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12 IDEAS TO SAVE AMERICA'S RELATIONSHIP WITH THE WORLD

GLOBAL POLITICS, ECONOMICS, AND IDEAS

FP

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How Europe Teaches
Its Children to Think
Capitalism Is Immoral

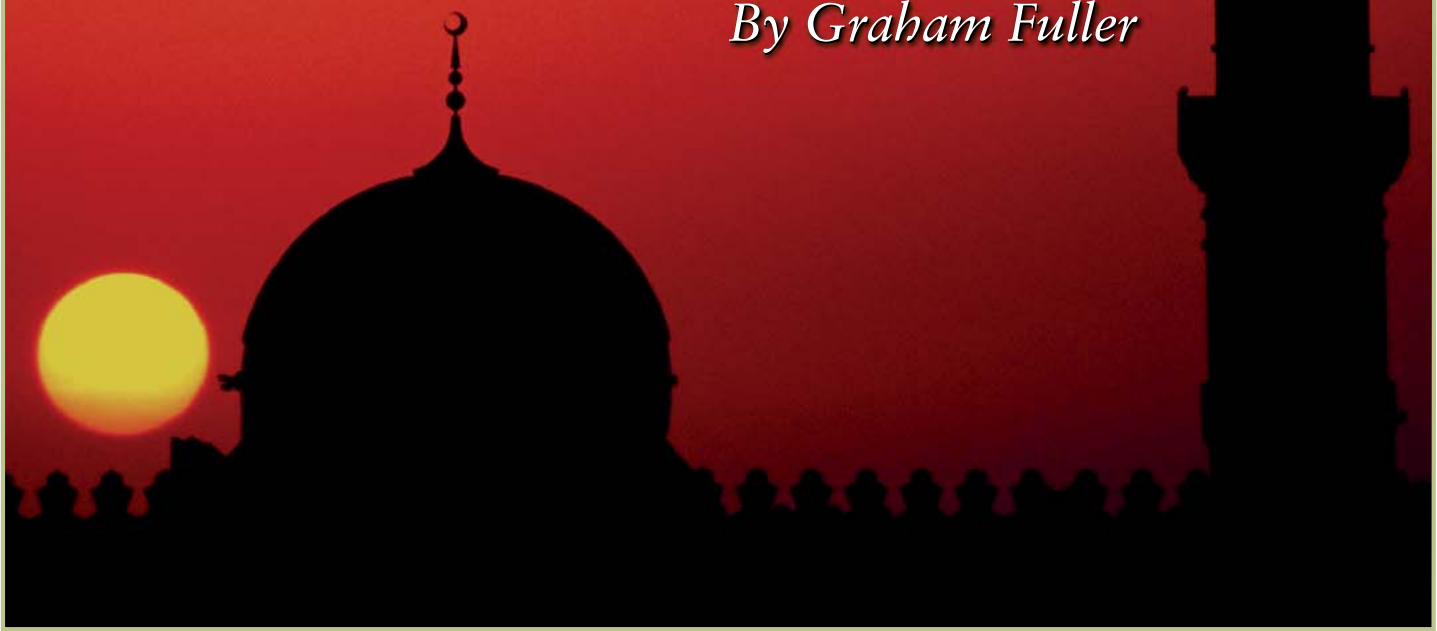
By Stefan Theil

JANUARY/FEBRUARY 2008

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A World
Without
Islam

By Graham Fuller





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A NEW VISION

FOR THE CARNEGIE ENDOWMENT



*Eric Schmidt,
Google CEO,
New Vision
Launch, 2007.*

In its first year, not only has this NEW VISION been enthusiastically received, but it has also generated opportunities that have propelled our efforts forward in ways that have exceeded our initial expectations. We now have operations up and running in China, the Middle East, and Europe in addition to our existing offices in Russia and the United States. We have made significant strides toward our goal of reinventing how think tanks operate in a globalized world and influence policy outcomes on a range of key issues across critical regions and international relationships.

MIDDLE EAST

In 2006, the Endowment established the Carnegie Middle East Center, comprised of leading researchers from the region, led by founding Director Paul Salem. In just the past year our Middle East Program in Beirut and Washington has:

- co-convened, with leading Middle Eastern and European research institutions, six

international conferences—in Beirut, Washington, Berlin, Athens, and the UK—that brought political actors and scholars from Arab countries together with Western analysts for thoughtful conversation and debate on questions central to the possibilities for political and economic reform;

- produced a series of research papers in English and Arabic on key issues, including political and economic reform in the region to women in Islamist movements to relations between Hizbollah and Iran;
- launched Carnegie's Arabic web portal, which makes available our growing body of translated and original analyses in Arabic, and is the vehicle for the distribution of the Arabic edition of our electronic monthly, the Arab Reform Bulletin; and
- launched a Middle East Center website in both languages.

An advisory council of leading individuals from across the Middle East will help guide the center, ensuring that its work is deeply rooted in the interests of the region. Comparable advisory councils are also being developed for our offices in China and Europe.

CHINA

Three core features distinguish Carnegie's approach to China—an unparalleled set of partnerships with seven leading Chinese

We live in a diverse but interconnected world and it is essential if you are to understand what is happening in a particular region of the world that you get to see it from the point of view of those who live there. It forces you to put yourself in their shoes, to get to understand the issues from their point of view. If you are going to resolve a problem or bridge differences you should be able to understand their concerns.

—Kofi A. Annan
former Secretary-General of the United Nations



*Thomas Carothers, VP
for Studies, Carnegie
Endowment, joined by
Khalid El-Hariry, Member of
Parliament, Morocco, and
Ghanim Al Najjar, Kuwait
University, at Carnegie's
New Vision Launch, 2007.*

مستجدات

انضم إلى فريقنا الإلكتروني

أخبارنا الإلكترونية

أدخل بريدك الإلكتروني

أدخل

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عدد الأزمات
روسيا والصين والآسيوية
جورج أيبا
التجارة والمخاطبة والتربية

أخيراً وبمباركة من قبل الموقع الإلكتروني الجديد لـ "مركز كارنيجي للشرق الأوسط" تم تسمية هذا الموقع لتقديم عملنا المشترك مع المجتمع العربي في "مركز كارنيجي للشرق الأوسط" وتوفير معلومات وبيانات حول الواقع والأحداث الحزينة والصفائية للناطقين الإنشائية والتاريخية على حد سواء. ونحن نأمل أن يوفر هذا الموقع سبلاً من التفاعل المثالية على الواقع والتحديات العربية والصفائية الاقتصادية والاجتماعية التي تواجهها المنطقة العربية. ومع إطلاق موقعنا الإلكتروني على الإنترنت نرحبكم بترحيبنا بترحيبكم وبمناقشتكم على العنوان الإلكتروني: info@carnegie-mec.org

يُطلق "مركز كارنيجي للشرق الأوسط" الذي أسسه في العام 2006 مؤسسة "كارنيجي للسلام الدولي" من مجموعة من الخبراء المتخصصين في الشؤون الأمنية وهو يمكن مركز أبحاث بقرعة نيويورك في الشرق الأوسط للتحقيق والتفكير في القضايا الاقتصادية والاجتماعية والسياسية في البلدان العربية وهي جميعاً كوكبة من كبار الباحثين في المنطقة يطمحون بخدمات مستقلة تتخطى المراسم والحدود وتقدم رؤية دول المنطقة وشعبها. ويضم المركز إلى إلقاء الضوء على عملية التغير السياسي في الشرق الأوسط العربي ومشاركة الأحداث الحزينة وزيادة فهم القضايا الدولية والاقتصادية المعقدة التي تؤثر في جغسنا ومساكننا هذه المنطقة من العالم.

Carnegie Middle East Center's Arabic Language Website.

institutions, including our core partnership with the China Reform Forum, the sweep of subject matter from international security to economic policy to ethnic relations to domestic society and politics, and our reach into high level policy and government circles in China. These assets have been further strengthened and reinforced through our on-the-ground presence in Beijing, established in September 2004.

Several major achievements over the past year have deepened our presence in China, including:

- the expansion of our research partnerships with Chinese institutions working on issues from Sino-U.S. military crisis management to the causes and prevention of Islamic extremism in Russia, China, and Central Asia to balancing Chinese economic needs between urban and rural areas;
- convening a series of meetings in Beijing that brought Chinese experts within and outside of government together with international scholars to consider critical issues for China's domestic and foreign policies, including on energy and climate change; and
- reaching a growing Chinese-language readership through our Chinese-language website, ChinaNet, and electronic monthly newsletter, China Insight Monthly, as well as a wider audience through major Chinese newspapers' regular reprinting of our newsletter articles.

EUROPE

Reflecting Europe's critical role in major world issues, Carnegie opened an office in Brussels in early 2007. Carnegie Europe's primary mission is to incorporate European participation into the work of our other institutions and to share Carnegie's work with European policy makers in European Union institutions and within European governments, as well as with European journalists, NGOs, policy experts, and scholars.

A highlight of Carnegie Europe's first year was a major conference designed to help Russia, Europe, and the United States develop a long term strategy for engagement and cooperation. Held in Paris in November 2007 and co-sponsored by the Weidenfeld Institute, it drew participants from Western and Eastern Europe, the United States, and Russia

THE FUTURE

Based on the tremendously encouraging outcomes of these initial efforts, and on Carnegie's exceptional institutional agility over the decades to reinvent itself as circumstances at home and abroad change, we are well on our way creating and developing a unique institution: the first truly multinational—ultimately global—think tank.



George Perkovich, VP for Studies, Carnegie Endowment, and Javad Zarif, former permanent representative to the UN of the Islamic Republic of Iran at New Vision launch, 2007.

Whether it's opening an operation in China, fighting for a reasonable NGO law in Russia, seeking new life for nonproliferation and universal compliance, or using technology and translation to communicate with the Islamic world, MacArthur depends on Carnegie.

—Jonathan F. Fanton, President John D. and Catherine T. MacArthur Foundation



Michael Swaine, Senior Associate, Carnegie China Debates: Reframing China Policy, 2007.

A NEW VISION

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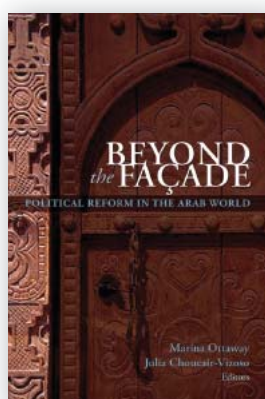
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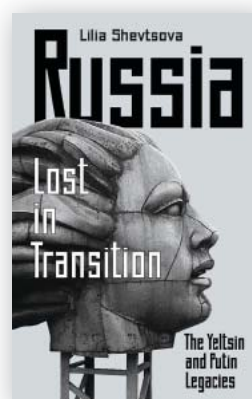
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- **Carnegie Proliferation News** A synopsis of top news stories related to weapons of mass destruction and missile defense, as well as periodic issue briefs on the top news-making issues, published every Tuesday and Thursday.
- **ChinaNet Insight News** Monthly updates in Chinese that provide objective, original policy analysis and serve as a communication channel for American and Chinese researchers and policy makers.
- **Hong Kong Journal** A quarterly, online publication designed to provide thoughtful writing about political, economic, and social issues relating to Hong Kong and its neighborhood.
- **Russia and Eurasia Program News** A monthly update of the Program's work and the Carnegie Moscow Center's recent reports, publications, and events. For content in Russian, subscribe to the Carnegie Newsletter published by the Carnegie Moscow Center at www.carnegie.ru.
- **South Asia Perspectives** A monthly update of Carnegie's South Asian Program and selected views and opinions from the South Asian media and policy circles.



Getting Russia Right
Dmitri V. Trenin



Beyond the Façade
Political Reform in the Arab World
Marina Ottaway & Julia Choucair-Vizoso, Eds.



Russia—Lost in Transition
The Yeltsin and Putin Legacies
Lilia Shevtsova



Savage Century
Back to Barbarism
Thérèse Delpech
Translated by George Holoch

CREATING VALUE

Values are always in flux. Whether it's the price of a barrel of oil or the things we hold dear, we are constantly taking stock. After nearly eight years of the Bush administration, the world is once again looking to size up the United States. Indeed, as **Moisés Naím** argues in this issue's Missing Links, the world is hungry for the United States to once again show leadership. But, if there is enormous demand for the United States to return to the world stage, it still leaves open the question of what America must do. So, we asked 12 leading thinkers just that: What one policy or gesture can the next president of the United States make to improve America's standing in the world? They gave us 12 different answers. Any of them would probably raise America's stock in the eyes of the world.

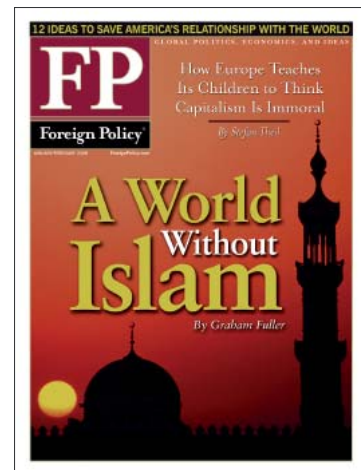
But some values are easily misunderstood. That is the case for Islam today. Too many people believe that Islam is the cause of much of the world's suffering. For them, the thinking goes, a world without Islam would have no holy wars, no terrorists, no clash of civilizations. In this issue's cover story, **Graham Fuller** exposes how bankrupt these beliefs are, convincingly arguing that even if you remove Islam from the history books, the world would still end up where it is today.

The values we hold dearest are often the ones we are taught. And, as **Stefan Theil's** study of French and German high school textbooks reveals, the way Europeans learn economics may go a long way in explaining why their economies perform as poorly as they do. When he looked closely at how European schools teach economics, Theil found a dangerously biased curriculum, one in which students are regularly taught that capitalism, free markets, and entrepreneurship are savage, unhealthy, and immoral. Although these values may be intangible, they may be every bit as important for Europe's future as the more concrete values listed on the London Stock Exchange.

Of course, here at *FP*, we are all about creating value, too. If you are reading this issue, we think you are off to a great start. But there is much more to *FP* than what you'll find in these pages. The magazine's award-winning Web site, ForeignPolicy.com, offers a daily diet of original, provocative editorial features. For example, every Monday *FP's* editors bring you The List, our breakdown of the people, places, or things that are shaping our world. Recent Lists have featured the World's Worst Currencies, Stupidest Fatwas, and Most Eligible World Leaders. Every Tuesday, we post a timely, new Web-exclusive argument that challenges conventional thinking. Some of our recent authors have included **Henry Kissinger**, **Kenneth Rogoff**, and **Nouriel Roubini**. Check in again on Wednesday, and you'll find that week's Seven Questions, lively interviews with the thinkers and newsmakers who matter most. **Angelina Jolie**, **Zbigniew Brzezinski**, and **Ted Turner** are just a handful of people who have shared their views with *FP's* online readers. And, if that's not enough, go to *FP's* blog, [Passport \(blog.foreignpolicy.com\)](http://blog.foreignpolicy.com), for an insightful and entertaining look at world events every day. We're confident you'll find visiting ForeignPolicy.com a valuable experience.

As always, we welcome your comments and feedback at ForeignPolicy.com.

The Editors



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- 54 **Europe's Philosophy of Failure** In France and Germany, students are being forced to undergo a dangerous indoctrination. Taught that capitalism, free markets, and entrepreneurship are savage, unhealthy, and immoral, these children are raised on a diet of prejudice and bias. Rooting it out may determine whether Europe's economies prosper—or continue to be left behind. *By Stefan Theil*
- 62 **What America Must Do** Anger, resentment, and fear have replaced the respect the world once held for the United States. So, we asked 12 of the world's leading thinkers to answer a single question: What one policy or gesture can the next president of the United States make to improve America's standing in the world?

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- 112 **Hungry for America** After seven long years, the world is ready—and waiting—for the return of the United States. *By Moisés Naím*

The power of Putin:
How Russia’s leader is
holding his country hostage.



12 ways the United States
can repair its relationship
with the world.

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CONTRIBUTING EDITORS

Jacques Attali, *Paris*; Jorge I. Domínguez,
Cambridge, Mass.; Yoichi Funabashi, *Tokyo*;
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Oil Shock

Vijay V. Vaitheeswaran's article on oil is highly problematic ("Think Again: Oil," November/December 2007). To begin with, the statement, "The world has more proven reserves of oil today than it did three decades ago, according to official estimates," clearly indicates Vaitheeswaran's limited knowledge about the debate surrounding oil reserves. Apparently, he simply accepts statistical data (such as that published in BP's *Statistical Review of World Energy*) without question.

The fact is, most crude oil was found in the 1960s, and the discovery rate has since declined. There is no way to replace today's consumption of 30 billion barrels a year with new discoveries. Yes, technology might extract more oil at an early stage of production, but in the end, we may face the same pattern of decline witnessed in the giant Mexican oil field Cantarell, where production is falling fast.

The problem for the United States in the future is that there will be a 7 million barrel a day increase in the consumption and importation of oil during the next 25 years (the same amount that China consumes today), according to the Energy Information Administration. But by 2030, the oil-exporting countries will have less production than they do today. Where will the oil required to fulfill this shortfall come from?

Vaitheeswaran may be an excellent journalist when it comes to subjects other than future oil production, but on this issue, he is severely mistaken. He should heed the words of former U.S. Energy Secretary James R. Schlesinger's statement from September 2007: "[T]o the peakists I say, 'You can declare victory. You are no longer the beleaguered small minority of voices crying in the wilderness. You are now mainstream.'" It's unfortunate that Vaitheeswaran chooses to live on the fringe.

—KJELL ALEKLETT

Professor of Physics

Uppsala University

President

Association for the Study of Peak Oil & Gas

Uppsala, Sweden

Vaitheeswaran's article is a perfect example of the instant energy expertise that surfaces any time oil prices go on a vertical run. The giveaway comes early on when we are served the tired

old platitude that Canada has tar sands with greater energy content than all the oil in Saudi Arabia. This is not yet true in reserve terms: Alberta Energy and Utilities Board estimated in 2006 that the total oil sands reserves stand at 174.5 billion barrels, compared to Saudi Arabia's 264.3 billion barrels. And though Alberta's total may eventually amount to as many as 315 billion barrels, the comparison is still dealing with proverbial apples and oranges. The Wyoming and Colorado oil shales in the United States contain even more oil than Alberta's oil sands—but in both cases producers face the nontrivial (not to mention costly and environmentally ruinous) task of separating a small share (5 to 10 percent) of tightly bound liquid from solid mass.

Canadian oil sands extraction began in 1967, and by 2005, production reached 1 million barrels per day, equal to roughly 1.25 percent of global crude oil extraction. Most forecasts see oil production from Athabasca oil sands at 2 million barrels per day by 2015, and the government of Alberta believes it could be 3 million by 2020 and possibly 5 million in 2030. By that time, however, OPEC anticipates global extraction will be 118 million barrels per day, so even the highest conceivable oil sands contribution would supply no more than 4 percent of the total. Clearly, in no way could these "mucky deposits" displace today's Saudi production or even make a crucial difference.

Similarly naïve is Vaitheeswaran's faith in China's "burgeoning green revolution," promoting "alternatives to hydrocarbon fuels" and enacting "tough fuel economy standards." It is more appropriate to consider China's "green" record since 2000. By 2006, oil consumption in the country had risen by 56 percent, total energy use had increased by 75 percent, and emissions of sulfur dioxide were up by 30 percent. China has now surpassed the United States as the world's largest emitter of greenhouse gases. This hardly portends a green future. If Vaitheeswaran is willing

For More Online

Is the oil running out? Watch FP author Vijay V. Vaitheeswaran debate Robert L. Hirsch, a prominent believer in peak oil, at ForeignPolicy.com/FPTV.

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MEDIA RELATIONS MANAGER

RANDOLPH F. MANDERSTAM
SYNDICATION COORDINATOR

SUBSCRIPTIONS & SUBSCRIBER SERVICES

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MEDIA INQUIRIES

Contact Jeff Marn (202) 939-2242; jmarn@CarnegieEndowment.org.

SYNDICATION REQUESTS

Contact Randolph F. Manderstam (202) 939-2241; rmanderstam@CarnegieEndowment.org.

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FOR INTERNATIONAL PEACE

to bet on the future of China's "hydrogen-powered automotive technologies," I am ready to play. I am not a gambling man, but this is close to a sure thing. So, I bet Vaitheeswaran a loonie (one high-flying Canadian dollar) that China will not become the world's leading producer of hydrogen cars, not by 2015, not even by 2025. It's a small amount, but given the parlous state of the U.S. currency, he may want to start worrying how he will discharge that eventual debt.

—VACLAV SMIL

*Distinguished Professor
Faculty of Environment
University of Manitoba
Winnipeg, Canada*

Vaitheeswaran's assertion that Russian pipeline politics are nothing for Europe to worry about is cold comfort. It's also clearly at odds with Central Europe's experience for the past 17 years. Moscow tried to force the Baltic states to back away from independence by cutting off energy in 1990. Energy flows were stopped in late 1992 in an attempt to pressure Latvia and Estonia to allow Russia's officer corps to remain. Ukraine was offered restored gas flows between 1993 and 1994 in exchange for a larger slice of the Black Sea navy fleet. Oil from the Druzhba pipeline was cut off from Latvia in 2002 when Russia was denied permission to buy the Ventspils port. Oil stopped flowing to Lithuania in July 2006 when the government sold its refinery and port facilities to a Polish, rather than a Russian, company. The pipelines are still empty.

Vaitheeswaran doesn't need to take my word for it; the Russians couldn't be clearer about their intentions. In September of last year, Viktor Chernoymrdin, the Russian ambassador to Ukraine and former head of Gazprom, stated that the price of natural gas to Ukraine in 2008 would depend on who the new prime minister would be. The Swedish Defense Research Agency has documented more than 40 energy disruptions by Russia for political reasons. If Russia is not using energy as a political tool in Europe, why are most of the major Russian-European energy deals decided personally by President Vladimir Putin? As Europe becomes increasingly dependent on Russian natural gas shipments, more countries face the risk of "energy pressure." Europe's concern

over Russia's pipeline politics is valid—and the threat is growing.

—KEITH SMITH

*Senior Associate
Energy and National Security Program
Center for Strategic and International Studies
Washington, D.C.*

Vijay Vaitheeswaran replies:

The three letters critiquing my piece fall into the same trap that ensnared the failed Club of Rome thinkers, the discredited Population Bomb forecasters, and other eco-pessimist prognosticators back in the 1970s: They adopt an end-of-technology mind-set, assume that today's demand curves will rise in a straight line forever, and largely ignore the dynamic interplay of market price incentives and future technological innovation.

Kjell Aleklett pins his argument about impending peak oil on the notion that the discovery of new oil fields has slowed since the 1960s. But there are even bigger resources available right under our noses, thanks to technological breakthroughs such as multilateral drilling and 3-D seismic drilling that were unforeseen by petro-pessimists three decades ago—and that explain why the world's ultimately recoverable resource base is still expanding. Globally, the oil industry recovers only about one third of the oil known to exist in any given reservoir, leaving plenty of room for improvement. Large parts of Iraq, Saudi Arabia, and Siberia (never mind the Arctic) have not even been explored with the latest equipment. New technologies such as 4-D seismic analysis and electromagnetic "direct detection" of hydrocarbons are lifting that recovery rate. Even an increase of a few percentage points would provide more oil to the market than another discovery on the scale of those in the Caspian or North seas—as the massive field recently discovered off the coast of Brazil demonstrates.

Vaclav Smil makes an argument that is internally inconsistent. My piece pointed out that the vast remaining reserves of unconventional hydrocarbons, such as Canada's tar sands, help disprove the depletion thesis. After criticizing my estimate of the potential of tar sands, Smil goes on to make my argument for me, speculating that Alberta may have more oil-bearing sands than I suggested—and adding that the American West may



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A selection of the past year's events includes:

Mike Leavitt, Secretary of Health and Human Services, on "Every American Insured—Expanding Access to Health Care"

Iranian President Mahmoud Ahmadinejad speaking at the Columbia University World Leaders Forum

Fernando Henrique Cardoso, former President of Brazil, and others on "Reshaping Latin America: A Call to the Next Generation of Leaders"

Ismael Beah, former child soldier, and others on "Child Soldiers—The Silent Cost of War: What Has the United Nations Done for Them?"

John J. Mearsheimer and Stephen M. Walt on "The Israel Lobby and U.S. Foreign Policy"

Jagdish Bhagwati and Arvind Panagariya on "India—An Emerging Giant"

David N. Dinkins, former NYC mayor, David Jones and others on "Wealth and Poverty in Global Cities"

Congressman Charles Rangel and others on "Perspectives on U.S. Trade Policy: Congressional Priorities in a New Political Era"

Alfred C. Stepan on "Islam and Democracy"

Michael R. Bloomberg, NYC mayor, and others on "Governing a Diverse City in a Democratic Society"

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have oil shale that overshadows even that staggering tally. More serious is his observation that tar sands have not yet grown into an important source of gasoline. That is true, but it is because oil prices did not justify sustained investment in alternatives to conventional oil during the past 30 years. The more correct the gloomsters are about conventional oil peaking and prices shooting up, the more likely it is that sustained price signals will lead to an outpouring of investment in alternatives to oil—whether it is in clean alternatives such as biofuels, or dirty ones such as shale and tar sands. Turning to Smil’s wager, I’ll happily bet what I forecast—that China will, in the future, be a world leader in one of the various advanced automotive technologies that I describe in my new book, *ZOOM*. Given the extraordinary burst of innovation now taking place in the energy and auto industries of developing giants like China and Brazil, to think otherwise would be loony.

Keith Smith does not even attempt to challenge my principal argument: It is not in Russia’s interest to sustain an embargo against its biggest customers in

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in Foreign Policy



A MESSAGE FROM AMBASSADOR JOHN BRUTON



HEAD OF DELEGATION
European Commission Delegation to the United States

Fifty years into the “European project,” the EU has grown from six to 27 member countries and expanded its zone of stability, prosperity, and peace, encountering new neighbors with each enlargement, and progressing closer to the EU’s founding goal of an “ever closer union among the peoples of Europe.”

Through the European Neighborhood Policy, the EU offers to help its neighbors to the east and south to reform and modernize, with the goal of extending stability and shared values beyond the EU’s borders to create a well-governed ring of friends with whom the Union can engage in close and cooperative relations.

This issue of *EU Focus* shows how the EU responds to neighbors’ pursuit of political and economic reform, supporting tangible accomplishments that create a win-win situation: helping the EU’s closest neighbors achieve prosperity and stability makes Europe a better place to live and the world more secure.

■ EU Focus

In-depth treatment of important European issues and the transatlantic relationship.

■ This Issue

European Neighborhood Policy: the EU supporting stability, prosperity, and security in its neighborhood.

■ Comments

E-mail to Delegation-USA-JBCComments@ec.europa.eu



www.eurunion.org

The European Neighborhood Policy: Creating a Ring of Friends Surrounding Europe

“The philosophy behind our assistance is a long-term commitment tailored to local needs; aware that the crucial element in democratization is the domestic impetus for reform. We know democracy cannot be imposed from outside; our responsibility is to support and encourage the forces of reform.”

Benita Ferrero-Waldner,
European Commissioner for
External Relations and ENP



EU Commissioner for External Relations and ENP Benita Ferrero-Waldner at the ENP conference.

Human rights, democracy, and the rule of law are central to the European Union (EU), and respect for these core values has resulted in fifty years of stability, prosperity, and the longest reign of peace in Europe. The European Union also seeks to stimulate democracy and economic development beyond its borders through its European Neighborhood Policy (ENP). Sixteen neighboring countries to the east and the south of the EU's 27 Member States benefit from the ENP as they profit

from access to the EU's internal market; closer cooperation on energy and transport links; and a chance to participate in the Union's programs. This partnership helps ENP countries strengthen their rule of law, democracy, respect for human rights, and promote market-oriented economic reforms.

The ENP is a win-win policy: helping the EU's closest neighbors achieve prosperity and stability makes Europe a better place to live. Creating an area of stability and shared values outside the EU serves the mutual interest of both the Union and its neighbors, and is an important element of the EU's own security strategy.

Working together



European Neighbourhood Policy

inside

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“It is in the European interest that countries on our borders are well-governed. Neighbors who are engaged in violent conflict, weak states where organized crime flourishes, dysfunctional societies, or exploding population growth on its borders all pose problems for Europe.

“The integration of acceding states increases our security but also brings the EU closer to troubled areas. Our task is to promote a ring of well governed countries to the East of the European Union and on the borders of the Mediterranean with whom we can enjoy close and cooperative relations.”

European Security Strategy, December 2003

The European Neighborhood Policy: Why, What, and How?

Avoiding New Dividing Lines in Europe

“We stand firm on the principle that this is not about forcing any country in a particular direction. It is about responding to the decisions you [ENP partners] make toward realizing our common vision of a zone of stability and prosperity. And we are committed to the idea that each country shapes its relationship with us individually.”

European Commission
President José Manuel Barroso

The European Neighborhood Policy (ENP), introduced in 2004, represents a new, more focused approach in the EU's relations with its neighbors to the east and the south and invites them to share in the peace, stability, and prosperity enjoyed by the Union. ENP is distinct from enlargement: while not closing any doors to prospective *European* members in the future, neither does it imply accession. Rather, the neighborhood policy offers a substantial deal that will benefit both the EU and these partners, and prevent new dividing lines from emerging between the EU and its neighbors.

While the ENP policy is a relative newcomer, the EU has for years provided considerable support to the “neighborhood countries.” The EU and its eastern neighbors—former Soviet republics—concluded Partnership and Cooperation Agreements in the late 1990s based on respect for democratic principles and human rights that set out their political, economic, and trade relationship. Mediterranean partners have benefited since 1995 from the Euro-Mediterranean Partnership (EMP) and its bilateral Association Agreements, which cover political dialogue, establishment of a free trade area, and economic, financial, social, and cultural cooperation. ENP builds on and complements these existing relationships.

Cooperation under ENP is based on mutual commitment to common values—democracy and human rights, rule of law, good governance, market economy principles, and sustainable development. The EU's aim, ultimately, is to be surrounded by stable, prosperous neighbors, and supporting the political and economic development of these neighbors is the Union's best guarantee to this end.

ENP developed in response to the interests and wishes of the EU's eastern and southern Mediterranean neighbors for a closer privileged relationship. Through this policy, the EU aims to help the peoples and governments of these nations achieve their political and economic reform objectives. The Union also promotes security and stability by working with neighbors to address development, environment, non-proliferation, and counterterrorism issues in line with the European security strategy. ENP neighbors are interested in benefiting to the maximum extent possible from what the EU can offer—economic stability and larger markets, reform experience and know-how, cultural and other people-to-people contacts.



The sequence and pace of reforms are defined in each partner's ENP Action Plan, which reflects the specific needs of the individual country. Partners are encouraged to pursue reforms that will enable them to benefit from deeper political and economic integration, including the opportunity to participate in EU programs and agencies and, the most innovative of all, the possibility of a “stake in the internal market.”

As countries advance through the reform process, the EU offers progressively greater incentives and benefits. European Commission President José Manuel Barroso explains, “The closer you want to be to the EU, and the greater your commitment to reform, the more we will offer you in terms of ... assistance to reach those goals, and opportunities to expand and deepen our relations.”

ENP Action Plans are bilateral agreements tailored to individual partners' short- and medium-term (three to five years) reform priorities covering:

- political dialogue and reform, including human rights and governance;
- economic and social cooperation and development;
- trade related issues, market and regulatory reform;
- cooperation on justice, freedom, and security;
- sectoral issues including transport, energy, information society, environment, R & D;
- human dimension—people-to-people contacts, civil society, education, public health.

EU FACT

EU Membership

European integration has changed the face of Europe over the past half-century, eliminating the artificial division of the Cold War and increasing the number of Member States from six to twenty-seven. Any *European* country may apply for membership provided that it respects liberty, democracy, human rights and fundamental freedoms, and the rule of law. However, this EU treaty provision does not mean that all European countries must apply, or that the EU must accept all applications. The EU is a political project with political borders—based more on values and political will than on rivers and mountains.

Political Integration. EU support and expertise is available to help countries prepare and implement key reforms promoting democratization, such as electoral laws, decentralization, and strengthened administrative capacity. ENP supports partners' capacity to implement the rule of law, including the reform of civil and criminal codes and the judicial and penal systems, as well as the introduction of measures to tackle corruption and organized crime. The EU has set up and funded a new Governance Facility under the ENP for those countries ready to push even further ahead with reforms and who seek a more ambitious partnership with the EU.

Deeper political integration involves more frequent and higher-level dialogue; support for further strengthening of democratic institutions and processes; promotion of common foreign policy priorities, such as regional cooperation; a commitment to making multilateral institutions more effective; and a willingness to seriously address common security threats, including terrorism, extremism, and weapons of mass destruction. Partner countries may eventually participate in aspects of the EU's Common Foreign and Security Policy and European Security and Defense Policy, as Morocco has already done by providing troops for the EU's crisis management operation (ALTHEA) in Bosnia & Herzegovina.

Economic Integration. Enhanced economic integration entails substantial EU financial and technical assistance for agreed reform priorities and cross-border cooperation—reforms that will help partners take advantage of the generous trade access offered to the EU's internal market.

For the first time, ENP makes it possible for non-EU countries at a lower level of development to participate—albeit gradually and progressively—in the EU's internal market. To do so, ENP partners face the dual challenge and opportunity of achieving regulatory convergence with relevant EU standards for specified goods. Such product conformity will allow these products to enter the EU market without further testing or certification, providing the exporting country with vast savings in cost and procedures as well as significantly simplified market access.

Trade and investment potential cannot be fully tapped without the existence of open market economies and



European Commission President José Manuel Barroso at the ENP conference.

good economic governance. While economic progress depends on a partner's commitment to reforms, ENP provides increased financial and technical assistance and the prospect of participation in EU programs, notably research and education, and better physical links with the EU in such sectors as energy, transport, and communications.

The EU's monitoring of the reform process credits the first eighteen months of ENP as having laid the groundwork for important future progress. The EU is increasing support to help countries reform faster and better through a strengthened ENP.

EU Financial and Technical Support—Highlights

- **European Neighborhood and Partnership Instrument (ENPI)** allots nearly €12 billion over seven years (2007-2013), a 45 percent increase over comparable funding for the previous seven year period. ENPI targets implementation of the ENP Action Plans, and supports measures leading to partners' participation in the EU's internal market. ENPI also finances "joint programs," bringing together regions of Member States and partner countries sharing a common border. Although Russia is not part of the ENP, funding for the EU's strategic relationship with Russia is also drawn from the ENPI.
- **European Initiative for Democracy and Human Rights (EIDHR)** funds actions to promote liberty, human rights, democracy, and the rule of law.
- **European Investment Bank (EIB)**, the EU's chief lending arm, makes loans available to ENP partners, particularly for infrastructure projects.
- **TAIEX** provides targeted policy and legal advice to partners adopting or approximating EU legislation (e.g. for regulatory convergence, institution building).
- **Twinning** pairs officials from EU Member States with government counterparts in ENP partners to work together to implement EU law in a given sector.

Who Are the EU's Neighbors?

Highlights of EU Neighborhood Support



Building in Gaza built with EU funds.

Middle East Peace Process

The EU is an active player in efforts to end conflict in the Middle East. It is the region's major donor and trading partner; it plays a key role in the Middle East Quartet, with the U.S., Russia, and the UN; and it is closely involved on the ground with teams of specialized personnel.

The EU supports a two-state solution: Israel and a Palestinian state living side-by-side within secure and recognized borders enjoying normal relations with their neighbors.



