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28 February, 2012

Article 1.	The Times of Israel <u>The agony of Hamas</u> Ehud Yaari
Article 2.	USA TODAY <u>In once-quiet Jordan, air of unrest looms</u> Sarah Lynch
Article 3.	Foreign Policy <u>Saudi Arabia Is Arming the Syrian Opposition</u> Jonathan Schanzer
Article 4.	The Financial Times <u>Syria, the case for staying out</u> Gideon Rachman
Article 5.	The Council on Foreign Relations <u>Iran's Elections and Nuclear Politics</u> Interview with Farideh Farhi
Article 6.	TIME <u>Why China Will Have an Economic Crisis</u> Michael Schuman
Article 7.	NYT

	<u>If You Feel O.K., Maybe You Are O.K.</u> H. Gilbert Welch

Article 1.

The Times of Israel

The agony of Hamas

Ehud Yaari

February 27, 2012 -- Hamas's no longer undisputed leader Khaled Mashaal is now in deep trouble. He's having difficulty finding a new home after leaving Damascus, and during his travels across the Arab world, he's meeting with growing opposition to his policies from within his own movement.

This is the most serious rift ever within Hamas's ranks. It has already turned into a bitter public controversy between Mashaal and his few loyalist lieutenants, versus his own Deputy Head of the Political Bureau, Dr. Musa Abu-Marzuq, and the top leaders in Gaza.

A major effort is currently underway to resolve the crisis quietly and present a semblance of renewed unity amongst Hamas's top echelon. Too late! By now it has become obvious that Hamas is severely divided on its future course as well as on the identity of its post-Syria sponsors.

A few months into the uprising against Bashar Assad, Mashaal reached the conclusion that Hamas could no longer afford to appear as supporting and benefiting from the Syrian regime, which is butchering its own

people. He understood that Hamas — the Palestinian wing of the Moslem Brotherhood — should not position itself against its colleagues in the Syrian Moslem Brotherhood, who are struggling to wrest control of the revolt — a revolt that has won the public blessing of the Brotherhood's Qatari-based spiritual guide Sheikh Yussef al-Qardawi and all other branches of the movement.

One by one, Hamas leaders sneaked out of Damascus — first sending away their families and then packing up the political and military offices. Assad refrained from any open criticism of Hamas's departure in return for Mashaal's promise to keep praising Syria's role in assisting the "resistance," while expressing only vague sympathy for the "aspirations of the people."

Different leaders of Hamas have found new homes for themselves: Abu-Marzuq in Cairo; Muhammad Nazzal in Amman; Imad al-Alami (the military supremo) went back to Gaza. But no country — except far-away Qatar — has so far agreed to accommodate the Hamas headquarters and allow it to operate out of its territory. Egypt, Jordan and even Sudan said no to Mashaal's request.

Mashaal has committed himself to retire from the top position, yet he has no intention of doing that.

Abandoning their secure base in Damascus without being able to obtain an alternative safe haven, the "External Leadership" of Hamas is fast losing ground in its ongoing rivalry with the "Internal Leadership" centered in the Gaza Strip. Mashaal is no longer in

sole control of the movement's purse strings, since contributions from Tehran were reduced. He no longer enjoys the recognition of Syria, Iran and Hezbollah in his supremacy within Hamas.

In short, Mashaal, whose claim to be number one was always contested by some in Gaza, reached a point where he felt that he should make an unprecedented public offer not to run again this summer for chairmanship of the Political Bureau. Soon enough it became quite evident that many of the Gaza leaders — and also Abu-Marzuq! — were not going to beg him to stay.

That has left Mashaal in a bind: He has committed himself to retire from the top position, yet he has no intention of doing that. He still expects to be “convinced” by his colleagues to remain in his seat. And so, earlier this month, Mashaal resorted to a sudden dramatic exercise: On February 6 in Doha he signed — under the auspices (and financial incentives) of the Emir of Qatar — an agreement with the Palestinian Authority's Mahmoud Abbas to form a “temporary” technocrats' Unity Government, with Abu Mazen himself as prime minister. They also agreed to postpone general elections without fixing a specific date.

This was a bombshell! Mashaal has agreed, at least implicitly, to make a major concession: to dismantle Hamas' s own government in Gaza, which has ruled the Strip for the last five years, and to allow the PA administration (and security services?) to resume control over the different ministries. He seemed to be

sacrificing Hamas's autonomous enclave in the hope that, at an unspecified date, Hamas might win in the ballot boxes.

Furthermore, Mashaal made a few statements recommending "popular struggle" — which is the code for unarmed confrontation — against Israel. This was perceived as meaning he was willing to suspend use of bullets and rockets, contrary to Hamas's traditional devotion to the concept of "armed resistance." He also expressed acceptance of a Palestinian state within 1967 boundaries, although he stressed that there would be no peace or recognition of The Zionist Entity and the goal will remain the destruction of Israel. To many in Hamas, Mashaal sounded as if he was diverting to a dangerous course in an effort to adjust to the Arab Spring, handing their Fatah rivals an easy victory.

A chorus of protests by the Gaza leaders — not to mention by the West Bankers — immediately erupted. Mashaal was accused of acting behind the back of the Hamas institutions and deviating from the adopted policies. Dr. Mahmoud al-Zahar, an old foe of Mashaal's, took the lead in public, but many joined him during the closed doors sessions of Hamas meetings in Khartoum and then in Cairo. The plan to appoint Abbas as prime minister was described as "unconstitutional."

