

Graffiti for intellectuals

SEPTEMBER

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SIMON SAYS



THE UNWELCOME PARTNER



By Si Frumkin

I was leafing through my archives when I unexpectedly came across an article I wrote over 10 years ago, in April 1996. It seems to me that it is still - maybe, even more - relevant to what is happening today in our dispute with Iran and present a viable reason for the strange tolerance of Iran by European tolerance of Ira's defiance and Iran's apparently justified conviction that defiance will not be punished. S.F.

THERE IS AN ANCIENT BUSINESS CLICHÉ THAT GOES, "IF YOU LEND SOMEONE A THOUSAND DOLLARS HE IS YOUR creditor, but if you lend a hundred thousand dollars, he is your partner." With inflation, of course, you may want to add a few more zeros to the numbers, but regardless of scale, like most clichés, this one is universally true.

Someone who has borrowed very large sums is in a position to manipulate the lender by threatening not to repay the loan. The lender, more often than not, has no choice but to make additional concessions in the hope of getting something back or else losing everything. If the amount is large enough to significantly affect the lender, he surrenders, gnashes his teeth and throws good money after bad.

There are of course other remedies, some more effective than others. There are appeals to the morality and conscience of the borrower - this seldom works. There are legal avenues and collection agencies - this takes a very long time, is seldom effective and mostly enriches the lawyers representing both sides. Then

there are the arm breaking and kneecapping methods used by the less civilized lenders. These are usually effective, or if not, at least provide some satisfaction to the lender and serve to instill caution in potential future defaulters, but they are considered to be unethical, immoral and usually illegal.

Today, global lenders are faced with a global borrower who has become a de facto partner of a number of major nations by using the threat of defaulting to leverage their

greed.

The borrower is Iran. The lenders are Western governments. The major lenders are Italy, Japan and France, but there are 46 nations altogether to which Iran is in default for hundreds of billions of dollars.

History seems to be repeating itself here. During the 1980s European and Japanese credits enabled Iraq to build up its weaponry and support terrorist movements worldwide. It was left to the U.S. to eventually risk American lives to solve the crisis that was partially created by Western financiers. Western lenders lost between 40 and 100 billion dollars when Iraq defaulted on its loans in 1991. Undeterred by the Iraqi experience, the West then continued to pour credits and loans into Iran tempting history to repeat itself. The

u.s. has been trying to discourage its friends and allies from this obviously foolish path but there has been only limited cooperation from Europe, Canada, Australia, Japan and others.

In the early 1990s, when oil prices dropped, Iran stopped making payments on the loans it had made at below market 5%-9% rates. By 1993, frightened that it may lose all it had lent, Germany rescheduled the debt at even more favorable rates with a 2-year grace period. Since 1993, Germany, Italy, Japan, France and others have lent Iran over \$11 billion at below market interest rates. This was done at a time when commercial lenders charged Iran a 33% risk premium on letters of credit or else refused credit altogether. Iran's average credit rating with major commercial banks is now below

Pakistan, Mexico, Egypt, Sri Lanka and Bangladesh!

Still government money keeps pouring in. German Chancellor Kohl told Israel's Knesset Foreign Affairs Committee in June 1995 that Germany could not break trade ties with Iran because, as its largest creditor, Germany had to make sure that Iran paid its debts. It appears that Iran is now Germany's partner!

Iran's economic crisis has forced it to delay major military modernization. It has canceled or held up billions of dollars of arms purchases from Russia and China. New credits would give Iran the money it needs to buy, build and develop new deadly technologies.

There was a time when a nation used its military forces to collect its debts. As far as I know, last time this was done was in Mex-

ico and Central America when the U.S. Marines, in the beginning of the 20th century, occupied ports and collected taxes to repay money these countries owed. Effective as it was, this is no longer something civilized countries are expected to do. I just wonder whether these civilized countries will once again expect the U.S. armed forces to clean up the mess that will be created by the invigorated, subsidized and enriched radical Islamic forces emanating from Iran. In any case, after the unavoidable default by Iran, they will do what they did in the case of Iraq: pass on the losses to their taxpayers and look for another potential menace that could use their financial help.

