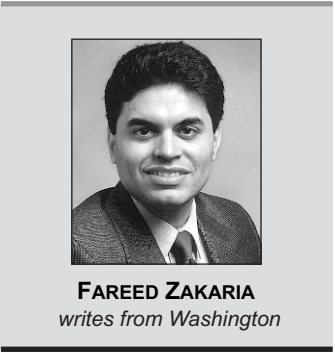


How to stop the contagion



FAREED ZAKARIA writes from Washington

If you want to understand what motivates suicide bombers, watch the recent movie "Down-fall." Based on eyewitness accounts, it chronicles the final days inside Hitler's bunker. In a particularly harrowing scene, Joseph Goebbels and his wife are given the opportunity to have their six young children flee to safety. But Magda Goebbels refuses and instead drugs the kids to sleep. Then she inserts a cyanide capsule into each child's mouth and presses the jaws until the capsule breaks. When explaining why she won't allow her kids to escape, Mrs. Goebbels explains, "I can't bear to think of them growing up in a world without national socialism."

This is the power of ideology. Magda Goebbels had embraced a horrific world view that made her believe that murdering her children was a noble act.

Suicide bombing cannot be explained by poverty and disadvantage. The London bombers were not

the wretched of the earth. They came from working-class but comfortable backgrounds, living in one of the world's most prosperous countries. For all the talk of their being marginalised, none were living in hellish ghettos. Britain today does a decent job of assimilating its immigrants, certainly better than any other European country. If anyone had cause for rage, it was not the bombers but their parents. Muslim migrants from Pakistan (in three cases), they arrived in Britain in less

he thinks. The old man explains that he works at a factory from morning till night and doesn't really have time for these kinds of ideas. Extremist ideology is a leisure-time pursuit.

Nor can foreign policy really explain such rage. The invasion of Iraq clearly has greatly enraged many Muslims, radicalising some deeply. But can a disagreement over foreign policy really make a Briton like Germaine Lindsay, who had never even visited Iraq, kiss his pregnant wife and child goodbye and go out

ideologies of hate and violence have often seduced disaffected young men searching for some great cause. Forty years ago they would have embraced Leninist revolutionary dogma, with Che Guevara as the bin Laden of his day. Today, for Muslims, it is a violent interpretation of Islamic fundamentalism. Born in the Middle East, it has spread like a virus across the Muslim world and into the Islamic diaspora in the West.

The good news is that in the heart of the Muslim world, this ideology is not doing so well. The bombings, increasingly of civilians, are showing al Qaeda and its ilk in their true light. Arabs are finally denouncing terrorism and also the ideologies that feed it. They need to do much more, and far more forcefully. It's a cliché, but true, that ultimately only Muslims can win this fight.

But Western countries can do more as well. We're fighting a military battle against a phenomenon that is largely non-military. In a battle of ideas, no one bullet will win. We must present a positive vision for Muslim societies, be seen as a friendly and progressive force by them and thus strengthen the moderates and liberals.

and blow himself and others up? There is something deeper at work here. Last week Egypt, which sent no troops to Iraq and condemned the invasion, was targeted.

Turkey and Indonesiawhich are both opponents of the warhave also been attacked. (Besides, the demands keep changing. Osama bin Laden's primary one was that American troops leave Saudi Arabia, which they have done. Bin Laden seems not to have noticed.)

What this is about, as Tony Blair has argued, is fanaticism. Radical

This is battle, not an academic seminar. We also have to discredit, delegitimise and dismantle barbaric ideas. After the London bombings, Arab commentators pointed out that for years Britain has granted asylum to noxious preachers and scholars who praise suicide bombings, argue for the overthrow of Western regimes, and celebrate al Qaeda's victories.

multicultural times. They were dirt-poor and probably ostracised and persecuted. And yet they did not become murderers; they started fish-and-chips shops.

Like all ideologies, radical Islam is a phenomenon of the educated class. From Muhammad Atta to Mohammed Sidique Khan, almost all suicide bombers have been men who read and write. In V. S. Naipaul's book "A Million Mutinies Now," the author interviews a young Hindu fanatic. The man explains his fascistic views, and then Naipaul asks the man's father, who happens to be sitting there, what



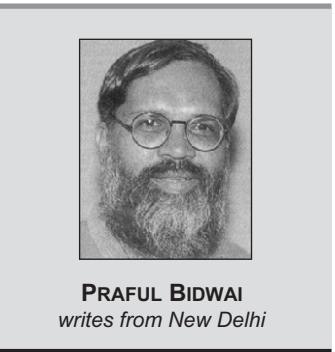
Suspected terrorists: Who are they?

