

# Syria Is Not A Strategic Priority For Washington

WASHINGTON – It is clear that Russia, as the key ally of president Assad of Syria, has taken a lead role in trying to set the stage for a final peace settlement regarding this tragically battered country. The recent Sochi meeting in which president Putin hosted president Rouhani of Iran and president Erdogan of Turkey seems to illustrate a resurgent Russia once again playing a key role in the Middle East.

## America in retreat?

In Washington, the defenders of the (frankly defunct) myth of Pax Americana sounded alarm bells. *“America is in full retreat –they admonish us– and the bad guys are filling the void. We are losing ground, while they are gaining”.*

Indeed. But here is the question. Is the American national interest really profoundly impacted by who is in control in Syria? What’s so important about Syria from Washington’s standpoint? Well, very little. Sure enough, if we look at a map of the Middle East, we can see that a firm Russian foothold into Syria, plus continuing Iranian influence there, changes the geopolitical picture.

## Russia and Iran in the lead

True. Still, this being the case, in what way does this geopolitical realignment affect America’s vital interests? Syria is now a semi-destroyed and completely impoverished country. Whoever will exercise influence on Damascus does not gain that much. In fact, to the extent that the Russians need to prove that they are real friends of Assad, they would have to support Damascus financially, for many years. And this may prove to be quite a burden for a Russian state not exactly swimming in wealth.

Iran's influence in Syria is a concern. However, there are several counterweights within the region to Tehran's hegemonic ambitions. From this perspective, it would be prudent for Washington to continue supporting its traditional Sunni Arab allies who are actively opposing Tehran's expansionism.

### **Middle East no longer of critical importance**

That said, even taking all this into account, the idea that Washington "*must*" regain its historic role as a key powerful player in the Middle East has no longer any strong rational justification.

Of course, until a few years ago, one could have argued that the Middle East indeed had extraordinary strategic value for Washington, because it sits on most of the oil the rest of the world desperately needs.

Well, this argument is far less compelling today, in this new era of abundant oil supplies in large measure caused by America's newly discovered technologies (fracking and horizontal drilling) that allowed US energy companies to exploit massive domestic shale oil reserves. Indeed, thanks to fracking, in just a few years America doubled its oil production. This is a real game changer.

Besides, if you add to this dramatic domestic oil production boom increased oil supplies from Canada, plus imports from Mexico, Colombia, and Venezuela, the U.S. has, or will soon have, "*hemispheric energy independence*". This means that most of the oil America will need will come from domestic sources or from imports from reliable neighboring countries, and not from the Persian Gulf.

### **Middle Eastern oil not so important**

Now, this is a major and completely benign geopolitical change! In simple language, as the U.S. no longer relies on Middle Eastern oil for its very economic viability,

controlling events in the region is no longer such a key priority.

Besides, going forward, the slow but steady emergence of electric vehicles as commercially plausible alternatives to gasoline powered cars makes the strategic importance of oil, and therefore of Middle Eastern oil and whoever owns it or controls it, progressively far less significant.

Down the line, if you take oil out of the equation, or at least if you downgrade its strategic value as the (no longer so) essential fuel for all modern industrial countries, the Middle East becomes far less important. Absent oil and the power and wealth that it brings, Taiwan is a far more significant player in the global economy than Saudi Arabia.

### **Let Syria go**

Bottom line, let's not fret about who will be in charge in Damascus. After years of civil war that caused destruction and millions of refugees, Syria is a disaster, a true basket case. Even assuming wildly optimistic scenarios, it will take years and astronomic investments to bring it back to semi normality. Let Russia worry about all this.

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## **America Cut Funds to Syrian Rebels**

**WASHINGTON** – After the fall of Aleppo, I concluded that the Syrian opposition to Assad had been essentially defeated. Sure, some resistance still exists. But the chances of overthrowing Assad via military actions is a dream. Americans (half-hearted, in my view) efforts to force regime change in

Damascus by supporting the domestic Syrian opposition through military assistance have failed.

### **No more US aid to the opposition**

Now we learn that the Trump administration about a month ago decided to stop helping the Syrian rebels via a CIA operation code-named "Timber Sycamore". I call this cutting one's losses and moving on.

Of course, some analysts immediately argued that cutting off the rebels is a big Trump favor to Russian President Putin. A big favor without getting anything in return. They argue that arming the Syrian rebels was smart policy, because it created a pressure point against the Assad regime that could have been used at a later date as a bargaining chip during negotiations about a future settlement of the conflict in Syria.

### **It did not work**

May be so. But, while the details about how much money was spent and how cost-effective this operation has been are not publicly available, the truth is that the Syrian opposition aided by the US and several Arab countries was never very effective; and now it has been essentially beaten. Not completely destroyed. Still, after the fall of Aleppo, it lost any chance of overthrowing the Damascus regime, or even inflicting serious damages to it.

### **Accept defeat**

The Trump administration seems to have accepted this; while it is keen on focusing on the ongoing fight against the Islamic State, or ISIL. Therefore: *"Let's cut or losses, concentrate our efforts on beating ISIL, and stop throwing good money after bad"*.

### **New consensus**

There seems to be a new consensus within the US Government that removing Assad from power is no longer a priority. (Obama instead repeatedly declared that Assad “had to go”, because of his violations of human rights and other crimes against the Syrian people). Secretary of State Rex Tillerson and others actually said publicly that the removal of President Assad is no longer a precondition for any serious talks about the future of Syria.

### **Waste of money**

Given all this, continuing a CIA funded operation aimed at arming a few Syrian rebels who do not have any realistic chances to achieve much against regular pro-Assad forces backed by Russia, Iran and Hezbollah, seems like a waste of time and money.

### **Betrayed**

Of course, if you were part of a Syrian rebels group that had been included in this CIA funded program and you were counting on continuing American military and financial support, you have every right of feeling betrayed. But this would not be the first time in which allies of America have been dropped by Washington, on account of larger strategic considerations.

