As international law evolves beyond the ancient concepts of sovereignty, it should incorporate new thinking about pre-emptive strikes, human rights violations as *casus belli* and the role and standing of international organizations, insurgents and liberation movements.

Yet, inevitably, what constitutes "justice" depends heavily on the cultural and societal contexts, narratives, mores, and values of the disputants. Thus, one cannot answer the deceptively simple question: "Is this war a just war?" - without first asking: "According to whom? In which context? By which criteria? Based on what values? In which period in history and where?"

Being members of Western Civilization, whether by choice or by default, our understanding of what constitutes a just war is crucially founded on our shifting perceptions of the West.

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IV. The Doctrine of Just War

I. Hitler and the Invention of the West

In his book - really an extended essay - "Of Paradise and Power: America and Europe in the New World Order" - Robert Kagan claims that the political construct of the "West" was conjured up by the United States and Western Europe during the Cold War as a response to the threat posed by the nuclear-armed, hostile and expansionist U.S.S.R.

The implosion of the Soviet Bloc rendered the "West" an obsolete, meaningless, and cumbersome concept, on the path to perdition. Cracks in the common front of the Western allies - the Euro-Atlantic structures - widened into a full-fledged and unbridgeable rift in the run-up to the war in Iraq (see the next chapter, "The Demise of the West").

According to this U.S.-centric view, Europe missed an opportunity to preserve the West as the organizing principle of post Cold War geopolitics by refusing to decisively side with the United States against the enemies of Western civilization, such as Iraq's Saddam Hussein.

Such reluctance is considered by Americans to be both naive and hazardous, proof of the lack of vitality and decadence of "Old Europe". The foes of the West, steeped in conspiracy theories and embittered by centuries of savage colonialism, will not find credible the alleged disintegration of the Western alliance, say the Americans. They will continue to strike, even as the constituents of the erstwhile West drift apart and weaken.

Yet, this analysis misses the distinction between the West as a civilization and the West as a fairly recent geopolitical construct.

Western civilization is millennia old - though it had become self-aware and exclusionary only during the Middle Ages or, at the latest, the Reformation. Max Weber (1864-1920) attributed its success to its ethical and, especially, religious foundations. At the other extreme, biological determinists, such as Giambattista Vico (1668-1744) and Oswald Spengler (1880-1936), predicted its inevitable demise. Spengler authored the controversial "Decline of the West" in 1918-22.

Arnold Toynbee (1889-1975) disagreed with Spengler in "A Study of History" (1934-61). He believed in the possibility of cultural and institutional regeneration. But, regardless of persuasion, no historian or philosopher in the first half of the twentieth century grasped the "West" in political or military terms. The polities involved were often bitter enemies and with disparate civil systems.

In the second half of the past century, some historiographies - notably "The Rise of the West" by W. H. McNeill (1963), "Unfinished History of the World" (1971) by Hugh Thomas, "History of the World" by J. M. Roberts (1976), and, more recently, "Millennium" by Felipe Fernandez-Armesto (1995) and "From Dawn to Decadence: 500 Years of Western Cultural Life" by Jacques Barzun (2000) - ignored the heterogeneous nature of the West in favor of an "evolutionary", Euro-centric idea of progress and, in the case of Fernandez-Armesto and Barzun, decline.

Yet, these linear, developmental views of a single "Western" entity - whether a civilization or a political-military alliance - are very misleading. The West as the fuzzy name given to a set of interlocking alliances is a creature of the Cold War (1946-1989). It is both missionary and pluralistic - and, thus, dynamic and ever-changing. Some members of the political West share certain common values - liberal democracy, separation of church and state, respect for human rights and private property, for instance. Others - think Turkey or Israel - do not.

The "West", in other words, is a fluid, fuzzy and non-monolithic concept. As William Anthony Hay notes in "Is There Still a West?" (published in the September 2002 issue of "Watch on the West", Volume 3, Number 8, by the Foreign Policy Research Institute): "If Western civilization, along with particular national or regional identities, is merely an imagined community or an intellectual construct that serves the interest of dominant groups, then it can be reconstructed to serve the needs of current agendas."

Though the idea of the West, as a convenient operational abstraction, preceded the Cold War - it is not the natural extension or the inescapable denouement of Western civilization. Rather, it is merely the last phase and manifestation of the clash of titans between Germany on the one hand and Russia on the other hand.

Europe spent the first half of the 19th century (following the 1815 Congress of Vienna) containing France. The trauma of the Napoleonic

wars was the last in a medley of conflicts with an increasingly menacing France stretching back to the times of Louis XIV. The Concert of Europe was specifically designed to reflect the interests of the Big Powers, establish their borders of expansion in Europe, and create a continental "balance of deterrence". For a few decades it proved to be a success.

The rise of a unified, industrially mighty and narcissistic Germany erased most of these achievements. By closely monitoring France rather than a Germany on the ascendant, the Big Powers were still fighting the Napoleonic wars - while ignoring, at their peril, the nature and likely origin of future conflagrations. They failed to notice that Germany was bent on transforming itself into the economic and political leader of a united Europe, by force of arms, if need be.

The German "September 1914 Plan", for instance, envisaged an economic union imposed on the vanquished nations of Europe following a military victory. It was self-described as a "(plan for establishing) an economic organization ... through mutual customs agreements ... including France, Belgium, Holland, Denmark, Austria, Poland, and perhaps Italy, Sweden, and Norway". It is eerily reminiscent of the European Union.