Ismail Haniyeh, the prime minister of the Hamas government in Gaza, embarked on a tour of several Arab countries avoiding any hint of support for the Doha Agreement. Then he ignored warnings by the

Gulf states and the Moslem Brotherhood and paid a widely publicized visit to Iran, kissing and hugging Supreme Leader Khamenei, and asking for direct financial assistance to Gaza. On his return to Cairo, incidentally, the crowd at al-Azhar mosque Friday prayer cheered him by shouting “Down with Iran, Down with Hezbollah!”.....

And so, right now, the ever-negotiated reconciliation process between Hamas and Fatah is again bogged down. Abbas insists on the implementation of the deal cut with Mashaal. The majority of Hamas leaders demand “amendments” to the Doha Agreement. Maintaining exclusive security control over the Strip is definitely a Hamas condition now, as is a demand for veto power over the appointment of all ministers. The two parties keep conferring in Cairo but so far cannot agree on a visit of Abbas in Gaza. The internal debate within Hamas has been brought to the surface. The movement has lost the pretense of cohesion. The battle over command and direction is on.

Article 2.

USA TODAY

In once-quiet Jordan, air of unrest looms

Sarah Lynch

02/28/2012 -- AMMAN, Jordan – Rain falls slowly over protesters outside a mosque nestled in the heart of downtown, where one year after political tumult

shook governments across the Middle East, demonstrators continue to demand political and economic reform.

"We are here to say we are not with the government," says Rula Abdel Hamid, marching with a group of women chanting anti-government slogans on a recent Friday afternoon. "They are stealing this country." Jordan has remained relatively calm despite ongoing discontent since demonstrators in the region hit the streets in January 2011 in outrage over unemployment, corruption and rising costs.

Indifferent to the uprisings in neighboring countries, many here believe the Jordanian regime stands poised to address issues and demands proactively.

Jordanian King Abdullah II helped quell rising unrest with political concessions, salary increases and price cuts for fuel and food after massive demonstrations kicked off last year. He has replaced the country's prime minister twice.

"I think there has been enough of a promise of reform to keep people taking a wait-and-see attitude, which is what happened in Morocco as well," says Marina Ottaway of the Carnegie Endowment for International Peace about the North African nation whose King Mohammed VI retained control after implementing reforms last year.

Analysts say the situation in Jordan is shakier than it seems.

"In the short term, things are in decent shape, but I just don't want to suggest the book is closed," says Robert Danin, a senior fellow with the Council on Foreign

Relations, a think tank. "It's possible things could get more difficult in Jordan."

In a regional atmosphere of growing freedom, Jordanians have grown active in demanding their rights. Teachers went on strike for more than two weeks in early February insisting on higher salaries. The strike effectively shut down public schools across the nation.

Outside Parliament on Thursday, a group of high school students protested their grades on recent exams that determine their standing for college.

"This is the first time we're demonstrating like this," student Abdulrahman Al-Qasim says.

The gathering was one of numerous displays of agitation throughout Amman these days.

"Many people suffer from poverty, high costs of electricity, water bills, and the government wants to raise the price of basic staples," says Samer Al-Qasm, 40, who has protested in downtown Amman every Friday for months. Jobless himself, Al-Qasm is demanding the government address unemployment. Although unemployment is a concern, many Jordanians say they are most angered by government corruption.

Lawmaker Mamdouh Al-Abbadi says the government needs "to convince the people that (they) are serious in working strong and hard against corruption," adding that it will likely be 20 years before things in the region "settle down" and Jordan sees "real democracy."

The second-most important issue, he says, is

improving the economy.

Jordanians are displeased with what they say are unjust taxes and rising energy costs. The global rise in price of gas, combined with the reduction of a cheaper energy source — natural gas — coming from Egypt, has caused energy bills for many Jordanians to almost double.

Among those pushing hard for changes is the Islamic Action Front (IAF), Jordan's largest opposition group. "Many things have changed but it's not enough," says Hamzeh Mansour, leader of the IAF, the political arm of Jordan's Muslim Brotherhood.

The most important issue, Mansour says, is reforming electoral laws to give movements such as the IAF greater political participation and to allow the people to elect the prime minister.

Amid these ongoing calls for change, analysts say, King Abdullah II is caught in a difficult position.

"You have Israel and the Palestinians to the west, Iraq to east, and Syria to the north," Danin says. "It's a very rough environment, and the economic challenges are more acute."

Despite discontent, King Abdullah II has managed to maintain his legitimacy in the eyes of the public.

"The problem is not with the king, but the people around him, the corruption," says Mohammad Al-Qadi, 34, a college-educated resident of Amman who works as a driver for tourists. He echoes a sentiment shared by other Jordanians.

There has not been a large-scale movement against the monarchy, nor are Jordanians seeking a revolution like

protesters in neighboring countries. King Abdullah II has taken steps to indicate that he is working toward reform. Mansour says the king has listened to and accepted the party's electoral reform demands but the changes have yet to be implemented.

Some are skeptical about whether the king or his government, which has a warm relationship with the United States and a peace treaty with Israel, will meet the IAF's needs.

"And I don't think the king is seen as being particularly enamored with the prospects of Islamists in government," Danin says.

In Egypt, the Muslim Brotherhood's Freedom and Justice Party now controls roughly 45% of parliamentary seats. In Tunisia, recent elections propelled Islamists to the top.

