

Listen to the mice roar... it has a lesson for us!

DEBATE

We should take note of Liechtenstein's effective reaction to new and significant challenges

Daniel Levin

In the wonderful, classic novel by Leonard Wibberley, *The Mouse that Roared*, a tiny nation — the Duchy of Grand Fenwick — hatches the seemingly absurd plan to attack the United States of America as a desperate measure of last resort to ensure its economic and political survival. In Wibberley's delicious satire, nothing goes quite as planned, yet the brave knights of Grand Fenwick end up defeating the United States by capturing the world's newest and most destructive bomb — one that makes the atomic bomb seem like child's play.

Despite the fantastic plot of this biting satire, the Duchy's David-versus-Goliath victory is not entirely accidental. Grand Fenwick's knights had the advantage of a political process that worked in their favour. First, the decisions by their head of state, Duchess Gloriana XII of Grand Fenwick, are honestly debated by the leaders of the two major political parties, the Dilutionists and the Anti-Dilutionists — look it up in the book, it's worth it! Then, the matter comes to a

clean vote following an honest and democratic process, and the decision is intelligently executed by Her Majesty's faithful servant, Tully Bascomb. We can laugh all we want at the image of this motley crew setting sail to force a superpower to its knees, but in the end we must also admire the efficiency of a political process that is both brilliantly simple and simply brilliant. The virtues of efficiency were also not lost on the makers of the movie version of *The Mouse that Roared* with Peter Seller's delightful triple performance as Duchess Gloriana, Tully Bascomb and the head of one of the political parties.

Wibberley's novel should be mandatory reading for any political science student for many reasons, though none more urgent and relevant than to demonstrate what a country with efficient and intact structures of state governance can accomplish. The simple, efficient and effective government structure that worked so well in and for Grand Fenwick could not be a more polar opposite of today's political reality.

President Obama moved into the White House with many ambitious goals — fixing health care and Wall Street, closing Guantanamo Bay, developing energy alternatives to fight climate change and reduce our dependency on fossil fuels, to name just a few. Irrespective of what we might think of those goals or the President himself, his exasperation at the pathologically inept ways of the nation's capital and its bruising political battles is palpable. So, is it necessary to

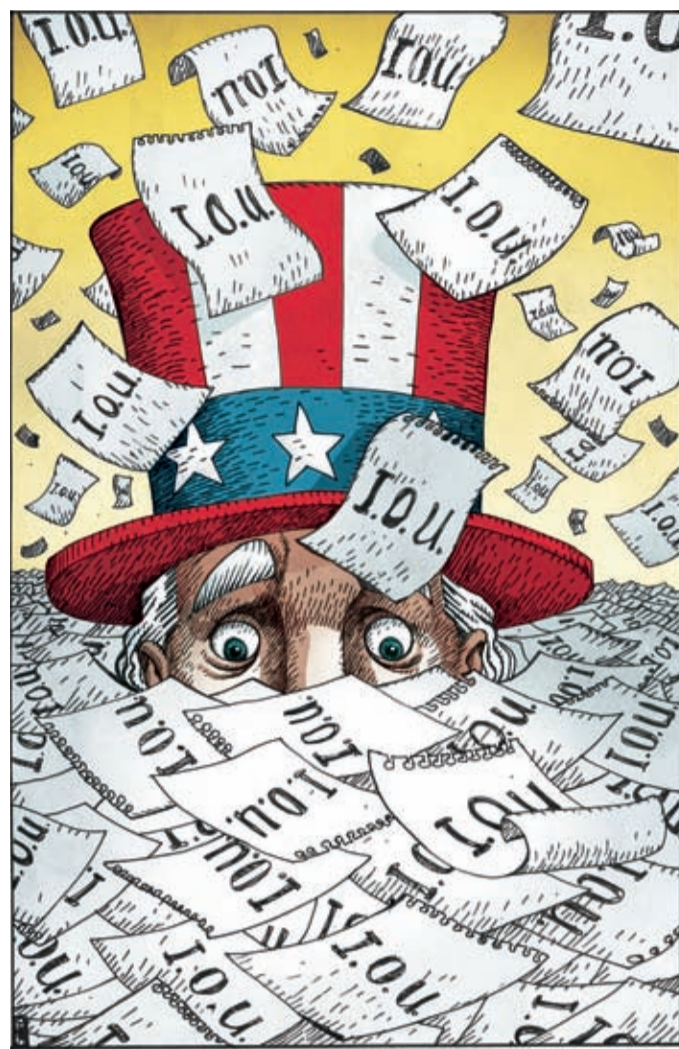
fix Washington before we can fix the many things we are relying on Washington to fix? Is this even feasible, or has that ship sailed and the inmates are now running the asylum, to mix some metaphors that come to mind?