The 1918 Brest-Litovsk armistice treaty between Germany and Russia recognized the East-West divide. The implosion of the four empires - the Ottoman, Habsburg, Hohenzollern and Romanov - following the first world war, only brought to the fore the gargantuan tensions between central Europe and its east.

But it was Adolf Hitler (1889-1945) who fathered the West as we know it today.

Hitler sought to expand the German Lebensraum and to found a giant "slave state" in the territories of the east, Russia, Poland, and Ukraine included. He never regarded the polities of west Europe or the United States as enemies. On the contrary, he believed that Germany and these countries are natural allies faced with a mortal, cunning and ruthless foe: the U.S.S.R. In this, as in many other things, he proved prescient.

Ironically, Hitler's unmitigated thuggery and vile atrocities did finally succeed to midwife the West - but as an anti-German coalition. The reluctant allies first confronted Germany and Stalinist Russia with which Berlin had a non-aggression pact. When Hitler then proceeded to attack the U.S.S.R. in 1941, the West hastened to its defense.

But - once the war was victoriously over - this unnatural liaison between West and East disintegrated. A humbled and divided West Germany reverted to its roots. It became a pivotal pillar of the West - a member of the European Economic Community (later renamed the European Union) and of NATO. Hitler's fervent wish and vision - a Europe united around Germany against the Red Menace - was achieved posthumously.

That it was Hitler who invented the West is no cruel historical joke.

Hitler and Nazism are often portrayed as an apocalyptic and seismic break with European history. Yet the truth is that they were the culmination and reification of European history in the 19th century. Europe's annals of colonialism have prepared it for the range of phenomena associated with the Nazi regime - from industrial murder to racial theories, from slave labour to the forcible annexation of territory.

Germany was a colonial power no different to murderous Belgium or Britain. What set it apart is that it directed its colonial attentions at the heartland of Europe - rather than at Africa or Asia. Both World Wars were colonial wars fought on European soil.

Moreover, Nazi Germany innovated by applying to the white race itself prevailing racial theories, usually reserved to non-whites. It first targeted the Jews - a non-controversial proposition - but then expanded its racial "science" to encompass "east European" whites, such as the Poles and the Russians.

Germany was not alone in its malignant nationalism. The far right in France was as pernicious. Nazism - and Fascism - were world ideologies, adopted enthusiastically in places as diverse as Iraq, Egypt, Norway, Latin America, and Britain. At the end of the 1930's, liberal capitalism, communism, and fascism (and its mutations) were locked in a mortal battle of ideologies.

Hitler's mistake was to delusionally believe in the affinity between capitalism and Nazism - an affinity enhanced, to his mind, by Germany's corporatism and by the existence of a common enemy: global communism.

Nazism was a religion, replete with godheads and rituals. It meshed seamlessly with the racist origins of the West, as expounded by the likes of Rudyard Kipling (1865-1936). The proselytizing and patronizing nature of the West is deep rooted. Colonialism - a distinctly Western phenomenon - always had discernible religious overtones and often collaborated with missionary religion. "The White Man's burden" of civilizing the "savages" was widely perceived as ordained by God. The church was the extension of the colonial power's army and trading companies.

Thus, following two ineffably ruinous world wars, Europe finally shifted its geopolitical sights from France to Germany. In an effort to prevent a repeat of Hitler, the Big Powers of the West, led by France, established an "ever closer" European Union. Germany was (inadvertently) split, sandwiched between East and West and, thus, restrained.

East Germany faced a military-economic union (the Warsaw Pact) cum eastern empire (the late U.S.S.R.). West Germany was surrounded by a military union (NATO) cum emerging Western economic supranational structure (the EU). The Cold War was fought all over the world - but in

Europe it revolved around Germany.

The collapse of the eastern flank (the Soviet - "evil" - Empire) of this implicit anti-German containment geo-strategy led to the re-emergence of a united Germany. Furthermore, Germany is in the process of securing its hegemony over the EU by applying the political weight commensurate with its economic and demographic might.

Germany is a natural and historical leader of central Europe - the EU's and NATO's future Lebensraum and the target of their expansionary predilections ("integration"). Thus, virtually overnight, Germany came to dominate the Western component of the anti-German containment master plan, while the Eastern component - the Soviet Bloc - has chaotically disintegrated.

The EU is reacting by trying to assume the role formerly played by the U.S.S.R. EU integration is an attempt to assimilate former Soviet satellites and dilute Germany's power by re-jigging rules of voting and representation. If successful, this strategy will prevent Germany from bidding yet again for a position of hegemony in Europe by establishing a "German Union" separate from the EU. It is all still the same tiresome and antiquated game of continental Big Powers. Even Britain maintains its Victorian position of "splendid isolation".

The exclusion of both Turkey and Russia from these re-alignments is also a direct descendant of the politics of the last two centuries. Both will probably gradually drift away from European (and Western) structures and seek their fortunes in the geopolitical twilight zones of the world.

The USA is unlikely to be of much help to Europe as it reasserts the Monroe doctrine and attends to its growing Pacific and Asian preoccupations. It may assist the EU to cope with Russian (and to a lesser extent, Turkish) designs in the tremulously tectonic regions of the Caucasus, oil-rich and China-bordering Central Asia, and the Middle East. But it will not do so in Central Europe, in the Baltic, and in the Balkan.

In the long-run, Muslims are the natural allies of the United States in its role as a budding Asian power, largely supplanting the former Soviet Union. Thus, the threat of militant Islam is unlikely to revive the West. Rather, it may create a new geopolitical formation comprising the USA and moderate Muslim countries, equally threatened by virulent religious fundamentalism. Later, Russia, China and India - all destabilized by growing and vociferous Muslim minorities - may join in.