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# **The Obama Foreign Policy Record**

**WASHINGTON** – The almost universally accepted narrative dished out daily by the serious, high brow U.S. media is that come

January 20, 2017, with Donald Trump as President, we shall have 4 years of *"Amateur Hour"* in U.S. foreign policy. This dismal prospect is of course a far cry from the thoughtful, insightful and properly balanced foreign policy agenda expertly crafted and implemented by President Barack Obama and his top-notch foreign and national security policy team.

### **The incompetents are taking over**

We are told by savvy analysts that, all of sudden, from reliable, steady competence that –as we all should know– raised American prestige worldwide, we shall plunge into an abyss of policy mayhem stirred by dangerous ignorance mixed with laughable (or dangerous) braggadocio, with a stupendously unqualified Commander in Chief at the helm.

### **Condescension**

This narrative is another expression of the Olympian condescension of the perennially entitled leaders of the Washington foreign affairs establishment. They simply cannot get used to the reality of a complete outsider, with no real hands-on experience in this field until now reserved to few insiders, now in charge.

### **Trump is inexperienced**

True, Trump is inexperienced. He may indeed fail in foreign policy, and we should not take this prospect lightly, as there are bound to be consequences. On the other hand, he may not fail, after all. Trump will have a team working for him. Most of the people he picked thus far have considerable international and national security experience.

### **Right mix?**

That said, has he chosen the right mix of people? Even more important, when confronted with difficult decisions, in murky situations when there is no obvious right policy choice, will

Trump have the right instincts? Will he manage to safeguard –better yet, advance– the American National Interest? Quite frankly, we do not know yet. Time will tell.

### **Obama's record**

However, while we can only speculate about the future, we do know a great deal about the Obama Team foreign policy record. And, no, it is not stellar. Contrary to the official narrative, the supposedly expert hands that have been in charge until now are not shining stars. And Obama is no great leader when it comes to directing U.S. foreign affairs. Hesitation, mixed messages and retreat have defined American foreign policy under his stewardship.

Now, after George W. Bush's profoundly ill-advised pro-democracy enthusiasm which led America into two horrendously costly and mostly unsuccessful wars –Afghanistan and then Iraq– a new foreign policy guided by restraint was indeed a welcome change after the 2008 elections. But there is a huge distinction between careful, calculated withdrawal behind defensible lines, while spelling out U.S. continuing strategic priorities, and policy confusion leading to retreat.

### **Allowing chaos in Iraq**

In Iraq, President Barack Obama used Baghdad's intransigence regarding the legal status of U.S. troops which would stay on after December 2011 as a good excuse for ending the negotiation with then Prime Minister Nuri al-Maliki. With no deal with Baghdad in place, the U.S. pulled completely out of Iraq at the end of 2011.

At that time Iraq was a relatively stable but still fragile and politically split country (Sunni in the North, Shia in the South) in which America had invested an enormous amount of resources. Pulling out completely while the wounds had not healed was an ill-advised and in the end horribly wrong decision.

To this day, President Obama claims he had no choice, given the uncooperative stance of the Baghdad government. But this is nonsense. If the Obama administration really wanted a deal with Prime Minister al-Maliki that would have allowed a substantial U.S. military presence after 2011 it would have found a way to get one.

## **Get out**

The fact is that Obama wanted out of Iraq, entirely for domestic political reasons. He wanted out of Iraq in order to show to the American people that he had made good on a major campaign promise: he had brought all the troops home. And, in fact, later on he repeatedly bragged about this “accomplishment” represented by the closing of the Iraq War chapter. Which is to say that concerns about Obama’s popularity at home caused America to essentially abandon a country in which it had invested years, hundreds of billions, and so many lives of killed U.S. soldiers.

Could sizable American troops stationed in Iraq have prevented the steady descent into chaos that followed their departure? We do not know for sure. But it is not far-fetched to believe that they could have helped keep things together.

## **Belated U-turn in 2014**

That said, Obama was forced to make a complete U-Turn on Iraq when this deeply divided country was confronted with an invasion masterminded in 2014 by the Islamic State, or ISIL from its bases in Eastern Syria. A massive invasion, by the way, that the sophisticated Obama intelligence leaders never saw coming.

With no U.S. troops on the ground, (thanks to Obama’s complete troops withdrawal decided back in December 2011), ISIL breezed, mostly unopposed, into Northern Iraq. In a matter of days it took over Mosul –the second largest city in the country– and the entire North West of Iraq. An eyewitness



quoted by *The Guardian* said that:

*"The city [Mosul] fell like a plane without an engine. They [ISIL] were firing their weapons into the air, but no one was shooting at them."*

Beyond taking over Mosul, ISIL captured vast amounts of cash and a huge arsenal of U.S. supplied weapons and material, simply because the Iraqi troops had run away.

So, here is the upshot regarding Obama's record on Iraq: U.S. troops out; ISIL in. The Caliphate takes over 1/3 of the country within days. America forced to move back in. But slowly and with hesitation. Meanwhile, militias funded by Iran spread through the country. This is complete policy failure.

### **Surge in Afghanistan?**

In Afghanistan, President Obama started with an almost comical public debate in the Fall of 2009 (first year of his mandate) about what U.S. policy should be regarding the continuing Taliban insurgency. Obama finally ended the deliberations in November 2009 with a commitment to a "Iraq-like" surge in Afghanistan. But it was a surge accompanied by a publicly announced withdrawal timetable.

Yes it was just like that. Washington would send additional troops aimed at stabilizing this perennially chaotic country; but only for a short while. How ill-advised. You go to war not to shoot around a little bit, and then go home. You go to war to win. Or you do not go at all. Result? 20016 is over and the war in Afghanistan is still going on. This is another failure due to Washington's indecisiveness and half measures.

### **Get rid of Ghaddafi**

Then there was Libya, and the ill-conceived idea of toppling dictator Ghaddafi, without even a thought of a game plan about what to do afterwards. Result? Ghaddafi was toppled and he is

certainly dead. But so is Libya, now a failed state torn apart by various warring militias. This is failure number three.

