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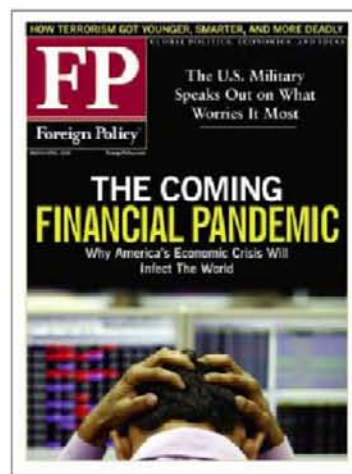
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Radical Thinking About Islam

Without Islam, the world would be the same. Without Islam, the world would be radically different. Graham Fuller ("A World Without Islam," January/February 2008) cannot seem to make up his mind. At first, he argues, "[R]emove Islam from the path of history, and the world ends up exactly where it is today." In fact, what Fuller is arguing is a more general proposition: Remove any religion from the path of history, and the world remains the same. Religion, in this view, is simply an epiphenomenon, a veil to cover the deeper cultural and economic realities that constitute the real forces of history. All religions, Fuller argues, including Christianity, are equally irrelevant. History would have turned out the same with or without them.

Yet in the middle of his essay, Fuller undergoes a significant change of heart. He writes, "In a world without Islam, Western imperialism would have found the task of dividing, conquering, and dominating the Middle East and Asia much easier." But if Islam—as a religion—has kept the West from achieving its manifest destiny of global hegemony, then Islam has obviously played a decisive and irreplaceable role in history. The obstacle to the global ambitions of Western imperialism, as Fuller sees it, is the uniquely religious bond by which Islam gathers together the different ethnic groups of the Middle East and Asia in a united front. Because of this bond, the West is faced with an entire civilization that ferociously resists its claims to domination. It is Islam—as a religion—that has kept the West from consummating its long-desired goal of the End of History. It is Islam that is responsible for the clash of civilizations. In short, Fuller ends up offering a powerful argument for the very thesis he sets out to refute. Religions do matter. They are not merely veils, or rallying cries, or potent symbols. They shape and mold history, often more decisively than those allegedly deeper social and economic causes that have inordinately engrossed the attention of modern historians.

—LEE HARRIS

Author

The Suicide of Reason: Radical Islam's

Threat to the West

Stone Mountain, Ga.

Fuller offers a much-needed reminder to those who continue to view the world uncritically and reduce global politics and terrorism to Islam, that political and economic ambitions and grievances—not religion—are the primary drivers of conflict and terrorism. Absent Islam, the Middle East still would have experienced forms of Western (Christian) imperialism and conflicts stemming from issues related to ethnicity, nationalism, access to resources and markets—and religion.

The absence of Islam would not have precluded religious wars, only changed their nature. As Fuller notes, Western Christian expansionism and colonialism, from the Crusades and conquistadors to European colonialism, reflect what would have been the tip of the iceberg if Christianity had free reign. Absent Islam, Western Christianity would not have developed as the dominant form of Christianity; it would have been subordinate to Eastern Orthodox Christianity. Thus, the dominant form of Christianity would have been one with a long historical record and memory of Western imperialism and one that was therefore sharply suspicious and critical of the West. The religious conflicts between Rome and the Reformation would have been but an episode in a much broader historic warfare between the Catholic Church in Rome and Eastern Orthodoxy.

What is the relevance of Fuller's reflections for the modern Middle East and global politics? As Fuller argues, and the Gallup World Polls of 2005 and 2006 confirm, the bottom line is that issues of democratization, violence, terrorism, and gender are driven by political, economic, and social forces—as well as by religion. Absent Islam, the Holocaust, with its strong Western Christian roots, the desire and need for a Jewish state, and ultimately the creation of Israel, would still have occurred. The victims of Israeli occupation and its opponents would not have been Palestinian Muslims and Christians but simply

For More Online

Graham Fuller's cover story inspired a provocative debate about the relevance of Islam. Read it online at:

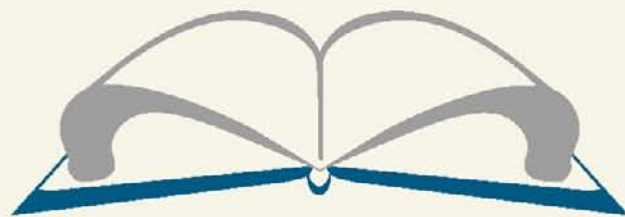
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—President Franklin Roosevelt, in a letter to W. W. Norton,
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Palestinian Christians. We tend to forget that, from the early centuries of Islamic history, Eastern Orthodox Christians have been among the victims of Western Christian imperialism, and among the fiercest opponents of Israeli occupation.

—JOHN ESPOSITO

*University Professor
Professor of Religion and International Affairs
Georgetown University
Washington, D.C.*

Fuller postulates that removing Islam from the course of history would still have the world end up exactly where it is today. However, according to Islamic history books, the people of Arabia prior to the existence of Islam enjoyed more religious tolerance than they did after the religion was introduced.

Fuller opines that violence in the Muslim world is partially a result of anger toward U.S. foreign policies and toward Israel, yet he fails to prove how these policies have caused brutal and massive killings among Muslims themselves, such as in Algeria and Iraq. If Islam, specifically the militant and political ideology of Salafism, did not exist, we would not have seen the Sunni insurgency in Iraq or Hamas-led terrorism in Gaza. If militant Islam did not exist, both places would probably have enjoyed the fruits of democracy that have been offered to them.

In addition, Fuller fails to note that many of the separatist groups that have conducted acts of terrorism in Europe were also Muslims. And he cannot explain why Arab Christians today commit vastly less terrorism than Arab Muslims, even though they live under the same socioeconomic and political circumstances.

If Islam did not exist, we likely still would have had a violent world in the past. But it is because Islam exists that we have seen the beheading of innocents in the name of God, barbaric suicide bombings conducted on a nearly daily basis in the name of religion, and the stoning of women in modern times. Most of the world today clearly rejects these brutal practices—with the exception of Islamic countries. The fact of the matter is that Islam does indeed exist, and we must face the consequences. Engaging in a hypothetical examination of a world without Islam is an apparent attempt to exempt it from the atrocities that continue to

occur in its name, and it is an exercise in intellectual and analytical dishonesty.

—TAWFIK HAMID

*Author
Inside Jihad
Washington, D.C.*

Graham Fuller replies:

Lee Harris is quick to perceive the element of self-contradiction within my article on whether Islam had historical impact or not. I plead guilty to the charge, and I noted in the essay that it would be absurd to deny Islam any role in shaping history. But any hypothetical exercise runs that risk.

My goal was to undermine the reigning argument that all that is wrong in East-West relations is the fault of "Islam" by explaining the impact of other profound forces. Religion is obviously more than a Marxist phenomenon; it is a reflection of diverse human quests for meaning. I don't agree, however, that "[i]t is Islam that is responsible for the clash of civilizations," as Harris suggests, any more than Christianity is. It is civilizations that are responsible for the clash of civilizations.

John Esposito introduces an important argument that my own article actually neglects to explore: Without Islam, the Western Catholic Church would have been much more seriously rivaled by the Eastern Orthodox Church, and the chances of long-term religious conflict between the two would have been much higher.

Tawfik Hamid is quite right that there are brutal murders today within the Algerian and Iraqi communities, but I question whether these murders can be attributed to religion in most cases. In Algeria, there is a complex struggle between an old Francophone ruling elite and an Arabic-speaking underclass that is contesting control of the state. Islam is one of the main vehicles today for the latter group, and it is exploited by its murderous elements. In Iraq, there are clearly sectarian murders, but the groups are not fighting over theology; the communities have been deeply entrenched for more than a thousand years and are rivals for control of the state.

I do not seek to exempt radical jihadism from the violence and intolerance that they practice in the name of religion. But such violence has been practiced throughout history by endless groups in

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Letters

the name of religion, race, secular ideology, and class struggle. As I wrote, I do not believe that any of this would go away if religion or race or class were eliminated. Human beings have always excelled at creating differences between themselves and the "other"—and using them to justify terrible acts against other people.

A Textbook Case

Are French and German students being brainwashed to reject capitalism, despise the entrepreneurial spirit, and oppose globalization? Stefan Theil believes so ("Europe's Philosophy of Failure," January/February 2008). He lashes out at the presumably ill-informed and misleading economics curriculum in Europe. He even holds the economics teachers in Europe responsible for the backward European economy.

Not only is his unwavering belief in the market remarkable but his confidence in the powers of teachers and textbooks is astonishing. As an author of a forthcoming economics textbook myself—*An Introduction to the Economic Conversation* (Palgrave Macmillan, 2008)—I can only dream about having such influence. Having taught economics for 30 years, I am especially impressed by the ability of students to forget what I taught them, or to twist my lessons toward whatever direction they want to take them. Nonetheless, I agree with Theil's assertion that the way economists speak of the economy influences the way people perceive things.

There are at least two serious problems, however, with Theil's argument. First, he cannot account for the European economy's positive performance at the moment; in fact, it's even outperforming the U.S. economy. Should the teaching of economics be held responsible? And though his citations from European textbooks are disturbing, his own take on economics is just as disturbing. It does not account for the role of governments or society. At least some economists are becoming increasingly aware of the role of culture, social formations, and values in countries' economic performance. I agree wholeheartedly that the teaching of economics is flawed. But Theil's



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solution—preaching the gospel of the market—is equally flawed.

—ARJO KLAMER

*Professor of the Economics of Art and Culture
Erasmus University Rotterdam
Rotterdam, The Netherlands*

Theil employs rhetorical tactics all too common among those pushing the orthodoxy of neoclassical economics. French and German students, he suggests, are receiving a dangerous, anti-capitalist indoctrination. They are being force-fed a worryingly “skewed ideology,” a set of outrageous political and economic ideas and attitudes that read like the “punch lines to cocktail party jokes.” This biased economics curriculum, we are told, is not only threatening Europe’s long-term prosperity, but it is also contributing to some of the world’s greatest challenges, including anti-Americanism. *Quelle horreur!*

Theil proclaims that the preferred alternative is the “straightforward, classical economics” presented to high school students in the United States. An ever-so-

lightly veiled implication here, of course, is that the economics curriculum taught in the United States is somehow less biased than those presented to students in Germany and France. *Les sciences économiques françaises* are treacherous, heretical, and fatally flawed; economics à la Yankee represents divine truth. But is the American economics curriculum really free of bias?

The straightforward economics teachings that Theil lauds actually rest on a series of highly problematic assumptions concerning human nature and social life. Among these assumptions are a notion of the individual as inherently atomistic, self-interested, and insatiable; a belief in the primacy of economic growth above all else; a conviction that the unfettered market is able to address all social ills; and a faith that ever higher levels of individual consumption offer the route to personal and societal well-being. This means that when students in the United States learn economics, they are also receiving instruction in a particular, and incomplete, set of ideas about what it means to be human. And

they are receiving moral instruction (dare I say, indoctrination) about how to get ahead in a hypercapitalist society, and about why it’s proper to act in ways that reproduce that society. Despite what his rhetoric suggests, Theil isn’t arguing for the teaching of economic *realities* in Germany and France. Instead, he’s arguing for the teaching in those countries of a particular ideology—one that more closely aligns with now-sacred beliefs and entrenched interests of the United States.

Theil is quite right to suggest that what is taught to a nation’s youth has profound implications. His error, though, is in focusing his attention on Europe. His sharp lens and critical pen might have been better turned toward the economics curriculum in the good old U.S. of A.

—SIMON NICHOLSON

*Instructor and Doctoral Candidate
School of International Service
American University
Washington, D.C.*

Theil argues that Europe’s economic problems can be traced to anticapitalist ideology in French and German high school economics curricula, which he contrasts unfavorably with pro-market, entrepreneurial American economics instruction. We disagree.

Consider Theil’s argument that European economies are being “left behind.” Although the United States may score better on some counts, France and Germany outperform the United States in measures of life expectancy, work hours, infant mortality, and income distribution.

Meanwhile, American high school instruction is not unbiased, as Theil implies, but rather it leans uncritically toward the ideological right. As we describe in our book *Introducing Economics: A Critical Guide for Teaching* (M.E. Sharpe, 2007), the underfunding of American public education, in contrast to most European countries, has created a vacuum into which corporate-sponsored foundations have moved. Consider two organizations explicitly endorsed by Theil: Junior Achievement and the U.S. Federal Reserve. Junior Achievement’s financial backers include AT&T, FedEx, General Electric, and United Technologies, and its widely used textbook informs students that, for example,

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even the problem of air pollution is caused by “an absence of private ownership and markets.” Similarly, branches of the U.S. Federal Reserve, nominally a government organization, have partnered with conservative economists and foundations to distribute materials to high school educators. Many are embarrassingly one-sided, with titles such as “Messing with the Market” and “Profits: The Consumer’s Best Friend.”

Theil is correct on one point: “What a country teaches its young people reflects its bedrock national beliefs.” Rather than teaching either pro- or antimarket viewpoints, however, the most important skill we could teach our young people is the ability to analyze controversial issues, taking into account arguments from both sides.

—MARK H. MAIER
Professor of Economics
Glendale Community College
Glendale, Calif.

—JULIE A. NELSON
Senior Research Associate
Global Development and Environment Institute
Tufts University
Medford, Mass.

Stefan Theil replies:

The three responses challenge my assertion that the French and German socioeconomic systems underperform, contend that American schools—and I—uncritically preach the gospel of the market, and question the impact of teachers and textbooks.

On the first point, France and Germany have consistently underperformed on measures of growth, employment, innovation, and the length and depth of downturns, for two decades. Even after recent improvements, unemployment remains significantly higher than in the United States. Their corporatist and anti-entrepreneurial structures, combined with their highly regulated labor markets, tend to shut out immigrants and other outsiders. Mark Maier and Julie Nelson also argue that French and Germans work fewer hours than Americans. But a good part of that statistic is the effect of lower labor participation rates, especially among women, immigrants, and the young.

Second, though I personally believe the track record of the market economy with modest redistribution is fairly



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clear, especially compared with the alternatives, my article makes no such claims. The subject of the article was the depth of antimarket bias and sometimes vicious prejudice in some French and German textbooks.

Do U.S. textbooks suffer from reverse prejudice, indoctrinating children in hypercapitalism, as Simon Nicholson asserts? Hardly. There exists nothing close to a pro-capitalist equivalent of French and German texts, which teach that economic growth causes cancer, that globalization regresses society back to the Middle Ages, and that entrepreneurs create chaos and unemployment. U.S. textbooks do not, for example, demonize civil servants or teach that government spreads lethal disease. In fact, the government often plays a clear and benign role in U.S. history textbooks, with positive coverage of social and economic policy during the Progressive, New Deal, and Great Society eras.

The question of the actual impact of textbooks is a valid and difficult one. Arguably, textbooks and curricula are indicative of a broader social and

political consensus that gets passed down; otherwise, why should we care what they say at all? I completely agree with the respondents that balanced, unbiased teaching should be the goal. Teaching habitual distrust of markets makes life too easy for illiberal populists and contravenes European leaders' stated intentions of creating more open, equitable, and opportunity-driven societies.

Reassessing Russia

Lilia Shevtsova ("Think Again: Vladimir Putin," January/February 2008) is a remarkable political scientist. But when a specialist, even one as qualified as she, begins discussing the problems of another sphere of competence, the risk of error is high. I am not simply referring to some peculiar expressions such as, "The proportion of goods and services in Russia's exports is a mere 1.7 percent" (exports are, as a matter of fact, the transport of goods out of a country, and nothing else). These are trifles. More important is Shevtsova's

assertion that Russia's economic growth is entirely due to high oil prices. This is an error I can't ignore.

Dynamic economic growth in Russia began in 1990 during a period of low oil prices. Between 2000 and 2003, growth continued, while oil prices in real terms were close to the relatively low rates of 1986 to 1999. This was the environment surrounding the Soviet Union's economic collapse. Only from 2004 onward did prices in real terms begin to approach the abnormally high levels of the late 1970s and early 1980s. It is true that Russia's budget and balance of payments, just as those of, say, Norway, are strongly dependent on the strength of the oil market. But one should also remember that the Russian authorities took several responsible steps at the time, including using the "superincomes" from high oil prices to repay government debt.

An honest analysis of economic growth in Russia proves that oil is by no means the main engine of economic growth. In 2007, oil-production growth was approximately 2 percent, while output growth in machine building was 20 percent. Against a backdrop of extremely

eu focus

in Foreign Policy



A MESSAGE FROM AMBASSADOR JOHN BRUTON



HEAD OF DELEGATION

European Commission Delegation to the United States

For decades, the EU has used a potent combination of trade and aid to foster economic growth and alleviate poverty in the developing world. Through deft use of innovative trade instruments, agreements tailor-made to individual countries and regions, and support for developing countries' own strategies, the EU helps beneficiary countries take full advantage of the support and market access the EU offers.

The EU is a strong proponent of the WTO's rules-based multilateral trading system, including the current Doha Development Agenda round of trade talks, and seeks to extend the stability achieved at the multilateral level through its own preferential trade agreements with partners throughout the world.

This issue of *EU Focus* shows how the EU employs its trade policy to support development goals, in particular, helping poorer countries move from the traditional donor-recipient relationship and escape from dire poverty.

■ EU Focus

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■ This Issue

EU Trade and Development Strategy: supporting economic progress and poverty alleviation in developing countries.

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March 2008

EU Strategy for Trade and Development:

Spurring Economic Development and Poverty Reduction



"Trade is the engine for growth. It has already lifted millions of people out of poverty in the world. We must ensure it can continue to do so."

European Commission President
José Manuel Barroso

The EU has a long history of preferential aid and trade relations with developing countries, particularly in Africa. Using the potent mix of generous grant aid, technical assistance, and innovative trade instruments over the years, the EU has sought to help some of the world's poorest countries achieve sufficient economic transformation to lift their populations out of poverty. Development is a fundamental objective of EU trade strategy, and together trade and development create a synergy that aims to support the gradual and equitable integration of developing countries in the world economy and the multilateral trading system.

Historically, trade has always been a part of the EU's preferential relationship with the developing countries, as exemplified by the EU's longstanding, special relationship with the African, Caribbean, and Pacific countries (ACP), and the privileged trade access granted to beneficiary countries through the EU's Generalized System of Preferences (GSP) and groundbreaking "Everything but Arms" (EBA) trade arrangement introduced in 2001 to benefit the least developed countries.

Aid and trade are the twin pillars of EU development policy, with trade acting as a catalyst for economic growth and poverty reduction in developing countries. Trade as an avenue to development is also high on the agenda of the World Trade Organization—the international body uniquely positioned to address the particular trade-related needs of the developing world in this era of globalization. The current round of WTO trade talks—the Doha Development Agenda (DDA)—prioritizes developing countries' trade needs—a stance fully reflective of the EU's own position. Among its objectives, the DDA seeks to further liberalize trade, review and improve existing trade rules, and help developing countries build their capacity to benefit from freer trade.

The successful integration of developing countries into world trade requires more than open access to export markets and strengthened international trade rules. To fully exploit the benefits from trade, developing countries must also remove supply-side constraints and address their own structural weaknesses. This includes domestic reforms to facilitate trade, including better customs operations, upgraded infrastructure, expansion of productive capacities, and the development of domestic and regional markets. Complementary efforts are required in areas such as macroeconomic stability, fiscal reform, investment, improved labor policy, capital and product market regulations, and human capital development. These principles, accompanied by substantial aid for trade, are the foundation for the Economic Partnership Agreements between the EU and the ACP countries.

Aid for Trade (AfT) and Trade-Related Assistance (TRA)—at both WTO and EU levels—support developing countries in their own efforts to profit from improved trading opportunities. Success will generate growth, employment and income, thereby contributing directly to the first and eighth Millennium Development Goals of reducing the proportion of people living on less than a dollar a day and establishing the open trading and financial system that is rules-based and non-discriminatory.

EU FACT

- In 2006, the EU spent 0.43 % of Gross National Income (GNI) on aid, compared to 0.17 % of GNI for the U.S.
- Together the EU and its Member States are the world's largest provider of development funds, accounting for 57 % of Official Development Assistance (ODA) in 2006, compared to 22 % for the United States.

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EU Trade Policy: A Catalyst for Development and Equitable Growth



“...trade, while not a magic wand, can be a powerful tool for development. Properly targeted and timed, in a progressive way, flanked with development assistance, it is an engine for growth, job creation, and poverty elimination.

As countries around the world are showing, progressive trade opening helps developing countries chart their way out of dependency — not just dependence on a few basic commodities, but dependence on aid and outside donors.”

EU Trade Commissioner
Peter Mandelson

For decades, the EU has employed trade to advance its development cooperation objectives, particularly in the African, Caribbean, and Pacific (ACP) nations that have been party to the Cotonou (and previously Lomé) Convention, but also in Latin America, the Middle East, and Asia.

Preferential trade arrangements with the EU, accompanied by technical assistance and generous grant funding, have contributed to economic development, stability, and prosperity in the countries of central and eastern Europe that benefited from association agreements, which helped them achieve the economic transition necessary for EU membership. These “Europe Agreements,” introduced in the 1990s, led to free trade with the EU and helped these countries progressively align their laws and practices with EU rules in areas including trade, standards, capital movement, competition rules, intellectual and industrial property rights, and public procurement. Similar principles were incorporated into a series of new association agreements with Mediterranean and Latin American countries.

Southern and eastern Mediterranean countries have benefited since 1995 from the Barcelona Process, a framework within which the EU and nine Mediterranean countries (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority,

Syria, and Tunisia) work to promote common political, economic, and technical interests. Euro-Med bilateral association agreements provide for the establishment of a free trade area by 2010. More recently, the European Neighborhood Policy has provided additional, complementary support for these Mediterranean nations and six countries on the EU’s eastern border: Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine.

In Latin America, Chile and Mexico have each concluded free trade agreements with the EU as part of more broadly based “mixed” association agreements, and Mexico has successfully used NAFTA with Canada and the U.S. and the FTA with the EU to become Latin America’s biggest exporter. Negotiations are still ongoing between the EU and Mercosur (Argentina, Brazil, Paraguay, Uruguay, and Venezuela) on an association agreement—the first ever between two regional trading blocs—that will lead to the creation of a free trade area.

Through preferential trade agreements and instruments specifically designed to assist beneficiary countries in maximizing trade opportunities, the EU is doing its part to help developing countries take full advantage of the liberal access it makes available to its market—the world’s largest single market.



Container port in Mozambique.

EU Instruments Supporting Trade in Developing Countries

Aid for Trade (AfT). Trade has long been recognized for its important contribution to achieving the MDGs, yet creating market access opportunities alone is not enough to ensure that the poorest countries are able to increase their trade. They need assistance to remove a wide range of supply side constraints and tackle infrastructure bottlenecks. Aid for Trade received particular attention in 2005 when the UN Millennium summit and WTO Ministerial Conference coincided, and AfT is now recognized as a necessary complement to—but not substitute for—a DDA that provides additional trading opportunities.

On October 15, 2007, the EU made good on its 2005 pledge to the WTO Hong Kong Ministerial meeting when it agreed to increase its funding for Trade-Related Assistance (a subset of AfT) to €2 billion annually by 2010 (EU + Member States). This European Commission pledge (€1 billion by 2007), combined with that of the Member States (€1 billion by 2010), aims to help developing countries improve their capacity to trade. A Joint EU-Member State strategy sets the criteria for putting this pledge into practice and improving the quality of EU assistance, focusing on “more, better, and quicker” AfT.

AfT helps developing countries take advantage of trade opportunities, for example, by helping improve technical facilities in ports, assisting exporters in meeting EU health and safety standards, and supporting entrepreneurialism at every level. The aim of AfT is to lay the foundations for strong business environments that will attract private investment and aid the integration of developing countries in the global economy. EU Aid for Trade inputs are based on beneficiaries’ own assessments of their strengths and weaknesses in the competitive global market, and the EU’s goal is to ensure that Trade-Related Assistance is mainstreamed into recipient countries’ wider development strategies.

Approximately half of the increase in EU Aid for Trade is specifically targeted toward the ACP countries with whom the EU is negotiating regional Economic Partnership Agreements (EPAs) designed to remove all remaining tariff and quota barriers to the EU market for ACP exports and to help these developing countries diversify their economies away from a handful of basic commodities.

The European Commission is the single largest donor for Trade Related Assistance, and together with Member States, the EU provides about 50 percent of TRA globally. The European Commission, the EU’s executive branch, allocated roughly €5.3 billion to TRA between 2001 and 2006, a figure excluding support for trade related infrastructure (averaging €1.2 billion annually 2001–2006) and productive capacity building (averaging €768 million from 2002–2005).

Export HelpDesk for Developing Countries. The EU’s online Export HelpDesk is a comprehensive and free resource available to enterprises and exporters in developing countries to help them export their goods to the EU. It includes information on GSP tariffs, document requirements, rules of origin, specific EU product import requirements, applicable taxes, and a means to search for business partners. <http://exporthelp.europa.eu/>

Center for the Development of Enterprise (CDE). This ACP/EU joint institution, provided for in the Cotonou Convention, supports implementation of private sector development strategies in ACP countries through non-financial services to ACP companies and businesses and support for joint initiatives launched by economic operators in the EU and ACP states.

ProInvest. The European Commission set up this ACP-EU program to promote investment and technology flows in ACP countries. With a budget of €110 million over seven years, ProInvest’s approach is two-dimensional: strengthening the institutional environment for enterprise and supporting key growth sectors.

The European Development Fund (EDF) is the main instrument for aid for development cooperation in the ACP states and Overseas Countries and Territories (OCTs). The EDF is funded by Member States outside the EU’s general budget, subject to its own financial rules, and managed by a specific committee but operationally administered by the European Commission. Funding for 2008–2013 is €22.7 billion. In addition, the **European Commission’s budget** has allocated €17 billion for development cooperation with non-ACP countries (through its Development Cooperation Instrument) for the 2007–2013 period.



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South African warehouse.

Objectives: Aid for Trade

- enables developing countries, particularly the least-developed countries (LDCs) to use trade more effectively to promote growth, employment, poverty reduction, and to achieve their development goals;
- facilitates access for beneficiary countries to international markets by helping them build and modernize their supply-side capacity and trade-related infrastructure;
- helps these countries implement and adjust to trade reform, including through labor market and social adjustments;
- assists regional integration;
- supports integration into the world trading system;
- assists with implementing trade agreements in the context of sustainable development, preservation of natural resources and the environment, and promotion of decent work.

EU Trade Preferences for Developing Countries

Trade is an engine for development, and the European Union is the largest trade partner for the world's poorest countries. Roughly 40 percent of EU imports originate in developing countries, due at least in part to the EU's longstanding array of preferential trade arrangements with developing countries that reduce or eliminate duties and quotas and provide unprecedented market access. The EU is also the world's most open market for poor countries—about 80 percent of

Everything but Arms (EBA). Introduced in 2001, the EU's groundbreaking EBA initiative is a special scheme under GSP that eliminates all duties and quotas for all products except arms and ammunition from the 50 least developed countries (as recognized by the United Nations). Transition periods were included for bananas (2006), sugar (2009), and rice (2009). According to World Bank calculations, the EU's EBA measures will boost the beneficiary countries' exports to the EU by 15–20 percent.

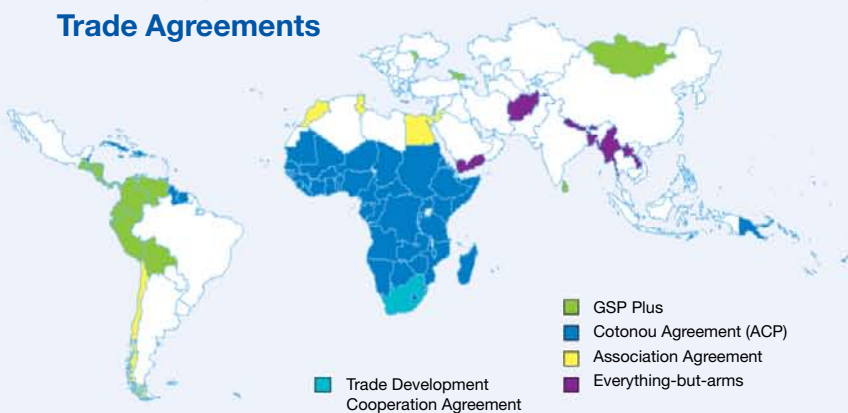
GSP Plus. This special incentive arrangement under GSP is the EU's key trade instrument supporting sustainable development and good governance, including the promotion of basic human and social standards in developing countries. Since 2005, GSP Plus has targeted additional tariff preferences for countries with special development needs, including poorly diversified economies that render the countries dependent, vulnerable, and trapped in poverty. To qualify, beneficiary countries must be able to demonstrate this status as well as their application of key international conventions on issues including sustainable development, good governance, labor and human rights, and environmental protection.

Cotonou Convention. Signed in 2000 and successor to the longstanding preferential trade and aid agreements covered by the Lomé Conventions, Cotonou's main objective is to create a new framework for cooperation between the 78 ACP countries and the EU, with the underlying objective of fighting poverty. In the area of trade, Cotonou provides for an end to the non-reciprocal trade preferences benefiting the ACP countries, a change necessary to bring the agreement into line with WTO rules and enable the ACP states to play a full part in international trade.

EU-South Africa. Trade relations with the EU are governed by a bilateral Trade and Development Cooperation Agreement (TDCA) in which the key element is the creation of a Free Trade Area (FTA) between the EU and South Africa. Europe's largest trading partner (exports + imports) in Africa is South Africa, which accounted for 14 percent of African exports to the EU in 2006.

Association Agreements. Bilateral agreements with partners in Latin America and the Mediterranean typically include the progressive establishment of free trade areas and other areas of cooperation.

Trade Agreements



Source: EU Donor Atlas 2006.

The Trade Agreements map identifies EU agreements that provide countries with lower tariffs than the standardized Generalized System of Preferences on at least some exports to the EU.

developing countries' exports enter the EU either duty free or at greatly reduced rates of duty. The EU absorbs 85 percent of all of Africa's agricultural exports. In fact, it imports more goods from Africa than do the U.S., Canada, Australia, and New Zealand, combined.