Ludwig Wittgenstein would have approved. He once wrote that the spirit of "the vast stream of European and American civilization in which we all stand ... (is) alien and uncongenial (to me)".

II. The Demise of the West?

The edifice of the "international community" and the project of

constructing a "world order" rely on the unity of liberal ideals at the core of the organizing principle of the transatlantic partnership, Western Civilization. Yet, the recent intercourse between its constituents - the Anglo-Saxons (USA and UK) versus the Continentals ("Old Europe" led by France and Germany) - revealed an uneasy and potentially destructive dialectic.

The mutually exclusive choice seems now to be between ad-hoc coalitions of states able and willing to impose their values on deviant or failed regimes by armed force if need be - and a framework of binding multilateral agreements and institutions with coercion applied as a last resort.

Robert Kagan sums the differences in his book:

"The United States ... resorts to force more quickly and, compared with Europe, is less patient with diplomacy. Americans generally see the world divided between good and evil, between friends and enemies, while Europeans see a more complex picture. When confronting real or potential adversaries, Americans generally favor policies of coercion rather than persuasion, emphasizing punitive sanctions over inducements to better behavior, the stick over the carrot. Americans tend to seek finality in international affairs: They want problems solved, threats eliminated ... (and) increasingly tend toward unilateralism in international affairs. They are less inclined to act through international institutions such as the United Nations, less likely to work cooperatively with other nations to pursue common goals, more skeptical about international law, and more willing to operate outside its strictures when they deem it necessary, or even merely useful.

Europeans ... approach problems with greater nuance and sophistication. They try to influence others through subtlety and indirection. They are more tolerant of failure, more patient when solutions don't come quickly. They generally favor peaceful responses to problems, preferring negotiation, diplomacy, and persuasion to coercion. They are quicker to appeal to international law, international conventions, and international opinion to adjudicate disputes. They try to use commercial and economic ties to bind nations together. They often emphasize process over result, believing that ultimately process can become substance."

Kagan correctly observes that the weaker a polity is militarily, the stricter its adherence to international law, the only protection, however feeble, from bullying. The case of Russia apparently supports his thesis. Vladimir Putin, presiding over a decrepit and bloated army, naturally insists that the world must be governed by international regulation and not by the "rule of the fist".

But Kagan got it backwards as far as the European Union is concerned. Its members are not compelled to uphold international precepts by their indisputable and overwhelming martial deficiency. Rather, after centuries of futile bloodletting, they choose not to resort to weapons and, instead, to settle their differences juridically.

As Ivo Daalder wrote in a review of Kagan's tome in the New York Times:

"The differences produced by the disparity of power are compounded by the very different historical experiences of the United States and Europe this past half century. As the leader of the 'free world,' Washington provided security for many during a cold war ultimately won without firing a shot. The threat of military force and its occasional use were crucial tools in securing this success.

Europe's experience has been very different. After 1945 Europe rejected balance-of-power politics and instead embraced reconciliation, multilateral cooperation and integration as the principal means to safeguard peace that followed the world's most devastating conflict. Over time Europe came to see this experience as a model of international behavior for others to follow."

Thus, Putin is not a European in the full sense of the word. He supports an international framework of dispute settlement because he has no armed choice, not because it tallies with his deeply held convictions and values. According to Kagan, Putin is, in essence, an American: he believes that the world order ultimately rests on military power and the ability to project it.

It is this reflexive reliance on power that renders the United States suspect. Privately, Europeans regard America itself - and especially the abrasive Bush administration - as a rogue state, prone to jeopardizing world peace and stability. Observing U.S. fits of violence, bullying, unilateral actions and contemptuous haughtiness - most European are not sure who is the greater menace: Saddam Hussein or George Bush.

Ivo Daalder:

"Contrary to the claims of pundits and politicians, the current crisis in United States-European relations is not caused by President Bush's gratuitous unilateralism, German Chancellor Gerhard Schröder's pacifism, or French President Jacques Chirac's anti-Americanism, though they no doubt play a part. Rather, the crisis is deep, structural and enduring."

Kagan slides into pop psychobabble when he tries to explore the charged emotional background to this particular clash of civilizations:

"The transmission of the European miracle (the European Union as the shape of things to come) to the rest of the world has become Europe's new mission civilisatrice ... Thus we arrive at what may be the most important reason for the divergence in views between Europe and the United States: America's power and its willingness to exercise that power - unilaterally if necessary - constitute a threat to Europe's new sense of mission."

Kagan lumps together Britain and France, Bulgaria and Germany, Russia

and Denmark. Such shallow and uninformed caricatures are typical of American "thinkers", prone to sound-bytes and their audience's deficient attention span.

Moreover, Europeans willingly joined America in forcibly eradicating the brutal, next-door, regime of Slobodan Milosevic. It is not the use of power that worries (some) Europeans - but its gratuitous, unilateral and exclusive application. As even von Clausewitz conceded, military might is only one weapon in the arsenal of international interaction and it should never precede, let alone supplant, diplomacy.

As Daalder observes:

"(Lasting security) requires a commitment to uphold common rules and norms, to work out differences short of the use of force, to promote common interests through enduring structures of cooperation, and to enhance the well-being of all people by promoting democracy and human rights and ensuring greater access to open markets."