### **Hesitation about Syria**

And what about Syria? in 2011, at the beginning of the Arab Spring, President Obama declared that President Assad heavy-handed repression of initially peaceful pro-democracy demonstrations was intolerable. Assad, Obama declared, “*had to go*”.

Strong words. However, this clear statement of a U.S. policy objective –nothing but regime change would do for Syria–lacked even the semblance of a policy aimed at obtaining the outcome: make Assad go.

This incoherence between grandiose objectives and no policy to implement them was only the beginning of a half-hearted U.S. policy in support of some factions within the Syrian opposition.

***Military planners should know that a little bit of support is not enough. In war, either you are in or you are out. Even if your method is to support the opposition, as opposed to sending your own troops, you have to be with them all the way. Support to your side in the conflict has to be decisive. The objective must be victory.***

### **Media criticism**

Well, even the serious usually pro-Obama media, after years of U.S. half measures, recognized that Syria is a huge policy failure for Obama. this is a BBC analysis dated October 2015:

*“[Regarding Syria] the philosophical discussion at the White House was heated and fierce, leading to stalemate, not resolution.*

*For years Obama and his deputies refused to say categorically: we’re not doing this. Instead a decision was postponed.*

*Four years later, the result is a splintered Syrian opposition, the growth of the Islamic State group and a humanitarian disaster stretching across Europe.*

*Last year, in a move that was more symbolic than serious, Obama asked Congress for money to fund a programme allowing US personnel to teach rebels marksmanship, navigation and other skills.*

*The goal was to train about 15,000 rebels in Jordan and other countries so they could return to Syria and fight. However, US defence officials admitted last month [September 2015] that only four or five of the recruits in the programme had actually returned to the battle."*

### **It ended badly**

And this was the BBC, a fairly sympathetic voice. A year later, things got only worse. The result of years of U.S. policy confusion and half measures is a semi-destroyed Syria, Russian massive intervention in support of Assad, the Iranians and Hezbollah firmly planted there, a defeated opposition just driven out of Aleppo, not to mention untold numbers of dead people and millions of refugees. And now, a new ceasefire was arranged by Russia in partnership with Turkey and Iran. The U.S. is not even at the table. Talk about American retreat. This is a colossal policy failure.

### **ISIL in Iraq**

And then there is ISIL in Iraq, the worst consequence of the U.S. total military withdrawal from the country it had invaded back in March of 2003. In a speech to the Nation, on September 10, 2014, President Obama sounded really tough about ISIL and the threat that it represented for the region and indeed the world.

He declared that: *"Our objective is clear: we will degrade, and ultimately destroy, ISIL through a comprehensive and sustained*

*counter-terrorism strategy”.*

It sounded that America really meant business. To begin with, Obama told the world that Washington had assembled a powerful coalition of 66 countries. Impressive? Not so much. If you care to dig just a little bit, you discover that this unbeatable anti-ISIL Armada includes heavyweights like Luxembourg, Somalia, Iceland, Bosnia, Bahrain, Romania, Cyprus, Estonia, Panama, Montenegro, Latvia and Albania. Are you still impressed?

### **Painfully slow progress**

And the American military effort has also been modest. Two years later, while there have been significant successes against ISIL, we are still not done. Coalition supported Iraqi forces, (by the way this would also include support from Iran) are getting closer to Mosul; but they are still far from retaking it and eventually driving ISIL out of Iraq, let alone “destroying” it, as Obama pledged.

This is almost inconceivable. ISIL is a bunch of nasty thugs who use barbaric methods. But ISIL is not the German Wehrmacht smashing France, or the Japanese Imperial Army conquering Manchuria or the Philippines. It is a rag-tag, third-rate military force. It is unbelievable that America, with the largest and most technologically advanced military force in the world, could not destroy the self-proclaimed Islamic Caliphate in a matter of weeks.

To the contrary, a recent *Washington Post* story indicated that this battle against ISIL is going to be long slug:

*“.[...]But a full offensive to retake the city [of Raqqa, de facto capital of ISIL] could still be months or more away, despite hopes in Washington that an operation to take the Islamic State’s most symbolically significant stronghold would be well underway before President Obama left office.”*

This slow and uneven progress is the military outcome of policy confusion and partial military engagement. Despite Obama's clear commitment a couple of year ago, the mighty U.S. still has not managed to *"degrade and ultimately destroy ISIL"*.

### **Pivot to Asia?**

And there are many more examples of grand plans that yielded little. Consider the pivot to Asia. Nice idea; but little to show in terms of results. Suffice to say that China, just as America publicly committed to shift its policy focus on Asia, has managed to increase its sphere of influence throughout most of the South China Sea –essentially unchallenged.

True, the Obama administration made all the right noises when confronted with the evidence that China is busy building up and militarizing small islands scattered across the South China Sea that it occupied with the bogus justification that these rocks (some of which do not even qualify as "land" according to international law) have always been under Chinese sovereignty.

The Obama administration has not been able to challenge this creeping Chinese expansion, nor has it been capable or willing to persuade the Chinese to retreat and get out.

### **Iran**

I am purposely leaving out of this analysis the Iran nuclear deal, because it is a lot more complicated than these other issues, and because in Iran's case the Obama administration acted with purpose towards a fairly clear policy objective: freeze the Iranian nuclear program. And this objective has been reached. While there are many vocal critics of the deal, none of them seem to have a better plan. Just getting out of a "bad deal" without having anything to replace it will not yield better outcomes.

## **Obama's retreat**

Anyway, you get the picture. Clearly, it is always easy to point out foreign policy failures with the benefit of hindsight. Of course, it would be completely unfair to blame Obama for an Arab World in chaos, and other major troubles.

Still, the net result of Obama's 8 years in office is not stellar.

All in all, U.S. policies regarding Iraq, Afghanistan, Libya, Syria and ISIL reveal a pattern of hesitation, in fact genuine confusion, and the inability to define, articulate and pursue what in Obama's mind is the U.S. national interest.

