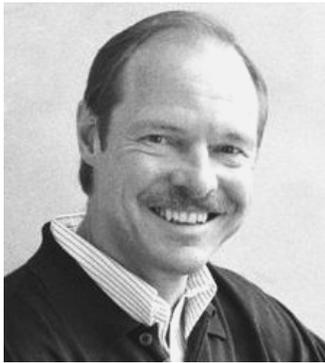


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Perspectives



The Iraq War A Questionable Enterprise

What's next in the Middle East? According to people like Donald Rumsfeld and Dick Cheney, a pre-emptive attack on Iraq. According to much of the American political establishment, nothing of the kind.

One year after the tragedy of September 11, America's War On Terrorism is in tatters. The situation in Afghanistan is deteriorating fast, US allies in Europe and the Middle East are openly criticizing Washington, the terrorists have broadened their reach and are said to be regrouping, and Saddam Hussein is as defiant as ever. And worst of all, America itself is at odds over what should happen.

I've written at length about what I think of the ever crabby allies and the despotic regimes of the Middle East. This time, let me dwell on the US itself. Earlier this week, Vice President Cheney stated that "the risks of inaction are far greater than the risks of action" and "there is no doubt that Saddam Hussein now has weapons of mass destruction; there is no doubt that he is amassing them to use against our friends, against our allies, and against us."

What does the US know?

We can't expect the US to demonstrate to the public what evidence it has accumulated. Everyone understands that. But I would have expected that the Pentagon might show its closest allies what exactly it has on the vile Saddam-- especially Britain, whose pilots have flown thousands of sorties over Iraq to enforce the no-fly zone. Maybe the Brits have actually looked at evidence of Iraq's weapons of mass destruction programs. But if they have, it can't have been too compelling; Prime Minister Blair's recent statements all argue against military action in Iraq.

Is a preemptive strike justifiable?

Even so, let's for a moment assume the Bush administration has the kind of information that can justify its warlike rhetoric. If Cheney, Rumsfeld and the other hawks in the cabinet are right and Saddam truly sits on whole arsenals of deadly chemical and biological agents (not to speak of his alleged readiness to deploy nuclear devices), then pre-emptive action should be taken immediately, shouldn't it? No one wants anthrax or smallpox unleashed on the West's urban centers, or see a "dirty nuke" exploded.

Under such circumstances, the deployment of US troops would also become justifiable, because the loss of life on the Iraqi battlefield would surely pale in comparison with what would befall US civilians in the event of a biological, chemical or nuclear attack.

The problem, of course, is that Dick Cheney doesn't know. When pressed on the subject, the Vice President becomes quite vague. He says that "firsthand testimony from defectors" suggests that the pursuit of nuclear arms is under way. When will Saddam be ready, the press wants to know? "Just how soon, we cannot really gauge. Intelligence is an uncertain business, even in the best of circumstances." There's the problem. Neither does the US know whether Saddam is fast approaching the ability to put the world on fire, nor can the nations opposing an attack on Iraq prove the opposite.

Where does that leave America? In the precarious position of having to justify something that might be an act of self-defense or, alternatively, constitute an act of great immorality. There is no good answer to this dilemma. □

September 19, 2002

The Iraq War - II

Three things go through my mind as I reflect on the tragedy of September 11, 2001. The first comes in the form of images—the graphic memories that I, and millions of others, will be condemned to remember as long as we live.

The thought that occurs soon after is that we should not dwell on last September's attack on innocent Americans without also paying respect to the innocent civilians slaughtered in so many other places—in Afghanistan, in the war between Israelis and Palestinians, and in Africa's epic conflicts, which are so far removed from our consciousness that hardly anyone pays attention.

Pax Americana, RIP

The third thing that goes through my mind is the extent to which 9/11 has altered our consciousness. It fundamentally and irreversibly changed the way we perceive geo-political realities and diminished the level of confidence we hold in our systems and markets. The notion Americans and most of the world held—that the United States is invulnerable—has been destroyed. The concept of *Pax Americana*, that Washington can in the post-Communist world guarantee global peace and security, has been cruelly challenged. As one of my European friends asks, must we now prepare for a world of preemptive strikes and retaliation? It's not a pleasant prospect.

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“We created a United Nations Security Council, so that unlike the League of Nations, our deliberations would be more than talk, our resolutions more than wishes,” President Bush said this week at the United Nations. He’s absolutely right. The United Nations’ record on Iraq has been one of atrocious ineffectiveness.