American misbehavior is further exacerbated by the simplistic tendency to view the world in terms of ethical dyads: black and white, villain versus saint, good fighting evil. This propensity is reminiscent of a primitive psychological defense mechanism known as splitting. Armed conflict should be the avoidable outcome of gradual escalation, replete with the unambiguous communication of intentions. It should be a last resort - not a default arbiter.

Finally, in an age of globalization and the increasingly free flow of people, ideas, goods, services and information - old fashioned arm twisting is counter-productive and ineffective. No single nation can rule the world coercively. No single system of values and preferences can prevail. No official version of the events can survive the onslaught of blogs and multiple news reporting. Ours is a heterogeneous, dialectic, pluralistic, multipolar and percolating world. Some like it this way. America clearly doesn't.

III. The New Rome - America, the Reluctant Empire

When the annals of the United States are written, its transition from republic to empire is likely to warrant special attention. Nor is the emergence of this land and naval juggernaut without precedent. Though history rarely repeats itself in details - both Ancient Rome and Byzantium hold relevant - albeit very limited - lessons.

The first teaches us how seamless the transformation from democracy to military dictatorship appears - when it is gradual and, ostensibly, reactive (responding to external shocks and events). The second illustrates the risks inherent in relying on mercenaries and insurgents as tools of foreign and military policy.

Arnold Toynbee, the distinguished historian correctly observed that the last days of empires are characterized by grandiose construction schemes, faraway conquests and a materialistic spree of conspicuous

consumption. Is the United States about to disintegrate?

The notion sounds preposterous. Hale, affluent, mighty, victorious and assured - the USA appears to be beyond destruction. But so did the U.S.S.R. in 1981. As history accelerates, processes which used to unfold over centuries, now consume mere decades. Telecommunications, global transports and information networks, such as the Internet - pit the likes of the USA against the ultimate superpowers: world opinion and global capital.

But first, Rome.

The disintegration of empires is rarely the outcome of merely one or more external shocks. For these to have their deleterious effects, the edifice must be already rotten, the pillars crumbling, the consensus gone, the ethos disputed and adversity rampant. As internal tensions mount and the centrifugal outweighs the centripetal - democracy is surreptitiously and incrementally eroded and replaced by an authoritarian form of government.

In his tome, "The Future of Freedom", Fareed Zakaria bemoans the existence of "illiberal democracy" - with all the trappings of one but without its constitutional substance and philosophical foundations. The United States is: "increasingly embracing a simple-minded populism that values popularity and openness as the key measures of legitimacy. . . . The result is a deep imbalance in the American system, more democracy but less liberty."

Herodotus (Histories, Book III) would have concurred:

"In a democracy, malpractices are bound to occur . . . corrupt dealings in government services lead . . . to close personal associations, the men responsible for them putting their heads together and mutually supporting one another. And so it goes on, until somebody or other comes forward as the people's champion and breaks up the cliques which are out for their own interests. This wins him the admiration of the mob, and as a result he soon finds himself entrusted with absolute power."

As would Jose Ortega y Gasset (The Revolt of the Masses, 1932):

"A characteristic of our times is the predominance, even in groups traditionally selective, of the mass and the vulgar. Thus, in intellectual life, which of its essence requires and presupposes qualification, one can note the progressive triumph of the pseudo-intellectual, unqualified, unqualifiable..."

The columnist Chris Deliso notes in Antiwar.com that "since September 11th especially, the country has suffered draconian restrictions on civil liberties and the rapid erosion of judicial and governmental transparency. At the same time, the increasing expenditure of taxpayer dollars has been conducted at variance with traditional ideals of free market competition and avoidance of embedded government cronyism. Now,

with the invasion of Iraq, the nadir has been reached: long-suppressed desires for empire have come out into the open."

Deliso ascribes these worrisome trends to "three toxic substances. The first is relentless paranoia of the outside world. According to this, all kinds of civilian restrictions and pre-emptive foreign wars become justified for the sake of 'national security.' Second is the all-pervasive cronyism between government oligarchs and corporations, which retard the practice of a free market economy. Finally, there is a belief in the ineluctable nature of 'progress,' i.e., a teleological narrative that describes America's political system as supreme, and destined to supercede and convert those of all other nations."

As others have noted, America's transition from republic to empire is remarkably reminiscent of Rome's. The irony is that as the United States inevitably becomes less democratic - it will also become less elitist. The mediocre and inapt peripatetic representatives of the popular will be replaced not by disinterested technocrats and expert civil servants but by usurpers, power brokers, interest groups, and criminal-politicians.

The Founding Fathers looked to Rome as a model. It is often forgotten that Rome has been a republic (509-27 BC) for as long as it has been an empire (27 BC - 476 AD). Hence the Senate, the bicameral legislature, the institutions of jury and professional judges, the interlocking system of checks and balances and other fixtures of American life.

Rome, like the USA, was a multicultural, multiethnic and inclusive melting pot. The family and religion - the mainstays of the American value system - were also the pivots of Roman society. Their work ethic was "Protestant" and their conduct "Calvinistic": frugality, self-reliance, steadfastness, seriousness, "fides" (good faith and reliability) were considered virtues.

From 287 BC, Rome was a full-fledged democracy and meritocracy - one's acquired wealth rather than one's arbitrary birth determined one's place in life.

The Roman takeover of Italy is reminiscent of the expansion of the United States during the 19th century. Later, Rome claimed to be "liberating" Greek cities (from Macedonian domination and other Middle Eastern tyrants) - but then proceeded to establish a series of protectorates throughout Asia Minor, Greece and today's Israel, Palestine, Syria, Egypt and North Africa.