## **What U.S. retreat signals to the world**

*It would be disingenuous to conclude that all these failures, mixed messages and retreats from the world stage do not matter, because America after all is still the most powerful country on earth.*

*It is obvious that other political leaders around the world look at both American military capabilities and American political will. If they conclude that America lost its will, its powerful military forces will not deter as much as they used to.*

## **Will Trump be better?**

In the end, it is perfectly alright to express doubts about President-elect Trump ability to articulate a mature U.S. foreign policy. Still, the idea that come January 20 2017 the rowdy, clueless children are taking over, while the thoughtful grown ups have been driven out of the room is nonsense.

Quite frankly, if the poor Obama foreign policy record is the best the mature and experienced adults are capable of, then we may as well give the untested Trump and his team a chance.

Who knows, they may surprise us.

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# Italy Overwhelmed by Poor African Immigrants

**WASHINGTON** – Italy has two major demographic problems. Both of them carry bad outcomes. Italy is the destination of too many immigrants from poor countries in Africa and the Middle East; while its native population is shrinking due to extremely low fertility rates. In plain language: not enough new babies.

## **Gloomy picture**

Here is the gloomy end game. Italy's population is progressively becoming more African/Middle Eastern. And this trend brings no economic gains, because most of the new residents are either illiterate or low skilled, while at the same time they are entitled to receiving costly social services.

## **Crisis point**

Add to this social and political tensions caused by the new immigrants. Indeed, according to public officials, Italy has reached a crisis point when it comes to its ability to welcome and integrate immigrants arriving mostly from Africa and the Middle East. Piero Fassino, former Mayor of Turin, a major city in Italy's North West, recently stated that: *"In terms of numbers [of new immigrants] we are at the point of surpassing what can be managed by the public authorities. Unless we deal with it, this immigration problem may overwhelm us"*.

## **Political tensions**

Among other issues, Fassino pointed out that immigrants come up on top of the waiting list for low-cost housing, because they usually have large families (unlike the Italians), and large families have a priority among those waiting for these units.

This way immigrants end up getting the housing originally planned for low income Italians. And this unforeseen development clearly breeds strong anti-immigrant resentment.

### **Lowest fertility rates**

***And it gets worse. If we look at the never-ending immigration tidal wave in conjunction with low fertility rates among Italian women, then we have the elements of a demographic/political crisis. Italy now has the lowest number of new births per unit of population in the entire European Union. Simple math: fewer native Italians and more Africans permanently settled in Italy will transform the country's ethnic composition—rather rapidly.***

Indeed, Italy is now at the point in which deaths have surpassed new births. This means a progressively shrinking native population. If we consider that in Italy, (like in most other developed countries), social services and pensions going to current recipients are paid for through contributions by active workers, it is obvious that the entire fabric of the Italian welfare state will soon become unsustainable. There will not be enough revenue to finance benefits. Simply stated: too many retirees, and not enough active workers paying into the system.

### **Immigrants do not add to the quality labor pool**

From this perspective, the arrival of large numbers of new immigrants should be viewed as good news, no? More young people with jobs paying into the welfare system, should help re-balance it. Right?



Well, not really. Because these new immigrants are unskilled and mostly illiterate. These new arrivals have hard time get real jobs. They often become part of an informal, underground economy. To put it mildly, they do not add to the quality of Italian human capital. They are a net cost to the country.

### **No way out**

*Is there a way of this? Probably not. Italians do not have more children because of a changed culture in which family is no longer thought of as important, and in part because children are deemed to be too expensive for millions of struggling lower income Italians who can barely make ends meet.*

### **Immigrants driven by poverty**

At the same time, abject poverty will continue to drive hundreds of thousands of poor Africans out of their Continent. Same thing for Middle Eastern people trying to escape from civil wars, and political chaos in their native lands. Many of them end up in Italy because Italy is close to Africa, Syria, and Iraq. Once the new immigrants get there, hard to move them elsewhere.

So, here are the facts. Soon enough, Italy and others parts of Europe, especially Southern Europe, will look more like Africa and the Middle East.

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# **Saudi Arabia's Goal: Hurt Iran**

**WASHINGTON** – A few days ago I argued that Saudi Arabia is imposing rock bottom oil prices through over production in order to damage Iran. Subsequent developments confirm this. In Saudi Arabia there is now a confluence of anti-Shiite moves at home, culminating in the recent execution of Nimr al-Nimr, a prominent Saudi Shia cleric, (an act of open provocation vis-a-vis Shia Iran), and openly anti-Iranian attitudes and policies.

## **Low oil prices, steal Iranian customers**

The Saudis aim to mix anti-Shia religious animosity with their ability to keep oil prices low, this way hurting oil-dependent and relatively poorer Iran. Indeed, beyond its “pump as much as you can” policy inaugurated more than a year ago, now Saudi Arabia is openly trying to steal business from Iran. Knowing that with the forthcoming easing of sanctions (the outcome of the nuclear deal) Iran will be once again allowed to sell oil to its old European customers, (Spain and Italy are on top of the list of old pre-sanctions buyers of Iranian oil), Saudi Arabia just announced extra discounts to European oil consumers. Obviously they want to sway them, so that they will not resume business with Iran, their old supplier, once the sanction are lifted.

So, here is the strategy. Keep oil prices low, so that Iran, even when allowed to sell more oil, gains as little as possible. At the same time steal old Iranian customers through heavy discounts. Clearly Saudi Arabia wants to hurt Iran economically using its ability to keep oil prices down as its weapon.

**Will it work?**

Assuming that this is indeed the Saudi end game, can the plan be executed until it reaches its objective of seriously damaging Iran? I am not so sure. To begin with, by forcing the entire OPEC cartel to tighten its belt (member countries produce about 30% of the entire world oil supply) Saudi Arabia is not winning any new friends.

And certainly oil at around \$ 30 a barrel is hurting Moscow very badly. Russia is not an OPEC member, but it is a giant oil exporter, and it desperately needs high oil revenues just to stay afloat.

### **Pressures**

Which is to say that there will be pressures –direct and indirect– to force Saudi Arabia to change this course that is ruining many oil-producing countries –big and small.