Let's take financial reform in the United States as an example. Is the recent legislation — the Dodd-Frank Wall Street Reform and Consumer Protection Act of June 2010 — really the best this great nation can come up with to address one of the greatest financial crises in the country's history? Can we not even agree on what constitutes bad behaviour by financial institutions, and that we should try to prevent it?

In the wake of the Goldman hearings, was it not obvious to everyone that things in our capital markets had gone horribly wrong?

Should a bank be allowed to make a fortune betting against the very investments it advises its clients to make? Our political system seems to have deteriorated to the point where government may have lost the ability to look out for its people (all of its people, that is). Perhaps it has become too detached, too convoluted and, yes, too big to be an advocate of its citizens.

Maybe bigger is not always better, and maybe Washington can learn a thing or two from some of the world's real mice. Consider the following from the Principality of Liechtenstein, a (very) small country of about 36,000 people sandwiched between Switzerland and Austria. Despite its size, Liechtenstein has been able to carve for itself a substan-



tial niche in private banking and wealth management. Over the past years, however, Liechtenstein's financial and fiduciary industries have come under global scrutiny for their roles in offering a haven for undeclared money based on the protection

provided by stringent privacy and bank secrecy laws. When certain countries — the United States among them — started to crack down on tax havens, triggered to no small extent by the global recession and sharply reduced tax revenues, Liechtenstein found itself the recipient of much unwelcome attention. All publicity is bad publicity when you are in the private banking and fiduciary business, and the political leadership of Liechtenstein recognised that this was not a war it could win.

Rather than dig in its heels and fight to the last soldier for the preservation of its bank secrecy, it embarked upon a gutsy new transparency strategy, culminating in the "Liechtenstein Declaration" of March 2009. Not everyone was happy, but the political leadership managed to convince its citizens that cold facts should trump wishful thinking and rigid ideology. It recognised that the country could simply not afford to put its head in the sand and wait for the storm to blow over.

Cynics were quick to ask whether this new policy would also be implemented, or whether it would remain just a fancy piece of paper with lofty goals. Only time will tell, but one test occurred when in February 2010 a Swiss newspaper ran a sting operation with two undercover reporters who entered several banks in Switzerland, Germany, Austria and Liechtenstein, claiming that they had inherited 750,000 Swiss Francs and asking to open "black," undeclared bank accounts. Liechtenstein ended up being the only country where neither of its two "tested" banks was willing to take on these new clients with their undeclared money.

The undercover journalists were advised to do themselves a favour and seek a good tax