As Rome's sphere of interests and orbit of alliances widened to include ever growing segments of the world, conflicts became inevitable. Still, early Roman historians, patriotic to a fault, always describe Roman wars as "just" (i.e., in "self-defense"). Rome was very concerned with international public opinion and often formed coalitions to attack its foes and adversaries. It then typically turned on its erstwhile allies and either conquered or otherwise absorbed them into its body politic.

Roman commanders and procurators meddled in the internal affairs of these territories. Opposition - in Carthage, Corinth and elsewhere - was crushed by overwhelming force. Lesser powers - such as Pergamum - learned the lesson and succumbed to Roman hegemony. Roman culture - constructed on Greek foundations - permeated the nascent empire and Latin became the Lingua Franca.

But, as Cato the Elder forewarned, foreign possessions and the absence of any martial threat corrupted Rome. Tax extortion, bribery, political machinations, personality cults, and moral laxity abounded. Income equality led to ostentatious consumption of the few, contrasted with the rural and urban destitution of the many. A growing share of gross domestic product was appropriated for the state by the political class. Rome's trade deficit ballooned as its farmers proved unable to compete with cheap imports from the provinces.

A whole class of businessmen - the equites, later known as the equesterian order (the equivalent of today's "oligarchs") - lucratively transacted with the administration. When erstwhile state functions - such as tax collection - were privatized, they moved in and benefited mightily. The equites manipulated the commodities markets, lent money at usurious rates, and colluded with Senators and office holders.

Sallust, the Roman historian, blamed the civil wars that followed on this wealth disparity. Cato the Elder attributed them to moral decadence. Cicero thought that the emergence of the armed forces and the "mob" (the masses) as political players spelt doom for Senatorial, republican Rome.

Some are comparing the relentlessly increasing weight of the Pentagon since 1941 to the rise to prominence of the military in republican Rome. Yet, this is misleading. The role of the army in the Roman republic was enshrined in the centuriate assembly (the army as a voting collective) and the consuls, magistrates in chief were, invariably, former army generals. Though many American presidents, starting with George Washington, were former generals - the ethos of the United States is individualistic, not military.

Thus, when the tribune Tiberius Sempronius Gracchus (133 BC) embarked on a land reform, he was opposed by the entrenched interests of the nobility (the optimi). Undeterred, through a series of piecemeal, utterly legal steps, Tiberius Gracchus sought to transform himself into a despot and neutralize the carefully constructed system of checks and balances that sustained republican Rome. The Senators themselves headed the mob that assassinated him. This was the fate of his no less radical brother, Gaius, ten years later.

These upheavals gave rise to the populares - self-appointed populist spokesmen for the disenfranchised "common man" in the Senate. They were vehemently confronted by the nobility-backed Senators, the optimates. To add instability to earthquake, Roman generals began recruiting property-less volunteers to serve as mercenaries in essentially private armies. Lucius Cornelius Sulla, an impoverished aristocrat turned army

commander, actually attacked Rome itself twice.

To secure popular support, Roman politicians doled out tax cuts, free entertainment, and free food. Ambitious Romans - such as Julius Caesar - spent most of their time electioneering and raising campaign finance, often in the form of "loans" to be repaid with lucrative contracts and sinecures once the sponsored candidate attained office.

Long-established, prominent families - political dynasties - increased their hold on power from one generation to the next.

Partisanship was rampant. Even Cicero - a much-admired orator and lawyer - failed to unite the Senators and equites against assorted fanatics and demagogues. The Senate kept repeatedly and deliberately undermining the interests of both the soldiery and the equites, Rome's non-Senatorial businessmen.

This clash of vested interests and ulterior motives gave rise to Gaius Julius Caesar, a driven and talented populist. Caesar crossed the Rubicon, the river that separated Gaul from Italy, and subdued a rebellious and obstructive Senate. He was offered by an intimidated establishment, the position of dictator for life which he accepted. The republic was over.

Life in Rome improved dramatically with the introduction of autocracy. Roman administration was streamlined and became less corrupt. Food security was achieved. Social divisions healed. The republic was mourned only by the discarded ancien regime and by intellectuals. Rome the city-state was no more. It has matured into an Empire.

And now, to Rome's crippled successor, Byzantium.

The modus operandi of the United States involves ad-hoc alliances with indigenous warlords, drug czars, terrorists, guerrilleros, freedom fighters, and armed opposition groups aimed at ousting unfriendly incumbent regimes, imposing political settlements or military solutions, countering other foreign influences, attaining commercial goals, or securing long-term presence and say in local affairs.

America's "exploit and discard" or "drain and dump" policies consistently boomerang to haunt it.

Both Saddam Hussein in Iraq and Manuel Noriega in Panama were aided and abetted by the CIA and the US military. Later, America had to invade Panama to depose the latter and conquer Iraq for the second time to force the removal of the former.

The Kosovo Liberation Army, an American anti-Milosevic pet, provoked, to great European consternation, a civil war in Macedonia two years ago. Osama bin-Laden, another CIA golem, "restored" to the USA, on September 11, 2001 some of the materiel it so generously bestowed on his anti-Russian outfit - before he was dumped unceremoniously once the Soviets retreated from Afghanistan.

Normally the outcomes of expedience, the Ugly American's alliances and allegiances shift kaleidoscopically. Pakistan and Libya were transmuted from foes to allies in the fortnight prior to the Afghan campaign. Milosevic has metamorphosed from staunch ally to rabid foe in days.