EU funding at work in Azerbaijan

The sixteen countries of the European Neighborhood Policy vary widely in their economic development, ranging from Israel with a per capita GDP of \$17,677 in 2006 to Moldova with only \$850. Geographically, historically, and culturally, important differences abound. The common thread, however, is proximity to the EU, a desire for progress, and a willingness to undertake the difficult reforms necessary to advance. The ENP approach is differentiated, but within a common framework—the EU crafts a specific and unique relationship with each partner. At the same time, the EU approach also promotes exchange of experiences and dialogue in response to common cross-border challenges such as energy security, terrorism, migration, and environmental pollution. A sampling of ENP priorities, partner by partner, gives a sense of the breadth and depth of the EU's commitment and contribution to the reform process in these neighboring nations.

Algeria. The EU-Algeria Association Agreement aims for closer political and economic dialogue, gradual trade and services liberalization, and cooperation on economic, social, cultural, justice, and home issues. Current EU support for Algeria's reform process includes:

- Training and expertise: to enhance the competitiveness of small and medium-sized businesses along with support for public entities involved in developing this sector.
- Civil Service: technical advice, training, and twinning.

Armenia. ENP priorities include institutional, legal, and administrative reforms and support for the transition process. EU funded projects include:

- A food security program directed at poverty reduction includes budgetary and technical assistance for land reform and public finance management.
- Nuclear safety measures entail EU support for early closure of the aging Madzamor Nuclear Power Plant and development of alternative energy strategies.

Azerbaijan. Reform priorities target strengthening state structures; supporting economic and social development; promoting human rights, democratization, and the rule of law; and encouraging regional cooperation in the Southern Caucasus. EU support assists the following reforms:

- Fostering trade and tourism while increasing

security to counter the movement of criminals and human trafficking by restructuring the customs code and modernizing the border guard service.

- Memorandum of Understanding to establish an energy partnership that supports the country's energy sector and secures EU energy supplies from Azerbaijan.

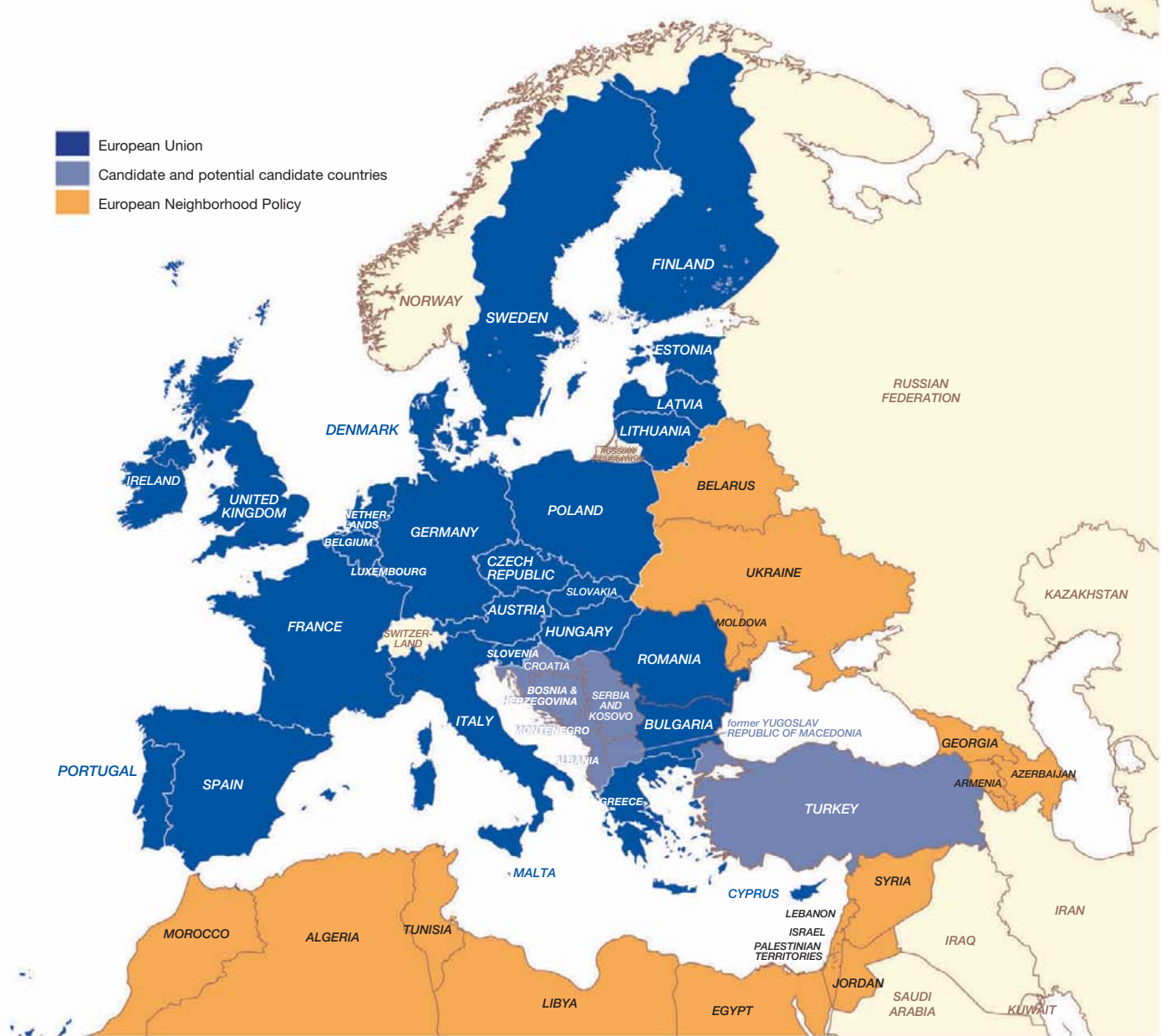
Belarus. The Partnership and Cooperation Agreement negotiated with Belarus was frozen in 1997 due to a lack of commitment to democratic reform. The EU is prepared to offer Belarus a full partnership provided that Belarus undertakes convincing steps toward democratization, respect for human rights, and the rule of law.

Egypt. The ENP Action Plan identifies and sequences Egypt's own agenda of political, social, and economic reform. It also covers an agreement on intensified political, security, economic, trade, investment, scientific, technological, and cultural relations, and shared responsibility for establishing an area of peace and stability, including in the region. Current EU support for Egypt's reform process includes:

- Education: training, equipment, and financial support for the Government's Education Enhancement Program, which aims to improve the basic education system, particularly for underprivileged areas, and offer better access for girls.
- Customs: policy advice and technical assistance in support of Egypt's customs reforms to realize simplified, modernized customs processes that will facilitate trade.

Georgia. The ENP Action Plan supports Georgia's post-"Rose revolution" reform program to transform the country into a modern market-oriented economy. Priorities include measures to bolster Georgia's democratic institutions, strengthen the rule of law, and support market economy and regulatory reforms. Concrete EU supported achievements include:

- Rule of Law: EU advisory mission helped Georgia establish a comprehensive blueprint for the reform of the criminal justice code and system (courts, prosecution office, prisons), a civil register (voters' lists), and a free legal aid system.
- Conflict zones: EU, as the largest donor, supports economic rehabilitation, including infrastructure, and confidence-building measures in these areas.



Israel. EU free trade arrangements for Israeli industrial goods and concessions for trade in agricultural products are already in place. The ENP opens up an expanded area for cooperation, including measures that promote Middle East peace, counter anti-Semitism, racism, and xenophobia, step up the fight against terrorism and weapons of mass destruction, and tackle human trafficking, organized crime, and migration issues. The Action Plan aims to gradually integrate Israel into EU policies and programs, and encourages Israel to bring its laws closer in line with EU legislation in order to gain access to the EU’s internal market. Concrete results include:

- Higher education: From 2007, Israeli students at all levels can benefit from “neighborhood scholarships” under Erasmus Mundus; Israel is also eligible for funding under Tempus, through which the EU facilitates university modernization, mutual learning between regions and peoples, and understanding between cultures.

ENP Partners	GDP \$ Millions 2006	GDP Per Capita 2006	Population Millions 2006	ENP Action Plan In Force
Algeria	114,727	\$3,440	33.3	
Armenia	6,406	\$2,130	3.0	2006
Azerbaijan	20,116	\$2,375	8.5	2006
Belarus	36,945	\$3,802	9.7	
Egypt	107,484	\$1,426	75.4	2007
Georgia	7,550	\$1,702	4.4	2006
Israel	123,434	\$17,677	7.0	2005
Jordan	14,176	\$2,634	5.6	2005
Lebanon	22,722	\$5,603	4.1	2007
Libya	50,320	\$8,436	5.9	
Moldova	3,266	\$850	3.8	2005
Morocco	57,307	\$1,879	30.5	2005
Syria	34,902	\$1,790	19.5	
Tunisia	30,298	\$2,990	10.1	2005
Ukraine	106,111	\$2,278	46.6	2005
West Bank/Gaza	4,059	\$1,085	3.7	2005

Source: World Bank statistics.

“Morocco is one of the EU’s key energy partners in the Mediterranean region as a transit country for natural gas supplies and an electricity exporter to the EU. Developing further our energy cooperation through progressive integration of our respective energy markets will contribute to enhancing security of energy supplies both in the EU and Morocco. Therefore I welcome Morocco’s commitment to achieve progressive convergence of its energy policy with the EU.”

Benita Ferrero-Waldner,
European Commissioner for
External Relations and ENP



Signature of EU-Israeli agreement on R & D cooperation.

- R & D: cooperation agreement allows Israeli researchers, universities, and companies to participate in the EU’s 7th RTD Framework Program (and its predecessor). Israel was the first non-European country to be associated with this program.

Jordan. The government of Jordan utilizes the ENP Action Plan to support its own ambitious reform process—the ten year National Agenda—which assigns a high priority to political development. The ENP plan covers good governance and the rule of law, including reform of political parties and electoral law; enhancement of the independence and impartiality of the judiciary; equal treatment for women; fiscal consolidation and economic reforms; increased trade and investment; public sector reform; and improved education and employment policy. Tangible results of EU support include:

- Education: EU financial support for reform of the education sector targeting universal and equal education, especially in underprivileged areas.
- Trade development: the EU supports Jordanian convergence with EU standards on manufactured products to improve Jordanian access to the EU market.

Lebanon. The immediate focus is on reconstruction following the 2006 military conflict and on strengthening institution-building. The EU is one of Lebanon’s principal donors, and EU assistance for reform priorities and reconstruction in 2006 was €32 million, with an additional €91 million committed following the 2006 conflict. Tangible results include:

- Police and Judiciary: EU technical assistance and material support help reinforce the capacity of the police and the judiciary to maintain law and order.

- Palestinian refugees: EU support for the more than 400,000 Palestinian refugees in Lebanon, mostly in UN-run refugee camps, is geared toward improved shelter, socio-economic development, training and temporary employment, health, and food aid.

Libya. Although Libya has observer status in the Euro-Mediterranean Partnership, it is not a full member, and has no contractual relations with the EU, although negotiations for an Association Agreement are expected to begin in 2008. Once an Association Agreement is in place, Libya will be eligible for the added benefits of the European Neighborhood Policy.

Moldova. Moldova is one of the poorest countries in Europe, and its development and stability are hampered by the “frozen conflict” between Moldova proper and Transnistria, the breakaway region in the east. The ENP Action Plan for Moldova involves significant financial support for areas that may mitigate the Transnistria problem, including institutional strengthening, judicial reform, an improved business climate, and cooperation on such issues as border management, migration, human trafficking, organized crime, corruption, and money laundering. Tangible EU support includes:

- Trade access to the EU market through “GSP Plus” trade preferences; and EU technical support for Moldovan sanitary and phyto-sanitary systems (SPS) to facilitate access to the EU market for Moldovan food products.
- An EU Border Assistance Mission (BAM) helps ensure transparent management of the Moldova-Ukraine border, helping to limit smuggling, trafficking, and customs fraud, and providing advice and training to the Moldovan and Ukrainian border and customs services.

Morocco. Morocco has pursued closer relations with the EU for years and is seeking “advanced status” in relations with the Union, with the stated ambition of harmonizing much of its legislation with that of the EU by 2008. The EU has supported this goal with a €100 million program for public administration reform, along with additional specialized grant and loan opportunities. The ENP Action Plan covers human rights and good governance, private sector development, infrastructure, education and health reform, and sanitation and anti-pollution strategies. EU support for concrete projects includes:



EU humanitarian aid during the crisis in Lebanon.

- The fight against terrorism: twinning support is provided to Morocco to develop its anti-money laundering system, including the establishment of a Financial Intelligence Unit (FIU).
- Energy security: Morocco is a transit country for shipments of Algerian gas to the EU, and the partners are pursuing strengthened cooperation on energy to promote the progressive integration of Morocco into the EU's internal energy market.

Palestinian Authority. Since June 2007, the EU has resumed normal relations with the Palestinian Authority and supports long-standing reform priorities including democracy building, good governance, free and fair elections, respect for human rights, and economic development. The EU is the lead donor of humanitarian and economic assistance to the Palestinians, with grant funding increasing from €500 million in 2005 to €688 million in 2006. Some concrete examples of EU support include:

- Fair elections: through funding to establish an Independent Palestinian Election Commission, the EU helped ensure the free and fair conduct of presidential and legislative elections.
- Police: the EU's Police Mission for the Palestinian Territories helps the P.A. establish sustainable and effective policing arrangements.

Syria. Syria is a signatory to the Euro-Med Partnership, but approval and signature are still pending for the draft Association Agreement initialled in 2004. While Syria is covered geographically and politically by the ENP, the Action Plan cannot be agreed until an Association Agreement is signed and ratified. Nevertheless, the EU provides support for institution-building to lay the groundwork for future reforms and initiatives to help create a more open society.

Tunisia. Tunisia has progressed furthest of the Euro-Med partners toward a free trade area with the EU, having begun dismantling tariffs more than ten years ago. The ENP encourages Tunisia to match its socio-economic credentials with comparable progress on democratization and human rights. EU concrete support includes:

- Education: EU support from kindergarten through university for new teaching methods, teacher training, the development of universities and vocational training centers, and measures to enable Tunisian students to study in the EU.



EU Commissioner for External Relations and ENP Benita Ferrero-Waldner at the site of an EU project in Gaza.

- Rural Development: EU support helps tackle rural poverty and protect natural resources, for example, by promoting the development of local cooperatives and associations to manage water supplies and oversee dam construction.

Ukraine. The EU and Ukraine are pursuing an increasingly close relationship that will gradually lead to economic integration and a deepening of political cooperation. Ukraine is a “priority country” under ENP, and EU support for Ukraine’s reform process aims to promote a stable democracy and prosperous market economy. Negotiations are underway for an Enhanced Agreement that includes a deep and comprehensive free trade area to boost trade, investment, and economic development. Tangible results include:

- Democratization, human rights, rule of law: EU assistance and training support encouraged Ukraine to build upon the achievements of the “Orange Revolution.”
- A Memorandum of Understanding on energy will increase cooperation in this sector, open the way for the potential future integration of EU and Ukraine energy markets, support Ukraine’s energy sector reforms, and help raise nuclear safety standards.

“Ukraine has made remarkable progress in democratic and economic reform since the Orange Revolution. The negotiations of the new agreement will bring Ukraine and the EU yet another step closer together. The negotiations of a free trade area will deepen our economic integration, while further political co-operation will advance areas such as democracy, human rights and the rule of law. Ukraine is also a key energy partner for the EU, and the new agreement will help us to go further in ensuring energy security, improving energy safety, and environmental standards, and progress towards integration of our electricity and gas markets.”

Benita Ferrero-Waldner,
European Commissioner for
External Relations and ENP

The EU: Making a Difference in Its Own Neighborhood

“The European Union and the United States share a deep conviction that peace and human development depend upon the protection of individual liberty, human rights, the rule of law, economic opportunity, and the growth of strong democratic societies.”

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The European Neighborhood Policy is a tangible expression of this transatlantic sentiment, and serves not only to enhance the European Union’s security, but also to contribute to overall EU–U.S. objectives. The EU wields “soft power” well and by doing so has reaped tremendous rewards over the years, including an enlarged Union of 27 Member States, and an unprecedented level of peace and prosperity on the European continent. Now, this same power is being applied to its neighbors and is producing results—extending the EU’s zone of stability and prosperity, creating an increasingly well-governed ring of friends on its external borders, and enhancing regional as well as global security.

The achievements of the European Neighborhood Policy are wide-ranging and include: a border monitoring mission in place along the Moldovan-Ukrainian border to help address the “frozen conflict” in Transnistria; police and border missions in the Palestinian Territories; an agreement on easier visa procedures for Ukrainian and Moldovan citizens; twinning and TAIEX projects in place with countries throughout the neighborhood; and the gradual opening of EU programs to ENP partners in research, education, and culture. Such people-to-people contacts are vital to the development of profound cultural, educational, and social links between the EU and its neighbors.

Positive developments are also unfolding related to increased energy security for the EU and its partners. The EU is helping ENP partners with legislative and regulatory harmonization to facilitate access to the EU energy market. In the Mediterranean, projects are underway to promote energy cooperation between



| EU Border Assistance Mission at the Rafah crossing point in Gaza.

Israel and the Palestinian Authority; work is well advanced with Morocco, Algeria, and Tunisia to create an interconnected Maghreb electricity market that may eventually be integrated into the EU market; and the EU is working with Egypt, Jordan, Lebanon, Syria, and Turkey on a Mashrek gas policy. A similar EU initiative launched in 2004 aims at the progressive integration of the energy markets of the Black Sea and Caspian Sea regions with those in the EU, and the EU plans to convert Moldova’s and Ukraine’s observer status in the Southeast Energy Community into full participant status.

EU support to its neighborhood takes many forms. It may be as straightforward as funding and technical assistance for infrastructure or linking transport, energy, or communication networks. Or, it may be governance related with actions to promote neighbors’ institution-building and more open and democratic societies. The EU role in funding, advice, and technical assistance is substantial, but perhaps its most inspiring contribution is to promote reform by the example of its own successful integration.



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Spokesman and Head of Press
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Editor-in-Chief

Mattias Sundholm
Deputy Head of Press &
Public Diplomacy
Editor

Melinda Stevenson
Writer/Assistant Editor

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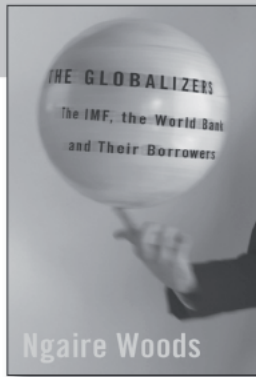
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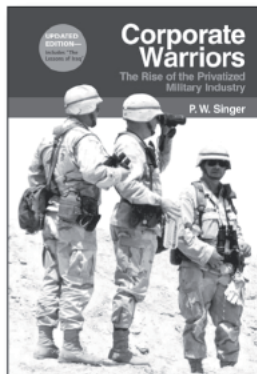
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Western Europe. All of his counterexamples are beside the point. Everybody agrees that Russia uses its local control over piped gas to bully its smaller neighbors and former Soviet satellites. But he offers no rebuttal to my central proposition, which is that this sort of saber-rattling will not lead to a sustained embargo of the European Union, and that Brussels would do better by calling Russia's bluff. As the failed OPEC oil embargo of the 1970s showed, hydrocarbon producers who impose embargoes on their best customers end up suffering far more than those customers, especially as they risk killing the goose that lays their golden egg.

Iraq Is *not* Our Fault

Alasdair Roberts ("The War We Deserve," November/December 2007) draws some decidedly perverse conclusions from his observations about the paucity of public sacrifice in America's "war on terror." He suggests that the American public shares much of the responsibility for the Bush administration's bungled efforts to secure the homeland and pacify the Middle East. These ventures have been crippled, he says, by Americans' "commitment to a political philosophy that demands much from its government but asks little of its citizens." Roberts's unstated assumptions are that public sacrifice would rescue the Bush administration's military adventures from failure—and that these enterprises are actually worthy of public sacrifice.

Roberts acknowledges that the president never asked Americans to bear any burdens in the war on terror. After the attacks of 9/11, Bush told citizens to "go about their business" and to take vacations. In Bush's war, there was no role for private citizens. It was not to leave a pampered public undisturbed, however, but to enhance the unilateral power of the presidency. A participatory war on terror might expose the president's national security policy to the inconvenience of democratic responsiveness.

The Bush administration has attempted to reinvent warfare to make it less vulnerable to political pressures originating outside the commander in chief's sphere of authority. This new form of warfare has fielded an army of private contractors

and volunteers, and has substituted intense firepower, drone fighter planes, and high-tech weaponry for troops on the ground in an effort to minimize the extent to which military operations impinged on civilian society. Generals who advocated the deployment of larger forces were quietly canned. The Bush/Rumsfeld formula may not make sense as military strategy, but it succeeded in reducing the political encumbrances that restrained executive power.

Roberts's most grievous oversight is his misrepresentation of the public response to terrorism. Public opinion polls conducted in the aftermath of 9/11 found that Americans were willing to support military action against terrorists even if it meant higher taxes, gas and oil shortages, military conscription, or economic recession. Blood donations soared, as did enlistments in AmeriCorps. Americans were ready to sacrifice. But the Bush administration squandered the opportunity.

—MATTHEW A. CRENSON
Professor Emeritus

—BENJAMIN GINSBERG
*David Bernstein Professor
 Department of Political Science
 Johns Hopkins University
 Washington, D.C.*

Alasdair Roberts opines that the failure of the American people to "sacrifice on a national scale" has contributed to the United States' bungled efforts in Iraq. What Roberts fails to explore, however, is the depth of deception perpetrated on the American public. It is this deception that led to the "acceptance" of the war on terror and convinced Americans that the invasion of Iraq was related to the struggle against al Qaeda, 9/11, and other terrorist acts committed on U.S. soil.

Prior to the war in Iraq, the Bush administration did a masterful job of conning the American people into believing that an invasion was necessary to fight terrorism. The most respected American statesman of the day, Gen. Colin Powell, announced to the world that the United States had eyewitness intelligence that Iraq was in the weapons-of-mass-destruction business. In addition, a staggering number of Americans came to believe that Saddam Hussein and Osama bin Laden were connected in some tangible way,



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even though the “intelligence” supporting this premise was at best shaky—and at worst manufactured.

Whether Powell was lying outright or was duped by an overly aggressive intelligence community may never be known. Either way, the political justification for the invasion of Iraq was based almost entirely on prevarication. And it wasn't just Americans who were deceived. In addition to the United States, Australia, Britain, Denmark, and Poland were joined by more than 30 other countries in the Iraq effort. Were the citizens of these countries likewise not prepared to “sacrifice on a national scale”? More than 3,800 American bodies have been returned from Iraq since the war began. Has any other country made such a sacrifice?

The American public may have grown overzealous about the war against terror. We may be guilty of failing to scrutinize our political and military leaders as they whipped us into a war-ready fervor. But to suggest that the invasion of Iraq was sanctioned by the American public with eyes wide open requires a drastic revision, if not a wholesale rewrite, of recent history.

—DEAN HENRY
Tiffin, Ohio

Alasdair Roberts replies:

The Bush administration twisted evidence on Iraq, as Dean Henry argues, but there is more to the story than simple deception. Polls throughout the preceding decade show that Americans already supported “military action” to remove Iraqi President Saddam Hussein.

Why were Americans so hawkish? The answer is partly because warfare had been reinvented. Contrary to Matthew Crenson and Benjamin Ginsberg's assumption, this was not a “Bush/Rumsfeld” policy. It was a decades-long transformation that began with the elimination of the draft, which encouraged a shift to technology-intensive combat and a massive increase in pro-military advertising. As an unintended consequence, it became easier to sell the idea of war.

At the same time, it became difficult to enact domestic measures to improve security. Fiscal constraints led to underinvestment in homeland security. Regulatory restraint made it harder to protect critical infrastructure. Liberalization led to massive cross-border



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flows of goods and people that are not easily monitored. Neoliberalism produced a sprawling economy that is more difficult to govern.

The writers do not challenge this idea. They do suggest that President Bush can be criticized for failing to reverse tax cuts. I agree. But we must remember that most Americans supported those cuts after 9/11. Similarly, we can criticize Bush for urging a pro-consumption policy. But it is conventional wisdom that voters will penalize politicians who fail to keep the economy humming. Do citizens bear no responsibility for what they say or how they vote?

I have no illusions about the United States' capacity to democratize Iraq. Iraq is mired in a humanitarian disaster, triggered by U.S. intervention and aggravated by its mismanagement of the occupation. An uncounted number of Iraqi lives might be jeopardized by withdrawal, or saved by increased effort. Preserving lives placed at risk by U.S. policy is an enterprise worthy of sacrifice. There is little discussion about continued or intensified effort, however, because there is little domestic support for the investment these options would require.

For More Online

"The War We Deserve" sparked a lively debate on our Web site. Read the heated exchange between Alasdair Roberts and other *FP* readers at ForeignPolicy.com/extras/roberts.

Concentrating On Globalization

Pankaj Ghemawat is certainly right to draw attention to the myths surrounding globalization ("The World's Biggest Myth," November/December 2007). His interpretation of our arguments in our book, *The Rule of Three*, however, must be clarified.

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compete across a range of products and markets, and are volume-driven companies for whom financial performance improves with gains in market share. Specialists tend to be margin-driven companies, who actually suffer by increasing their share of the market. Contrary to traditional economic theory, evolved markets tend to be both oligopolistic and monopolistic. Most markets that we have observed end up with three big players who control anywhere from 50 to 80 percent of the market.

There are relatively few industries that today can be said to be truly globalized, in the sense of operating worldwide with few restrictions on where they can produce and where they can sell. Examples include tires and consumer electronics. And indeed, these industries do exhibit high levels of concentration. Many of the industries cited by Ghemawat, such as soft drinks and cement, are simultaneously becoming more concentrated at one end of the market while seeing the emergence of niche players at the other end. The exceptions to this process are industries that are strongly dominated by state-owned enterprises (mining), more subject to nationalistic impulses

(national airlines), or consist of natural submonopolies (software). In our book, we clearly identify such examples as exceptions to the Rule of Three. Unrestricted economic globalization, then, does lead to more market share for the biggest players—this is not a “myth.”

But it is important to emphasize again that a bigger market share for the biggest players doesn't necessarily lead to fewer players in the market. Ghemawat fails to observe our point that the emergence of a “Big Three” (companies offering all major product types in the industry to all major market segments) on a global level does not result in a decrease in the total number of companies in the industry. On the contrary, the data show that the total number of firms operating in an industry tends to rise once the industry has arrived at a Big Three structure, which renews itself when the industry moves from being regional to national to global. The reason is that the Big Three tend to withdraw from areas of the market that are not volume-oriented, creating opportunities for niche players to prosper in the shadow of the giants. So although Ghemawat is right

to highlight the emergence of greater competition, he does not adequately explain why.

—JAGDISH N. SHETH
Professor of Marketing
Emory University
Atlanta, Ga.

—RAJENDRA SISODIA
Professor of Marketing
Bentley College
Waltham, Mass.

Pankaj Ghemawat replies:

Jagdish Sheth and Rajendra Sisodia's defense of the Rule of Three is unsurprising. But it is also unconvincing.

Conceptually, Sheth and Sisodia still seem conflicted about whether to measure competition by the raw number of competitors in an industry, or by concentration measures that attempt to capture their size. A large body of work in industrial economics favors the use of concentration measures. Yet Sheth and Sisodia end up favoring the raw numbers. Their letter concludes by arguing that any increases in competition are the result of a rise in the number of niche players in an industry

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that outweigh the anti-competitive effects of a more concentrated industry. As I mentioned in my article, this focus on raw numbers supplied a bogus rationale for the disastrous Daimler-Chrysler megamerger.

Sheth and Sisodia also seem confused about the role of entry barriers in determining concentration levels. They assert that the absence of major barriers tends to lead to highly concentrated industries. Common sense, however, as well as dozens—if not hundreds—of empirical studies by industrial economists, suggests the exact opposite.

Empirically, the assertion that three big players generally control 50 to 80 percent of most markets significantly overstates the concentration levels in the sample of industries I present in my article. Can Sheth and Sisodia be more systematic in presenting their data by, for example, offering a cross-industry compilation of *their* findings as opposed to providing stray examples? As far as I can tell, they do not do so in their book.

Also note a fundamental measurement problem. Even if concentration within an industry is high or rising, its effects might be blunted by indirect competition that broadens industry boundaries. A good example of that is banking. Many studies demonstrate increasing concentration in banking (albeit to levels well below Sheth and Sisodia's 50 to 80 percent), but financial innovations and new kinds of financial intermediaries have actually undercut the market power of traditional banks.

The example of banking also reminds us that even if concentration, properly measured, is high, that outcome may still be driven by a desire for empire-building or simple egotism, for instance, instead of the economic logic of competition. At a time when behemoths such as Citigroup are being characterized as unmanageably large, it would seem quaint to celebrate corporate dinosaurs. Yet that is effectively what the Rule of Three does.

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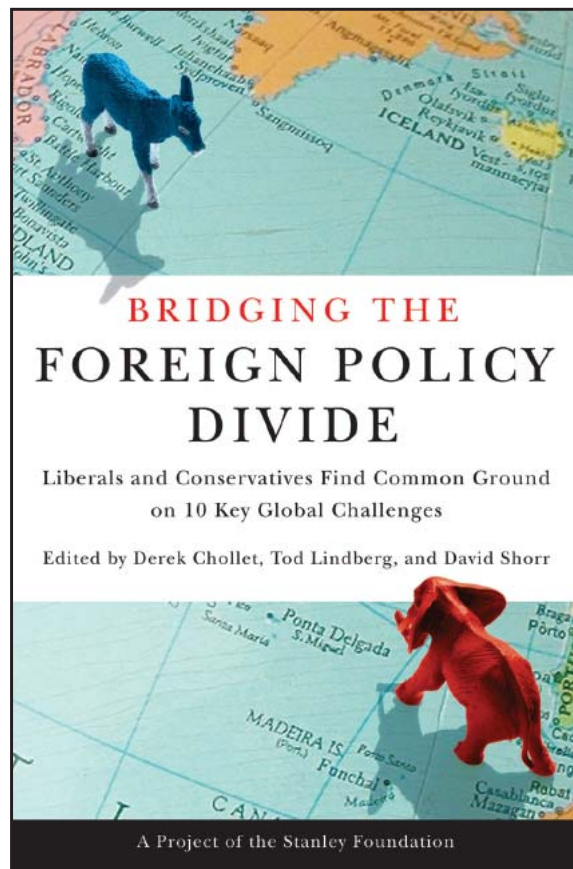


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IN BOX

The Price of Opposing Chávez

Venezuelan President Hugo Chávez has called his domestic political opponents “fascists,” American “pawns,” “anti-revolutionary vipers,” even “horsemen of the apocalypse.” In reality, the only label that accurately describes members of Venezuela’s opposition today is “poorer.” Voicing your disapproval of *el presidente* in Chávez’s Venezuela translates into a loss of 4 percent of your annual earnings, according to new research.

In 2003, the Venezuelan opposition circulated a series of petitions calling for Chávez to be removed from office, twice



Singled out: Only Chavistas get government jobs these days.

gathering more than 3 million signatures. The bid ultimately failed, but not before the signature lists were notoriously posted on the Internet by a pro-Chávez legislator. The rolls were eventually compiled in a software database popularly known as Maisanta, which contains information on the country’s 12 million voters, including birthdates, addresses, and, crucially, whether individuals had supported Chávez’s removal in the 2003 recall bid. Today, the software can be bought on the streets of Caracas for as little as \$1.50 and is used

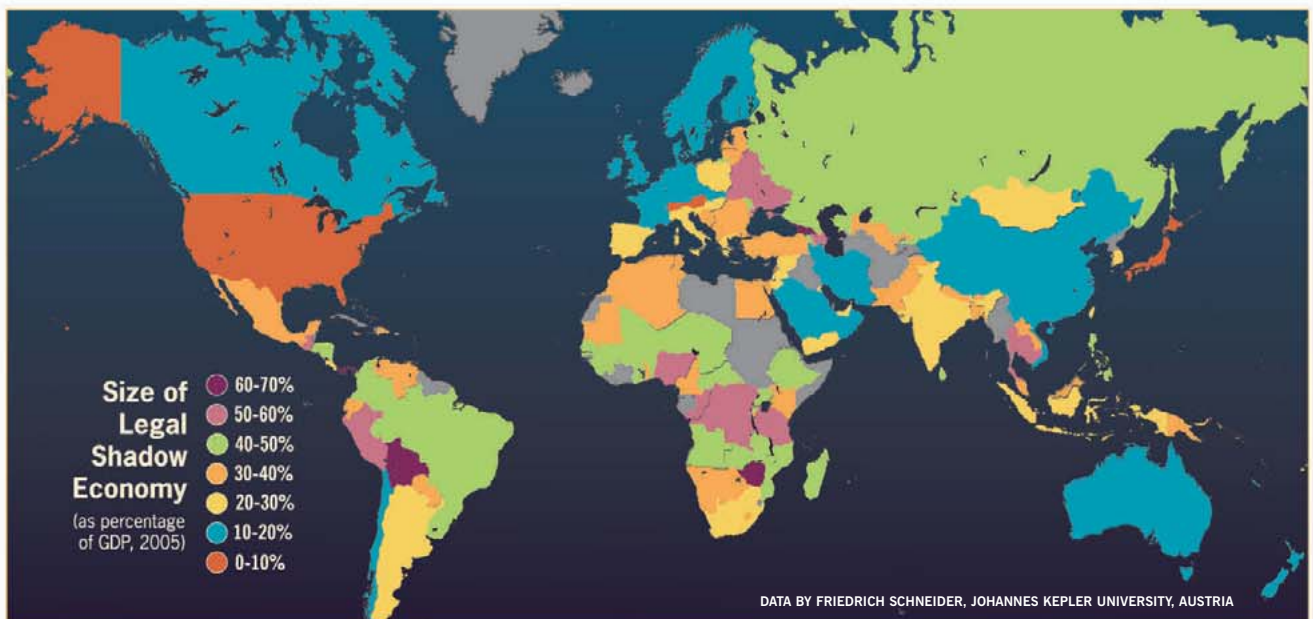
frequently by the government and Chávez allies to discriminate against opposition members.

Using the Maisanta database and the national household income survey, researchers have been able to match more than 87,000 individuals, both for and against Chávez, and track their economic well-being before and after the recall vote. They found that, between 2003 and 2006, “signing [against Chávez] cost you 4 percent

of your income,” says Francisco Rodríguez, a Venezuelan economist at Wesleyan University and a coauthor of the study. “There was a very clear message that there was a cost to signing against the government.” The research also revealed that since the recall, firms with pro-opposition board members have been forced to pay significantly higher taxes than firms with government ties, often as a result of selective tax audits. Freedom may not be free, but in Venezuela, it’s speaking out against Chávez that really hurts your wallet.

The Cash Economy

Buy coffee from a street vendor this morning? Pay the teenager down the block to mow your lawn? You may not realize it, but you probably participate in the shadow economy every single day. That’s the legal shadow economy—goods and services that aren’t illegal, but that go unreported to avoid labor laws and taxes. However, once these under-the-table transactions hit 30 percent of a country’s GDP, they begin to compete with the formal market, imperiling countries’ economic health.



TOP: HO NEW/REUTERS

Engineering Jihad

Osama bin Laden studied engineering. So did lead 9/11 hijacker Mohammed Atta, 9/11 mastermind Khalid Sheikh Mohammed, and Ramzi Yousef, the architect of the 1993 World Trade Center bombing. Exceptions to the rule? Hardly. Most high-profile Islamist terrorists are, in fact, highly educated. And according to new research at Oxford University by sociologists Diego Gambetta and Steffen Hertog, most of them may be engineers.

After compiling educational biographies for nearly 300 known members of violent Islamist groups from 30 countries, Gambetta and Hertog found that the vast majority—69 percent—had attended college. Of those with clear areas of study, nearly half had gone into engineering. Across the Middle East and Southeast Asia, the share of engineers in violent Islamist groups was found to be at least nine times greater than what one might expect, given their proportion of the working male population.