Besides, how much damage will low oil prices inflict on Iran? Moderate? Severe? My hunch is that, even in a worst case scenario, this is not a mortal blow for Iran.

### **Saudi Arabia hurting itself**

In the meantime, however, while Saudi Arabia is trying to strangle Iran economically, it is also creating huge problems for itself. Saudi policy aimed at depressing prices through its own over production (now at 10.4 million barrels a day), have caused an unprecedented fiscal shortfall.

With sharply diminished oil revenue, in 2015 Saudi Arabia run a huge budget deficit of almost \$ 100 billion, equal to more than 20% of GDP. In order to finance it, the Saudi rulers had to dip into their cash reserves, (in excess of \$ 700 billion) while issuing bonds at the same time.

### **How long more?**

So, far so good. Saudi Arabia still has ample funds that can be used to re-balance public accounts. But this game cannot go

on for ever. At some point (about 5 years according to many analysts) the ample cash cushion will be gone, and this low oil prices policy will have to stop. Saudi Arabia can impose a change of course very easily. Simply by cutting its own production, it can eliminate the oil glut that depressed world prices for crude.

However, what if at that point Iran, while damaged, is still alive and kicking? What if the economic punishment inflicted by the Saudis failed to kill the Ayatollahs (alleged) hegemonic dreams? Then this would have been for nothing.

### **Western consumers (and car makers) are doing well**

At the moment, the only net beneficiaries of this almost suicidal oil policy are hundreds of millions of Western and Asian consumers. Almost nobody in Germany, Japan or the US objects to rock bottom gasoline prices. (Of course, in the US the once vibrant energy sector led by the fracking revolution now is bleeding. But America as a whole is still a net oil importer. Most sectors gain from low energy prices. Take Detroit, for instance. US car manufacturers had a stellar year in 2015, almost entirely because low gasoline prices enticed millions of people to buy new cars).

### **Clever strategists at the helm?**

So, here is the question. Is Saudi Arabia run by clever people who have properly calculated risks and rewards of this new "low prices" oil policy? Or is this just reckless behavior?

Is this a super smart Machiavellian strategy, or the brain child of untutored leaders who believe they can bend rivals at will, when in fact they cannot?

I suspect the latter.

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# There Will Be No Real Palestinian State

**WASHINGTON** – A couple of recent interviews with two Israeli citizens, the first one a seasoned policy-maker with an impressive background in intelligence and national security, the other an inhabitant of a settlement in what is technically Palestinian territory, conveyed to me in a powerful way that Israel will never allow the creation of a real, sovereign Palestinian State. *And I really mean never.*

## **Official position**

We know the official Israeli position on a Palestinian state. In principle, Israel would like to see a Palestinian state. The Israelis do not want to carry the burden of indefinite occupation. It is difficult, and it is costly.

## **Guarantees**

However, for this to happen, there would have to be solid guarantees. The Palestinians would have to openly and unequivocally recognize Israel as a Jewish state. They would have to unequivocally give up any claims to the territories that belong to Israel. No claims, no violence against Israel and no terrorism.

## **Palestinians will not deliver**

Well, we do know that this blanket, unequivocal, non revocable recognition of Israel is not coming. At least not in a form that would satisfy Israel. We do know that at least some Palestinians openly state that their goal is the elimination of Israel. We also know that many Palestinians assert their

right to regain possession of land and homes they were forced to abandon after Israel was created.

From this vantage point, the Israeli government can easily proclaim that since the Palestinians are reluctant to fully acknowledge Israel's right to exist, unfortunately Israel cannot take the chance to allow the establishment of a full-fledged Palestinian state next door. This position implicitly indicates that, should the Palestinians finally change their mind, then the road to an agreement leading to the "Two States Solution" will be open.

### **Quiet determination to carry on**

This is the official position. However, beyond the public pronouncements, I detected in the two interviews I watched on TV both an oblique conclusion that a deal with the Palestinians is impossible and an Israeli quiet determination to hold on to the status quo –essentially for ever. I assume that this determination is in part based on a healthy mistrust of the Palestinians and in part on a widespread implicit and at times open assumption whereby all of Biblical Palestine, including the West Bank, is and should be recognized as a part of Israel.

### **Limited sovereignty**

In political terms this position is conceptualized as an Israeli version of the old Soviet "limited sovereignty" doctrine that shaped relations between Moscow and the vassal countries of the Eastern Bloc. "You are semi-free, but only to the extent that you do not do anything that in our judgment undermines our interests".

In a nutshell, the senior Israeli policy maker stated that it is acceptable to have a Palestinian Authority with some of the elements of a sovereign state, as long as Israel is still in overall control. It is alright for the Palestinians to have jurisdiction on most of their internal affairs, as long as

they recognize that they will never be allowed to have a real army, and other attributes of a truly independent state.

Furthermore, the Palestinians should accept the consequences of their almost total economic dependence on Israel. Israel is a key supplier of basic goods to Palestine, and the employer of many Palestinians. Israel is in the lead and therefore it dictates the terms. The Palestinians should be wise enough to recognize all this, and what it means to them.

***Bottom line: since the Palestinians cannot be fully trusted, the status quo will continue –for ever, if necessary. The Palestinians better get used to their status of permanent vassal territory.***

But while all this makes some sense, these positions are reinforced by a belief widely held by many Israelis: the West Bank is in fact part of Israel.

### **Settlements are here to stay**

Indeed, switching to the long interview with the Israeli settler, it is patently obvious that he and tens of thousands of other feel perfectly comfortable where they are. He does not believe that his home is “illegal” since it has been built on occupied Palestinian territory. On the contrary, he believes that it is alright for himself and thousands of Israelis to build settlements in what used to be Palestinian land.

Clearly these settlements are not temporary. They are permanent. Through them and all the Israeli citizens who live there, little by little Israel is expanding its *de facto* borders.

Anyway, the combined meaning of the two interviews is that they convey a quiet determination to carry on with the status quo, without any final settlement, and without giving away an inch.