Generalized System of Preferences (GSP). The EU's GSP has been in place since 1971 when GATT, the WTO's predecessor, granted a waiver to industrialized countries that wished to apply this non-reciprocal preferential tariff treatment to benefit developing countries. The idea was to reduce or eliminate duties and quotas on goods originating in less developed countries so they could sell more of their products in the industrialized countries while building up their own industry. The EU's current GSP is a generous and widely used preferential arrangement under which the EU grants duty-free or reduced tariff treatment to 7,200 products originating in roughly 180 GSP beneficiary countries. In 2006, the volume of EU imports from developing countries under GSP totaled €51 billion.

EU-ACP Economic Partnership Agreements: A New Era in Trade for Development

As of mid-January 2008, 35 ACP countries have signed either interim or full Economic Partnership Agreements (EPAs) with the European Commission (EC), with 32 additional ACP nations receiving full access to European markets as Least Developed Countries (LDCs) through Everything but Arms. The EC intends to maintain the momentum in 2008, upgrading interim agreements into comprehensive EPAs. Non-LDC ACP countries not yet benefiting from EPAs reverted to standard GSP preferences as of January 1, 2008.

The EPAs are intended to be broad agreements, helping first to build regional markets and diversify economies in the ACP countries prior to a gradual opening up of trade (EU exports to ACP) that will build increased, balanced, and sustainable commerce between the two regions. The relationship will change from one that offers tariff preferences that are a disincentive to necessary reform to one that builds lasting and more efficient regional and international markets for the ACP.

EU development strategy also focuses on financial and technical assistance to improve the basic physical and social infrastructures and productive potential of poor nations and to strengthen their administrative

and institutional capacities. Such support can help them benefit from international trade and investment opportunities and broaden their economic base—essential preconditions for integrating into the global economy and achieving sustainable growth.

EPAs are above all about development and poverty eradication in ACP states. The path to these goals entails reaping the advantages of regional integration—economies of scale, economic diversity, specialization, more effective resource allocation, and larger markets. Regional integration is at the core of the ACP's own development strategy—most ACP economies are too small to go it alone—and the EU's own success with regional integration makes it well placed to offer assistance.

By eliminating barriers between neighboring countries and encouraging good economic governance, regional integration has the potential to boost local trade and create larger markets to attract trade and investment. It provides more open, transparent, and predictable framework for goods and services to circulate freely, thus enhancing ACP competitiveness and ultimately facilitating ACP states' full participation in the global trading system.

most agricultural and many other important local products.

The EU and the ACP have prioritized the need to shelter growing industry from external competition—sensitive industrial sectors have been excluded and an “infant industry clause” will allow ACP countries to reinstate tariffs in the future to protect a growing industry.

The EPA process is supported by significant development assistance. ACP countries will receive €23 billion from the EU's European Development Fund over the next seven years and, in addition, be major beneficiaries of Europe's €2 billion annual expenditure on aid for trade. These funds will help countries prepare new structural reforms and trade policies and enhance infrastructure and competitiveness to take advantage of trade opportunities.

EU FACT

The EU is on course to double its **Official Development Assistance** (ODA) by 2015, the target date for achieving the United Nations' Millennium Development Goals (MDGs), notably eradication of extreme poverty. To scale up support for reaching the MDGs, the EU has committed to increasing ODA to 0.56 % of Gross National Income (GNI) by 2010, and 0.7 % of GNI by 2015, doubling the EU's collective ODA since 2003.

“For over three decades Europe has provided many of the ‘bottom billion’ with trade preferences. The result has been to lock them into yet further dependence on a few basic commodities, rather than act as a springboard to greater economic growth.”

The Economic Partnership Agreements...are an attempt to capture some of the benefits of globalization for the African, Caribbean, and Pacific countries in a way that the insular system of the last thirty years has not. They will encourage the growth of regional markets in Africa and put in place the conditions that will attract much-needed foreign direct investment. All this while taking a pragmatic approach that shields people from sudden and unwelcome shocks.”

EU Trade Commissioner
Peter Mandelson

Economic Partnership Agreements

Non-ACP countries successfully challenged the EU's non-reciprocal trade preferences for ACP countries in the WTO, making EPAs necessary to comply with WTO rules on non-discrimination. A seven year WTO-waiver ended at the end of 2007.

An EPA will provide the best access to the EU market of any trade regime. For an ACP country, an EPA means no duties or quotas for any products, other than short transition periods for sugar and rice. EPAs include simplified and improved rules of origin, specifically negotiated to encourage more processed exports from ACP countries.

Trade liberalization in ACP countries will take place gradually over a very long period.

The EU and the ACP retain the flexibility to exclude sensitive products from liberalization—ACP countries have opted not to liberalize

Trade Working for Development



“Economically, Europe is not only Africa’s biggest trading partner but, above all, the biggest importer of African agricultural produce. It accounts for 68 percent of the value of foreign direct investment in Africa. But the other unique factor that strengthens these ties is the steadfast support shown by Europe over 40 years as the leading donor of official development assistance, assistance in the form...of grants and not loans.”

EU Development &
Humanitarian Aid
Commissioner Louis Michel

EU-Africa Summit: Trade Aspects.

The second EU-Africa summit, held in December 2007, brought together leaders from 53 African countries and 27 EU Member States to endorse a new strategic partnership between the two continents designed to overcome the traditional donor-recipient relationship and build on common values and goals in the pursuit of peace and stability, democracy and rule of law, progress, and development.

The Trade and Regional chapter of the EU-Africa partnership seeks to maximize economic and trade opportunities from regional integration, improve production and supply-side capacities, promote regulatory convergence, and extend and expand the physical infrastructure through the following measures:

- support for the African integration agenda—trade integration is essential to increase both South-South and North-South trade flows;
- improvement in productive capacities so that African countries can move up the value-added scale and reduce dependence on raw materials and simple processed products to help avoid a deterioration of the terms of trade and to benefit from the global economy;
- private sector development, supported by foreign investments to bolster the supply side of African economies;
- strengthening African capacities in the area of rules, standards, and quality control;
- development and strengthening of physical infrastructure networks and related services necessary to move persons, goods, and information.

A selection of geographically diverse case studies helps bring to life EU policy directed toward making trade work for development. In 2006, the European Commission financed trade related projects worth roughly €940 million, and averaged €880 million annually in funding since 2001. The EC gave an average of €1.2 billion per year for infrastructure (2001–2006). The winning combination of aid, access, and advice will serve these partners well as they become increasingly integrated with the global economy.

Case Studies

ACP

- An EU funded project helped the countries of the **West African Economic and Monetary Union** implement a comprehensive quality assurance system at the regional level to enhance trade. The program allowed for a focus on key sectors with high export potential for West Africa, including cotton and fisheries.
- EU recognition of the **Kenya** Plant Health Inspectorate Service (KEPHIS) as the competent authority for inspection of horticultural exports to the EU, by allowing local certification, facilitates trade in a key sector of the Kenyan economy.
- For almost a decade, the EU has supported the development and structuring of the **Madagascar** lychee trade in such a way as to enhance product quality and ensure that production meets EU food safety requirements.



EU supported training in West Africa.

- The EU's €18.3 million investment promotion program for the **Southern African Development Community** (SADC) has helped business-support organizations provide effective, tailored assistance to local businesses wishing to cooperate with other companies in the SADC region or in Europe.
- A **Fijian** family business producing high-end natural body products benefited from CDE support for a consultant who helped train village cooperatives to produce world class paper necessary for the company's products.
- An EU program helped four small bakeries in **Dominica** form a "Collective Efficiency Group," relocating equipment to a single bakery, which allowed them to boost productivity, reduce costs, and venture successfully into new markets.

Euro-Med

- The EU's €20 million Trade Enhancement Program-A is helping to boost **Egypt's** export potential by providing training and technical assistance to relevant Egyptian bodies to help businesses trade more, particularly in foreign markets.
- The Syrian European Business Center helped a family-run **Syrian** pharmaceutical company achieve its goal of manufacturing and exporting high quality medicine through 18 new license contracts with major global pharmaceutical companies.
- To attract investment to **Morocco**, EU assistance focuses on increasing workers' qualification levels through support for more than 100 professional training centers in the public and private sectors.
- The EU has been involved in port modernization in **Tunisia**, particularly in Tunis, supporting measures to create new freight and passenger terminals.
- EU support for regulatory convergence, particularly for sanitary and phytosanitary standards (SPS), helps countries align their standards, practices, and rules more closely with those of the EU, leading not only to bigger trade flows but also to safer food for citizens. EU twinning projects in 2007 included EU experts sharing their expertise with counterparts in **Tunisia, Morocco, and Jordan**.

Latin America

- An EU funded project is combating rural poverty and helping **Paraguayan** subsistence farmers to enter the organic cotton sector, which is both more profitable and environmentally friendly.
- EU funding has helped **Mexico** to build on a decade of successful experience in international fair trade to convince Mexican and eventually EU and U.S. consumers to buy certified fair trade and organic coffee, honey, corn products and handicrafts.
- An EU fisheries program has enabled **Belize** to upgrade its sanitary and health system and reach the required standards for fishery exports to the EU.

Asia

- €10 million in EU support to the **Bangladesh** Quality Support Program is helping the country to be globally competitive with its clothing exports through improved product quality and standards.
- EU funding helped **Thailand** voluntarily comply with EU laws on electric and electronic waste and hazardous substances, ensuring that quality Thai products continue to reach European consumers.
- An EU project has established a business incubator to support start-ups and expanding businesses in the IT sector to strengthen outsourcing services and software exports from **Vietnam**.
- EU technical assistance helped the **Philippines** Bureau of Fisheries and Aquatic Resources comply with and enforce the sanitary and phytosanitary standards for fish and aquaculture products exported to the EU.
- The EU's €40 million Border Management Program in Central Asia helped five former Soviet republics—**Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan**—to establish new infrastructure and re-train customs officials and border guards to enhance border management and boost trade along these frontiers.



| *Ethiopian coffee beans*



EU Support for the WTO and the Doha Development Agenda:

Ensuring an Equitable and Predictable Multilateral Trading System

"...the Doha Round is so fundamentally important. Doha could anchor the emerging economies more firmly in the WTO and its system of international trade rules. A Doha agreement would enable developing countries to grow faster, and open the markets of the emerging economies further, and lock in the access we already have to global markets. This is the best insurance policy against a global recession or resurgence of protectionism—not just in the U.S., but in growing middle income economies too."

EU Trade Commissioner
Peter Mandelson



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The European Union is a strong proponent of the multilateral trading system and its core—the World Trade Organization (WTO). The WTO is about making trade possible—its primary mission is to create trade opportunities through multilateral trade opening and to develop multilateral trade rules that ensure a level playing field. The multilateral trading system has two great strengths. The first is economic openness and the benefits that flow from it. The second is certainty—the openness bound into the WTO system is insured and safe from politicking.

As globalization progresses, the WTO is the most legitimate forum for making globalization equitable, removing obstacles to trade, creating and enforcing global rules, and helping developing countries integrate with the world economy. It is an effective, inclusive, and just means of expanding and managing trade, and it represents a unique form of international governance with teeth.

In November 2001, WTO members met in Doha (Qatar) and launched a new round of world trade talks aimed at further liberalizing trade, reviewing existing trade rules, and strengthening the capacity of developing countries to benefit fully from the resulting boost in international trade. Known as the Doha Development Agenda (DDA), it has been characterized by EU Trade Commissioner Peter Mandelson as a "Round for free" for the poorest developing countries, since they stand to gain from both duty free and quota free market access in developed countries and an Aid for Trade package, which is essential for them to be able to effectively tap into these new opportunities. According to WTO Director-General Pascal Lamy, "We see aid for trade as central to helping developing countries move from making trade possible to making trade happen....[by helping developing countries] build the trade capacity they need to take advantage of trade opening."

Despite the lack of recent progress, the EU remains strongly committed to the Doha Development



WTO Director-General Pascal Lamy.

Agenda. Conceptually it is a different kind of trade deal—one that accepts a decisive voice for the developing world, and one that is accompanied by substantial new packages of capacity-building aid and special and differential assistance for developing countries. Doha, according to EU Trade Commissioner Mandelson, "can mark a pivot point in the history of the WTO in which it turns away from simple mercantilism toward an agenda that sees trade as a means to an equitable globalization."



Source: WTO Publications.

For further information: <http://www.eurunion.org/eufocus>

100-Year-Old San Francisco Mint Gold Saved From Destruction



Actual size is 21.6 mm

The San Francisco
"S" mintmark

A century ago in 1906, San Francisco was devastated by a massive earthquake. On that date the mint ceased forever production the historic Lady Liberty \$5 "Half Eagle" gold piece. It was the end of an era for the coin that had been made of 90% pure gold with the famous "S" mintmark since the California Gold Rush. Yet for even those coins that survived the calamity of the terrible 1906 earthquake, an even worse fate lay ahead...

Reserved from Massive Meltdown in 1934

In 1934, U.S. gold coins were officially recalled by the Federal Government and melted down into 100-ounce and 400-ounce gold ingots. An estimated 95% of all the San Francisco Liberty \$5.00 gold coins were lost for forever.

Surviving "S" Mint Liberty gold coins, few and far between, are increasingly valued by today's collectors. Now, GovMint.com has authorized the limited release of 100-year-old, "S" Mint \$5.00 gold "Half Eagles" saved from the San Francisco earthquake and subsequent official U.S. Treasury meltdown. These coins are dated 1866 to 1906 and struck in .900 fine (90% pure) gold. They are collector quality, with a numismatic grade of Extremely Fine. During this limited release, these authentic 100 year old gold coins may be acquired for as little as \$329 each (compare with current advertisements from retail coin dealers of up to \$365 each).

The History of The West In Your Hands

The history of the American West lives on in these glittering gold coins. The San Francisco Mint was built from the California Gold Rush and minted gold delivered from the miners. San Francisco and the western states grew out of the gold and silver strikes and the immigrants who came from all across the land to build a new future. The images of Miss Liberty and the American Eagle on each U.S. \$5.00 gold coin symbolize our nation's freedom, strength and faith. These precious and enduring coins are becoming more precious and sought-after with each generation and will become a valuable legacy for you and your loved ones.

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[Letters]

low growth rates in the extraction of mineral resources, production in the manufacturing industries rose by more than 9 percent.

Having a fairly strong understanding of the structural problems that the Russian economy faces, I have much to disagree with regarding the economic policies pursued by the current government. But even if one does not like a policy, it is nevertheless better to stay within the realm of facts when assessing it.

—YEGOR T. GAIDAR

Director

Institute for the Economy in Transition

Moscow, Russia

Contributing Editor

FOREIGN POLICY

Shevtsova has published a remarkable essay and I generally agree with her conclusions. However, her assertion that it is unlikely that Vladimir Putin wishes to forever rule Russia raises some doubt. No one is in a position to read the thoughts of the leader whose actions we are trying to predict. But it is possible to make any number of logical guesses about Putin's motives; to a greater or lesser extent, they could all be valid.

Even if at some point Putin had not planned to rule Russia forever, he has most likely changed his mind. So far, he has not issued a single statement declaring his intentions to exit government following the conclusion of his term as president. His close advisors appear to have successfully convinced the Russian people—and most likely Putin himself—that he cannot be replaced. Therefore, like other authoritarian leaders, Putin may believe that his complete withdrawal from power will lead to national catastrophe. Putin may also be motivated by a second, largely financial, reason. Many observers assert that during his terms in office he has amassed a large amount of wealth, which he obviously intends to keep. This could prove problematic if in the future a new generation of Russian leaders decides to conduct formal investigations into the former president's financial matters. A third reason may be the Russian elites, who wish to retain their positions in government and business and who consider Putin to be the only person capable of effectively defending their interests.

Finally, Putin's personal ambitions will likely lead him to hold on to as much influence as possible. He cannot rely solely on protégé Dmitri Medvedev's feelings of personal loyalty or expect continued subordination from other key government players. It is more likely that following legal, nonconstitutional changes affecting the structure of government, Putin will secure another top government post and will continue to exert control. In any case, he is guaranteed to wield power through his political party in the Duma, United Russia, and its satellites. Clearly, Medvedev was chosen because he is the weakest member of Putin's clan, perpetually second in line throughout his career and lacking a solid base of support within the elite. As such, it is possible that he will not be able to serve out his first presidential term. Thus, in a year or two, one can imagine Medvedev resigning and, following an election, Putin returning to preside over Russia for another four to eight years.

Putin rose out of the KGB having absorbed its distrust of journalists, politicians, and civil society. He has practically dismantled all independent media in Russia and has accused his few public critics of carrying out the orders of enemy intelligence agencies. It is hard to believe that all these factors won't have a role in shaping his plans for the future.

—ALEKSANDER GRIGORYEV

Editor in Chief
Washington ProFile Information Agency
World Security Institute
Washington, D.C.

Lilia Shevtsova replies:

Yegor Gaidar and Aleksander Grigoryev do not argue with my key assertions regarding the trajectory of the Russian system; indeed, we have a common platform. As for the details, their comments only contribute to the Russian narrative.

Gaidar disagrees with the assertion that Russia's "economic gains have a false bottom—high oil prices." In his view, the oil price is not the main engine of economic growth. Fine—I trust Gaidar's expertise. But then what is the "main engine" of this growth? Would this engine work without high oil prices, and would it be sustainable?

In fact, we can turn to Gaidar himself for some answers. In his brilliant new book, *Collapse of an Empire: Lessons*

for Modern Russia (Brookings Institution Press, 2007), Gaidar concludes that "Russia's economy, like the USSR's before it, is becoming dependent on keeping oil prices at historically anomalous levels." That sounds remarkably like a false bottom to me. Does economic growth in Russia actually translate into development, or is it indeed an obstacle to modernization?

I also appreciate Gaidar's definition of exports. But he still must explain why, despite the output growth of machine building and manufacturing that he cites, those industries' share of exports is negligible.

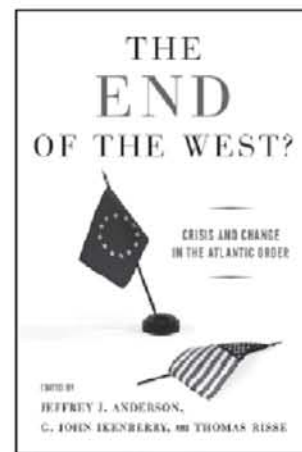
Finally, Grigoryev may be right to argue that Putin would like to rule the country forever. I may have exaggerated Putin's ability to predict the consequences—for himself and for Russia—of his ruling indefinitely. The plan to establish a tandem Putin-Medvedev government shows the degree of the Russian elite's collective and individual insecurity. This team may believe that it has found the key to the perpetuation of power. In reality, however, by establishing such a diarchy, they will undermine the only viable political institution in Russia: the presidency. But at least it is consistent with the way Russia has developed so far—by hitting rock bottom before charting a new path.

Investing in Women

Although I agree with the premise of Kavita Ramdas's essay that the next U.S. president can regain moral authority by promoting gender equality ("What America Must Do: A Woman's Worth," January/February 2008), her assertion that reaching this goal will not cost a dime is misguided. For the United States to be effective in repairing its image abroad, any rhetoric must be backed with adequate funding for investments in proven strategies that promote gender equality, including education and skills training.

The White House has passionately spoken out in support of women's rights around the world, yet U.S. funding for international women's programs has remained extremely low during the past decade. Achieving gender equality will

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[Letters]

require a commitment to implement effective programs and policies, especially those at the community level. That costs money. New gender policies addressing women's economic and social vulnerabilities in a number of new initiatives, including the Millennium Challenge Account, offer promise, but they will need dedicated resources to materialize.

Ramdas rightly points out that investing in women is the best and most efficient investment that can be made toward economic development. But more talk without a financial commitment will only further undermine U.S. credibility. There is no quick—or cheap—fix.

—GEETA RAO GUPTA

President

*International Center for Research on Women
Washington, D.C.*

Kavita Ramdas replies:

Geeta Rao Gupta, my esteemed colleague and ally in the fight to promote women's rights worldwide, is absolutely correct in pointing out that my recommendation to the new American president on prioritizing gender equality is misleading if I claim that "it won't cost a dime." I did not intend to imply that in my article. Indeed, all of us in the global women's movement are tired of the empty promises regarding women's education and empowerment that are rarely backed by the financial commitment to make those goals realizable.

I believe, however, that a true commitment to gender equality from the highest levels of leadership in a nation requires political will and moral character. Unfortunately, the Bush White House, despite its rhetoric on "liberating the women of Iraq and Afghanistan," has shown neither. It is in that sense alone—demonstrating genuine social awareness and political courage—that my words will hopefully resonate for the presidential candidate who is brave (or foolhardy) enough to step up to the plate. It is, after all, a place where presidents have so far feared to tread.

FOREIGN POLICY welcomes letters to the editor. Readers should address their comments to fpleters@ceip.org. Letters should not exceed 300 words and may be edited for length and clarity. Letters sent by e-mail should include a postal address.

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IN BOX

Power House

When Kenya convulsed with violence after its flawed election in late December, many expressed surprise that one of Africa's most stable countries could so quickly fall victim to ethnic hatred. But political scientists Steven Fish and Matthew Kroenig noted something else: a feeble legislature. Despite the opposition winning twice as many legislative seats as the president's party, opposition members still took to the streets. Why? Because they wanted the only office that has any power in the country: the presidency.

In a groundbreaking new study, Fish and Kroenig rank the power of 158 national legislatures around the world, based on a survey completed by more than 700 country experts. The strength



Who's the boss: A powerful congress means a healthier democracy.

of parliaments and congresses is measured using four groups of factors: influence over the executive (such as powers of impeachment), autonomy (such as whether the executive can dissolve parliament), vested powers (such as the power to declare war), and the capability to get things done (such as having the resources to hire staff).

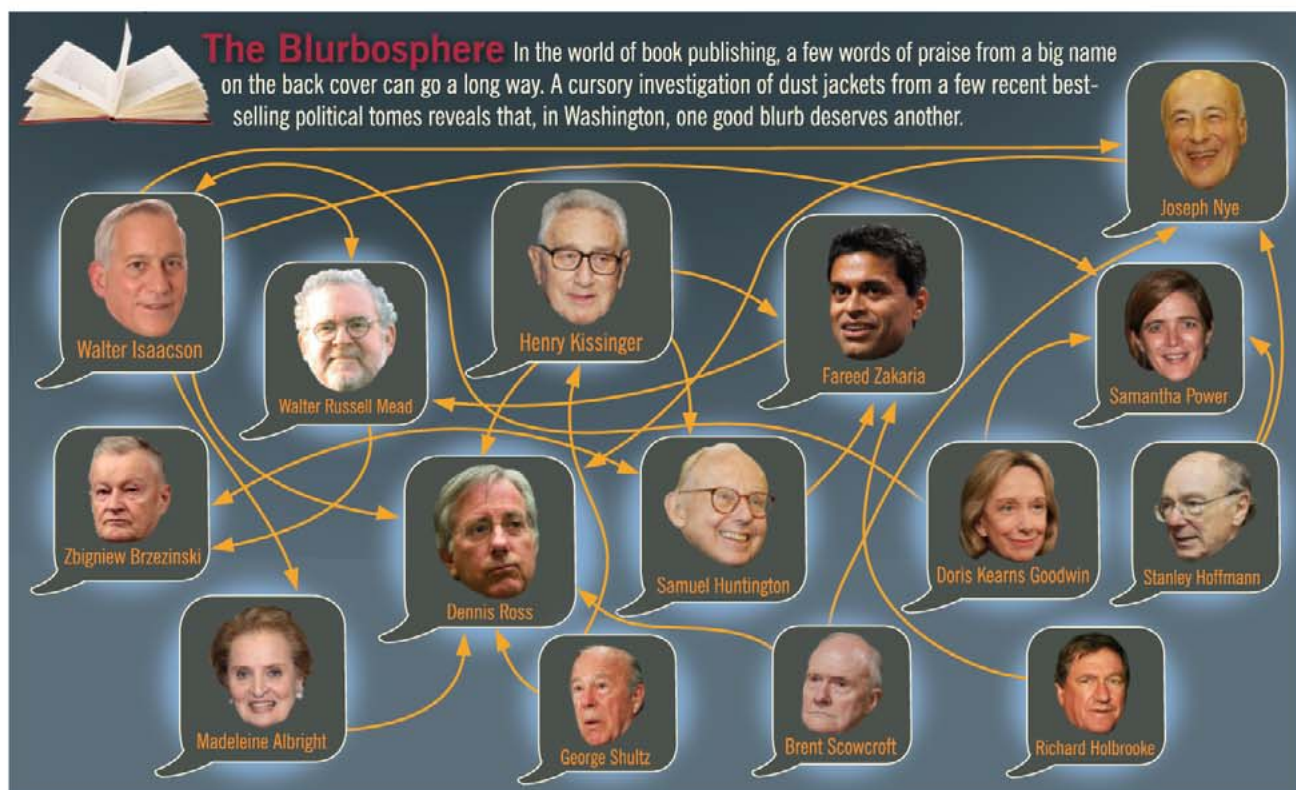
They find that countries with strong legislatures are far more likely to have resilient democracies. Weak legislatures often cannot keep executives in check, especially when autocratic leaders come to power. "This decade, the great enemies of democracy are presidents,"

says Fish, a professor at the University of California, Berkeley. "If you have a legislature that's vested with the power to stand up to them, you can keep democracy on track."

The title of world's most powerful legislature is a tie between Italy, Germany, and, curiously, Mongolia, where the 1992 constitution created an especially healthy par-

liament, thanks in part to fears that China or Russia could easily manipulate a strong president. At the bottom of the list sit Burma and Somalia. The U.S. Congress is outranked by 40 other national legislatures, scoring poorly in part because its laws are not veto proof.

Fish and Kroenig believe that countries with stronger parliaments may also be less prone to civil wars and might even be more disposed to economic growth. "We haven't yet found anything wrong with having a strong legislature," says Fish. It may be that the best advice for any young democracy is to make sure not to build a House of cards.



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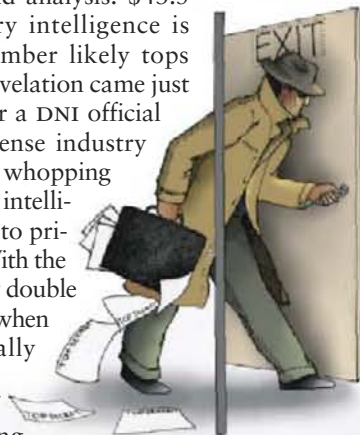
Spies for Hire

Last October, after years of keeping the U.S. intelligence budget under wraps, the Director of National Intelligence (DNI) revealed just how much the United States spends each year on spying and analysis: \$43.5 billion. If military intelligence is included, that number likely tops \$50 billion. The revelation came just a few months after a DNI official let it slip at a defense industry conference that a whopping 70 percent of the intelligence budget goes to private contractors. With the 2007 budget nearly double the figure in 1998, when it was last officially disclosed, spying has become one of the fastest-growing businesses in the United States.

But having so much sensitive intelligence work outsourced to private defense companies raises one obvious fear: With so many people in the know, what's to keep state secrets from being leaked to people who shouldn't know? Apparently, not much. The Pentagon's chief information officer, John Grimes, recently told

a room of top military contractors that they must improve their internal security, according to *National Defense* magazine. Foreign spies are getting bits of information about the U.S. military from defense companies, Grimes reportedly said, adding that "our networks are being bled . . . to folks we don't want to be bled to."

Young government analysts being poached by defense companies with far bigger payrolls may be partially to blame. "It's very troubling that the next generation has been raised in a corporate culture," says R.J. Hillhouse, who writes the popular intelligence blog *The Spy Who Billed Me*. "One changes loyalty every few years according to the best offer, as opposed to the old timers who [were] in the U.S. government." After a recent rash of U.S. military technology leaks to China by rogue defense contractors, it may be time for the private sector to get out of the espionage business.



You Can No Longer Argue...

...that freedom is on the march.



Global freedom has declined for two consecutive years. In 2007, 38 countries saw their freedoms erode, compared with just 10 that experienced advances, according to Freedom House. Where is freedom in retreat? Noteworthy examples include Egypt, Kenya, Pakistan, Russia, and Venezuela.



FOR THE FIRST TIME

Britain has surpassed the United States as the World Bank's top donor.

Epiphanies: Lawrence Summers



[MY FAMILY] WAS probably more prone to analyze restaurant menus and why some things are more expensive than others than your average family. I'm sure most 4-year-

olds are not led to ponder what would happen if they produced more of a particular kind of Beanie Baby.

WHEN I [BECAME president of] Harvard, I was asked what was different about

being secretary of the Treasury and being president [of a university]. I gave an answer that was, in retrospect, breathtaking in its naiveté. I said, 'Washington is so political.'

IF ONE'S GOAL is to bring about real change, I think a university presidency is the most difficult job. There are so few levers with which to have influence in an institution where all the important people have lifetime jobs.

THERE IS probably no higher return on investment in the developing world than primary and secondary education for girls.

WHEN WE LAUNCHED the Mexican support program [in 1995], 80 percent of the American people opposed it. Immediately after it was launched, it looked like it was failing. And because I had been a driver of the decision to

do the program, I went to [U.S. Treasury Secretary] Bob Rubin and said that I would resign. And he said two things that have stuck with me. The first was, 'We're all in this together.' And the second was that either way, the Earth would still be turning a century from now and that I would make my best contribution if I got some sleep.

I THINK I would have gotten a lot of pleasure out of being a professional tennis player. But I don't think that would have happened, even if I had abandoned economics at a very young age.

WHAT'S HAPPENING IN ASIA is, in economic history, an event of equal or greater significance than the Industrial Revolution.

Lawrence Summers, former secretary of the U.S. Treasury and former president of Harvard University, is the Charles W. Eliot University Professor at Harvard.