It may be tempting to assume that people with engineering backgrounds

are more likely to be recruited for their technical (read: bomb-making) skills. Gambetta and Hertog dismiss this claim. Instead, they argue radicalized engineers are vastly overrepresented in terrorist ranks thanks to thwarted professional ambitions and, most controversially, a unique mind-set ripe for extremism.

These highly trained individuals, who consider themselves problem solvers—social engineers, if you will—tend to be attracted by the “intellectually clean, unambiguous, and all-encompassing” solutions that both the laws of engineering and radical Islam provide, according to Gambetta and Hertog. Their

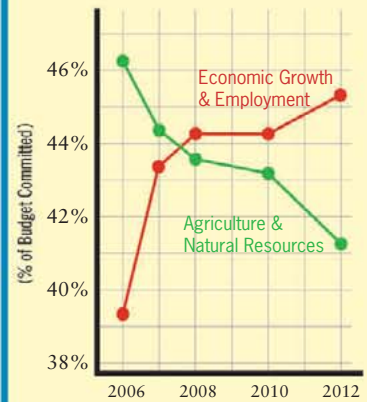
research also cites surveys in Canada, Egypt, and the United States as evidence that engineers tend to be more religious and politically conservative than professionals in other disciplines.

Engineering students in many Islamic countries also graduate into societies that can't provide them with sufficient job opportunities, creating a volatile mix of ambition and frustration. “One of the recipes for terrorism is you educate people and you don't give them jobs,”



You Can No Longer Argue...

...that agricultural subsidies are the European Union's biggest expense.

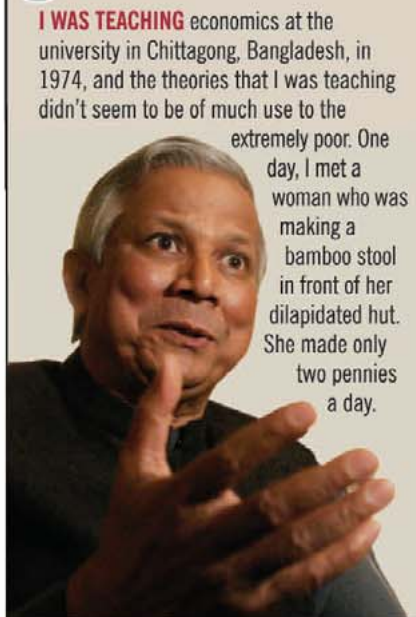


This year, the EU will spend more on economic growth and employment programs—think R&D, IT, and business incentives—than on subsidies for farmers.

says Marc Sageman, a former CIA case officer whose 2004 book *Understanding Terror Networks* was one of the first to make the terrorism-engineering link. The challenge? Stopping them before they become engineers of terror.



Epiphanies: Muhammad Yunus



I WAS TEACHING economics at the university in Chittagong, Bangladesh, in 1974, and the theories that I was teaching didn't seem to be of much use to the extremely poor. One day, I met a woman who was making a bamboo stool in front of her dilapidated hut. She made only two pennies a day.

That's all that was left to her because of the moneylenders. And I looked at her and thought, my God, she's not a borrower, she's just slave labor.

THE NEXT DAY I WONDERED, why don't I find other people who are going through a similar situation? I came up with a list of 42 people, who borrowed a total of \$27. And suddenly it came to my mind: The problem is enormous, but the solution is so simple. I can just go ahead and give this \$27 to these 42 people, and they'll be free from the moneylenders. The rest is history.

AFTER SIX YEARS [of lending to women], we started noticing something: Money that had gone to the woman of the household [rather than the man] brought much more benefit to a family. One strategy the extremely poor had for

survival was to send their children to work, one by one, perhaps as maids, in exchange for food. Seven-, 8-, 9-year-old kids would be slave labor. But when mothers received loans, the first thing they did was bring the children back.

THE WOMAN IN A POOR FAMILY is actually a very efficient manager of scarce resources.

BIG ORGANIZATIONS like the World Bank don't see [microfinancing] as a development intervention. They think that infrastructure is development, not giving tiny loans. Otherwise, how can you justify that the World Bank does not devote even 1 percent of its portfolio to microfinance? After all these years, the World Bank has still not changed.

Muhammad Yunus, recipient of the 2006 Nobel Peace Prize, is founder of the Grameen Bank.

For More Online Read more of Yunus's Epiphanies, like his first encounter with American hippies, at ForeignPolicy.com/extras/yunus.

Passage to China

It's no secret that China has taken a shine to Africa in recent years, showering cash on the continent in a quest for influence and natural resources. As a result, as many as 750,000 Chinese have recently moved to Africa for work. Now, a far lesser-known trend appears to be emerging: A growing number of Africans are immigrating to the Middle Kingdom, lured by the opportunities of its booming economy.

The Chinese government zealously guards immigration data, but Barry Sautman, a political scientist at Hong Kong University of Science and Technology, estimates that there may be as many as 10,000 Africans—mostly businessmen—in the southern city of Guangzhou alone. The number of Africans living in larger cities such as Beijing and Shanghai, says Sautman, has increased from several hundred to several thousand in a few years. It's a mere drop in these cities of millions, but it is evidence that what was once rare is becoming more routine. Even cities off the beaten path—such as Shijiazhuang, Baoding, and Taiyuan—



Crimson tide: More Africans see opportunities in the East.

are beginning to see the arrival of Africans. There will “certainly . . . [be] an increase in [African] migration in the direction of China,” says J. Stephen Morrison, head of the Africa program at Washington’s Center for Strategic and International Studies, “because China is offering opportunities to increase life chances, skills, and income.”

There’s undoubtedly more African talent equipped to work in China than ever before: Today, nearly 120 schools in 16 African countries offer Chinese-

language courses. Africa also boasts six Beijing-sponsored Confucius Institutes, which offer courses in Chinese language and culture. And the Chinese government has already pledged to double the number of annual scholarships for African students to attend Chinese universities to 4,000 each year.

But are the Africans welcome? Although Beijing has been solicitous toward its new economic partners, Chinese nationals are still

largely unaccustomed to foreigners, particularly those from outside Asia. Tensions within the African community were raised last September, when police raided bars in Beijing’s Sanlitun district, arresting nearly 30 people of African descent, including the son of a Caribbean diplomat, on drug charges, spurring accusations of racial profiling and police mistreatment. How the government treats its newest immigrants may decide whether others choose to go east.—*Malia Politzer*

The FP Quiz

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

1 After China, which country is the top source of recalled products in the United States?

- A Japan
- B Mexico
- C United States



2 What percentage of the world’s cargo travels by sea?

- A 40
- B 65
- C 90



3 What is the primary cause of HIV/AIDS in China?

- A Blood transfusions
- B Intravenous drug use
- C Unprotected sex

4 U.S. movie box office receipts made up what percentage of the global total in 2006?

- A 37
- B 57
- C 77



5 What percentage of Nobel Prizes have been awarded to women?

- A 4
- B 14
- C 24



6 Which country is home to the world’s busiest McDonald’s?

- A Britain
- B China
- C Russia



7 After the United States, which country imports the most gasoline?

- A Germany
- B India
- C Iran



8 How many of the world’s 10 largest companies do not sell cars or oil?

- A 0
- B 1
- C 4

For the answers, turn to page 110.



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—President Franklin Roosevelt, in a letter to W. W. Norton,
chairman of the Council on Books in Wartime, 1942

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Divided Over Disease

What explains why some countries aggressively fight AIDS, while others are slow to act? Conventional explanations often blame poverty or poor political leadership. But new research has identified an additional factor: ethnic divisions. The more ethnically fragmented a country, the less aggressively its government tackles HIV/AIDS.

In countries with highly fractionalized populations, governments spend less per capita on HIV prevention and treatment, and a smaller fraction of infected people gain access to anti-retroviral drugs. In fact, when it comes to sub-Saharan African countries with high HIV rates, those countries least divided along ethnic lines can be expected to outspend the most divided ones by a factor of five.

The lack of action against AIDS in divided societies may stem from the belief that risks aren't shared. "Elites, as well as ordinary citizens, [are] more inclined to believe that the risks of [HIV] infection [are] not their problem, but the other group's problem," says Evan Lieberman, a political scientist at Princeton University and the author of the study recently published in *Comparative Political Studies*.

Similarly, there may be fears that taking a stand against AIDS can brand a particular group as diseased. "Groups [with higher HIV rates] have been more likely to either discount the risk of [HIV] or to try to underplay it for fear of stigmatizing their own group," says Lieberman. Donors looking to support HIV efforts may be wise to look at a society's ethnic composition before setting their priorities. Because, apparently, it does take a village to vanquish a virus.

FOR THE FIRST TIME

This year, China will overtake Germany to become the world's largest exporter.



Four to Watch in 2008

They aren't household names yet, but give them a year. *FP* nominates four who will be big in 2008.

Liu Xiang, Chinese Olympic hurdler

He already holds the world record in the 110-meter hurdles, and he came home from the 2004 Athens Olympics with China's first gold medal in men's track and field. At this summer's Beijing Games, expect 24-year-old Liu, who just insured his legs for \$13 million, to be a crowd favorite—China Central Television named him Sportsman of the Year for 2007—as China sprints for gold.



OSAKA NAGAI NISHI

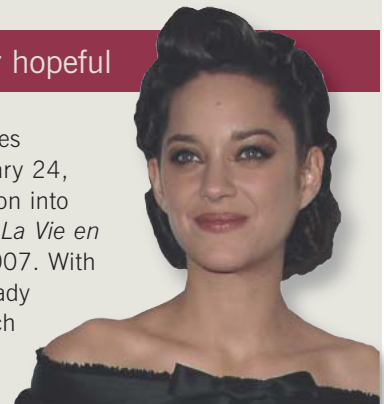
Emmanuel Jal, Sudanese hip-hop star

At the age of 7, Jal was handed an AK-47 and sent to the front lines of Sudan's bloody civil war. Two decades later, he's one of Africa's hottest hip-hop stars, rapping about his lost childhood and the need for peace. When Jal's not testifying to the U.S. Senate about Darfur, he's putting the finishing touches on his new album, *War Child*, and a feature-length documentary about his life, both due out this year.



Marion Cotillard, French Oscar hopeful

If the Academy ignores the buzz and denies Cotillard the best actress award on February 24, she'll have been robbed. Her transformation into legendary French songstress Edith Piaf in *La Vie en Rose* was the breakout performance of 2007. With or without Oscar, Cotillard's phone is already ringing off the hook, so expect to see much more of this leading mademoiselle.



Jack Ma, Chinese tech guru

He runs the biggest dot-com you've never heard of. Last November, Alibaba.com, an e-commerce search engine that matches Chinese manufacturers with buyers around the world, had the biggest technology IPO since Google went public. Today, Ma's Alibaba is the second-largest Internet company in Asia, putting the outspoken 43-year-old former English teacher at the crossroads of China's red-hot manufacturing sector and its booming Web market.



For exposing how corruption
and environmental betrayal
go hand-in-hand,
GLOBAL WITNESS
wins the 2007



Commitment to Development Award

Global Witness, a small NGO that helped to bring the problem of conflict diamonds to the world's attention and crusaded to stop the plunder of rain forests in Cambodia and Burma, is the 2007 winner of the **Commitment to Development "Ideas in Action" Award**, sponsored by the Center for Global Development (CGD) and *Foreign Policy* magazine.

The award, bestowed annually since 2003, honors individuals or organizations for "raising public awareness and changing the attitudes and policies of the rich world toward developing countries."

Its first investigation of illegal timber sales by the Khmer Rouge in Cambodia shut down that trade in 1995. A headline-making Global Witness report in 1998 showed how rebels in Angola were financing a deadly civil war by selling diamonds. That work, along with a 1999 report by Partnership Africa Canada, another crusading NGO, on the role of diamonds in the civil war in Sierra Leone, figured prominently in the establishment of the Kimberley Process to certify diamonds that are not mined from conflict zones.

Global Witness, which now has a staff of 35 and a £3 million budget, produces reports and videos exposing corruption and environmental wrong-doing, especially in countries awash in oil revenues, from Turkmenistan to Equatorial Guinea. It was a founder of the **Publish What You Pay** campaign, which seeks transparency about how resource-rich governments spend their share of mineral revenues. Funders include a dozen foundations as well as the development agencies of Canada, Ireland, the Netherlands, Sweden and the United Kingdom. It recently helped put a timber and arms trafficker in jail in Holland.

Nancy Birdsall, president of CGD and *Foreign Policy* editor-in-chief Moisés Naím co-chaired the selection committee. Previous winners were: the European ministers of international development who constitute the Utstein Group (2003); Oxfam's Make Trade Fair Campaign (2004); then-Chancellor of the Exchequer and now Prime Minister of the United Kingdom, Gordon Brown (2005), and then-U.S. Congressman Jim Kolbe (R-AZ) (2006).

Learn More: www.cgdev.org/award
www.foreignpolicy.com/developmentaward



Excerpts from an interview with Global Witness founder Patrick Alley

Q. What was the genesis of Global Witness?

Charmian Gooch, Simon Taylor and I worked for the Environmental Investigation Agency, which pioneered investigative conservation on subjects like the ivory trade. We identified something missing in the NGO world, which was any focus on the links between the exploitation of natural resources and conflict and corruption. To raise funds we shook cans outside tube stations at 5 a.m. to raise money for international phone calls and research, before gratefully abandoning this when we received our first serious funding, from Novib, in late 1994.

Q. Your first investigation actually shut down the Khmer Rouge's illegal timber trade.

That's right. The Paris Peace Accords had been signed in 1991 and the UN was brokering elections in Cambodia. We'd read that timber was being traded from areas controlled by the Khmer Rouge and thought, 'Why doesn't somebody stop that?' And we said, 'Hell, why don't we?'

Q. It sounds preposterous.

We were alarmingly naïve then, but that helped! We flew to Thailand in January 1995 and over five weeks drove 3,500 kilometers, following virtually every road that went towards the border, bearing in mind the Khmer Rouge were on the other side. We pretended to be buyers of timber and got documentation showing that between \$10 million and \$20 million a month was being generated by the Khmer Rouge sale of timber to Thailand. We carried out advocacy in the US and throughout Europe, building diplomatic pressure on Thailand. The final straw for the Thais was when we highlighted the trade at press conferences in Phnom Penh and Bangkok on May 24 and 25, 1995. They closed the border on May 26, 1995.

Q. You helped to bring the issue of blood diamonds' to the world in 1998.

We couldn't approach diamonds in the same way we approached the forest in Cambodia. Any old fool can pretend to be a timber buyer, but the diamond industry is very closed. We talked to many in the industry, and also used publicly available information. For example, DeBeers, one of the world's largest diamond buyer, said in its annual reports that it was buying rough diamonds from Angola. We thought, 'Hold on. Most of the diamond fields are under the control of the UNITA rebels waging a civil war that has claimed a half-million lives.' We put a few of these figures together in a report that, by coincidence, came out at the same time as war started again in Angola. That catapulted Global Witness into the mainstream and led to the creation of the Kimberley Process Certification Scheme—a process that De Beers itself has come to champion.

Q. What do you tell a college student who wants to expose corruption in the world?

There was a great quote on the back of the pamphlet for the memorial service for Anita Roddick, the Body Shop founder and one of our first backers. It said, 'If you think you're too small to be effective, you have never been in bed with a mosquito.'



By Lilia Shevtsova

VLADIMIR PUTIN

He has been called a despot, a menace, and even a murderer. But Vladimir Putin's half-baked autocratic regime won't rule Russia forever. After nearly a decade in power, Putin is more isolated than ever. Will he step down, leaving behind a paralyzed political system and a bootless economy? Or will he continue the charade of phony democracy that has brought him this far?

"Putin Has Established an Autocracy"

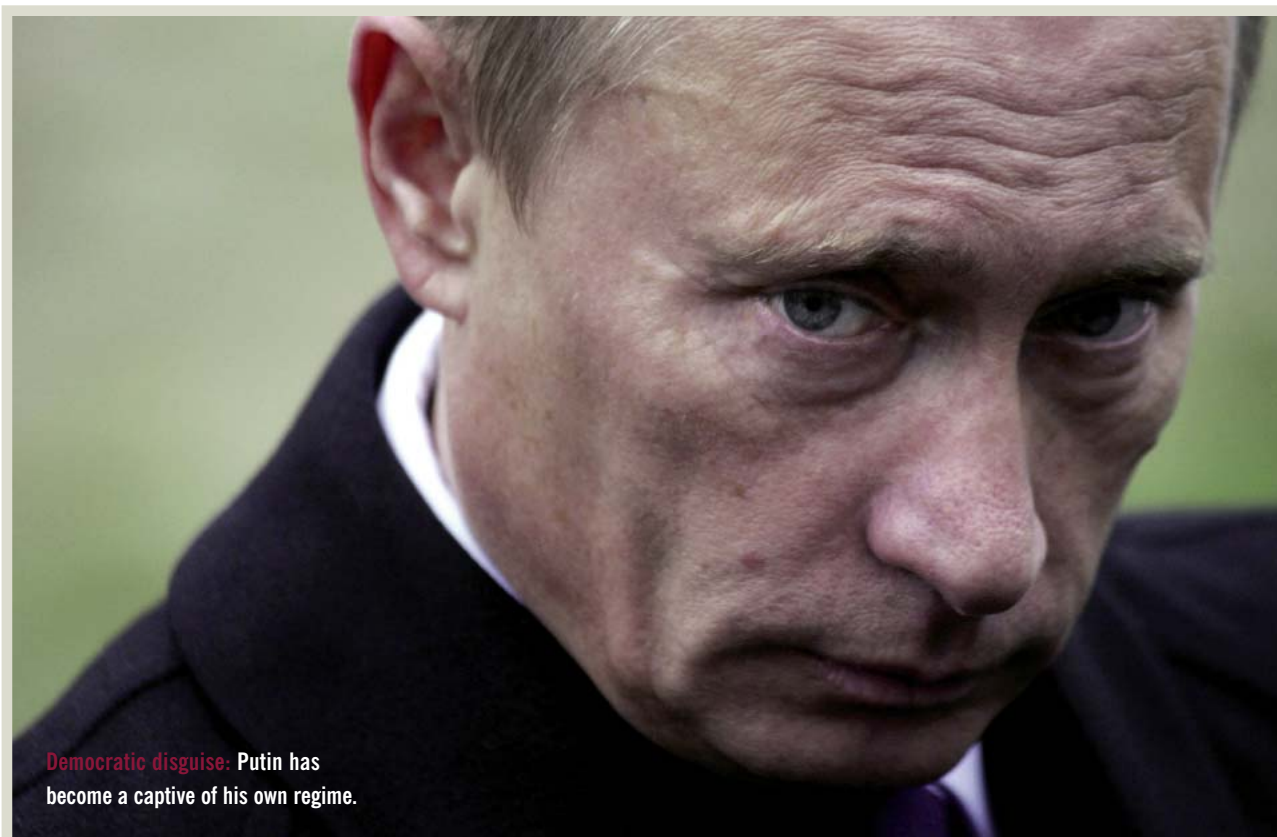
Yes, but it won't last. Reasonable people can agree that Russia's postcommunist evolution is a textbook case of what not to do. Nearly two decades after the fall of communism, Russia is not a democracy. But neither is it an absolute autocracy in the mold of, say, Cuba or North Korea. It sits somewhere in between. It is a semiauthoritarian regime in democratic clothing. That is to say, Russia pretends to be democratic. In this imitation democracy, formal institutions that appear democratic conceal a system that is at once authoritarian, oligarchic, and bureaucratic to the point of paralysis. It's hard to decipher the line between real and fake. Yes, Russia has political parties, a parliament, trade unions, and youth movements. But in reality they are all Potemkin villages. Russia's elites have been perfecting such masquerades for centuries. Today, the Kremlin even humors a marginal liberal opposition and other forms of dissent that, unintentionally, by their very presence, are part of the sham.

This pseudo democracy may turn out to be even more dangerous and destructive than the pure autocracy Russians suffered for decades. Authoritarian or

totalitarian regimes at some point create a longing for freedom. Imitation democracies, on the other hand, only serve to discredit liberal democratic institutions and principles, and the citizens living within them may at some point actually prefer a real "iron hand." That is not to say that the cause of Russian democracy is without hope. Russians elected both Boris Yeltsin and Vladimir Putin expecting that they would ensure order, support democracy, and achieve Western standards of living. They did not elect extremists, nationalists, or communists as their leaders, despite the severe hardships and humiliating poverty of the 1990s.

Today, 70 percent of Russians say they are ready to live in a free society. For perhaps the first time in Russian history, there are no insurmountable barriers to prevent that from happening. The largest remaining barrier is the political and economic elites. Because they are not ready to live in a competitive society, they try to convince the world that Russia is not mature enough to be truly free. In this, they are aided by the West, which tries hard not to upset the Russian president for fear of undermining relations with the country. Eventually, the West will have to decide whether it wants cozy relations with the Kremlin, or whether it wants Russia to be free.

Lilia Shevtsova is a senior associate at the Moscow Center of the Carnegie Endowment for International Peace.



Democratic disguise: Putin has become a captive of his own regime.

“Putin Created an Economic Miracle”

No. This is a popular refrain of both the Kremlin and Western businesses operating in Russia. On the surface, the economy Putin is leading looks impressive. The country’s GDP rose from \$200 billion in 1999 to \$920 billion in 2006. Economic growth was nearly 7 percent in the first half of 2007. Russia’s economy is now the 10th largest in the world. But these economic gains have a false bottom—high oil prices—and have been achieved, at least in part, by protectionism. Putin has failed to crack down on inflation and has been forced to freeze food prices. Corporate debt held by Russian companies rose from \$30 billion in 1998 to \$384 billion in 2007. And Russian investors increasingly prefer to take their cash abroad. Elites, who pretend to be outwardly confident in Russia’s future, are moving to London and other European capitals in droves.

Calling Russia an “energy superpower,” as the Kremlin likes to do, is a tacit admission of its failure to diversify the economy. Oil and gas account for more than 63 percent of Russian exports and 49 percent of the federal budget. Russia demonstrates all the

key characteristics of a petrostate: a fusion of power and business, the emergence of a hyper-rich rentier class, systemic corruption, state intervention in the economy, and rising inequality. Like other petrostates, Russia also shuns modernization. The proportion of goods and services in Russia’s exports is a mere 1.7 percent, while high-technology exports contribute a pathetic 0.3 percent.

A nuclear power with a natural resource-based economy is something the world had never seen before. The country’s ruling elites are no longer fixated on nuclear might. “Hydrocarbon politics” has proven equally effective. The more dependent the economy becomes on natural resources, the more the Kremlin tries to centralize its power, bully the West, and bludgeon neighbors such as Belarus, Ukraine, and former satellite states. Russia proves that a nuclear petrostate can produce growth without development. But a nuclear petrostate that fails to modernize while harboring global ambitions is hardly a healthy situation for geopolitics.

“Putin’s Russia Is Anti-American”

Half right. After the Cold War, Russians could be forgiven for harboring some animosity toward the United States. But the majority did not. During the 1990s, around two thirds of Russians viewed the United States as friendly. As recently as 2001, only 15 percent of Russians had a negative opinion of the United States. When, after 9/11, Russians were asked, “Would you give blood for Americans wounded in a terrorist act?” 63 percent said “yes.” In the ensuing years, this support has slipped. Yet, even today, nearly half of Russians still report positive feelings toward the United States. Despite an active anti-American propaganda campaign being run by the Kremlin, Russians are still vastly more pro-American than most of Europe, where only 39 percent of the French, 37 percent of Germans, and 23 percent of Spaniards say they hold positive views of the United States.

Europeans loathe the United States as a “benign hegemon.” For Russians, and particularly Russian elites, the situation is far more complicated. Yes, some are irritated to see Russia being taken for granted,

or just plain ignored. Others loathe American preponderance because they understand, with a touch of envy, that Russia cannot behave the same way. Moreover, Russian elites view the Kremlin’s anti-American propaganda as an effective tool to consolidate power on the basis of a manufactured “enemy.” (What country besides the United States could serve this purpose?) Russian elites, however, have no desire to provoke real friction with the United States, fearing isolation and marginalization.

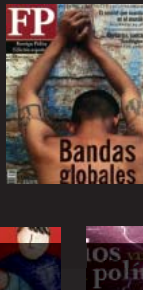
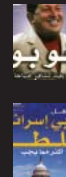
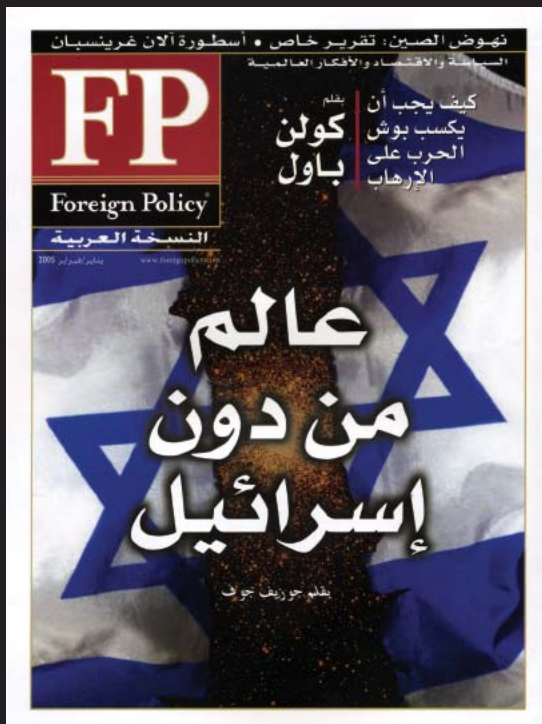
Ironically, the Kremlin uses the American experience to justify its agenda—most notably a third term for Putin. Franklin Delano Roosevelt, who served three full terms as president of the United States, has even become one of the popular heroes of Russian political operatives. Roosevelt “is becoming our ideological ally,” as one of Putin’s closest associates has said. True, suspicion toward the United States in Russia is deepening. If anything bothers the Russian elite, it is that Americans no longer pay as much attention to their old sparring partner.

“Putin’s KGB Friends Rule Russia”

As if. The reality is far more complicated. For starters, it was former president Boris Yeltsin, a leader the West hailed as liberal and democratic, who first brought people from the security services into Russian politics. He anointed Vladimir Putin, who spent 16 years in the KGB, as his successor. Yeltsin brought this group in from the cold to guarantee the continued influence of his loyalists and to secure their economic interests.

Putin, on the other hand, has hardly handed power to his former KGB colleagues, as many assume. Rather, he created a “spider web” of various clans and interest groups that include the security services, liberal technocrats, moderates, and political pragmatists. Putin creatively used the infighting between these groups to prevent any one clan from being able to monopolize power. In so doing, he followed an old rule of Russian leaders: In the Kremlin, to rely on just one political force is suicide.

Yes, Putin’s former KGB colleagues have influence. They spearheaded an aggressive redistribution of assets inside Russia, including the renationalization of Yukos, once the world’s largest private oil company, and jailed its former chairman, Mikhail Khodorkovsky. And they control several powerful state corporations, including Rosneft, the state oil company; Rosoboronexport, Russia’s defense technology exporter; and Russia’s state railroad corporation. But it was not Putin’s KGB buddies who initiated the tightening of the screws on Russian civil society. That was Yeltsin and his team, including such leading liberals as Yegor Gaidar (a contributing editor to *FOREIGN POLICY*) and Anatoly Chubais, darlings of the West, who became the architects of Russia’s democratic backsliding by ignoring the need to build independent institutions. It was Yeltsin, not Putin, who crafted the constitution that enshrined the unaccountable, personified power that Putin enjoys today. Putin has certainly taken advantage of this system. But neither he nor his KGB friends created it.



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“Putin Is Omnipotent”

Wrong. All personified regimes eventually become hostages of the cronies to whom they delegate their powers. It’s a trend political scientist Guillermo O’Donnell calls “impotent omnipotence.” And Putin is no exception.

Putin is the only real political actor in Russia. Not a single decision is made without his endorsement. The result is total paralysis within the bureaucracy. All authorities in Russia wait for Putin to make a decision. Meanwhile, in recent months, Putin appears reluctant to decide much of anything. Having built a closed and hypercentralized state, he is totally dependent on his entourage and the information they filter to him from the outside. Having eliminated all real politics, alternative sources of information, and competing interest groups, the Kremlin feels little of what’s happening within Russian society. It hardly helps Putin see the bigger picture, and he is forced to be bogged down in tactical pirouettes, trying to perpetuate suspense and disorientation among the political class. He is brilliant at it, a first-rate tactician who deftly balances myriad interests and forces at once.

But having started as a leader who promised to modernize Russia, Putin now ends his second term having put all reforms on the back burner. Although his intelligence should not be underestimated—he definitely understands the traps he has gotten himself and his country into—his quest for stability through political crackdown has created a situation in which neither he nor anyone else in Russia knows what will happen after March 2008, the month he is supposed to leave office. His economic legacy appears to be detrimental, because it leaves Russia without incentives for reform. Similarly, his major goal of building a strong state for the state’s sake will, in the end, produce the opposite, just as happened in the old Soviet system. Putin has created a situation where any positive change can now only be achieved by removing the current ruling elites from power. Any new political regime will have to legitimize itself first and foremost by clearing the web of influential networks Putin has created around himself. Until then, Putin will continue to live out his days as a hostage of the Kremlin’s walls.

“Putin Wants to Rule Russia Forever”

Unlikely. It remains to be seen whether Putin will break the chains that seem to keep Russian leaders in place until they are removed involuntarily, either by force or death. Putin is certainly deliberating the issue, trying to figure out how to get First Deputy Prime Minister Dmitri Medvedev, his chosen successor, elected president while also remaining as influential as possible. In his ideal world, he would probably like to be the Russian version of Deng Xiaoping.

The problem is that, unlike China, neither Russian tradition nor the system Putin and Yeltsin built provides a niche for politicians to remain influential in retirement. His desired political role or function after

leaving office will require him to be a subordinate to one of his former subordinates. That kind of deal will be dependent upon Medvedev’s loyalty and willingness to respect the terms that Putin offers. Medvedev may do that up to a point—or he may decline to do it at all. In Russia, after all, new regimes legitimize themselves by rejecting or condemning the previous one.

Putin will likely influence Russian politics during the next year or so, until a new balance of power is found. By turning last December’s parliamentary elections into a referendum on his presidency, Putin has already signaled his hopes for continued influence. He may even try to return to the Kremlin after a short hiatus, if his successor is willing to step aside voluntarily. But he definitely understands that the moment will come when the oil runs out, and the economy will start to sputter. Will he be ready to preside over his country’s second decline? It seems unlikely he would want to risk his legacy in this way.

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“The West Can’t Influence Russia”

Not true. Russia’s ruling elites want it both ways: They want to live jet-setting lifestyles and keep their second homes and bank accounts in the West, while leaving the rest of the population isolated. The first part of this equation leaves them open to Western influence. The West could at least try to be more inquisitive about the questionable business activities of Russian elites who now call London, Paris, or New York home. But, so far, the opposite has occurred. The West has allowed itself to be used as a huge laundry machine for Russian capital.

Putin has been incredibly successful at using the West to justify and perpetuate his petrostate. He has successfully co-opted Western politicians, including former German Chancellor Gerhard Schröder, former French President Jacques Chirac, and former Italian Prime Minister Silvio Berlusconi. Schröder was named chairman of the board of a Russian gas pipeline construction company, and Chirac and Berlusconi were simply charmed, in exchange for telling the world that Russia is not yet ready to be more democratic, transparent, and free. Putin has forced Western businesses operating in Russia to

kowtow to Kremlin policy. And he has used Western intellectuals and media elites to further his image campaign. Some Western leaders, including U.S. President George W. Bush, German Chancellor Angela Merkel, and French President Nicolas Sarkozy, have been less receptive to Putin’s embrace. Yet they still go out of their way not to anger him, seeing Russia as critical to their agenda of energy security, nonproliferation, and taming Iran. Hardly, if ever, is Putin reminded by these leaders of Russia’s democratic commitments under such bodies as the Group of Eight and the Council of Europe.

The proponents of “new realism” in both Russia and the West say that Russia must be “accepted as it is.” They also say that criticizing Putin for backsliding on democracy is futile. It’s better, they say, if Moscow and the West focus on common interests. Where has this version of realpolitik led? To a crisis in relations. The challenge for the West, particularly the United States, is now to find a policy that allows them to engage Russia without acquiescing to Putin’s undemocratic regime. **FP**

[Want to Know More?]

Lilia Shevtsova chronicles Vladimir Putin’s rise to power, his transformation as president, and his impact on Russia’s future in two works, *Putin’s Russia* (Washington: Carnegie Endowment for International Peace, 2003) and *Russia—Lost in Transition: The Yeltsin and Putin Legacies* (Washington: Carnegie Endowment, 2007).

Additional assessments of Putin’s policies and politics include the late Anna Politkovskaya’s *Putin’s Russia: Life in a Failing Democracy* (New York: Metropolitan Books, 2005), Andrew Jack’s *Inside Putin’s Russia: Can There Be Reform Without Democracy?* (New York: Oxford University Press, 2004), and Peter Baker and Susan Glasser’s *Kremlin Rising: Vladimir Putin’s Russia and the End of Revolution* (New York: Scribner, 2005).

In “The Essential Vladimir Putin” (FOREIGN POLICY, January/February 2005), Anatol Lieven argues that only a semiauthoritarian government can keep Russia on the right track. Anders Åslund looks at Putin’s costly crackdown on the oligarchs in “The Hunt for Russia’s Riches” (FOREIGN POLICY, January/February 2006). The impact of oil on the future of the country is the subject of Moisés Naím’s “Russia’s Oily Future” (FOREIGN POLICY, January/February 2004).

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Beyond City Limits

For the first time, half of humanity lives in cities. And during the next several decades, the world will experience the largest urban migration in history, as hundreds of millions of people flock to African and Asian boomtowns. The challenge? Keeping the modern metropolis compact, clean, and livable.

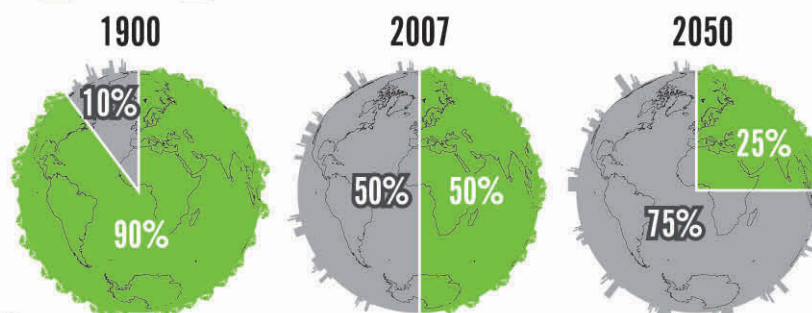
| By Richard Burdett

The Urban Edge

A century ago, just 10 percent of the world lived in cities. By 2050, as many as 75 percent of us will. The prospect of such an enormous urban boom in just a few generations offers a critical opportunity: to create cities that will improve, not diminish, the standards of living for millions of new city dwellers.