## **Palestinians cannot be trusted**

May be with cause, the Israelis concluded that a “real deal” with the Palestinians is in fact impossible. They have concluded that no Palestinian state, no matter who is in charge, can be trusted to act as a peaceful good neighbor.

No Palestinian government can be trusted when it comes to pursuing terrorists or others who will continue to plot violent actions against Israel. Therefore, while endless occupation is not an ideal situation, letting go entirely would most likely have adverse consequences. Just think of what happened in Gaza after the unilateral Israeli withdrawal. It became a Hamas-dominated enclave, and a launching pad for terror attacks against Israel.

## **Change the borders**

At the same time, by creating settlements in the occupied territories, Israel is slowly modifying to its advantage a rather unfavorable territorial reality. Israel is a very small country surrounded by potentially hostile neighbors. Getting little pieces of Palestine by creating Jewish settlements in strategic locations will eventually diminish the disadvantage of such a small territory.

And if many settlers believe as they do that they are building homes in what is in fact Biblical Israel, the land of their forefathers, this is even better. Strengthened by this religious belief, they will have the determination to hold on to their homes and defend them with force, whenever necessary.

Given all of the above, my perception is that this –the endless continuation of the occupation– is what we are going to have. Whatever the official pronouncements, whatever the objectives of the next round of Israeli-Palestinian negotiations, Israel will not budge.



In fact Israel will continue to slowly modify in its favor the reality on the ground through its ongoing settlements policy which amounts to *de facto* annexation of slices of Palestinian territory.

### **The Palestinians have responsibilities**

This may look terribly unfair to the poor Palestinians. But the Palestinians have their share of responsibilities. Many of them are wedded to unrealistic ideological positions. Many of them openly want Israel to disappear. At least some of them are terrorists, and many more support terrorism against Israel.

Therefore it is truly disingenuous on the part of the Palestinian leadership to assume that Israel will give up and allow the creation of a fully sovereign, but potentially hostile state a few kilometers away from its major cities.

Israel's worst nightmare is to see the entire West Bank become another Gaza Strip controlled by fanatics. For all these reasons expect occupation to continue.

There will be no fully sovereign Palestinian state.

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## **Saudi Monarchy Losing Control?**

**WASHINGTON** – The very last page of the latest TIME magazine double issue about what we can expect in the New Year is dedicated to quick predictions. One segment is focused on what might happen in world politics.

### **Predictions**

Some of these short forecasts are not long shots. For instance, as indicated in item “d”, it is possible that stagnant economies in Europe and a growing crisis caused by Middle Eastern refugees will create more support for xenophobic, racist parties in the Old Continent.

### **End of the Saudi Monarchy?**

But item “b” is far more intriguing. It says: ***“The House of Saud loses control of Saudi Arabia”***. [Emphasis added]

What, a coup-d’etat in Saudi Arabia? A political revolution? Now, this would be a really big deal, given Saudi Arabia’s dominant role in shaping global energy prices, and therefore energy and economic policies across the globe.

### **The last absolute monarchy**

The problem with the Royal Family is that the House of Saud is the last absolute monarchy. This is not Norway or Great Britain. Its enormous, unchecked powers rest on its total control of the country’s vast oil wealth, and on its alliance with the conservative Wahabi, the self-appointed guardians of true Islamic orthodoxy.

So, all of a sudden, in 2016 something truly catastrophic will come about, and the Royal Family “loses control”? How could this happen? The short TIME magazine prediction provides no details.

While there are no obvious signs of dangerous political unrest in Saudi Arabia, there are dynamics under way that may lead to trouble.

### **The new oil prices policies is costing too much**

First of all there is the Saudi-driven policy of “all out oil production” that caused the collapse of global oil prices, (now below \$ 40 per barrel). This policy, whose objectives are unclear, can be reversed, of course.

## **Fissures**

But the economic damage already brought about by it, beyond the financial bleeding caused by huge deficits, may have created dissent within the Royal Family. It stands to reason that many senior members may question the wisdom of a new course of action decreed or at least endorsed by King Salman that causes the government to drain its precious reserves to finance a huge fiscal imbalance caused by the oil revenue collapse. Add to these strains the cost of the Saudi military intervention in Yemen.

Still, probably these tensions can be handled.

## **Legitimacy**

The real long-term uncertainty is about the regime's questionable legitimacy. By that I mean that it is not obvious that the Monarchy has and will have in the future the ability to keep Saudi society quiet, while retaining its anachronistic total power and all the privileges that come with it.

## **Political vulnerabilities**

The Arab Spring proved that even established regimes are vulnerable. In the cases of Egypt, Tunisia, Libya and Syria there were economic grievances mixed with demands for freedom and accountability.

Saudi Arabia is a different case, in as much as the Royal Family for now at least can afford to distribute cash payments to millions of people in order to keep them happy.

## **An anomaly**

Still, the Saudi regime is an anomaly. The idea that it will be there, essentially for ever, is a fantasy. May be nothing will happen in 2016; but something is bound to happen.

TIME magazine is probably right. May be not on the timing, but

on the eventual outcome.

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# Republican Voters Want Change, Forget About Experience

WASHINGTON – Yes, Donald Trump is still the number one preference among likely Republican primaries voters. And the rich New York real estate developer is followed by retired neurosurgeon Ben Carson. If you put them together, these two outsiders *who never held any public office prior to their candidacy for the Republican nomination* get almost 50% of the stated preferences of probable Republican primaries voters. Astonishing, but true.

## Trump for President

And yet, we do know that Trump is at best a clever, media conscious populist who appeals to the raw emotions of lower middle class and working class Whites, an important but declining component of the national electorate.

His policy proposals are a mix of nationalism, protectionism, and grandstanding. With Trump as President –he tells everybody– we shall win again. We shall get really tough with China, Japan and Mexico, countries that steal our jobs.

We shall also engage in a massive deportation effort aimed at getting rid of all the 11 or 12 million illegal immigrants currently residing in America. We shall build a wall at the border with Mexico, and we shall force the Mexican Government to pay for it.