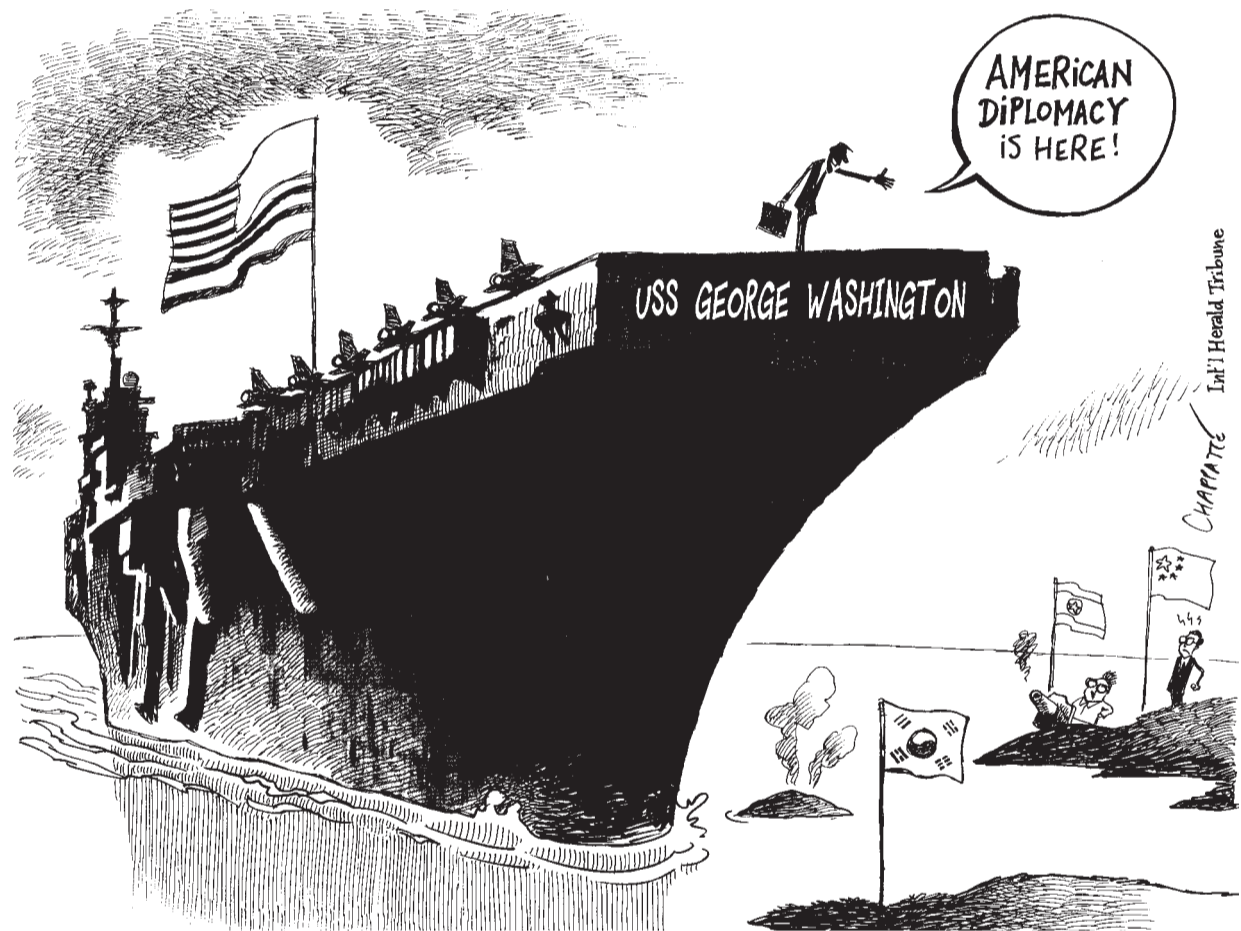
adviser to help them declare the money, rather than live a life in fear of being caught.

We should take note of Liechtenstein's effective reaction to new and significant challenges, and its implementation of necessary, painful and not always popular changes. Political leaders can actually make decisions in the national interest and ensure that these decisions are implemented in letter and spirit, despite vocal and powerful opposition.

If we have lost our ability to accomplish this, then we might need to go back to the drawing board and challenge some of the sacred cows of our political system, including the distorting role of money in politics or even the two-party system, where the degree of paralysis is directly proportional to the amount of hollow bipartisan pronouncements.

In *The Mouse that Roared*, Tully Bascomb speaks some wise words: "Victory sometimes carries more responsibilities than gains. That is because it marks the return of conscience." The United States certainly has many victories in its history, but it seems that in recent times we have fallen short in some of our responsibilities — to ourselves and to others. And maybe, just maybe, we could learn a thing or two from the mice of this world.