Global Urbanization (by world population)

■ Rural ■ Urban



A Tale of Two Continents

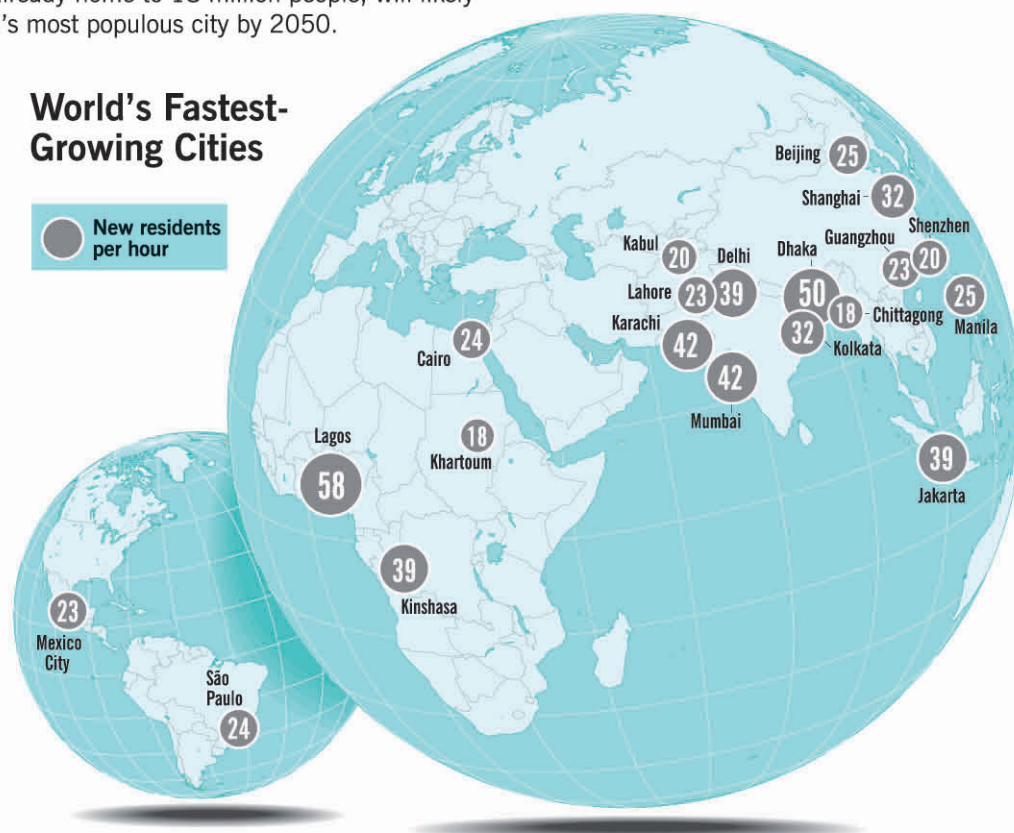
During the next three decades, more than 80 percent of the world's urban growth will take place on just two continents: Africa and Asia. They are currently home to 18 of the planet's 20 fastest-growing cities. Lagos, Nigeria, will grow the fastest, with 58 new residents projected every hour through 2015. The greater Mumbai area, already home to 18 million people, will likely overtake Tokyo as the world's most populous city by 2050.

The Top 20

1. Lagos, Nigeria
2. Dhaka, Bangladesh
3. Mumbai, India
4. Karachi, Pakistan
5. Jakarta, Indonesia
6. Delhi, India
7. Kinshasa, DRC
8. Shanghai, China
9. Kolkata, India
10. Manila, Philippines
11. Beijing, China
12. Cairo, Egypt
13. São Paulo, Brazil
14. Lahore, Pakistan
15. Mexico City, Mexico
16. Guangzhou, China
17. Kabul, Afghanistan
18. Shenzhen, China
19. Chittagong, Bangladesh
20. Khartoum, Sudan

World's Fastest-Growing Cities

● New residents per hour

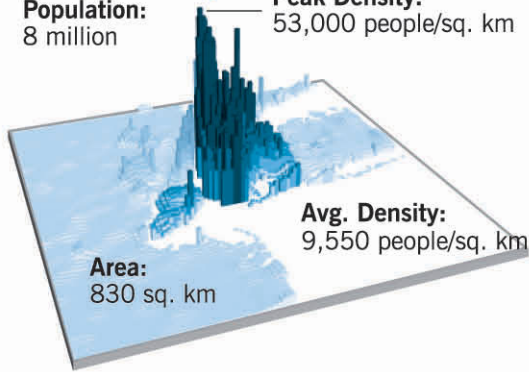


SOURCES: THE URBAN AGE (URBAN-AGE.NET)
CHARTS: BY DAVID MERRILL

New York City

Population:
8 million

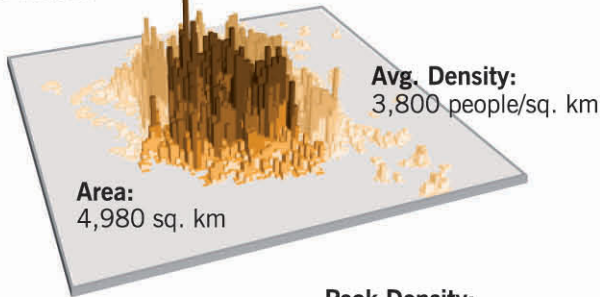
Peak Density:
53,000 people/sq. km



Mexico City

Population:
19 million

Peak Density:
48,300 people/sq. km

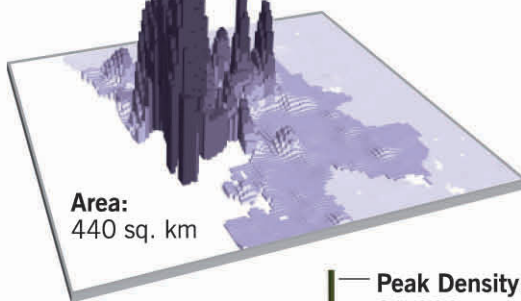


Mumbai

Population:
12 million

Peak Density:
101,070 people/sq. km

Avg. Density:
27,350 people/sq. km

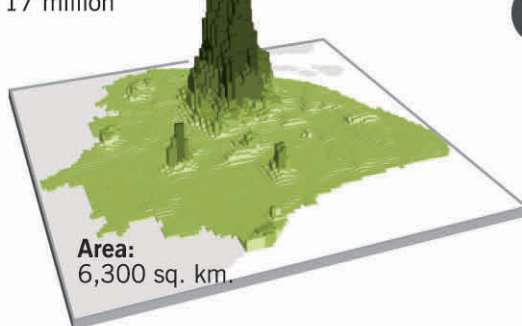


Shanghai

Population:
17 million

Peak Density:
96,200 people/sq. km

Avg. Density:
2,620 people/sq. km



City Living

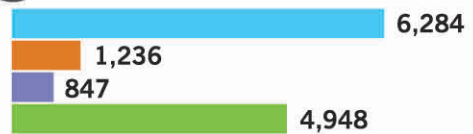
How well cities confront their own unique challenges—from crime to pollution to slums—will determine whether they thrive or barely survive. Take density: Overcrowding can actually be a hidden benefit because urban sprawl demands larger, less-efficient electrical grids and extended public transportation systems. So, whether it is maintaining its economic might, cutting emissions, or finding the benefits of living cheek-to-jowl, each mega-metropolis will have to forge its own solutions as more people look to call the city home.



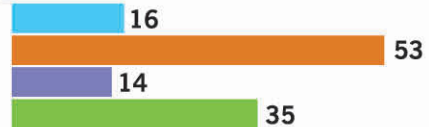
Income per capita



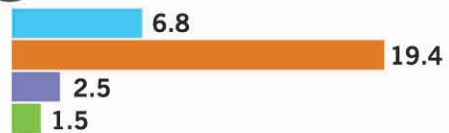
Electricity consumption
(kWh per capita/year)



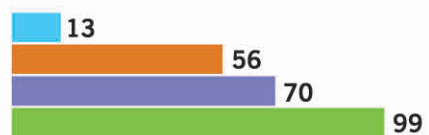
Minutes worked to afford a loaf of bread



Murder rate (per 100,000 people)



Air pollution (micrograms/cu. m)
Recommended threshold*: <20



Share of country's GDP



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Richard Burdett is director of the Urban Age program, organized by the London School of Economics and Deutsche Bank's Alfred Herrhausen Society.

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Arthur T. Benjamin is Professor of Mathematics at Harvey Mudd College, where he has taught since 1989. He earned a Ph.D. in Mathematical Sciences from Johns Hopkins University. The Mathematical Association of America honored him with national awards for distinguished teaching in 1999 and 2000 and named him the George Pólya Lecturer for 2006–08.

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A World Without ISLAM

What if Islam had never existed? To some, it's a comforting thought: No clash of civilizations, no holy wars, no terrorists. Would Christianity have taken over the world? Would the Middle East be a peaceful beacon of democracy? Would 9/11 have happened? In fact, remove Islam from the path of history, and the world ends up exactly where it is today. | **By Graham E. Fuller**

Imagine, if you will, a world without Islam—admittedly an almost inconceivable state of affairs given its charged centrality in our daily news headlines. Islam seems to lie behind a broad range of international disorders: suicide attacks, car bombings, military occupations, resistance struggles, riots, *fatwas*, jihads, guerrilla warfare, threatening videos, and 9/11 itself. Why are these things taking place? “Islam” seems to offer an instant and uncomplicated analytical touchstone, enabling us to make sense of today’s convulsive world. Indeed, for some neoconservatives, “Islamofascism” is now our sworn foe in a looming “World War III.”

But indulge me for a moment. What if there were no such thing as Islam? What if there had never been a Prophet Mohammed, no saga of the spread of Islam across vast parts of the Middle East, Asia, and Africa?

Given our intense current focus on terrorism, war, and rampant anti-Americanism—some of the

*Graham E. Fuller is a former vice chairman of the National Intelligence Council at the CIA in charge of long-range strategic forecasting. He is currently adjunct professor of history at Simon Fraser University in Vancouver. He is the author of numerous books about the Middle East, including *The Future of Political Islam* (New York: Palgrave Macmillan, 2003).*

most emotional international issues of the day—it’s vital to understand the true sources of these crises. Is Islam, in fact, the source of the problem, or does it tend to lie with other less obvious and deeper factors? For the sake of argument, in an act of historical imagination, picture a Middle East in which Islam had never appeared. Would we then be spared many of the current challenges before us? Would the Middle East be more peaceful? How different might the character of East-West relations be? Without Islam, surely the international order would present a very different picture than it does today. Or would it?

IF NOT ISLAM, THEN WHAT?

From the earliest days of a broader Middle East, Islam has seemingly shaped the cultural norms and even political preferences of its followers. How can we then separate Islam from the Middle East? As it turns out, it’s not so hard to imagine.

Let’s start with ethnicity. Without Islam, the face of the region still remains complex and conflicted. The dominant ethnic groups of the Middle East—Arabs, Persians, Turks, Kurds, Jews, even Berbers and Pashtuns—would still dominate politics. Take the Persians: Long before Islam, successive great



Persian empires pushed to the doors of Athens and were the perpetual rivals of whoever inhabited Anatolia. Contesting Semitic peoples, too, fought the Persians across the Fertile Crescent and into Iraq. And then there are the powerful forces of diverse Arab tribes and traders expanding and migrating into other Semitic areas of the Middle East before Islam. Mongols would still have overrun and destroyed the civilizations of Central Asia and much of the Middle East in the 13th century. Turks still would have conquered Anatolia, the Balkans up to Vienna, and most of the Middle East. These struggles—over power, territory, influence, and trade—existed long before Islam arrived.

Without Islam, the face of the Middle East still remains complex and conflicted. Struggles over power, territory, influence, and trade existed long before Islam arrived.

Still, it's too arbitrary to exclude religion entirely from the equation. If, in fact, Islam had never emerged, most of the Middle East would have remained predominantly Christian, in its various sects, just as it had been at the dawn of Islam. Apart from some Zoroastrians and small numbers of Jews, no other major religions were present.

But would harmony with the West really have reigned if the whole Middle East had remained Christian? That is a far reach. We would have to assume that a restless and expansive medieval European world would not have projected its power and hegemony into the neighboring East in search of economic and geopolitical footholds. After all, what were the Crusades if not a Western adventure driven primarily by political, social, and economic needs? The banner of Christianity was little more than a potent symbol, a rallying cry to bless the more secular urges of powerful Europeans. In fact, the particular religion of the natives never figured highly in the West's imperial push across the globe. Europe may have spoken upliftingly about bringing "Christian values to the natives," but the patent goal was to establish colonial outposts as sources of wealth for the metropole and bases for Western power projection.

And so it's unlikely that Christian inhabitants of the Middle East would have welcomed the stream of European fleets and their merchants backed by Western guns. Imperialism would have prospered in the region's complex ethnic mosaic—the raw materials for the old game of divide and rule. And Europeans still would have installed the same pliable local rulers to accommodate their needs.

Move the clock forward to the age of oil in the Middle East. Would Middle Eastern states, even if Christian, have welcomed the establishment of European protectorates over their region? Hardly. The West still would have built and controlled the same choke points, such as the Suez Canal. It wasn't Islam

that made Middle Eastern states powerfully resist the colonial project, with its drastic redrawing of borders in accordance with European geopolitical preferences. Nor would Middle Eastern Christians have welcomed imperial Western oil companies, backed by their European viceregents, diplomats, intelligence agents, and armies, any more than Muslims did. Look at the long history of Latin American

reactions to American domination of their oil, economics, and politics. The Middle East would have been equally keen to create nationalist anticolonial movements to wrest control over their own soil, markets, sovereignty, and destiny from foreign grips—just like anticolonial struggles in Hindu India, Confucian China, Buddhist Vietnam, and a Christian and animist Africa.

And surely the French would have just as readily expanded into a Christian Algeria to seize its rich farmlands and establish a colony. The Italians, too, never let Ethiopia's Christianity stop them from turning that country into a harshly administered colony. In short, there is no reason to believe that a Middle Eastern reaction to the European colonial ordeal would have differed significantly from the way it actually reacted under Islam.

But maybe the Middle East would have been more democratic without Islam? The history of

Ask the Author 

Send questions for Graham Fuller to letters@ForeignPolicy.com by January 25, and we will post his answers on January 31 at ForeignPolicy.com/extras/fuller.



firmly rooted in Western Christian lands and culture. Jews would therefore have still sought a homeland outside Europe; the Zionist movement would still have emerged and sought a base in Palestine. And the new Jewish state would still have dislodged the same 750,000 Arab natives of Palestine from their lands even if they had been Christian—and indeed some of them were. Would not these Arab Palestinians have fought to protect or regain their land? The Israeli-Palestinian problem remains at heart a national, ethnic, and territorial conflict, only recently bolstered by religious slogans. And let's not forget that Arab Christians played a major role in the early emergence of the whole Arab nationalist movement in the Middle East; indeed, the ideological founder of the first pan-Arab Ba'ath party, Michel Aflaq, was a Sorbonne-educated Syrian Christian.

dictatorship in Europe itself is not reassuring here. Spain and Portugal ended harsh dictatorships only in the mid-1970s. Greece only emerged from church-linked dictatorship a few decades ago. Christian Russia is still not out of the woods. Until quite recently, Latin America was riddled with dictators, who often reigned with U.S. blessing and in partnership with the Catholic Church. Most Christian African nations have not fared much better. Why would a Christian Middle East have looked any different?

And then there is Palestine. It was, of course, Christians who shamelessly persecuted Jews for more than a millennium, culminating in the Holocaust. These horrific examples of anti-Semitism were

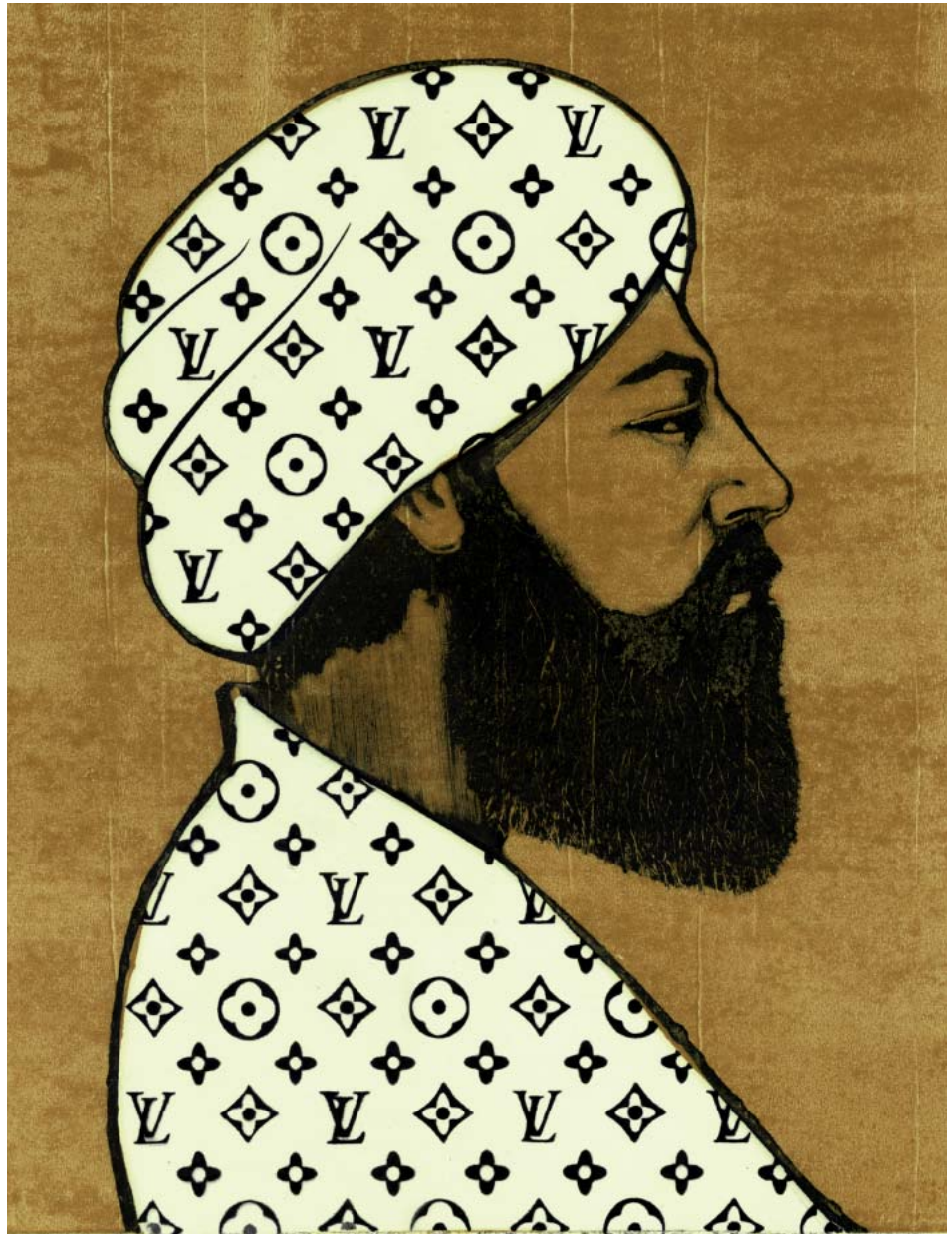
But surely Christians in the Middle East would have at least been religiously predisposed toward the West. Couldn't we have avoided all that religious strife? In fact, the Christian world itself was torn by heresies from the early centuries of Christian power, heresies that became the very vehicle of political opposition to Roman or Byzantine power. Far from uniting under religion, the West's religious wars invariably veiled deeper ethnic, strategic, political, economic, and cultural struggles for dominance.

Even the very references to a "Christian Middle East" conceal an ugly animosity. Without Islam, the peoples of the Middle East would have remained as they were at the birth of Islam—mostly adherents of Eastern Orthodox Christianity. But it's easy to for-

get that one of history's most enduring, virulent, and bitter religious controversies was that between the Catholic Church in Rome and Eastern Orthodox Christianity in Constantinople—a rancor that persists still today. Eastern Orthodox Christians never forgot or forgave the sacking of Christian Constantinople by Western Crusaders in 1204. Nearly 800 years later, in 1999, Pope John Paul II sought to take a few small steps to heal the breach in the first visit of a Catholic pope to the Orthodox world in a thousand years. It was a start, but friction between East and West in a Christian Middle East would have remained much as it is today. Take Greece, for example: The Orthodox cause has been a powerful driver behind nationalism and anti-Western feeling there, and anti-Western passions in Greek politics as little as a decade ago

echoed the same suspicions and virulent views of the West that we hear from many Islamist leaders today.

The culture of the Orthodox Church differs sharply from the Western post-Enlightenment ethos, which emphasizes secularism, capitalism, and the primacy of the individual. It still maintains residual fears about the West that parallel in many ways current Muslim insecurities: fears of Western missionary proselytism, a tendency to perceive religion as a key vehicle for the protection and preservation of their own communities and culture, and a suspicion of the “corrupted” and imperial character of the West. Indeed, in an Orthodox Christian Middle East, Moscow would enjoy special influence, even today,



as the last major center of Eastern Orthodoxy. The Orthodox world would have remained a key geopolitical arena of East-West rivalry in the Cold War. Samuel Huntington, after all, included the Orthodox Christian world among several civilizations embroiled in a cultural clash with the West.

Today, the U.S. occupation of Iraq would be no more welcome to Iraqis if they were Christian. The United States did not overthrow Saddam Hussein, an intensely nationalist and secular leader, because he was Muslim. Other Arab peoples would still have supported the Iraqi Arabs in their trauma of occupation. Nowhere do people welcome foreign occupation and the killing of their citizens at the hands of foreign troops. Indeed, groups threatened

by such outside forces invariably cast about for appropriate ideologies to justify and glorify their resistance struggle. Religion is one such ideology.

This, then, is the portrait of a putative “world without Islam.” It is a Middle East dominated by Eastern Orthodox Christianity—a church historically and psychologically suspicious of, even hostile to, the West. Still riven by major ethnic and even sectarian differences, it possesses a fierce sense of historical consciousness and grievance against the West. It has been invaded repeatedly by Western imperialist armies; its resources commandeered; borders redrawn by Western fiat in conformity with its various interests; and regimes established that are compliant with Western dictates. Palestine would still burn. Iran would still be intensely nationalistic. We would still see Palestinians resist Jews, Chechens resist Russians, Iranians resist the British and Americans, Kashmiris resist Indians, Tamils resist the Sinhalese in Sri Lanka, and Uighurs and Tibetans resist the Chinese. The Middle East would still have a glorious historical model—the great Byzantine Empire of more than 2,000 years’ standing—with which to identify as a cultural and religious symbol. It would, in many respects, perpetuate an East-West divide.

It is not an entirely peaceful and comforting picture.

UNDER THE PROPHET’S BANNER

It is, of course, absurd to argue that the existence of Islam has had no independent impact on the Middle East or East-West relations. Islam has been a unifying force of a high order across a wide region. As a global universal faith, it has created a broad civilization that shares many common principles of philosophy, the arts, and society; a vision of the moral life; a sense of justice, jurisprudence, and good governance—all in a deeply rooted high culture. As a cultural and moral force, Islam has helped bridge ethnic differences among diverse Muslim peoples, encouraging them to feel part of a broader Muslim civilizational project. That alone furnishes it with great weight. Islam affected political geography as well: If there had been no Islam, the Muslim countries of South Asia and Southeast Asia today—particularly Pakistan, Bangladesh, Malaysia, and Indonesia—would be rooted instead in the Hindu world.

Islamic civilization provided a common ideal to which all Muslims could appeal in the name of resistance against Western encroachment. Even if that appeal failed to stem the Western imperial tide, it created a cultural memory of a commonly shared fate that did not go away. Europeans were able to divide and conquer numerous African, Asian, and Latin American peoples who then fell singly before Western power. A united, trans-

Is it so hard to imagine that Arabs would be so angry at imperialism’s constant invasions, that they would resort to terrorism? The question might be instead, why didn’t it happen sooner?

tional resistance among those peoples was hard to achieve in the absence of any common ethnic or cultural symbol of resistance.

In a world without Islam, Western imperialism would have found the task of dividing, conquering, and dominating the Middle East and Asia much easier. There would not have remained a shared cultural memory of humiliation and defeat across a vast area. That is a key reason why the United States now finds itself breaking its teeth in the Muslim world. Today, global intercommunications and shared satellite images have created a strong self-consciousness among Muslims and a sense of a broader Western imperial siege against a common Islamic culture. This siege is not about modernity; it is about the unceasing Western quest for domination of the strategic space, resources, and even culture of the Muslim world—the drive to create a “pro-American” Middle East. Unfortunately, the United States naïvely assumes that Islam is all that stands between it and the prize.

But what of terrorism—the most urgent issue the West most immediately associates with Islam today? In the bluntest of terms, would there have been a 9/11 without Islam? If the grievances of the Middle East, rooted in years of political and emotional anger at U.S. policies and actions, had been wrapped up in a different banner, would things have been vastly different? Again, it’s important to remember how easily religion can be invoked even when other long-standing grievances

are to blame. Sept. 11, 2001, was not the beginning of history. To the al Qaeda hijackers, Islam functioned as a magnifying glass in the sun, collecting these widespread shared common grievances and focusing them into an intense ray, a moment of clarity of action against the foreign invader.

In the West's focus on terrorism in the name of Islam, memories are short. Jewish guerrillas used

Peoples who resist foreign oppressors seek banners to glorify their cause. Class struggle provides a good rallying point. Nationalism is even better. But religion provides the best one of all.

terrorism against the British in Palestine. Sri Lankan Hindu Tamil "Tigers" invented the art of the suicide vest and for more than a decade led the world in the use of suicide bombings—including the assassination of Indian Prime Minister Rajiv Gandhi. Greek terrorists carried out assassination operations against U.S. officials in Athens. Organized Sikh terrorism killed Indira Gandhi, spread havoc in India, established an overseas base in Canada, and brought down an Air India flight over the Atlantic. Macedonian terrorists were widely feared all across the Balkans on the eve of World War I. Dozens of major assassinations in the late 19th and early 20th centuries were carried out by European and American "anarchists," sowing collective fear. The Irish Republican Army employed brutally effective terrorism against the British for decades, as did communist guerrillas and terrorists in Vietnam against Americans, communist Malaysians against British soldiers in the 1950s, Mau Mau terrorists against British officers in Kenya—the list goes on. It doesn't take a Muslim to commit terrorism.

Even the recent history of terrorist activity doesn't look much different. According to Europol, 498 terrorist attacks took place in the European Union in 2006. Of these, 424 were perpetrated by separatist groups, 55 by left-wing extremists, and 18 by various other terrorists. Only 1 was carried out by Islamists. To be sure, there were a number of foiled attempts in a highly surveilled Muslim community. But these figures reveal the broad ideological range of potential terrorists in the world.

Is it so hard to imagine then, Arabs—Christian or Muslim—angered at Israel or imperialism's constant invasions, overthrows, and interventions, employing similar acts of terrorism and guerrilla warfare? The question might be instead, why didn't it happen sooner? As radical groups articulate grievances in our globalized age, why should we not expect them to carry their struggle into the heart of the West?

If Islam hates modernity, why did it wait until 9/11 to launch its assault? And why did key Islamic thinkers in the early 20th century speak of the need to embrace modernity even while protecting Islamic culture? Osama bin Laden's cause in his early days was not modernity at all—he talked of Palestine, American boots on the ground in Saudi Arabia, Saudi rulers under U.S. control, and modern "Crusaders." It is striking that it was not until as late as 2001 that we saw the first major boiling over of Muslim anger onto U.S. soil itself, in reaction to historical as well as accumulated recent events and U.S. policies. If not 9/11, some similar event like it was destined to come.

And even if Islam as a vehicle of resistance had never existed, Marxism did. It is an ideology that has spawned countless terrorist, guerrilla, and national liberation movements. It has informed the Basque ETA, the FARC in Colombia, the Shining Path in Peru, and the Red Army Faction in Europe, to name only a few in the West. George Habash, the founder of the deadly Popular Front for the Liberation of Palestine, was a Greek Orthodox Christian and Marxist who studied at the American University of Beirut. In an era when angry Arab nationalism flirted with violent Marxism, many Christian Palestinians lent Habash their support.

Peoples who resist foreign oppressors seek banners to propagate and glorify the cause of their struggle. The international class struggle for justice provides a good rallying point. Nationalism is even better. But religion provides the best one of all, appealing to the highest powers in prosecuting its cause. And religion everywhere can still serve to bolster ethnicity and nationalism even as it transcends it—especially when the enemy is of a different religion. In such cases, religion ceases to be primarily the source of clash and confrontation,

but rather its vehicle. The banner of the moment may go away, but the grievances remain.

We live in an era when terrorism is often the chosen instrument of the weak. It already stymies the unprecedented might of U.S. armies in Iraq, Afghanistan, and elsewhere. And thus bin Laden in many non-Muslim societies has been called the “next Che Guevara.” It’s nothing less than the appeal of successful resistance against dominant American power, the weak striking back—an appeal that transcends Islam or Middle Eastern culture.

MORE OF THE SAME

But the question remains, if Islam didn’t exist, would the world be more peaceful? In the face of these tensions between East and West, Islam unquestionably adds yet one more emotive element, one more layer of complications to finding solutions. Islam is not the cause of such problems. It may seem sophisticated to seek out passages in the Koran that seem to explain “why they hate us.” But that blindly misses the nature of the phenomenon. How comfortable to identify Islam as the source of “the problem”; it’s certainly much easier than exploring the impact of the massive global footprint of the world’s sole superpower.

A world without Islam would still see most of the enduring bloody rivalries whose wars and tribulations dominate the geopolitical landscape. If it were not religion, all of these groups would have found some other banner under which to express nationalism and a quest for independence. Sure, history would not have followed the exact same path as it has. But, at rock bottom, conflict between East and West remains all about the grand historical and geopolitical issues of human history: ethnicity, nationalism, ambition, greed, resources, local leaders, turf, financial gain, power, interventions, and hatred of outsiders, invaders, and imperialists. Faced with timeless issues like these, how could the power of religion not be invoked?

Remember too, that virtually every one of the principle horrors of the 20th century came almost exclusively from strictly secular regimes: Leopold II of Belgium in the Congo, Hitler, Mussolini, Lenin and Stalin, Mao, and Pol Pot. It was Europeans who visited their “world wars” twice upon the rest of the world—two devastating global conflicts with no remote parallels in Islamic history.

Some today might wish for a “world without Islam” in which these problems presumably had never come to be. But, in truth, the conflicts, rivalries, and crises of such a world might not look so vastly different than the ones we know today. **FP**

[Want to Know More?]

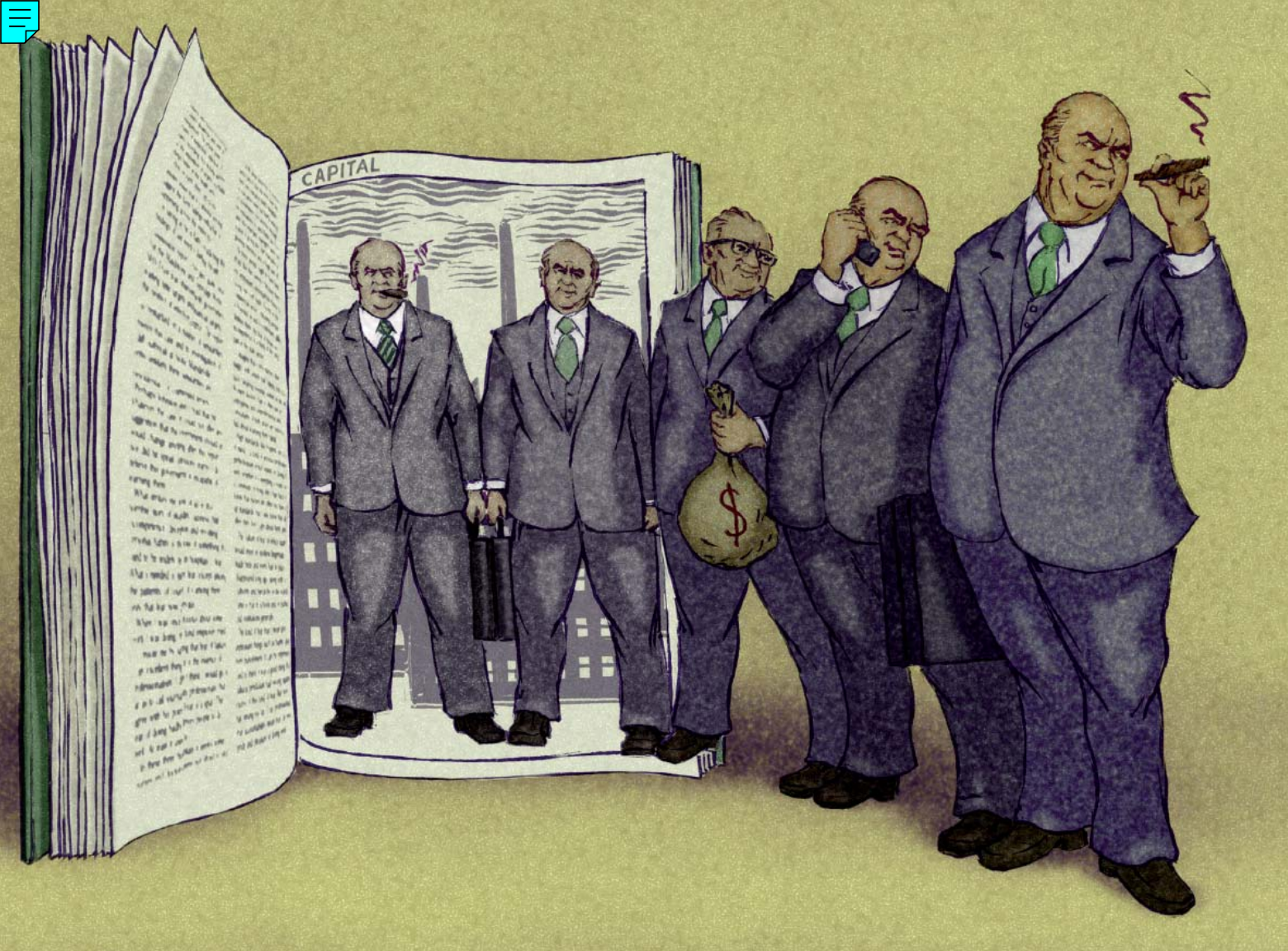
For more of Graham Fuller’s writings on the Islamic world and its political and cultural significance, see *The Future of Political Islam* (New York: Palgrave Macmillan, 2003).

For two classic works on the relationship between the West and the Middle East, see Samuel Huntington’s *The Clash of Civilizations and the Remaking of World Order* (New York: Simon & Schuster, 1996) and Bernard Lewis’s *Islam and the West* (New York: Oxford University Press, 1993).

For an alternative view of the nature of Islam and its compatibility with the other major monotheistic religions, see Reza Aslan’s *No God but God: The Origins, Evolution, and Future of Islam* (New York: Random House, 2005). Five years after the September 11 attacks, William J. Dobson rethinks the popular notion that 9/11 ruptured East and West, in “The Day Nothing Much Changed” (FOREIGN POLICY, September/October 2006).

In “The True Clash of Civilizations” (FOREIGN POLICY, March/April 2003), Ronald Inglehart and Pippa Norris argue that the real divide between East and West is not religion, but sex. Finally, Josef Joffe imagines how different the Middle East—and U.S. foreign policy—would look if Israel had never existed, in “A World Without Israel” (FOREIGN POLICY, January/February 2005).

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EUROPE'S PHILOSOPHY *of* FAILURE



*In France and Germany, students are being forced to undergo a dangerous indoctrination. Taught that economic principles such as capitalism, free markets, and entrepreneurship are savage, unhealthy, and immoral, these children are raised on a diet of prejudice and bias. Rooting it out may determine whether Europe's economies prosper or continue to be left behind. | **By Stefan Theil***

Millions of children are being raised on prejudice and disinformation. Educated in schools that teach a skewed ideology, they are exposed to a dogma that runs counter to core beliefs shared by many other Western countries.

Stefan Theil is Newsweek's European economics editor. He completed his research of American, French, and German textbooks and curricula while a trans-Atlantic fellow at the German Marshall Fund of the United States.