Carnegie's Ottaway says it is "inevitable" that the Muslim Brotherhood will become major players in Jordan if the king opens up the political process. Analysts also warn that King Abdullah II takes a risk in waiting.

"If the Jordanian regime keeps dragging its feet on popular reforms, you will see more and more frustration," says Shadi Hamid of Brookings Doha Center in Qatar. "That's why it isn't as stable as you'd like to think."

Article 3.

Foreign Policy

Saudi Arabia Is Arming the

Syrian Opposition

Jonathan Schanzer

February 27, 2012 -- Saudi Arabia's King Abdullah scolded Russian President Dmitry Medvedev last week for failing to coordinate with Arab states before vetoing a United Nations resolution demanding that Syrian President Bashar al-Assad step down. Emboldened by the lack of international action, Assad's forces are now slaughtering civilians in the streets at an even greater rate. Referring to the bloodshed, the king ominously warned Medvedev that Saudi Arabia "will never abandon its religious and moral obligations towards what's happening." The last time the Saudis decided they had a moral obligation to scuttle Russian policies, they gave birth to a generation of jihadi fighters in Afghanistan who are still wreaking havoc three decades later. According to news reports confirmed by a member of the Syrian opposition, Riyadh currently sends weapons on an ad hoc basis to the Syrian opposition by way of Sunni tribal allies in Iraq and Lebanon. But in light of recent developments, more weapons are almost certainly on their way. After his delegation withdrew in frustration from last week's Friends of Syria meeting in Tunisia, Prince Saud al-Faisal, the Saudi foreign minister, said that humanitarian aid to Syria was "not enough" and that arming the Syrian rebels was an "excellent idea." Soon afterward, an unnamed official commented in the state-controlled Saudi press that Riyadh sought to provide the Syrian

opposition with the "means to achieve stability and peace and to allow it the right to choose its own representatives." Meanwhile, Saudi clerics are now openly calling for jihad in Syria and scorning those who wait for Western intervention. One prominent unsanctioned cleric, Aidh al-Qarni, openly calls for Assad's death.

Other Sunni Gulf states, principally Qatar, may be contributing weapons. On Monday, Feb. 27, Qatari Prime Minister Hamad bin Jassim al-Thani said, "We should do whatever necessary to help [the Syrian opposition], including giving them weapons to defend themselves." The positions of other regional actors are less clear. But whether or not they supply weapons to the Free Syrian Army -- the armed opposition composed of defectors and local militia -- all these Sunni states now want the Assad regime to crumble because it is an ally and proxy of their sworn Shiite enemy, Iran, which destabilizes the region with terrorism and nuclear threats.

For the Saudis, depriving the Russians of a Middle Eastern toehold is an added bonus. The two countries share a long-standing animus. In the 1970s, the Saudis used their enormous oil wealth to inflict pain on the Soviets wherever they could. The Saudis fought communist governments and political movements with more than \$7.5 billion in foreign and military aid to countries like Egypt, North Yemen, Pakistan, and Sudan. Saudi funding was particularly instrumental in supporting anti-Soviet (and anti-Libyan) operations and alliances in Angola, Chad, Eritrea, and Somalia.

But the Saudis didn't simply counter communism. They fueled a generation of zealous Islamist fighters who later caused bigger problems elsewhere. These Islamists were instrumental to the Saudis after the Soviets invaded Afghanistan in December 1979. Inspired by the strict Wahhabi interpretation of Islam and armed with Saudi funds and weapons, Arab mujahideen poured into Afghanistan. (An estimated 175,000 to 250,000 fought there at any given time during the war, according to terrorism analyst Peter Bergen.) After a decade of guerrilla war during which the Soviets sustained heavy losses, the Red Army withdrew, and their puppet government in Kabul fell soon thereafter.

A lot, of course, has changed. The Saudis no longer need to fight communism. The new Russians have no ideology and are driven purely by political interests. Additionally, the Kremlin is now allergic to putting boots on the ground in the Middle East or South Asia. Russia's new strategy in the region is to make money and gain influence by selling arms, military hardware, and technology to Iran and Syria.

Although arming rogue regimes may seem reckless, it's Russia's last opportunity to exert leverage in a region where, since the Cold War's end, almost every other country has turned to Washington for arms. Tartus, the second-largest port in Syria, has been the cornerstone of Russian-Syrian naval cooperation since the 1970s. In the past decade, the Russians have doubled down with improvements and investments in what is their primary Mediterranean toehold. In recent

months, Russian and Iranian warships have docked in Tartus to show support for the Assad regime. Through it, they have reportedly provided untold amounts of weaponry with which Assad's army continues to attack anti-regime protesters.

The Saudis know that if Syria falls, Tartus falls with it. That's one more reasons to send arms to the opposition.

U.S. President Barack Obama's administration continues to express deep misgivings about sending weapons, claiming that the Syrian opposition is too much of a black box. Secretary of State Hillary Clinton recently expressed concerns that the weapons could flow to terrorist groups such as al Qaeda or Hamas. But the Saudis have run out of patience. They now unabashedly advocate for arming the Free Syrian Army.

This is not an empty threat. The Saudis know how to procure and move weapons, and they have no shortage of cash. If Riyadh wants to arm the opposition, armed it shall be. And those who receive the weapons will likely be at least amenable to the Wahhabi interpretation of Islam that has spawned dangerous Islamist movements worldwide.