For More Online Read more of Summers's Epiphanies, including the key to being influential, at ForeignPolicy.com/extras/summers.

Smell the CO₂

We've all heard the climate-change doomsday scenarios: devastating natural disasters, droughts, floods, and widespread crop failures. It's easy to assume from those troubling predictions that higher levels of carbon dioxide emissions in the air, blamed for causing our climate woes, are probably not the best thing for human health, either. But there has been no real proof that higher CO₂ levels were actually killing people—until now. For the first time, new research directly links increased emissions to an increase in human deaths.

Using one of the most sophisticated computer climate models ever created, Mark Jacobson, a professor of civil and environmental engineering at Stanford University, has shown that, for every single-degree Celsius rise in global temperatures, increased CO₂ emissions

lead to about 21,600 more deaths each year. That's because, as the world warms, levels of corrosive ozone gas and toxic particles in the air also increase, particularly in places that



Fatal fumes: For the first time, science has proven that carbon emissions kill.

already have a great deal of pollution. Inhaling the ozone gas and particles leads to more respiratory and cardiovascular illnesses, which for many people will turn deadly. As Jacobson explained in a video presentation posted

on Stanford's Web site, "Some people have said that you don't inhale climate change. This study finds that you do."

Drew Shindell, a climatologist at NASA's Goddard Institute for Space Studies, calls Jacobson's study "very impressive." He adds that Jacobson's finding, that ozone gas increases markedly in places that are already highly polluted, is a first in the field. "That's a really novel and interesting new piece of information."

Compared with, say, the nearly 2 million deaths each year from tuberculosis, 21,600 deaths may seem insignificant. But Jacobson's study reveals that climate change's toxic effects aren't just dangers that may strike several decades from now. "It's not something that's going to happen in the future; it's something that's happening right now," says Jacobson. In other words, when it comes to CO₂ emissions, we can no longer breathe easy.

The FP Quiz

Think you know the world? Then test your global knowledge with 8 questions that are sure to surprise.

1 What percentage of global births go unregistered?

- A 10
- B 20
- C 40



2 Which commodity experienced the greatest price increase in 2007?

- A Gold
- B Oil
- C Wheat

3 China has what percentage of the world's carbon-reduction projects?

- A 5
- B 30
- C 60



4 Which developing country was the top recipient of arms transfers in 2006?

- A Saudi Arabia
- B Pakistan
- C Venezuela



5 Where do most computer hacking attacks originate?

- A China
- B Russia
- C United States



6 What percentage of European households use a mobile phone as their only telephone?

- A 12
- B 18
- C 24

7 How many of the world's 10 largest defense companies are American?

- A 5
- B 7
- C 9

8 What percentage of countries are net importers of food?

- A 47
- B 67
- C 87



For the answers, turn to page 94.



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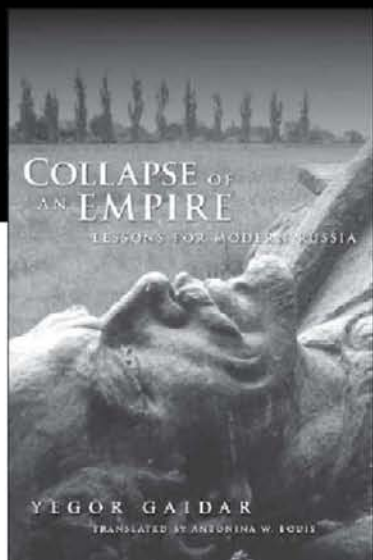


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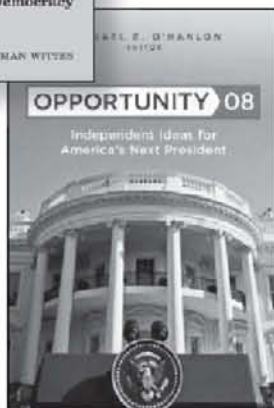
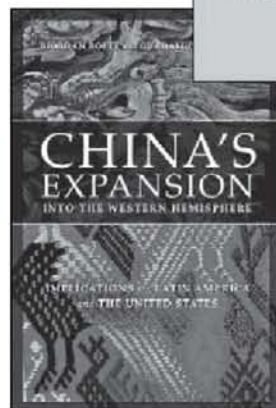
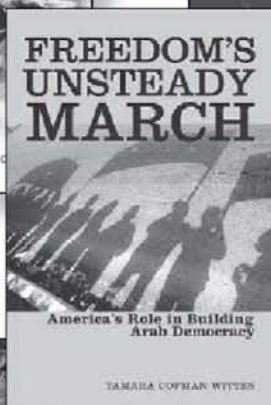
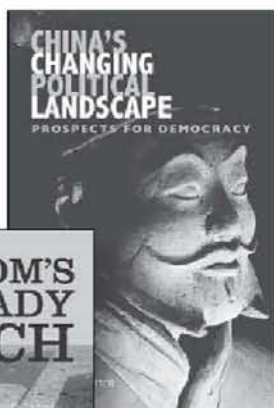
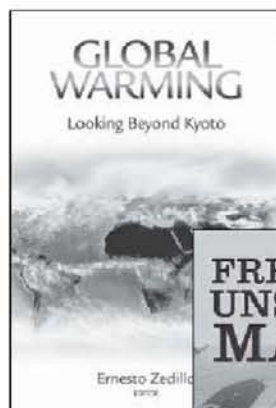
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By Steven R. Ratner

GENEVA CONVENTIONS

They help protect civilians and soldiers from the atrocities of war. But these hard-won rules of battle are falling by the wayside: Terrorists ignore them, and governments increasingly find them quaint and outdated. With every violation, war only gets deadlier for everyone.

“The Geneva Conventions Are Obsolete”

Only in the minor details. The laws of armed conflict are old; they date back millennia to warrior codes used in ancient Greece. But the modern Geneva Conventions, which govern the treatment of soldiers and civilians in war, can trace their direct origin to 1859, when Swiss businessman Henri Dunant happened upon the bloody aftermath of the Battle of Solferino. His outrage at the suffering of the wounded led him to establish what would become the International Committee of the Red Cross, which later lobbied for rules improving the treatment of injured combatants. Decades later, when the devastation of World War II demonstrated that broader protections were necessary, the modern Geneva Conventions were created, producing a kind of international “bill of rights” that governs the handling of casualties, prisoners of war (POWs), and civilians in war zones. Today, the conventions have been ratified by every nation on the planet.

Of course, the drafters probably never imagined a conflict like the war on terror or combatants like

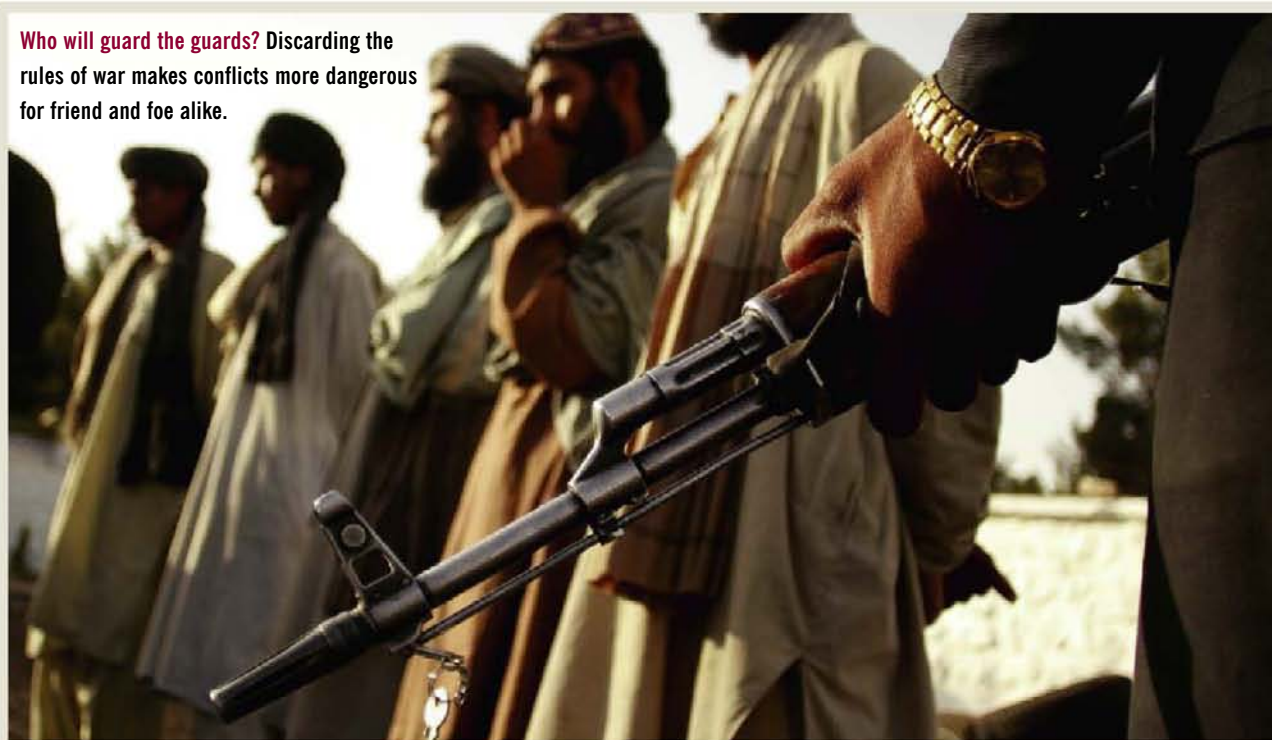
al Qaeda. The conventions were always primarily concerned with wars between states. That can leave some of the protections enshrined in the laws feeling a little old-fashioned today. It seems slightly absurd to worry too much about captured terrorists’ tobacco rations or the fate of a prisoner’s horse, as the conventions do. So, when then White House Counsel Alberto Gonzales wrote President George W. Bush in 2002 arguing that the “new paradigm” of armed conflict rendered parts of the conventions “obsolete” and “quaint,” he had a point. In very specific—and minor—details, the conventions have been superseded by time and technology.

But the core provisions and, more crucially, the spirit of the conventions remain enormously relevant for modern warfare. For one, the world is still home to dozens of wars, for which the conventions have important, unambiguous rules, such as forbidding pillaging and prohibiting the use of child soldiers. These rules apply to both aggressor and defending nations, and, in civil wars, to governments and insurgent groups.

The conventions won’t prevent wars—they were never intended to—but they can and do protect innocent bystanders, shield soldiers from unnecessary

Steven R. Ratner is professor of law at the University of Michigan.

Who will guard the guards? Discarding the rules of war makes conflicts more dangerous for friend and foe alike.



harm, limit the physical damage caused by war, and even enhance the chances for cease-fires and peace. The fundamental bedrock of the conventions is to prevent

suffering in war, and that gives them a legitimacy for anyone touched by conflict, anywhere and at any time. That is hardly quaint or old-fashioned.

“The Conventions Don’t Apply to Al Qaeda”

Wrong. The Bush administration’s position since Sept. 11, 2001, has been that the global war on terror is a different kind of war, one in which the Geneva Conventions do not apply. It is true that the laws do not specifically mention wars against nonstate actors such as al Qaeda. But there have always been “irregular” forces that participate in warfare, and the conflicts of the 20th century were no exception. The French Resistance during World War II operated without uniforms. Vietcong guerrillas fighting in South Vietnam were not part of any formal army, but the United States nonetheless treated those they captured as POWs.

So what treatment should al Qaeda get? The conventions contain one section—Article 3—that protects all persons regardless of their status, whether spy, mercenary, or terrorist, and regardless of the type of war in which they are fighting. That same article prohibits torture, cruel treatment, and murder of all detainees, requires the wounded to be cared for, and says that any

trials must be conducted by regular courts respecting due process. In a landmark 2006 opinion, the U.S. Supreme Court declared that *at a minimum* Article 3 applies to detained al Qaeda suspects. In other words, the rules apply, even if al Qaeda ignores them.

And it may be that even tougher rules should be used in such a fight. Many other governments, particularly in Europe, believe that a “war” against terror—a war without temporal or geographic limits—is complete folly, insisting instead that the fight against terrorist groups should be a law enforcement, not a military, matter. For decades, Europe has prevented and punished terrorists by treating them as criminals. Courts in Britain and Spain have tried suspects for major bombings in London and Madrid. The prosecutors and investigators there did so while largely complying with obligations enshrined in human rights treaties, which constrain them far more than do the Geneva Conventions.

"The Geneva Conventions Turn Soldiers into War Criminals"

Only if they commit war crimes.

For centuries, states have punished their own soldiers for violations of the laws of war, such as the mistreatment of prisoners or murder of civilians. The Geneva Conventions identify certain violations that states must prosecute, including murder outside of battle, causing civilians great suffering, and denying POWs fair trials, and most countries have laws on the books that punish such crimes. The U.S. military, for example, has investigated hundreds of servicemembers for abuses in Iraq and Afghanistan, leading to dozens of prosecutions. Canada prosecuted a group of its peacekeepers for the murder of a young Somali in 1993.

Yet the idea that ordinary soldiers could be prosecuted in a foreign country for being, in effect, soldiers fighting a war is ridiculous. Yes, many countries,

including the United States, have laws allowing foreigners to be tried for various abuses of war committed anywhere. Yet the risk of prosecution abroad, particularly of U.S. forces, is minuscule. Those foreign laws only address bona fide war crimes, and it is rarely in the interest of foreign governments to aggravate relations with the United States over spurious prosecutions.

The idea that the International Criminal Court could one day put U.S. commanders on trial is unlikely in the extreme. That court could theoretically prosecute U.S. personnel for crimes committed in, say, Afghanistan, but only if the United States failed to do so first. What's more, the court is by its charter dedicated to trying large-scale, horrendous atrocities like those in Sudan. It is virtually inconceivable that this new institution will want to pick a fight with the United States over a relatively small number of abuses.

"The Conventions Prevent Interrogations of Terrorists"

False. If you've seen a classic war movie such as *The Great Escape*, you know that prisoners of war are only obligated to provide name, rank, date of birth, and military serial number to their captors. But the Geneva Conventions do not ban interrogators from asking for more. In fact, the laws were written with the expectation that states will grill prisoners, and clear rules were created to manage the process. In interstate war, any form of coercion is forbidden, specifically threats, insults, or punishments if prisoners fail to answer; for all other wars, cruel or degrading treatment and torture are prohibited. But questioning detainees is perfectly legal; it simply must be done in a manner that respects human dignity. The conventions thus hardly require rolling out the red carpet for suspected terrorists. Many

interrogation tactics are clearly allowed, including good cop-bad cop scenarios, repetitive or rapid questioning, silent periods, and playing to a detainee's ego.

The Bush administration has engaged in legal gymnastics to avoid the conventions' restrictions, arguing that preventing the next attack is sufficient rationale for harsh tactics such as waterboarding, sleep deprivation, painful stress positions, deafening music, and traumatic humiliation. These severe methods have been used despite the protests of a growing chorus of intelligence officials who say that such approaches are actually counterproductive to extracting quality information. Seasoned interrogators consistently say that straightforward questioning is far more successful for getting at the truth. So, by mangling the conventions, the United States has joined the company of a host of unsavory regimes that make regular use of torture. It has abandoned a system that protects U.S. military personnel from terrible treatment for one in which the rules are made on the fly.

For More Online

Veteran FBI interrogator Jack Cloonan explains why torture doesn't work at ForeignPolicy.com/extras/torture.



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“The Geneva Conventions Ban Assassinations”

Actually, no. War is all about killing your enemy, and though the Geneva Conventions place limits on the “unnecessary suffering” of soldiers, they certainly don’t seek to outlaw war. Assassinating one’s enemy when hostilities have been declared is not only permissible; it is expected. But at the core of the conventions is the “principle of distinction,” which bans all deliberate targeting of civilians. The boundless scope of the war on terror makes it difficult to decide who is and is not a civilian. The United States claims that it can target and kill terrorists at any time, just like regular soldiers; but the conventions treat these individuals like quasi-civilians who can be targeted and killed only during “such time as they take a *direct* part in hostilities” [emphasis mine]. The Israeli Supreme Court recently interpreted this phrase to give Israel limited latitude to continue targeted killings, but it insisted on a high

standard of proof that the target had lost protected status and that capture was impossible. What standards the United States might be using—such as when the CIA targeted and killed several al Qaeda operatives in Yemen in 2002—are highly classified, so there’s no way to know how much proof is insisted upon before the trigger is pulled or the button pushed.

For European countries and others who reject the idea of a “war” against terrorists to begin with, targeted killings are especially abhorrent, as international law prohibits states in peacetime from extrajudicial killings. There are very specific exceptions to this rule, such as when a police officer must defend himself or others against imminent harm. To that end, a suicide bomber heading for a crowd could legally be assassinated as a last resort. By contrast, suspected terrorists—whether planning a new attack or on the lam—are to be captured and tried.

“The Conventions Require Closing Guantánamo”

No, but changes must be made.

The Geneva Conventions allow countries to detain POWs in camps, and, if someone in enemy hands does not fit the POW category, he or she is automatically accorded civilian status, which has its own protections. But none of the residents of Guantánamo’s military prison qualifies as either, according to the Bush administration, thus depriving the roughly 275 detainees who remain there of the rights accorded by the conventions, such as adequate shelter and eventual release.

The possibility that detainees could remain in legal limbo indefinitely at Guantánamo has turned the issue into a foreign-relations disaster for the United States. But let’s be clear—the Geneva Conventions don’t require the United States to close up shop in Cuba. The rules simply insist that a working legal framework be put in place, instead of the legal vacuum that exists now.

There are several options worth consideration. The prison at Guantánamo could be turned into a pre-trial holding area where detainees are held before they are brought before U.S. courts on formal charges. (The hiccup here is that most of the detainees haven’t clearly violated any U.S. law.) Alternatively, the U.S. Congress could pass legislation installing a system of preventive detention for dangerous individuals. The courts could occasionally review detainees’ particular circumstances and judge whether continued detention is necessary and lawful. (The problem here is that such a system would run against 200 years of American jurisprudence.) In the end, closing Guantánamo is probably the only option that would realistically restore America’s reputation, though it isn’t required by any clause in the conventions. It’s just the wisest course of action.



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"No Nation Flouts the Geneva Conventions More than the United States"

That's absurd. When bullets start flying, rules get broken. The degree to which any army adheres to the Geneva Conventions is typically a product of its professionalism, training, and sense of ethics. On this score, U.S. compliance with the conventions has been admirable, far surpassing many countries and guerrilla armies that routinely ignore even the most basic provisions. The U.S. military takes great pride in teaching its soldiers civilized rules of war: to preserve military honor and discipline, lessen tensions with civilians, and strive to make a final peace more durable. Contrast that training with Eritrea or Ethiopia, states whose ill-trained forces committed numerous war crimes during their recent border war, or Guatemala, whose army and paramilitaries made a policy of killing civilians on an enormous scale during its long civil conflict.

More importantly, the U.S. military cares passionately that other states and nonstate actors follow the same rules to which it adheres, because U.S. forces, who are deployed abroad in far greater numbers than troops from any other nation, are most likely to be harmed if the conventions are discarded. Career U.S. military commanders and lawyers have

consistently opposed the various reinterpretations of the conventions by politically appointed lawyers in the Bush White House and Justice Department for precisely this reason.

It is enormously important that the United States reaffirms its commitment to the conventions, for the sake of the country's reputation and that of the conventions. Those who rely on the flawed logic that because al Qaeda does not treat the conventions seriously, neither should the United States fail to see not only the chaos the world will suffer in exchange for these rules; they also miss the fact that the United States will have traded basic rights and protections harshly learned through thousands of years of war for the nitpicking decisions of a small group of partisan lawyers huddled in secret. Rather than advancing U.S. interests by following an established standard of behavior in this new type of war, the United States—and any country that chooses to abandon these hard-won rules—risks basing its policies on narrow legalisms. In losing sight of the crucial protections of the conventions, the United States invites a world of wars in which laws disappear. And the horrors of such wars would far surpass anything the war on terror could ever deliver. **FP**

[Want to Know More?]

For an introduction to the laws of war, *Crimes of War: What the Public Should Know* (New York: W.W. Norton & Company, 2007), edited by Roy Gutman, David Rieff, and Anthony Dworkin, presents concise explanations and stunning photographs on topics such as mercenaries, Chechnya, and the rights of refugees.

Michael Walzer's *Just and Unjust Wars* (New York: Basic Books, 1977) remains a defining text on the ethics of war. For the primary texts of the key humanitarian treaties, look no further than the indispensable *Documents on the Laws of War* (New York: Oxford University Press, 2000).

In "What America Must Do" (FOREIGN POLICY, January/February 2008), Desmond Tutu and Jorge I. Domínguez urge the United States to once again respect international laws. Lawrence Freedman reappraises the nature of conflict in the 21st century in "Think Again: War" (FOREIGN POLICY, July/August 2003). Several "Seven Questions" interviews with architects of the Bush administration's legal response to the war on terror, including John Yoo and Patrick Philbin, can be found at ForeignPolicy.com.

»For links to relevant Web sites, access to the *FP* Archive, and a comprehensive index of related FOREIGN POLICY articles, go to ForeignPolicy.com.



"For it isn't enough to talk about peace.
One must believe in it.
And it isn't enough to believe in it.
One must work at it."

—Eleanor Roosevelt

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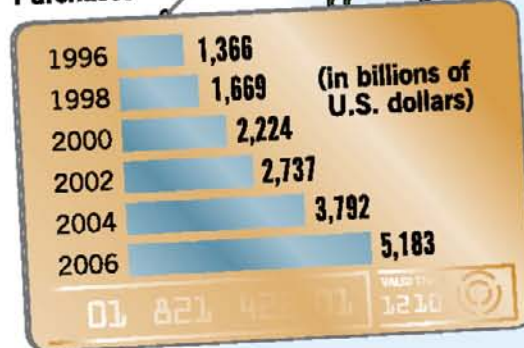
The Plastic Revolution

As the rich world knows all too well, credit cards are as dangerous as they are convenient. With millions of consumers from China to Mexico filling their wallets with plastic, the risks are mounting as fast as people can say, "Charge it!" | By Ronald J. Mann

Charging Forward

In just 10 years, global spending on credit and debit cards has nearly quadrupled, to \$5.2 trillion, or nearly 11 percent of global GDP in 2006. Americans were responsible for more than 40 percent of that spending. And with growing middle classes in India and China, the future of commerce looks increasingly plastic.

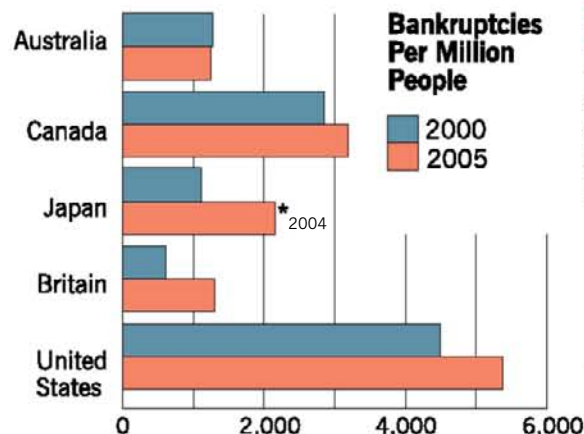
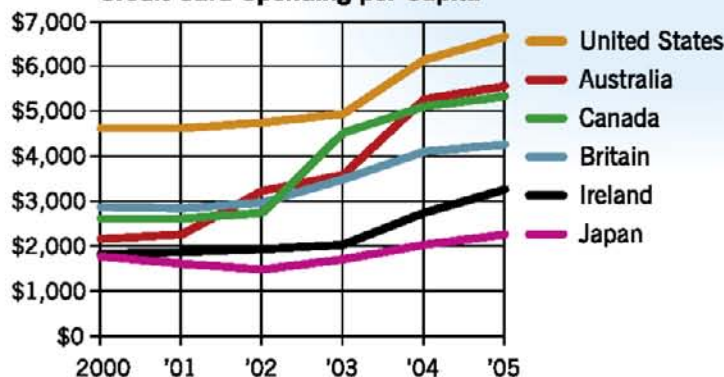
Global Electronic Purchases



Maxed Out

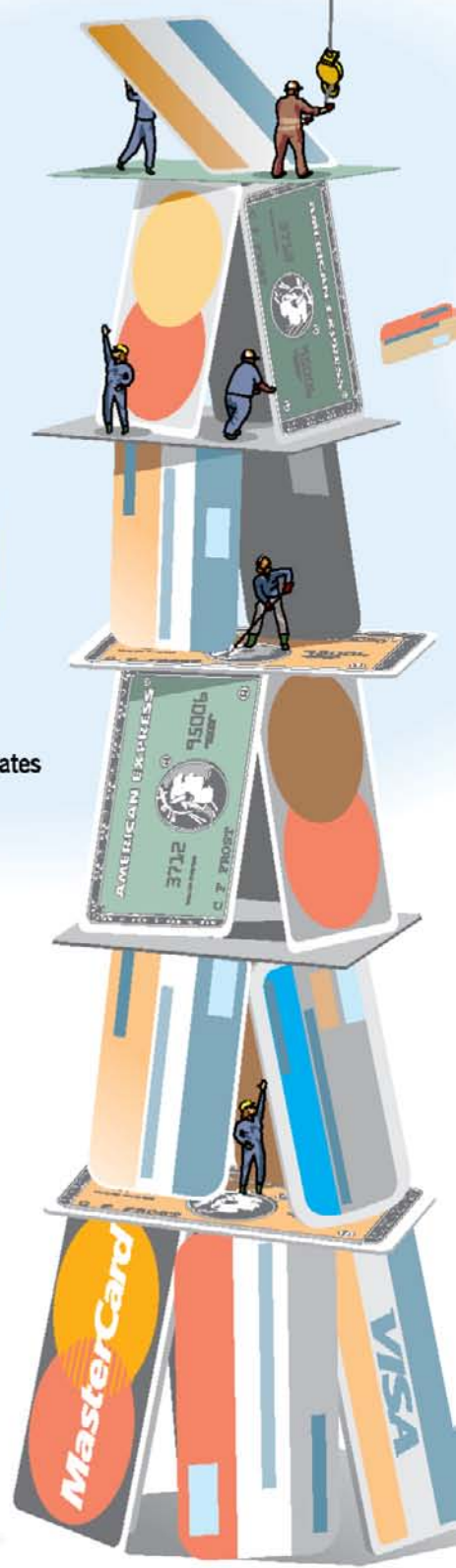
Plopping down a credit card has never been easier—or more popular—in the world's most advanced economies. With an average of five credit cards per person, the United States buys more on credit than any other country, an average of \$6,700 per person in 2005. In other countries, such as Britain and Ireland, debit remains the plastic of preference.

Credit Card Spending per Capita



Shop 'til You Drop

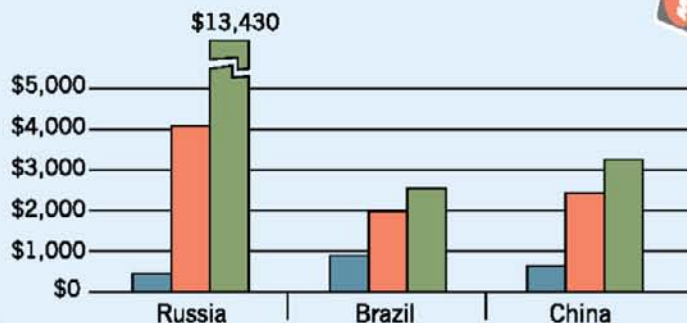
The convenience of credit makes it easy for consumers to spend beyond their means. As debts pile up, more and more people are charging into bankruptcy.



Getting Carded

Although credit cards have yet to fully catch on in some of the world's fastest-growing economies, that doesn't mean consumers there haven't embraced plastic. Debit and prepaid cards are increasingly the rage. The average Chinese consumer is expected to swipe his way to \$3,200 a year in spending by 2011, up from just \$625 in 2002.

Financial Card Spending per Capita

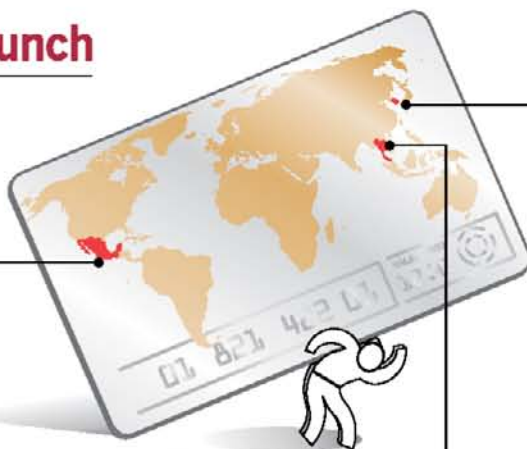


How credit card holders compare:



The Credit Crunch

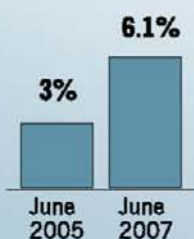
Developing countries looking to expand their credit sector might want to go easy: Too much, too fast can sink a national economy.



Mexico:

Mexico's consumers are swiftly slipping into the red. A surge of credit card spending—up fourfold from 2001—has led to a doubling in defaults since 2005. And the worst may be on the way: Mexican banks are handing out 6,600 new credit cards each day.

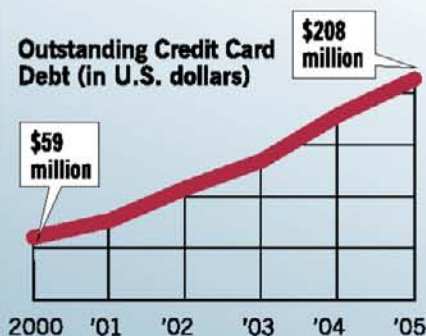
Credit Card Defaults



Thailand:

After credit card debt more than tripled between 2000 and 2005, the Thai government was forced to impose minimum salary requirements, cap credit lines at five months' salary, and require 10 percent minimum payments.