They study from textbooks filled with a doctrine of dissent, which they learn to recite as they prepare to attend many of the better universities in the world. Extracting these children from the jaws of bias could mean the difference between world prosperity and menacing global rifts. And doing so will not be easy. But not because these children are found in the *madrasas* of Pakistan or the state-controlled schools of Saudi Arabia. They are not. Rather, they live in two of the world's great democracies—France and Germany.

What a country teaches its young people reflects its bedrock national beliefs. Schools hand down a society's historical narrative to the next generation. There has been a great deal of debate over the ways in which this historical ideology is passed on—over Japanese textbooks that downplay the Nanjing Massacre, Palestinian textbooks that feature maps without Israel, and new Russian guidelines that require teachers to portray Stalinism more favorably.



Yet there has been almost no analysis of how countries teach economics, even though the subject is equally crucial in shaping the collective identity that drives foreign and domestic policies.

Just as schools teach a historical narrative, they also pass on “truths” about capitalism, the welfare state, and other economic principles that a society considers self-evident. In both France and Germany, for instance, schools have helped ingrain a serious aversion to capitalism. In one 2005 poll, just 36 percent of French citizens said they supported the free-enterprise system, the only one of 22 countries polled that showed minority support for this cornerstone of global commerce. In Germany, meanwhile, support for socialist ideals is running at all-time highs—47 percent in 2007 versus 36 percent in 1991.

It's tempting to dismiss these attitudes as being little more than punch lines to cocktail party jokes. But

their impact is sadly and seriously self-destructive. In Germany, unemployment is finally falling after years at Depression-era levels, thanks in no small part to welfare reforms that in 2005 pressured Germans on the public dole to take up jobs. Yet there is near consensus among Germans that, despite this happy outcome, tinkering with the welfare state went far beyond what is permissible. Chancellor Angela Merkel, once heralded as Germany's own Margaret Thatcher, has all but abandoned her plans to continue free-market reforms. She has instead imposed a new “rich people tax,” has tightened labor-market rules, and has promised renewed efforts to “regulate” globalization. Meanwhile, two in three Germans say they support at least some of the voodoo-economic, roll-back-the-reforms platform of a noisy new antiglobalization political party called Die Linke (The Left), founded by former East German communists and Western left-wing populists.

Many of these popular attitudes can be traced to state-mandated curricula in schools. It is there that economic lessons are

taught that diverge substantially from the market-based principles on which the Western model is based. The phenomenon may hardly be unique to Europe, but in few places is it more obvious than in France and Germany. A biased view of economics feeds into many of the world's most vexing problems, from the growth of populism to the global rise of anti-American, anti-capitalist attitudes.

ECONOMICS À LA CARTE

“Economic growth imposes a hectic form of life, producing overwork, stress, nervous depression, cardiovascular disease and, according to some, even the development of cancer,” asserts the three-volume *Histoire du XXe siècle*, a set of texts memorized by countless French high school students as they prepare for entrance exams to Sciences Po

and other prestigious French universities. The past 20 years have “doubled wealth, doubled unemployment, poverty, and exclusion, whose ill effects constitute the background for a profound social malaise,” the text continues. Because the 21st century begins with “an awareness of the limits to growth and the risks posed to humanity [by economic growth],” any future prosperity “depends on the regulation of capitalism on a planetary scale.” Capitalism itself is described at various points in the text as “brutal,” “savage,” “neoliberal,” and “American.” This agit-prop was published in 2005, not in 1972.

When French students are not getting this kind of wildly biased commentary on the destruction wreaked by capitalism, they are learning that economic progress is also the root cause of social ills. For example, a one-year high school course on the inner workings of an economy developed by the French Education Ministry called *Sciences Economiques et Sociales*, spends two thirds of its time discussing the sociopolitical fallout of economic activity. Chapter and section headings include “Social Cleavages and Inequality,” “Social Mobilization and Conflict,” “Poverty and Exclusion,” and

Instead, students read a lengthy treatise on whether technological progress destroys jobs. In another textbook, students actually meet a French entrepreneur who invented a new tool to open oysters. But the quirky anecdote is followed by a long-winded debate over the degree to which the modern workplace is organized along the lines imagined by Frederick Taylor, the father of modern scientific management theory. And just in case they missed it in history class, students are reminded that “cultural globalization” leads to violence and armed resistance, ultimately necessitating a new system of global governance.

This is a world apart from what American high school students learn. In the United States, where fewer than half of high school students take an economics course, most classes are based on straightforward, classical economics. In Texas, the state-prescribed curriculum requires that the positive contribution of entrepreneurs to the local economy be taught. The state of New York, meanwhile, has coordinated its curriculum with entrepreneurship-promoting youth groups such as Junior Achievement, as well as with economists at the Federal Reserve. Do

American schools encourage students to follow in the footsteps of Bill Gates or become ardent fans of globalization? Not really. But they certainly aren’t filling students with negative preconceptions and suspicions about businesses and the people who run them. Nor do they

obsess about the negative side effects and dangers of economic activity the way French textbooks do.

French students, on the other hand, do not learn economics so much as a very specific, highly biased discourse *about* economics. When they graduate, they may not know much about supply and demand, or about the workings of a corporation. Instead, they will likely know inside-out the evils of “*la McDonaldisation du monde*” and the benefits of a “Tobin tax” on the movement of global capital. This kind of anticapitalist, antiglobalization discourse isn’t just the product of a few aging 1968ers writing for *Le Monde Diplomatique*; it is required learning in today’s French schools.

LEARNING TO LOVE THE DOLE

Germans teach their young people a similar economic narrative, with a slightly different emphasis. The focus is on instilling the corporatist and collec-

French students do not learn economics so much as a highly biased discourse *about* economics.

“Globalization and Regulation.” The ministry mandates that students learn “worldwide regulation as a response” to globalization. Only one third of the course is about companies and markets, and even those bits include extensive sections on unions, government economic policy, the limits of markets, and the dangers of growth. The overall message is that economic activity has countless undesirable effects from which citizens must be protected.

No wonder, then, that the French default attitude is to be suspicious of market forces and private entrepreneurship, not to mention any policies that would strengthen them. Start-ups, *Histoire du XXe siècle* tells its students, are “audacious enterprises” with “ill-defined prospects.” Then it links entrepreneurs with the tech bubble, the Nasdaq crash, and mass layoffs across the economy. (Think “creative destruction” without the “creative.”) In one widely used text, a section on technology and innovation does not mention a single entrepreneur or company.



tivist traditions of the German system. Although each of Germany's 16 states sets its own education requirements, nearly all teach through the lens of workplace conflict between employer and employee, the central battle being over wages and work rules. If there's one unifying characteristic of German textbooks, it's the tremendous emphasis on group interests, the traditional social-democratic division of the universe into capital and labor, employer and employee, boss and worker. Textbooks teach the minutiae of employer-employee relations, workplace conflict, collective bargaining, unions, strikes, and worker protection. Even a cursory look at the country's textbooks shows that many are written from the perspective of a future employee with a union contract. Bosses and company owners show up in caricatures and illustrations as idle, cigar-smoking plutocrats; sometimes linked to child labor, Internet fraud, cell-phone addiction, alcoholism, and, of course, undeserved layoffs. The successful, modern entrepreneur is virtually nowhere to be found.

German students will be well-versed in many subjects upon graduation; one topic they will know particularly well is their rights as welfare recipients. One 10th-grade social studies text titled *FAKT* has a chapter on "What to do against unemployment." Instead of describing how companies might create jobs, the section explains how those without jobs can organize into self-help groups and join weekly anti-reform protests "in the tradition of the East German

Monday demonstrations" (which in 1989 helped topple the communist dictatorship). The not-so-subtle subtext? Jobs are a right to be demanded from the government. The same chapter also details various welfare programs, explains how employers use the threat of layoffs as a tactic to cut pay, and concludes with a long excerpt from the platform of the German Union Federation, including the 30-hour work

week, retirement at age 60, and redistribution of the work pie by splitting full-time into part-time jobs. No market alternative is taught. When *FAKT* presents the reasons for unemployment, it blames computers and robots. In fact, this is a recurring theme in German textbooks—the Internet will turn workers into "anonymous code" and kill off interpersonal communication.

Equally popular in Germany today are student workbooks on globalization. One such workbook includes sections headed "The Revival of Manchester Capitalism," "The Brazilianization of Europe," and "The Return of the Dark Ages." India and China are successful, the book explains, because they have large, state-owned sectors and practice protectionism, while the societies with the freest markets lie in impoverished sub-Saharan Africa. Like many French and German books, this text suggests students learn more by contacting the antiglobalization group Attac, best known for organizing messy protests at the annual G-8 summits.

One might expect Europeans to view the world through a slightly left-of-center, social-democratic lens. The surprise is the intensity and depth of the anti-market bias being taught in Europe's schools. Students learn that private companies destroy jobs while government policy creates them. Employers exploit while the state protects. Free markets offer chaos while government regulation brings order. Globalization is destructive, if not catastrophic. Business is a zero-sum game, the source of a litany

of modern social problems. Some enterprising teachers and parents may try to teach an alternative view, and some books are less ideological than others. But given the biases inherent in the curricula, this background is unavoidable. It is the context within which most students develop intellectually. And it's a belief system that must eventually appear to be the truth.

CAN OLD EUROPE DO NEW TRICKS?

This bias has tremendous implications that reach far beyond the domestic political debate in these two countries. These beliefs inform students' choices in life. Taught that the free market is a dangerous wilderness, twice as many Germans as Americans tell pollsters that you should not start a business if you think it might fail. According to the European Union's internal polling, just two in five Germans and French would like to be their own boss, compared to three in five Americans. Whereas 8 percent

Attitudes and mind-sets, it is increasingly being shown, are closely related to a country's economic performance. Edmund Phelps, a Columbia University economist and Nobel laureate, contends that attitudes toward markets, work, and risk-taking are significantly more powerful in explaining the variation in countries' actual economic performance than the traditional factors upon which economists focus, including social spending, tax rates, and labor-market regulation. The connection between capitalism and culture, once famously described by Max Weber, also helps explain continental Europe's poor record in entrepreneurship and innovation. A study by the Massachusetts-based Monitor Group, the *Entrepreneurship Benchmarking Index*, looks at nine countries and finds a powerful correlation between attitudes about economics and actual corporate performance. The researchers find that attitudes explain 40 percent of the variation in start-up and company



of Americans say they are currently involved in starting a business, that's true of only 2 percent of Germans and 1 percent of the French. Another 28 percent of Americans are considering starting a business, compared to just 11 percent of the French and 18 percent of Germans. The loss to Europe's two largest economies in terms of jobs, innovation, and economic dynamism is severe.

growth rates—by far the strongest correlation of any of the 31 indicators they tested. If countries such as France and Germany hope to boost entrepreneurship, innovation, and economic dynamism—as their leaders claim they do—the most effective way to make that happen may be to use education to boost the cultural legitimacy of going into business.

The deep anti-market bias that French and Germans continue to teach challenges the conventional wisdom that it's just a matter of time, thanks to the pressures of globalization, before much of the world agrees upon a supposedly "Western" model of free-market capitalism. Politicians in democracies cannot long fight the preferences of the majority of their constituents. So this bias will likely continue to circumscribe both European elections and policy outcomes. A likely alternative scenario may be that the changes wrought by globalization will awaken deeply held resentment against capitalism and, in many countries from Europe to Latin America, provide a fertile ground for populists and demagogues, a trend that is already manifesting itself in the sudden rise of many leftist movements today.

Minimal reforms to the welfare state cost former German Chancellor Gerhard Schröder his job in 2005. They have also paralyzed modern German politics. Former communists and disaffected Social Democrats, together with left-wing Greens, have flocked to Germany's new leftist party, whose politics is a distasteful mix of anticapitalist demagoguery and right-wing xenophobia. Its platform, polls show, is finding support even among mainstream Germans. A left-leaning majority, within both the parliament and

the public at large, makes the world's third-largest economy vulnerable to destructive policies driven by anticapitalist resentment and fear of globalization. Similar situations are easily conceivable elsewhere and have already helped bring populists to power in Latin America. Then there is France, where President Nicolas Sarkozy promised to "rupture" with the failed economic policies of the past. He has taken on the country's public servants and their famously lavish benefits, but many of his policies appear to be driven by what he calls "economic patriotism," which smacks of old-fashioned industrial protectionism. That's exactly what French schoolchildren have long learned is the way the world should work.

Both the French and German cases show the limits of trying to run against the grain of deeply held economic ideology. Yet, training the next generation of citizens to be prejudiced against being enterprising and productive is equally foolhardy. Fortunately, such widespread attitudes and the political outcomes they foster aren't only determined by tradition and history. They are, to a great extent, the product of education. If countries like France and Germany hope to get their nations on a new economic track, they might start paying more attention to what their kids are learning in the classroom. **FP**

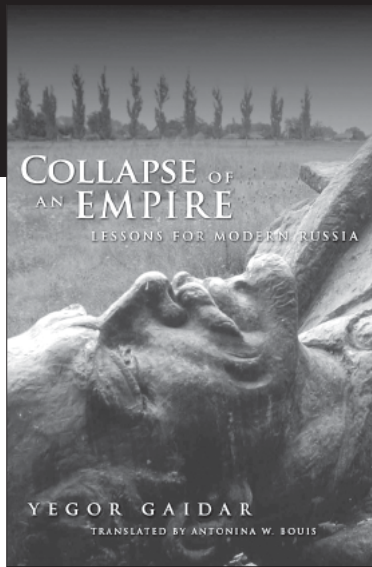
Want to Know More?

Stefan Theil explores the connection between public attitudes and national economic performance in an interview with Nobel laureate economist Edmund Phelps titled "**It's All About Attitude**" (*Newsweek International*, April 30, 2007). In *The Myth of the Rational Voter* (Princeton: Princeton University Press, 2007), Bryan Caplan describes how economic policies are driven by prejudice and bias among the voting public.

For examples of anticapitalist bias in textbooks, see the French-language text *Histoire du XXe siècle, Volume 3: Vers la mondialisation et le début du XXIe siècle* (Paris: Hatier, 2005), by Serge Berstein and Pierre Milza, and the German-language text *FAKT Arbeitsbuch für Politische Bildung* (Berlin: Cornelsen, 2003), by Karl-Heinz Holstein.

A discussion of how school curricula influence welfare policy decisions can be found in *Fighting Poverty in the U.S. and Europe: A World of Difference* (New York: Oxford University Press, 2004), by Alberto Alesina and Edward L. Glaeser. In *Élèves sous influence* (Paris: Audibert, 2005), Barbara Lefebvre and Eve Bonnivard argue that French schools educate their students with an anti-American bias. A broader discussion of how schools around the world spin American ideals can be found in *History Lessons: How Textbooks from Around the World Portray U.S. History* (New York: The New Press, 2004), by Dana Lindaman and Kyle Ward.

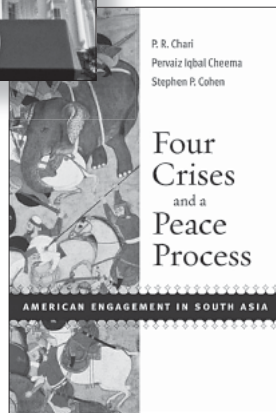
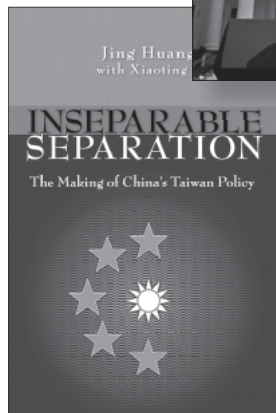
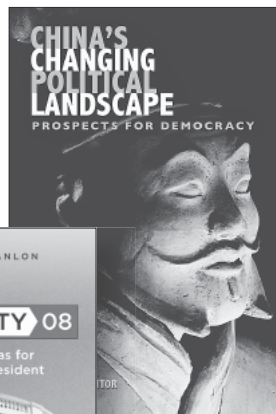
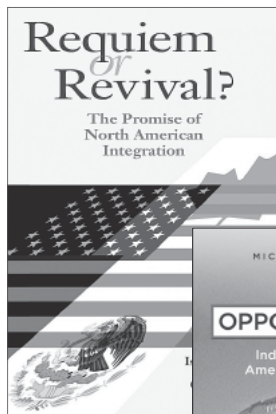
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What AMERICA Must Do

America's relationship with the world is in disrepair. Anger, resentment, and fear have replaced the respect the United States once enjoyed. So, we asked a group of the world's leading thinkers to answer one question: What single policy or gesture can the next president of the United States make to improve America's standing in the world?



Step on the Gas

The world believes that the only thing Americans care about is cheap oil. Prove them wrong.

By **Kenneth Rogoff**

FUTURE HISTORIANS WILL ALMOST certainly regard the failure of the United States to lead in global environmental policy as an even greater mistake than the invasion of Iraq. The first thing the next American president should do upon taking office is to insist that the U.S. Congress pass a huge increase in gas taxes. To be more precise, the United States should implement steep carbon taxes that hit coal, heating oil, and natural gas. The tax should be enough to raise the price of gasoline by at least \$2 a gallon. But unlike Europe's consumer-oriented gasoline tax, it should hit everyone in the economy, including manufacturers.

No other specific policy action will be half as effective in changing America's engagement with the world. No other presidential directive would so clearly disown the United States' record of lamentable and

self-centered head-in-the-sand energy policies. There is no way the United States can hope to persuade China and India to adopt more environmentally friendly growth strategies without first acknowledging its own responsibility—and then doing something about it. At the same time, a carbon tax might finally convince the rest of the world that the United States does not aim to invade countries to preserve cheap oil.

Such a tax would raise massive revenues that will help reduce current and prospective U.S. deficits. The revenues would help ease the pressure that excessive American borrowing is putting on international capital markets, pressure that is now contributing to a dangerous collapse of the dollar. Of course, some of the new tax revenue should be earmarked for scaling back other taxes and for providing subsidies to low-income citizens to offset the burden of the carbon tax. It also demonstrates the right way to provide the private sector with incentives to conserve fuel and develop alternative energy sources. It is far better than the complex and inequitable carbon trading schemes that Europeans are trying to implement.

Yes, oil-exporting countries will protest that a U.S. carbon tax is aimed squarely at them, and indeed, they will see a drop in demand for their product.

Kenneth Rogoff is professor of economics at Harvard University and former chief economist of the International Monetary Fund.

Venezuela and Russia will have to figure out how to get by with lower oil revenues. But many poor developing countries will see huge cuts in their oil import bills as world petroleum prices fall. The effective transfer of wealth would be far larger than anything that private or public philanthropy could provide.

There is no doubt that there are many other symbolic gestures a new president can make, but a carbon tax would cut to the heart of what's wrong

with America's place in the world today—politically, economically, and socially. Let's not kid ourselves: Taxing gas and other carbon emissions will be wildly unpopular among American voters, at least at first. Many will say it is a political nonstarter. But that is precisely why children everywhere will be so grateful that a courageous American president will have finally put the United States back on its proper fiscal—and moral—track.



Holy Orders

The only thing evil about the war on terror is America's religious rhetoric.

By Reza Aslan

A FEW YEARS AGO, I WAS strolling through the Iranian city of Isfahan when I happened upon a group of teenagers sharing a picnic along the banks of the Zayandeh River. I sat with them for a cup of tea and a smoke from a water pipe perched in the middle of the circle. Catching my accented Persian, one of them asked where I lived.

"I live in America," I replied.

The conversation suddenly came to a halt. A girl of 17 leaned in and whispered conspiratorially, "What is it like to live in a theocratic state?"

That a young person living in the only country in the world in which the religious leaders are also the political authorities could believe, in all earnestness, that the United States has become a theocracy should be all the evidence Americans need that the so-called war on terror has corrupted America's image abroad. From the moment U.S. President George W. Bush launched what he called "a crusade" against "evil-doers," there has been a growing sense, not just in the Muslim world but among even our closest allies, that U.S. foreign

Reza Aslan is author of No God but God: The Origins, Evolution, and Future of Islam (New York: Random House, 2005) and the forthcoming How to Win a Cosmic War (New York: Random House, 2008).



policy is being filtered through an unprecedented union of religious and political ideology. That impression has been strengthened recently by disturbing revelations of proselytizing and religious harassment by evangelical Christian faculty at U.S. military academies.

Although politicians can perhaps be forgiven for using religiously tinged language to appeal to Americans' innate sense of moral righteousness, it bears noting that the United States is embroiled in

a global conflict with an enemy whose primary goal is to convince the world that the war on terror is in fact a crusade against Islam. Seven years of inflammatory, Manichaean rhetoric about “good and evil” from the White House has only validated that view. It has allowed America’s enemies to frame the scope and supposed meaning of the current conflict against Islamist terrorism.

The next American president must, in both word and deed, aggressively work to strip the war on terror of the overt religious connotations forced upon it by reckless politicians. A reversal of public rhetoric is not the only necessity, but also the swift and public condemnation of those who dare to promote a religious agenda in this global conflict, such as members of the U.S. military (like Lt. Gen. William Boykin, who has called the war on terror a “spiritual battle”

against a “guy called Satan”), politically influential religious leaders (such as the Rev. Franklin Graham, son of Billy, who publicly called Islam “an evil and wicked religion”), and polarizing politicians (such as Rep. Tom Tancredo, who recently suggested bombing Mecca and Medina).

It goes without saying that in a war of ideas—which, make no mistake, is what we are fighting—our most potent weapons are our words. In a conflict as charged with religious fanaticism as this, even the appearance of religious motivation can have disastrous consequences. Just ask Osama bin Laden. “Bush left no room for doubts,” he announced a few years ago. “He stated clearly that this war is a Crusader war. . . . The odd thing about this is that he has taken the words right out of our mouths.” And when bin Laden agrees with you, it’s time to rethink the message.



A Table for Thirteen

The G-8 risks becoming irrelevant if more countries aren’t invited to join the club.

By Philip Stephens

THE FIRST INTERNATIONAL ACT OF the 44th president of the United States must be unilaterally multilateralist. George W. Bush’s successor should announce in his or her inaugural State of the Union Address that the United States will no longer attend meetings of the Group of Eight (G-8) nations until the group adds five more seats to the table. Only if and when the G-8 is reconstituted as the G-13—adding Brazil, China, India, Mexico, and South Africa as full participants—will the leader of the world’s most powerful nation return to the world’s most prestigious club.

At first glance, the initiative could be mistaken as a retreat from the foreign entanglements that have dogged the Bush presidency: a decision by the White House to pull up the drawbridge after the costly interventions of the past seven years. In reality, it would be the opposite: a far-sighted acknowledgment that we are witnessing the most profound shifts in the geopolitical landscape since the 19th century. It would be a recognition that the United States, still the preeminent but now insufficient power, has but one chance to design the architecture for a new global system.

Philip Stephens is chief political commentator at the Financial Times.

The American president’s chair would not be empty long. Jealous of their own invitation to the world’s top summit, the other present members of the G-8—Britain, Canada, France, Germany, Italy, Japan, and Russia—would fall over themselves to endorse the president’s plan. Thus the rising powers of the 21st century would for the first time join those of the 20th as equals at the same table. In mid-2009, the G-13 would convene as the first international institution to reflect the emerging geopolitical balance of the new century.

This summit, however, would only be the beginning of a bigger enterprise. At the invitation of the president, the first task of the newly constituted G-13 would be to remodel the international institutions created by the United States at the end of World War II to fit the new patterns of global power. The newcomers, in the words of World Bank President Robert Zoellick, would be invited to become “responsible stakeholders” in the international system. The process would begin with a reallocation of voting rights at the International Monetary Fund and World Bank and end, eventually, with the expansion of the U.N. Security Council.

The next American president takes office amid the return to the global arena of great-power competition. Inevitably, the United States faces a decline in its relative power even as its economic and military

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might likely remain unmatched by any other nation for decades to come. The choice for the White House will be between attempting to manage the new rivalries or playing the balancing strategies that led Europe into war in the opening decades of the last century. With wisdom, Washington can retain leadership even as its relative position weakens.

For all the anti-Americanism stirred by the policies of President Bush, U.S. leadership, especially when measured against the alternatives, remains an attractive state of affairs for much of the world. But to be effective, it must be inclusive and seek to reclaim the legitimacy bestowed by an international system based on rules.



Open the Door To Damascus

Syria may be ready to strike a separate peace—if only Washington would give it a chance.

By **Jessica T. Mathews**

SYRIA IS NOT THE KEY TO RESOLVING any of the Middle East's crises—not Iraq, Lebanon, Israel-Palestine, or Iran—but it has the power to stymie progress on all of them. Geography alone makes Syria, with its borders with Israel, Iraq, Lebanon, and the Kurdish region of Turkey, central to Middle East peace. Add to that the long-standing, albeit highly unusual, relationship between the secular Sunni regime in Damascus and the Shiite mullahs in Tehran, and Syria's importance is indisputable.

Of course, there are plenty of reasons to view President Bashar al-Assad's regime with suspicion. Syrian-backed assassinations have taken Lebanon to the brink of collapse, and Israeli airstrikes recently raised rumors of a secret nuclear program. But consider that the same government has opened an embassy in Baghdad, taken in more than a million Iraqi refugees, made an appearance at the Annapolis Middle East peace conference, and appears to have cracked down on the passage of foreign terrorists into Iraq in recent months. Yet, Washington has slammed the door on the possibility of a relationship.

The Bush administration's "they know what they need to do" school of diplomacy, demanding

its own desired outcomes as preconditions for talks, has failed utterly with the Syrians, as it has everywhere else. From Cuba to Iran, shunning regimes the United States doesn't like has never achieved anything other than the deepening of mutual mistrust. That's why it's time for the next president to reopen the road to Damascus.

Syria has signaled for several years that it wants a relationship with the United States. A year ago, Assad's top legal advisor reportedly told participants at an international gathering that "negotiations mean that we will come to the table with all that we are and all that we have, including our relationships." Translation: Syria is willing to trade on its influence with Iran, Hamas, and Hezbollah, among others. Both Syria's foreign minister and its ambassador to the United States have been explicit that Syria is ready for talks without preconditions.

So, what is Washington waiting for? Strip away all the hot air, and there are only two arguments being made against active diplomacy with Syria. One is

**Shunning regimes the
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that talking to the United States is a "reward" that Damascus hasn't earned. That is a specious argument that is equal parts self-fulfilling and self-defeating. The United States has routinely negotiated with despicable regimes when there is something it really wants; look no further than the Bush administration's dealings with Libya and North Korea.

The second argument is that diplomacy will fail because Washington's and Damascus's interests are so opposed. This assertion is unknowable until it is tested. Foretelling the outcome of negotiations before they happen is a fool's errand. Who can possibly say today whether Syria prefers its ties to an isolated Iran to an economically robust relationship with the United States and Europe?

Jessica T. Mathews is president of the Carnegie Endowment for International Peace.

There would be one precondition a new president would have to meet to launch serious discussions with Damascus: take the threat of regime change off the table. That in itself would have beneficial ripple effects across the region.

Whatever else might result won't happen overnight. But there is enough to be gained, and enough reason to think success might be achieved, that an opening to Damascus belongs on the next president's agenda.

The China Syndrome

Showing that U.S. friendship is not for sale will earn the respect of a billion people.

By Yang Jianli

MANY PEOPLE THINK that the United States' influence has waned and its image has been tarnished. I have yet to arrive at the same conclusion. Since I was released from a Chinese prison in April 2007, having served five years for investigating labor unrest, I have spoken to a great number of people around the world about this very topic. In my mind, the United States remains a great country, and its people a great people. It continues to be the only global force with the authority to promote democratization and safeguard freedom and security.

I do believe, however, that the United States has a consistency problem. It is a country that was founded on the principles of freedom, democracy, and certain inalienable rights of the common people, but the desire to meet short-term interests tends to compromise faithfulness to these principles. That inconsistency weakens American credibility.

Yang Jianli is president of the U.S.-based Foundation for China in the 21st Century. In April 2007, he was released from prison in China, where he was tortured and held in solitary confinement, after serving five years on political charges.



Since the violent crackdown on protesters in Tiananmen Square in 1989, U.S. policy toward China has been fickle, even erratic. One day, trade is used as leverage to promote human rights in China, and the next day a thousand reasons are given why that leverage should not be used. Many people wrongly assume that pressuring the Chinese government on human rights triggers ill will toward Americans on the part of ordinary Chinese citizens. In fact, it is the United States' constant seesawing that reinforces the popular belief that

Americans only act for their own material gain. The lofty statements followed by inaction have led the Chinese people to conclude that some American politicians, scholars, and businesspeople are hypocrites. Their self-imposed censorship when dealing with the Chinese government is disappointing. I have never opposed trading with China, but I cannot support a policy that is so wholly inconsistent.

The next American president can take concrete steps to demonstrate that U.S. policy on China cannot be bought and sold. Human rights conditions, no matter how small, should be attached to every issue the United States brings to China. Little by little, the United States must push for change. The

administration should systematically and publicly engage Chinese democrats both within and outside China, with the long-term goal of helping to establish a constitutional democracy. And finally, the United States should push China to hold local elections. Beijing is not wholly opposed to the idea, because it may help diminish the local corruption and abuses of power that the central government is eager to curb.

Promoting democracy and freedom around the world will panic dictators and even puzzle those who have been brainwashed by their rulers, but it will not lead to disrespect. Only paying lip service to cherished beliefs or failing to follow up promises with actions will court disdain.

Lend Them Your Ear

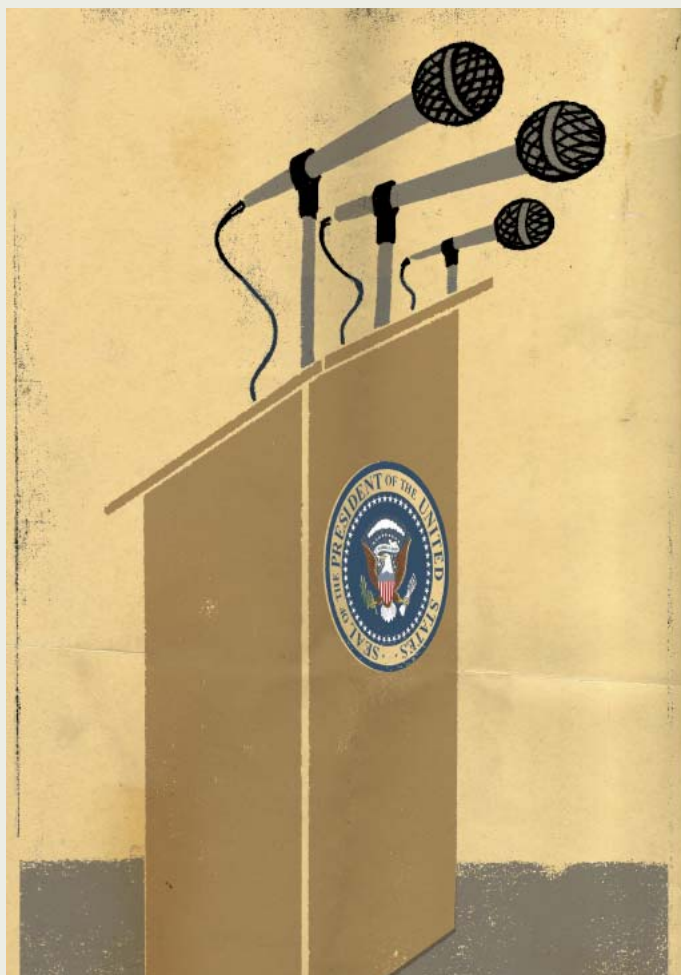
What requires the least effort and reaps the biggest returns? The simple act of listening.

By **Newt Gingrich**

FEW DEEDS ARE AS SIMPLE AND effective as the act of listening. But for the past seven years, people around the world have become convinced that the United States is unwilling to make even this small gesture. Their conviction has consequently hurt our ability to lead. We must not forget that successful leadership on the world stage, just as in one's own home, depends upon the shared belief that all views are at least heard. The highest priority for the next U.S. president must be to persuade our friends and foes alike that the United States does indeed hear them.

As soon as the new president is elected, he or she should immediately embark on a series of pre-inauguration visits to capitals around the world: not just London, Paris, and Jerusalem, but Ankara, Amman, Beijing, and Cairo. In the span of several weeks, the

*Newt Gingrich, speaker of the U.S. House of Representatives from 1995 to 1999, is senior fellow at the American Enterprise Institute and coauthor of *A Contract with the Earth* (Baltimore: Johns Hopkins University Press, 2007).*



president should make dozens of stops in Latin America, the Middle East, Europe, Africa, and Asia. During these visits, not one moment needs to be spent trying to prove or demonstrate American power and dominance. Instead, the president-elect should simply listen. There should be no formal

agenda, only questions. How do these other leaders think the United States can be most effective with its economic, military, and cultural might? And in turn, how do they propose to help achieve mutual goals during the next four years?

Listening does not mean obeying, or even agreeing. Trust begins not with agreement, but with mutual respect, which comes from an appreciation and understanding of the other person's point of view. There is no obligation to accept or act upon the advice that is offered. The sole obligation is to understand the other side's perspective.

This simple exercise of asking for advice and listening carefully and sympathetically will, in almost every part of the world, lead to dramatically improved relations and perceptions. If successful, this listening tour will enable the United States to build far more effective coalitions with our allies and further our strategic goals.

Our ultimate ends remain unchanged. But process and style matter. If the next president can reverse the perception that American power is deaf to the appeals of the world, the United States will once again be encouraged and expected to lead.



A Woman's Worth

Without spending a dime, the next president can single-handedly lift half of the world.

By Kavita Ramdas

FOR THE NEXT PRESIDENT, THERE are no quick fixes. American moral legitimacy has suffered setback after setback in recent years, and there is no singular step a president can now take that would wipe the slate clean overnight. Indeed, seven years of unilateral gestures are what have brought us to this point. The United States is still admired for the possibilities it holds, but it has lost the benefit of the doubt.

At such a moment, what is needed is a sudden and unmistakable break from the past. It should be a policy that clearly demonstrates that the world's most powerful country is willing to harness its resources to benefit those who, so far, have been denied power. The next president should make a public commitment to use his or her office to promote global gender equality for the next four years.

Cynics will roll their eyes. Some will see this as a task best left to a U.N. agency with an acronym they can't quite recall. Others will consider it a well-meaning and important initiative that must be pushed aside in favor of more pressing issues. They are all mistaken. Not only is gender equality an important goal in its own right, but it is also an efficient path to solving many of the problems that plague our world. In the past decade, the increased employment of women in developed economies has contributed more to global growth than China's

rise. Not surprisingly, therefore, the education of women far outstrips most other strategies for economic development in the poorest nations. Likewise, many developing countries are beset with poverty, high child mortality rates, and the spread of HIV/AIDS. Yet we now know that with every additional year of education a woman receives beyond the fourth grade, average family size drops by 20 percent and child mortality rates drop by 10 percent. A woman with a fifth-grade education cuts her risk of being infected with HIV/AIDS by more than 50 percent.

Greater female political participation consistently leads to more evenhanded policymaking. In Rwanda, where women hold nearly half of the seats in parliament, a desperately poor nation is close to achieving full healthcare coverage for its citizens. Across Scandinavia, the presence of women in prominent political roles has led to unprecedented investments in education and job training. World Bank studies now indicate that female political empowerment often leads to less corruption.

What if, for four years, the president inquired about women's rights during each of his or her presidential visits with foreign dignitaries? What if he or she asked for a similar update from U.S. governors or mayors? What if all cabinet members included concerns about women's educational initiatives in their talking points when abroad? Today, 185 countries have signed an international bill of rights for women. What if the United States added its name to the list? At the end of four years, the next president may not be able to declare the end of gender inequality. But, at almost no cost, he or she will be able to point to how the United States has made life better for millions. For a country looking to regain its moral standing, few options hold more promise.