So there we are. Maybe there is an explanation while a solution is still absent 10 years later.



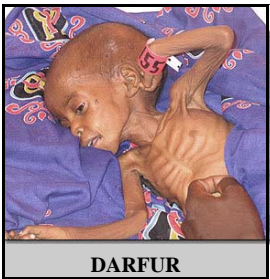
REMINDER: WHOM AND WHY ARE WE FIGHTING

By Dennis Prager, Townhall, 8/29/06

Last year at UCLA, I debated a professor who argued that Israel and the Palestinians were moral equivalents. He is not alone (especially on college campuses) in his lack of understanding of the immoral nature of the Islamic enemies of America and Israel.

Thus it is important to remind people once again about the moral world inhabited by the people we are fighting, whom President George W. Bush calls the Islamic Fascists.

Societal examples:



DARFUR

* The Islamic Republic of Sudan, in its attempt to force Arab/Muslim rule on the largely non-Arab and non-Muslim population of southern Sudan, has led to the killing of well above one million Christians and animists and black (i.e.,

non-Arab) Muslims, in addition to the widespread enslavement, rape and torture of those people.

*No major international Arab or Muslim organization has condemned the Sudanese government's mass murders that border on genocide.

* The leader of the Islamic Republic of Iran has repeatedly denied the Holocaust and repeatedly called for the annihilation of Israel. As the six million Jews of Israel do not plan a mass exodus from their ancient and modern homeland, such annihilation would in fact mean another Holocaust.

* The holy center of Islam, the Muslim country where the holiest Muslim sites are situated, is Saudi Arabia. That country bans the practice of any religion other than Islam, amputates hands of thieves, does not allow women to drive a car, mandates what women wear outside of their homes and is the only country in the world to feature a weapon on its national flag. Women were treated considerably better and had more civil rights in ancient Rome, not to mention ancient Israel, than women living in the holiest cities of Islam today.

* Virtually every Islam-based country decrees the death penalty for any Muslim who converts to another religion.

In other words, every country that calls itself "Islamic" is morally inferior to just about every country in North America, South America, Western Europe, Eastern Europe, almost every Asian country, and many African countries.

No Muslim country treats non-Muslims

and their religions anywhere nearly as decently as any Western non-Muslim country (including Israel) treats Muslims. That is why tens of millions of Muslims immigrate to non-Muslim societies and virtually no non-Muslim immigrates to any Muslim society. In every Muslim country, non-Muslims are either systematically persecuted at worst or treated as inferiors at best.

Individual examples (in just the last five months):

* "A German court sentenced a Turkish man to more than nine years in jail yesterday for the 'honour killing' of his sister...The murder of Hatun Surucu, 23, who was shot several times at a bus stop in a Berlin suburb last year, shocked Germany. . . . Forced to marry a cousin in Turkey as a young girl, Ms. Surucu later broke with her Turkish-Kurdish family in Berlin and was living independently with her 5-year-old son, to the intense disapproval of her relatives. . . . Public outrage at the murder was exacerbated when some teenage boys at a school with many pupils from immigrant families... reportedly openly applauded the killing, condemning the victim for having lived 'like a German.'" (The Guardian, UK, April 14, 2006)

* "Men using machetes attacked worshippers in three Coptic [Christian] churches in the port city of Alexandria [Egypt] on Friday morning, killing an 80-year-old man and wounding at least six other people, the police there said." (International Herald Tribune, April 15, 2006)

* "An Egyptian state-controlled newspaper praised Monday's suicide attack in Tel Aviv, which killed nine people and wounded dozens, calling it an act of sacrifice and martyrdom." (Jerusalem Post, April 18, 2006)

* In Britain, Abdula Ahmed Ali, 25, and his wife Cossor, 23, were arrested in connection with the plot to blow up airplanes flying across the Atlantic. According to Scotland Yard, the Muslim couple planned to take their 6-month-old baby on the suicide mission, using their baby's bottle to hide a liquid bomb. (Daily Telegraph, UK, Aug. 14, 2006)