This capricious inconsistency casts in grave doubt America's sincerity - and in sharp relief its unreliability and disloyalty, its short term thinking, truncated attention span, soundbite mentality, and dangerous, "black and white", simplism. It is also a sign of short-sightedness and historical ignorance. All major empires fell prey to rampant mercenaries, erstwhile "allies" turned bitter enemies.

At its peak, the Ottoman Empire ruled most of the Balkan, up to the very gates of Vienna, Hungary, Serbia, Bosnia, Romania, Greece, Ukraine, Iraq, Syria, Israel, Egypt, North Africa including Algeria, and most of the Arab Peninsula. It lasted 600 years.

The Ottomans invaded Europe while still serving as a proxy army of mercenaries and guerilla fighters. When not at war with Byzantium, they were often used by this contemporary superpower (Byzantium) to further its geopolitical goals against its enemies - very much as the Afghan Mujahedeen or the Albanian KLA collaborated with the USA and its sidekick, the EU, during the last two decades of the twentieth century.

Not unlike the Moslem Afghani warriors of 1989, the Ottomans, too, turned on their benefactors and brought on the demise of Byzantium after 1000 years of uninterrupted existence as a superpower.

The Ottomans were named after Osman I, the Oguz (Turkmen) tribal leader, the off spring of a noble Kayi family. They were ghazis (Islamic Turkish warriors). Fleeing from the Mongols of Genghis Khan, they invaded Anatolia in the second half of the 11th century. They immediately and inevitably clashed with Byzantium and delivered to it the first of a string of humiliating and debilitating defeats in the battle of Manzikert, in 1071.

They spread inexorably throughout the fertile Anatolia, confronting in the process the Byzantines and the Mongols. They were no match to the brute efficacy of the latter, though. They lost most of Anatolia to the Mongols and maintained a few autonomous pockets of resistance in its eastern fringes. One of these anti-Mongol principalities (in the northwest) was led by Osman I.

Osman's was not the strongest principality. Its neighbour to the east, the Germiyan principality, was much stronger and more sophisticated culturally. Osman, therefore, drove west, towards the Bosphorus and the Marble (Marmara) Sea. His desperate struggles against the corrupt and decadent Byzantines, made him the Robin Hood, the folk hero of the millions of urban unemployed, nomads, and dislocated peasants turned brigands - from Syria to the Balkan. Osman offered to these desperados war booty, a purposeful life, and Islamic religious fanaticism. They joined his armies in droves.

Byzantium, his avowed enemy, was no longer prosperous and powerful, but it was culturally superior and vital, Christian, and modern. But it was decaying. Its social fabric was disintegrating, corroded by venality, hubris, paranoia, avarice, inter-generational strife, and lack of clear religious and cultural orientations. Its army, much reduced and humbled by defeats and budget cuts, was unable to secure the frontier. Economic, religious, and social discontent undermined its consensus.

Gradually, it lost its erstwhile allies. The Ilhanid dynasty in Persia refused to back it against its tormentors. Byzantium, high handed and conceited, was left to fight the Islamic terrorism on its borders all by itself. Mercenaries imported by the Byzantines from Europe served only to destabilize it further. Osman's successors tore Byzantium to hemorrhaging shreds, conquering the rest of Anatolia and the Balkan. They even employed Christian mercenaries against the Byzantines.

When Orhan, a successor of Osman, secured a territorial continuum and access to the Sea of Marmara, he took on another Turkmen empire, based in Aydin.

The people of Aydin were mercenaries at the service of competing factions in Byzantium (Thrace versus Constantinople). Orhan wanted to cut into this lucrative business. He started by defeating emperor Andronicus III and his advisor, John Cantacuzenus in the battle of Pelekanon in 1329. This unleashed the Ottoman troops upon Nicaea (1331) and Nicomedia (1337).

Faced with the loss of the historic heart of their empire, the Byzantines accepted a Faustian deal. They made peace with the Moslem Turks and recruited them as allies and mercenaries against the Christian enemies of Christian Byzantium - the Serbs, the Italians, and the Bulgarians. Orhan became the principal ally of the young and dynamic Byzantine politician (later emperor) John VI Cantacuzenus, thus gaining entry, for the first time, into Christian Europe.

Andronicus III died in 1341 and another civil war broke out in Byzantium. John Cantacuzenus, deprived of the much expected regency, confronted Alexius Apocaucus, the patriarch John Calecas, and the powerful and cunning empress mother Anne of Savoy.

The Serb king Dusan wavered between support and rejection for Cantacuzenus, who was crowned as Emperor John VI in Thrace in 1346. The new emperor, aided by hordes of Turkish troops, demolished the coalition set against him. A revolution erupted in Thrace and Macedonia. "The Zealots", having seized power in Thessalonica, declared an independent community which lasted till 1350.

Byzantium was reduced to penury by these events and by the Black Death of 1347. It fought with Venice against Genoa only to lose tax revenues hitherto paid by the Genoese. Foreign powers - the Turks included - manipulated the hopelessly fractured Byzantine ruling classes to their advantage.

In the meantime, Orhan was introduced to Europe's modern weaponry, its superior tactics of laying siege, and its internecine politics by his Byzantine masters. After he helped Cantacuzenus grab the Byzantine throne from John V Palaeologus, the new emperor granted him the right to ravage both Thrace and his own daughter, Theodora, whom Orhan married.

Ottoman raiding parties between Gallipoli and Thrace became a common sight. The loot was used to attract all manner of outcasts and dispossessed and to arm them. Byzantium was thus arming and financing its own worst enemy, facilitating its own demise.