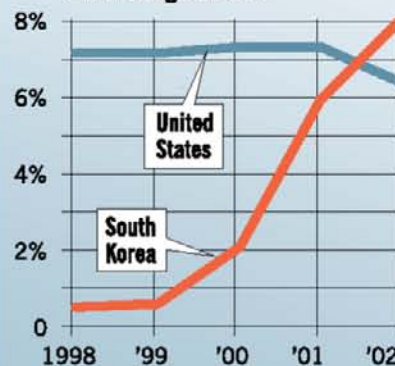
Outstanding Credit Card Debt (in U.S. dollars)



South Korea:

In the late 1990s, South Korea's government, hoping to stimulate consumer spending, encouraged its inexperienced banks to expand credit card lending. The result: a massive expansion of debt that required a multibillion-dollar bailout.

Credit Card Debt as a Percentage of GDP



Ronald J. Mann is professor of law at Columbia Law School and author of *Charging Ahead: The Growth and Regulation of Payment Card Markets* (New York: Cambridge University Press, 2006).



Young guns: The new generation of jihadists are self-styled terrorists seeking thrills.

The Next Generation of TERROR

The world's most dangerous jihadists no longer answer to al Qaeda.

The terrorists we should fear most are self-recruited wannabes who find purpose in terror and comrades on the Web. This new generation is even more frightening and unpredictable than its predecessors, but its evolution just may reveal the key to its demise. | **By Marc Sageman**

When British police broke down Younis Tsouli's door in October 2005 in a leafy west London neighborhood, they suspected the 22-year-old college student, the son of a Moroccan diplomat, of little more than having traded e-mails with men planning a bombing in Bosnia. It was only after they began examining the hard drive on Tsouli's computer that they realized they had stumbled upon one of the most infamous—and unlikely—cyberjihadists in the world.

Tsouli's online username, as they discovered, was Irhabi007 ("Terrorist007" in Arabic). It was a moniker well known to international counterterrorism officials. Since 2004, this young man, with no history of radical activity, had become one of the world's most influential propagandists in jihadi chatrooms. It had been the online images of the war in Iraq that first radicalized him. He began spending his days creating and hacking dozens of Web sites in order to upload videos of beheadings and suicide bombings in Iraq and post links to the texts of bomb-making manuals. From his bedroom in London, he eventually became a crucial global organizer of online terrorist networks, guiding others to jihadist sites where they could learn their

deadly craft. Ultimately, he attracted the attention of the late leader of al Qaeda in Iraq, Abu Musab al-Zarqawi. When British police discovered this young IT student in his London flat, he was serving as Zarqawi's public relations mouthpiece on the Web.

Tsouli's journey from computer geek to radical jihadist is representative of the wider evolution of Islamist terrorist networks today. Since Sept. 11, 2001, the threat confronting the West has changed dramatically, but most governments still imagine their foe in the mold of the old al Qaeda. The enemy today is not a product of poverty, ignorance, or religious brainwashing. The individuals we should fear most haven't been trained in terrorist camps, and they don't answer to Osama bin Laden or Ayman al-Zawahiri. They often do not even adhere to the most austere and dogmatic tenets of radical Islam. Instead, the new generation of terrorists consists of home-grown wannabes—self-recruited, without leadership, and globally connected through the Internet. They are young people seeking thrills and a sense of significance and belonging in their lives. And their lack of structure and organizing principles makes them even more terrifying and volatile than their terrorist forebears.

THE NEW FACE OF TERROR

The five years between Osama bin Laden's 1996 declaration of war against the United States from his safe haven in Afghanistan to the attacks of 9/11 were the

Marc Sageman, a forensic psychiatrist and former CIA case officer, is author of *Leaderless Jihad: Terror Networks in the Twenty-First Century* (Philadelphia: University of Pennsylvania Press, 2008).



Europe's worst attack: Spanish prosecutors' efforts to convict the accused Madrid bombers were hampered by the group's lack of structure.

“golden age” of what could be called al Qaeda Central. Those days are long over, but the social movement they inspired is as strong and dangerous as ever. The structure has simply evolved over time.

Today's new generation of terrorists constitutes the third wave of radicals stirred to battle by the ideology of global jihad. The first wave to join al Qaeda was Afghan Arabs who came to Pakistan and Afghanistan to fight the Soviets in the 1980s. They were, contrary to popular belief, largely well educated and from solidly middle-class backgrounds.

Ask the Author

Send questions for Marc Sageman to letters@ForeignPolicy.com by March 25, and we will post his answers on March 31 at ForeignPolicy.com/extras/sageman.

They were also mature, often about 30 years old when they took up arms. Their remnants still form the backbone of al Qaeda's leadership today, but there are at most a few dozen of them left, hiding in the frontier territories of northwest Pakistan.

The second wave that followed consisted mostly of elite expatriates from the Middle East who went to the West to attend universities. The separation from family, friends, and culture led many to feel homesick and marginalized, sentiments that hardened into the seeds of their radicalization. It was this generation of young men who traveled to al Qaeda's training camps in Afghanistan in the 1990s. They were incorporated into al Qaeda Central, and today there are at most about 100 of them left, also in hiding in northwest Pakistan.

The new, third wave is unlike its predecessors. It consists mostly of would-be terrorists, who, angered

CLOCKWISE, FROM TOP LEFT: DAVID S. HOLLOWAY/GETTY IMAGES; HO NEW/REUTERS; BERNAT ARMANGUE/REUTERS/POOL; SUSANA VERA/REUTERS



by the invasion of Iraq, aspire to join the movement and the men they hail as heroes. But it is nearly impossible for them to link up with al Qaeda Central, which was forced underground after 9/11. Instead, they form fluid, informal networks that are self-financed and self-trained. They have no physical headquarters or sanctuary, but the tolerant, virtual environment of the Internet offers them a semblance of unity and purpose. Theirs is a scattered, decentralized social structure—a leaderless jihad.

Take the case of Mohammed Bouyeri, perhaps the most infamous member of a network of aspiring jihadists that Dutch authorities dubbed the “Hofstad Network,” in 2004. Bouyeri, then a 26-year-old formerly secular social worker born to Moroccan immigrants in Amsterdam, could also trace his radicalization to outrage over the Iraq war. He became influential among a loosely connected group of about 100 young Dutch Muslims, most of whom were in their late teens and born in the Netherlands. The network informally coalesced around three or four active participants, some of whom had acquired a local reputation for trying (and failing) to fight the jihad abroad. Some of the initial meetings were at demonstrations for international Muslim causes, others at radical mosques, but mostly they met in Internet chatrooms. Other popular meeting spots included Internet cafes or the few apartments of the older members, as most of the network still lived with their parents. The group had no clear leader and no connection to established terrorist networks abroad.

On Nov. 2, 2004, Mohammed Bouyeri brutally murdered Dutch filmmaker Theo van Gogh on an Amsterdam street, nearly sawing off van Gogh’s head and pinning a five-page note threatening the enemies of Islam to his victim’s chest. Bouyeri had been enraged by van Gogh’s short film, *Submission*, about Islam’s treatment of women and domestic violence, and written by former Dutch parliamentarian Ayaan Hirsi Ali. After killing van Gogh, Bouyeri calmly waited for the police in the hope that he would die in the gunfight that he expected would follow. He was only wounded and, less than a year later, sentenced to life in prison. A series of raids against other members of the network uncovered evidence of plans to bomb the Dutch parliament, a nuclear power plant, and Amsterdam’s airport, as well as assassination plots against prominent Dutch politicians.

The fluidity of the Hofstad Network has created problems for Dutch prosecutors. The first few trials

succeeded in convicting some members as belonging to a terrorist organization because they met regularly. But at later trials, when defendants faced more serious charges, the prosecutors’ cases began to break down. Some guilty verdicts have even been subsequently overturned. In January, a Dutch appeals court threw out the convictions of seven men accused of belonging to the Hofstad Network because “no structured cooperation [had] been established.” It is difficult to convict suspects who rarely meet face to face and whose cause has no formal organization.

The perpetrators of the Madrid bombings in March 2004 are another example of the self-recruited leaderless jihad. They were an unlikely network of young

The tolerant, virtual environment of the Web offers these wannabes a semblance of unity and purpose.

immigrants who came together in haphazard ways. Some had been lifelong friends from their barrio in Tetouan, Morocco, and eventually came to run one of the most successful drug networks in Madrid, selling hashish and ecstasy. Their informal leader, Jamal Ahmidan, a 33-year-old high school dropout who liked to chase women, wavered between pointless criminality and redemptive religion. When he was released from a Moroccan jail in 2003 after serving three years for an alleged homicide, he became increasingly obsessed with the war in Iraq. He linked up with Tunisian-born Sarhane Ben Abdelmajid Fakheth, who had moved to Madrid to get his doctorate in economics. They were part of a loose network of foreign Muslims in Spain who spent time together after soccer games and mosque prayers. They later masterminded the Madrid bombings, the deadliest Islamist terror attack on European soil. As Spanish authorities closed in on their hideout several weeks after the bombings, Fakheth, Ahmidan, and several accomplices blew themselves up as the police moved in.

Try as they may, Spanish authorities have never found any direct connection between the Madrid bombers and international al Qaeda networks. The 2007 trials of collaborators concluded that the bombings were inspired by al Qaeda, but not directed by it.

Evidence of hopeful young jihadists is not limited to Western Europe. In June 2006, Canadian security forces conducted a series of raids against two clusters

of young people in and around Toronto. The youths they apprehended were mostly second-generation Canadians in their late teens or early 20s and from secular, middle-class households. They were accused of planning large-scale terrorist attacks in Toronto and Ottawa, and when they were arrested, they had already purchased vast quantities of bomb-making materials. The core members of the group were close friends from their early high school years, when they had formed a "Religious Awareness Club," which met during lunch hours at school. They also created an online forum where they could share their views on life, religion, and politics. Eventually, a number of the young men and women intermarried while still in their teens.

The group expanded their network when they moved to other parts of the greater Toronto area, attending radical mosques and meeting like-minded young people. They also reached out in international chatrooms, eventually linking up with Irhabi007 prior to his arrest. Through his forum, they were directed to Web sites providing them with information on how to build bombs. Other militants in Bosnia, Britain, Denmark, Sweden, and even Atlanta, Georgia, also virtually connected through this forum and actively planned attacks. Again, there is no evidence that any of the core Toronto plotters were ever in contact with al Qaeda; the plot was completely homegrown.

What makes these examples of the next generation of terrorists so frightening is the ease with which marginalized youths are able to translate their frustrations

into acts of terrorism, often on the back of professed solidarity with terrorists halfway around the world whom they have never met. They seek to belong to a movement larger than themselves, and their violent actions and plans are hatched locally, with advice from others on the Web. Their mode of communication also suggests that they will increasingly evade detection. Without links to known terrorists, this new generation is more difficult to discover through traditional intelligence gathering. Of course, their lack of training and experience could limit their effectiveness. But that's cold comfort for their victims.

WHY THEY FIGHT

Any strategy to fight these terrorists must be based on an understanding of why they believe what they believe. In other words, what transforms ordinary people into fanatics who use violence for political ends? What leads them to consider themselves special, part of a small vanguard trying to build their version of an Islamist utopia?

The explanation for their behavior is found not in how they think, but rather in how they feel. One of the most common refrains among Islamist radicals is their sense of moral outrage. Before 2003, the most significant source of these feelings were the killings of Muslims in Afghanistan in the 1980s. In the 1990s, it was the fighting in Bosnia, Chechnya, and Kashmir. Then came the second Palestinian intifada beginning

in 2000. And since 2003, it has been all about the war in Iraq, which has become the focal point of global moral outrage for Muslims all over the world. Along with the humiliations of Abu Ghraib and Guantánamo, Iraq is monopolizing today's conversations about Islam and the West. On a more local level, governments that appear overly pro-American cause radicals to feel they are the victims of a larger anti-Muslim conspiracy, bridging the perceived local and global attacks against them.

In order for this moral outrage to translate into extremism, the frustrations must be interpreted in a particular way: The violations are deemed part of a unified Western strategy,



Culture clash: Supporters of the men accused of plotting terror attacks in Toronto arrive at court.

namely a “war against Islam.” That deliberately vague worldview, however, is just a sound bite. The new terrorists are not Islamic scholars. Jihadists volunteering for Iraq are interested not in theological debates but in living out their heroic fantasies.

How various individuals interpret this vision of a “war against Islam” differs from country to country, and it is a major reason why homegrown terrorism within the United States is far less likely than it is in Europe. To a degree, the belief that the United States is a melting pot protects the country from homegrown attacks. Whether or not the United States is a land of opportunity, the important point is that people believe it to be. A recent poll found that 71 percent of Muslim Americans believe in the “American Dream,” more than the American public as a whole (64 percent). This is not the case in Europe, where national myths are based on degrees of “Britishness,” “Frenchness,” or “Germanness.” This excludes non-European Muslim immigrants from truly feeling as if they belong.

Feeling marginalized is, of course, no simple springboard to violence. Many people feel they don’t belong but don’t aspire to wage violent jihad. What transforms a very small number to become terrorists is mobilization by networks. Until a few years ago, these networks were face-to-face groups. They included local gangs of young immigrants, members of student associations, and study groups at radical mosques. These cliques of friends became radicalized together. The group acted as an echo chamber, amplifying grievances, intensifying bonds to each other, and breeding values that rejected those of their host societies. These natural group dynamics resulted in a spiral of mutual encouragement and escalation, transforming a few young Muslims into dedicated terrorists willing to follow the model of their heroes and sacrifice themselves for comrades and cause. Their turn to violence was a collective decision, rather than an individual one.

During the past two or three years, however, face-to-face radicalization has been replaced by online radicalization. The same support and validation that young people used to derive from their offline peer groups are now found in online forums, which promote the image of the terrorist hero, link users to the online social movement, give them guidance, and instruct them in tactics. These forums, virtual marketplaces for extremist ideas, have become the

“invisible hand” that organizes terrorist activities worldwide. The true leader of this violent social movement is the collective discourse on half a dozen influential forums. They are transforming the terrorist movement, attracting ever younger members and now women, who can participate in the discussions.

At present, al Qaeda Central cannot impose discipline on these third-wave wannabes, mostly because it does not know who they are. Without this command and control, each disconnected network acts according to its own understanding and capability, but their collective actions do not amount to

Islamist terrorism will likely disappear for internal reasons—if America has the sense to allow it.

any unified long-term goal or strategy. These separate groups cannot coalesce into a physical movement, leaving them condemned to remain leaderless, an online aspiration. Such traits make them particularly volatile and difficult to detect, but they also offer a tantalizing strategy for those who wish to defeat these dangerous individuals: The very seeds of the movement’s demise are within the movement itself.

THE BEGINNING OF THE END?

There has been talk of an al Qaeda resurgence, but the truth is that most of the hard-core members of the first and second waves have been killed or captured. The survival of the social movement they inspired relies on the continued inflow of new members. But this movement is vulnerable to whatever may diminish its appeal among the young. Its allure thrives only at the abstract fantasy level. The few times its aspirations have been translated into reality—the Taliban in Afghanistan, parts of Algeria during its civil war, and more recently in Iraq’s Anbar Province—were particularly repulsive to most Muslims.

What’s more, a leaderless social movement is permanently at the mercy of its participants. As each generation attempts to define itself in contrast to its predecessor, what appeals to the present generation of young would-be radicals may not appeal to the next. A major source of the present appeal is the anger and moral outrage provoked by the invasion of Iraq. As the Western footprint there fades, so will the appeal of fighting it. And new

hotheads in the movement will always push the envelope to make a name for themselves and cause ever escalating atrocities. The magnitude of these horrors will, in turn, likely alienate potential recruits.

The U.S. strategy to counter this terrorist threat continues to be frozen by the horrors of 9/11. It relies more on wishful thinking than on a deep understanding of the enemy. The pursuit of “high-value targets” who were directly involved in the 9/11 operation more than six years ago was an appropriate first step to bring the perpetrators to justice. And the United States has been largely successful in degrading the capability of al Qaeda Central.

But this strategy is not only useless against the leaderless jihad; it is precisely what will help the movement flourish. Radical Islamist terrorism will never disappear because the West defeats it. Instead, it will most likely disappear for internal reasons—if the United States has the sense to allow it to continue on its course and fade away. The main threat to radical Islamist terrorism is the fact that its appeal is self-limiting. The key is to accelerate this process of internal decay. This need not be a long war, unless American policy makes it so.

Terrorist acts must be stripped of glory and reduced to common criminality. Most aspiring terrorists want nothing more than to be elevated to the status of an FBI Most Wanted poster. “[I am] one of the most wanted terrorists on the Internet,” Younis Tsouli boasted online a few months before his arrest in 2005. “I have the Feds and the CIA, both would love to catch me. I have MI6 on my back.” His ego fed off the respect such bragging brought him in the eyes of other chatroom participants. Any policy or recognition that puts such people on a pedestal only makes them heroes in each other’s

eyes—and encourages others to follow their example. These young men aspire to nothing more glorious than to fight uniformed soldiers of the sole remaining superpower. That is why the struggle against these terrorists must be demilitarized and turned over to collaborative law enforcement. The military role should be limited to denying terrorists a sanctuary.

It is equally crucial not to place terrorists who are arrested or killed in the limelight. The temptation to hold press conferences to publicize another “major victory” in the war on terror must be resisted, for it only transforms terrorist criminals into jihadist heroes. The United States underestimates the value of prosecutions, which often can be enormously demoralizing to radical groups. There is no glory in being taken to prison in handcuffs. No jihadi Web site publishes such pictures. Arrested terrorists fade into oblivion; martyrs live on in popular memory.

This is very much a battle for young Muslims’ hearts and minds. Any appearance of persecution for short-term tactical gains will be a strategic defeat on this battlefield. The point is to regain the international moral high ground, which served the United States and its allies so well during the Cold War. With the advent of the Internet, there has been a gradual shift to online networks, where young Muslims share their hopes, dreams, and grievances. That offers an opportunity to encourage voices that reject violence.

It is necessary to reframe the entire debate, from imagined glory to very real horror. Young people must learn that terrorism is about death and destruction, not fame. The voices of the victims must be heard over the bragging and posturing that go on in the online jihadist forums. Only then will the leaderless jihad expire, poisoned by its own toxic message. **FP**

[Want to Know More?]

For more background and analysis on the new terror threat, see Marc Sageman’s *Leaderless Jihad: Terror Networks in the Twenty-First Century* (Philadelphia: University of Pennsylvania Press, 2008) and *Understanding Terror Networks* (Philadelphia: University of Pennsylvania Press, 2004).

The intelligence division of the New York Police Department recently released one of the most sophisticated analyses of the risk of domestic terrorism in “**Radicalization in the West: The Homegrown Threat**” (New York: NYPD, 2007). Fawaz A. Gerges traces the evolution of global Islamist terrorism in *The Far Enemy: Why Jihad Went Global* (New York: Cambridge University Press, 2005). In *FP*’s semiannual “**Terrorism Index**,” produced in conjunction with the Center for American Progress, foreign-policy experts assess the United States’ efforts in the war on terror.

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Robert Whaples, Professor of Economics at Wake Forest University and currently Chair of its Department of Economics, received his Ph.D. in Economics from the University



of Pennsylvania. Professor Whaples has been frequently consulted for media interviews and appearances by NPR's *Morning Edition*, *The Wall Street Journal*, and *U.S. News and World Report*. He also won the Jonathan Hughes Prize for Excellence in Teaching Economic History.

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The Coming Financial PANDEMIC

The U.S. financial crisis cannot be contained. Indeed, it has already begun to infect other countries, and it will travel further before it's done. From sluggish trade to credit crunches, from housing busts to volatile stock markets, this is how the contagion will spread. | **By Nouriel Roubini**

For months, economists have debated whether the United States is headed toward a recession. Today, there is no doubt. President George W. Bush can tout his \$150 billion economic stimulus package, and the Federal Reserve can continue to cut short-term interest rates in an effort to goose consumer spending. But those moves are unlikely to stop the economy's slide. The severe liquidity and credit crunch from the subprime mortgage bust is now spreading to broader credit markets, \$100 barrels of oil are squeezing consumers, and unemployment continues to climb. And with the housing market melting down, empty-pocketed Americans can no longer use their homes as ATMs to fund their shopping sprees. It's time to face the truth—the U.S. economy is no longer merely battling a touch of the flu; it's now in the early stages of a painful and persistent bout of pneumonia.

Meanwhile, other countries are watching anxiously, hoping they don't get sick, too. In recent years, the global economy has been unbalanced, with Americans spending more than they earn and the country running massive external deficits. When

the subprime mortgage crisis first hit headlines last year, observers hoped that the rest of the world had enough growth momentum and domestic demand to gird itself from the U.S. slowdown. But making up for slowing U.S. demand will be difficult, if not impossible. American consumers spend about \$9 trillion a year. Compare that to Chinese consumers, who spend roughly \$1 trillion a year, or Indian consumers, who spend only about \$600 billion. Even in wealthy European and Japanese households, low income growth and insecurities about the global economy have caused consumers to save rather than spend. Meanwhile, countries such as China rely on exports to sustain their high economic growth. So there's little reason to believe that global buyers will pick up the slack of today's faltering American consumer, whose spending has already begun to drop.

Because the United States is such a huge part of the global economy—it accounts for about 25 percent of the world's GDP, and an even larger percentage of international financial transactions—there's real reason to worry that an American financial virus could mark the beginning of a global economic contagion. It may not devolve into a worldwide recession, but at the very least, other nations should expect sharp economic downturns, too. Here's how it will happen:

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ILLUSTRATIONS BY BRIAN HUBBLE FOR FP



TRADE WILL DROP: The most obvious way that a U.S. recession could spill over elsewhere in the world is through trade. If output and demand in the United States fall—something that by definition would happen in a recession—the resulting decline in private consumption, capital spending by companies, and production would lead to a drop in imports of consumer goods, capital goods, commodities, and other raw materials from abroad. U.S. imports are other countries' exports, as well as an important part of their overall demand. So such a scenario would spell a drop in their economic growth rates, too. Several significant economies—including Canada, China, Japan, Mexico, South Korea, and much of Southeast Asia—are heavily dependent on exports to the United States. China, in particular, is at risk because so much of its double-digit annual growth has relied on the uptick of exports to the United States. Americans are the world's biggest consumers, and China is one of the world's largest exporters. But with Americans reluctant to buy, where would Chinese goods go?

China is also a good example of how indirect trade links would suffer in an American recession. It once was the case that Asian manufacturing hubs such as South Korea and Taiwan produced finished goods, like consumer electronics, that were exported directly to American retailers. But with the rise of Chinese competitiveness in manufacturing, the pattern of trade in Asia has changed: Asian countries increasingly produce components, such as computer chips, for export to China. China then takes these component parts and assembles them into finished goods—say, a personal computer—and exports them to American consumers. Therefore, if U.S. imports fall, then Chinese exports to the United States would fall. If Chinese exports fall, then Chinese demand for component parts from the rest of Asia would fall, spreading the economic headache further.

A WEAK DOLLAR WILL MAKE MATTERS WORSE: Already, the economic slowdown in the United States and the Fed's interest rate cuts have caused

the value of the dollar to drop relative to many floating currencies such as the euro, the yen, and the won. This weaker dollar may stimulate U.S. export competitiveness, because those countries will be able to buy more for less. But, once again, it is bad news for other countries, such as Germany, Japan, and South Korea, who rely heavily on their own exports to the United States. That's because the strengthening of their currencies will increase the price of their goods in American stores, making their exports less competitive.



HOUSING BUBBLES WILL BURST WORLDWIDE: The United States isn't the only country that experienced a housing boom in recent years. Easy money and low, long-term interest rates were plentiful in other countries, too, particularly in Europe. The United States also isn't the only country that has experienced a housing bust: Britain, Ireland, and Spain lag only slightly behind the United States as the value of their flats and villas trends downward. Countries with smaller but still substantial real estate

bubbles include France, Greece, Hungary, Italy, Portugal, Turkey, and the Baltic nations. In Asia, countries including Australia, China, New Zealand, and Singapore have also experienced modest housing bubbles. There's even been a housing boom in parts of India. Inevitably, such bubbles will burst, as a credit crunch and higher interest rates poke holes in them, leading to a domestic economic slowdown for some and outright recession for others.

COMMODITY PRICES WILL FALL: One need only look at the skyrocketing price of oil to see that worldwide demand for commodities has surged in recent years. But those high prices won't last for long. That's because a slowdown of the U.S. and Chinese

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economies—the two locomotives of global growth—will cause a sharp drop in the demand for commodities such as oil, energy, food, and minerals. The ensuing fall in the prices of those commodities will hurt the exports and growth rate of commodity exporters in Asia, Latin America, and Africa. Take Chile, for example, the world's biggest producer of copper, which is widely used for computer chips and electrical wiring. As demand from the United States and China falls, the price of copper, and therefore Chile's exports of it, will also start to slide.

FINANCIAL CONFIDENCE WILL FALTER: The fallout from the U.S. subprime meltdown has already festered into a broader and more severe liquidity and credit crunch on Wall Street. That, in turn, has spilled over to financial markets in other parts of the world. This financial contagion is impossible to contain. A huge portion of the risky, radioactive U.S. securities that have now collapsed—such as the now disgraced residential mortgage-backed securities and collateralized debt obligations—were sold to foreign

news in the United States—say, reports of higher unemployment or negative GDP growth—there are worries that other economies will suffer, too. Investors sell off their stocks in New York and the Dow Jones plunges. You can expect a similarly sharp fall when the Nikkei opens in Tokyo a few hours later, and the ripple effect then continues in Europe when opening bells ring in Frankfurt, London, and Paris. It's a vicious circle; the market volatility culminates in a kind of panicky groupthink, causing investors to dump risky assets from their portfolios en masse. Such financial contagion was on prime display when global equity markets plummeted in January.

MONEY FOR NOTHING

Optimists may believe that central banks can save the world from the painful side effects of an American recession. They may point to the world's recovery from the 2001 recession as a reason for hope. Back then, the U.S. Federal Reserve slashed interest rates from 6.5 percent to 1 percent, the European Central

Bank dropped its rate from 4 percent to 2 percent, and the Bank of Japan cut its rate down to zero. But today, the ability of central banks to use monetary tools to stimulate their economies and dampen the effect of a global slowdown is far more limited than in the past. Central banks don't have as free a hand; they are constrained by higher levels

Today, central banks' ability to stimulate their economies and dampen the effect of a global slowdown is far more limited than in the past.

investors. That's why financial losses from defaulting mortgages in American cities such as Cleveland, Las Vegas, and Phoenix are now showing up in Australia and Europe, even in small villages in Norway.

Consumer confidence outside the United States—especially in Europe and Japan—was never strong; it can only become weaker as an onslaught of lousy economic news in the United States dampens the spirits of consumers worldwide. And as losses on their U.S. operations hit their books, large multinational firms may decide to cut back new spending on factories and machines not just in the United States but everywhere. European corporations will be hit especially hard, as they depend on bank lending more than American firms do. The emerging global credit crunch will limit their ability to produce, hire, and invest.

The best way to see how this financial flu spreads is by watching global stock markets. Investors become more risk averse when their economies appear to be slowing down. So whenever there's bad economic

of inflation. The Fed is cutting interest rates once again, but it must worry how the disorderly fall of the dollar could cause foreign investors to pull back on their financing of massive U.S. debts. A weaker dollar is a zero-sum game in the global economy; it may benefit the United States, but it hurts the competitiveness and growth of America's trading partners.

Monetary policy will also be less effective this time around because there is an oversupply of housing, automobiles, and other consumer goods. Demand for these goods is less sensitive to changes in interest rates, because it takes years to work out such gluts. A simple tax rebate can hardly be expected to change this fact, especially when credit card debt is mounting and mortgages and auto loans are coming due.

The United States is facing a financial crisis that goes far beyond the subprime problem into areas of economic life that the Fed simply can't reach. The problems the U.S. economy faces are no longer just

about not having enough cash on hand; they're about insolvency, and monetary policy is ill equipped to deal with such problems. Millions of households are on the verge of defaulting on their mortgages. Not only have more than 100 subprime lenders gone bankrupt, there are riding delinquencies on more run-of-the-mill mortgages, too. Financial distress has even spread to the kinds of loans that finance excessively risky leveraged buyouts and commercial real estate. When the economy falls further, corporate default rates will sharply rise, leading to greater losses. There is also a "shadow banking system," made up of non-bank financial institutions that borrow cash or liquid investments in the near term, but lend or invest in the long term in nonliquid forms. Take money market funds, for example, which can be withdrawn overnight, or hedge funds, some of which can be redeemed with just one month's notice. Many of these funds are invested and locked into risky, long-term securities. This shadow banking system is therefore subject to greater risk because, unlike banks, they don't have access to the Fed's support as the lender of last resort, cutting them off from the help monetary policy can provide.

Beyond Wall Street, there is also much less room today for fiscal policy stimulus, because the United States, Europe, and Japan all have

structural deficits. During the last recession, the United States underwent a nearly 6 percent change in fiscal policy, from a very large surplus of about 2.5 percent of GDP in 2000 to a large deficit of about 3.2 percent of GDP in 2004. But this time, the United States is already running a large structural deficit, and the room for fiscal stimulus is only 1 percent of GDP, as recently agreed upon in President Bush's stimulus package. The situation is similar for Europe and Japan.

President Bush's fiscal stimulus package is too small to make a major difference today, and what the Fed is doing now is too little, too late. It will take years to resolve the problems that led to this crisis. Poor regulation of mortgages, a lack of transparency about complex financial products, misguided incentive schemes in the compensation of bankers, wrongheaded credit ratings, poor risk management by financial institutions—the list goes on and on.

Ultimately, in today's flat world, interdependence boosts growth across countries in good times. Unfortunately, these trade and financial links also mean that an economic slowdown in one place can drag down everyone else. Not every country will follow the United States into an outright recession, but no one can claim to be immune. **FP**

[Want to Know More?]

For up-to-date analysis on the U.S. recession and how it's affecting the global economy, read Nouriel Roubini's blog at **RGE Monitor** (www.rgemonitor.com/blog/roubini). Roubini recently compared today's economic crisis to the situation two decades ago, in "**Have We Learned the Lessons of Black Monday?**" (ForeignPolicy.com, October 2007).