* "We've got Hezbollah fighters running

around in our positions, taking our positions here and then using us for shields and then engaging the [Israelis]." -- words of a Canadian UN observer written days before he was killed by Israeli bombs (Ottawa Citizen, July 27, 2006)

* "Canadian authorities rounded up a group of 17 Muslim men and boys suspected of plotting to bomb major buildings in the Toronto area . . ." (CNN, June 5, 2006)

*"In Australia, "[Islamist] propaganda has convinced many residents their suburbs are being overrun by Islamic extremists. . . . The Saturday Daily Telegraph revealed an escalation of anti-Semitic behavior. . . . Jewish university students were targeted and forced to hide their traditional skullcaps beneath baseball caps to avoid abuse, while attacks on synagogues have increased." (Daily Telegraph, Australia, Aug. 26, 2006)

* "A third suspect detained in a failed attempt to blow up two German trains is a Syrian national... German and Lebanese authorities are each holding one of two young Lebanese men accused of carrying the suitcase bombs onto trains in Cologne station on July 31. . . . Officials say they could have caused many casualties and set the trains on fire." (Newsday, Aug. 26, 2006)

Does all this suggest that we are fighting a billion Muslims? Of course not.

Does all this suggest that all or even most Muslims are bad people? Of course not.

It does suggest, however, that the dominant forces within Islam are bad at this time; that Muslims who see this evil in their midst have not mobilized any counterforce either out of fear for their

lives or for some other reason; and that decent men and women around the world -- Hindu, Christian, Jewish, atheist, Buddhist and Muslim - are threatened by this powerful, death-loving force.

Muslims who do not acknowledge the threat to civilization from within the Muslim world at least have two excuses -- fear for their lives or group solidarity. What excuses do non-Muslims have who deny this threat?Q



GAZA STRIP



BERKELEY



TERROR VICTIMS, ISRAEL

If this was a defeat, the Israelis must be praying for a lot more of them Tim Hames, The Sunday Times, London, 8/14/06

A different take on the recent conflict by a major British columnist

IF ONLY ISRAEL WERE AS EFFECTIVE AT PUBLIC RELATIONS AS AT MILITARY OPERATIONS, THE RESULTS OF THE CONFLICT ON AND

around its border with Lebanon would be so much starker. As it is, however, the real meaning of the UN resolution that will start to come into force today is being widely misrepresented. Hezbollah is hailing a "victory" of sorts, albeit one of a presentational character. In a bizarre situation, Israeli politicians on both the hard Left and the hard Right appear to agree with the terrorists. All are profoundly mistaken.

What, after all, does this Hezbollah claim consist of? The organisation considers it a triumph that it has not been completely "destroyed" after just four weeks of fighting. It contrasts this with the dismal record of several Arab armies combined in 1967. It has not yet been disarmed and may not be formally neutralised in the near future. Nor has it been discredited on the Arab street, where it has enhanced its popularity. The Hezbollah leader, Sheikh Hassan Nasrullah, thus proclaims himself a "new Nasser".

As victories rank, not being destroyed, disarmed or discredited is not that impressive. It is hardly Henry V at Agincourt. The idea that the Six-Day War represents the military standard for the Arab world is a somewhat humiliating notion. Allowing for the feeble record of the original Nasser, Israelis should not be too disturbed by the prospect of another incarnation. Nor was the Arab street that equivocal about Israel's existence before these clashes started.

The facts now evident on the ground suggest an entirely different assessment.

First, the damage inflicted by the Israeli Defence Forces on Hezbollah's infrastructure and resources is far, far greater than the equivalent harm that it has suffered. A sizeable proportion of Hezbollah rocket launchers and fighters have been eliminated, while the Israeli army has lost no more than a few tanks

and, to its regret, about 100 soldiers. For a body that is used to incessant combat, this is not a spectacular setback.