Kavita Ramdas is president and CEO of the Global Fund for Women.

End the Embargo

The Cuban people have suffered long enough. The time has come to put an end to a shameful policy.

By Nadine Gordimer

I NEED THE FINGERS OF a hand to count off the issues that demand the urgent attention of the next president of the United States of America. But I am confident that others invited to respond to this question will do so forthrightly, stating what needs to be proposed for policies in respect to Iraq, Iran, Israel-Palestine, the urgency to sign the forthcoming successor to the Kyoto agreement, reversing the shameful refusal to sign the original—and the rest of the roster of present U.S. policies that endanger not alone the peoples directly affected, but the peace, and in the case of the global environment, the survival of the world we have no choice but to share.

So I take up an issue that is widely overlooked in the count-down of policies and notions that one regrets to see the most powerful, self-proclaimed upholder of democratic values follow and commit. I refer to the blockade of Cuba.

Last October, Cuba submitted to the U.N. General Assembly for the 16th consecutive year the draft resolution titled “Necessity of ending the economic, commercial and financial embargo imposed by the United States of America against Cuba.” In 2006, 183 member states voted in favor of this resolution, proof of the international community’s rejection of U.S. policy against Cuba, which is

Nadine Gordimer, who was awarded the Nobel Prize in Literature in 1991, is the author of fourteen novels, nine volumes of stories, and three nonfiction collections.



contrary to the charter of the United Nations, the principles of international law, and the relations among states. In 2006, the damage to Cuba’s foreign trade exceeded \$1.3 billion as a result of the boycott. The greatest damage was due to the impossibility of having access to the U.S. market, but the Bush administration’s increase of sanctions on enterprises cooperating with Cuba in gas and oil exploration, the ban on the sale of medical equipment to Cuba, and the limited conditions for imports contribute to the inhuman denial of the needs of a people.

The deplorable accompanying effects of the blockade are blatant flouting of standards of justice the United States claims to embody and uphold. There is Guantánamo; the continued existence of a U.S. prison on the land of another, a sovereign state.

There is also the incarceration of the Cuban Five [*accused of conspiracy to commit espionage and murder—Ed.*] in the United States in ruthless conditions of seclusion, despite the declaration, some time ago, of the United Nations-affiliated Working Group on Arbitrary Detentions that their detention is arbitrary, the unanimous decision of the Atlanta appeals court nullifying the sentences pronounced against them in their original trial, and the subsequent dismissal of that

decision by a split vote in that same Atlanta court. The five remain in maximum-security prisons. The wives of two have been refused permission to visit; one young woman hasn't seen her imprisoned husband for nine years.

The one unilateral decision I propose to the next president of the United States of America is to abolish the blockade of Cuba. Whatever else he or she will need to restore America's standing in the world, this will be a single act of delayed justice.



Unrepentant Power

The United States sets rules for the world and then breaks them. It's time to end the double standards.

By **Jorge I. Domínguez**

REREAD THE OPENING LINES OF THE U.S. Declaration of Independence. There, the Founders pledged the nation to bear “a decent respect to the opinions of mankind.” They vowed to resist the temptation to insist that American views should always prevail. They affirmed that the very idea of liberty intrinsically presumes that we will not all follow the same path.

Of the repeated injuries the Founders claimed against the king of England, the very first was his refusal to “assent to laws,” which are “wholesome and necessary for the public good.” Today, the United States regularly flouts the very laws and norms of trade, international law, and human rights that it expects the rest of the world to follow. The most pressing priority for the next U.S. president will be to end the double standards that the United States believes its strength and stature afford it.

The United States was the leading architect of the international laws and organizations sculpted in the wake of World War II. It built this multilateral framework because it was useful and because it was right. Yet, during the last decade, the

U.S. government has undermined important multilateral agreements concerning climate change, the international criminal court, and nuclear non-proliferation. It has shredded the Geneva Conventions. It has embraced dictators who should have been rightly treated as international pariahs.

Likewise, the United States was born again as a free trader after World War II. Yet, during this decade, the United States has often refused to abide by the very rules it is adamant should apply to others. Unfair “free trade” treaties of the sort that the United States recently imposed on Central American countries hardly deserve the name. Smaller, weaker countries are forced to eliminate their own barriers while the United States insists on disproportionate protections for its own farmers and manufacturers.

Just as U.S. citizens resent the unsolicited involvement of foreign leaders in the choosing of their next president, their government must refrain from bullying voters around the world. Such practices often backfire. Evo Morales is today president of Bolivia in part because the U.S. ambassador denounced him publicly

Today, the United States flouts the very laws and norms of trade, international law, and human rights that it expects the rest of the world to follow.

before the 2002 election, bringing him to the attention of voters eager to protest their displeasure with politicians allied with the United States.

Torture? Waterboarding? It is difficult to accept such dishonorable practices being used by the same country that rightly denounced the horrific abuses that its adversaries employed against U.S. soldiers during wars in Korea and Vietnam. The United States should not torture the prisoners it holds, just as it would not want its citizens to be tortured anywhere in the world.

Jorge I. Domínguez, a contributing editor to FOREIGN POLICY, is vice provost for international affairs at Harvard University.

The next U.S. president must rebuild respect for international rules and organizations, many of which the United States once helped mightily to create. Let the behavior Americans expect and

prefer on the part of other nations be the most basic guide to their own actions. The U.S. Declaration of Independence pledges “our sacred honor”; the nation’s foreign policies should pledge no less.

Travel to Tehran

The mullahs in Iran have a single desire: an audience with the United States.

By Dmitri Trenin

IT TOOK A WAR TO RECOGNIZE IT, BUT Iraq is not the key to meeting U.S. goals in the modern Middle East. That distinction goes to Iran. Achieving stability in Baghdad and Kabul, guaranteeing the safe passage of Persian Gulf oil, securing an Israeli-Palestinian peace agreement, salvaging Lebanon’s democracy, and pushing Syria toward more cooperative policies—all these American objectives have a better chance of being met if Tehran has a place at the table.

Yet the U.S. approach toward the Islamic Republic remains ossified. The mullahs in Tehran continue to be branded as nuclear-obsessed terrorists, treated as international pariahs who only understand threats and isolation. The White House’s talk of World War III reveals a fundamental U.S. error: Iran’s policy tools—the threat of a nuclear weapons program, its ties to Hezbollah and Hamas—are not its policy goals. What the mullahs crave is not nuclear suicide but a legitimate regional role, and they are determined to achieve that influence, with or without American blessing.

That’s why the next U.S. president should seize the upper hand and embark on a “Nixon in China”-like visit to Tehran. Thirty-five years ago, Richard Nixon and Henry Kissinger sat down with Mao Zedong and transformed mutual enmity into a quasi alliance. That American enterprise scored a Cold War

victory against Moscow. The next U.S. president would accomplish a similar strike against al Qaeda and the forces of instability in the Middle East, while guaranteeing that Iran’s nuclear plans remain only on the drawing board.

Unlike most states in the region, Iran was not born this century. It is the world’s second-oldest state after China. Regimes have come and gone in its long history, and change today is certainly a possibility. But an overhaul is realistic only from within; an entire generation has grown up since the Islamic Revolution and is becoming weary of its dictates. Some Russian observers compare modern Iran to Leonid Brezhnev’s Soviet Union—the beginning of the end. Visiting Americans report of ordinary



Dmitri Trenin is deputy director of the Carnegie Moscow Center and author of Getting Russia Right (Washington: Carnegie Endowment for International Peace, 2007).

Iranians' fascination with the American way of life, another familiar Soviet phenomenon.

But whatever the fate of the current regime, Iran itself will survive well into the future, a fact that cannot be said with certainty about several of its neighbors. What is certain is that the only thing that stands between Iran and the nuclear future it threatens is dialogue with the United States, the sole audience it truly craves. The terms will be tough: the lifting of sanctions, security guarantees, the right to a peaceful nuclear program. Mutual agreement on

those alone will be difficult, but they will be the only incentives powerful enough to convince Iran to forgo the pursuit of weapons.

Half a century ago, John F. Kennedy understood that he had to deal with the Kremlin to save his country. Nikita Khrushchev, after all, promised to "bury" him, and even if he meant it philosophically, the missiles in Cuba were both real and lethal. Today, the United States can either reach out to a similarly swaggering adversary, or step back and face the consequences. Will it wait until Iran's missiles are all too real?



Steady as She Goes

Recognize the criticism of America for what it is: petty and contrived.

By Fouad Ajami

THERE IS A FAMILIAR LIBERAL LAMENT that the United States had the sympathy of the world after September 11, but uselessly squandered it in the years that followed. The man who most vehemently espoused this line of thinking in France, former French President Jacques Chirac, is gone and consigned to oblivion. The French leader who replaced him, Nicolas Sarkozy, stood before a joint session of the U.S. Congress in November and offered a poetic tribute to the land his predecessor mocked. He recalled the young American soldiers buried long ago on French soil: "Fathers took their sons to the beaches where the young men of America so heroically died . . . The children of my generation understood that those young Americans, 20 years old, were true heroes to whom they owed the fact that they were free people and not slaves. France will never forget the sacrifice of your children." The anti-Americanism that France gave voice to for a generation has given way to a new order. This young leader now wants to fashion France in America's image.

The man or woman who picks up George W. Bush's standard in 2009 will inherit an enviable legacy. Europe is at peace with U.S. leadership. India and China export the best of their younger generations

to U.S. shores. Violent extremists are on the retreat. Millions have been lifted out of dire poverty. This age belongs to the Pax Americana, an era in which anti-Americanism has always been false and contrived, the pretense of intellectuals and pundits who shelter under American power while bemoaning the sins of the country that provides their protection. When and if a post-American world arrives, it will not be pretty or merciful. If we be Rome, darkness will follow the American imperium.

Nothing dramatically new needs to be done by the next American president in the realm of foreign affairs. He or she will be treated to the same laments about American power; the same opinion polls will come to the next president's desk telling of erosion of support for the United States in Karachi and Cairo. Millions will lay siege to America's borders, eager to come here, even as the surveys speak of anti-Americanism in foreign lands.

My own concrete advice has to do with the "diplomacy of freedom" launched by President Bush. The Arab-Muslim world was the intended target of that campaign. It has had a mixed harvest: a new order in Iraq, liberty for Lebanon from its long Syrian captivity, stalemate in Egypt and the Arabian Peninsula. That campaign for freedom, with its assertion that tyranny was not the only possibility in the Arab DNA, is a noble gift that Bush bequeathed the Arabs. It harks back to Woodrow Wilson's belief in the self-determination of nations. Like Wilson's principles, the ideas espoused by Bush in Iraq, Lebanon, and beyond will wax and wane, but they will remain part of the American creed. An American leader who casts them aside will settle for a lesser America.

When and if a post-American world arrives, it will not be pretty or merciful.

Fouad Ajami is Majid Khadduri professor of Middle East studies at the School of Advanced International Studies at Johns Hopkins University.



Say You're Sorry

A little humility will go a long way.

By Desmond Tutu

AFTER THE SEPTEMBER 11 ATTACKS, an amazing outpouring of sympathy, concern, and love for the United States sprang forth from all over the world. It was proof that there is no instinctive or deep-seated hostility to the United States, no automatic anti-Americanism. There is, of course, frequent resentment of particular policies. The Reagan White House, for example, pursued constructive engagement with the apartheid government of South Africa. Many of us in South Africa opposed this course of action vehemently, but it did not make us anti-American.

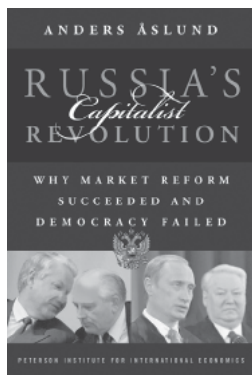
Today, the negative feelings about the United States have been provoked by the arrogance of unilateralism. The administration of George W. Bush has routinely thumbed its nose at the rest of the world and told it to go jump in the lake. It did so over the Kyoto Protocol, the International Criminal Court, and the detention center at Guantánamo Bay, Cuba.

Desmond Tutu, winner of the 1984 Nobel Peace Prize, is archbishop emeritus of the Anglican Church.

But nowhere did it do so more spectacularly than in the invasion of Iraq, heaping contempt upon the United Nations and upending international law. That arrogant action has turned out to be a catastrophic disaster on all scores.

Some of the most difficult words in any language are, “We made a mistake. We are sorry. Forgive us.” They are but a few words, yet one cannot overestimate the power they have to change the dynamics of a fraught situation. Would the incoming U.S. president have that greatness of moral stature and magnanimity? Would he or she have the humility to recognize the faults of the recent past, and the determination and sincerity of spirit to right the course?

More than anything else, the United States is looked upon fondly for its remarkable generosity. Europe will never forget the charity of the Marshall Plan after the devastation of World War II. America needs to be reminded that its history and example have provided millions with inspiration for their own struggles for freedom, democracy, and a better life. If the world’s superpower has the grace and modesty to say it is sorry, people would rub their eyes in disbelief, pinch themselves, and then smile because a new day had dawned. **FP**



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

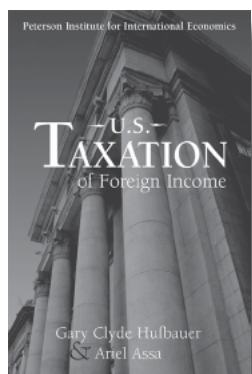
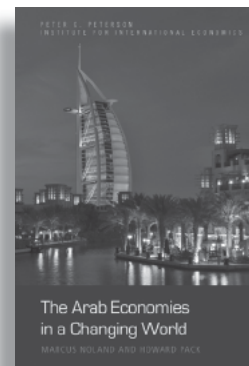
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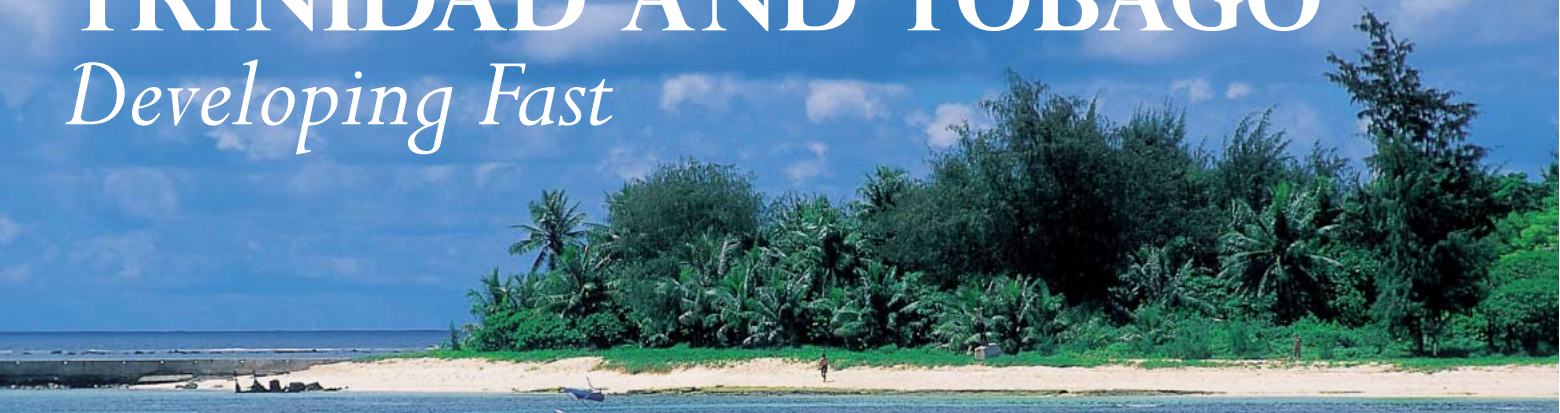
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TRINIDAD AND TOBAGO

Developing Fast



Trinidad and Tobago is something of a Caribbean anomaly. Many people know of its carnival which is certainly the liveliest outside of Brazil, and it has beaches and natural charms to rival any of its Caribbean neighbours. But it is also blessed with hydrocarbon wealth and an energy sector which has seen massive investment inflows. Average GDP growth in the past five years is touching double digits.

Underpinned by the energy sector, Trinidad and Tobago's economy bestrides the Caribbean and the muscle of its financial institutions and leading companies can be felt throughout the region.

The real questions that have preoccupied Trinidad and Tobago's politicians in recent years is how best to monetize its natural resources and, equally, how best to make use of the resultant revenues.

The energy sector continues to attract huge investment but the country's resources are finite and the pressure of diminishing reserves is being felt. As a result, efforts are being made to diversify the economy while the going is good.

Trinidad and Tobago has set itself the task of achieving developed nation status by the year 2020. Although that is an ambitious vision, social and economic progress in recent years suggests it is achievable.

Newly re-elected **Prime Minister, Patrick Manning**, himself a former oil geologist, affirms, "The evidence is abundant. We are on our way to transforming Trinidad and Tobago into a developed nation. We are rich in natural resources, specifically oil and natural gas, but the challenge is to ensure that while we build a stronger economy, all our citizens are able to share in the country's economic success. We have given priority to developing the economy in a sustainable manner to ensure that future generations will benefit also."

"Our strategy is to make use of current high prices from our natural resources to develop the economy so it is ultimately non-energy dependent, diverse, dynamic and competitive. It must be capable of generating self sustaining growth, high quality jobs and improved services to all our citizens. Our economy's dependence on the oil sector has reduced in recent years, but abrupt

changes in oil prices or production still have direct and immediate consequences on government revenues."

THE HOUSTON OF THE CARIBBEAN

The country's first oil well was drilled 150 years ago and 2008 marks the 100th anniversary of oil exports.

The energy sector dominates the economy today and accounts for 40% of GDP, 80% of exports and more than 50% of government revenue. Gas production has reached approximately 3.2 billion cubic feet per day (in oil production terms the equivalent of around 600,000 barrels per day). This is in addition to the 150,000 barrels of oil that is still pumped from its declining reserves.

Predicting how long natural resources will last is notoriously difficult, but no one at present is forecasting that Trinidad and Tobago is about to run out of gas anytime soon. As global demand steadily increases, the economy continues to grow rapidly.

In recent years, the energy sector has transitioned from being primarily oil-based to being driven by gas production, particularly Liquefied Natural Gas (LNG). The islands have been so successful in monetizing their gas resources, that today they are the fifth largest exporter of LNG world-wide and, significantly, provide 70% of LNG imports to the US.

Much of Trinidad and Tobago's \$12 billion industrial sector is based at Point Lisas, the country's "breadbasket" situated on the west coast of the main island. The area boasts the largest LNG train and methanol plant in the world. In total there are 34 gas-related plants in the islands, ten of which produce ammonia and seven produce methanol. Trinidad and Tobago is the largest exporter in the world of both these commodities.

"...the challenge is to ensure that while we build a stronger economy, all our citizens are able to share in the country's economic success."

Prime Minister, Patrick Manning



“e TecK is designed to develop and nurture the non-energy sector and diversify our export base.”



e TecK President, Khalid Hassanali

The challenge now is how to manage depleting assets. Investment is seen as the solution. \$7.3 billion has been earmarked for five major gas-based projects focusing primarily on aluminium and steel production. At least ten other major deals are at various stages of negotiation. In addition, the government is planning to ensure that it can participate higher up the LNG value chain by backing shipping and regasification projects. The Port of Point Lisas has its sights set on becoming “the dominant regional and global leader” in port operations and related services. Taking advantage of a world-wide scarcity of refining capacity, particularly in the US where no new refineries have been built in over 30 years, state-owned Petrotrin is upgrading one refinery in Pointe-a-Pierre as well as building a new one in the same area.

A NEW EMPHASIS ON DIVERSIFICATION

The dangers of overreliance on oil and gas are well documented. Revenues from hydrocarbon resources are of course cyclical and subject to the vagaries of international commodity markets. Although oil prices are currently riding high and demand increasingly looks set to outstrip supply, predicting the future of the oil markets is a tricky undertaking. The dangers of the so-called “Dutch Disease” bear trap also lurk. Economists point out that Dutch Disease leads to the loss of competitiveness in a country’s manufacturing sector as revenues from natural resources lead to an increase in the real exchange rate. This is compounded by the fact that the energy sector employs relatively few people vis-à-vis traditional and “new economy” sectors. In brief,

an abundance of natural resources certainly promotes economic growth, but managing sustainable economic development is far harder.

Diversification of the economy is the panacea for any country whose economy is over-reliant on its energy sector. In Trinidad and Tobago, where the reserves to production ratio is low when compared to many other major oil and gas producing countries, the pressure to act decisively and effectively is amplified.

E TEC K TREBLES INDUSTRIAL SPACE

The government is responding proactively to these threats and has now embarked on a multi-billion dollar project to diversify the economy, boost non-energy sectors and promote manufacturing, employment and human resources development.

Following the example of economic hotspots around the world such as Singapore and Dubai, Trinidad and Tobago is positioning itself in the minds of investors as the next major emerging market.

e TecK, a special purpose state enterprise, is mandated to treble the country’s industrial space in the coming years. With approximately \$3 billion worth of projects in the pipeline, the objective is to promote Trinidad and Tobago as the region’s destination of choice for investors in non-energy sectors. The core of their operations is the development and management of 20 industrial parks dotted around the country.

“The energy sector will continue to be dominant in terms of its contribution to the national treasury and Point Lisas is the flagship of our industrial success, but our initiative at e TecK is designed to develop and

nurture the non-energy sector and diversify our export base,” says e TecK President, **Khalid Hassanali**. “Our population is growing and we have limited land space so we need to plan ahead very strategically. The energy sector, despite huge investments, creates relatively few jobs. Generally speaking it requires \$100,000 of investment per job created, whereas in non-energy sectors, such as manufacturing, the ratio is far lower.”

“In terms of developing the social fabric of the nation, the trebling of Trinidad and Tobago’s industrial space will create up to 30,000 jobs. We measure our success not simply by looking at our balance sheet, but on the basis of the jobs we create, how much industry we bring to the country and in terms of our contribution to the growth and development of the national economy,” adds Hassanali.

TAMANA INTECH PARK

e TecK’s flagship project is the development of Tamana Intech Park, a multi-billion dollar science and technology park that places Trinidad and Tobago at the forefront of ICT, non-energy based light manufacturing and R&D in the region. The park will lay the foundation for the country to move away from its reliance on the energy sector.

Jamaica and Barbados have been racing to become regional ICT hubs and Hassanali concedes that they need to catch up, “But with all the resources at our disposal we will catch up very quickly. The infrastructure we are building here is quite unlike anything in the region and we are also looking at our fiscal incentives,



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The park is being built on a 1,100 acre site and will focus on five clusters: ICT and knowledge based industries, computer-related technologies, light manufacturing, agro-industrial technology and mixed industries such as biotechnology and medical device manufacturing. The park will also contain recreational facilities and a plethora of amenities. If this were Dubai, it would be billed as a mega-project.

“This is history in the making,” says Prime Minister Manning, “another quantum leap in a different direction. It is industrial development, but outside of the energy sector, outside of the use of oil and gas, opening up a completely new avenue, a new vista to the development of our country and to the achieving of targets that we have set for ourselves.”

CUTTING EDGE TELECOMMUNICATIONS

IBM has been retained to build a state of the art telecommunications network to serve the park and allow it to compete with the best in the world. “Modern telecommunications allow us to collapse distances, which is important since we will be serving investors and clients from around the world. In order to compete both regionally, and in a broader arena, it is vital that we provide a telecommunications infrastructure that is cutting edge,” says Hassanali.

The architecture of the TIP network is such that it is designed not only to meet today’s traffic and service requirements, but that it can also be easily reconfigured and resized to meet growing needs for traffic and services in the future without having to make significant capital investments. The Next Generation Network will provide blanket wireless coverage.

AN INCUBATOR FOR HUMAN RESOURCES

A critical component of the project is the development of synergies between the park and the University

of Trinidad and Tobago (UTT). The construction of the park will offer significant opportunities for skilled and semi-skilled human resources. It is estimated that ultimately Tamana Intech Park will be responsible for the creation of around 25,000 jobs.

Tamana will be home to the main UTT campus. The objective is to cultivate graduates that fit the needs of the economy. As Prime Minister Manning puts it, “e Teck will spawn the businesses, while UTT will provide the training.”

UTT has developed a curriculum that focuses on nurturing students with ICT specific skills and the association with Tamana will sharpen the country’s R&D, onsite employment and entrepreneurial capabilities. UTT’s President, Professor Ken Julien, who managed Trinidad and Tobago’s thrust into the global gas market in the 1970s and is widely regarded as the “grandfather” of the modern energy sector, stresses the point. “UTT’s mandate includes the creation of a new generation of multi-disciplinary thinkers and leaders who are industry-ready and committed to working. Our intention is to meet the country’s needs for skilled people, especially in engineering and technology, research, innovation and entrepreneurship.”

Hassanali recognises the importance of developing local human resources. “When I speak to Indian companies, one of the first questions they ask me is ‘what is your talent pool like?’ India is producing 250,000 engineers and 100,000 doctors a year. Here it is on a different scale, so we concentrate on servicing niches. For example, we are doubling the number of software engineers next year from 200 to 400. Our graduates will be fully prepared to work in a competitive and cutting edge environment for companies that have global operations. Our talented young men and women will have the possibility to live, work and learn in different countries around the world. The benefits of that to our economy in the long-term are difficult to measure but indisputable.”

COMMUNITY AND ENVIRONMENTALLY ORIENTED

The e Teck flagship building will be the first LEED (Leadership in Energy and Environmental Design) certified building in the country. External shading and a solar cooling system with photovoltaic panels, to take advantage of the reliable Caribbean sun, will make the building 30-40% more energy efficient than any other SMART building in Trinidad and Tobago.

“Because we recognise the type of clientele we are going to serve and are extremely sensitive to the needs of the local community, we have been very community and environmentally oriented at every stage of development,” declares Hassanali. “Tamana is a leader in this respect. For example, we started with an inventory of all the trees, mammals, reptiles and amphibians. All our work has been carried out in a manner to reduce or eliminate damage to the surrounding area.”

AN INVITATION TO INVESTORS

Ultimately the success of the project rests on e Teck’s ability to bring in investors to use the facilities they are building.

“We have a large number of projects in the pipeline,” says Hassanali. “We are looking some of the larger ICT companies around the world and we have interest from a number of the big names. We are already working with IBM as a strategic partner, but the key aspect of Tamana Intech Park is that we have created the perfect environment for companies of all sizes to come here and develop a successful business. When you look at the package we offer and consider that utility costs are exceptionally competitive here, we are an attractive proposition. People who come here will find world class standards.”

Discussions are apparently underway with a number of US investors and Hassanali is optimistic that they will come on board shortly.

“What makes Tamana Intech Park stand out today is not just the fact that it will be knowledge based with a modern telecommunications system in place that drives industrial development, but that we will take the knowledge base one step further by associating the Park with the University of Trinidad and Tobago with its heavy accent on research and development in science and technology,” says the Prime Minister. “Every investor who comes here can rest assured that we will partner with them in providing a dynamic climate and state of the art environment in which to conduct business.” ■



Tamana Park HQ

the trebling of Trinidad and Tobago’s industrial space will create up to 30,000 jobs



Arab Reform Bulletin

نشرة الإصلاح العربي

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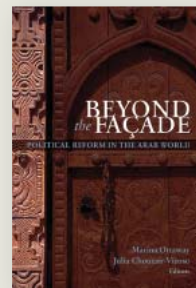
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New Age Thinking

The aging of the world's baby boomers won't be the crisis we fear.

What we consider "old" has become old-fashioned.

By John B. Shoven

There is a looming catastrophe stalking the developed world. It promises to devastate the global economy, overwhelm hospitals, and decimate armed forces. What is the calamity that promises such misfortune? Not a killer virus, deadly terrorist attack, or natural disaster. It's the aging of the world's baby boomers, the coming tidal wave of senior citizens who will live longer, consume more, and produce less, seriously challenging societies' ability to care for their graying ranks.

At least that's how the dire warnings generally sound. Alarming forecasts bombard us about an impending demographic crisis in the United States, Europe, Japan, and even China that will reshape the way we live and work. In just two decades, we're told, there will be more Americans who are older than 65 than younger than 15. By 2040, at least 45 percent of the populations of Spain and Italy will be 60 years or older. That same year, China will have 400 million elderly citizens. And in Japan, which is aging faster than any other country, more than 40 percent of the population will be elderly by the middle of this century. The fiscal burden of supporting this rapidly expanding segment of the global population not only threatens to bankrupt national healthcare systems and shrink armies as countries' median ages

run past military age, but also revolutionize electoral politics, with political clashes no longer governed by right versus left, but young versus old.

If it sounds distressing, it shouldn't. The gloomy projections are deeply flawed. The reason lies in the misleading way in which we measure age. Typically, a person's age has been determined by the number of years since his or her birth. We are so accustomed to measuring age this way that most of us have never given it a second thought. Thanks to the medical revolutions of the past century, however, life expectancies have been radically prolonged. Since 1960, the average Chinese person's life span has increased by 36 years. Over roughly 40 years, South Koreans have seen their lifetimes extended by an average of 24 years, Mexicans by 17 years, and the French by nearly a decade. Given these drastic changes, our conception of what qualifies as "old" has itself become old-fashioned.

John B. Shoven is director of the Institute for Economic Policy Research at Stanford University.

Measuring age by years since birth is just as foolish as using the dollar as a timeless unit of value. For instance, no serious economist would compare per capita spending in the United States in 1960 (when it averaged \$1,835) with 2006 (when the average American spent about \$31,200) and conclude that spending has increased 17-fold. A 1960 dollar and a 2006 dollar are simply different units of value. Instead, we adjust for inflation. The result: Average per capita spending approximately tripled between 1960 and 2006, when both figures are measured in constant purchasing power. In other words, the results are not nearly as drastic when the proper figures are compared.



We have outgrown the way we measure age.

Just as with the dollar, it is time to introduce inflation-adjusted ages as a superior method for measuring age. The best replacement gauge is mortality risk, or the chance a person has of dying within the next year. The higher the mortality risk, the “older” a person is. It’s a measurement that reflects a much more accurate picture of a person’s health, likely productivity, and remaining life expectancy.

When the U.S. Social Security system was designed seven decades ago, the 65-year mark was deemed the moment when Americans moved “beyond the productive period” and into dependency. That age was chosen based on mortality risk: a 65-year-old man in 1940 could expect to live an additional 11 years, a 65-year-old woman another 15 years. But medical advances have shifted mortality risks enormously. When an American man hits 65 today, his mortality risk is just 2 percent; he can expect to live nearly 17 more years. He has the same risk of dying that year as a 56-year-old man did in 1940 or a 59-year-old man in 1970. In other words, a 65-year-old today and a 59-year-old in 1970 are the same “real” age. The effect with women is similar. A 70-year-old American woman

today has about the same mortality risk as a 65-year-old woman did in 1950.

The implications are significant: The magnitude of the elderly wave that demographic forecasters have predicted is, in reality, far smaller. Forecasts today tell us that the fraction of the population over the age of 65 will grow enormously. But consider what would happen if we replaced the 65-year marker with a mortality

risk measurement that governs who is considered “elderly.” In 2000, 12.4 percent of the U.S. population was over the age of 65, or about 35 million people. The U.S. Census Bureau predicts that, by 2050, the U.S. elderly population will grow to about 87 million citizens. But if we look instead at

the fraction of the population with a mortality risk higher than 1.5 percent, the growth is not nearly as dramatic. By 2050, only 62.5 million Americans, or about 15 percent of the population, will have a mortality risk greater than 1.5 percent. That’s hardly a demographic tidal wave. The global outcomes are similarly striking: A mortality-based measurement lowers the projected elderly population in 2050 in Japan, Spain, and Italy by an average of 30 percent.

Just consider the consequences of altering the age when entitlement benefits kick in or retirement becomes mandatory to these new inflation-adjusted measurements. It doesn’t mean shortening retirements, just stabilizing them. In 20th-century America, the average length of retirement grew from two years to more than 19 years. As life expectancies continue to rise, retirements will continue to get longer—and the pension bill far larger. If benefits and retirements are governed by mortality risk instead of age, the costs will be far more manageable. We’ve witnessed dramatic improvements in life expectancies over the past century. It’s time we dramatically improve the way we measure age as well. **FP**

China's Currency Crunch

Why China needs to adopt a floating exchange rate.

By Marvin Goodfriend and Eswar Prasad

As the U.S. trade deficit continues to balloon,

American politicians are back on the warpath against their favorite target: China. The rising bilateral trade deficit with Beijing, which could now top \$250 billion, provides ammunition for those in Washington

who argue that Chinese currency policies are at the root of the U.S. trade imbalance. China's surging foreign exchange reserves (now more than \$1.5 trillion) and massive current account surplus (about 12 percent of its gross domestic product) fuel American accusations of Chinese currency manipulation: By maintaining a fixed exchange rate against the dollar, China keeps its currency cheap and therefore gains an unfair advantage selling its products overseas. Until Beijing lets the value of its currency appreciate, critics contend, there is no hope of a more level playing field.

Chinese leaders, of course, see it differently. They accept that their exchange rate will someday need to be determined by market forces. But, faced with the pressures of running the world's hottest economy, they view currency reform as a distraction.

Marvin Goodfriend is professor of economics at the Tepper School of Business at Carnegie Mellon University and was senior vice president and policy advisor at the Federal Reserve Bank of Richmond. Eswar Prasad, formerly head of the International Monetary Fund's China division, is the Tolani senior professor of trade policy at Cornell University.

These days, they are more preoccupied with completing their country's dramatic transformation from an agricultural backwater to industrial powerhouse. For Beijing's bureaucrats, there is little reason to let their currency appreciate, even modestly; doing so could dampen exports, which might cool their ability to create jobs for the millions of migrants pouring into their cities each year. And then there is the matter of pride: Who wants to do anything a bunch of American politicians tell you to do?

But never mind what the Americans think. China has a better reason to adopt a more flexible exchange rate: It would be good for China. For all its economic success, Beijing is juggling a number of dangerous imbalances. For example, China's astonishing growth—now more than 11 percent a year—has been largely fueled by domestic investment and exports, while domestic consumption remains relatively stagnant. Most countries would envy the surge of money flowing into China from overseas. But so much, so fast has made capital very cheap. Tremendous sums are flowing into real estate and equity markets, raising the risk of asset price bubbles that could easily burst.

To avoid those dangers, Beijing should aim for an independent interest rate policy whose main objective is to keep inflation low and stable, rather than being preoccupied with tightly managing the level of the exchange rate. Trying to keep the yuan from rising against the U.S. dollar means that China's central bank must print more money to keep interest rates low and the currency cheap. There's then a chance that too much money will end up chasing too few goods. Low inflation creates a healthier environment where people, companies, and governments are able to make sounder savings and investment decisions based on more certainty about prices. That doesn't mean that monetary policy should ignore other economic goals such as high and stable growth. But by focusing on low inflation, the economy is less likely to lurch forward recklessly, stumble, and fall.

Exchange rate flexibility, however, is hardly an end in itself. But it would make some of the other reforms that Beijing seeks easier to push forward. Take, for example, controlling bank-financed investment. Right now, China's central bankers target a particular exchange rate because they have no choice. That means there's little wiggle room to raise interest rates sufficiently to help deter reckless investment in overheated industries, such as China's auto industry, where manufacturing plants continue to pop up even as car prices fall. If China's central bankers had the ability to raise interest rates within a system of flexible exchange rates, it would reduce the risk of boom-bust cycles. But if they were to try and sharply raise domestic interest rates while the country is still maintaining its fixed exchange rate, more money could flow in to take advantage of these higher rates. That money would remain too cheap, fueling even more investment, eventually causing the economy to overheat. With a flexible exchange rate, China's central bankers could tackle these problems much more effectively.