## **Populism sells**

Yes, to be charitable, none of this is doable. Most of it is just hot air. And yet a large segment of the potential voters love it. And they love the fact that Trump shoots from the hip. He rambles, he says amazingly crude things. But he says all this with vigor and conviction.

And he always reminds his audiences that he is not a traditional politician. The pros are weak, unimaginative, and stupid. He is very rich, and therefore smart. And he is his own man. He does not need funding from special interests.

Anyway, whatever the experienced Washington pundits may say, the package sells. Trump is ahead.

## **Not enough to get elected**

Of course, the caveat is that Trump is favored by a significant but narrow segment of the Republican voters. While lower middle class White people are important, they are not even close to being a national majority. In today's America they constitute an important voting block, but not big enough to get anybody elected.

And so, while Trump consistently polls around 28% or even 30% among Republicans he does not go beyond that ceiling. And it is obvious that 30% or even 40% of GOP primaries votes, while they may get Trump the Republican nomination, are simply not enough to win the national election in November 2016.

## **Carson is even worse**

Anyway, if Trump at number one is a bizarre leading candidate, Ben Carson at number two is an even more improbable would-be President. Carson has a compelling personal story. He was born Black and poor; and yet through personal effort and perseverance he got a good education and he became a famed neurosurgeon.

This is a great American story, very appealing. And yet in the give and take of debates and interviews Carson has demonstrated to know almost nothing about major public policy issues. The man is obviously intelligent. But he is completely untutored. He cannot handle a serious conversation about the Middle East, or US fiscal policy. And yet at least 20% or more of would be Republican voters would pick him because he is likable, and because he looks honest.

### **Have the Republicans gone mad?**

What's going on here? Why select weird candidates who have no chance to win a national election? Have the Republicans gone mad? Yes, something like that.

Look, I do understand the yearning for change. Clearly there is deep frustration with unimaginative establishment politicians. There is a widespread perception that America is stuck; and yet the people we've been sending to Washington are not doing anything about it.

### **New faces**

***Hence the desire to look elsewhere: new faces, fresh ideas. Yes, except that Donald Trump and Ben Carson, while undoubtedly new, are also spectacularly unsuitable and inexperienced. Trump promises impossible or truly bad policies. Carson has no idea about most of the issues, let alone putting together a policy platform to deal with them, and a team that will execute.***

If you want to dig deeper into this baffling picture, take a look at the highlights of a recent Washington Post poll. What motivates Republican voters to select their favorite? 52% replied that they picked the candidate who will bring needed change to Washington. (OK, so you get why Trump and Carson are popular. Most certainly they will bring change). 28% replied that their choice is for the most honest among the candidates. (A very low percentage. This means that for most Republican

voters bringing change is more important than personal integrity. Not a good thing).

### **Prior experience not needed**

But it gets worse. Only 11% indicated that their choice is based on who has most experience. (And this explains why Jeb Bush and John Kasich are so far behind in the polls. They are proven and capable policy-makers. But right now very few voters care about real qualifications).

But wait, it gets even worse. Only 4% of potential Republican voters responded that they picked the candidate most likely to win against Hillary Clinton in the 2016 general election. In other words, almost zero consideration about which candidate can appeal to the (relatively narrow) Republican base but also to the millions of uncommitted voters who normally decide the outcome of a general election.

### **Change above all**

Here we go. In picking the person likely to become a national candidate in a presidential election, experience and electability at this stage hardly matter at all. The GOP primary voters are inclined to pick really strange “change candidates” simply because they are fed up with the old party leaders.

Broadly speaking, in a democracy change is good. There is inherent danger when we create a class of perennially re-elected professional politicians who dominate the scene with their established biases and prejudices.

### **What kind of change?**

Therefore, let’s open up the field, by all means. Let’s not go for yet another member of the Bush dynasty. (Jeb would be the third President Bush, after George Senior, and George Junior).

But if the GOP idea of change is Ben Carson or Donald Trump,

then the Republican Party is in real trouble.

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# Keystone Pipeline Is Dead – The Triumph Of Politics

**WASHINGTON** – Now it is official. President Obama announced that he is against the proposed Keystone pipeline that would have allowed Canada to ship oil directly from the Province of Alberta to the Texas refineries. The project has been officially killed.

## **A symbol**

It is no secret that this pipeline had become a target for all the US environmentalists who believe that fossil fuels are bad, if not evil. The argument against this particular project is that it would have delivered an even more potent poison. You see, Canadian oil is extracted from oil sands. The process is messy, and dirty. And it generates more emissions.

Therefore, preventing this pipeline from being built became a crusade.

And now Obama has finally taken a position. It is no wonder that in the end he had to agree with the various environmentalist groups. They are mostly Democrats. Hard to think that he would do anything that would alienate them.

## **Theological argument**

And what about his argument? Well, his argument is based neither on economics nor on any practical energy policy. In



fact, it is akin to a theological argument. America is leading the world in the battle against emissions and climate change, Obama said. By approving a project that increases reliance on a particularly dirty form of fossil energy, America would have tarnished its own credentials.

It would have set a bad example, right before the United Nations Conference on Climate Change to be held in Paris on November 30. This will be a major international event in which all countries are supposed to prove how serious they are on combating climate change. Approving a fossil fuels project right before a global forum in which America will encourage others to commit to reducing oil related emissions would have looked bad.

Therefore, this is not about getting more Canadian oil. This is all about politics, ideology and symbolism.

### **Negligible impact**

Let's make it clear. Whether you are for or against the pipeline, at the end of the day, when it comes to global warming this is a non issue. The fact is that having or not having this pipeline does not move the needle in any special way.

### **Enhanced energy security**

However, it would have been better to approve it for different reasons. The pipeline would have contributed to enhanced US energy security. Indeed, the Keystone pipeline should have been allowed because getting more oil from Canada (as opposed to importing it from OPEC countries in the Persian Gulf) would have added to American energy security. Getting about 800,000 barrel a day from Canada would not have been a revolutionary change. But it would have been a positive incremental step.