Of course, a Saudi-led insurgency would not be in the cards if the Obama administration were not so opposed to empowering the opposition. But the longer Obama waits and the deeper the humanitarian crisis worsens, the more likely it becomes that other actors will tip the balance in Syria. Using history as a guide, none would be more dangerous than Saudi Arabia.

The Iranians and Russians may yet pay a price for propping up Assad in Syria. But if the Saudis have their way, the world may pay a price too.

Jonathan Schanzer, a former intelligence analyst at the U.S. Treasury Department, is vice president for research at the Foundation for Defense of Democracies.

Article 4.

The Financial Times

Syria, the case for staying out

Gideon Rachman

February 27, 2012 -- “No one can here understand how the international community can let this happen.” So said Marie Colvin, in an interview given from Homs, just a day before she herself was killed by a Syrian bombardment.

Colvin, a gallant war reporter, put her finger on a recurring dilemma in international politics. Does the outside world have a duty to intervene to prevent the mass killing of civilians?

Those who see vicious cruelty up close tend to react like Colvin. Almost all the journalists I know who covered the Bosnian war became convinced advocates of outside intervention. It is the natural human response. You see innocent people being killed, day after day. You know that there is a vast arsenal of military might, sitting back home, that could overwhelm the aggressors. It seems impossible and immoral not to advocate stopping the killing. I had a

similar reaction after being appalled by a visit to East Timor, when it was under Indonesian occupation. The human rights workers and journalists who risk their lives to tell the stories of mass atrocities play a vital and honourable role. But so do the less glamorous bureaucrats and politicians, sitting safely in their offices thousands of miles away, who must try to weigh up a response.

It is their job to balance the humanitarian urge to intervene, with the public duty to think through the consequences. They must ask not just “Can we stop the killing?” but “What happens next?” They must also ask: “Is it possible that, in intervening to stop one evil, we will create a greater evil in the future?” This is not a popular question. For while the advocates of intervention deal in moral absolutes, those who hang back are moral relativists – weighing one evil against another. Inevitably, they often sound shifty and heartless. But, if they make the wrong decision, they could be responsible for causing more deaths than they prevent.

The current conflict in Syria poses these difficult questions in an acute form. As the killing worsens, the response of the “international community” looks feeble. It is not just the Russian and Chinese veto of a UN resolution. The Arab and western nations that are strongest in condemning Syria are also hesitating. And for good reason.

The key question for any outside intervention is not only whether it can stop the killing but also whether it can decisively tip the balance in favour of a peaceful

and sustainable political solution. If that does not happen, foreign intervention can simply intensify a conflict.

Sometimes intervention has clearly worked. After years of hanging back, Nato did ultimately stop the Bosnian war. The more limited effort in East Timor in 1999 achieved its goals. The recent Libyan campaign almost certainly prevented a horrible massacre in Benghazi and still stands a strong chance of leaving Libya with a half-decent government. Yet, a brief glance at the news provides ample reminders of other, less successful, interventions. More than a decade after Nato troops arrived in Afghanistan – with high hopes of establishing a democracy that respected human rights – they are facing a newly inflamed insurgency. Somalia, the scene of a failed US intervention in 1993, is now the archetype of a failed state. Iraq turned into a bloodbath. Sadly, Syria looks like a country where outside intervention has a particularly strong chance of going wrong. The Assad regime has a powerful army, and more domestic and international support than Gaddafi had in Libya. If fighting escalates in Syria, the risk of a prolonged civil war is considerable. The fact that many outside powers, from Iran to Saudi Arabia to Israel, have a strong interest in who controls Syria means that there is a real chance of that war turning into a broader regional conflict.

There is also no guarantee of the character of the successor regime to the Assads. The opposition forces have been endorsed not just by the US, but also by al-

Qaeda, which must be a first.

Remembering that western weapons once supplied the precursors to the Taliban in Afghanistan, the west should be extremely careful about who it backs and arms in Syria. Instead, through economic and diplomatic channels, the outside world should pressurise the Assads, making it clear they can never regain global acceptance.

But advocates of peaceful pressure should be honest. At this stage, sanctions and condemnatory UN resolutions will probably act too slowly to stop the savagery of a government that is fighting for its life. Other apparently peaceful moves, such as setting up safe havens for refugees or humanitarian corridors for the delivery of relief, would, in fact, require the use of military force. Supplying arms to the rebels, as advocated by the Saudis, would certainly stoke the conflict. A further unpleasant truth is that, at the back of their minds, foreign policymakers must weigh the question: "How much is too much?" If this was the Holocaust or the Rwandan genocide (which claimed 800,000 lives), the imperative to intervene would rightly overwhelm fears about the consequences. The death toll in Syria is currently said to be 7,000 – and will certainly rise. That is appalling. But it does not yet justify taking on the huge risks involved in outside military intervention in Syria.

I am sure if I had seen first hand the horrors that Colvin and her colleagues witnessed I would feel very differently. But sometimes distance and detachment have their place. The emotional response is not always

the right response.

Article 5.

The Council on Foreign Relations

Iran's Elections and Nuclear Politics

Interview with Farideh Farhi

February 24, 2012 -- As Iran prepares to hold its quadrennial parliamentary elections on March 2, the first national elections since the sharply disputed presidential election in June 2009 which returned President Mahmoud Ahmadinejad to office, there is a significant power struggle among the various conservative forces, says Iran expert Farideh Farhi. The outcome of the elections, she says, will also provide some indication of the course of the presidential election to be held next year. She adds that domestic politics in Tehran and the upcoming U.S. elections later this year make the possibility of any negotiations on Iran's controversial nuclear program unlikely.