Chinese officials often argue that their outdated and stodgy banking system must be fixed before they can even begin to think about currency reform. But they have it backward. As China has opened its markets during the past decade, the central bank has been trying to get banks to function like modern financial institutions that respond to interest rates,

rather than just getting their marching orders from Beijing. But since the central bank has little control over interest rates, it has essentially reverted to its old practice of telling banks how much to lend and to whom. That doesn't encourage those banks to behave like normal, independent commercial entities carefully assessing and pricing risk. With a flexible

exchange rate and the freedom to change interest rates, central bankers would be better able to encourage state-owned banks to become robust and efficient financial intermediaries that could in turn aid in the transformation of the economy by financing the more dynamic private sector.

Allowing the exchange rate to appreciate would also boost domestic consumption. China is a country of diligent savers, with about one quarter of after-tax personal income tucked away for a rainy day. But if Chinese households could get more dollars for their yuan, their purchasing power would go up and they would spend more, not only on items made at home but on global goods as well. And isn't that what economic welfare is all about—the ability to spend more?

After all, that is the ultimate goal of Chinese leaders: for its citizens to eventually enjoy the same kind of spending power that people in richer countries like the United States enjoy today. Beijing shouldn't dismiss currency reform simply because American politicians are using it as a rhetorical weapon back home. Chinese leaders should view a flexible exchange rate as a healthy step in their society's transition to a market economy. And doing so will have one other benefit: American politicians will have to find something else to complain about. **FP**



Currency reform will help keep inflation low and stable.

Côte d'Ivoire: A Nation Reunited

The Star of West Africa Returns

After five years of internal conflict, Côte d'Ivoire is laying the foundation to resume its place as a leader in West Africa. Using the groundbreaking Ouagadougou Political Accord as a base, Ivorians are peacefully and confidently building their future. While there remains much to be done on the part of Côte d'Ivoire, its neighbors, and the international community, developments to date provide positive signs that the country has indeed reached a turning point and is firmly on the path to peace and development.

Bold Leadership for a Bright Future

The conflict in Côte d'Ivoire began in September 2002 with a mutiny in Abidjan, the country's economic and administrative center, by Ivorian army officers protesting their demobilization. The ensuing tumult grew into a full scale rebellion, with the rebels, known as the *Forces Nouvelles*, seizing control of the north in opposition to President Laurent Gbagbo's government. Actual fighting was limited to just a few months of open combat prior to a cease fire being secured, resulting in remarkably little damage to the country's infrastructure, although the political conflict continued for four years after. With international mediation proving ineffectual at organizing an agreeable solution, the country remained divided by a "zone of confidence" buffer zone policed by

President Gbagbo took a bold step and opened a **direct channel of communication** with former leader of the *Forces Nouvelles* and current Prime Minister Guillaume Soro

French Licorne forces and United Nations (UN) peacekeeping troops installed to stem conflict between the opposing parties.

In late 2006, with international mediation efforts floundering and most signs indicating that the conflict was going to deepen, President Gbagbo took a bold step and opened a direct channel of communication with the then leader of the *Forces Nouvelles*



and current Prime Minister Guillaume Soro. The two worked together to draw up a workable framework for peace and set the stage for reunification. President Gbagbo saw this direct dialogue as one of five prerequisites essential to guiding his country out of crisis, the remaining benchmarks being securing the removal of the zone of confidence, the establishment of a national civil service, general amnesty and the creation of an assistance program for war returnees and displaced persons.

The Ouagadougou Political Accord

President Gbagbo's courageous leadership in deciding to reach out to Soro directly to set a timetable for the reunification of the country proved a diplomatic and political masterstroke. On March 4, 2007, the Ouagadougou Political Accord was signed under the aegis of President Blaise Compaoré of neighboring Burkina Faso. The accord set ambitious goals aimed at making the peace a lasting one. These included creating a new transitional government which Soro would head as Prime Minister, free and fair presidential elections, merging government and former rebel forces through an integrated command center, disarming ex-combatants and enrolling them in civil service programs to reduce the likelihood of a return to violence, dismantling militias, and replacing the zone of confidence dividing the country with a green line monitored by the United Nations Operation in Côte d'Ivoire (UNOCI). Both parties set for themselves a high bar to reach, one which would require a



firm commitment to peace, cooperation and reunification. Accomplishments to date testify that this commitment holds strong and will continue to be enforced.

The Road Back to Peace and Stability

While the road has been neither easy nor short, Côte d'Ivoire has taken tremendous strides forward since the signing of the Ouagadougou Accord last March. Within two weeks, an integrated command center had been set up, starting the process of bringing together soldiers from the Defense and Security Forces of Côte d'Ivoire and the Armed Forces of the *Forces Nouvelles*. The mission of this effort was to create a joint force to protect the free movement of people and goods through the country. Demonstrating the first fruits of this endeavor, Côte d'Ivoire sent a truck convey of gas and fuel north from Abidjan to Burkina Faso on September 26, 2007; it was the first such convoy since 2002 when the conflict began. This resumption of commercial exports represents a major step in Côte d'Ivoire's political and economic restoration and a milestone in the Ouagadougou Accord's implementation.

In April 2007, a quadripartite agreement to eliminate the zone of confidence was signed by representatives of the government, *Forces Nouvelles*, UNOCI and the French Licorne forces. With this agreement secured, Côte d'Ivoire was truly on a path towards reunification: the line that had divided the north from the south and separated Ivorians was being erased. Also in April, a general amnesty was adopted, followed by the

Ouagadougou Political Accord

Signed on March 4 2007 under the aegis of President Blaise Compaoré of Burkina Faso

- The main provisions of the agreement include a call for:
- The creation of a new transitional government
 - The hosting of free and fair presidential elections
 - The merger of the former rebel and government forces through the establishment of an integrated command center
 - The dismantling of militias
 - The disarmament of ex-combatants and enrolling them in civil service programs
 - The replacement of the "zone of confidence" separating north and south with a green line monitored by UNOCI

disarmament of government militias in May.

In a visit recognized by both Ivorians and the international community as symbolic of a lasting end to the conflict and a broad based commitment to peace, at the end of July President Gbagbo traveled north to Bouaké, the former rebel stronghold. His visit was his first since the start of the conflict and included a ceremonial peace bonfire in which arms used during the conflict were burnt. Since this symbolic event, Côte d'Ivoire has gone on to reinstate magistrates throughout the country and to develop a plan for the return of those displaced by the war.

Identity Hearings

Building upon this momentum, Côte d'Ivoire is now addressing its most difficult challenge: the controversial public identification hearings — or *audiences foraines* — which are a key step towards free and fair elections. One of the main grievances of Ivorians from the north is that they have been denied Ivorian nationality due to their bearing the same names as citizens from neighboring countries such as Senegal, Mali and The Gambia. The identity hearings, which began on September 25, 2007, are a step towards healing this rift, affirming the citizenship of all Ivorians and lay-

As advances in the peace accord are consolidated, confidence in the process will build

ing the foundation for free and fair elections by establishing electoral voting lists. The *audiences foraines* are scheduled to last at least three months and will be held in 68 districts. To incorporate a greater degree of impartiality in the process, UNOCI is helping the Ivorian authorities to plan and execute the identification process through logistics support teams for the hearings.

While Côte d'Ivoire has come a long way toward reunification, significant challenges that if not addressed could de-rail progress do remain. Chief among these is the hosting of elections. President Gbagbo is supremely aware of this need, emphasizing the point to the UN General Assembly in September,

his first time addressing the global body in his seven years leading the country. He stated, “All observers and all actors in the Ivorian crisis agree that elections are the culmination of processes putting an end to the crisis in Côte d’Ivoire.” President Gbagbo is cognizant of the fact that simply staging elections is not enough. Above all, elections must be a free and a fair representation of the will of all Ivoirians. Additionally, preliminary issues must be addressed, such as the identification process, disarmament, and the integration of combatants into society through civil service programs. Positive steps have been taken on each of these issues, but momentum must be maintained and results made tangible in the lives of everyday Ivoirians. As positive developments continue and gains are consolidated, confidence in the process will build.

Economic Recovery for the Heart of West Africa

Economically, Côte d’Ivoire is once again on the rise. The country is the heart of the West African economy, accounting for nearly 40 percent of economic activity in the West African Economic and Monetary Union, an organization of eight West African states allied to promote economic integration. As a testament to the entrepreneurial spirit of Ivoirians and the country’s sound economic infrastructure, the country maintained its share of global exports throughout the conflict. Côte d’Ivoire is the natural transportation and industrial hub for the region, with business and physical infrastructure that is superior to many other



“Côte d’Ivoire will emerge from crisis. Côte d’Ivoire is emerging from crisis”

President Laurent Gbagbot

countries in the region and a projected average growth of 4.3 percent annually through 2012. Finances for post-crisis programs are generally in place, with the World Bank providing a post-conflict grant of \$120 million in July 2007 and total donor support for 2007 valued at \$600 million. As Côte d’Ivoire makes the transition from crisis to stability, consistent donor support is paramount.

A Local Solution for a Global Victory

In highlighting what makes the Ouagadougou Accord different from the failed agreements of the past, President Gbagbo stated that it was based on “a completely different approach in order to ensure complete ownership of the peace process by the people of Côte d’Ivoire themselves.” He went on to state, “We have made major strides towards peace since the signing of the Ouagadougou agreement. The lesson I draw from this

experience of direct dialogue between state authorities and the rebels has led me to invite the international community to favor local solutions in the settlement of conflicts.”

Contrary to the stereotypes of most African conflicts as never-ending and incomprehensible, the resolution to Côte d’Ivoire’s conflict came from within Côte d’Ivoire itself. The Ouagadougou Agreement is an expression of the desire of Ivoirians and the country’s leadership to heal and reunify their country. Concluding his remarks at the UN General Assembly, President Gbagbo declared, “Côte d’Ivoire will emerge from crisis. Côte d’Ivoire is emerging from crisis. Today, more than ever, it needs the support of the international community to build peace and stability within its borders and in the West African sub region.”

The road that Côte d’Ivoire must walk will not be an easy one, but the country has shown itself to have an enduring belief and confidence in its destination. The aid and support of the international community are vital and it is important that, at this crucial time, the world works with Ivoirians as they rebuild their country. Côte d’Ivoire is heading down a road of recovery and reunification and while it is a time for work of the most dedicated kind, it is also a time for celebration of what the future holds for the country and its people. ●

Produced by Forefront Media, Sandy Visser, President, Melanie Emmen, Writer/Research Coordinator, Chrysoula Economopoulos, Writer, Chloé Lewis, Researcher. www.forefrontmedia.us

Progress in Peace

16 March 2007 An integrated command center is established to bring together soldiers from the national armed forces and those of the former rebel forces.

11 April 2007 A quadripartite agreement to eliminate the “zone of confidence” is signed by the Defense and Security Forces of Côte d’Ivoire, the Armed Forces of the Forces Nouvelles, the commanders of the UN Operation in Côte d’Ivoire (UNOCI) and the French Licorne forces.

11 April 2007 A general amnesty order is adopted.

17 May 2007 Government militias start to disarm.

30 July 2007 President Gbagbo travels to Bouaké, the northern rebel stronghold, in his first visit to the north since the start of the conflict.

25 September 2007 The identity hearings begin in a key move toward free and fair elections.



“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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IN OTHER WORDS

[REVIEWS OF THE WORLD'S MOST NOTEWORTHY BOOKS]

Israel's Secret War

By Ephraim Kam

Nekudat Ha Al-Hazor: Hamodiyin Ha-Israeli Mul Iran Ve-Hizballah (Point of No Return: Israeli Intelligence Against Iran and Hizballah)

By Ronen Bergman

607 pages, Tel Aviv: Kinneret, 2007 (in Hebrew)

On Aug. 22, 1988, a senior Israeli military intelligence officer briefed the Foreign Affairs and Defense Committee of the Knesset, Israel's parliament. At the time, the war between Iran and Iraq, the longest war in the modern history of the Middle East, had been brewing for eight years. The officer stood before the committee and reported, "Based on our best sources, our assessment is that the war will continue for many long years." On the way back to his office, the officer heard on the radio that Iran's supreme leader, Ayatollah Khomeini, had agreed to a cease-fire with Iraq.

This is just one of the many examples that Israeli investigative journalist Ronen Bergman recounts

Ephraim Kam is deputy director of the Institute for National Security Studies at Tel Aviv University. He served as a colonel in the research division of the Israel Defense Forces' military intelligence branch until 1993.

in his new book, *Nekudat Ha Al-Hazor: Hamodiyin Ha-Israeli Mul Iran Ve-Hizballah (Point of No Return: Israeli Intelligence Against Iran and Hizballah)*, in which he argues that Israeli intelligence has failed time and again in its wars against both Iran and Hezbollah for the past 30 years. Despite its excellent reputation, he says, Israeli intelligence is just as susceptible to mistakes and inefficiencies as any other.

In researching *Point of No Return*, Bergman made an impressive inquiry into the Iran-Hezbollah-Israel triangle. He interviewed hundreds of individuals from Argentina to Bosnia to collect material about Iran's involvement in terrorist operations around the world. He pored over classified military intelligence reports. He amassed an outstanding number of details, many of them previously unknown, from which he wove his story. And Bergman knows how to tell a story. As a national security reporter for the Israeli daily *Yedioth Ahronoth*, he has covered such varied episodes as the 1973 Yom Kippur War to Palestinian involvement in terrorism, intelligence operations to Iran's nuclear program.

Point of No Return is a fascinating book. Bergman details a myriad of security issues involving Iran, Hezbollah, and Israel, though

many of them are not related to intelligence activities. In covering some of these cases, Bergman exposes new and important information. He adds new facts regarding Israeli military assistance to Iran during the 1980s, mostly as part of the "Irangate" deal, which ended as a fiasco for the United States and, to a lesser extent, Israel. Bergman reveals that Israel had already started to supply large amounts of military equipment to Iran in 1980 and continued to do so until 1988. He thoroughly investigates the two major terrorist attacks carried out in 1992 and 1994 against Israeli and Jewish sites in Argentina, and he explains how both attacks were initiated by Iran and Hezbollah as revenge for the Israeli Air Force's killing of Hezbollah's former secretary-general, Abbas Musawi. Bergman discloses that the decision to kill Musawi was made in a matter of minutes, without understanding its full, long-term strategic implications.

Bergman's account isn't all bad news, though: The book does highlight some intelligence victories. One was in the period from 1979 to 1981, after the Iranian regime's rise

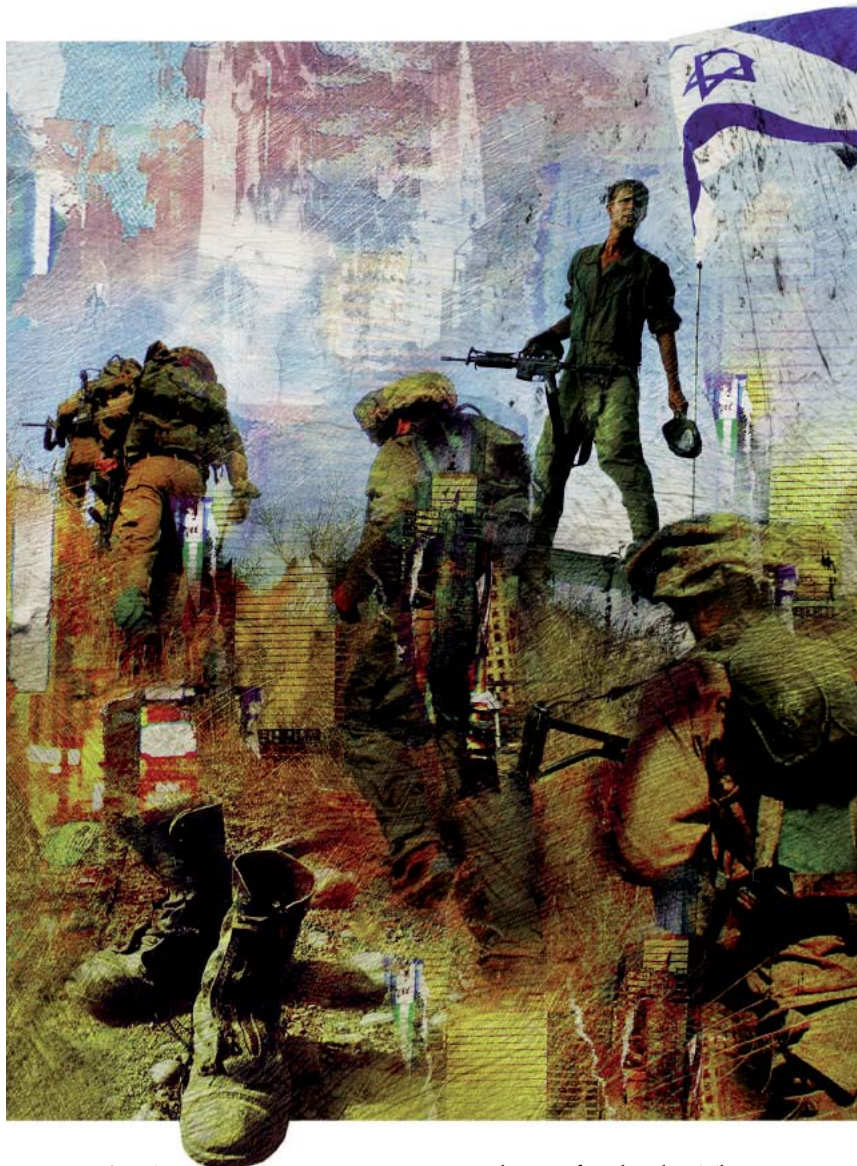
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For an interview with Israeli investigative journalist Ronen Bergman, visit ForeignPolicy.com/extras/bergman.

to power, when the Mossad, Israel's intelligence service, carried out a courageous operation to rescue 40,000 Jews from Iran. The agency helped most of them escape by flights to Europe, and the rest crossed the border to Turkey, and even to Pakistan and the Gulf states.

But, in Bergman's story, intelligence failures have overshadowed any success. Indeed, such failures are not rare. Any intelligence system is highly problematic, and failures take place in most of the dimensions of their activities: in gathering information and assessing it; in the organizational structure of the systems; in coordination and cooperation between intelligence services; and in the relationship between intelligence communities and politicians. Israeli intelligence is no exception. Israel has an excellent intelligence community, one of the best, which has achieved many successes since its establishment. Yet, Israeli intelligence has also suffered a number of failures—the most notorious of which was the mistaken analysis in the run-up to the Yom Kippur War. Hence, the fact that even Israeli intelligence has failed in some cases in its struggle against Hezbollah, and to a lesser extent against Iran, should not surprise anyone. As a well-informed journalist, Bergman should understand this. However, his account ignores the difficulties inherent in intelligence work and suggests an unfair balance between Israeli successes and failures.

And, to be fair, Iran and Hezbollah are hard nuts for any intelligence community to crack. It is difficult to penetrate Iran's inner circle of decision-makers and to understand Iranian foreign and security policy. Iran has suffered enormously, especially in the military and economic arenas, as a consequence of its deteriorating relations with the United States. And yet, the



Iranian fundamentalist regime prefers to pay this price, because it regards its isolation from the United States as one of the pillars of the Islamic Revolution. For that reason, it will be difficult to understand and predict Iran's future strategy if it eventually acquires nuclear weapons. Will Iran use the bomb to try to eliminate Israel, as its president, Mahmoud Ahmadinejad, has implied? The problem is that any decision to contain Iran's nuclear capability will have to rely on intelligence—and any such assessment, which probably will not be supported by qualitative information, could be mistaken.

As for its struggle against Hezbollah, Israel has indeed had

its share of setbacks. The 2006 war in Lebanon exposed serious deficiencies in how the Israeli military forces prepared for war, as well as in the decision-making process from the top down. Yet most of these failures were not those of intelligence. To be sure, Israeli intelligence failed to gather accurate and updated information regarding Hezbollah's military positions along the border. It was also unable to identify the exact location of Hezbollah's thousands of rockets—many of which were hidden inside private homes.

Yet Israel saw some important achievements during the recent war with Hezbollah. One of them was the devastating aerial attack, based

on excellent intelligence, which destroyed most of Hezbollah's arsenal of long-range rockets. The official commission of inquiry that was appointed to examine the conduct of the war concluded that the military intelligence branch provided its political and military clients with a correct, reliable, and clear picture of the organization prior to the war, despite problems in gathering information. But Bergman is not interested in these wins: Against the dozens of pages about failures, there are only 20 lines about successes.

Point of No Return has other drawbacks. The book's power is the details, the new description of events. The analysis of the various issues, however, adds little to the understanding of Iranian behavior. In

many cases, it summarizes past thinking and studies on the subject—and today there is much literature on the Iranian challenge. Some of Bergman's sources are far from objective, and their reports need verification. And his descriptions include factual errors. For example, he claims that the Iranian uranium-enrichment plant in Natanz was exposed in October 2003, when it actually was revealed in August 2002; he says that Iran has completely denied international inspectors access to the Lavizan military research site, when the inspectors in fact visited Lavizan in June 2004 and in January 2006 (of course after the Iranians had razed its facilities).

Fact-checking issues aside, though, *Point of No Return* will help readers understand why Iran, and

its terrorist surrogate, Hezbollah, has become a grim challenge for the United States, the Western world, moderate Muslim and Arab regimes—and of course, Israel. And by documenting its international reach, Bergman ably illustrates how Iran has earned its label—accorded by every U.S. administration since 1984—as “the most active state sponsor of terrorism.” More important, one must remember that the real challenge pertaining to the Iranian threat lies ahead of us—if and when Iran acquires nuclear weapons. Fighting Iran's involvement in terrorism and containing its nuclear threat will mean collecting valuable information, as well as minimizing intelligence failures. *Point of No Return* reminds us that this is no easy task. **FRP**

The State of Suspicion

By François Roche

La Société de Défiance: Comment le modèle social français s'autodétruit (The Society of Distrust: How the French Social Model Is Destroying Itself)
By Yann Algan and Pierre Cahuc
102 pages, Paris: Éditions Rue d'Ulm, 2007 (in French)

Last November, France experienced an episode that summed up its society perfectly. President Nicolas Sarkozy's new government had rolled out a proposal to reform the country's retirement plan, which allows certain categories of workers to retire

earlier and with higher pensions than others. These privileged citizens include workers for the country's railroads, subways, and public utility firms. For both political and economic reasons, Sarkozy aimed to move their retirement packages more closely in line with those of the private sector. Unsurprisingly, the unions opposed the reforms. So, on November 14, Parisians found themselves without public transportation as trains across the country came to a halt. It was a situation that people in many countries would deem unacceptable; in France, it was just business as usual.

Although French economists Yann Algan and Pierre Cahuc's important book, *La Société de Défiance: Comment le modèle social*

français s'autodétruit (The Society of Distrust: How the French Social Model Is Destroying Itself), was published a month before the transportation strikes, it offers a prescient, almost scientific, explanation for them. Algan and Cahuc scoured several international surveys, including the World Values Survey and the International Social Survey Programme—both of which ask standardized questions to several thousand individuals around the world to compare the behavior and values of social groups in 26 developed countries—and compared those social norms with the efficiency of those countries' economies. What they found was that the ways French citizens interact with each other has an impact on the economy

François Roche is editor of FOREIGN POLICY's French edition.

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that is unique among rich countries; and their findings haven't soothed French egos.

The Society of Distrust reveals that the French think (more often than people in other developed countries) that their compatriots become rich by abusing an unfair and rigged professional system. Fifty-two percent of the French believe that "one cannot get to the top without being corrupt." In Britain, Norway, and the United States, that figure does not surpass 20 percent. Only the Russians and Poles are more suspicious of their fellow citizens (85 and 70 percent, respectively). In addition, the authors found that 20 percent of French people claim to have "no confidence" in the concept of justice in their country, versus only 7 percent of Germans and 2.2 percent of Danes. Lastly, 25 percent

of the French claim to have "absolutely" no confidence in their legislature; on this count, France ranks 20th out of 24 countries for which data are available—behind only Greece, the Czech Republic, Mexico, and Turkey.

But French despair runs deeper. Algan and Cahuc found that the French, more often than people from other rich countries, claim to distrust their compatriots, employers, and colleagues. Experiments conducted by *Reader's Digest* proved that a lost wallet in Paris is less likely to be returned to its owner than in most other wealthy capitals. In short, the French are more suspicious and less civil toward their countrymen than citizens in other rich countries. Why? For Algan and Cahuc, the deficit of trust is intimately tied to the functioning of their state and social model. Specif-

ically, the highly centralized and corporatist nature of the French state translates into suspicion and distrust among its citizens. True, several recent high-profile scandals, such as a money-laundering scheme that saw 15 million euros embezzled by the chiefs of the most powerful employers' organization, haven't helped instill much faith in the French social system. Yet, Algan and Cahuc argue that there's something more at work.

We have known, the authors recall, since Adam Smith that the efficiency of the market lies in the confidence of its investors. This lack of confidence from the French toward the state, political and economic institutions, and each other helps explain their distrust toward the market economy. But it also explains the statist, heavy-handed reflex of the government since

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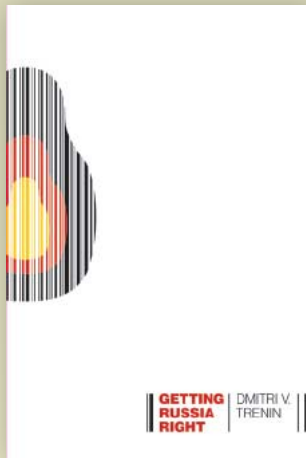
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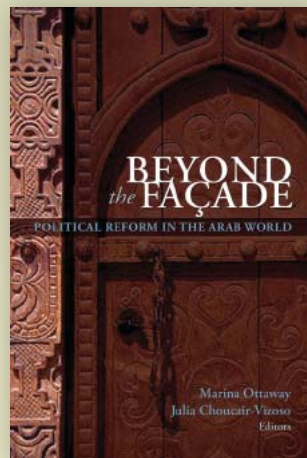
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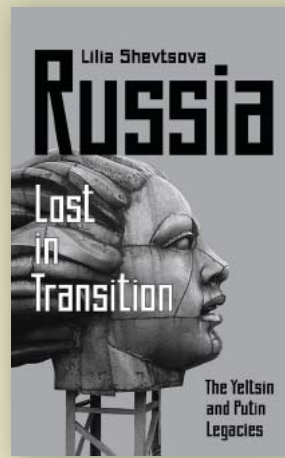
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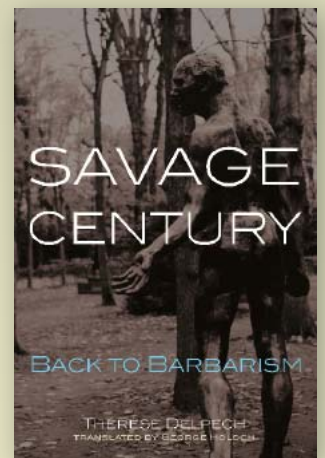
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Savage Century

Back to Barbarism

Thérèse Delpech

Translated by George Holloch

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"Thérèse Delpech, one of France's foremost thinkers on international security, has dared what historians no longer attempt: a grand sweep through 20th century European history as prelude to an equally brilliant analysis of the grave, even existential challenges facing the West today."

—Josef Joffe, Publisher-Editor, Die Zeit

1945. Due to the lack of national solidarity, the state essentially bribes specific social groups and gives them advantages (such as favorable pensions) to keep them under control and buy their support. And that system hasn't exactly produced a streamlined, reform-minded, or fair government. Naturally, when someone like Sarkozy attempts to halt some of these preferential programs, workers lose even more confidence in their government. And so the French again saw their trains grind to a halt last November.

As convincing as their analysis seems, Algan and Cahuc leave themselves open to criticism. Their conclusions are radical, and their biases clear. To find on the basis of mere opinion surveys that distrust and pessimism are stronger in France than in other developed countries is perhaps a little forced. In addition,

Algan and Cahuc claim that this mistrust of government and each other is a relatively recent development, appearing only after World War II. Yet any account of the crumbling of French confidence and solidarity in the French political system deserves to be placed in historical context with the political heritage of France. A strong state is old hat in France, where people are long since accustomed to absolute monarchy, unlike countries such as the United States or the Scandinavian nations. That being the case, the authors do not adequately explore their findings of resentment and suspicion among the French, much less offer any new reasons as to why they may be coming to a head today.

It is true that France is not swimming in confidence. The fact that this word was at the center of the presidential campaigns of both

Sarkozy and Ségolène Royal, his opponent from the left, is revealing. But to blame the French people for not believing in their country, as Algan and Cahuc do, is misplaced and unfair. This lack of trust can be blamed for the most part on the inability and unwillingness of French political leaders to manage the economic crises that destabilize the country, going back as far as the first oil shock of the 1970s. The lack of anticipation and vision provoked a phenomenon whose reverberations are still being felt today. As such, the distrust of which the authors speak is more likely the effect rather than the cause of the bad management of the country. To have such entrenched social inequalities in a country where the word "égalité" is book-ended by "liberté" and "fraternité" is simply unacceptable.

Algan and Cahuc insist that the French have lost their sense of solidarity toward one another, unlike the citizens of other, more united developed countries. But solidarity is an illusory notion. Outside of exceptional national disasters such as earthquakes, floods, hurricanes, and famine, the actual social tendency is to look inward, to handle one's own problems more than one's society as a whole. Individualism—the search for personal success, the lure of profit, even the minutiae of daily life—has been gnawing away progressively at whatever could be left of "solidarity" since the 1950s. In fact, all developed countries suffer, even if at different levels, the same hardships: a loss of confidence in the state, malfunctioning of the market economy, unreasonable increases in the pay scales of CEOs while average workers suffer. The French are perhaps not good citizens, but they are not alone. **FP**



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Books in Arabia's Boomtown



Once a sleepy town on the Arabian Peninsula, Dubai is now one of the fastest-growing cities in the world, with a \$46 billion GDP and a population that's nearly doubled in 10 years. But amid fortune-making, horse-racing, and jet-setting, do the desert city's residents make time to read? FP spoke with Isobel Abulhoul, director and co-owner of *Magrudy's*, a Dubai-based bookstore chain, for her take on the city's literary scene.

FOREIGN POLICY: What are people reading in Dubai?

Isobel Abulhoul: Because of where Dubai is geographically, readers are attracted to books such as *Nabeel's Song: A Family Story of Survival in Iraq*,

Jo Tatchell's work on the exile of Iraqi poet Nabeel Yasin under Saddam Hussein. Also selling well is the English translation of Alaa Al Aswany's *The Yacoubian Building*, a novel that tackles corruption and other political issues in Egypt. Rajaa Alsanea's *Banat al-Riyadh (The Girls of Riyadh)*, a book about four women in Saudi Arabia [and banned in that country], sold so well that we couldn't keep up with demand.

FP: Are people reading books about Middle Eastern politics?

IA: Any current-affairs book that is critical of Israel or America is very popular. There's a general feeling that the Iraq war has been an utter disaster, so Bob Woodward's *State of Denial*,

and *Battle Ready*, cowritten by retired Marine Gen. Anthony Zinni, have been in demand.

FP: What books are you barred from selling?

IA: People in Dubai understand that there is censorship. Because the United Arab Emirates (UAE) is an Islamic country, books that are anti-religion aren't sold. For instance, we wouldn't stock Richard Dawkins's *The God Delusion*. Any books about the Middle East that are politically sensitive will also be looked at very carefully. Pakistani President Pervez Musharraf's memoir was released, but only after being scrutinized, because about a page and a half of it was set in Dubai.

FP: Do criticisms of Dubai's rapid development or labor conditions feature in local media?

IA: Not at all. There are no local writers, so the labor force in the UAE doesn't have a voice. Everyone is busy rushing around, madly earning and spending money. There's no one to catalogue the problems they face. It's all swept under the carpet. There is a new daily newspaper called *7Days*, and it prints letters that are more critical than anything that would run in the established papers. But because of censorship, there's not the sort of criticism you'd find in the West. That still has to develop. Dubai is ready for it.

Interview: Henry M. Bowles, a U.S. Fulbright fellow in Kuwait.

GLOBAL NEWSSTAND

[ESSAYS, ARGUMENTS, AND OPINIONS FROM AROUND THE WORLD]

The Thin Chinese Line

By John Pomfret

■ *Caijing*, Issue 196, No. 21, October 15, 2007, Beijing

Yearning for Reform.” It’s not exactly the type of headline you’d expect to see on an opinion piece written by the editor of a Chinese publication. But that’s what Hu Shuli titled the lead editorial of the October 15 issue of *Caijing* magazine. Written in the run-up to China’s Communist Party Congress, she argued convincingly that China needs democratic changes, and it needs them now. Exactly what the party leadership should do, *Caijing* left us only to guess. Still, the fact that a mainstream Chinese publication openly embraced democracy means something in today’s China.

Although unusual for most Chinese media, Hu’s gutsy editorial was typical fare for the readers of *Caijing*. An amalgam of *Forbes*, *Fortune*, and *BusinessWeek*, with a muckraking edge that makes it hard to categorize, *Caijing* is China’s

John Pomfret is editor of the Washington Post’s Outlook section and author of Chinese Lessons: Five Classmates and the Story of the New China (New York: Henry Holt, 2006).

leading financial magazine. With a circulation of about 100,000, *Caijing* focuses most of its energy on battling the crony capitalism widespread in China’s business world. Occasionally, it takes even bigger risks by tackling



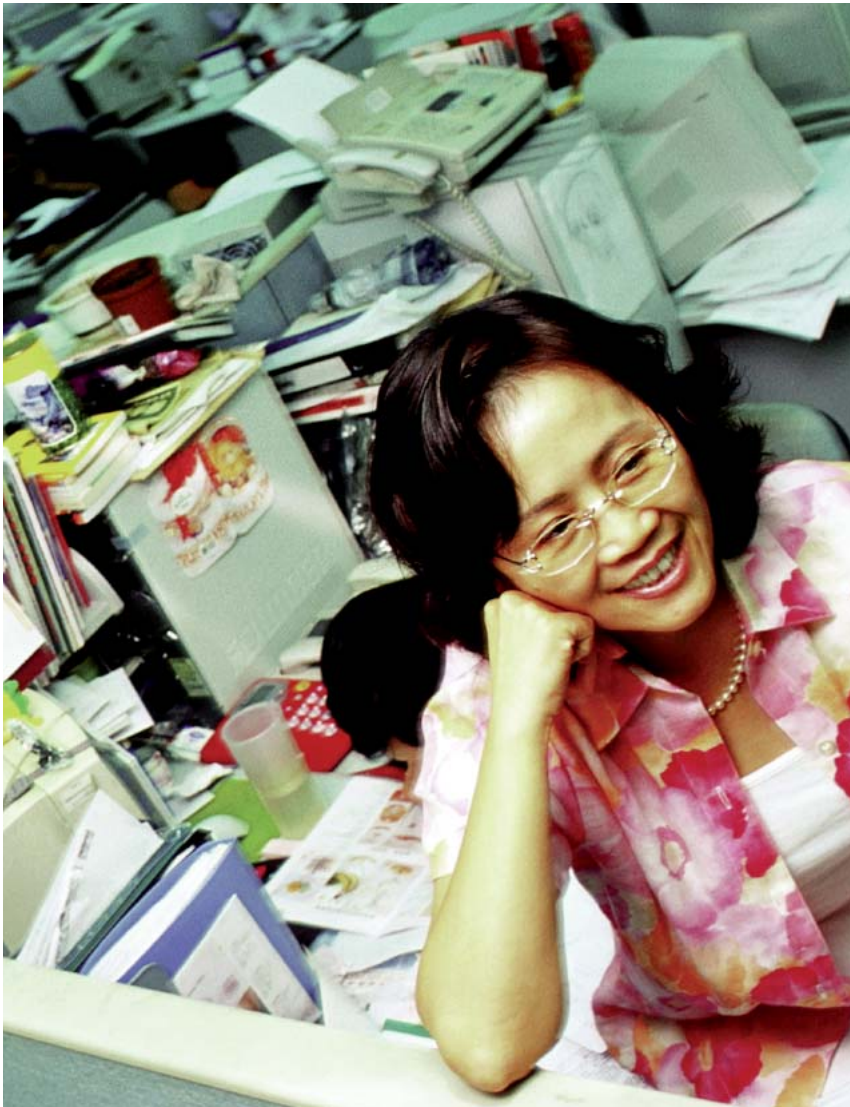
Chinese government officials themselves, such as with the magazine’s in-depth and influential coverage of the SARS epidemic in 2002.