America’s European allies, meanwhile, keep harping that any decision regarding Iraq must be approved by the unwieldy United Nations. What they don’t say is that the UN already adopted what is called Resolution 687 in 1991. Its intent could not be more unambiguous. It says that “Iraq shall unconditionally accept the destruction, removal or rendering harmless, under international supervision, of all ...chemical, biological and ballistic weaponry”. Saddam ended the United Nations effort to do just that when, several years ago, he disallowed weapons inspectors free movement inside his country.

It’s instructive to weigh what the UN did in response. In a nutshell, it adopted additional resolutions. In 1998, UN Resolution 1205 condemned “the decision by Iraq of 31 October 1998 to cease co-operation ... as a flagrant violation of Resolution 687 and other relevant resolutions.” And the year after, the world body adopted UN Resolution 1284 which established the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC). The commission, we were told by the United Nations bureaucracy, would ensure “the verification of compliance by Iraq with its obligations.” In summary, the fact that Secretary Annan now asks for the matter of Iraq to be brought into the hands of the United Nations, is nothing short of bizarre. That he is backed in this demand by most European governments, as well as Security Council members Russia and China, is not surprising, but adds to the absurdity.

I think the US administration is right in saying that it will “go it alone” if necessary. Waging war by committee didn’t work in the first move on Iraq, when NATO’s mandate was restricted to the ejection of Iraqi troops from Kuwait, which effectively ended the campaign when Saddam’s elite Republican Guard was chased back to the gates of Baghdad. The Kosovo campaign, under United Nations command, ended up being successful, but frustration abounded as French intelligence consistently leaked the UN bombing targets to Belgrade. Given such constraints, why not go it alone?

The need to demonstrate cause

None of which is to suggest that the US should carry out an attack on Iraq without demonstrating just cause to do so. I fervently believe that the concept of a preemptive strike against a regime that *might* have weapons of mass destruction or *might* be on the verge of developing them is profoundly immoral. The question, then, is with whom Washington should share the intelligence it has gathered? In the last issue I argued that the government cannot be expected to give the information it has to the public. One subscriber challenges that view. He writes that “The public should never be treated so dismissively and government secrecy is responsible for many of the world’s ills,” and “If there is hard evidence that Iraq has weaponry which constitutes a serious threat to world security, such evidence should be paraded for all to see.”

I sympathize with that general viewpoint, but doubt the tactical and strategic wisdom of it. If the US knows what weapons of mass destruction Baghdad holds where, it has every justification to strike and no duty to disclose details until the enemy is vanquished. It would be noble to first share such evidence with the world and to seek its approval, but graciousness is not a virtue when it comes to warfare. Given the circumstances, and assuming US intelligence can demonstrate cause for an attack, a briefing of congressional leaders should suffice. □

The Iraq War - III

After the first Bush doctrine (“If you’re not with us, you’re against us”), the world is now digesting a second. It was tabled last week in a 33-page document entitled *The National Security Strategy of the United States* and states that the US will never allow its military supremacy to be challenged. “We will not hesitate to act alone, if necessary,” the document says, “to exercise our right of self-defense pre-emptively.” Terrorism and the ability to deploy weapons of mass destruction are mentioned as a possible, but not necessarily the only, excuse to justify such strikes.

Before going into the meat of the pre-emptive strike doctrine, let me dwell on the subject of weapons of mass destruction. Courtesy the Pentagon, we’ve learned that such weapons comprise nuclear devices, as well as the full spectrum of biological and chemical agents which, if unleashed upon humans, can kill them in large numbers. There’s a key problem with that definition. Countless research facilities around the world work with biological agents like anthrax or smallpox, most pharmaceutical and chemical companies produce deadly chemical compounds, and finally, many large hospitals have sizeable stocks of radioactive isotopes, not to speak of the stores of enriched uranium and plutonium held by nuclear power plants. In short: all by itself, the scientific infrastructure of virtually any nation on earth provides a convenient excuse for a pre-emptive strike!

New doctrine transcends Bush era and Iraq problem

No one can know whether such callous thoughts are on the US President’s mind. After all, George W. Bush may still share with US legislators and foreign allies knowledge of specific Iraqi installations or facilities which actually warrant a pre-emptive strike on Baghdad. But whether that will be the case or not is almost academic. By articulating his doctrine, Bush ushers in a new *modus operandi* which will transcend his administration and the context of the Iraq problem.

Some have dismissed George W. Bush’s recent statements as nothing more than a continuation of a Republican tradition, drawing comparison to Ronald Reagan’s characterization of the Soviet Union as “The Evil Empire”. Such assessments are incorrect. President Reagan’s legendary statement served notice on Moscow that the US could no longer engage in honest debate with a power that it and much of the world regarded as devoid of any morality. The current President’s “Axis of Evil” comments were similar, which is why I never opposed them: they singled out known rogue regimes and served notice on them that any step in the wrong direction would have consequences.