Iran will hold parliamentary elections on March 2. Are they significant, and what should we look for?

These elections will be the first national polls after the disputed 2009 presidential election [which led to

months of protests alleging rigged elections that returned President Mahmoud Ahmadinejad to office]. Even though there is no significant competition from the reformist camp--many of whose leaders are in prison or under house arrest--the current campaign has revealed deep concerns within the establishment about the size of the voter turnout. There is also intense competition among the various conservative forces which collectively identify themselves as "Principlists."

The elections are also significant because as President Mahmoud Ahmadinejad reaches the end of his constitutionally permitted two terms in 2013, these elections will likely provide some indication about the course of the presidential election to come.

Clearly, everyone who is running for office is a conservative of one type or the other, since they have to be vetted by the regime. Is there really a difference between forces loyal to Ahmadinejad's group and those close to the Supreme Leader Ali Khamenei's leadership?

It is not really true that reformist candidates or candidates who identify themselves as reformists are not running. In fact, many of the current parliamentarians who identify themselves either as reformists or independent have been allowed to run and in all likelihood, many of them will get reelected, especially the ones from the provinces. My bet is that the number of reformists or independent candidates in

the next parliament will be the same as they are today, between 55 to 65, out of 290. So, reformists will have a presence.

My bet is that the number of reformists or independent candidates in the next parliament will be the same as they are today, between 55 to 65, out of 290.

The political coalitions that are running lists in major cities as well as throughout the country are not revealing many differences in terms of their platforms. But there is a significant power struggle within the conservative camp and this election will reveal which one of them will have more influence, and that may impact the outcome of the next presidential election.

Can you explain the different groupings?

Well, the "Principlists" tried to come up with a unified list, including all the different wings that constitute their group. They were unable to do so. A group called the United Front of Principlists ultimately was unable to reach an agreement, so another group of people identifying themselves as the Steadfastness Front was formed, and at least in major cities like Tehran, the competition will be between those two groups.

The United Front of Principlists essentially has tried to bring together all the three wings of principlism together and has candidates that represent, for example, Ali Larijani [speaker of the parliament] wing as well as other hardliners, while the Steadfastness Front has a list of hardliners, mostly followers of the

hardline cleric Mesbah Yazdi, and includes many people close to Ahmadinejad.

It will be interesting to see which one of those lists does well, particularly in the city of Tehran. Also interesting to watch is the fact that some members of the parliament who have been very critical of Ahmadinejad's government were not included in any of those lists, and they have chosen to present their own list in the city of Tehran, called The Voice of Nation, and the leader of that list is Ali Motahari. It'll be interesting to see how well he does in Tehran because he has been very critical of the government for its handling of the economy but also he has been quite critical of the regime as a whole for its handling of the post-election protests. It will be interesting to see how he does in the city of Tehran, particularly since in the last election in 2004 he did quite well.

Everyone will be watching how many people will actually participate in the election, given the fact that there has been quite a bit of disappointment in the nation over what happened in the last presidential election [where the opposition claimed the results were rigged]. There are concerns among the hardliners that not many people will go to vote particularly in large cities, and the regime has been trying very hard to suggest that this will not be the case and has tried to promote participation. But it's not clear whether it will be successful. So the question of what will happen if the turnout is low in cities like Tehran is very much at the forefront.

Even though the presidential elections are a year away in Iran, who are the most likely candidates at this time?

A strong electoral showing by hardline principlists is likely to encourage them to challenge Ali Larijani, the current speaker of parliament, who is running on the United Principlist platform from the city of Qom. Larijani is considered close to the traditional conservative and pragmatic principlist wings. A strong hardline showing or his own poor showing in Qom will decrease the likelihood of a presidential election bid by him and also decrease the chances of Mohammad Baqer Qalibaf, the current mayor of Tehran and the most likely pragmatic conservative presidential candidate.

Much less clear at this point is who will be the favorite hardline candidate. The name of Saeed Jalili, Iran's current nuclear negotiator, has been mentioned, but generally there are few hardliners with national exposure. Other names mentioned have been former foreign minister Ali Akbar Velayati, who may have crossover appeal among all principlist wings, and former speaker of the Parliament Gholam Ali Haddad Adel, who will be the most likely candidate to challenge Larijani's speakership if hardliners do well in the election. The political environment in Iran is quite closed, and the political leadership in Iran continues to be quite paranoid of the possibility of regime change.

What is the mood of the Iranian people? Are they worried about war with Israel or the United States? There has been a lot of talk about this, particularly in the United States and in Israel.

It is very difficult not to worry, particularly because of the constant talk of war. I have been told that about a month ago in Tehran, the concern was very serious. Increasingly, however, a lot of people are being impacted by the financial sanctions that are being imposed. This has led to questions about the future of Iran under increasing sanctions. A couple of days ago, former presidential candidate Mohsen Rezai said that Iranians should prepare for five years of very hard times to come, and the context of that conversation was not worries about war per se, but the reality that the sanctions that are imposed on Iran may not go away soon.

Iran has said they are willing to talk to the P5 +1 group (the five permanent members of the UN Security Council, plus Germany) but nothing has happened yet. Is there any likelihood of any breakthrough?

This is a two-way affair. The likelihood of a breakthrough is as much a question of what the Iranians are thinking about as what the other side, the P5+1, is thinking. If P5+1 goes into negotiations with the demand that the Iran has to suspend enrichment completely, then Iran's position essentially will be the same as before, which is the rejection of that demand,

and that conversation will not go anywhere.