Secondly, Hezbollah has deployed a huge percentage of its missile arsenal to very little advantage. Only in the *Alice in Wonderland* world of the Middle East could it be seen as a "triumph" for a terrorist organisation simply to launch Katyusha missiles in the direction of Israel and roughly 95 per cent of them to hit nothing of any value. It took Hezbollah six years to accumulate a stockpile that, fundamentally, it has wasted.

Thirdly, the administration in Lebanon, which had ostentatiously refused to send its soldiers to the south of that country for the past six years, has been obliged to pledge to the United Nations that it will now do so. It will, furthermore, be under the de facto control of a much larger international force than has been assembled in that region before — one that will be judged a success or otherwise by the extent to which it keeps the place quiet.



The wider strategic consequences of these recent events are yet more significant. Hezbollah was, until July 11, a problem exclusively for Israel. That dilemma has been internationalised. It is now of paramount importance to the Lebanese Government and the UN Security Council. If Lebanon's troops cannot pacify Hezbollah then ministers there well know that Israel's air force will be back over Beirut. The UN will come to appreciate that if it cannot maintain the peace this will be because Hezbollah has broken the ceasefire that the Security Council imposed, and its own authority will be endangered. This is an important breakthrough for Israel. If Ehud Olmert, the Prime Minister, had been told six weeks ago that Hezbollah would cease to be the principal militia in southern Lebanon by the beginning of September he wouldn't have believed it possible.

Further, Israel's security has been improved more than has been acknowledged.

Fewer than three years ago, Israel's northern border was exposed to Hezbollah, its eastern boundary with the West Bank was so porous that suicide bombers regularly broke through it and its military was engaged in a bitter and often futile attempt to contain Hamas in Gaza. As of now, it can be confident of pushing Hezbollah back beyond the Litani river in Lebanon, the barrier it erected around the West Bank has reduced the number of suicide blast atrocities to the level of an unfortunate irritation and Hamas, whose military command was decapitated by Israel in a series of controversial strikes in 2004, is more likely to engage in a civil war with Fatah than it is seriously to inconvenience Mr Olmert.

The final dimension to this saga may, nevertheless, prove the most compelling. The past few weeks have exposed Iran's pivotal role as the political patron of terrorism as well as the audacity and extent of its ambitions to shape Islam in its image. None of this has taken Israel by surprise. It has been a severe blow to Egypt, Jordan and Saudi Arabia. Jews constitute no threat to mainstream Sunni Islam. The Shia challenge is another matter. Once the crocodile tears for Lebanon have dried up (which will take a month at most) and the mood on the Arab street has moved on (which will not take much longer), it will become obvious to Sunni regimes that Israel is an ally against Iran. The rhetoric directed against Israel will not abate, but it will be increasingly irrelevant.

That Lebanese civilians with no connection to terrorism have died while all this has occurred is a tragedy of the highest order. Israel relied too much on air power at the start of these exchanges and allowed its opponents a propaganda opportunity. Yet, in the end, Israel's survival does not depend on Arab "hearts and minds" or opinions expressed by television viewers who live many thousands of miles away. It relies instead on winning crucial battles. If this is a "defeat", then Israel can afford many similar outcomes.

Mumin Salih, "Muslims and Air Travel", www.islam-watch.org, 8/11/06

"History will acknowledge the contributions made by the Americans, Europeans, Russians and other nations to [aviation]. History will also record the only contribution made by Muslims to aviation, which is to crash the planes and kill their passengers. Muslims happen to be the only group to perfect this art of crashing commercial planes to kill innocent, helpless civilians. Their list of achievements includes:

* "In 1967 they introduced to the world professional hijacking; a Palestinian group hijacked an Israeli Boeing 707 to Algeria.

* "In 1970 they introduced multiple plane hijacking when they hijacked, then exploded four commercial planes in a Jordanian desert.

* "In the 1980s they perfected the art of planting explosives in

electronic devices such as cassette players. They successfully exploded a jumbo jet over Scotland killing hundreds of civilians.

* "In September 2001 humanity witnessed with disbelief how a group of dedicated Muslims hijacked four commercial planes and crashed them into buildings killing thousands of innocent civilians.