In 1354, Ottoman mercenaries occupied and fortified the earthquake shattered Gallipoli. The Ottomans crossed permanently into Europe. When Orhan's son, Suleyman, transformed Gallipoli into an ominous base from which to overpower Christian Europe - the emperor (and other Christian nations) protested.

The Ottomans ignored them and proceeded with their expansionary preparations. They raided the Balkan as far as Adrianople. Cantacuzenus was toppled and denounced for his collaboration with the Turks. Europe woke up to the nightmare on its doorstep. But it was way too late.

It was the emperor John V Palaeologus who forced Cantacuzenus to abdicate and to retire to a monastery. John V appealed to the Pope, and through him, to the Western world, for help against the Turks. But the Popes were more concerned with the three centuries old schism between the Roman Church and the Church in Constantinople. John V has begged for help for more than a decade. In 1366, he visited Hungary and pleaded for assistance, but in vain.

The Ottomans embarked on three centuries of unhindered conquests, arrested only at the gates of Vienna in the 17th century. Recurrent international (read European) alliances and crusades failed to constrain them. The Serbs, the Bulgars, the Hungarians were all routed in bloody battlefields.

Cut off from its grain supplies and tax base, proud Byzantium accepted the suzerainty of the Ottomans, their former mercenaries. When emperor John V united the churches of Constantinople and Rome in a vain and impetuous effort to secure the military involvement of the West - he only succeeded to fracture Byzantium further.

Murad, the Ottoman ruler, incorporated large parts of Christian southeastern and central Europe into his burgeoning feudal empire. Local kings and emperors were left to govern as administrators, vassals to the Ottomans. They paid annual tribute and provided contingents to the Ottoman army. These achievements were consolidated by later Ottoman rulers for centuries to come.

In 1449 the sultan Mehmed II prepared to assault Constantinople. The West wringed its hands but provided no material or military help. The union of the two churches - Rome and Constantinople - was celebrated in

the magnificent church of Hagia Sophia in 1452. But the people of Byzantium revolted and protested against this opportunistic move. Many said that they preferred the rule of the Turks to being enslaved by the Latin West. Soon their wish would come true.

On May 29, 1453 Turkish soldiers forced their way into the shattered city. Most of the commanders (among them Venetians and Genoese) were dead or wounded. Constantine, the last emperor, fought, on foot, at one of the gates and was seen no more.

Constantinople was plundered and savaged for three long days and nights by the triumphant Turks.

The Encyclopedia Britannica (2002 edition) sums it up thus:

"The Ottoman Empire had now superseded the Byzantine Empire; and some Greeks, like the contemporary historian Critobulus of Imbros, recognized the logic of the change by bestowing on the Sultan all the attributes of the emperor. The material structure of the empire, which had long been crumbling, was now under the management of the sultan-basileus. But the Orthodox faith was less susceptible to change. The Sultan acknowledged the fact that the church had proved to be the most enduring element in the Byzantine world, and he gave the Patriarch of Constantinople an unprecedented measure of temporal authority by making him answerable for all Christians living under Ottoman rule.

The last scattered pockets of Byzantine resistance were eliminated within a decade after 1453. Athens fell to the Turks in 1456-58, and in 1460 the two despots of Morea surrendered. Thomas fled to Italy, Demetrius to the Sultan's court. In 1461 Trebizond, capital of the last remnant of Greek empire, which had maintained its precarious independence by paying court to Turks and Mongols alike, finally succumbed; the transformation of the Byzantine world into the Ottoman world was at last complete."

T H E A U T H O R

SHMUEL (SAM) VAKNIN

Curriculum Vitae

Born in 1961 in Qiryat-Yam, Israel.

Served in the Israeli Defence Force (1979-1982) in training and education units.

Education

Graduated a few semesters in the Technion - Israel Institute of Technology, Haifa.

Ph.D. in Philosophy (major : Philosophy of Physics) - Pacific Western University, California.

Graduate of numerous courses in Finance Theory and International Trading.

Certified E-Commerce Concepts Analyst.

Certified in Psychological Counselling Techniques.

Full proficiency in Hebrew and in English.

Business Experience

1980 to 1983

Founder and co-owner of a chain of computerized information kiosks in Tel-Aviv, Israel.

1982 to 1985

Senior positions with the Nessim D. Gaon Group of Companies in Geneva, Paris and New-York (NOGA and APROFIM SA):

- Chief Analyst of Edible Commodities in the Group's Headquarters in Switzerland.

- Manager of the Research and Analysis Division

- Manager of the Data Processing Division

- Project Manager of The Nigerian Computerized Census

- Vice President in charge of RND and Advanced Technologies

- Vice President in charge of Sovereign Debt Financing

1985 to 1986

Represented Canadian Venture Capital Funds in Israel.

1986 to 1987

General Manager of IPE Ltd. in London. The firm financed international multi-lateral countertrade and leasing transactions.

1988 to 1990

Co-founder and Director of "Mikbats - Tesuah", a portfolio management firm based in Tel-Aviv.

Activities included large-scale portfolio management, underwriting, forex trading and general financial advisory services.

1990 to Present

Free-lance consultant to many of Israel's Blue-Chip firms, mainly on issues related to the capital markets in Israel, Canada, the UK and the USA.

Consultant to foreign RND ventures and to Governments on macro-economic matters.

President of the Israel chapter of the Professors World Peace Academy (PWPA) and (briefly) Israel representative of the "Washington Times".