The director-general of Al Arabiya TV, Abdul Rahman Al-Rashed, asked two weeks ago in the London-based daily Asharq Al-Awsat, "Why would Britain grant asylum to Arabs who have been convicted of political crimes or religious extremism, or even sentenced to death? Not only were they admitted to this country, but they were also provided with accommodation, a monthly salary, and free legal advice for those who want to prosecute the British government." Recall that bin Laden's original declaration of war against the West was published in only one venue, a London-based newspaper. Next time, let him publish it in Saudi Arabia if he can.

"Extremism, like many other diseases, is an infectious one," Al-Rashed continued. "A small dose of carriers can spread the infection like wildfire, establishing a community full of destructive thoughts and practices." It isn't the only answer, but let's start by making life as difficult as possible for the carriers of this virus.

Fareed Zakaria is Editor of Newsweek International. © 2005, Newsweek Inc. All rights reserved. Reprinted by arrangement.

Advani leaves in disgrace
BJP's hour of reckoning



PRAFUL BIDWAI writes from New Delhi

It's only a matter of time before Mr L.K. Advani quits as Bharatiya Janata Party president or Leader of the Opposition. On July 16, the "Iron Man" meekly called RSS sarasanghachalak K.S. Sudarshan and pleaded that he remains true to the RSS ideology and should be "allowed" both posts. The RSS told him he could have an "honourable exit," but quit he must.

The last straw that broke Mr Advani's always pathetic fight with the RSS came when Mr A.B. Vajpayee, the BJP's "liberal," "soft" face, tilted towards the sangh and asked Mr Advani to speak to Mr Sudarshan, and his lieutenant, Mohan Bhagwat, sent to Delhi to read him the riot act.

After this, Mr Advani couldn't face the Chennai national executive, and postponed it. The sangh reportedly wants him out before it's held.

Mr Advani's exit won't be "graceful" or "honourable." It'll be the RSS's victory through and through. The RSS has ordered the BJP to address its views on "ideology, organisation [and] the emergence of [a] new leadership."

The parivar's head brooks no deviation. The sangh remains the BJP's political boss, ideological mentor, and organisational gatekeeper.

This brings to a sorry end the four months-long RSS-BJP power tussle, which began when Mr Sudarshan demanded that Mr Advani step down as BJP president. When Mr Advani resisted, the RSS attacked him through VHP and BJP surrogates.

Mr Advani recruited Mr Sudheendra Kulkarni to fight the sangh. But he eventually played into the RSS's hands by visiting Jinnah's mausoleum and likening him to a secularist.

As this column has argued, Jinnah wasn't secular in embracing the Two-Nation-Theory. Nor did Mr Advani's interpretation of Jinnah break with Hindutva. It's perfectly compatible with a social order based on Hindu-Muslim primacy, in which the majority's culture is dominant, and politics is established through appeal to communal identities. That's the very model Mr Advani and the BJP

follow. Politically, Mr Advani tactlessly chose the Jinnah plank against the RSS. It earned him ridicule. He was so isolated in the BJP that Mr George Fernandes had to plead his case with Mr Sudarshan.

The RSS's suspicion of Mr Advani goes back a long time and recently got strengthened. During the BJP's six years in power, Mr Advani did little, unlike, say, Mr Murlī Manohar Joshi, to promote Hindutva's core-agenda in government.

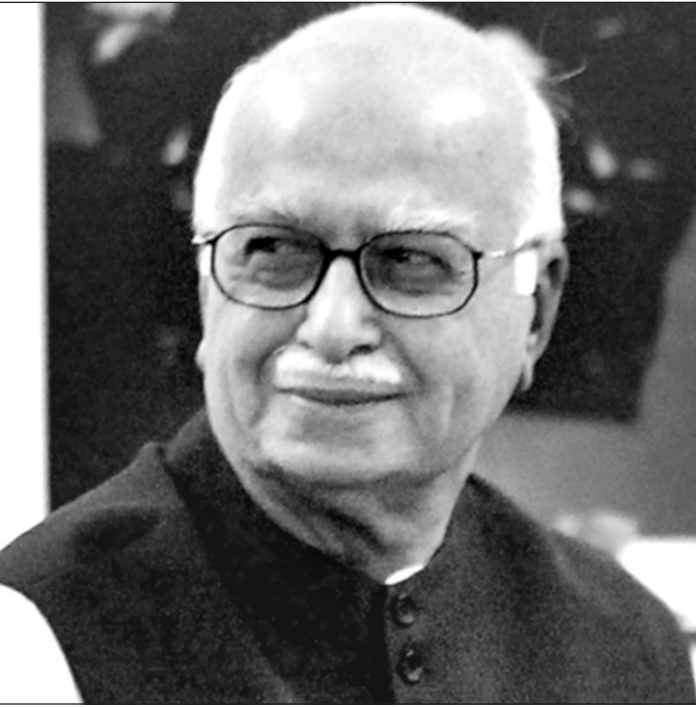
ideological change: "Ideology needs to be dynamic." In 2002, the RSS – then disillusioned with Mr Vajpayee – got Mr Advani made Deputy PM in the hope he'd promote Hindutva's core-agenda. Instead, he played down the Ayodhya issue!