On the other hand, the Iranians have introduced some breakthroughs in their nuclear program. They have made claims that they have built fuel plates for their Tehran Research Reactor and they have become self-sufficient in terms of running that Tehran Research Reactor. So they may actually be in a position of not willing to compromise on issues that they were willing to compromise in the past. For example, in October 2009, the Iranians obviously did show some interest in a transfer deal [the Iranians would supply a certain amount of enriched uranium to the West and in return would get fuel rods for their medical purposes] because of their need for the Tehran Research Reactor. If that need is gone, Tehran may be less willing to do such a deal.

However, if there is some flexibility on the part of the P5+1, then the Iranians may also show some flexibility because sanctions are creating so much havoc on the Iranian economy. My bet at this point, however, is that until American elections are over, conditions for any kind of serious negotiations on both sides are low.

That's nine months down the road.

Exactly, but the reality is that conditions for a compromise on both sides in terms of the domestic politics in both countries are not ripe for negotiations. For example, the U.S. Congress is contemplating the possibility of demanding suspension of Iran's

enrichment program as part of any negotiation. That is a condition that Iranians have repeatedly rejected. So if that is part and parcel of domestic dynamics in the United States, then until the election passes, the possibility of any kind of negotiations should not be considered to be very high.

What is the human rights situation in Iran like these days? As bad as it's been since 2009?

It continues to be quite dire. The reality is that the Iranian government is quite concerned, to the point of almost being paranoid, about outside forces developing relationships with their population. Therefore, they have been very rough at the first hint that anyone is trying to change the Iranian political system. Political leaders continue to be imprisoned. Any kind of protests are dealt with very harshly. Newspapers are not totally shut down; there are reformist newspapers that are being published. Yet at the same time, they are very much controlled in the sense that they have to be very concerned about the kind of reporting they are publishing.

The political environment in Iran is quite closed, and the political leadership in Iran continues to be quite paranoid of the possibility of regime change. And of course, the policies that are being pursued by outside powers give them at least some reasons for being paranoid.

Interviewee: Farideh Farhi, Graduate Faculty and Lecturer, University of Hawaii, Manoa.

TIME

Why China Will Have an Economic Crisis

Michael Schuman

February 27, 2012 -- The view in most of the world is that China is indestructible. Shrugging off the crises multiplying elsewhere, China seems to surge from strength to strength, its spectacular growth marching on no matter what headwinds may come. It appears inevitable that China will overtake a U.S. mired in debt and division to become the world's indispensable economy. Those businessmen and policymakers looking to the future believe China's "state capitalism" may be a superior form of economic organization in dealing with the challenges of the modern global economy.

My answer to all of this is: think again.

I don't doubt for a second that China will be a major economic superpower with an increasingly influential role in the global economy. In many respects, it already is a superpower. But that doesn't mean the economy is free from problems, a good number of them created by the very statist system lauded by pundits in the U.S. and Europe. And in my opinion, if China doesn't change course, and in a big way, the country will experience an economic crisis.

I've been thinking about China's economic future, and

the likelihood it will face some sort of terrible collapse, for some time, but I have until now been reluctant to come out with my views so strongly. The reason is that it is very difficult to tell what's really going on in the Chinese economy. Data is sparse or unreliable. And China is in certain ways unique in economic terms — has history ever witnessed a giant of such massive proportions ascend so quickly in the global economy? Valid precedents are hard to find. Then there is the issue of timing. It is easy to say China will have a crisis; it is almost impossible to say when that might happen. Next month? Next year? Next decade? The fact is China could continue as it is for some time to come. So, in other words, when you make the type of prediction I just have, you have a good chance of getting it just plain wrong. But the more time I spend in China, the more convinced I am that its current economic system is unsustainable. Yes, economists who specialize in China can give you all sorts of reasons why the country is supposedly different, and thus the regular rules of economics don't necessarily apply. But one simple thing I always say about economics is that you can't escape math. If the numbers don't add up, it doesn't matter much how big your economy might be or how fast it is growing or how heavy a role the state might play. And China has lots of numbers that just don't add up.

A big part of the bad math is created by China's state capitalism. China has adopted a form of the Asian development model, invented by Japan and followed,

to varying degrees, by many rapid-growth countries around East Asia. The model, very generally speaking, functions like this: 1) capitalize on low wages to spark growth through exports and industrialize quickly with hefty amounts of investment, 2) guide the whole process with the hand of the state, 3) employ industrial policies and state-directed finance to progress into more and more advanced sectors. This system generates fantastic levels of economic growth for a while, but then eventually, it crashes. Japan had its meltdown beginning in 1990 (and it hasn't escaped two decades later); South Korea, the country that copied Japan's model most closely, experienced its crisis in 1997-98.

What happens? The model is based on what Alice Amsden, in her study of the Korean economy, called "getting prices wrong." To spur on the high levels of investment necessary to generate rapid growth, the model depends on state-directed subsidization to make investing in certain industries or sectors more attractive and less risky than it otherwise would be. Cheap credit is made available for industry, or the state outright orders money to be invested in certain preferred projects. The exchange rate is controlled to encourage exporters. All sorts of subsidies, for energy, exports and so on, are dished out. Banks are not commercially oriented but act to a great degree as tools of government-development policy. All of these methods funnel money, private and public, into industrialization, creating the astronomical growth rates we see again and again in Asia.