To learn about the constraints that the Federal Reserve faces when creating monetary policy, read "**The Education of Ben Bernanke**," by Roger Lowenstein in the Jan. 20, 2008, issue of the *New York Times Magazine*. Morgan Stanley economist Stephen S. Roach presciently argued that Alan Greenspan's legacy as Fed chairman would not be entirely rosy in "**Think Again: Alan Greenspan**" (*FOREIGN POLICY*, January/February 2005). For a multimedia map that shows how the U.S. subprime mortgage crisis spread around the world, see "**The Credit Crunch Goes Global**," at *Fortune* magazine's Web site.

FOREIGN POLICY's recent online coverage of the global economy includes an interview with Robert Shiller about falling housing prices, "**Seven Questions: How to Deal with Irrational Exuberance**" (ForeignPolicy.com, August 2007), and an interview with Martin Feldstein, CEO of the National Bureau of Economic Research, on the dangers of a looming recession, "**Seven Questions: Martin Feldstein on the 'R' Word**" (ForeignPolicy.com, January 2008).

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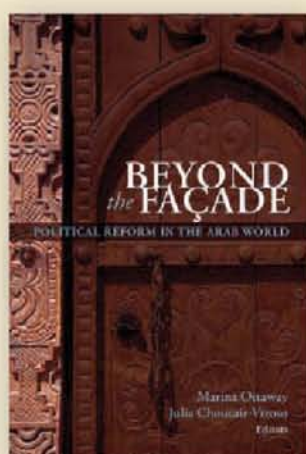
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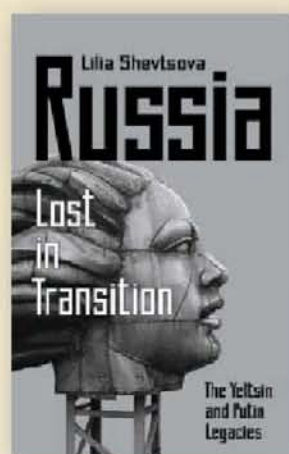
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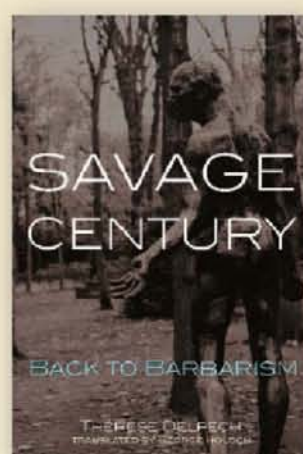
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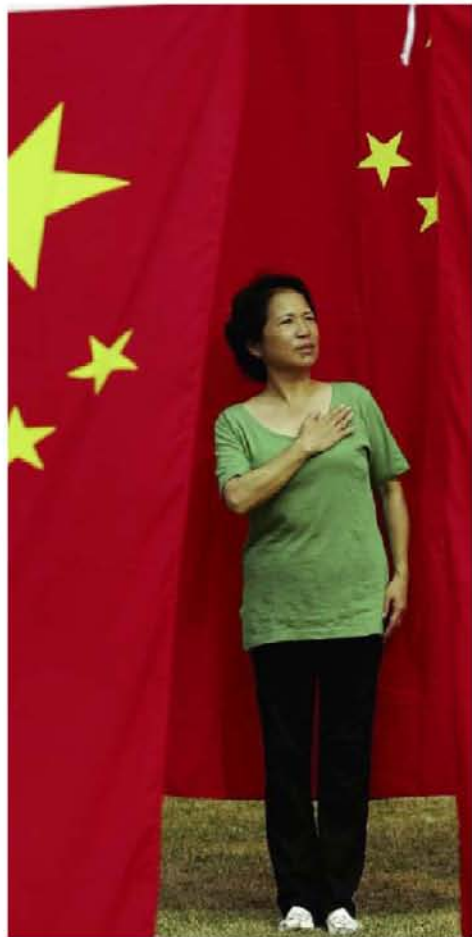
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Is Nationalism Good for You?

It's blamed for everything from unruly populism to genocide. But what if nationalism isn't the unevolved reflex so many assume it to be? In fact nationalism could help create wealth, fight corruption, and lower crime.

| By **Gustavo de las Casas**

Think of “nationalism,” and you might think of a country brainwashed to hate its neighbors. You might imagine thousands of people sacrificing themselves for a power-hungry dictator. You wouldn't be alone. Albert Einstein himself called nationalism “an infantile disease, the measles of mankind.”

Political scientists blame it for civil wars and territorial ambitions, from Rwanda and Yugoslavia to Nazi Germany and Napoleonic France. Many economists view it as an irrational distraction from

free-market principles, impeding growth and promoting corruption across the developing world. When war broke out in the past, nationalism was often automatically assumed to be a party to the crime, either as a tool that would allow leaders to seduce the masses into fighting, or as fuel that stoked popular outrage. There is no denying it: nationalism has got a bad name.

Gustavo de las Casas is a doctoral student in international relations at Columbia University.



A few bad apples: Dictators may have given nationalism a bad reputation, but new evidence could help clear its name.

But this negative publicity confuses what is more often than not an innocuous sentiment. Nationalism is a feeling of unity with a group beyond one's immediate family and friends. In and of itself, it is not conducive to disastrous wars. The bad rap on nationalism relies almost exclusively on cherry-picked exceptions. These conclusions were drawn without considering the far-more-common cases in which nationalism was not the root of some evil. Moreover, many previous studies on the causes of war lacked one key component: an adequate measure of

nationalism. Absent this measure, it is impossible to tell if the brand of nationalism of, say, the Axis powers was more intense than others in the years leading up to 1939. Yet, scholars are quick to blame nationalism for a host of ills.

Why this haste? Part of the reason lies in the scholarly reverence to *homo economicus*, the cool-headed and self-interested person thought to make optimal decisions at all times. This assumed rational egoist stands in direct opposition to the stereotypical nationalist. After all, the nationalist is often anything but coolheaded. And, being willing to die for his compatriots if need be, he isn't selfish either. Thus, many scholars conclude, if nationalism does exist, it would only disturb the God-given rationality of humanity, and that meant trouble in politics and economics.

For More Online

Gustavo de las Casas debunks prominent thinkers' notions of nationalism at ForeignPolicy.com/extras/nationalism.

But the deeper roots of antinationalism seem to lie in the value system of scholars. Success in academia is often gauged by how coldly logical one can be. Intense emotional content is frowned upon. So your run-of-the-mill academic, devoted to library stays, will naturally view nationalism as unintelligent and primal. And being so, nationalism could not possibly produce better countries. Or could it?

the altruism that nationalism provides is not the cosmopolitan sort that philosophers dream about. Members of a nation may not care about all the people in the world, but they do exhibit a selective altruism in caring about their fellow compatriots. And this selective altruism, when shared by all citizens, makes for a better country than one populated by purely selfish individuals.

Consider economic life, where self-interest is assumed to reign supreme. Any economy comprises millions of everyday transactions. In many of these transactions, a citizen can easily short-change another and get away with it. Yes, cheaters are somewhat

As nationalism increases, countries become wealthier...



MY NATION, MYSELF

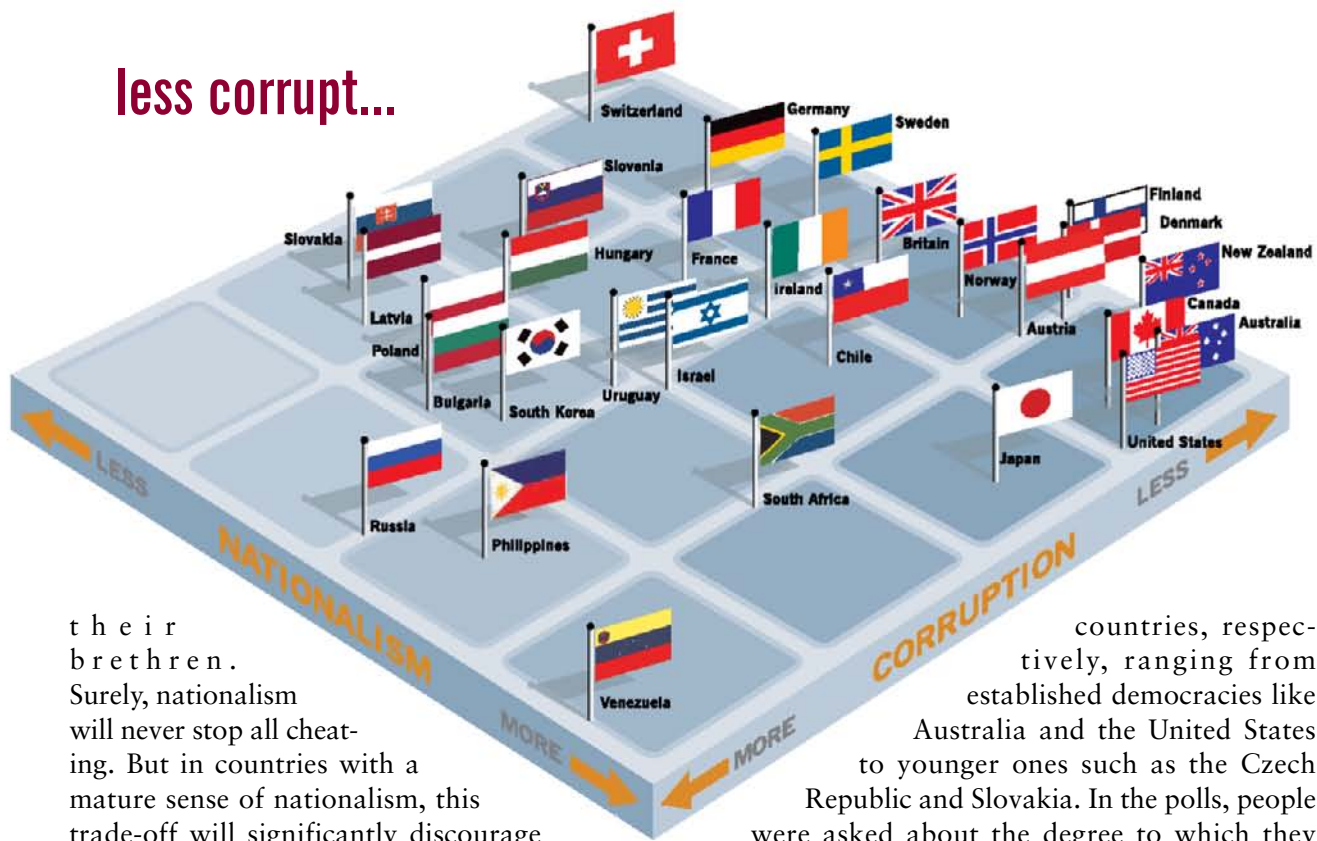
Modern political science generally holds that nationalism predisposes a nation's members to see outsiders as potentially inferior and evil. This perception is supposed to make it easier for nationalists to, say, curtail trade with others and even wage war. But there is a problem with this logic. If nothing else, nationalism is a sense of collective unity that turns large groups into extended families. In itself, this says nothing about how one nation should treat another. In everyday life, we usually love and identify with our own family. That certainly does not make us believe that neighboring families pose a threat. The same goes for nationalism. It does not manufacture hatred for others, just concern for one's fellow citizens. By believing that everyone is in a national endeavor together, citizens value each other's welfare as well as their own. In other words, nationalism makes people less selfish. Granted,

deterred by the law and the fear of gaining a bad reputation. But there are many ways to skim off the top without getting caught. A simple case:

Your favorite restaurant can charge you higher prices—say, from a few cents to a dollar—than those printed on the menu. If caught, your waiter can say it was a mistake. But how many people ever bother to remember the exact menu prices when the bill lands on the table? Very few, if any. This window of opportunity for cheating exists in thousands of activities in every conceivable industry. And if citizens actually exploited it, interpersonal trust would disintegrate. Business activity would slow to an inefficient crawl as people spent additional time and effort deterring cheaters.

On the other hand, when citizens are nationalistic, those who might cheat will face an unpleasant trade-off: to help themselves at the expense of

less corrupt...



their brethren. Surely, nationalism will never stop all cheating. But in countries with a mature sense of nationalism, this trade-off will significantly discourage cheating and promote economic growth. Meanwhile, without nationalism, citizens do not hesitate to abuse each other, and the threat of underhanded cheating destroys the trust necessary for economic development. One need only recall the fall of the Soviet Union and how the crisis of national identity suffered by its citizens presaged endemic corruption and economic underdevelopment across the post-Soviet states. In cases such as these, the economy degenerates into a swarm of flies, with each citizen relatively oblivious to others' welfare. By contrast, the nationalist economy resembles a colony of bees, with members mindful of the group's well-being.

THE CASE FOR NATIONALISM

The benefits of nationalism could have just remained another untested theory in the pantheon of social science. But today, we have the tools to test it systematically. Using data from the International Social Survey Programme (ISSP), we can track levels of nationalism across countries. In 1995 and 2003, the Norway-based ISSP carried out surveys of national identity across 23 and 34

countries, respectively, ranging from established democracies like Australia and the United States to younger ones such as the Czech Republic and Slovakia. In the polls, people were asked about the degree to which they agreed that their country is better than most. The

For all nationalism's supposed faults, it is consistently associated with things we value in economics, politics, and society.

stronger this sense of national superiority, the higher the level of nationalism.

One finding is immediately apparent: Across the board, countries with a higher average level of nationalism were consistently wealthier. This evidence flies in the face of the antinationalism harbored by many economists. In truth, though, the problem with many poorer countries is that their citizens are not nationalistic enough. Consider Eastern European states such as Latvia and Slovenia, which many fear contain the seeds of hypernationalism. Contrary to the conventional wisdom, these countries are actually among the least nationalistic of the group. And rich Western countries, such as Australia, Canada, and the United States, score as the most nationalistic. It's a fair bet your economist never taught you that.

...and more law-abiding



The virtues of nationalism also transcend citizens' bank accounts. If nationalism fosters altruism, its effects should be visible in political and social life as well. Consider corruption. Research in this area is still relatively scant, but it is apparent that there is a broad relationship between nationalism and the ability to keep corruption in check. Using corruption estimates from the World Bank and the same survey data on nationalism, another positive effect of nationalism emerges: Corruption is consistently lower in countries with higher levels of nationalism.

How does nationalism reduce corruption? For many of the same reasons that it improves the economy. Just like parties to a business transaction, public servants who contemplate corruption face an unsavory trade-off: to profit at the expense of fellow nationals. So, if bureaucrats are highly nationalistic, they are also more sensitive to any damage to society, and less prone to abuse public office. Nationalism also changes the mind-set of those affected by corruption. A nationalistic public is less likely to accept government corruption and simply look the other way. On the other hand, without nationalism, the purely selfish citizen might not care about corruption at all. To this person, the diluted cost of corruption in his or her life is minimal compared with the effort required to fight it. But a nationalistic citizenry gauges the effect of corruption on the entire nation, and this greater concern for potential abuse triggers the collective response that keeps corruption in check.

In social life, too, nationalism makes its presence felt.

As nationalistic citizens care more about each other, they are less likely to break the law and violate the rights of others. Using World Bank data on citizens' adherence to laws, another striking relationship becomes evident. The countries endowed with a higher level of nationalism tend to have a stronger rule of law. For all nationalism's supposed faults, it is incredibly—and consistently—associated with things we value in economics, politics, and society.

CLEARING THE RECORD

So what about the cases of nationalism gone bad? Do they tell us anything useful? Yes and no. From power-hungry Napoleonic France to Serbia during the 1990s, these cases show that nationalist aberrations are possible only when other forces are at play. One such factor is military power. When technological advances and military tactics allow for the easy conquest of other countries, nationalism might be tempted to expand. In the 19th century, the many innovations of Napoleon's Grand Army—such as fast and flexible troop formations with fully integrated artillery—convinced the French nation that expansion was a viable proposition. Similarly, Adolf Hitler exploited German nationalism at a time when blitzkrieg tactics could prove devastating.

Nationalism can also be dangerous whenever a single territory is contested by many nations,

especially when there is a history of violence among them. When these conditions exist, as in the former Yugoslavia and Rwanda, civil war is a real possibility. Young democracies are also at a higher risk of virulent nationalism. In these democratizing states, ambitious leaders might pursue risky strategies—such as invading a neighbor—to boost the immature nationalism of their people for their own motives. And nationalism can turn ugly if it mixes with a belief that one’s nation is beyond any standard of morality. That was possibly the case of Nazi Germany, because the German people’s love for their nation was not counterbalanced by a moral doctrine that valued self-control and compassion.

However, the important thing about these unsavory forms of nationalism is how rare and sporadic they really are. To cite a few cases as proof that nationalism is always harmful or barbaric is to confuse the exception with the rule. Most developed strains of nationalism do not promote aggressive expansionism or the abuse of minorities within their borders. That is because contemporary nations are usually missing these other, high-risk conditions. They exist in a world where war is expensive, borders are largely settled, and the actions of nations are usually tied to some moral code. As a result, nationalism today often

leads citizens to look inward and focus their energies on bettering their countries.

If social science is to gain relevance beyond the ivory tower, it must help derive policies that make the most of a country’s assets. With nationalism, this is clearly not happening. What’s worse, instead of seeing its potential for progress, scholars largely dismiss nationalism as an ill. To be sure, the broad relationships outlined here ought to be further dissected. Perhaps nationalism does not matter much when we account for a host of other factors, such as educational levels and natural resources. A debate could be had about whether nationalism is helpful or simply harmless. At the very least, though, we must move past the simplistic notion that nationalism is only dangerous. What it is, is misunderstood.

Of course, scholars can persist in looking down on nationalism as a backward, unevolved reflex, and governments could continue to fail to develop policies that harness its potential. But this alternative carries a heavy cost. It allows opportunistic leaders and demagogues to control the future of nationalism. If responsible policymakers have in their hands something proven to encourage increased wealth, lower levels of corruption, and higher obedience to the rule of law, they would only be wise to use it. **FP**

[Want to Know More?]

The International Social Survey Programme’s **National Identity Surveys** are available online at issp.org. Measures for corruption and the rule of law are derived from the World Bank’s **Worldwide Governance Indicators**, available on the bank’s Web site.

Ernest Gellner’s *Nations and Nationalism* (Ithaca: Cornell University Press, 1983) explains how nationalism helped countries modernize by fostering assimilation. More recently, in *The Spirit of Capitalism: Nationalism and Economic Growth* (Cambridge: Harvard University Press, 2001), Liah Greenfeld argues that nationalism made the relentless economic drive of advanced capitalist countries possible.

On the other hand, Edward Mansfield and Jack Snyder say that nationalism can contribute to conflict in democratizing states in *Electing to Fight: Why Emerging Democracies Go to War* (Cambridge: Massachusetts Institute of Technology Press, 2005). In “The Paradoxes of American Nationalism” (*FOREIGN POLICY*, May/June 2003), Minxin Pei points out how Americans tend to overestimate nationalism around the world, even as they underestimate it at home.

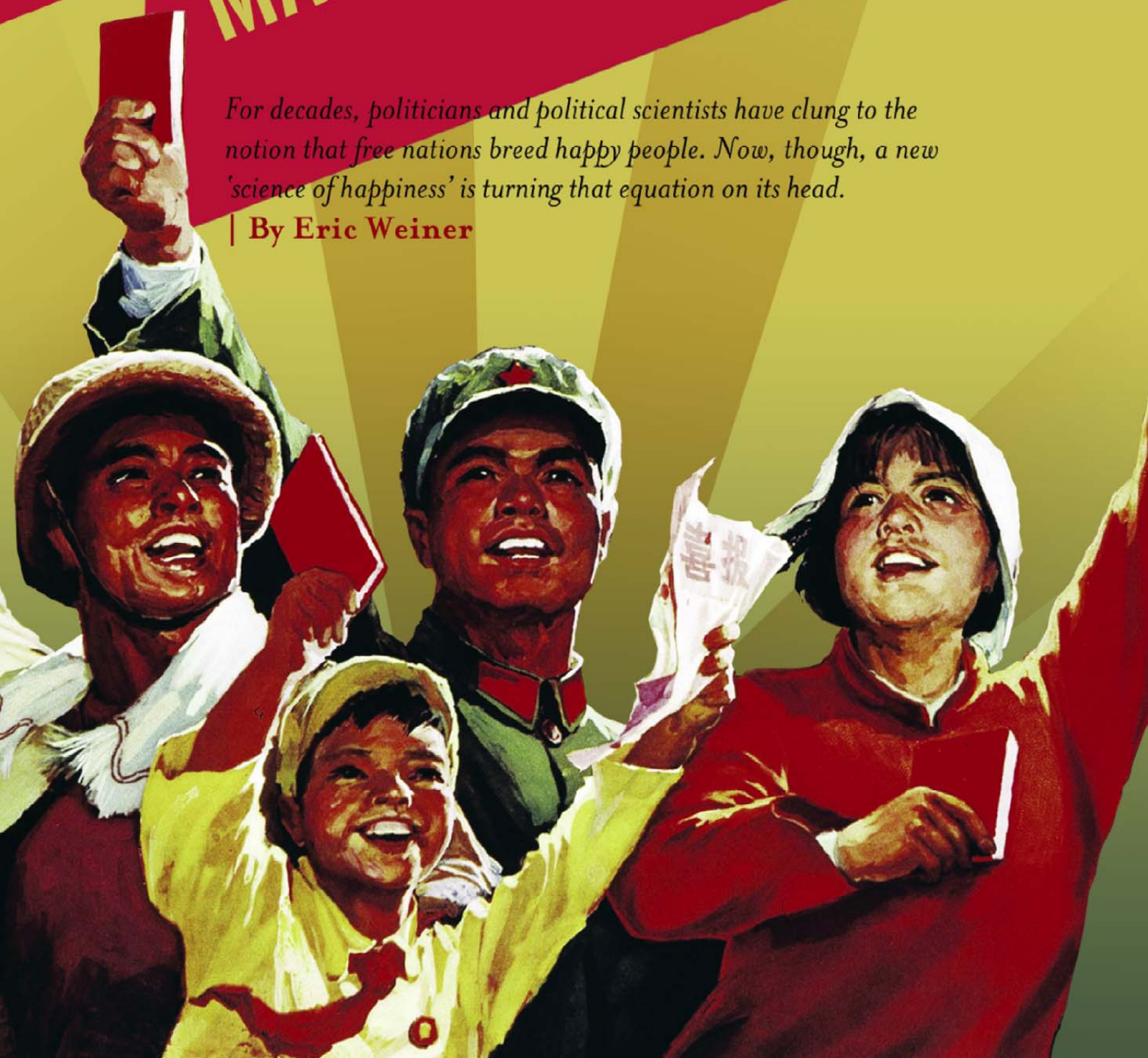
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WILL DEMOCRACY MAKE YOU HAPPY?

For decades, politicians and political scientists have clung to the notion that free nations breed happy people. Now, though, a new 'science of happiness' is turning that equation on its head.

| By Eric Weiner



To travel to Moldova is to travel to a land submerged in a deep and persistent pool of despair. Faces are sullen and drawn. Everyone moves about listlessly, doing the Moldovan Shuffle. A cloud of despondency hangs in the air, every bit as real, and toxic, as the smog in Los Angeles or the coal dust in Linfen, China.

Statistically, Moldova may be the least happy nation on the planet. On a scale of 1 (least happy) to 10, Moldovans can muster only a 4.5 in self-reported surveys. They are less happy than their morose neighbors, the Ukrainians and the Romanians, and inexplicably, they are less happy than much of sub-Saharan Africa. What is truly mysterious, though, and deeply troubling for those in the business of nation building, is that Moldovan despair persists despite the advent of democracy.

This wasn't supposed to happen here. The mood in Moldova—and indeed in most of the former Soviet bloc countries—flies in the face of what is received wisdom in foreign-policy circles: Democratic nations are happy nations. Or, to put it another way, the path to national bliss is paved with democracy. Until now, the debate has centered only on how best to travel that path and at what

backward. It's not that democracies make people happy but, rather, that happy people make democracies.

THE SCIENCE OF SATISFACTION

This remarkable finding isn't simply a new theory born out of thin air. It's based on hard data that social scientists on the leading edge of the emerging "science of happiness" are now employing to measure cultural artifacts such as trust and happiness, just as political scientists have for decades measured levels of democracy by comparing such metrics as press freedom and voting rights.

These social scientists do so through a disarmingly simple technique. They ask people, "Overall, how happy are you with your life these days?" Surveys such as the comprehensive World Values Survey have posed that question, with little variation, to people in more than 80 nations, accounting for some 85 percent of the world's population. They have produced a mother lode of data. Although the data are often contradictory, a few clear patterns have emerged. We now know, for example, that happy countries tend to be wealthy ones, with temperate climates and, crucially, stable democracies.

The question, though, is which comes first: happiness or democracy? Despite our earlier thinking, there is now growing evidence that a happy population, one where people are satisfied with their lives as a whole, is a prerequisite for democracy.

In the 1980s, happiness and democracy were closely linked (with a correlation of 0.8), thus cementing the democracy-equals-happiness theory in the minds of many political scientists and policymakers. But then came the so-called third wave of democracy, a flood of infant democracies that rose from the ashes of the Soviet Union and its satellite states in Eastern Europe. These nations have not enjoyed a happiness dividend, and, indeed, as in Moldova, many are less happy today than they were during Soviet times. Today, the correlation between happiness and democracy is only 0.25, less than a third of what it was in the 1980s. In more than 200 surveys carried out by the World Values Survey, 28 of the 30 least happy nations were registered in former communist states. The remaining two surveys were conducted in Iraq. In Russia, both subjective well-being (happiness) and trust have fallen sharply since its people began voting in relatively free elections. By 1995, a majority of Russians

There is now growing evidence that a happy population is a prerequisite for democracy.

cost. "This interpretation is appealing and suggests that we have a quick fix for most of the world's problems: adopt a democratic constitution, and live happily ever after," says Ronald Inglehart, a professor at the Center for Political Studies at the University of Michigan, and a man who has spent a career studying the relationship between democracy and happiness.

There's only one problem with this compelling and seemingly self-evident truism. It's not true. "To assume that democracy automatically makes people happy is to assume that the tail is wagging the dog," says Inglehart. In other words, the well-intentioned nation builders and democracy exporters have it

Eric Weiner, a correspondent for National Public Radio, is author of The Geography of Bliss: One Grump's Search for the Happiest Places in the World (New York: Twelve, 2008).

described themselves as unhappy and dissatisfied with their lives as a whole. The same is true of Moldova and several other former Soviet republics. (Russian misery, by the way, predates Vladimir Putin's recent crack-down on freedoms.)

Contrast the mood in the former Soviet states with that of China. During the past two decades, as China witnessed an economic boom, its citizens reported levels of satisfaction consistently double those of people in former Soviet countries. This, despite the fact that China remains a one-party communist state where an indiscreet Google search can land you in jail.

Clearly, democracy is only one source of human happiness, and indeed it may not be the greatest source. Economic growth appears to affect national happiness at least as much as democracy. Economic growth helps foster trust between citizens and the state, and trust is essential to democracy. That's why in nations such as South Korea and Taiwan, a spurt of economic growth has preceded democratic reforms.

What the evidence on happiness demonstrates is that happy people are much more likely to express satisfaction with their country's political regime, regardless of what kind that might be, than unhappy people. That's not to say that democracy doesn't matter. It does. All things being equal, democracy does provide a happiness boost. But all things are rarely equal.

Some studies point to a definite "happiness bonus" among the world's democracies, for example. In 1999, Swiss economists Bruno Frey and Alois Stutzer famously studied the effects of their country's system of direct democracy on happiness levels. Switzerland makes a perfect laboratory for this kind of study; the country shares a common culture (if not language) and relatively even economic development. Yet the degree of democracy varies from one district to the next. Frey and Stutzer asked some 6,000 residents, both Swiss citizens and foreigners, one question: "How satisfied are you with your life as a whole these days?" They found a clear correlation between the vitality of direct

democracy and the subjective well-being, or happiness, of each district. The Swiss example proves that a bit more democracy makes a developed, already democratic country like Switzerland a bit happier. For the

Swiss, direct democracy is the icing on their cake. But for nations with no cake, the icing is meaningless.

A LONG TIME COMING

It isn't hard to fall into the old trap of assuming democracy is such a powerful force that it can sweep aside any cultural differences that might stand in its way. Confronted with

the obvious goodness of free elections and self-determination, peoples of the world should shed their cultural vestiges the way a snake sloughs its skin, right? It's a compelling idea, a perfectly plausible one, but one that happens to be wrong. "Culture seems to shape democracy far more than democracy shapes culture," says Inglehart.

Indeed, this notion of cultural primacy is gaining favor, especially among foreign-policy realists such as Colin Powell. "There are some places that are not ready for the kind of democracy we find so attractive for ourselves. They are not culturally ready for it," Powell said in a recent interview with *GQ*. That is not to say, of course, that these places won't ever be ready for democracy. They just aren't ready now, and no amount of wishing, or purple ink, will make it so.

All of this can be a bit depressing for those who believe that foreign policy should be informed by an idealistic streak. But, as Iraq has demonstrated, midwifing a constitution won't necessarily turn a distrustful, unhappy society into a trusting, happy one. Of course, the science of happiness is in its infancy, and it would be foolish to base a foreign policy on its tentative conclusions. Social scientists may be able to measure, with some accuracy, abstractions such as happiness and trust, but they don't necessarily know how to produce these qualities—in a person or a nation. What these findings do remind us, though, is that democracy bubbles up to the surface when the time is right and not a second sooner. **TP**



Unhappily ever after: Democracy is cold comfort for the morose Moldovans.