1993 to 1994

Co-owner and Director of many business enterprises:

- The Omega and Energy Air-Conditioning Concern
- AVP Financial Consultants
- Handiman Legal Services

Total annual turnover of the group: 10 million USD.

Co-owner, Director and Finance Manager of COSTI Ltd. - Israel's largest computerized information vendor and developer. Raised funds through a series of private placements locally, in the USA, Canada and London.

1993 to 1996

Publisher and Editor of a Capital Markets Newsletter distributed by subscription only to dozens of subscribers countrywide.

In a legal precedent in 1995 - studied in business schools and law faculties across Israel - was tried for his role in an attempted takeover of Israel's Agriculture Bank.

Was interned in the State School of Prison Wardens.

Managed the Central School Library, wrote, published and lectured on various occasions.

Managed the Internet and International News Department of an Israeli mass media group, "Ha-Tikshoret and Namer".

Assistant in the Law Faculty in Tel-Aviv University (to Prof. S.G. Shoham).

1996 to 1999

Financial consultant to leading businesses in Macedonia, Russia and the Czech Republic.

Collaborated with the Agency of Transformation of Business with Social Capital.

Economic commentator in "Nova Makedonija", "Dnevnik", "Izvestia", "Argumenti i Fakti", "The Middle East Times", "Makedonija Denes", "The New Presence", "Central Europe Review", and other periodicals and in the economic programs on various channels of Macedonian Television.

Chief Lecturer in courses organized by the Agency of Transformation, by the Macedonian Stock Exchange and by the Ministry of Trade.

1999 to 2002

Economic Advisor to the Government of the Republic of Macedonia and to the Ministry of Finance.

2001 to present

Senior Business Correspondent for United Press International (UPI)

Web and Journalistic Activities

Author of extensive Websites in Psychology ("Malignant Self Love") - An Open Directory Cool Site

Philosophy ("Philosophical Musings")

Economics and Geopolitics ("World in Conflict and Transition")

Owner of the Narcissistic Abuse Announcement and Study List and the Narcissism Revisited mailing list (more than 3900 members)

Owner of the Economies in Conflict and Transition Study list.

Editor of mental health disorders and Central and Eastern Europe categories in web directories (Open Directory, Suite 101, Search Europe).

Columnist and commentator in "The New Presence", United Press International (UPI), InternetContent, eBookWeb and "Central Europe Review".

Publications and Awards

"Managing Investment Portfolios in states of Uncertainty", Limon Publishers, Tel-Aviv, 1988

"The Gambling Industry", Limon Publishers., Tel-Aviv, 1990

"Requesting my Loved One - Short Stories", Yedioth Aharonot, Tel-Aviv, 1997

"The Macedonian Economy at a Crossroads - On the way to a Healthier

Economy" (with Nikola Gruevski), Skopje, 1998

"Malignant Self Love - Narcissism Revisited", Narcissus Publications, Prague and Skopje, 1999, 2001, 2002

The Narcissism Series - e-books regarding relationships with abusive narcissists (Skopje, 1999-2002)

"The Exporters' Pocketbook", Ministry of Trade, Republic of Macedonia, Skopje, 1999

"The Suffering of Being Kafka" (electronic book of Hebrew Short Fiction, Prague, 1998)

"After the Rain - How the West Lost the East", Narcissus Publications in association with Central Europe Review/CEENMI, Prague and Skopje, 2000

Winner of numerous awards, among them the Israeli Education Ministry Prize (Literature) 1997, The Rotary Club Award for Social Studies (1976) and the Bilateral Relations Studies Award of the American Embassy in Israel (1978).

Hundreds of professional articles in all fields of finances and the economy and numerous articles dealing with geopolitical and political economic issues published in both print and web periodicals in many countries.

Many appearances in the electronic media on subjects in philosophy and the Sciences and concerning economic matters.

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Philosophy:

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After the Rain

How the West

Lost the East

The Book

This is a series of articles written and published in 1996-2000 in Macedonia, in Russia, in Egypt and in the Czech Republic.

How the West lost the East. The economics, the politics, the geopolitics, the conspiracies, the corruption, the old and the new, the plough and the internet - it is all here, in colourful and provocative prose.

From "The Mind of Darkness":

"'The Balkans' - I say - 'is the unconscious of the world'. People stop to digest this metaphor and then they nod enthusiastically. It is here that the repressed memories of history, its traumas and fears and images reside. It is here that the psychodynamics of humanity - the tectonic clash between Rome and Byzantium, West and East, Judeo-Christianity and Islam - is still easily discernible. We are seated at a New Year's dining table, loaded with a roasted pig and exotic salads. I, the Jew, only half foreign to this cradle of Slavonics. Four Serbs, five Macedonians. It is in the Balkans that all ethnic distinctions fail and it is here that they prevail anachronistically and atavistically. Contradiction and change the only two fixtures of this tormented region. The women of the Balkan - buried under provocative mask-like make up, retro hairstyles and too narrow dresses. The men, clad in sepia colours, old fashioned suits and turn of the century moustaches. In the background there is the crying game that is Balkanian music: liturgy and folk and elegy combined. The smells are heavy with muskular perfumes. It is like time travel. It is like revisiting one's childhood."

The Author

Sam Vaknin is the author of Malignant Self Love - Narcissism Revisited and After the Rain - How the West Lost the East. He is a columnist for Central Europe Review and eBookWeb , a United Press International (UPI) Senior Business Correspondent, and the editor of mental health and Central East Europe categories in The Open Directory and Suite101 .

Until recently, he served as the Economic Advisor to the Government of Macedonia.

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