And here is why. Notwithstanding the huge increase in US domestic production that took place in the last 5 or 6 years,

the US still imports almost 50% of all the oil it consumes. That's about 9 million barrels a day. This being the case, it would be wise to get more of the oil we absolutely need (until something else will replace it) from Canada, a friendly neighbor, as opposed to importing it from the perennially turbulent Middle East. It is as simple as that.

The Middle East is a mess that we cannot control. Something really bad may happen there; and a major crisis may affect oil flows from the region. Therefore, if we had a choice –and now we do– let's further reduce our reliance on oil imported from the Gulf region and let's get more oil from Canada, a friend and an ally.

Is this really so difficult to understand?

### **No impact on the environment**

As for the alleged negative environmental impact, the Obama State Department, technically in charge of all reviews regarding the proposed pipeline, stated that building Keystone would not alter US total emissions in any appreciable way.

Therefore, all considered Obama should have allowed this project to move forward. He did not do this for political reasons. Nothing to do with the merit of the case.

### **Does it make economic sense?**

Now, from a different perspective, one could argue about the wisdom of constructing this new Canada to USA pipeline right at a time in which there is a global oil glut, and oil prices are half what they used to be when people started planning for the Keystone pipeline.

May be it no longer makes economic sense to build it. Fair enough. But this is a business decisions to be made by TransCanada and its partners. It is not up to the President of the United States to decide if a project makes economic sense

or not. This project would have been built by a private company, and not by the US Government.

### **Oil transported by rail**

And one more thing. The green movement applauded Obama's decision as a good way to preserve the environment, while sending a strong message to the fossil fuels lobby: *Watch out. We are going to get you*".

But here is the irony. Without the pipeline, substantial amounts of Canadian oil are and will be imported into the United States. This Canadian oil is loaded on trucks or freight trains.

Now, any energy logistics expert would tell you that these modes of transportation are much more dangerous than a modern, state of the art pipeline. As several train wrecks with explosions and fires caused by the oil loaded on rail cars have demonstrated, transporting oil by train can be a real hazard.

### **The issue was the pipeline**

But I guess that trains loaded with oil, occasionally derauling and exploding here and there, are not an issue for the environmentalists.

The issue was the pipeline. And now it has been killed. Victory.

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# **Anti-Immigrant Europe Needs**

# Immigrants

**WASHINGTON** – I recently read a well crafted article about immigration in both Europe and the USA. It pointed out that, while there is real concern, (bordering on hysteria), about too many (unwanted) immigrants arriving, (Syrians in Europe, Central Americans in the US), ***the fact is that both Europe and the US actually need more immigrants.***

## **Demographic crisis**

They need them because their populations are declining. And this has many negative consequences. In Europe there is a really bad combination of fewer and fewer births, while the people live a lot longer. In simple terms, this means that, because of the way most welfare programs are structured, over time fewer and fewer active adults will have to take care of (*read: pay for*) the needs of tens of millions of retirees who will live to be 80 or older. This is already unsustainable. Large deficits and growing national debts are the tangible effect of growing social costs, while the tax base that is supposed to finance them is shrinking.

Since cutting benefits to the retirees is politically impossible, all this means that, unless this negative fertility trend is reversed, the only help can come from promoting more immigration.

But public opinion in Europe and the US sees immigration as a problem, and not as a solution. So, are the Europeans and to a lesser extent the Americans blind? Do they fail to see that they need more immigrants?

## **What kind of immigrants?**

No, they are not blind. Indeed, they see very well. The fact is that while more immigration in principle seems a great solution to a very real demographic crisis, most of the

immigrants that try to get to Europe and America are viewed as a problem rather than a solution.

I do not believe that the Europeans would dislike the Syrian refugees now arriving in droves, if most of them would come with good academic qualifications, managerial and language skills, and a natural proclivity to quickly start innovative businesses.

### **Poor people**

But these are not the immigrants getting to Italy, Hungary or Austria. Beyond the current Syrian wave, all these refugees, along with other economic immigrants, come from poor countries in Africa and the Middle East. On average, they have little or no education. Besides, they usually bring along with them habits and traditions that do not mix well with Western countries. And, finally, many of them are Muslims. And because of this they are looked at with some suspicion by mostly Christian societies.

### **US turning against immigrants**

In the US the problem is less severe but not insignificant. Indeed, in this pre-election season, the instant popularity of anti-immigrant political candidates like Donald Trump proves that there is a sizable portion of America that would like to stop immigration altogether; and in fact would like to kick out millions who are here illegally.

The point is that many of the immigrants who get to Europe, and to a lesser extent America, are viewed by those societies as people who want to take advantage of the social services available in France, Germany or California, as opposed to having a desire to come to the West to work hard and integrate themselves into the main stream. ***In other words, the West is a place where you go "to get something", as opposed to the place that allows the opportunity "to do something".***

## **Those who come are not assets**

Of course Italy and Germany will need immigrants. They really will. But, right now, the Italians look and they see hundreds of thousands of poor souls who arrive on overloaded vessels from Africa every year. These are not would-be entrepreneurs. These are people in real need. They need shelter, food, medical attention, later on education, jobs, (do keep in mind that Italy has a 12.4% unemployment rate), and more.

In other words, these people –be they genuine refugees or economic immigrants– cost money. Who knows, later on they may become productive workers and eventually even exemplary citizens. But the road from total poverty (and likely marginalization) to full integration, assuming it actually exists, is long and arduous.

## **Scared societies**

Right now, most Europeans and some Americans are really scared. They do not want in their midst needy people who will have a hard time blending in. In this respect, America does better than Europe. Along with poor people from Guatemala, we get highly educated Indians, Koreans, Chinese, and some Europeans. These immigrants come with advanced degrees and, in some instances, valuable business skills. They enrich the business and scientific community. They are assets.

Unfortunately, this is not the majority of new arrivals. Yes, immigration may be indeed the cure for the demographic crisis. But not all immigrants will do. And this is, and will continue to be, a problem.