What Bush has done with his most recent doctrine is different. The concept of a pre-emptive strike against anyone who is deemed to be an enemy no longer only defends the United States against attack, but promotes the protection of America’s interests. Or, put differently, George W. Bush is no longer content with the principle that attacks on the US will be met with harsh retribution, but he’s serving notice that the US will do what it needs to do in order to realize its ambitions. The most disconcerting aspect to this is that America will both be the judge of who should be targeted *and* the executor of the military strike. In declaring itself the sole arbiter of how the world order should be stacked, the US is matching the unrivalled power and influence it has enjoyed since the collapse of Communism with unrivalled arrogance. Why, I can hear the world community ask, should America be trusted with such a role? And why, I can hear the other major powers pipe in, should *we* not execute pre-emptive strikes against *our* possible enemies? What would happen if Russia and China adopted the same doctrine is best left to the imagination.

America the Empire

The announcement of the “preemptive strike” doctrine marks a defining point in time. It marks the end of the United States as a nation whose attention is directed internally and it marks the beginning of America the Empire. Depending on how the doctrine is applied, it may also mark the end of an age of moral leadership and the dawn of an era in which corporate interests dominate the militarily and economically most powerful nation. 20th century type democracy may be on its way out; oligarchy might become its logical successor.

Here is what troubles me the most. Rightly or wrongly, many Americans and most of the world agree that the test case for the new doctrine, Iraq, is motivated by oil and not by a credible threat to the United States. If the US now decides to strike, without being able to adequately demonstrate that Saddam was sitting, hand on the trigger, on a lethal arsenal, the conclusion will be that Big Oil is capable of determining America’s new imperial foreign policy.

A more frightening thought and a distressing precedent could not have been invented by Washington’s worst enemies. □

November 14, 2002

The Iraq War - IV

“The full disarmament of weapons of mass destruction *will* occur. The only question for the Iraqi regime is to decide how,” said President Bush after the UN Security Council voted unanimously in favor of a new Iraq resolution. Let me say this first: I believe the US President, and I believe there will be war.

To begin with, George W. Bush has more domestic backing than any president could wish for. In addition to the pre-election Congressional resolution of support he obtained, he can now also claim control of both the House of Representatives and the Senate. From a global perspective, opposition to the US stance is also waning. If Saddam does not fully cooperate with UN weapons inspectors, far fewer nations will stand opposed to a strike against Baghdad than was the case two months ago. China has virtually withdrawn its dissent and Russia seems amenable to a deal. Even some Middle Eastern players appear ready to jump off the Muslim train before it derails: it’s very significant that Syria, the only Arab nation currently on the Security Council, decided to support the UN vote against Iraq.

How will it change our lives?

None of this means that war is inevitable. Both Russian and US intelligence are reportedly working on overthrowing Baghdad’s current regime, presumably with the help of mutinous Iraqi generals. There is also an outside chance that Saddam will surprise everybody and mend his nefarious ways. Still, the odds for war are substantially larger than they were a few weeks ago, which is why the most pressing question of the moment is this: what geo-political impact will an attack on Iraq have and how will it change our lives? I’d like to devote today’s comments to the first question and deal with the second one in a future issue.

On the geo-political front, one of the safest bets is that the Middle Eastern political map will be completely redrawn during the next five to ten years. The Arab nations themselves are facing internal revolt, as unemployed and uneducated youths make up a larger and larger percentage of the population. In most countries this disenfranchised group exceeds 30% of the total population; in several countries (Saudi Arabia included) it's 40% or more! While this explosive situation is largely the result of the repressive practices of brutal dictatorships, the wrath of the discontented is directed not at local despots alone, but also at the West. This is an entirely logical reaction, because the West was not only responsible for putting into power many of the Middle East's corrupt regimes, but it has also been guilty of protecting them, in order to maintain a stable and reasonably priced flow of energy.

Much of the non-American press places the fault for such policies squarely in Washington's lap, which is more than a bit hypocritical. Europe and Russia, in particular, are at least as guilty of carrying out the same cynical resource policies pursued by the United States. That's why the European Union's anti-US stance over the showdown with Saddam Hussein is suspect: Europe is far more concerned with curbing US power *per se* than with the principles at stake.

