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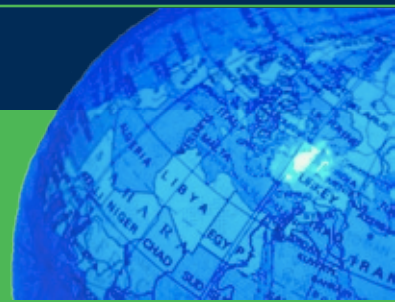
Welcome to International Affairs Forum's Global Perspectives 2008. This is the second year we have run the Perspectives series, in which we ask commentators to share their views on what are likely to be the big issues in selected countries over the following 12 months.

IA Forum's mission is to try and bring as broad a range of views to as wide an audience as possible, and with essays on 20 nations, written by 21 commentators based in nine different countries, we hope everyone will find something of interest here.

And I must of course thank our contributors, who were generous to take time out in what is a busy time of year for everyone to produce a range of engaging and informative pieces. Without them, this publication would not have been possible.

Jason Miks
Managing Editor
International Affairs Forum



JONATHAN MOORE
KENNEDY SCHOOL OF GOVERNMENT
HARVARD UNIVERSITY

"But the biggest problem is that they're not getting near enough help, while we've been pretending otherwise."

Jonathan Moore, a former U.S. Ambassador to the United Nations who has worked in Afghanistan for the U.N. during 1992-2004, is at Harvard University's Kennedy School of Government.

WHAT HAPPENS in Afghanistan this year would be crazy for any one to predict. The major influences on its 2008 history will be both internal and external, of course. But the external factors will be the most important.

Inside Afghanistan, the cacophony, the collision of different pressures, events and enterprises are familiar and continuing. President Karzai's efforts to keep his coalition together, and the judgments and trade-offs made in that respect. The erratic campaigns to fight corruption at all levels of government. The exasperating, loopy course of the struggle to deal with the poppy problem. The fragility of various sectors of the economy, including development and service delivery in outlying regions and the levels of (un)employment throughout the country. The point is that these attempts at stabilization and progress, at nation-building in Afghanistan, have overall neither succeeded nor failed. They are troubled but ongoing, and it is difficult if not nonsensical to predict the outcome.

One way to look at Afghanistan's short-term future is through the prism of the challenge to achieve security and development at the same time—hoping that the politics remain reasonably stable. It is true that you can't have development without security (and that ultimately each is dependent upon the other), but in a country where insecurity is chronic, where greater or lesser conflict is perpetual, then ways must be found to attempt development despite the enormous obstacles to doing so amidst violence.

So far in Afghanistan this is a standoff, the application of resources to pursue this duality are not yet mutually reinforcing, insecurity is frustrating development too much.

Specific efforts to grapple with this include an expensive and time-consuming strategy to build a strong and ubiquitous national police force, so that, for example, when military operations force the Taliban out of areas under its thrall, reconstruction programs can be sustained after the army moves on rather than be demolished again by a returning enemy. Another is the mixed but ongoing experiment of provincial reconstruction teams of the International Security Assistance Force, where military and civilian personnel and resources are combined to maximize the chances for reciprocal benefit providing help to deprived populations accompanied by security protection. What happens in Afghanistan will depend upon the success of such shaky yet fortunately persistent endeavors within its borders.

But it is the external factors carrying huge influence on what eventuates internally which will have the most impact on Afghanistan's forthcoming year and beyond, and over which Afghanistan has no control. Consider what's going on and what might happen in three other countries: Pakistan, Iraq and the United States. The political, social and military upheaval in neighboring Pakistan is obviously a menace to Afghanistan, since anarchy and sanctuary in areas along the border is already a huge problem and can become a flood (and attract further external trouble, e.g., from Iran) should general stability and order in Pakistan deteriorate further.

In Iraq, it certainly appears that a twelve-month projection of conditions would have to include an extended commitment of U.S. strategic priority, troops and money. This means that a hypothetical replacement of resources originally needed and intended for Afghanistan and re-directed to Iraq instead will remain hypothetical. Iraq will continue to short-change and haunt Afghanistan.

Which leads to the predominant problem of the lack of sufficient commitment by the U.S. (and others of the major developed countries), in terms of strategic priority, troops and money, which is necessary to undertake a serious effort at Afghanistan security, development and political strengthening. This is the most negative factor affecting the short-term future, and the prospects for its reversal are forlorn. There are many international and indigenous undertakings of high promise cooperating in Afghanistan yet which are blocked, stalled or lack sufficient traction. It will at best be painful and slow. But the biggest problem is that they're not getting near enough help, while we've been pretending otherwise. It is remarkable that there is as much resilience and as little ground lost within Afghanistan as is now the case, but it's a fair prediction that there will be more slippage without a reduction of liabilities and an increase in assets from without.

CAMERON STEWART
THE AUSTRALIAN NEWSPAPER

"Despite the withdrawal from Iraq, the Rudd government shows no sign of weakening its alliance commitment to the nation's most important security partner, the United States."