With the tightening of restrictions on the Chinese media due to the insecurity and lack of vision of Hu Jintao, China’s current president, *Caijing* has often found itself

the only media outlet in China that’s covering important stories that make headlines in the outside world. It alone profiled Jiang Yanyong, the whistle-blowing doctor who accused Chinese authorities of lying about the extent of the SARS epidemic. In June 2005, it broke the story of Zhang Enzhao, the former chairman of China Construction Bank who had mysteriously “resigned” his post a month earlier and was under investigation for corruption.

That story was revelatory for the Chinese press; the confirmation that Zhang was in trouble came from a court case filed in the United States. Chinese reporters realized, said one former editor, that “even if the Chinese government kept quiet about cross-border scandals and shut up all domestic sources, there’s a sea of open information beyond China’s borders that is fair game to anybody with good language, investigative, and research skills.”

Caijing’s investigatory zeal has helped prompt significant change in China. In 2001, the magazine reported that Yinguangxia, the second-largest company on China’s stock exchange, had falsely reported



New journalism: *Caijing* Editor Hu Shuli is the savvy, energetic face of modern Chinese media.

hundreds of millions in profits. Although some government officials backed the company and wanted to censor the article, *Caijing* used a fake cover to trick those officials into thinking the magazine was publishing something else. After the story ran, the Communist Party turned around and embraced the idea that listed companies needed to be regulated; it passed laws to regulate China's stock markets and issued regulations allowing class-action lawsuits. "We focus on the role of watchdog more, thinking about pushing transparency and honoring the public's right to know," says Hu, *Caijing*'s editor.

"We'd like to think of ourselves as woodpeckers, chipping away at China, trying to prevent the country from slipping into the trap of crony capitalism."

Hu also has backup. *Caijing*'s publisher is Wang Boming, a garrulous scion of China's Communist aristocracy. Wang's father, Wang Bingnan, was a former deputy foreign minister and worked closely with then Premier Zhou Enlai. Wang is on a first-name basis with many senior Chinese officials; something that can come in handy when *Caijing* butts its head against China's censorship rules.

A graduate of Columbia Law School, Wang returned to China in 1989 with the dream of founding China's first stock exchange. He succeeded, twice; exchanges were started in Shenzhen and Shanghai. With that work done, Wang started an investment firm and a media company he called SEEC and began publishing magazines.

In 2003, Wang engineered to have SEEC's advertising and distribution business listed on the Hong Kong Stock Exchange, marking the first time that a Chinese media company had placed its shares abroad. That financial success means that *Caijing* boasts the country's biggest editorial budget per journalist, giving its staff plenty of time and resources for the investigative long-form journalism that has become its hallmark. It also means *Caijing*'s journalists are paid well enough to avoid the normal practice among Chinese reporters of accepting a payoff in return for favorable coverage.

Thanks in part to *Caijing*, the range and depth of topics that are regularly explored in the pages of China's press and on its airwaves has increased. Social issues such as premarital sex, homosexuality, AIDS, domestic violence, corruption, and illegal land sales by Communist Party functionaries—all taboo in the past—can now be explored with unprecedented candor.

In October's editorial, Hu addressed her argument to China's political and economic elite, among whom the idea of democratic reform has lost traction because many fear losing the enormous gains they've made in recent years. "Some argue that pushing forward with political reform will be destabilizing," she wrote. "Yet, in fact, maintaining the status quo without any reform creates a hotbed for social turbulence."

But is anyone at Party Central listening? I think not. *Caijing* may have helped contribute to an information revolution in China, but the political revolution is still a long way off. Communist Party censors routinely shutter wayward newspapers, fire gutsy editors, and jail recalcitrant reporters. And though gutsy editors like Hu Shuli occasionally dare mention the need for political reform, there's no sign that the Communists are willing to change their one-party ways.

So far, *Caijing* has escaped the often cruel fate of a Chinese periodical: a padlocked front gate and a silenced printing press. But *Caijing*, like other Chinese media, also pulls its punches. The Tiananmen Square crackdown is off-limits. So is reporting about the practices of Falun Gong. And during the SARS epidemic, the magazine killed a major investigation into the failure of the party secretary of Guangdong Province to deal with the disease when it first erupted in November of 2002.

Is the plucky Beijing weekly a sign of China's future, or just pretty window dressing tolerated by a party that understands the uses of a loyal opposition? As a cautious pessimist about the cause of political change in China, I sadly vote for the latter. *Caijing* pulls its punches because it must. In a country with an eager supply of informants and a journalistic ethos more focused on printing puff pieces for cash, *Caijing* may be a rare bird, but it's one that seems fated to live caged. **FP**

Dismal Political Science

By Daniel W. Drezner

■ International Political Science Review, Vol. 28, No. 3, June 2007

One of the reasons *The West Wing's* Jed Bartlet appealed to television audiences was that he was not merely the president; he was also a Nobel Prize-winning economist. This fact seemed reassuring. Unlike his political rivals, Bartlet was more than a politician; he was a technocrat. As the world grows more complex, and as economic growth has become the ne plus ultra of political leadership, the idea that those who possess genuine economic expertise are better leaders of society has an intuitive appeal. The technocratic leader has also occupied a privileged place in political science, stretching back to the days of Woodrow Wilson and Max Weber.

Daniel W. Drezner is associate professor of international politics at the Fletcher School at Tufts University and author of *All Politics Is Global* (Princeton: Princeton University Press, 2007).

Are economists increasingly in charge of politics? Do economists make better leaders? These are the questions that Anil Hira, a political scientist at Canada's Simon Fraser University, is ostensibly trying to answer in his essay, "Should Economists Rule the World?" in the June 2007 issue of the *International Political Science Review*. In the article, he claims that "there has been a notable rising importance of economics as a background for leaders in Latin America, Africa, and Asia." But he concludes that, even if economics is appearing on more political resumes, this training does not appear to help these leaders achieve better economic outcomes. (Hira cites Peru's Alejandro Toledo, Indonesia's Suharto, and U.S. President George W. Bush as examples of leaders who may have disappointed their economics instructors.) These are fascinating results. Alas, they're fascinating in ways that lead one to seriously question the refereeing process at the *International Political Science Review*.

To determine whether develop-

ing countries have been turning to economists as leaders, Hira looks at the educational background of national leaders from "major countries," such as Argentina, the Philippines, and South Africa in the developing world at five-year intervals. At first blush, the evidence supports the observation that technocrats are on the rise. In Latin America, the percentage of leaders with a background in economics, business, or engineering increased from 5 percent in 1970 to 33 percent in 2005. In Asia, the figure jumped from zero economists in 1970 to 43 percent in 2005. The only region where Hira found no "technification of leadership" is the Middle East.

Hira has gone to a great deal of trouble to find the necessary biographical information of these leaders. His evidence is not particularly compelling, however. First, there is a big difference between economics and engineering. Second, as Hira acknowledges, not all economics training is created equal. Flipping through the appendix, we discover that Hira counts the late Tanzanian presi-



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dent Julius Nyerere, Zimbabwe's Robert Mugabe, and North Korea's Kim Jong Il as having been educated in economics. These rulers merit many labels, but "economist" is not one of them. Third, there is a big difference between majoring in economics as an undergraduate and earning an advanced degree in the subject. The former indicates some comfort with the laws of supply and demand; the latter indicates a real

display of hand-waving I've ever seen in a refereed publication. Simply put, the paper provides no concrete evidence to support his conclusion that economists are ineffective leaders of national economies. To do that, he would have had to compare the periods when a technocrat was the national leader with the periods when there was a different kind of leader. Or he could have compared countries that had economists in

Do those who possess genuine economic expertise make better leaders of society? The idea has an intuitive appeal.

technocrat. If one parses the data to look at those leaders who came to power with a graduate degree in economics, the trend toward "technification" looks much less impressive. In 2005, only six leaders met this more stringent criterion: fewer than 10 percent of the sampled countries.

Even if we accept Hira's definition of an economic technocrat, the question remains: Have these leaders improved their country's economic performance? Hira says the answer is no. Looking at the economic performance of the developing world, he observes that though inflation has declined in recent decades, so has the rate of economic growth. Furthermore, there has been a sharp increase in economic inequality within many of these societies. Hira therefore concludes that "economists are ineffective leaders."

Social scientists use the term "hand-waving" to denote arguments that are based on weak logic. I bring this up because Hira's conclusions in the previous paragraph might be the biggest

charge with those countries that did not. Or he could have done both. But Hira did none of the above. Rather, he points to three trends over time: an increase in economically literate leaders, a slowdown of economic growth, and an increase in inequality. Then he simply asserts that the first trend must have caused the latter two trends, without even discussing other possible explanations. That's Olympic-caliber hand-waving.

Hira made a concerted effort to collect the necessary data. Why didn't he conduct the proper tests? Perhaps because he has issues with the methodology required to conduct them. Toward the end of the paper, he concludes that "the basic design and theory of mainstream economics is flawed" because the profession pays more attention to growth than inequality. Hira provides some garden-variety critiques of the Washington Consensus—the set of market-friendly policies, such as trade liberalization and privatization, advocated by the International Monetary Fund and the World

Bank. Then he goes further: “Economic journals are filled with cold, hard calculations, and the discipline maintains a strong veneer of pseudo-scientific objectivism and formal modeling.... The problem is that economists have no greater insights or training into these broader questions, as is reflected in the absence of data and theories on institutions, inequality, and decision-making in their work.” Hira is clearly uninterested in testing his stated hypotheses. He’s much more comfortable leaping to the conclusions that follow from accepting his stated hypotheses as true.

Criticism of mainstream economics is hardly a fringe phenomenon these days. Economists ranging from Joseph Stiglitz to William Easterly have blasted various elements of the Washington Consensus. The critique of neoclassical economics as the bully of the social sciences also has its adherents, ranging from the “perestroika” movement in political science to the “heterodoxy” movement within economics itself. The problem is that Hira’s article abjectly fails to demonstrate whether his data support his contentions about economics or not.




There are scholars, including the London School of Economics’ Jeffrey Chwieroth, doing fascinating work on the spread of neoclassical economics training to the developing world. There are other scholars, such as Harvard’s Dani Rodrik, who have published well-researched critiques of the Washington Consensus. Anil Hira has created a public good by developing a database on the educational background of developing-country leaders; graduate students everywhere should be grateful. Eventually, one of them may use it to truly answer the question of whether economists deserve our vote. **FP**

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NET EFFECT

[HOW TECHNOLOGY SHAPES THE WORLD]

Pirate Politics

In Europe, single-issue, fringe political parties are nothing new. In France, there's a party dedicated solely to restoring the country's long-defunct monarchy. In Germany, the Gray Panthers Party campaigns for pensioners. But there's something different about Sweden's Piratpartiet (Pirate Party). While American politicians such as Howard Dean and Ron Paul have demonstrated the potential of the Internet in advancing their issues, for Sweden's Pirate Party, the Internet is the issue. It's the first political party in the world for which Internet policies constitute its entire party platform.

Founded in 2006 by a former Microsoft employee, the Pirate Party

seeks to reverse Sweden's restrictive copyright laws, which prohibit such popular activities as peer-to-peer file-sharing of music and movies. But party



The captain: Rickard Falkvinge is leading Europe's pirate party boom.

head Rickard Falkvinge says there's more to it than free music. "Our mission is to facilitate the emerging information society," he says. "We're a civil liberties group."

Apparently, the message is resonating. Within its first two days, the party's Web site received 3 million hits. Many were from university-age Swedes, who constitute the majority of the party's membership. The Pirate Party received 35,000 votes in Sweden's 2006 parliamentary elections. Not enough for a seat, but enough to force larger and more powerful parties to make copyright reform part of their agenda.

Now, pirate parties are popping up across Europe. Austria, Germany, and Spain all have officially registered pirate parties that have fielded candidates in recent elections. Europe's more traditional parties would be wise not to discount these young, tech-savvy politicians. "We communicate faster and more efficiently

than any party before us," says Falkvinge. "We can get things done in one hour that take them a week of meetings." That's clearly a shot across the bow. —Joshua Keating

ICANN's Name Game

Get ready to go native. Beginning this year, the Internet Corporation for Assigned Names and Numbers (ICANN), the international body that doles out Web addresses, will allow non-Latin characters in top-level domain names, the bits of a Web address found to the right of the "dot" in, for instance, .com. Domain names will be allowed in characters from 11 non-Latin alphabets, including Arabic, Chinese, Persian, and Russian. ICANN executive Tina Dam, who is overseeing the change, says it will allow people to communicate in their native alphabet, removing language as a barrier to access for millions. But ICANN has a second goal; it hopes to keep China from "splitting the root," tech-speak for essentially creating a second Internet. Beijing unilaterally began allowing people to register Chinese-language domain names in 2006, a move that threatened to confuse the Internet's core servers, which direct all traffic. ICANN's new policy should hold the Internet together, for now. —David Francis

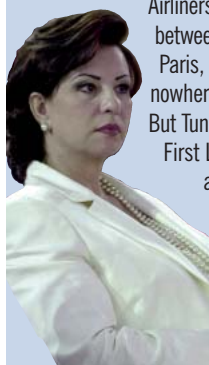
Caught in the Net:

Tunisia's First Lady

Tunisian President Zine el-Abidine Ben Ali isn't exactly a jet-setter. He rarely leaves Tunisia. So the country's bloggers were surprised to find that his state airplane logs as many miles as it does. They used plane-spotting Web sites such as

Airliners.net and Planepictures.net to track the jet's movements between 2001 and 2007 and found it made frequent stops in Paris, Milan, Geneva, and elsewhere. The trips, however, are nowhere to be found in the president's official travel itinerary. But Tunisia's bloggers think they recognize the frequent flyer:

First Lady Leila Ben Ali. She is an unabashed shopaholic, and it may be no coincidence that so many of these unofficial trips were to Europe's fashion capitals.



For More Online

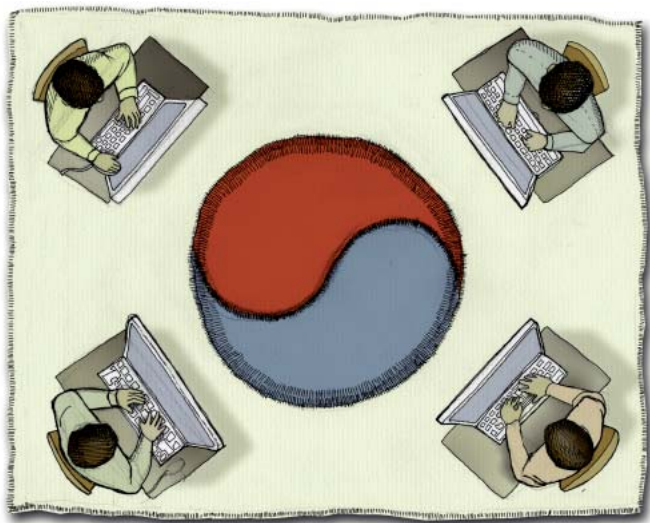
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TOP: AFP/GETTY IMAGES; BOTTOM: AFP/GETTY IMAGES

Korea's Cyber Vigilantes

Webmasters, beware. If you have a map of Northeast Asia on your site and the body of water located between Japan and the Korean Peninsula is labeled “Sea of Japan,” you may soon find your e-mail inbox full of messages seeking to “correct” your geography.

Groups of loosely organized South Korean netizens regularly fire off thousands of e-mails in an effort to promote their country's national image and rectify what they consider to be grave mistakes about Korean history, geography, and culture. Depending upon how you view them, these folks are either self-styled “cyber fact-checkers” or



hyper-nationalistic spammers. One such group is the Voluntary Agency Network of Korea (VANK). Originally founded as an international pen pal organization, VANK's mission no longer involves friendly exchange. Instead, its members scour Web sites for “errors” about Korea, then barrage violators with protest e-mails. For instance, VANK wages a continual campaign to change the name of the Sea of Japan to the East Sea. “We are aware that some people criticize us as nothing but nationalists who give one-sided facts to foreigners. But it is a misconception,” says Park Gi-Tae, VANK's founder and director.

Korea's government encourages this cyber-vigilantism. The Korean Information Service (KOIS), the government's public affairs branch, sponsors contests to hunt down foreign Web sites that have “incorrect” content about South Korea. Some mistakes are honest, such as mixing up the flags of North and South Korea or misspelling a Korean name. Others are more controversial. One popular cause is to have the Liancourt Rocks, a group of uninhabitable craggy islets claimed as sovereign Korean territory, be called only by the Korean name Dokdo, and not by their Japanese name, Takeshima.

Of course, oftentimes what is “incorrect” history is a matter of opinion. And people expressing views that portray the country in an unpleasant light—such as the entry on South Korea at Answers.com, which some complain portrays Korea as a “war-torn, separated country”—are often the ones targeted. The government remains unapologetic.

Expert Sitings

Jessica Jackley Flannery

is cofounder of Kiva.org, the world's first international person-to-person micro-lending site. More than \$16 million in micro-loans have been made through Kiva to 24,000 entrepreneurs in 37 countries.



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wefeelfine.org

Every few minutes, We Feel Fine searches blogs around the world for the phrases “I feel” and “I am feeling.” When it finds those words, it records the full sentence around them, then tags the emotion as sad, happy, and so on. The result is a composite of how the world feels, and a database of several million human feelings, increasing by 15,000 to 20,000 per day.

indexed.blogspot.com

Indexed is a creative blog that makes its point using 3 x 5, college-ruled index cards—lots of them. Whether it's issues of faith, politics, or fashion, Indexed uses small charts, Venn diagrams, and other visual graphics drawn on index cards to make insightful, and often humorous, observations about modern life. Sound simple? It'll surprise you.

socialedge.org

Social Edge is an online resource site founded by former eBay President Jeff Skoll. With links to news, blogs, and podcasts on fundraising, business models, marketing, and other topics relevant to social entrepreneurs, it helps me network, learn, and share. Kiva's other cofounder, who happens to be my husband, blogs there, too.

“KOIS is resolved to monitor the contents of Korea-related Web sites and provide correct information on the net in order to help generate an accurate image of the country,” says Park Jung-yul, a KOIS official. For some people, history isn't open to interpretation. —*James Card*

Joshua Keating and David Francis are researchers at FOREIGN POLICY. James Card is a freelance journalist based in South Korea.

THE BAHAMAS:

Sun, sea and private banking

*In 1492, thinking he had arrived in India, Columbus in fact landed on one of the 700 islands that now make up the archipelago known as the Bahamas. The topography attracted the notorious English pirate Blackbeard to use the islands as a base in the early 18th century, but these days the Bahamas provides a more tranquil getaway for the rich and famous in search of privacy and a Caribbean lifestyle just a stone's throw from the coast of Florida. The local fishing inspired Hemingway to write *The Old Man and the Sea* and if you have several million dollars spare, the opportunity to buy your own private island beckons.*

The economy is underpinned by the twin pillars of tourism and financial services and the 320,000 inhabitants enjoy one of the highest per capita incomes in the Western Hemisphere. The Bahamas has benefitted from strong links with the US. The islands are home to 30,000 US citizens and over 100 US-related businesses. Of the 5 million tourists who visit every year, nearly 90% are American.

The goals of the **Hubert Ingraham** administration, in his second incarnation as **Prime Minister**, are the sustainable development of the tourism sector, the expansion of the country's robust financial services industry and the revitalization of the island of Grand Bahama – the industrial heartland of the country and home to the largest free trade zone in the Americas.

Tourism is the primary economic driver contributing about 50% of GDP and employing half the country's workforce. Multi-billion dollar projects such as the Atlantis Resort, Casino of Paradise Island and the Baha Mar development in the Cable Beach Area of Nassau, demonstrate how successfully the sector has courted investment. In addition, plans to build a major cruise ship terminal in Freeport will cement the Bahamas as a major cruise destination.

The industry is in the process of a rebranding exercise that stresses local culture in addition to its sun, sea and sand image. The need to strike a balance between unchecked development and an unwillingness to disrupt a peaceful existence and a fragile ecology has seen a shift towards low-key development.

The Bahamas has been providing banking and trust services to the international financial community since the 1930s. There are around 350 licensed bank and trust companies, and 35 of the world's top 100 banking institutions operating in the country, many of which focus on

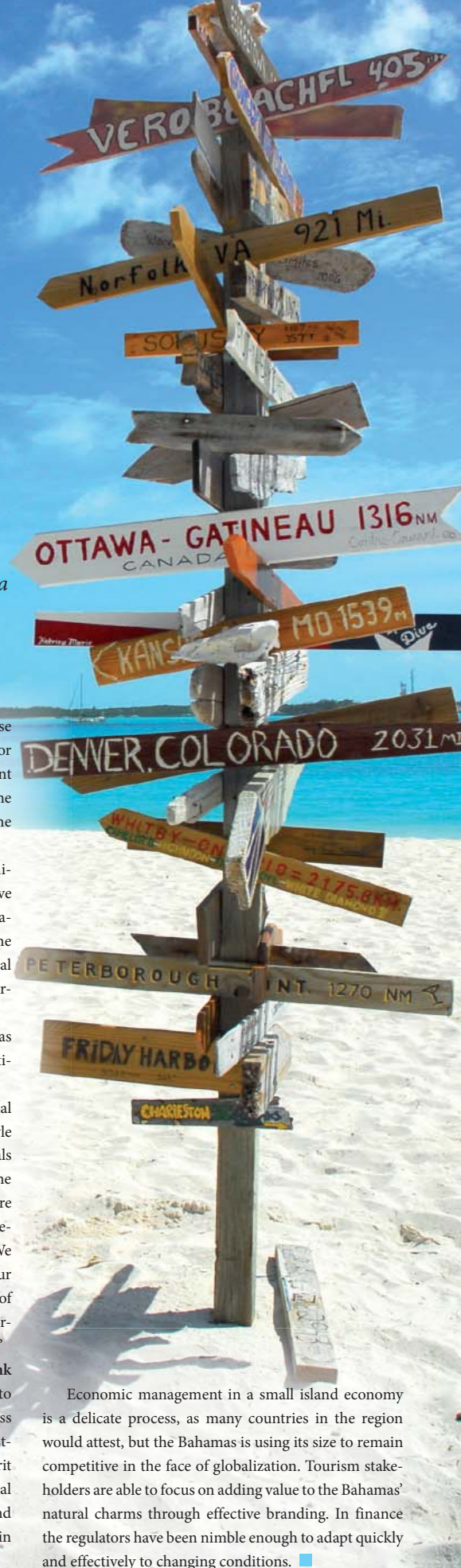
wealth management and private banking. The purchase of property worth \$500,000 or more, grants eligibility for permanent residency and the tax neutral environment has helped attract wealthy individuals from around the world to use the Bahamas as the ideal domicile for the management of personal wealth.

In response to concerns from multilateral organizations in 2000, the government passed legislative measures to impose a tough and transparent regulatory framework to prevent money laundering in the banking sector. This included the creation of a Financial Intelligence Unit and the enforcement of "know-your-customer" rules.

Minister of State for Finance Zhivargo Laing has called on the industry to be "vigilant about its competitiveness and resilience."

"One of the most attractive features of our financial services industry has always been the pull of the lifestyle we offer. We are able to serve the needs of individuals and investors both recreationally and financially," he says. "With the global growth in personal wealth, we are keen to position ourselves as a premier wealth management destination offering a broad range of services. We also believe we have a track record that demonstrates our ability to cater to the needs of investors in a variety of sectors, including property development, manufacturing and agricultural interests such as organic farming."

Wendy Craig, **Governor of the Central Bank** observes, "The financial services sector contributes to the Bahamian economy as a whole by providing access to the global capital markets and facilitating investment opportunities, which foster entrepreneurial spirit throughout the economy. Activities in the financial services sector bring high-end customers and high-end investment to the tourism and real estate industries in the Bahamas."



BTC:

Keeping The Bahamas competitive

The Bahamas Telecommunications Company (BTC) has provided telecommunications services to the Bahamas for over 100 years. With a population of just 320,000 spread out over 700 islands, mapping the telecommunications landscape is a unique proposition.

As BTC is mandated to provide telecommunications to every community with ten households or more at a flat line rate of \$15 a month, the cost of providing services to the whole of the Bahamas is asymmetrical. While it may cost just \$500 to set up a dial tone in one of the major population centers, to do the same on a remote island can cost ten times as much. Maintenance costs, of course, follow the same pattern. The objective is to provide equal access and connectivity throughout the country. "We cannot have a digital divide in the Bahamas," says CEO Leon Williams. "In order for a country to develop, I believe all its citizens must have access to state of the art telecommunications. BTC provides the internet to every high school in the country. Children in the remote islands do exactly the same exams as the kids here in Nassau, so it is important that they have access to the same resources and information."

Keeping the Bahamas competitive is an integral part of BTC's mission. Williams considers the needs of the tourism and financial services sector a priority. "We have to be in a position to provide any investor with whatever they need in terms of telecommunications." The islands are connected directly to the US with four submarine fiber optic cables and the International Telecommunication Union (ITU) ranks the Bahamas third in the hemisphere, in terms of connectivity. "Whether your phone uses GSM or CDMA, or you need a high speed internet connection, we have the infrastructure already in place to provide access and connectivity anywhere in the Bahamas," insists Williams.

Between 2002 and 2006, BTC invested \$323 million on capital expenditure programs. The challenge is to deploy those funds effectively. "Every time we invest in a new technology, we are cannibalizing an existing revenue stream, so it is crucial to pick the right trend, manage the lifecycle of the technology and get a return on it," asserts Williams.

A submarine fiber optic cable linking 14 of the major islands was completed in 2006. Williams, explains the rationale behind the move. "We face a huge amount of virtual competition. People here watch US television, so are very aware of the latest services available in the

States and they expect to have access to the same technology. Also, we are in the hurricane belt. Overland cables are difficult to insure, microwave technology provides only limited bandwidth and satellite connectivity is often redundant during hurricanes – just when we need it most – so the decision was taken to invest in a submarine fiber optic cable, which protects us from the weather and gives our customers the necessary bandwidth to offer a full range of services at all times."

BTC is gearing up for privatization and the government is in exclusive negotiations with a possible partner. Adding value to the company, in the meantime, is a tricky process in such a dynamic industry where business models and revenue streams shift constantly. In 2002, BTC earned \$90 million from long distance calls. In 2007 that figure had dropped to around \$17 million as substitution technologies such as Voice over IP took root. In response, BTC took the strategic decision to offer its own VoIP package called VIBE. "We know it is cannibalizing our long-distance calls," says Williams, "but we think it is better to revenue share than get no share at all."

Change also brings new opportunities. In 1999, BTC had 10,000 cellular customers. Today the company boasts around 260,000 customers who are responsible for around 60-70% of the company's revenues.

Williams predicts that, in the long-term, revenues from voice will continue to diminish. "The DNA of the company is constantly changing. We are no longer just an ICT provider; we are an ICE provider, where the "E" is entertainment. The growth will come from broadband. That is why our bandwidth is so important. People don't just want to be connected at home or in their offices, they want to stay connected at all times. They want to be able to choose ringtones and watch TV on their mobile phones."

Profits of \$44 million last year indicate that BTC is on the right track. "No one can claim to have a reliable crystal ball," insists Williams. "Look at the impact of text messaging on the industry - no one was able to predict that. So when we hire people we are looking for leaders, not managers. I need people who not only think of a good idea, but can execute it successfully at speed of thought."

"This is an industry that keeps the adrenaline flowing," says Williams. "If you are not walking on the edge, you are taking up too much space." ■

*"This is an industry
that keeps the
adrenaline flowing.
If you are not walking
on the edge, you are
taking up too much space."*

BTC CEO, Leon Williams





YES YOU CAN!



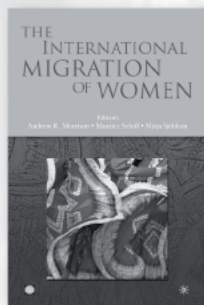


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Answers to the FP Quiz (From page 30)

1) **C, United States.** Of the 467 product recalls in the United States in 2006, 113 were for products manufactured by U.S. firms, compared with 221 from China. Just six years ago, this figure had been reversed: 150 U.S.-manufactured products were recalled in 2002, versus just 99 Chinese products pulled from shelves that year.

2) **C, 90 percent.** The high seas are still the cheapest and most efficient means to transport cargo around the world: Ninety percent of all global goods travel by water. And despite strong growth in air cargo traffic during the past decade, world maritime traffic has increased even more, at an average rate of 5.4 percent each year since 1995.

3) **C, Unprotected sex.** In 2001, nearly 70 percent of all HIV cases in China could be traced to intravenous drug use. But in 2005, unprotected sex overtook drugs as the primary cause of new HIV infections. In 2007, 57 percent of new infections were due to unprotected sex, compared with 42 percent for drug use.

4) **A, 37 percent.** Movie studios increasingly depend on foreign audiences for their big hauls. According to the Motion Picture Association of America, U.S. box office receipts accounted for nearly half the global total in 2002. By 2006, that figure was down to a little more than a third, with American theatergoers plunking down just \$9.49 billion of the \$25.82 billion in global box office receipts.

5) **A, 4 percent.** A total of 777 individuals have been awarded Nobel Prizes since 1901, but only 35 prizes have gone to women—and Marie Curie won twice, once for physics and later for chemistry. Of the 35 prizes, 12 have been awarded for peace and 11 for literature, the latest in 2007 to author Doris Lessing.

6) **C, Russia.** Moscow's Pushkin Square McDonald's serves more customers than any other in the world. On average, each McDonald's restaurant in Russia serves roughly 850,000 customers every year, more than twice the Big Mac traffic in any of the 117 other countries that host the chain.

7) **C, Iran.** Iran may have the world's second-largest oil reserves after Saudi Arabia, but it is also the world's second-largest importer of gasoline, thanks to a severe lack of refineries. Iran imports more than half the gasoline it consumes, and a 25 percent price hike and rationing of its heavily subsidized petrol caused riots around the country last year.

8) **B, 1.** Of the world's 10 largest companies (as measured by revenues), only retail giant Wal-Mart, which takes the No. 1 spot on the *Fortune* 500, can attribute its bottom line to something other than oil, gas, or cars. Oil behemoths ExxonMobil, Royal Dutch Shell, BP, Chevron, and ConocoPhillips pepper the top 10, along with automakers General Motors, Toyota, and DaimlerChrysler. French gas conglomerate Total rounds out the list.



**WORLD BANK
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The reference of choice on development

Continued from page 112

These are not just naïve expectations. Foreign leaders know that, even in the best circumstances, the next U.S. president will not be able to deliver on all these things. They also understand that American leadership always comes at a price. And the price can be hefty. Appearing too closely allied to the United States is a risky political position for elected politicians everywhere. Still, some have shown a surprising readiness to do so. Last March, President George W. Bush traveled to Latin America, a region he has largely ignored. The trip was bound to be inconsequential as the U.S. president had nothing concrete to offer.

Many foreign leaders will be willing to pay the price that comes with American leadership.

Yet, all the Latin American presidents who were asked to host this lame duck, empty-handed, and politically radioactive guest readily agreed to do so; some even lobbied not to be left off his itinerary. What was in it for them? The hope of getting the superpower to do something for them. The leftist Brazilian President Luiz Inácio “Lula” da Silva, who is a personal friend and staunch supporter of Bush’s nemesis Hugo Chávez, wanted help with his country’s ethanol industry. In Turkey, like Brazil, the population is deeply critical of the United States. Yet, like his Brazilian counterpart, Prime Minister Recep Tayyip Erdogan has openly courted the Bush administration. The Turkish president knows that the United States is his country’s best ally in the effort to get Turkey into the European Union.

Lula and Erdogan are not unique. They are just two in a long list of world leaders who understand that, though the United States may sometimes use a heavy hand, the alternatives are much worse. Few want to see the world’s stage led by autocratic regimes like Russia or China. An ineffectual Europe does not offer much in the way of leadership. And, short of these options, there are few possibilities besides living in an anarchic vacuum. Many of these foreign leaders will therefore be willing to pay the price that comes with American leadership. They only ask that it not require subservience to the whims of a giant with more power than

brains and whose legitimacy is undermined by regular displays of incompetence, recklessness, and ignorance.

Opinion polls in multiple countries show that the legitimacy and prestige of the United States has deteriorated. Yet, the same populations that say they don’t want the United States to be the world’s leader also say that they don’t want America to withdraw from world affairs. For example, 93 percent in South Korea, 78 percent in France, and 71 percent in Mexico say that the United States should play a role in solving international problems. Moreover, despite the overall negative perceptions of the United States, most people surveyed believe that bilateral

relations between the United States and *their* country are improving. In no country surveyed does the population think that their nation’s relations with the United States are getting worse.

And they are right. Not just because the world wants it to be the case, but because Americans are likewise yearning for the United States to be more respected abroad. Sixty-nine percent of Americans say they believe it is best for the United States to take an active part in world affairs. This popular demand is also shared by part of the policymaking elite. One of its most senior members recently called for a new direction in the way the United States thinks about world affairs. “Success,” he said, “will be less a matter of imposing one’s will and more a function of shaping the behavior of friends, adversaries, and, most importantly, the people in between.” And later: “[T]here is a need for a dramatic increase in spending on the civilian instruments of national security—diplomacy, strategic communications, foreign assistance, civic action, and economic reconstruction and development.” The American making this appeal for a drastic departure from the Bush administration’s overly militarized foreign policy is none other than Robert Gates, the current secretary of defense.

The demand abroad for change in the way America behaves is obvious. The United States is once again ready to supply the leadership. **FP**

Moisés Naím is editor in chief of FOREIGN POLICY.

Hungry for America

*After seven long years, the world is ready—and waiting—
for the return of the United States.*

By Moisés Naím

T

he world wants America back.

For the next several years, world politics will be reshaped by a strong yearning for American leadership. This trend will be as unexpected as it is inevitable: unexpected given the powerful anti-American sentiments sweeping the world, and inevitable given the vacuums that only the United States can fill and that others will increasingly demand that it fills.

This renewed international appetite for U.S. leadership will not merely result from the election of a new president in 2008, though having a new occupant in the White House will certainly help. But other, more compelling factors are fueling the world's hunger for America. Almost a decade of U.S. disengagement and distraction have allowed international and regional problems to swell to the point where a growing number of foreign leaders are feeling that "someone had better do something, fast." And very often, the only nation that has the will and means to "do something" is the United States.

Not that anti-Americanism will suddenly disappear; it never will. Nor will America's enemies go away. But strong anti-American currents will increasingly coexist with equally strong international demands for the United

States to play a larger role in world affairs. This trend, whereby American influence is welcomed and even sought, will become, in a manner not seen since 9/11, one of the defining features of the international political landscape.

Of course, the America that the world wants back is not the one that preemptively invades potential enemies, bullies allies, or disdains international law. The demand is for an America that rallies other nations prone to sitting on the fence while international crises are boiling out of control; for a superpower that comes up with innovative international initiatives to tackle the great global challenges of the day, such as climate change, nuclear proliferation, and violent Islamist fundamentalism. The demand is for an America that enforces the rules that facilitate international commerce and works effectively to stabilize an accident-prone global economy. Naturally, the world also wants a superpower willing to foot the bill with a largesse that no other nation can match.

Continued on page 111

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