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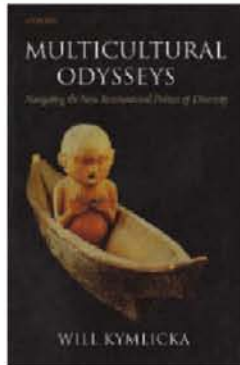
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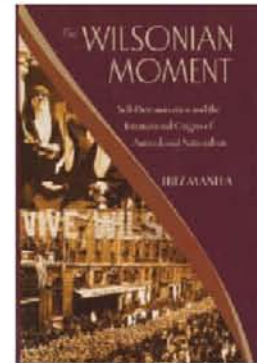


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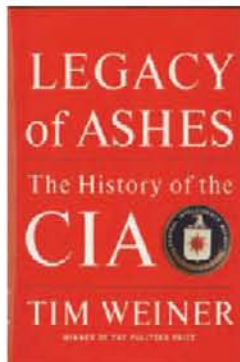
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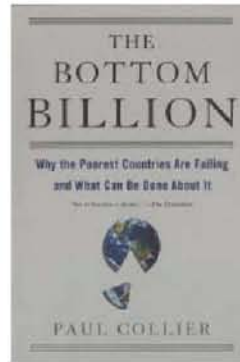
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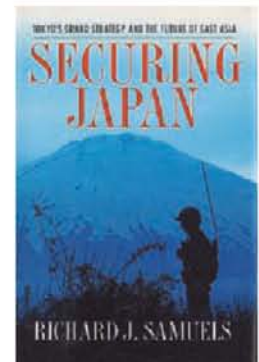
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A WORLD *Enslaved*



There are now more slaves on the planet than at any time in human history. True abolition will elude us until we admit the massive scope of the problem, attack it in all its forms, and empower slaves to help free themselves.

| By E. Benjamin Skinner

Standing in New York City, you are five hours away from being able to negotiate the sale, in broad daylight, of a healthy boy or girl. He or she can be used for anything, though sex and domestic labor are most

common. Before you go, let's be clear on what you are buying. A slave is a human being forced to work through fraud or threat of violence for no pay beyond subsistence. Agreed? Good.

Most people imagine that slavery died in the 19th century. Since 1817, more than a dozen international conventions have been signed banning the slave trade. Yet, today there are more slaves than at any time in human history.

E. Benjamin Skinner is the author of A Crime So Monstrous: Face-to-Face with Modern-Day Slavery (New York: Free Press, 2008).

REUTERS

And if you're going to buy one in five hours, you'd better get a move on. First, hail a taxi to JFK International Airport, and hop on a direct flight to Port-au-Prince, Haiti. The flight takes three hours. After landing at Toussaint L'Ouverture International Airport, you will need 50 cents for the most common form of transport in Port-au-Prince, the tap-tap, a flatbed pickup retrofitted with benches and a canopy. Three quarters of the way up Route de Delmas, the capital's main street, tap the roof and hop out. There, on a side street, you will find a group of men standing in front of Le Réseau (The Network) barbershop. As you approach, a man steps forward: "Are you looking to get a person?"

Meet Benavil Lebhon. He smiles easily. He has a trim mustache and wears a multicolored, striped golf shirt, a gold chain, and Doc Martens knockoffs. Benavil is a courtier, or broker. He holds an official real estate license and calls himself an employment agent. Two thirds of the employees he places are child slaves. The total number of Haitian children in bondage in their own country stands at 300,000. They are the *restavèks*, the "stay-withs," as they are euphemistically known in Creole. Forced, unpaid, they work in captivity from before dawn until night. Benavil and thousands of other formal and informal traffickers lure these children from desperately impoverished rural parents, with promises of free schooling and a better life.

The negotiation to buy a child slave might sound a bit like this:

"How quickly do you think it would be possible to bring a child in? Somebody who could clean and cook?" you ask. "I don't have a very big place; I have a small apartment. But I'm wondering how much that would cost? And how quickly?"

"Three days," Benavil responds.

"And you could bring the child here?" you inquire. "Or are there children here already?"

"I don't have any here in Port-au-Prince right now," says Benavil, his eyes widening at the thought of a foreign client. "I would go out to the countryside."

You ask about additional expenses. "Would I have to pay for transportation?"

"Bon," says Benavil. "A hundred U.S."

Smelling a rip-off, you press him, "And that's just for transportation?"

"Transportation would be about 100 Haitian," says Benavil, or around \$13, "because you'd have to get out there. Plus [hotel and] food on the trip. Five hundred gourdes."

"Okay, 500 Haitian," you say.

Now you ask the big question: "And what would your fee be?" This is the moment of truth, and Benavil's eyes narrow as he determines how much he can take you for.

"A hundred. American."

"That seems like a lot," you say, with a smile so as not to kill the deal. "How much would you charge a Haitian?"

Benavil's voice rises with feigned indignation. "A hundred dollars. This is a major effort."

You hold firm. "Could you bring down your fee to 50 U.S.?"

Benavil pauses. But only for effect. He knows he's still got you for much more than a Haitian would pay. "Oui," he says with a smile.

But the deal isn't done. Benavil leans in close. "This is a rather delicate question. Is this

someone you want as just a worker? Or also someone who will be a 'partner'? You understand what I mean?"

You don't blink at being asked if you want the child for sex. "I mean, is it possible to have someone that could be both?"

"Oui!" Benavil responds enthusiastically.

If you're interested in taking your purchase back to the United States, Benavil tells you that he can "arrange" the proper papers to make it look as though you've adopted the child.

He offers you a 13-year-old girl.

"That's a little bit old," you say.

"I know of another girl who's 12. Then ones that are 10, 11," he responds.

The negotiation is finished, and you tell Benavil not to make any moves without further word from you. Here, 600 miles from the United States, and five hours from Manhattan, you have successfully arranged to buy a human being for 50 bucks.



21st-century slaves: 300,000 children are in domestic bondage in Haiti.



All work and no pay: For every one person enslaved in commercial sex, 15 others are held in labor bondage.

THE CRUEL TRUTH

It would be nice if that conversation, like the description of the journey, were fictional. It is not. I recorded it on Oct. 6, 2005, as part of four years of research into slavery on five continents. In the popular consciousness, “slavery” has come to be little more than just a metaphor for undue hardship. Investment bankers routinely refer to themselves as “high-paid wage slaves.” Human rights activists may call \$1-an-hour sweatshop laborers slaves, regardless of the fact that they are paid and can often walk away from the job. But the reality of slavery is far different. Slavery exists today on an unprecedented scale. In Africa, tens of thousands are chattel slaves, seized in war or tucked away for generations. Across Europe, Asia, and the Americas, traffickers have forced as many as 2 million into prostitution or labor. In South Asia, which has the highest concentration of slaves on the planet, nearly 10 million languish in bondage, unable to

leave their captors until they pay off “debts,” legal fictions that in many cases are generations old.

Few in the developed world have a grasp of the enormity of modern-day slavery. Fewer still are doing anything to combat it. Beginning in 2001, U.S. President George W. Bush was urged by several of his key advisors to vigorously enforce the Victims of Trafficking and Violence Protection Act, a U.S. law enacted a month earlier that sought to prosecute domestic human traffickers and cajole foreign governments into doing the same. The Bush administration trumpeted the effort—at home via the Christian evangelical media and more broadly via speeches and pronouncements, including in addresses to the U.N. General Assembly in 2003 and 2004. But even the quiet and diligent work of some within the U.S. State Department, which credibly claims to have secured more than 100 antitrafficking laws and more than 10,000 trafficking convictions worldwide, has resulted in no measurable decline in the number of slaves worldwide. Between 2000 and 2006, the U.S. Justice Department increased human trafficking prosecutions from 3 to 32, and convictions from 10 to 98. By 2006, 27 states had passed antitrafficking laws. Yet, during the same period, the United States liberated less

For More Online

Listen to author E. Benjamin Skinner negotiate with a slave trader for a human life at ForeignPolicy.com/extras/slavery.

PETE PATTISSON

than 2 percent of its own modern-day slaves. As many as 17,500 new slaves continue to enter bondage in the United States every year.

The West's efforts have been, from the outset, hamstrung by a warped understanding of slavery. In the United States, a hard-driving coalition of feminist and evangelical activists has forced the Bush administration to focus almost exclusively on the sex trade. The official State Department line is that voluntary prostitution does not exist, and that commercial sex is the main driver of slavery today. In Europe, though Germany and the Netherlands have decriminalized most prostitution, other nations such as Bulgaria have moved in the opposite direction, bowing to U.S. pressure and cracking down on the flesh trade. But, across the Americas, Europe, and Asia, unregulated escort services are exploding with the help of the Internet. Even when enlightened governments have offered clearheaded solutions to deal with this problem, such as granting victims temporary residence, they have had little impact.

Many feel that sex slavery is particularly revolting—and it is. I saw it firsthand. In a Bucharest brothel, for instance, I was offered a mentally handicapped, suicidal girl in exchange for a used car. But for every one woman or child enslaved in commercial sex, there are at least 15

men, women, and children enslaved in other fields, such as domestic work or agricultural labor. Recent studies have shown that locking up pimps and traffickers has had a negligible effect on the aggregate rates of bondage. And though eradicating prostitution may be a just cause, Western policies based on the idea that all prostitutes are slaves and all slaves are prostitutes belittles the suffering of all victims. It's an approach that threatens to put most governments on the wrong side of history.

INDEBTED FOR LIFE

Save for the fact that he is male, Gonoo Lal Kol typifies the average slave of our modern age. (At his request, I have changed his first name.) Like a vast majority of the world's slaves, Gonoo is in debt bondage in South Asia. In his case, in an Indian quarry. Like most slaves, Gonoo is illiterate and unaware of the Indian laws that ban his bondage and provide for sanctions against his master. His story, told to me in more than a dozen conversations inside his 4-foot-high stone and grass hut, represents the other side of the "Indian Miracle."

Gonoo lives in Lohagara Dhal, a forgotten corner of Uttar Pradesh, a north Indian state that contains 8 percent of the world's poor. I met him one evening in December 2005 as he walked with two dozen other laborers in tattered and filthy clothes. Behind them was the quarry. In that pit, Gonoo, a member



Lost identity: Years of hard labor can leave quarry workers without their fingerprints.

of the historically outcast Kol tribe, worked with his family 14 hours a day. His tools were simple, a rough-hewn hammer and an iron pike. His hands were covered in calluses, his fingertips worn away.

Gonoo's master is a tall, stout, surly contractor named Ramesh Garg. Garg is one of the wealthiest men in Shankargarh, the nearest sizable town, founded under the British Raj but now run by nearly 600 quarry contractors. He makes his money by enslaving entire families forced to work for no



Master and commander: Rural Indian slave owners use fraud and violence to control their chattel.

pay beyond alcohol, grain, and bare subsistence expenses. Their only use for Garg is to turn rock into silica sand, for colored glass, or gravel, for roads or ballast. Slavery scholar Kevin Bales estimates that a slave in the 19th-century American South had to work 20 years to recoup his or her purchase price. Gonoo and the other slaves earn a profit for Garg in two years.

Every single man, woman, and child in Lohagara Dhal is a slave. But, in theory at least, Garg neither bought nor owns them. They are working off debts, which, for many, started at less than \$10. But interest accrues at over 100 percent annually here. Most of the debts span at least two generations, though they have no legal standing under modern Indian law. They are a fiction that Garg constructs through fraud and maintains through violence. The seed of Gonoo's slavery, for instance, was a loan of 62 cents. In 1958, his grandfather borrowed that amount from the owner of a farm where he worked. Three generations and three slavemasters later, Gonoo's family remains in bondage.

BRINGING FREEDOM TO MILLIONS

Recently, many bold, underfunded groups have taken up the challenge of tearing out the roots of slavery. Some gained fame through dramatic slave rescues. Most learned that freeing slaves is impossible unless the slaves themselves choose to be free. Among the Kol of Uttar Pradesh, for instance, an organization called Pragati Gramodyog Sansthan (Progressive Institute

for Village Enterprises, or PGS) has helped hundreds of families break the grip of the quarry contractors. Working methodically since 1985, PGS organizers slowly built up confidence among slaves. With PGS's help, the Kol formed microcredit unions and won leases to quarries so that they could keep the proceeds of their labor. Some bought property for the first time in their lives, a cow or a goat, and their incomes, which had

been nil, multiplied quickly. PGS set up primary schools and dug wells. Villages that for generations had known nothing but slavery began to become free. PGS's success demonstrates that emancipation is merely the first step in abolition. Within the developed world, some national law enforcement agencies such as those in the Czech Republic and Sweden have finally begun to pursue the most culpable of human trafficking—slave-trading pimps and unscrupulous labor contractors. But more must be done to educate local police, even in the richest of nations. Too often, these street-level law enforcement personnel do not understand that it's just as likely for a prostitute to be a trafficking victim as it is for a nanny working without proper papers to be a slave. And, after they have been discovered by law enforcement, few rich nations provide slaves with the kind of rehabilitation, retraining, and protection needed to prevent their re-trafficking. The asylum now granted to former slaves in the United States and the Netherlands is a start. But more must be done.

The United Nations, whose founding principles call for it to fight bondage in all its forms, has done almost nothing to combat modern slavery. In January, Antonio Maria Costa, executive director of the U.N. Office on Drugs and Crime, called for the international body to provide better quantification of human trafficking. Such number crunching would be valuable in combating that one particular manifestation of slavery. But there is little to suggest the United Nations, which consistently fails to hold its own member states accountable for widespread

slavery, will be an effective tool in defeating the broader phenomenon.

Any lasting solutions to human trafficking must involve prevention programs in at-risk source countries. Absent an effective international body like the United Nations, such an effort will require pressure from the United States. So far, the United States has been willing to criticize some nations' records, but it has resisted doing so where it matters most, particularly in India. India abolished debt bondage in 1976, but with poor enforcement of the law locally, millions remain in bondage. In 2006 and 2007, the U.S. State Department's Office to Monitor and Combat Trafficking in Persons pressed U.S. Secretary of State Condoleezza Rice to repudiate India's intransigence personally. And, in each instance, she did not.

The psychological, social, and economic bonds of slavery run deep, and for governments to be truly effective in eradicating slavery, they must partner with groups that can offer slaves a way to pull themselves up from bondage. One way to do that is to replicate the work of grassroots organizations such as Varanasi, India-based MSEMVS (Society for Human Development and Women's Empowerment). In 1996, the Indian group launched free transitional schools, where children who had been enslaved learned skills and acquired enough literacy to move on to formal schooling. The group also targeted mothers, providing them with training and start-up materials for microenterprises. In Thailand, a nation

infamous for sex slavery, a similar group, the Labour Rights Promotion Network, works to keep desperately poor Burmese immigrants from the clutches of traffickers by, among other things, setting up schools and health programs. Even in the remote highlands of southern Haiti, activists with Limyè Lavi ("Light of Life") reach otherwise wholly isolated rural communities to warn them of the dangers of traffickers such as Benavil Lebhon and to help them organize informal schools to keep children near home. In recent years, the United States has shown an increasing willingness to help fund these kinds of organizations, one encouraging sign that the message may be getting through.

For four years, I saw dozens of people enslaved, several of whom traffickers like Benavil actually offered to sell to me. I did not pay for a human life anywhere. And, with one exception, I always withheld action to save any one person, in the hope that my research would later help to save many more. At times, that still feels like an excuse for cowardice. But the hard work of real emancipation can't be the burden of a select few. For thousands of slaves, grassroots groups like PGS and MSEMVS can help bring freedom. But, until governments define slavery in appropriately concise terms, prosecute the crime aggressively in all its forms, and encourage groups that empower slaves to free themselves, millions more will remain in bondage. And our collective promise of abolition will continue to mean nothing at all. **FP**

[Want to Know More?]

E. Benjamin Skinner's *A Crime So Monstrous: Face-to-Face with Modern-Day Slavery* (New York: Free Press, 2008), from which this article is adapted, provides a rare, firsthand account of the global slave trade and explores why efforts to stop it have failed.

Another comprehensive account of the trade in modern-day slaves is Kevin Bales's *Disposable People: New Slavery in the Global Economy* (Berkeley: University of California Press, 1999). Suzanne Miers traces the work of the international antislavery movement over the past 100 years in *Slavery in the Twentieth Century: The Evolution of a Global Problem* (Lanham: AltaMira Press, 2003). In "21st-Century Slaves" (*National Geographic*, September 2003), Andrew Cockburn gets inside human smuggling rings from Bosnia to Costa Rica.

The U.S. State Department's annual *Trafficking in Persons Report* attempts to quantify the problem. "The Failed States Index," produced by FOREIGN POLICY and the Fund for Peace, identifies the world's weakest countries, where many of the world's smugglers and traffickers operate.

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— Thomas Jefferson



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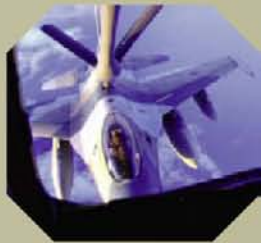
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THE U.S. MILITARY INDEX

In an exclusive new index, FOREIGN POLICY and the Center for a New American Security surveyed more than 3,400 active and retired officers at the highest levels of command about the state of the U.S. military. They see a force stretched dangerously thin and a country ill-prepared for the next fight.





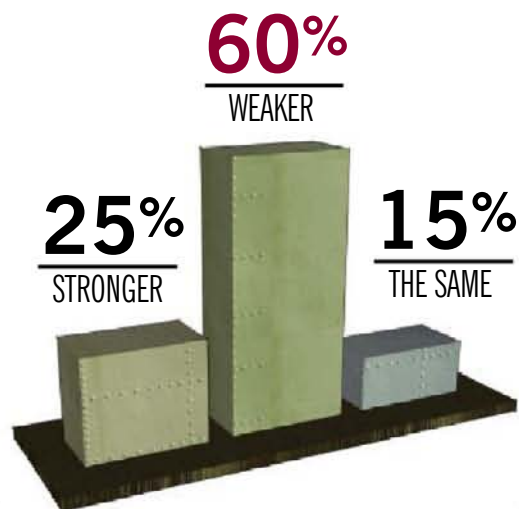
Today, the U.S. military is engaged in a campaign that is more demanding and intense than anything it has witnessed in a generation.

Ongoing wars in Iraq and Afghanistan, now entering their fifth and seventh years respectively, have lasted longer than any U.S. military engagements of the past century, with the exception of Vietnam. More than 25,000 American servicemen and women have been wounded and over 4,000 killed. Additional deployments in the Balkans, on the Korean Peninsula, and elsewhere are putting further pressure on the military's finite resources. And, at any time, U.S. forces could be called into action in one of the world's many simmering hot spots—from Iran or Syria, to North Korea or the Taiwan Strait. Yet, even as the U.S. military is being asked to sustain an unprecedented pace of operations across the globe, many Americans continue to know shockingly little about the forces responsible for protecting them. Nearly 70 percent of Americans report that they have a high level of confidence in the military, yet fewer than 1 in 10 has ever served. Politicians often speak favorably about people in uniform, but less than one quarter of the U.S. Congress has donned a uniform. It is not clear whether the speeches and sound bites we hear from politicians and experts actually reflect the concerns of those who protect our nation.

What is the actual state of America's military? How healthy are the armed forces? How prepared are they for future conflicts? And what

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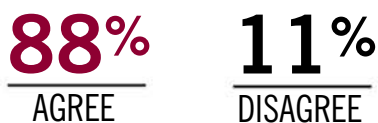
Would you say that the U.S. military today is stronger, weaker, or about the same as it was five years ago?



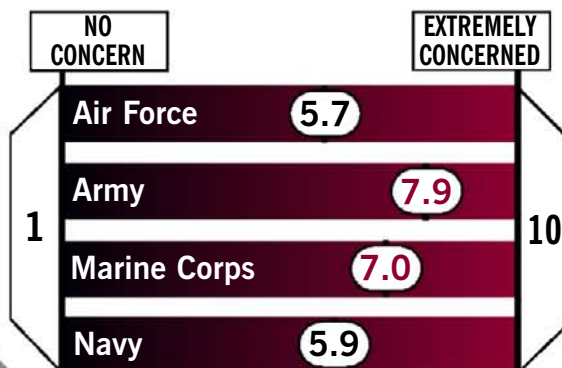
The war in Iraq has broken the U.S. military.



The war in Iraq has stretched the U.S. military dangerously thin.



Indicate on a scale from 1 to 10 how concerned you are about the health of the military services.



impact are the wars in Iraq and Afghanistan really having on them? To find out, FOREIGN POLICY and the Center for a New American Security teamed up to conduct a groundbreaking survey of current and former military officers. Recognizing that the military is far from a monolith, our goal was to find out what America's highest-ranking military people—the very officers who have run the military during the past half century—collectively think about the state of the force, the health of the military, the course of the war in Iraq, and the challenges that lie ahead. It is one of the few comprehensive surveys of the U.S. military community to be conducted in the past 50 years.

In all, more than 3,400 officers holding the rank of major or lieutenant commander and above were surveyed from across the services, active duty and retired, general officers and field-grade officers. About 35 percent of the participants hailed from the Army, 33 percent from the Air Force, 23 percent from the Navy, and 8 percent from the Marine Corps. Several hundred are flag officers, elite generals and admirals who have served at the highest levels of command. Approximately one third are colonels or captains—officers commanding thousands of soldiers, sailors, airmen, and Marines—and 37 percent hold the rank of lieutenant colonel or commander. Eighty-one percent have more than 20 years of service in the military. Twelve percent graduated from one of America's exclusive military academies. And more than two thirds have combat experience, with roughly 10 percent having served in Iraq, Afghanistan, or both.

These officers see a military apparatus severely strained by the grinding demands of war. Sixty percent say the U.S. military is weaker today than it was five years ago. Asked why, more than half cite the wars in Iraq and Afghanistan, and the pace of troop deployments those conflicts require. More than half the officers say the military is weaker than it was either 10 or 15 years ago. But asked whether “the demands of the war in Iraq have broken the U.S. military,” 56 percent of the officers say they disagree. That is not to say, however, that they are without concern. Nearly 90 percent say that they believe the demands of the war in Iraq have “stretched the U.S. military dangerously thin.”

The health of the Army and Marine Corps, the services that have borne the brunt of the fighting in

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Read complete results and additional details at
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PAGES 70 AND 71: DOD PHOTOS BY MASTER SGT. LANCE CHEUNG, SENIOR MASTER SGT. BRIAN L. BOONE, CPL. SHANE S. KELLER, SEAMAN DAVID A. BRANDENBURG, SPC. L.B. EDGAR, PETTY OFFICER 2ND CLASS SUMMER M. ANDERSON, PETTY OFFICER 2ND CLASS KIM SMITH, TECH. SGT. JEREMY T. LOCK, STAFF SGT. DALLAS EDWARDS, AIRMAN 1ST CLASS JONATHAN SNYDER, MASTER SGT. JOHN NIMMO, SR., PETTY OFFICER 3RD CLASS RICARDO J. REYES, SPECIALIST 2ND CLASS JAY C. PUGH, LANCE CPL. JAMES F. CLINE III, SGT. 1ST CLASS JIM DOWNEN, COURTESY OF THE U.S. NAVY, COURTESY OF THE U.S. AIR FORCE, SGT. BRIAN FERGUSON, COURTESY OF U.S. MARINE CORPS, SPC. JORDAN HUETTL, SPC. KIERAN CUDDIHY, SPC. MICAH E. CLARE, SGT. ERIC T. SHELTER

Iraq, are of greatest concern to the index's officers. Asked to grade the health of each service on a scale of 1 to 10, with 1 meaning the officers have no concern about the health of the service and 10 meaning they are extremely concerned, the officers reported an average score of 7.9 for the Army and 7.0 for the Marine Corps. The health of the Air Force fared the best, with a score of 5.7. The average score across the four services was 6.6. More than 80 percent of the officers say that, given the stress of current deployments, it is unreasonable to ask the military to wage another major war today. Nor did the officers express high confidence in the military's preparedness to do so. For instance, the officers said that the United States is not fully prepared to successfully execute such a mission against Iran or North Korea.

A majority of the officers also say that some of the policy decisions made during the course of the

Iraq war hindered the prospects for success there. These include shortening the time units spend at home between deployments and accepting more recruits who do not meet the military's standards. Even the military's ability to care for some of its own—mentally wounded soldiers and veterans—was judged by most officers to be substandard.

These negative perceptions, however, do not necessarily translate into a disillusioned or disgruntled force. Sixty-four percent of the officers report that they believe morale within the military is high. Still, they are not without concern for the future. Five years into the war in Iraq, for example, a majority of the officers report that either China or Iran, not the United States, is emerging as the strategic victor in that fight. In an era when the U.S. military is stretched dangerously thin, it's a sign that the greatest challenges may still lie ahead.

THE NEXT WAR

When it comes to addressing threats such as the nuclear ambitions of Iran or North Korea, American officials are fond of saying that “all options are on the table.” But given the ongoing conflicts in Iraq and Afghanistan, how credible is it to assume that the United States could successfully conduct another major military operation somewhere else in the world today? According to the index's officers, not very.

Asked whether it was reasonable or unreasonable to expect the U.S. military to successfully wage another major war at this time, 80 percent of the officers say that it is unreasonable. The officers were also asked about four specific hot spots—Iran, North Korea, Syria, and the Taiwan Strait—and how prepared they believe the United States is to successfully fight a major combat operation there, were a war to break out today. Using a scale of 1 to 10, with 10 meaning that the United States is fully prepared and 1 meaning that the United

States is unable to execute such a mission, **the officers put America's preparedness for war against Iran at just 4.5.** The average readiness score for America's armed forces to go to war in those four hot spots was 4.8.



Of course, any future conflict could strain some parts of the military more than others. How burdensome any war is for a particular service depends on the adversary, the geography of the conflict, the strategy U.S. commanders adopt, and a host of other factors. One is the level of readiness of the services today. When asked to grade the readiness of each of the military services, again on a 10-point scale, **the officers**

judged the Army's readiness to be the worst, with an average score of just 4.7. The Navy and Air Force fared the best, with scores of 6.8 and 6.6, respectively. The Marine Corps, which along with the Army shares the bulk of the burden in Iraq and Afghanistan, scored just above an average level of readiness, at 5.7. It's a reminder that, in war, it is easier to talk tough than it is to deliver.

LOOKING FOR LEADERS

One of the cornerstones of modern democracies is that civilian, not military, leaders make the strategic decisions regarding both war and peace. But that doesn't mean military commanders always agree with or have confidence in those decisions.

When asked how much confidence they have in other U.S. government institutions and departments, the index's officers report low levels of trust nearly across the board. For instance, on a scale of 1 to 10, where 10 means the officers have a great deal of confidence in the department or institution and 1 means they have none, the officers put their level of confidence in the presidency at 5.5. **Some 16 percent express no confidence at all in the president.** The index's officers gave the CIA an average confidence rating of 4.7 and the Department of State, 4.1. The Department of Veterans Affairs received a confidence rating of just

4.5 and the Department of Defense, 5.6. The officers say their level of confidence in the U.S. Congress is the lowest, at an average of just 2.7.

These negative perceptions of U.S. agencies and officials may stem in part from the fact that a majority of the officers polled for the index do not believe that the United States' elected leaders are very well informed about the military they oversee. **Sixty-six percent of the officers say they believe America's elected leaders are either somewhat or very uninformed about the U.S. military.**

How can the military's perception of elected leaders be improved? In part, the officers say, by electing people who have served in uniform. **Nearly 9 in 10 officers agree that, all other things being equal, the military will respect a president of the United States who has served in the military more than one who has not.** The people we trust most are often the ones who remind us of ourselves.



IS TORTURE ACCEPTABLE?

For many, it is the most convincing argument against the use of controversial interrogation techniques in the war on terror: If the United States tortures the suspects it captures, it's all the more likely that U.S. soldiers will be tortured by America's enemies. Similar logic underpinned the signing of the Geneva Conventions after World War II. But the index's officers suggest the situation today may be more complex.

When the officers were asked if they agree or disagree with the statement **"Torture is never acceptable,"** opinions were split. **Fifty-three percent**

agreed, and 44 percent disagree. Nineteen percent, nearly 1 in 5 officers, say they "strongly disagree" with the notion that torture is never acceptable. Asked if they believe waterboarding is torture, opinions were similarly divided. **About 46 percent of the officers say they agree with the statement "Waterboarding is torture," and about 43 percent say they disagree.**

These results suggest that the military itself may be of two minds about the use of torture and what constitutes it. It also suggests that, in the fog of war, even the most emotional and controversial arguments are never cut and dried.

GRADING THE WAR



Five years into the war in Iraq, the index's officers have an overwhelmingly negative view of many of the most important early decisions that have shaped the war's course. They believe more troops were needed on the ground at the start of the fighting. They believe disbanding the Iraqi military was a mistake.

In fact, asked to grade a set of the war's most prominent command decisions on a scale of 1 to 10, with 10 meaning the decision had a positive impact and 1 meaning the decision had a negative impact, the officers give troop levels at the start of the war a 3.3 and judge the order to disband the Iraqi military

Did the civilian leadership set reasonable or unreasonable goals for the military to accomplish in postwar Iraq?



at 3.1, lower than any other policy decision measured. Asked more generally whether the civilian leadership set reasonable or unreasonable goals for the military to accomplish in post-Saddam Iraq, **almost three quarters of the officers say the goals were unreasonable.**

The officers do not, however, necessarily believe that victory is beyond reach. **Nearly 9 in 10, for instance, say that the counterinsurgency strategy and surge of additional**

troops into Baghdad pursued by Gen. David Petraeus, the chief U.S. commander in Iraq, is raising the U.S. military's chance for success there.

FILLING THE RANKS



Last year, the Army had a shortage of 3,000 captains and majors, a deficit that is expected to double by 2010. Fifty-eight percent of the West Point class of 2002 left active duty when their obligation to serve expired in 2007. Reversing these and other troubling signs will be critical to improving the health of the U.S. military.