Daniel Levin is a member of the Board of the Liechtenstein Foundation for State Governance, a foundation dedicated to the improvement of state governance and the prevention of state failures



The Korean powderkeg could ignite a regional war

AMERICA ANGLE

Washington is wisely pressing China to rein in its North Korean ally

Eric S. Margolis



The simmering crisis in the Korean Peninsula is causing growing concern in Washington and Beijing of the risk a wider regional conflict. Exchanges of heavy artillery by North and South Korea last week sparked worldwide alarm. A powerful US Navy battle group led by the carrier USS George Washington, which reportedly carries nuclear weapons, is now in Korean waters.

Why did North Korea's ruler Kim Jong-il ignite this crisis soon after revealing his nation was enriching uranium that could produce nuclear weapons? The obvious answer: the old North Korean shake-down designed to get South Korea, Japan and the United States to pay Pyongyang to be good. It has worked before and will likely again. Efforts by North Korea's "Dear Leader" Kim Jong-il to boost his youngest son, Kim Jong-un, into power could have played a role in the attack.

But there was also a deeper reason. Kim Jong-il and South Korea's right-wing President, Lee Myung-bak detest one another. Kim brands Lee an Ameri-

can "stooge." The South Korean president denounces Kim as a tyrant and demented despot. The sinking last March of a South Korean naval vessel by what most believe was a North Korean midget submarine hugely embarrassed Lee and his US patrons.

They could not retaliate because North Korea's long-ranged guns dug into caves in the Demilitarised Zone could turn Seoul, only 37 km away, into what Kim threatened, "a sea of fire." So long as Seoul is held hostage by the North, there is not much South Korea or the US can do — so long as North Korea's patron, China, protects the north.

President Lee was blasted by many South Koreans and lost huge face. Now, it has happened a second time. Score: Kim 2/Lee and the US 0.

Face is very important in Asia. North Korea claims to be the only "authentic Korea," and denounces the south as an "American colony." Interestingly, until last year, South Korea's 687,000-man armed forces were under US command (and are still in wartime). Nor should we forget that ailing "Dear Leader" Kim has vowed to "liberate" South Korea before his death.

Most North-South crises soon subside. But much will now depend on the US response. After last March's warship sinking, the US rushed a carrier battle group to North Korea's eastern coastal waters. North Korea made rude gestures at America's naval might — and then ignored the US fleet.

This time around, enraged Washington may opt for more aggressive measures. These could include air and missile strikes, mining North Korean ports or seizing North Korean vessels on the high seas. But all such actions are likely to provoke bombardment of

Seoul and heavy land fighting. The US Navy, always renowned for boldness and élan, may enter the narrow Yellow Sea that is three-quarters surrounded by China, Korea, and southern Japan. The northern end of the Yellow Sea is one of China's most sensitive, strategic areas, giving access to southern Manchuria, Shandong Province, the port of Lushun and its nuclear submarine base, and the maritime approaches to Tianjin-Beijing.

Manchuria, bordering North Korea, is a key Chinese military-industrial region. This vast, resource-rich region was the epicenter of the 1904-05 Russo-Japanese War that changed the face of Asia and sparked the 1917 Russian Revolution.

If US warships and aircraft enter this sensitive area, chances of a China-US clash would rise sharply. It's even possible North Korea might move to provoke a clash. In any event, China cannot allow a US fleet to operate in its most important waters, any more than the US would permit a Chinese fleet to demonstrate in Chesapeake Bay or the Gulf of Mexico.

Washington is wisely pressing China to rein in its excitable North Korean ally. Beijing has no desire for war at this time. China's strategy is to shore up North Korea to prevent its collapse and takeover by South Korea — which would transform the north into another US military base pointed right at the "Dongebi," China's northeastern flank. Japan does not want a united Korea, either.

Could a terminally ill Kim Jong-il roll the dice and try to make good on his vow to "liberate" South Korea?