The RSS has done its utmost to bring the BJP to heel. Mr Advani offered the last wall of resistance. Now, that has crumbled.

The quality of the collapse is best understood in the light of the sangh's ethos. Within this, individuals are very

One era of Hindutva politics, which catapulted the BJP to power, is over. Mr Vajpayee too will fade out. But what happens to the BJP and the National Democratic Alliance?

The BJP will find it hard to regain ideological and political coherence and overcome its leadership crisis. Its agenda is purely negative and confrontationalist. After the Ayodhya terrorist attack, it blamed the government for non-existent "security lapses." Mr Advani even termed the attack our "immense good fortune." This was crass.



Advani: The grace is over!

Mr Advani has long championed coalition politics. In 1980, he told sangh organ Panchajanya: "In India, a party based on ideology can at the most come to power in a small area. It cannot win the confidence of the entire country. The Jana Sangh's appeal increased to the extent the ideology got diluted. Wherever the ideology was strong, its appeal diminished."

In 1999 too, Mr Advani stressed

important; the more senior, even more so. Mr Vajpayee (83) and Mr Advani (79) are more experienced as swayamsevaks than Mr Sudarshan (68), or Mr Bhagwat (53). In meetings, the younger leaders usually touch the feet of the older men.

So the sangh must have truly abhorred them to pull the rug from under their feet.

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No matter who succeeds Mr Advani, inner-party bloodletting is guaranteed. There are many contenders – the pompous Murlī Manohar Joshi, Messrs Rajnath Singh, Venkaiah Naidu, Arun Jaitley, and Pramod Mahajan, and Ms Uma Bharati and Sushma Swaraj, each with their mix of deviousness and communalism.

Whoever succeeds will face the others' hostility. The BJP will sink deeper into fractiousness.

The BJP now resembles the Congress of the 1990s, in its worst phase of decline. But there is a difference. Then, the Congress captured half of all Indian states before nationally challenging the NDA. There are no potential victories around the corner for the BJP.

The BJP's condition will worsen as the RSS pushes it towards virulent nationalism and right-wing opposition to neo-liberalism. The party's own instinct is to support neo-liberal globalisation and US hegemonism.

The NDA is today a pale shadow of itself. The recent Shiv Sena split could further damage it. The NDA could begin disintegrating with the coming Bihar and West Bengal elections.

The Telugu Desam has already distanced itself from the BJP. The Asom Gana Parishad, National Conference and Indian National Lok Dal have quit the NDA. The Jana Dal (U), Trinamool Congress and Biju Jana Dal would be reluctant to stay within the NDA if the BJP moves close to the RSS.

There is, however, one source of BJP-RSS support. This is the influence of national chauvinism and anti-Islamic prejudice among sections of the middle class. This was revealed in the way the media treated the Ayodhya and London terrorist attacks by demonising Islam.

This view of terrorism blindly reduces it to a sub-state phenomenon, whitewashing more culpable state terrorism. But the London bombings cannot be separated from Britain's involvement in Iraq's invasion/occupation. The BJP's ideology fits in with such knee-jerk reactions. But its political revival may be far away.

Praful Bidwai is an eminent Indian columnist.

International assistance and development

RASHEDUL ISLAM

FOREIGN aid can be construed as inter-social transfers of resources that are intended by all the relevant parties, especially the provider, to serve, first and foremost the recipient's needs, interests or wants.

In an open economy domestic savings can be supplemented by many kinds of external assistance. In this writing the role of foreign borrowing in the development process will be considered, together with the debt-servicing problems associated with it. Moreover, political economy of foreign aid, types of foreign assistance and the role of government in the development process shall also be considered.

We can remember the "dual-gap analysis" and foreign borrowing pioneered by Hollis Chenery. In national income accounting, an excess of investment over domestic savings is equivalent to a surplus of imports over exports. A surplus of imports over exports financed by foreign borrowing allows a country to spend more than it produces or to invest more than it saves.