Many proposals have been suggested to help the military meet its recruiting and retention needs. But an incredible percentage of the index's officers favor the same solution: **Nearly 80 percent support expanding options for legal, foreign permanent residents of the United States to serve in exchange for U.S. citizenship.** A high percentage of officers, about 6 in 10, also support the idea of allowing more recruits who have a high school equivalency degree—but no diploma—to serve. **Almost 40 percent favor reinstating the draft.**

Almost none of the officers, however, say they support increasing the use of “moral waivers,” which allow recruits with past criminal or drug convictions the opportunity to serve. In 2003, the

Army handed out 4,644 of those waivers. Last year, that number nearly tripled, jumping to 12,057. If the opinions of the index's officers are any indication, that shift may be a mistake. **Only 7 percent say they support the use of criminal, health, and other waivers to increase recruiting.** In contrast, more than 20 percent say they support allowing gays and lesbians to serve openly as a means to increase

the recruiting pool. And nearly half say that the maximum age for recruits, already increased since 2006 to the age of 42, should be revised upward again. All of which suggests that, when it comes to fixing the shortfall in personnel, the Pentagon may not have its priorities straight.

Which of the following steps do you support to increase recruiting numbers in the U.S. military?

Trade service for citizenship	78%
Lower education standards	58%
Increase enlistment bonuses	47%
Increase maximum age restrictions	47%
Reinstate the draft	38%
Allow gays and lesbians to serve openly	22%
Increase use of criminal/health waivers	7%

WHAT THE MILITARY NEEDS

What does the military need to win the war on terror? According to the index's officers, America's Special Operations forces will be critical to the fight. **Almost 40 percent of the officers say the size of America's Special Operations forces must be expanded to help ensure victory in the battle against terrorism.**

Above all, though, the officers are clear that the chances for victory do not rest on the shoulders of the military alone. **Nearly three quarters of the officers say the United States must improve its intelligence capabilities**—the highest percentage of any of the choices offered. Active-duty officers and those who have retired within the past year give a much higher priority to nonmilitary tools, including more robust diplomacy, developing a force of deployable civilian experts, and increasing foreign-aid programs.

Looking beyond the immediate fight, the officers say that no step is more important for preparing the United States for the broader

threats and challenges of the 21st century than increasing the size of America's ground forces. That recommendation was followed closely by another call to expand the size of Special Operations forces. A sizable percentage of officers, **more than 1 in 5, want to see improved space and cyberwarfare capabilities**, and a similar

proportion say the United States must deepen its capacity in specialty areas, such as psychological operations and engineers, that have been in high demand in Iraq and Afghanistan. Only around 2 percent say the United States needs a new generation of nuclear weapons. Clearly, the U.S. military is looking for its tools to evolve as threats change. **FP**

What are the two most important things the U.S. government must do to win the war on terror?

38%

MORE SPECIAL
OPERATIONS
FORCES

73%

IMPROVE
INTELLIGENCE

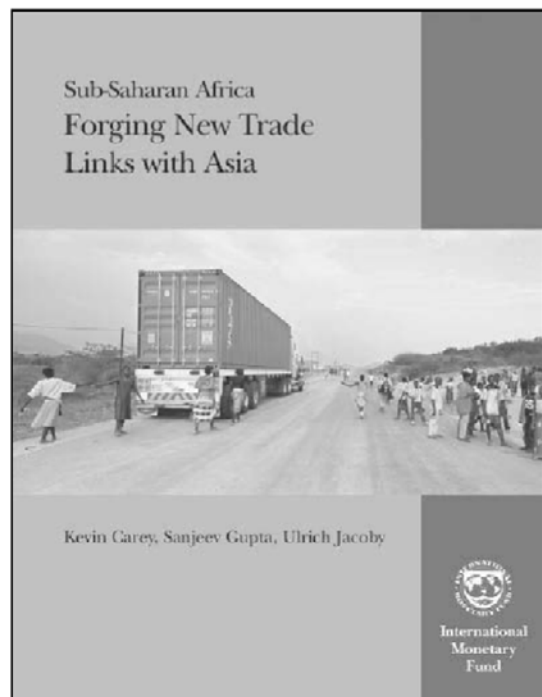
[Want to Know More?]

Complete results and additional details on the index are available at ForeignPolicy.com and CNAS.org. Many of the survey's participants were drawn from the ranks of the Military Officers Association of America.

For more information on recruiting and retention within the military, read Joseph Galloway's "Asking too Much of too Few" (McClatchy Newspapers, Oct. 24, 2007) and Andrew Tilghman's "The Army's Other Crisis" (*Washington Monthly*, December 2007). The health of U.S. ground forces is examined by Michèle Flournoy and Tammy Schultz in "Shaping U.S. Ground Forces for the Future: Getting Expansion Right" (Center for a New American Security, June 2007).

Gen. David Petraeus, the top U.S. commander in Iraq, recently sat down with *FP* for our regular online interview "Seven Questions" (ForeignPolicy.com, January 2008). In "Reinventing War," an interview conducted on Sept. 12, 2001, FOREIGN POLICY Editor in Chief Moisés Naím spoke with four highly decorated military commanders about the war on terror and the future of the U.S. military (FOREIGN POLICY, November/December 2001).

»For links to relevant Web sites, access to the *FP* Archive, and a comprehensive index of related FOREIGN POLICY articles, go to ForeignPolicy.com.



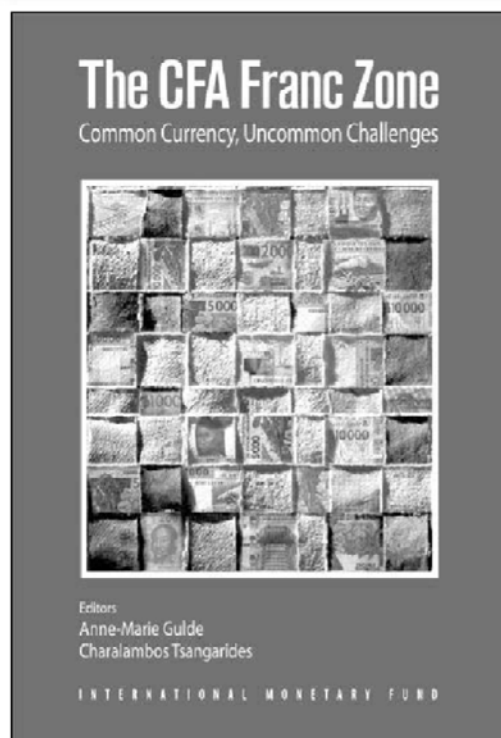
Sub-Saharan Africa: Forging New Trade Links with Asia

By Kevin Carey, Sanjeev Gupta, and Ulrich Jacoby

What is the impact on trade in sub-Saharan Africa of the recent rapid growth in China and other Asian countries and the associated commodity price boom? This paper looks at how trading patterns (both destinations and composition) are changing in sub-Saharan Africa. Has the region managed to diversify the products it sells from commodities to manufactured goods? The time is ripe for sub-Saharan Africa to climb up the value chain of its commodity-based exports and /or achieve an export surge based on labor intensive manufacturing.

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The CFA Franc Zone: Common Currency, Uncommon Challenges

Edited by Anne-Marie Gulde and Charalambos Tsangarides

About one-third of countries covered by the IMF's African Department are members of the CFA franc zone. With most other countries moving away from fixed exchange rates, the issue of an adequate policy framework to ensure the sustainability of the CFA franc zone is clearly of interest to policymakers and academics. However, little academic research on the subject exists in the public domain. This book aims to fill this void, by bringing together work undertaken in the context of intensified regional surveillance and highlighting the current challenges and the main policy requirements if the arrangements are to be carried forward. The book is based on empirical research by a broad group of IMF economists, with contributions from several outside experts.

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ISBN 978-1-58906-675-5. **Stock# CFCZEA**

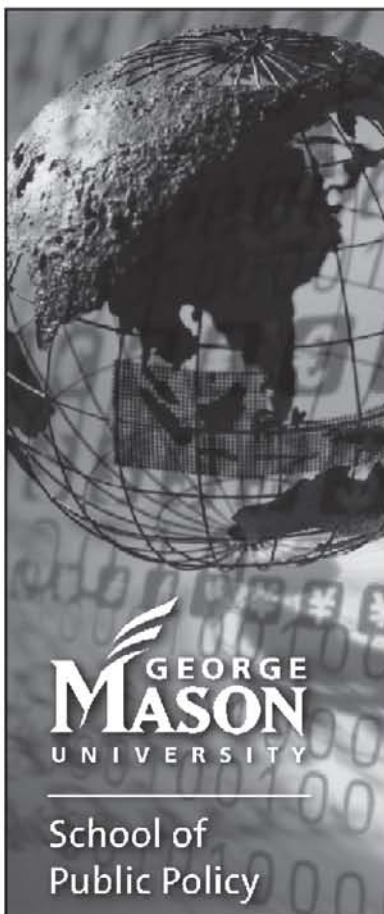
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How Democracies Grow Up

Countries with too many young people may not have a fighting chance at freedom.

By Richard P. Cincotta

T

hese are tough times for the world's democrats.

The easy democratic transitions are history, the remaining partial democracies are stalled, and the newest liberal democracies are faltering as they struggle to hold on to past reforms. Chaos in Iraq, the tightening grip of Vladimir Putin in Russia and Hugo Chávez in Venezuela, and the ability of China's

political elite to paint a veneer of international respectability on a deeply noncompetitive autocracy all seem to reinforce this gloomy picture.

But prevailing wisdom can be wrong. In fact, many developing countries could improve their chances of maintaining high levels of freedom if they would just—demographically speaking—“grow up.” Since the mid-1970s, countries with a high proportion of young people and very rapid growth of those entering their working years (ages 15 to 64) have been far less likely to maintain democratic gains than those with more “mature” populations. In other words, a country's chances for meaningful democracy increase as its population ages. We can detect this pattern by tracking the proportion of 15- to 29-year-olds in the working-age population in states that, in recent decades, have achieved a truly liberal democracy (defined here as “free” in Freedom House's country ratings). When

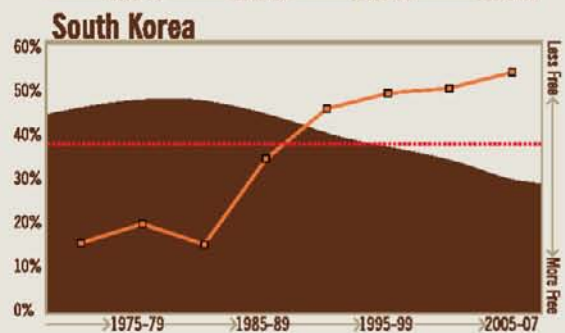
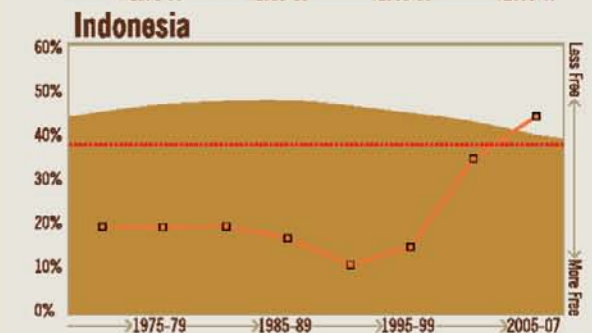
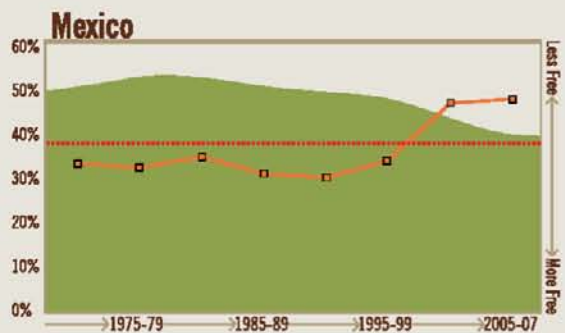
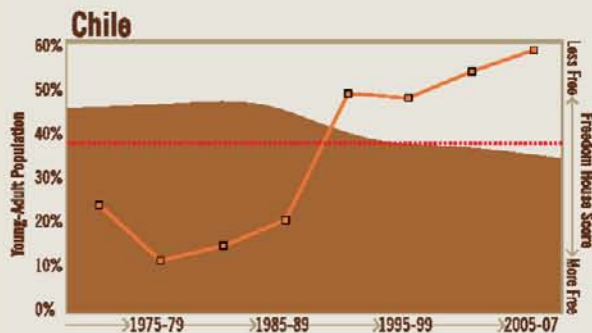
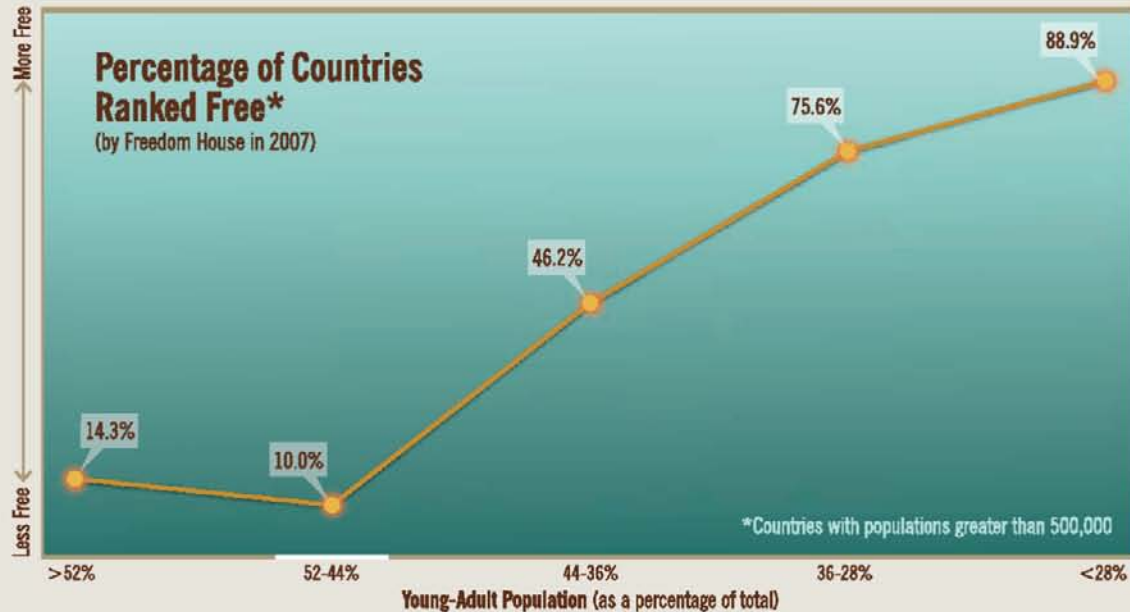
the young-adult proportion dropped into the range between 36 and 42 percent, full democracies evolved without the political backsliding or military coups that had been so common in Asian and Latin American politics. Where high levels of democracy emerged well before the young-adult proportion declined, countries typically settled into less liberal regimes—as did Ecuador, Fiji, Malaysia, Pakistan, and Venezuela.

The reason a country's age structure influences its political regime lies in the details of the demographic transition—the shift from large to small families that, after a lag of about two decades, turns societies with a “youth bulge” into more mature ones. When larger-than-average proportions of adolescents move into their working years, wages typically slump and unemployment swells, giving rise to conditions that make it easier for political groups to mobilize and recruit disillusioned and disaffected young males. As one might expect, and as numerous studies have shown, populations with excessive numbers of

Richard P. Cincotta is consulting demographer to the National Intelligence Council's Long Range Analysis Unit.

WHERE YOUTH AND FREEDOM COLLIDE

Around the world, the countries considered the most free often have a low proportion of young adults.



Percentage of working-age population between 15 and 29 years old — Freedom House freedom score — Point at which countries have a 50% chance of maintaining democracy

young people invite a higher risk of political violence and civil strife than others. Assuming Thomas Hobbes was correct when he described how citizens are willing to relinquish liberties when faced with threats to their security and property, it's not surprising that support for

authoritarians should rise when a large chunk of society is young and jobless.

Where are these youthful populations? As a rule, everywhere there had been a high fertility rate 20 years before. Because a youth bulge dissipates only after about two decades of fertility

decline, today more than half the world's countries remain too young for comfort. More than 40 countries are chronically young—with total fertility rates still above four children per woman. However, in another 70 countries, the demographic transition is more advanced, and the chances for liberalization are closer at hand.

So, when can the world expect the next uptick in the number of free societies? The answer is, at best, a statistical one. Countries with a young-adult population of around 39 percent have a 50-50 chance of being considered “free.” This “even-bet” benchmark provides a fair indication—plus or minus a decade—of the timing of stable, liberal democracy.

The first (and perhaps most surprising) region that promises a shift to liberal democracy is a cluster along Africa's Mediterranean coast: Morocco, Algeria, Tunisia, Libya, and Egypt, none of which has experienced democracy in the recent past. The other area is in South America: Ecuador, Colombia, and Venezuela, each of which attained liberal democracy demographically “early” but was unable to sustain it. Interpreting these forecasts conservatively, we can expect there will be one, maybe two, in each group that will become stable democracies by 2020.

Of course, there are caveats. By itself, a society's age can't tell us, for example, which countries really are on the verge of democracy and why. This schedule can only suggest the timing of opportunities and the persistence of obstacles. There's also another

reason to be cautious—the schedule's past performance exposes a few whopping failures, such as China, Cuba, and Russia, which should be liberalizing but are not, and Thailand, which should have held on to its liberal democracy but did not. In south-

ern Africa, AIDS should be making states more fragile politically, but it is not.

These aren't cause to abandon the analysis, however. In fact, its failures can be even more enlightening than its forecasts. For example, the projections hold up well in weak personal dictatorships, partial democracies, and states ruled by military

“caretaker” regimes. A downward-trending young-adult proportion seems to strengthen the appeal of democrats and perhaps provides the political calm that authoritarians need to make a safe exit. However, the timetable shows that a maturing population is far too weak a phenomenon on its own to undermine strong personal dictatorships—regimes run by tough, charismatic authoritarians (what Castro was, and what Chávez would like to be). Intensely ideological one-party systems, such as China's, look equally impervious. One might easily come to the conclusion that charismatic personal dictatorships and ideological one-party systems evolved to withstand the undercurrents of socioeconomic and demographic change.

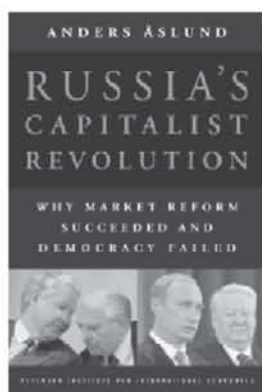
Despite its problems, though, and perhaps because of them, this demographic schedule for democracy offers a starting point for realistic discussions about where and when in the world political freedom is likely to arise and be sustained. Above all, this outlook is imbued with built-in hopefulness: The more accurate it becomes, the more certain we can be that liberal democracy is an “end state,” and that as the world develops, states join a path that—though strewn with obstacles—is heading in the right direction. **FP**



A young population may ignite chaos and block democracy.

For More Online

For a map of the countries where young populations should decline and democracy should rise, visit ForeignPolicy.com/extras/youngdemocracy.



Russia's Capitalist Revolution: Why Market Reform Succeeded and Democracy Failed

Anders Åslund

"...an exceptionally well-informed account of Russia's tortuous evolution since the reforms of Gorbachev. ... Based on both wide reading and personal experiences in Russia, it is an authoritative study of a subject of great importance not only to Russians but the rest of the world." **Richard Pipes**, Frank B. Baird Jr. Professor of History Emeritus, Harvard University

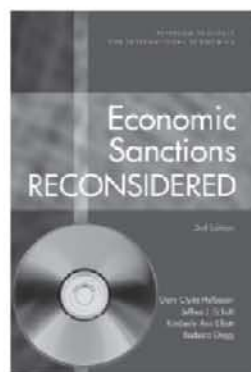
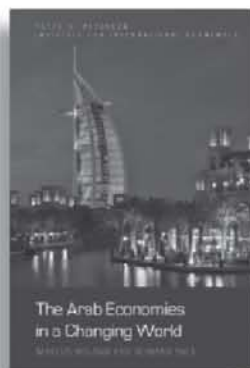
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Blue-Collar Blues: Is Trade to Blame for Rising US Income Inequality?

Robert Z. Lawrence

What are the links between slow US real wage growth, increased earnings inequality and trade? Lawrence deconstructs the gap in real blue-collar wages and labor productivity growth between 1981 and 2006 and estimates how much higher these wages might have been had income growth been distributed proportionately. He finds that in the last decade the impact from trade has been too small to show up in aggregate wage data on inequality. The minor role of trade, therefore, suggests that any policy that focuses narrowly on trade to deal with wage inequality and job loss is likely to be ineffective.

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Iraq's 100-Year Mortgage

The price tag for caring for the Americans who fight this war could exceed what it costs to wage it.

By Linda J. Bilmes

March 19 marks the fifth anniversary of the

U.S. invasion of Iraq. The American death toll—nearly 4,000 soldiers in Iraq and almost 500 in Afghanistan—is well known. Much less attention has been paid to the enormous number of troops who

have survived and returned home with serious injuries. Here, the numbers are truly staggering. More than 70,000 have been wounded in combat, injured in accidents, or airlifted out of the region for emergency medical care. More than a third of the 750,000 troops discharged from the military so far have required treatment at medical facilities, including at least 100,000 with mental health conditions and 52,000 with post-traumatic stress disorder. According to a recent U.S. Army estimate, as many as 20 percent of returning soldiers have suffered mild brain injuries, such as concussions. More than 20,000 troops have survived amputations, severe burns, or head, spinal, and other serious injuries.

These numbers are largely due to the extraordinary advances in battlefield medicine in recent

years. Far more soldiers are surviving even grievous injuries than in previous conflicts. The ratio of wounded in combat to killed in Iraq is 7 to 1; in Vietnam, it was 2.6 to 1, and in World War II, 2 to 1. If all injuries are included, such as those from road accidents or debilitating illnesses, Iraq has produced 15 wounded for every single fatality. This higher survival rate is, of course, welcome news, but it leaves the United States with a legacy of providing medical care and paying disability benefits to an enormous number of veterans and their dependents for many decades to come. During the past six years, more than 1.6 million troops have been deployed to Iraq and Afghanistan. Even in the most optimistic scenario, assuming that the majority of U.S. troops are withdrawn by the end of 2009, the cost of providing for Iraq War veterans will match what we have spent waging the war: approximately \$500 billion. If U.S. forces remain deployed at a higher level, the cost of caring for veterans will eventually exceed \$700 billion.

*Linda J. Bilmes, a lecturer at Harvard University's Kennedy School of Government, is coauthor, with Joseph E. Stiglitz, of *The Three Trillion Dollar War: The True Cost of the Iraq Conflict* (New York: W.W. Norton, 2008).*

When we think about the costs of war, we tend to focus on the here and now. But in what is already the second-most expensive conflict in U.S. history, after World War II, the costs of Iraq will persist long after the last shot is fired. Benefits were still being paid to World War I veterans until January 2007, when the last veteran receiving compensation died, nearly 90 years after the war ended. The United States pays more than \$12 billion each year in disability benefits to Vietnam veterans, a figure that continues to climb, 35 years after the U.S. pullout. If these past wars are any guide, Americans will undoubtedly be paying for Iraq for at least the next 50 years.

The purpose of U.S. policy toward war veterans is, in the words of Abraham Lincoln, “to care for him who shall have borne the battle, and for his widow and his orphan.” To do this, the government provides two main benefits: medical care and financial compensation to those who have disabilities incurred or aggravated during active military service. The consequence is that the United States faces a daunting financial burden, as well as a steep logistical challenge, in providing medical care and disability benefits to all who need or are entitled to them.

Part of the challenge is that the Department of Veterans Affairs’ medical system simply lacks the capacity to cope with the demand of returning troops. The government expects 300,000 Iraq and Afghanistan veterans to seek treatment this year alone. If the current conflict follows the pattern of the first Gulf War in 1991, about 800,000 returning veterans will eventually require medical care—more than a few for the rest of their lives. Moreover, the government is ill-equipped to handle the near epidemic of mental health cases resulting from the Iraq and Afghanistan wars. Even using conservative estimates, the long-term cost of providing medical care alone to Iraq and Afghanistan war veterans over their lifetimes

could approach \$285 billion, depending on how long the soldiers are deployed.

After the 1991 Gulf War, some 44 percent of its veterans applied for disability benefits; today, nearly 17 years later, the United States pays more than \$4 billion each year in disability compensation to 169,000 veterans from the 1991 Gulf War. We have already

paid five times as much in disability pay for that conflict as we did to fight it. Even under the conservative assumption that veterans returning from Iraq and Afghanistan apply for disability benefits at the same rate as those from the first Gulf War, the cost could reach \$390 billion during their lifetimes.

Other parts of the government will also pay a long-term price for the war. Veterans who can no longer hold down a job, due to physical or mental injuries, are likely to qualify for Social Security disability compensation (adding another \$22 to \$38 billion to the bill). For others, the injuries they have suffered in Iraq and Afghanistan will eventually swell the rolls of Medicare, as the long-term effects of injuries and chronic illnesses appear.

Staggering though they are, these costs only represent the impact of the war on the U.S. federal budget. The many social and economic costs that the government does not pay, such as the loss to the economy of so many young, productive Americans and the costs paid by state and local governments, communities, and private medical providers, could add another \$415 billion to the total cost to the economy.

Americans have so far focused only on the ballooning short-term price of the wars in Iraq and Afghanistan. But we have not yet counted the cost of caring for veterans, replenishing military equipment, and restoring the armed forces to their pre-war strength. This war will prove one of the costliest in U.S. history—one whose bill we pass to the generations that follow. **FP**



The costs of war persist decades after the last shot is fired.

IN OTHER WORDS

[REVIEWS OF THE WORLD'S MOST NOTEWORTHY BOOKS]

Love in the Time of Terror

By Carlos Lozada

La Cuarta Espada: La Historia De Abimael Guzmán y Sendero Luminoso
(*The Fourth Sword: The Story Of Abimael Guzmán and the Shining Path*)

By *Santiago Roncagliolo*

286 pages, Barcelona: Random House Mondadori S.A., 2007 (in Spanish)

So, after all these years, it turns out that the rise and fall of the Shining Path—the brutal, Maoist-inspired terrorist movement whose war with the Peruvian state in the 1980s and 1990s left nearly 70,000 dead—was all just a love story.

A love story that went really, *really* sour.

Or so one discovers reading *La Cuarta Espada: La Historia de Abimael Guzmán y Sendero Luminoso* (*The Fourth Sword: The Story of Abimael Guzmán and the Shining Path*), Santiago Roncagliolo's improbably entertaining biography of Abimael Guzmán, the near mythical founder of the Shining Path. An award-winning Peruvian novelist living in Spain, Roncagliolo returned to his native soil to explore how a small-town philosophy professor took

up the writings of Chairman Mao, launched a 12-year armed struggle, and brought Peru to the brink of implosion, all until his stunning capture and incarceration in September 1992.

Although Roncagliolo skates close to the forgiveness-through-understanding school of biography ("If [Guzmán] is not an innately bloodthirsty madman," he muses early on, "if he became so through contact with society, then in one way or another he is our own creation"), he did not return to Peru to offer Guzmán absolution. Indeed, as the chapters rush by, *The Fourth Sword* unfolds less as a pure biography and more as a personal memoir, one that explores Guzmán's story, but does so almost as an excuse for the author to reconsider his own wartime childhood and reconnect with the country he left behind.

The tale begins with another childhood, that of Guzmán, in the beautiful, blue-sky city of Arequipa, in Peru's southern Andes. He was drawn to politics after watching government forces put down student protests in the city square just three blocks from his home, but his revolutionary hormones weren't truly released until his university years, when Guzmán peeped through a neighboring window and watched a young woman change her clothes before going

to bed. From such sordid beginnings emerged a year-and-a-half relationship, which ended when the girl's father decided that the lower-class Guzmán was not fit for his daughter. She broke up with him at a wedding reception, leaving Guzmán alone on the dance floor.

"That girl was the one who decided Peru's contemporary history," said Abimael's sister, Susana Guzmán, in a statement as intriguing as it is simplistic. Without that lost love, "he had more time to think about others, and about what he called life's injustices. He [told me] that a new man was beginning to live within him."

Whether or not an early crush propelled Guzmán toward revolution, the new man's far left-wing politics soon came into sharp relief. After studying philosophy and law—the same as his intellectual hero, Karl Marx—Guzmán moved north to the poor city of Ayacucho, where as a university professor in the early 1960s he lectured for hours on revolutionary theory. Even there, Roncagliolo explains, love became "a means to spread the revolution," with Guzmán

Carlos Lozada is a deputy national editor at the Washington Post.

For More Online

Read FP's interview with Peruvian author Santiago Roncagliolo, at ForeignPolicy.com/extras/roncagliolo.



seducing female students who seemed ideologically amenable to his teachings, dropping them if they fraternized with political rivals.

In Ayacucho, the writings of Chairman Mao became his new infatuation, “love at first sight,” as Roncagliolo puts it. Indeed, even the leaders of the Cuban Revolution were not quite radical enough for Guzmán, who “situated himself to the left of Che [Guevara],” explains Roncagliolo.

Through textbooks and teachers, Guzmán began to recruit converts to his own revolution, eventually establishing the Shining Path in the late 1960s—with only 12 members at its inception—as an offshoot of Peru’s Communist Party. Guzmán

took on the alias of “Presidente Gonzalo” and began to see himself as the “fourth sword” of communism, after Lenin, Stalin, and Mao. His plan for Peru’s revolution was straightforward: Incite genocide on the part of the Peruvian state by goading government forces into overreacting against the guerrillas. This would reveal the regime’s “fascist entrails,” Guzmán argued, leading to an even wider popular uprising.

The Shining Path’s first attack—burning ballot boxes and voter registries in Ayacucho on Election Day, May 17, 1980—signaled its effort to take down the fledgling democracy. But Guzmán never appeared on the battlefield; his was a war of intellect, strategy, and ideology. His followers

displayed no such shyness, and blowing up electrical towers became the Shining Path’s signature attack: 5 in 1980, 9 in 1982, followed by 21, 65, 40, and 107 in each of the following years. “We always had to have candles at home,” recalls Roncagliolo. “The only punctual things in Lima were the blackouts and midnight.”