Cameron Stewart is Associate Editor of Australia's national daily newspaper, The Australian, and has worked for the newspaper for more than 20 years as a journalist, foreign correspondent and editor specializing in international relations, security and defense issues.

AUSTRALIA BEGINS 2008 with a vastly altered political landscape following the election victory of Labor's Kevin Rudd, which ended 11 years of conservative rule. Mr Rudd's decisive victory in November over veteran Liberal leader John Howard has triggered expectations of change across the spectrum of Australian social and political life.

But the pace of this change may be less sweeping than many of Rudd's supporters had first hoped. Rudd, a former diplomat, is more economically and socially conservative than many of his Labor predecessors and his popularity reflects the generalized shift to the right in Australian politics during the Howard era.

The early months of his government have been marked by incremental rather than major changes. The exception to this has been Rudd's decision to sign the 1997 Kyoto Protocol on Climate Change within days of assuming office. This move, which had been opposed by Howard, signals a more urgent approach towards climate change issues and reflects growing community disquiet about the possible implications of global warming on an already drought-ravaged country like Australia.

The new government has also signalled its intention to do more to tackle the crisis in Aboriginal health and welfare which has led to many Aboriginal Australians living in Third World conditions. This new political push has been fuelled by a spate of public reports of widespread sex abuse and violence within Aboriginal communities.

These reports have shocked white Australians and have forged a consensus that a more interventionist approach is needed to safeguard the welfare of Aborigines in remote communities. Rudd has also signalled that he will issue a formal apology to the Aboriginal people for their mistreatment at the hands of white Australians in the past - a symbolic gesture which had been rejected by the Howard government as being part of a 'black-armband' view of history.

Other Australian issues expected to dominate 2008 are the promised scrapping of the Howard government's hardline anti-union workplace laws. The laws were introduced to weaken unions and collective bargaining by enshrining the right of employees to sign individual deals with their employees. But these laws were unpopular with Australians because they made it easier for employers to sack their workers and this issue proved to be a decisive factor in Labor's election victory.

The other domestic issue likely to dominate this year is the economy. The country is riding an economic boom, driven by soaring commodity prices. However, strong growth is now triggering higher inflation, forcing the country's central bank, the Reserve Bank, to lift interest rates at a time when high house prices are putting debt pressure on many Australian families. The biggest risk to the popularity of the Rudd government is that unchecked growth may drive interest rates higher, causing a backlash among highly-geared property owners across the country.

In foreign affairs, the main issue in 2008 will be to redefine Australia's role in the so-called war on terror. The Rudd government will withdraw its 500 combat troops from southern Iraq by mid-year in recognition of the unpopularity of the war in Australia. However, it has pledged to stay the distance in Afghanistan despite the increasingly troubled security situation and the combat deaths of three Australian soldiers in recent months.

Despite the withdrawal from Iraq, the Rudd government shows no sign of weakening its alliance commitment to the nation's most important security partner, the United States. However, Rudd, who is a fluent Mandarin speaker, is also expected to strengthen relations with China, which will create a delicate balancing act for Australian diplomacy if frictions emerge between the two regional superpowers, the United States and China.

Sam Logan
Journalist

"Friction with Venezuela may complicate the already strained relationship between Chavez and the Brazilian Congress."

Sam Logan is an investigative journalist who has reported on security, energy, politics, economics, organized crime, terrorism, and black markets in Latin America since 1999. He is a senior writer for ISN Security Watch, a contributor to the Power and Interest News Report, and is currently working on a forthcoming nonfiction narrative about organized crime, human smuggling, and immigration to be published by Hyperion Books in mid 2009. He maintains a website at: www.samuellogan.com

Brazil in 2008 will see a number of significant issues related to the country's position on the global stage and her relative stability at home.

As Brazilian energy company Petrobras continues to push forward with oil discovery at home, improving its position vis-à-vis Brazilian domestic energy needs, the oil giant may become more of a foreign policy tool used to pressure allies in Bolivia and Venezuela.

As Bolivia's largest gas consumer, Petrobras could become less needy and thus more forceful with negotiations over Bolivian gas, currently set at a price many in Brazil still regard as overvalued. A strengthened position would precipitate friction between La Paz and Brasilia. The charisma of Brazilian president Luis Inácio "Lula" da Silva and his amiable relationship with Bolivian president Evo Morales should balance any pressure coming from Petrobras and the more hard-lined elements of the Brazilian political leadership.

Meanwhile, Petrobras' stronger negotiation position may facilitate Lula's desire to make a power play against Venezuela and that country's energy company, PDVSA, which is clearly dependent on its Brazilian neighbor to develop heavy crude refineries. Over 2007, Lula and Venezuelan president Hugo Chavez contended for de facto leadership of the South American region, causing some friction but never enough to diminish broad smiles and big hugs during photo opportunities.