The basic underlying assumption of dual-gap analysis is a lack of substitutability between foreign and domestic resources. This may seem a stringent assumption, but nonetheless may be valid particularly in the short period. If foreign exchange is scarce, it is not easy in the short run to use domestic resources to earn more foreign exchange, or to save foreign exchange by dispensing with imports. If it were easy, the question might well be posed: Why do most developing countries suffer chronic balance of payments deficits over long periods despite vast reserve of unemployed resources? If domestic savings is scarce, it is probably easier to find ways of using foreign exchange to substitute, raising the domestic savings ratio and the productivity of capital.

The debt service problem: The fact that the rate of return on investment in the borrowing country exceeds the rate of interest is no indication of whether the debt can be serviced since the loan must be repaid with interest in foreign currency. Moreover, borrowing after borrowing increases debt service payments which ultimately creates "debt trap". To tackle the debt difficulties the following measures may be adopted: (a) Poor countries need debt forgiveness or debt relief, which may be considered (b)

Repayment of loans in local currency rather than foreign currency may be introduced. (c) Developed countries might set up machinery to guarantee loans from private sources (in addition to export credit guarantees) and establish a fund from which commercial interest rates might be subsidised. (d) Overseas Development Assistance (ODA) might be given as grants rather than loans. (e) There is urgent need to devise schemes to stabilise the price or terms of trade of primary commodities.

Capital flows to developing countries come in many different forms – from pure grants or pure aid, to loans, to portfolio investment and direct investment by multinational companies. Different sources of international capital flows to developing countries are: (a) Official flows from bilateral sources (including developed and OPEC countries) and multilateral sources (IBRD, IDA, IFC, UN and various development banks) on concessional and non-concessional terms. (b) Direct private investment. (c) Commercial bank loans (including export credits).

In the words of Subrata Ghatak, an economist, foreign resources (FR) are supposed to replenish the dearth of domestic savings in the LDCs. Generally the difference between planned investment and planned savings is taken as an indication of the FR that are necessary to attain a target rate of economic growth. Indeed, in many development planning models, a target level of investment is specified to achieve a certain rate of growth of income and then an estimate of planned savings in made.

When the planned investment exceeds planned savings the gap is sought to be made up by FR. Different types of foreign resources are poured into poor developing countries. These are: (i) Tied aid (to protect the income and employment of the donors). (ii) Untied aid. (iii) Bilateral aid. (iv) Multilateral aid. (v) Project aid. (vi) Commodity aid and (vii) Food aid.

At the time of studying foreign assistance and economic development we have to consider the role of government. The economic roles of government are: (i) Allocative: allocation of resources. (ii) Distributive: equity in the allocation of resources by using taxation social security and the distribution of public sector services to influence the distribution of

income. (iii) Regulatory: government legislates and enforces laws of contract, consumer protection, justice and so on, in order that the market economy may function. (iv) Stabilisation: fiscal, monetary and other economic policies to pursue objectives for the control of inflation, unemployment, etc.

Conscious people are very much concerned with the role and effectiveness of foreign aid in development. It is part of a

development process, appropriate development strategies and policies, and the design and delivery of aid. (c) There has been continuing debate on the effectiveness of foreign aid, but recent work has benefited from the availability of a broader and more sophisticated array of analytical economic tools as well as more data.

The evolution of the world economy over the past decades has been complex. There has been

It is often said that foreign aid is a necessary evil because a large portion of assistance is not properly utilized. Empirical evidence and studies reveal that a considerable part of international assistance is eaten up, embezzled and misused by many ways for which foreign donors, native government and aid utilization agencies are partly responsible. Foreign assistance should not only supplement the domestic savings but at the same time should create employment opportunities which will alleviate poverty of the poor developing countries.

widespread and ongoing process of evaluation of past experience with foreign aid in the aid community, including recipient countries, researchers, and aid agencies.

The second world war marked a point of major change in the evolution of the world economy, and the post-war experience with foreign aid should be seen in the context of the emergence of a large number of new nation states and the breakdown of the earlier colonial system. In the 60 years since second world war much has been learnt, and has changed in the world: economic and political systems, motivating ideologies and the degree of integration of the world economy. The motivation for aid has evolved during this period and the turn of the century is an appropriate time to take stock: (a) What lessons have been learnt about development policy and the provision of foreign aid? (b) What are the key development issues facing the world community in the twenty-first century? (c) What is the role of foreign assistance in addressing the problems of development in the future?

The last four to five decades of the 20th century witnessed a massive outpouring of studies on foreign aid, because: (a) The cold war rationale for aid disappeared following the demise of the centrally planned economies in Eastern Europe, and private capital flows to some developing countries surged during the 1990s. Aid objectives have gradually widened over the years, and the shifts in political coalitions are significant. (b) There have been significant changes in our understanding of growth and



Achieving critical level of physical infrastructure.

interrelated changes in resource accumulation, population growth, growth in knowledge, and improvements in production technology, all operating in an environment characterised by frequent and dramatic transformation in policies and in institutions.