As the war grew more violent during the 1980s and the Shining Path established its dominance in the rural countryside—often by terrorizing isolated Quechua-speaking communities—the country’s urban prisons became a new battleground. The Shining Path used them as training centers and attempted spectacular escapes; government forces responded with equally massive operations to take the prisons back, in some cases resulting in high-profile massacres that embodied precisely the sort of state overreach Guzmán hoped to foment.

By this time, the cult of personality surrounding Guzmán, rigorously enforced within the party, was starting to spread. Yet the Gonzalo phenomenon did not truly hit the country’s political and business elites until July 16, 1992, when a massive car bomb exploded on Tarata Street in the commercial district of Miraflores, an exclusive Lima suburb, leaving 26 dead and 150 wounded, and destroying hundreds of homes and businesses. Many thousands had already been killed in Peru’s rural regions, but “Tarata was the moment that Limeños, in particular the middle and upper classes, felt that we too could die.”

Those elites, Roncagliolo frets, remain oblivious to Peru’s realities even today, particularly to the social injustices that can lead to violent social resentment. In a comically self-righteous encounter at an exclusive Peruvian beach town, he scolds rich sunbathers for prohibiting their

servants from swimming in the ocean or wearing their bathing suits. The indifferent boy has become the class-conscious writer—even if he still hangs out at posh beaches.

In essence, Roncagliolo is lamenting the loss of historical memory. He is concerned that Peru's younger generations know nothing of the war and that even Peruvians in their 30s, himself included (and this reviewer as well), are doing their best to forget it.

Will *The Fourth Sword* protect Peru against that amnesia? The book has scaled the country's best-seller lists, eliciting some praise mixed with sharply critical reviews, particularly among Peru's feisty bloggers, who have pointed out factual inconsistencies and sloppy research. Indeed, the probing works of Gustavo Gorriti and the landmark 2003 report of Peru's truth commission lend far more insight into the Shining Path phenomenon than Roncagliolo, who hardly helps his cause by quoting from Wikipedia to explain China's Cultural Revolution. But even more, critics seem to resent a non-

expert outsider, even if native-born, parachuting in to explain how it all went down.

Roncagliolo freely acknowledges his outsider status. "Sometimes I feel like a tourist in hell," he writes. "Its occupants speak to me, but they know I will leave, that this hell is not mine, that I will leave them there and go write my little press report."

It's not clear that Peruvians need Roncagliolo's reporting to recall the past. Even today, Alberto Fujimori, the nation's president during the spectacularly efficient capture of Guzmán by police intelligence operatives in 1992, is in the midst of a dramatic trial, facing up to three decades in prison on charges of human rights abuses after his own war on terror ran amok.

History may well trace the death of the Shining Path to that day, Sept. 12, 1992, when Guzmán finally fell captive. But if love may have started the war, Roncagliolo wonders, could it have ended it, too? When Abimael was captured in a modest home in suburban Lima, at his side was his long-time companion and future wife, Elena

Iparraguirre, also the No. 2 commander of the Shining Path. In one of the few extended interviews in *The Fourth Sword*, Roncagliolo visits her in prison and asks her about that day so many years ago.

"Wasn't it dangerous for the two principal leaders to live together? If one was captured, the other would be, too."

"We never measured the risks," she replied simply, a remarkable statement from a movement that enforced overwhelming personal and ideological discipline on its members.

"The great strength of Sendero was always its near religious ideological conviction that allowed it to take impossible risks and think like a single mind," Roncagliolo concludes. "But the same thing that gave them strength was also their main weakness. They were unable to control the love, hatred, and betrayal among their leaders." In the end, he writes, "It is impossible to sweep away, repudiate, or crush what they call small-minded bourgeois individualism, and what the rest of us call humanity." **VP**

Egypt's Contrite Commander

By Dīaa Rashwan

Wathīqat Tarshīd Al-ʿAml Al-Jihādī fī Misr wʿAl-ʿĀlam
(Document to Rationalizing
Jihādī Action in Egypt and
the World)

By Sayyid Imām al-Sharīf
Kuwait City: Al-Jarīda, Cairo:
Al-Masrī Al-Yawm, 2007 (in Arabic)

Dīaa Rashwan is director of the program
for the study of Islamist movements at
the Al-Ahram Center for Political and
Strategic Studies in Cairo.

In 1988, the war being waged by the mujahideen against invading Soviet forces in Afghanistan was at its peak. Looking for inspiration for their struggle, the Muslim fighters needed an intellectual foundation and a practical guide for their endeavor. So 38-year-old Egyptian doctor Sayyid Imām al-Sharīf filled the void, publishing his first book, *The Faithful Guide for Preparation*. As head of Egyptian Jihad, a group

that had been distinguished by militant jihādī thought and tactical violence since its inception, al-Sharīf was concerned with the proper philosophical and religious underpinnings for conducting holy war. And he was well placed to offer advice: Among the jihadists in Afghanistan and Pakistan at the time, he was the most deeply versed in Islamic law and theology. The book became the first of its kind to lay a systematic foundation, with

roots in Islamic law, for the work in which the mujahideen were engaged. Its impact was huge: Even today, it remains a seminal text for new recruits to various jihadi groups around the world, including al Qaeda. The book cemented al-Sharif's status as one of the most prominent ideologues of the global jihadi movement.

Five years later, al-Sharif followed it up with *The Compendium in Pursuit of Noble Knowledge*—a massive, 1,100-page work that reflected the author's militancy and zealotry. It is no exaggeration to say that it established the theoretical, doctrinal, and legal foundation of the jihadi movement, not only in

because of the ferocity of the attacks themselves—al-Sharif apparently began to see things differently. In several statements following 9/11, he declared that the attacks were extremely damaging to Muslim interests, and he held Osama bin Laden and Zawahiri responsible. Already, the Egyptian authorities had tried al-Sharif in absentia in 1999 and sentenced him to life imprisonment. In 2004, the Yemeni authorities turned him over to Egypt to serve out his sentence.

But, rather than quietly fade away and allow his former followers to remember him as a captured martyr, al-Sharif (also known as Dr. Fadl) stunned the jihadi world in

Action is the product of both personal and public circumstances. Since Sept. 11, 2001, violent clashes between jihadi groups and the authorities have become a marked feature of our world. For al-Sharif, these clashes have been accompanied by violations of the legal Islamic concept of jihad that have harmed both Islam and its adherents—and about which he could not remain silent. With this text, al-Sharif draws on the experience and insight of a practiced sheikh to review his long history in the jihadi world. With the approval and support of his colleagues in Egyptian Jihad—the majority of whom support his new stance—he wrote the document to “rationalize” or “guide” the practice of jihad, whose correct meaning many of them have spent their lives searching for.

Published from jail and serialized as 15 parts in two major Arab newspapers, *Al-Jarida* and *Al-Masri Al-Yawm*, al-Sharif's book repudiates what he calls “grave violations of Islamic law” that accompanied several Islamist movements' forms of jihad. These acts include murder based on one's nationality, the color of one's skin, or one's religious beliefs, and the wrongful destruction of property. The author explicitly states that such violations are “cause for disappointment in this world and shame and censure in the next,” because “nothing incurs the wrath and rancor of the Lord like the unjust shedding of blood and destruction of wealth.” Al-Sharif forbids attacks of any kind on tourists or foreign residents in Muslim countries, arguing that tourism is a legitimate act in Islam. In contrast to al Qaeda, al-Sharif forbids Muslims from engaging in any acts of violence in the foreign countries in which they live or visit, ruling that it would be a

The author forbids taking up arms against Muslim rulers. It's particularly notable for a man whose thinking laid the groundwork for a radical Islamist uprising in Egypt.

Egypt but everywhere. The book was a product of its time and the author's own circumstances. The war in Afghanistan had ended with the defeat and withdrawal of the Soviets, and the time was ripe to develop a comprehensive theoretical basis for jihadi action in the future. By then, the author had left Egyptian Jihad as both commander and member, having accused his brethren of failures of leadership following the arrests of hundreds of members in Egypt. He was replaced by his comrade Ayman al-Zawahiri and became free to devote himself entirely to his scholarly theological work. He made his way to Yemen, where he lived freely until October 2001, when the Yemeni authorities arrested him following the September 11 attacks. Then—perhaps because of his arrest, perhaps

November with the publication of the slim *Wathiqat Tarshid Al-'Aml Al-Jihadi fi Misr w'Al-'Alam* (*Document to Rationalizing Jihadi Action in Egypt and the World*), in which he revises—indeed, reverses—many of the legal judgments he laid out in his two previous books. This book comes at a time when major jihadi religious groups are already engaging in a thorough reconsideration of their philosophy and violent pasts. Al-Sharif's new work is forcing the overwhelming majority of Egyptian Jihad members to reckon with his new message. Given al-Sharif's reputation and the influence Egyptian Jihad has exercised over the international jihadi movement, the work will likely resonate far beyond Egypt's borders.

Like his previous two books, the *Document to Rationalizing Jihadi*

betrayal of the permission given to them by these governments in the form of a visa. Indeed, al-Sharif even forbids Muslims in foreign countries from breaking any national laws. Through such judgments, the author redefines the relationship between the West and resident Muslims in terms that differ radically from those of contemporary jihadists. In more than one section, he also stresses the absolute prohibition on the attack and murder of civilians, whether in Muslim or non-Muslim countries, and even in cases of war.

But particularly notable for a man whose thinking laid the groundwork for a radical Islamist uprising in Egypt, the author forbids taking up arms against Muslim rulers. He cites the heavy losses his own group inflicted on Egypt's society, state, and jihadi groups themselves. The sheikh completes his rejection and his critique of the ideas and practices of al Qaeda and similar groups with the declaration of a general rule: "Those who identify themselves as Muslims cannot be harmed because of sectarian differences." Here he has in mind the murder of Shiites, which represents a fundamental break with the practices and thought of al Qaeda, especially in Iraq. In several sections, al-Sharif launches a stringent attack on groups in the orbit of al Qaeda for deviating from the correct rules for jihad, accusing them of exploiting the enthusiasm of Muslim youth and sending them to their graves or prisons by convincing them to engage in acts that fall beyond a reasonable interpretation of religion.

In the end, al-Sharif reveals his newly redefined conception of jihad, which he still believes is one of the most noble practices in Islam. Yet, he sees it as defensive rather than offensive; every community

has a right "to defend itself against aggressors. If this is a natural right upon which everyone has agreed, for Muslims it is a religious duty."

Of course, it was to be expected that some jihadi circles would raise objections because the author and his supporters among Egyptian Jihad are in prison. Zawahiri himself accused al-Sharif of being coerced into changing his ideas. Al-Sharif, however, claims his new thinking is his own, and he issued a statement last year that cited important historical examples of prominent Muslim scholars and clerics who had written their major works while in prison. In December, Zawahiri again released a speech discussing al-Sharif's new work, promising that al Qaeda would soon issue a "detailed response."

Internal squabbles aside, this book should matter to those who

long to understand the roots and nuances of jihadi thought—and how to curb it. In all likelihood, it will prompt a state of unprecedented confusion within the ranks of the international jihadi movement, starting with al Qaeda. In fact, it is more likely that al-Sharif's views will have a greater impact within al Qaeda than on the newer jihadi groups: Members of the former are more familiar with al-Sharif's work and have already been influenced by him, whereas the newer groups follow the thought of other contemporary ideologues more closely. Whether such splintering ultimately makes the world more dangerous remains an open question. One thing is certain, though: Having such an important leader so publicly diverge from this violent movement and its vision can only be a victory for the civilized world. **FP**

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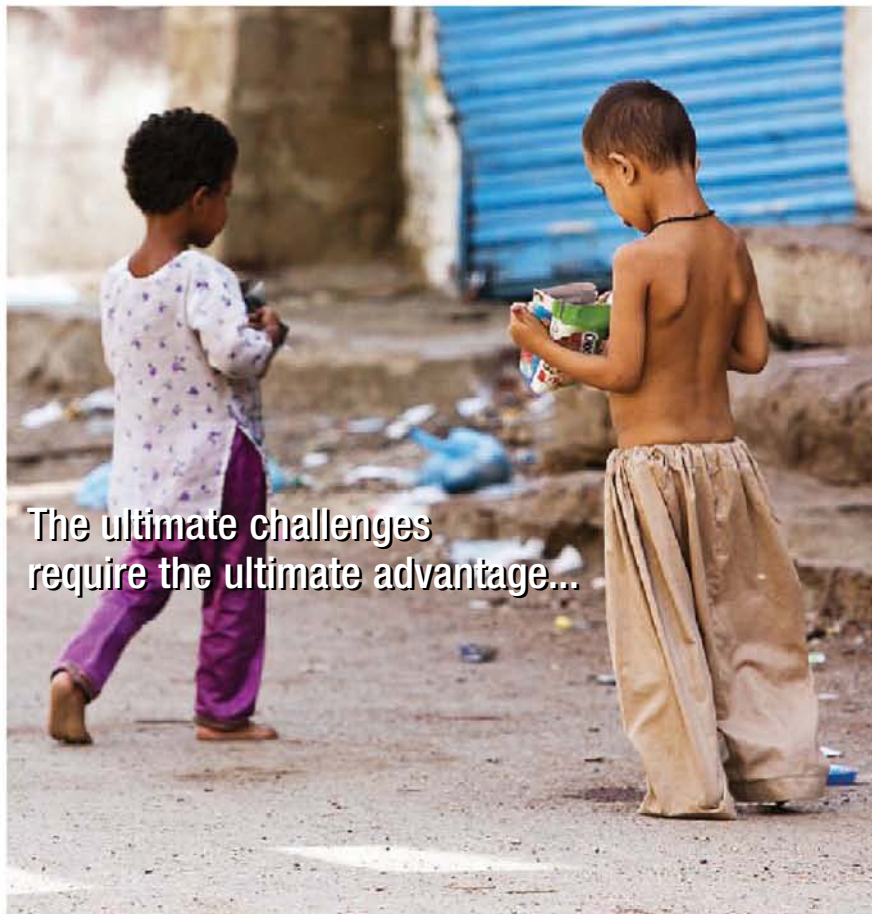
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NET EFFECT

[HOW TECHNOLOGY SHAPES THE WORLD]

iCrime Wave

The iPod's distinctive white earbuds have become a cultural icon. But people have long suspected they may also mark users as targets for crime. New research conducted by the Washington-based Urban Institute suggests just that. In 2005, the year sales of iPods skyrocketed, incidents of

violent crime in the United States increased for the first time in more than a decade. Similar upticks happened in Britain and Canada. Could iCrime be partially to blame?

Consider New York City's subway system, where major felonies increased by 18 percent in the first three months of 2005. The spike coincided with a boom in iPod sales. And, if iPod and mobile-phone thefts are excluded, crime on New York's subway actually fell by 3 percent. In Britain, officials now believe a surge in robberies in 2005—including a 42 percent increase in crime on London's Underground—is linked in part to iPods. "They're carrying around an expensive device that's obvious to a potential robber [and] that tunes them out," the Urban Institute's John Roman says of iPod owners.

Of course, this is not the first time an

iconic product has attracted the attention of criminals. Crime waves have coincided with the proliferation of expensive Nike sneakers and North Face jackets. Which raises the question of whether the iCrime wave might have been foreseen, or even prevented. "It could easily have been predicted that the iPod would be a desirable crime target," says Shaun Whitehead, a crime expert at Britain's Loughborough University. "The sheer high visibility of the white iPod earphone wires is bad." He believes many robberies could have been prevented with a more thoughtful design.

Some law enforcement officials think they have identified the next potential target: T-Mobile's Sidekick. The phones, which feature MP3 music players and Web browsing, are popular among celebrities like rapper Soulja Boy Tell'em, who dedicated a song to his Sidekick. That makes the New York Police Department nervous. "Often [they are] the only property taken in robberies," says a spokesman. That could mean iPod owners are off the hook, even as Sidekick users are left facing the music. —Preeti Aroon



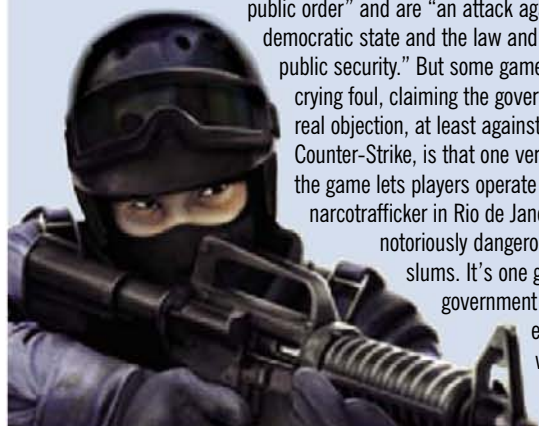
Marked target: iPods may have helped fuel a spike in crime.

Ringtone Diplomacy

While traveling in Ulan Bator, Mongolia, Nokia researcher Jan Chipchase happened upon a group of monks playing soccer. The young monks quickly invited him in from the cold, but not only out of kindness. "They invite[d] me into the warmth for a reason," Chipchase later recalled, "to mine the memory of my phone of all its value." Once upon a time, a Marlboro or a stick of Wrigley's gum was a traveler's best hope for winning over a skeptical Siberian hotel manager or a surly Mexican policeman. But today locals are as likely to want ringtones, digital photos, or MP3 music. The young monks, Chipchase says, were "particularly interested in obtaining photos of women from Japan." He has encountered similar situations everywhere from India to Uzbekistan. So has Israeli venture capitalist Jon Medved. Recently, while on top of a remote bluff in Baja California, Mexico, Medved wanted to get a local's opinion. He broke the ice by transferring short video clips to the guy's phone. "People use cigarettes as tips," Medved says. "I think digital content is the new cigarettes." The best part may be all the extra room in your suitcase. —Chaddus Bruce

Caught in the Net: Brazil

The government of Brazil recently imposed a federal ban on a pair of well-known computer games. In a court decision, Judge Carlos Alberto Simoes said that the first-person shooter game Counter-Strike and the popular role-playing game EverQuest contribute to "the subversion of public order" and are "an attack against the democratic state and the law and against public security." But some gamers are crying foul, claiming the government's real objection, at least against Counter-Strike, is that one version of the game lets players operate as a narco-trafficker in Rio de Janeiro's notoriously dangerous slums. It's one game the government apparently isn't willing to play.



TOP: ASSOCIATED PRESS; BOTTOM: VALVE CORPORATION

Avatar advocacy: A member of the Second Life Liberation Army readies for battle.



Terrorists in Second Life

Last year, several bombs were detonated outside the retail stores of American Apparel and Reebok. No one knew who was behind the attacks until the perpetrators came forward—the Second Life Liberation Army. The attack, planned and executed inside Second Life, the popular online virtual world, prompted fears that terrorism from the real world was bleeding into the digital world.

In the case of this terrorist attack, the threat turned out to be purely virtual. In the parlance of online gamers, the group consisted of “griefers,” or those who make life difficult for others. This particular outfit wanted Linden Lab, Second Life’s owners, to grant more rights to “avatars,” or virtual characters.

But the danger of terrorist groups’ lurking in the virtual world is not pure imagination. Interpol, the body responsible for international police cooperation, says that it has detected suspicious activity inside massively multiplayer

For More Online

Watch a Second Life terrorist attack at: ForeignPolicy.com/extras/secondlife.

online role-playing games. “Online games now have their own foreign exchange, which lets players buy and sell different virtual currencies, just as in the real world,” the agency says. “Criminals will undoubtedly take advantage of this.” One such incident occurred in 2006 when Sony Online Entertainment became concerned with a player in Europe who was moving large amounts of money through one of its online games. The player was found and admitted to laundering funds between the United States and Russia.

Sean Kane, an attorney and an expert on virtual-world legal affairs, says the real threat may not be that violence spills from the real world to the virtual, but rather the other way around. “The more complex a virtual world becomes, the more it could be used for training purposes,” says Kane. For instance, terrorist organizations could rehearse tactics or spread propaganda and messages using the communications channels of virtual worlds. Or they might avail themselves of virtual-world currencies, such as Second Life’s “Linden Dollar.”

Linden Lab and other firms say there is no reason for concern. Michael Wilson, the CEO of Makena Technologies, which owns the 1-million-player strong virtual world

Expert Sitings

Linda Stone is a writer, speaker, and technology consultant. She spent 20 years as a senior executive in the high-tech industry at firms including Apple and Microsoft. She was corporate vice president and founder and director of the Virtual Worlds Group at Microsoft Research, where she pioneered social interaction and virtual communities on the Internet. Her Web site is lindastone.net.



edge.org/archive.html

Iconoclastic writer-thinker John Brockman started the Edge Foundation in 1988. His bimonthly publication, *Edge*, can be read online or as an e-mail. It features interviews, essays, and commentary by today’s great science and technology thinkers.

kk.org/cooltools

Cool Tools is a blog written by *Wired* cofounder Kevin Kelly and his readers. Its purpose is to provide product reviews of everything—literally—from ordinary items such as Scotch tape, to oddball products like the “BananaBunker,” a carrying case for bananas. The site even reviews how effectively nonprofits are performing in the developing world.

allthingsd.com

All Things Digital, a site owned by Dow Jones, is one of my most trusted sources for news on technology, the Internet, and the media. It combines journalistic forms—blogs, columns, traditional news stories—to cover topics ranging from digital music taxes to whether your home Wi-Fi network should be open to all.

lifehacker.com

Lifehacker is a blog that provides readers with useful technology tricks, tips, and downloads. Past posts have helped readers make their Xbox 360 run more quietly by installing a \$25 whisper-quiet fan and provided tips on how best to sell one’s car on the Internet.

There.com, states flatly that “there are no terrorists” in his company’s game. But loose-knit terrorist organizations have continually proven to be adept at finding creative ways to communicate and move funds. That could mean that the next online terrorist attack is more a matter of when, not if. —Dean Takahashi

Preeti Aroon is an assistant editor at FOREIGN POLICY. Chaddus Bruce is a San Francisco-based journalist. Dean Takahashi is the Tech Talk columnist and a blogger for the San Jose Mercury News.

Answers to the *FP* Quiz

(From page 24)

1) **C, 40 percent.** Nearly 40 percent of the roughly 130 million births that take place each year worldwide go unregistered, according to the World Health Organization, though such births are generally projected in population estimates. It's believed that two thirds of the world's deaths also go undocumented.

2) **C, Wheat.** Although the price of gold rose 35 percent and the price of oil skyrocketed 57 percent in 2007, the price of wheat grew a staggering 80 percent during the same period. According to the International Grains Council, a ton of American hard red winter wheat—the common standard for the global price of wheat—sold for \$203 in early January before leaping to \$365 by the end of December, thanks to rising demand in developing countries and heavy droughts.

3) **C, 60 percent.** Given that China will become the world's largest source of carbon emissions this year, it's encouraging that the country is also home to a majority of the world's carbon-reduction projects. Beijing has been pushing renewable energy and reforestation efforts across the country, approving nearly 900 projects to reduce emissions in the past two years.

4) **B, Pakistan.** With \$5.1 billion in arms agreements in 2006, Pakistan topped the list of developing-country arms buyers, cutting

checks for American jets and upgrading its weapons systems. The country easily edged out India, which signed \$3.5 billion in agreements, and Saudi Arabia, which spent \$3.2 billion.

5) **C, United States.** The United States not only boasts the world's highest share of Internet users, but the busiest hackers as well. According to Symantec Global Intelligence Network, a quarter of all Internet attacks in the first half of 2007 originated on U.S. networks. And the country gets as good as it gives: 61 percent of the world's denial-of-service attacks were directed at U.S. computers.

6) **B, 18 percent.** Nearly one of every five European households uses a cell phone exclusively and has no fixed-line telephone, according to a recent study by Eurostat. Western Europe also has the highest mobile-phone penetration rate of any world region, with at least 95 cell phones for every 100 people.

7) **B, 7.** Lockheed Martin, based in Bethesda, Maryland, tops the list of the world's largest defense companies, with more than \$36 billion in defense revenues in 2006. It is joined in the top 10 by six other U.S. companies. Rounding out the list are Britain's BAE Systems, the Netherlands' EADS, and Italy's Finmeccanica.

8) **B, 67 percent.** Of 196 countries around the world, 131 rely on food imports to feed their citizens, according to the World Bank's latest figures from 2005. In 1980, just 107 countries had to look beyond their borders to put food on the table.

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Celebrating 50 Years of International Service



Continued from page 96

the emerging global middle class are driving up food prices everywhere. The food-price index compiled by *The Economist* since 1845 is now at an all-time high; it increased 30 percent in 2007 alone. Milk prices were up more than 29 percent last year, while wheat and soybeans increased by almost 80 and 90 percent, respectively. Many other grains, like rice and maize, reached record highs. Prices are soaring not because there is less food (in 2007, the world produced more grains than ever before), but because some grains are now being used as fuel and because more people can afford to eat more. The average consumption of meat in

because of unprecedented growth in consumption in poor countries with rising middle classes. China alone accounts for one third of the growth in the world's oil consumption in recent years. The middle class also likes to travel: The World Tourism Organization estimates that outbound tourists will grow from today's 846 million a year to 1.6 billion in 2020. Venice and Paris will be even more expensive—and crowded—to visit.

The public debate about the consequences of this global consumption boom has focused on what it means for the environment. Yet, its economic and political effects will be significant, too. The lifestyle of the existing middle class will probably have to change as the new middle class

Prices are soaring not because there is less food, but because more people can afford to eat more.

China, for example, has more than doubled since the mid-1980s.

The impact of a fast-growing middle class will soon be felt in the price of other resources. After all, members of the middle class not only consume more meat and grains, but they also buy more clothes, refrigerators, toys, medicines, and, eventually, cars and homes. China and India, with 40 percent of the world's population, most of it still very poor, already consume more than half of the global supply of coal, iron ore, and steel. Thanks to their growing prosperity and that of other countries such as Brazil, Indonesia, Turkey, and Vietnam, the demand for these products is booming. Not surprisingly, in the past two years, the world price of tin, nickel, and zinc have roughly doubled, while aluminum is up 39 percent and plywood is now 27 percent more expensive. Moreover, a middle-class lifestyle in these developing countries, even if more frugal than what is common in rich nations, is more energy intensive. In 2005, China added as much electricity generation as Britain produces in a year. In 2006, it added as much as France's total supply. Yet, millions in China still lack reliable access to electricity; in India, more than 400 million don't have power. The demand in India will grow fivefold in the next 25 years.

And you know what happened to oil prices. Again, oil reached its all-time high of \$100 per barrel not because of supply constraints but

emerges. The consumption patterns that an American, French, or Swedish family took for granted will inevitably become more expensive. Some, like driving your car anywhere at any time, may even become prohibitively so. That may not be all bad. It may mean that the price of some resources, like water or oil, may more accurately reflect its true costs.

But other dislocations will be more painful and difficult to predict. Changes in migration, urbanization, and income distribution will be widespread. And expect growing demands for better housing, healthcare, education, and, inevitably, political participation. The unanticipated effects of the new global middle class will become part of our daily news.

The debate about the Earth's "limits to growth" is as old as Thomas Malthus's alarm about a world where the population outstrips its ability to feed itself. In the past, pessimists have been proven wrong. Higher prices and new technologies, like the green revolution, always came to the rescue, boosting supplies and allowing the world to continue to grow. That may happen again. But the adjustment to a middle class greater than what the world has ever known is just beginning. As the Indonesian and Mexican protesters can attest, it won't be cheap. And it won't be quiet. **FP**

Moisés Naím is editor in chief of FOREIGN POLICY.

Can the World Afford A Middle Class?

Yes, but it will be awfully expensive.

By Moisés Naím

The middle class in poor countries is the fastest-growing segment of the world's population. While the total population of the planet will increase by about 1 billion people in the next 12 years, the ranks of the middle class will swell by as many as 1.8 billion. Of these new members of the middle class, 600 million will be in China. Homi Kharas, a researcher at the Brookings Institution, estimates that by 2020 the world's middle class will grow to include a staggering 52 percent of the global population, up from 30 percent now. The middle class will almost double in the poor countries where sustained economic growth is lifting people above the poverty line fast. For example, by 2025, China will have the world's largest middle class, while India's will be 10 times larger than it is today.

While this is, of course, good news, it also means humanity will have to adjust to unprecedented pressures. The rise of a new global middle class is already having repercussions. Last

January, 10,000 people took to the streets in Jakarta to protest skyrocketing soybean prices. And Indonesians were not the only people angry about the rising cost of food. In 2007, higher pasta prices sparked street protests in Milan. Mexicans marched against the price of tortillas. Senegalese protested the price of rice, and Indians took up banners against the price of onions. Many governments, including those in Argentina, China, Egypt, and Russia, have imposed controls on food prices in an attempt to contain a public backlash.

These protesters are the most vociferous manifestations of a global trend: We are all paying more for bread, milk, and chocolate, to name just a few items. The new consumers of

Continued on page 95



We found our most important watch in a soldier's pocket



It's the summer of 1944 and a weathered U.S. sergeant is walking in Rome only days after the Allied Liberation. There is a joyous mood in the streets and this tough soldier wants to remember this day. He's only weeks away from returning home. He finds an interesting timepiece in a store just off the Via Veneto and he decides to splurge a little on this memento. He loved the way it felt in his hand, and the complex movement inside the case intrigued him. He really liked the hunter's back that opened to a secret compartment. He thought that he could squeeze a picture of his wife and new daughter in the case back. He wrote home that now he could count the hours until he returned to the States. This watch went on to survive some harrowing flights in a B-24 bomber and somehow made it back to the U.S. Besides

the Purple Heart and the Bronze Star, my father cherished this watch because it was a reminder of the best part of the war for any soldier—the homecoming.

He nicknamed the watch *Ritorno* for homecoming, and the rare heirloom is now valued at \$42,000 according to *The Complete Guide to Watches*. But to our family, it is just a reminder that nothing is more beautiful than the smile of a healthy returning GI.



The hunter's back

The Ritorno watch back opens to reveal a special compartment for a keepsake picture or can be engraved.

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