Eric Margolis is a veteran US journalist

Will pampering India's nuclear ego work anyway?

ISSUES

Neither India nor others seem really too concerned about nuclear deals being finalised in the near future

Nilofar Suhrawardy



With several countries keen for nuclear deals with India, it seems that diplomatic tidings are favouring New Delhi more than ever expected. Is it really so? Yes and also no.

There are no two questions about major powers keen on cashing on India's market by helping it secure electricity from nuclear power. India has no objections to this. But the deals, inked as well as those being negotiated, have dim chances of progressing at literally a nuclear speed. India and US set the ball rolling by inking their much-publicised nuclear deal in 2006. It has not yet reached the stage of being finalised.

If this is reached in a few more months or may be years from now, then would begin the tedious task of ensuring its implementation. This may or may not be ever reached, as in all probability both the countries would then be ruled by different governments, which may or may not favour the nuclear deal as enthusiastically as the present ones. And even if they do, legal, political as well as nuclear barriers are not likely to be swept away smoothly by either country.

Think again. The hype that was raised when nuclear deal was inked in 2006 has now been replaced by fairly strong criticism in both US and India. While US critics have objected to India's civil nuclear liability bill as flawed, the Indians are raising questions on the credibility of the entire nuclear deal. The Indians are against

prospects of the deal putting a check on the country's nuclear policy. It is fairly apparent that Washington wants New Delhi to become a signatory to the Nuclear Non-Proliferation Treaty. Japan wants India to guarantee that it will not go for any nuclear explosions after the two have inked a nuclear deal for civilian purposes. The fact that India and Japan have agreed to "boost" their negotiations on the issue, indirectly also indicates, that the two countries are still miles away from inking the deal owing to differences in their approach towards the same.

True, France gives the impression of being serious about moving ahead by actually initiating the process of implementing its nuclear deal with India.

During his India-visit, the French President is expected to take steps in this direction. But how much can a reactor or two actually contribute to meeting the requirements of Indian market? Even if all the nuclear deals, at present still being negotiated upon, actually reach the stage of implementation, they will not be able to meet even a quarter of India's requirements in two decades from now. Besides, they would cost more, consume more water and carry greater risk than other sources of energy, India is dependent upon now.

Despite these limitations, India has not backtracked from the nuclear deals it has entered into. It is not likely to. Neither are other countries, including US expected to suddenly announce a change in their nuclear approach towards India. Irrespective of whether the nuclear deals for civilian purposes ever reach the stage of implementation or not, they shall continue to be focused upon as an important issue for "strengthening" ties with India. Of course, this demands focus on a billion-billion dollar question. Why?

Why not? What is suggested by the Indian political ego being a little too flattered and pampered by diplomatic niceties displayed by President Obama and his wife during their India-visit? India is more than pleased about the sudden boost in its diplomatic importance. Even though, neither spells any major progress in Indo-US nuclear deal reaching the stage of finalisation. Neither India nor all the countries talking about nuclear deals seem really too concerned about these being finalised in the near future. Nevertheless, initiating talks on this is equivalent to beginning nuclear diplomacy with India along positive lines. It may also be viewed as enhancing the status of India in the diplomatic arena by almost regarding the country as a nuclear power. They apparently regard this approach as the crucial key to entering the Indian market for weapons and other goods. India has the market, which they are eager to exploit to boost their respective economies.

During his visit, Obama played this diplomatic card to its utmost finesse. The other powers are expected to follow the same route. They will talk about nuclear deals with India, but without waiting for the same to be implemented, move forward in enhancing exports in other areas. India can feel pleased about its diplomatic ego being given a boost without its nuclear policy being actually pinched, thanks to it being the world's second most populated country and an emerging economy with increasing needs. Till either of the nuclear deals becomes operational enough to yield results, it may be viewed as nothing more or less than cosmetic diplomacy being deliberately indulged in to move economically closer to India!

Nilofar Suhrawardy is an India-based writer