* "[In December 2001, they introduced the shoe bomb.

* "In 2006 they introduced the use of liquid explosives"

As the world continues improving in aeroplane designs to give us even better, more reliable and safer aeroplanes, Muslims work in the other direction and continue their own destructive innovation."



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THEY CALL IT E-STONIA NEW EUROPE'S BOOMTOWN John Tierney, N.Y.Times, 9/5/06

Philippe Benoit du Rey is not one of those gloomy Frenchmen who frets about the threat to Gallic civilization from McDonald's and Microsoft. He thinks international competition is good for his countrymen. He's confident France will flourish in a global economy — eventually.

But for now, he has left the Loire Valley for Tallinn, the capital of Estonia and the economic model for New Europe. It's a boomtown with a beautifully preserved medieval quarter along with new skyscrapers, gleaming malls and sprawling housing developments: Prague meets Houston, except that Houston's economy is cool by comparison.



Economists call Estonia the Baltic Tiger, the sequel to the Celtic Tiger as Europe's success story, and its policies are more radical than Ireland's. On this year's State of World Liberty Index, a ranking of countries by their economic and political freedom, Estonia is in first place, just ahead of Ireland and seven places ahead of the U.S. (North Korea comes in last at 159th.)

It transformed itself from an isolated, impoverished part of the Soviet Union thanks to a former prime minister, Mart Laar, a history teacher who took office not long after Estonia was liberated. He was 32 years old and had read just one book on economics: "Free to Choose," by Milton Friedman, which he liked especially because he knew Friedman was despised by the Soviets.

Laar was politically naïve enough to put the theories into practice. Instead of worrying about winning trade wars, he unilaterally disarmed by abolishing almost all tariffs. He welcomed foreign investors and privatized most government functions (with the help of a pri-

vatization czar who had formerly been the manager of the Swedish pop group Abba). He drastically cut taxes on businesses and individuals, instituting a simple flat income tax of 26 percent.

These reforms were barely approved by the legislature amid warnings of disaster: huge budget deficits, legions of factory workers and farmers who would lose out to foreign competition. But today the chief concerns are what to do with the budget surplus and how to deal with a labor shortage.

Wages have soared thanks to jobs created by foreign companies like Elcoteq of Finland, which bought a failing electronics factory and now employs more than 3,000 people making phones for Nokia and Ericsson. Foreign investors worked with local software engineers to create Skype, the Internet telephone service, and the country has become so Web-savvy that it's known as Estonia.

"The spirit is so different here," Benoit du Rey says. "If you come to the government here and want to start a company, they'll tell you, 'Good, do it right now.' Then you can work free without being bothered by stupid things. Here I talk to my accountant once a month. In France, for every seven or eight workers, you need one full-time worker just to fill out the forms for taxes and other rules."

It took him less than two weeks last year to start his company, Aruzza. Now he has employees from five countries working on

deals like importing Spanish ham, exporting Estonian sofas to France and finding programmers in Tallinn to write software for a California company.

He is not a free-market purist — he likes the health care and social services provided by countries like France. But to pay for their safety nets, he figures they need to cut regulations and taxes so they can have robust economies like Estonia's, which grew about 10 percent last year.

The growth over the past decade has produced so much unanticipated revenue that the tax rate is being gradually reduced to 20 percent. Laar's political rivals still complain that his flat tax unfairly helps the rich, but as he notes, the level of income inequality in Estonia actually declined during the past decade.



"People think a progressive tax system is fairer," Laar says. "But in the real world rich people find a way to avoid high taxes. With a flat tax, they stop worrying

about sheltering their income or working in the gray economy. There is less corruption because it's easier to pay the tax."

Since Laar started the revolution, the flat tax has been adopted by its Baltic neighbors and a half-dozen other countries, including Russia, Ukraine and Romania. Such radical reform is still taboo in Western European countries like France, but they can't seal their borders against this threat. If they don't go to Estonia for a lesson in economics, their enterprising citizens will make the trip on their own.