The problem here is that prices can't stay wrong indefinitely. There is a good reason why classical economists are always so focused on allowing markets to find the correct price level. In that way, markets send the proper signals to potential investors on where money should or should not go. If those price indicators are skewed, so is the direction of resources. The Asian model, by playing around with prices, eventually creates tremendous distortions, in which money is wasted and excess capacity is generated. Subsidized companies don't have to generate returns in the same way as unsubsidized firms, and that leads them to make bad investment decisions to build factories and buildings that are unnecessary and unprofitable. As a result, loans go bad and banking sectors buckle. That's exactly what happened in both Japan and Korea. Though their crises were tipped off in very different ways — the bursting of an asset bubble in Japan, an external shock in Korea — the reason both countries collapsed was the same: weak banks, indebted companies, silly investments. China is indulging in all of the same excesses as Japan and Korea, and then some. The level of investment in China, at nearly 50% of GDP, is lofty even by Asian standards. The usual argument made in defense of such astronomical investment in fixed assets is that China is a large developing country that needs all of the buildings and roads it is constructing. Qu Hongbin, the very smart chief China economist at HSBC, made that very argument in a recent study: There is a popular view in the market that China has

overinvested and therefore can no longer rely on investment to sustain its growth. We disagree. China's investment-to-GDP ratio is indeed very high (46%) ... [But] China is only half way through the process of urbanisation and industrialisation. It still needs to invest more to cope with the rising demand for rail, hospitals and industrial plants. The recent infrastructure boom has boosted the country's transport capacity, but China's railway network is still shorter than that of the US in 1880 ... In economic terms, we estimate that China's capital stock per worker is only about 8% of that of the US and 15% of that of Korea. In other words, China's capital accumulation is still far from reaching the stage of having diminishing returns; we believe the country needs to invest more, rather than less.

I completely agree. Yet the issue is not whether China needs more investment. The issue is whether China is getting the types of investment it requires. The fact that investment levels can be so high and yet the economy is so deficient in certain key aspects makes me think the answer is no. We can see that in the continued problem of excess capacity in China, in which companies go hog wild building too many factories in certain industries, often with borrowing from state banks. That has happened in steel and solar panels, for example. The country is investing hundreds of billions in high-speed railways even though ticket prices are beyond the reach of most Chinese, while many major Chinese cities don't have subways.

A good part of this misdirected investment seems to be

headed into the property sector. Real estate development has become the key driving force of Chinese economic growth. In theory, China's very rapid urbanization makes such construction a necessity — but that depends on what is being built. In Wenzhou, a real estate agent recently offered free BMWs to anyone who bought a high-end apartment — a clear sign of overbuilding — while there is an obvious shortage of housing affordable for most Chinese. On either side of my Beijing apartment building are three big malls that hardly ever seem to see real shoppers. Rents for top-quality office space in Beijing are now pricier than in New York City — despite the fact that China's capital is one big construction zone. Many of the buildings going up are of a quality unsuitable for major corporations. Even worse, much of the investment in China is being financed with debt. The level of debt in the Chinese economy has been rising with frightening speed. Rating agency Fitch estimates bank credit in 2011 was equivalent to 185% of the country's GDP — an increase of 56 percentage points in a mere three years. Though that surge has not yet had a significant negative impact on China's banks, many analysts fret that banks will eventually experience a rise in nonperforming loans. In an indication of what is to come, the Financial Times reported recently that the government has ordered banks to roll over the \$1.7 trillion of loans owed by local governments. If true, this tells us two key things: 1) these governments invested money raised from banks in projects that are

not generating the returns necessary to pay them back and 2) the quality of loans on the banks' books are more questionable than official statistics suggest. On top of that, the fact that local governments amassed so much debt in the first place shows a complete lack of rule of law in China's financial sector. Technically, local governments aren't permitted to borrow money at all. Meanwhile, as government entities run up loans they can't pay, many small companies, especially private ones, are unable to raise sufficient funds and remain starved of capital.

So we can see the pieces of a crisis falling into place: excessive, misguided investment, including a giant property boom, propelled on by debt and the decisions of government bureaucrats. Sound familiar? A crisis, of course, is not inevitable — if China's leadership takes action and reorients the direction of the economy. The positive thing is that at least some top policymakers understand the need to change. In policy pronouncement after policy pronouncement, the government pledges to reform. The problem is that China's government is not taking its own advice. The economy needs to rebalance away from investment and exports to a more consumption-driven growth model with a primary focus on quality of growth, not high rates at any cost. That's not happening, or not happening quickly enough. Yes, the Chinese consumer is gaining in global importance, but savings in China remains too high and consumption as a percentage of GDP still way too low. Steps that the government could take to spur on the needed

rebalancing — reducing lofty taxes on many imported goods, for example — are nowhere to be found. More importantly, the government is doing nothing to set prices right. The currency remains firmly controlled, interest rates unreformed. So investors within China are still acting based on the wrong price signals.

Why won't China's policymakers pursue more fundamental reform? They are afraid that growth might slip. Sure, the latest five-year plan targets 7% annual GDP growth, but it seems to me that every time growth drops under double digits, the leadership goes into panic mode and revs up the economy again. GDP surged 8.9% in the fourth quarter of 2011, but that's not fast enough for China's leaders. They've already started loosening credit again — slathering yet more debt onto the economy.