The importance of September 11

September 11 marked a dramatic change. By being attacked on its own soil, the American model was sorely tested. Protecting corrupt client states like Saudi Arabia no longer guaranteed anything—on the contrary, most of the terrorists received training at Saudi-financed *madrassa* schools and were of Saudi origin. Meanwhile, Middle Eastern demographics strongly suggest that worse lies ahead. In retrospect, it's amazing that it took the tragedy of September 11 to force Washington to seriously question its practice of propping up regimes that are not only hostile but unsustainable. On the other hand, America's reaction to 9/11 was far swifter than expected. The Bush administration quickly put its deemed alliances to the test and, where necessary, initiated strategic shifts. The first Bush doctrine ("if you're not with us, you're against us") set the theme; the second one ("we will carry out pre-emptive strikes when our security is threatened") took the premise to its next level.

The Bush administration's reaction brings immense risks to the world—I have commented on these at length in previous issues. But in some ways, it has also worked. The removal of the Taliban was not only a tactical step within a much larger script; it was also a highly symbolic act in that it did away with the worst Islamicism has to offer. From that perspective, a move on Iraq is the next logical step: after all, Saddam is now the most visible evil-doer. His track record as a repressive dictator capable of brutal aggression, genocide and environmental terrorism is undisputed, which is why attacking him is so saleable to the US public.

But Iraq is more than just Saddam—it's also home to the world's second largest oil reserves. Predictably, America's rivals feel as deeply uncomfortable about the idea of giving Washington control over Iraq's potential, as the Arab nations feel resentful that the fate of their region should once again be determined by a Western power. The US government is no doubt aware of such concerns and even understands them, but it knows that radical Islamicists threaten its security, that demographics virtually guarantee the overthrow of key oil producing states and that neither Russia, China nor the European Union will be able to do much about a US intervention.

While Washington is forced to discuss big issues, like the invasion of Iraq, with other world powers, its multi-pronged initiative in the Middle East, South Asia and the Far East continues unabated. On this front, diplomacy has been shelved in favor of forceful demands that governments cooperate with the US in its War On Terrorism. Most nations view this as an interference in their sovereign affairs, but have little choice but to grudgingly comply. If they don't, they risk being isolated, which will hasten internal turmoil and, eventually, their overthrow. If they cooperate, there are the benefits of increased US aid and, in turn, inflows of Western capital. Saudi Arabia is a regime that's being isolated; Oman and Qatar are being courted.

The US strategy, in essence, follows the model pioneered by British colonial policy: divide and conquer. Which is why the concept of Muslim unity, already a sham, is destined to completely crumble. At the same time, the continuous spreading of Islamicist terrorisms will ensure that much of the world will (albeit kicking and screaming), be forced to accept or at least tolerate the US agenda. Russia has already been drawn deep into the cauldron of terrorism and it's only a question of time before Al Qaida succeeds in attacking European targets. China is not directly threatened, but as its influence in places like Malaysia, the Philippines and Indonesia spreads, it will feel increasingly challenged by radical Islam. I wrote in October of 2001 that the current conflict would eventually become a "War on Islam" and I took a lot of heat for saying so. I still believe that this is exactly what will happen.

War is bad for markets

Several readers have asked me to comment on how the coming geo-political changes will impact financial markets. My viewpoint is in stark contrast to that of the many pundits who're suggesting that war is good for stocks. Not only is that a reckless notion, but there are numerous historical models which prove the opposite. War is a costly exercise that draws capital away from far more productive uses and basically wipes it out. It also frequently brings with it inflation, a prime destroyer of capital. This is not to say that war can't be a bonanza to specific stock sectors: the most notable examples are defense (early on) and reconstruction (after it's all over). But the idea that war brings benefits to the general economy and the stock market is mythical.

There's only one circumstance under which I can imagine tangible and lasting benefits to financial markets: a fast and flawlessly executed takeover of Iraq. The markets, which are gravely concerned with the possibility of a costly and protracted war, would breathe a sigh of relief, while oil prices would fall dramatically and thus boost the economy. The trouble with this scenario is that it would not likely last. The rest of the Middle East would likely be destabilized by an Iraq war and the only way the US could continue along its strategic plan would be to contain the next potential aggressors. Another problem is that the War On Terrorism, which has effectively become the War Against Al Qaida, will be sidetracked by a move on Iraq; the odds that the terrorist network will take advantage of that.

In short, the rearrangement of the Middle East and the War On Terrorism are likely be with us for a very long time and will consist of many phases. Any attempt at scenario construction risks being blindsided by countless uncertainties. One constant irritant along the path to changing the region's political map and lessening its monopolistic grip on energy will be the haggling between the US and other major powers. A lasting inconvenience in the War On Terrorism will be that, by definition, the terrorists control the agenda and are capable of striking anytime, anywhere. Such a fickle environment is guaranteed to weigh heavily on financial markets for some time. □