It is very natural that the rationale or reasons for giving aid to developing countries have been cropped up in the minds of many people. A number of alternative, but not mutually exclusive, justifications for aid have been articulated over the years: (a) Altruism: Humanitarian concerns explicitly motivated many aid donors, reflecting concerns about the extent and

and domestic commercial and private sector interests in the provision of aid. An example is the possibility of aid generating more exports, a justification that underlies the modality of tied aid. (c) Economic development: This justification has been used both as a goal in itself and a necessary condition for the realisation of other development goals such as: poverty alleviation, the spread of democracy, gender issues, social development, and the expansion of markets (including providing a hospitable environment for foreign investment).

There are many lessons about appropriate development

structures; (b) well-functioning government institutions; (c) reliance on market mechanisms, reflecting that the command-economy model is no longer an alternative; (d) investment to achieve critical levels of social and physical infrastructure (health, education, transportation, communication, etc); (e) maintaining a stable macroeconomic environment; (f) achieving critical levels of resource mobilization; (g) reducing or eliminating gross distortions in incentive systems; (h) increased role of foreign trade (both exports and imports); (i) potential role of foreign private investment (including issues of short versus long term and portfolio versus direct

investment); and (j) transfer of knowledge and technology from developed countries.

Since the 1950s foreign aid has been associated with development successes and failures. There are many examples where aid played a significant part in supporting what turned out to be successful development strategies. In that sense aid has worked, and worked well; and the cross-country evidence shows that on average successes have outweighed failures. Conversely, there are many examples where for various reasons aid has failed to support elements of a correct strategy

One can distinguish two kinds of aid failure. The first is a failure in aid strategy. In this case, aid is pursued in spite of the fact that we know that it fails to support any of the elements of successful development strategies. The second kind of aid failure relates to aid delivery, including design, modality, or implementation.

It is often argued that poor countries with good policies should get more aid than ones with mediocre policies. However, in an environment where it is not feasible to improve, for example, macroeconomic management, it may well be feasible and desirable to use aid to support other elements of a successful development strategy, although perhaps with a longer time horizon in mind. Indeed, in the very poor countries, development priority should be given to long run investments in social and physical infrastructure and institutional development.

There is wide agreement that aid should in the future be focused on the poorest countries, which are mostly in Africa and Asia. In these countries, aid programmes have to be designed in an environment where it is difficult to set priorities and much remain unknown. This makes aid risky. One may expect failures and learn from them.

In order to understand the economics and politics of foreign aid we have to know about political economy of foreign aid. Political economy means political action by economic agents. Economic agents include consumers, producers, entrepreneurs, investors, donors and the native government. It also deals with the economic problems of the government and involves economics of democratic process, i.e., voter's choice or preference in respect of economic policy of the government.

There are various traditions in political economy, ranging from

economic determinism and rational choice modeling to idea-grounded social constructivism. We can think of at least three approaches. In one, foreign aid is determined by the economic interests of powerful groups within donor countries. Executive and legislative branches make economic policy with a view to its implications for their power. The second approach explains aid (bilateral and multilateral) as an effort to maximise benefits to donor states, deriving preferences for them from their situation in the international system. In the third, aid is the outcome of bargaining among units, a kind of political market made up of donor aid bureaucracies, multilateral aid agencies and recipient government officials. All three help explain donor motivations.

As world political conditions change, foreign aid changes: both its size and purposes. There has never been a pure economic development assistance regime. Rather, foreign policy has created and sustained various aid regimes among donors.

In the 1990s, threats to political and economic values emerged from the rise in wars and conflicts, the financial instability in global markets seen in the Asian crisis and the increase in pollutants and diseases which flow across borders. Donor countries have an interest in reducing these threats. A more benign and secure global environment is a key donor goal to which aid can be attached. This goal is now widely cited by donors, both in general and in announcing specific commitments. A second goal motivating donors is the benefits they derive from economic development in recipient states.

It is often said that foreign aid is a necessary evil because a large portion of assistance is not properly utilised. Empirical evidence and studies reveal that a considerable part of international assistance is eaten up, embezzled and misused by many ways for which foreign donors, native government and aid utilisation agencies are partly responsible. Foreign assistance should not only supplement the domestic savings but at the same time should create employment opportunities which will alleviate poverty of the poor developing countries.

Rashedul Islam is Senior Finance Controller (Defence Purchase), DGDP.