When I bring up these issues with China watchers, I'm usually scolded — Beijing's policy mandarins have it all figured out, I'm informed. It is true that China's policymakers have done a superior job managing the rapidly changing economy in recent years. But as any stock investor knows all too well, past performance does not ensure future performance. Back in the 1970s and '80s, analysts in the West considered Japan's bureaucrats near supermen as well. Now the stodgy Japanese bureaucracy is considered one of the main impediments to an economic revival. Chinese bureaucrats today suffer from the same problem that led Japanese bureaucrats astray — they believe the economy can be managed by fiat. The tools of classical economics — getting prices right — are

secondary. Why guide an economy with abstract measures like interest rates when you can just tell the banks what to do?

That attitude is what killed Japan's economic miracle, and now I see China slipping toward the same fate.

Japan could not escape the forces of basic mathematics. China can't either, no matter how brilliant its policymakers might be. When would a meltdown happen? It is interesting to play with a bit of history. Both Japan and Korea suffered their crises roughly 35 years after the Asian development model was switched on — the early 1950s to '89 in Japan, and 1962 to '97 in Korea. That puts a China crisis at around 2014-15 or so. I'm not predicting a firm date here. What I am saying is that China is running out of time to fix the problems of its economy.

Article 7.

NYT

If You Feel O.K., Maybe You Are O.K.

H. Gilbert Welch

February 27, 2012 -- EARLY diagnosis has become one of the most fundamental precepts of modern medicine. It goes something like this: The best way to keep people healthy is to find out if they have (pick one) heart disease, autism, glaucoma, diabetes, vascular problems, osteoporosis or, of course, cancer — early. And the way to find these conditions early is through screening. It is a precept that resonates with the intuition of the general public: obviously it's better

to catch and deal with problems as soon as possible. A study published with much fanfare in The New England Journal of Medicine last week contained what researchers called the best evidence yet that colonoscopies reduce deaths from colon cancer.

Recently, however, there have been rumblings within the medical profession that suggest that the enthusiasm for early diagnosis may be waning. Most prominent are recommendations against prostate cancer screening for healthy men and for reducing the frequency of breast and cervical cancer screening. Some experts even cautioned against the recent colonoscopy results, pointing out that the study participants were probably much healthier than the general population, which would make them less likely to die of colon cancer. In addition there is a concern about too much detection and treatment of early diabetes, a growing appreciation that autism has been too broadly defined and skepticism toward new guidelines for universal cholesterol screening of children. The basic strategy behind early diagnosis is to encourage the well to get examined — to determine if they are not, in fact, sick. But is looking hard for things to be wrong a good way to promote health? The truth is, the fastest way to get heart disease, autism, glaucoma, diabetes, vascular problems, osteoporosis or cancer ... is to be screened for it. In other words, the problem is overdiagnosis and overtreatment.

Screening the apparently healthy potentially saves a few lives (although the National Cancer Institute couldn't find any evidence for this in its recent large

studies of prostate and ovarian cancer screening). But it definitely drags many others into the system needlessly — into needless appointments, needless tests, needless drugs and needless operations (not to mention all the accompanying needless insurance forms). This process doesn't promote health; it promotes disease. People suffer from more anxiety about their health, from drug side effects, from complications of surgery. A few die. And remember: these people felt fine when they entered the health care system.

It wasn't always like this. In the past, doctors made diagnoses and initiated therapy only in patients who were experiencing problems. Of course, we still do that today. But increasingly we also operate under the early diagnosis precept: seeking diagnosis and initiating therapy in people who are not experiencing problems. That's a huge change in approach, from one that focused on the sick to one that focuses on the well. Think about it this way: in the past, you went to the doctor because you had a problem and you wanted to learn what to do about it. Now you go to the doctor because you want to stay well and you learn instead that you have a problem. How did we get here? Or perhaps, more to the point: Who is to blame? One answer is the health care industry: By turning people into patients, screening makes a lot of money for pharmaceutical companies, hospitals and doctors. The chief medical officer of the American Cancer Society once pointed out that his hospital could make around \$5,000 from each free prostate cancer screening,

thanks to the ensuing biopsies, treatments and follow-up care. A more glib response to the question of blame is: Richard Nixon. It was Nixon who said, “we need to work out a system that includes a greater emphasis on preventive care.” Preventive care was central to his administration’s promotion of health maintenance organizations and the war on cancer. But because the promotion of genuine health — largely dependent upon a healthy diet, exercise and not smoking — did not fit well in the biomedical culture, preventive care was transformed into a high-tech search for early disease. Some doctors have long recognized that the approach is a distraction for the medical community. It’s easier to transform people into new patients than it is to treat the truly sick. It’s easier to develop new ways of testing than it is to develop better treatments. And it’s a lot easier to measure how many healthy people get tested than it is to determine how well doctors manage the chronically ill.

But the precept of early diagnosis was too intuitive, too appealing, too hard to challenge and too easy to support. The rumblings show that that’s beginning to change. Let me be clear: early diagnosis is not always wrong. Doctors would rather see patients early in the course of their heart attack than wait until they develop low blood pressure and an irregular heartbeat. And we’d rather see women with small breast lumps than wait until they develop large breast masses. The question is how often and how far we should get ahead of symptoms. For years now, people have been

encouraged to look to medical care as the way to make them healthy. But that's your job — you can't contract that out. Doctors might be able to help, but so might an author of a good cookbook, a personal trainer, a cleric or a good friend. We would all be better off if the medical system got a little closer to its original mission of helping sick patients, and let the healthy be.

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