Friction with Venezuela may complicate the already strained relationship between Chavez and the Brazilian Congress, which at the end of 2007, remained reluctant – as a whole – to allow Venezuela to enter the Merco-Sur common trade block. In 2008, we will likely see Brazil and Venezuela distance themselves from each other, a position that may further become hardened if the Brazilian military gains more support for its argument that Chavez is spurring on a regional arms race through his multi-billion dollar military purchases. Political heavyweight José Sarney will continue to argue this point.

On a domestic level, corruption within Brazilian politics will, again, be a theme for 2008. It is perennial. Contention may also arise within the Brazilian Congress over the removal of the CPMF – a tax on money flow in Brazilian banks that amounted to some U.S.$20 billion in government revenue in 2007.

Considered a major loss for the Lula administration, there is some concern over how the government will make up for this loss of revenue. Opposition leaders will likely use the forthcoming budget struggles as an example of incompetence and poor leadership in the rhetoric used on the pulpit ahead of municipal elections due later in the year.

The lack of infrastructure across the country, especially within the civil aviation system, will continue to manifest constant delays and flight cancellations across the country, especially in Rio de Janeiro, São Paulo, and Brasilia. Brazil teeters on the edge of a serious civil aviation problem, one that does not promise to improve as air traffic continues to increase at a velocity that significantly outpaces investment in the maintenance and improvement of the current runway system and the construction of new runways and airports.

WYN GRANT
UNIVERSITY OF WARWICK, U.K.

"Unemployment is higher than it appears because three times as many people are on incapacity as unemployment benefits."

Wyn Grant is a professor of politics at the University of Warwick and president of the U.K. Political Studies Association.

BRITAIN HAS BEEN enjoying the longest period of sustained growth in its modern history. The economy has grown every quarter since 1992. In the period from 1992 to 2006 the economy grew by 49 per cent in real terms. But can this impressive record be sustained? And if it isn't, what will the implications be for the government of New Labour's Gordon Brown, who took over from Tony Blair in 2007?

Because of its strong links with the global economy the British economy is vulnerable to any downturn in the United States. It has already been seriously affected by the subprime crisis in the United States with the first run on a British bank since the 19th century. The British economy is particularly dependent on the housing market. Rising house prices stimulate consumer confidence which has sustained the British boom. However, house prices have steadied and in some cases begun to fall. Underlying this trend is the fact that first time buyers can no longer afford inflated prices and are withdrawing from the market. They underpin the market as a whole. Forecasts differ about what will happen to house prices in 2008, but a small fall seems the most likely outcome.

The consumer boom has been built on the ready availability of debt in the form of credit cards, mortgages and loans. Given substantial problems of personal indebtedness, there has been a tightening up on the issue of credit cards with a higher proportion of applications being rejected. However, this does not seem to have had any effect on the willingness of consumers to spend over the Christmas period. There was a last minute Christmas rush and then a considerable increase in spending at the 'sales', particularly on high value items, with retailers discounting heavily. Of course, this may mean that consumers will reduce their spending later in the year.

The turmoil in the key financial services sector, which has been a major driver of employment growth, is expected to lead to more redundancies in 2008. Combined with public sector job losses, there are concerns that unemployment may grow, perhaps reaching 1.8 million, its highest figure since New Labour came into office in 1997. Of course, this could be offset by a decrease in the number of immigrants from central and eastern Europe seeking work as the labor market tightened.

In some respects the underlying condition of the economy is less strong than a debt fuelled consumer boom might imply. Unemployment is higher than it appears because three times as many people are on incapacity as unemployment benefits. Skill levels remain a problem, particularly among those who emerge from the education system with few or no qualifications to enter an economy in which the number of unskilled jobs is declining. They often find themselves in a 'revolving door' of government schemes and unemployment.

The Bank of England has the capacity to reduce interest rates to offset the risk of a recession. So far, the Monetary Policy Committee is judged to have done well, but it has never been tested by difficult economic conditions. If it reduces rates too fast, it may stoke inflation, which is being driven by rising food, oil and utility prices. However, it seems unlikely that the British economy will experience a recession in the sense of two successive quarters of negative growth in 2008. Growth will fall, however, and this will put the squeeze on already constrained public finances, narrowing the options available to Gordon Brown. Some of the tensions are already evident in disputes with the unions over attempts to hold back public sector pay.

After a short honeymoon period, Brown's credibility was undermined by appearing to encourage the possibility of a November election and then pulling back from it. In an era in which electorates make decisions more on competence than on ideology, the Government's image has not been helped by a series of unfortunate events, in particular the loss of large amounts of confidential data held on citizens by various departments. If Gordon Brown is to restore his authority in 2008, he will have to hope that the economic downturn is not too severe.

JONATHAN KAY
NATIONAL POST, TORONTO

"Once thought to be a nation of pacifists, Canada has put itself on the front lines of the war on terror."

Jonathan Kay is Managing Editor for Comment at Canada's National Post newspaper.

AS A DECIDEDLY second-tier OECD country, Canada usually does little to affect important global trends. But that won't be true in 2008. On at least three major issues, what happens in Canada will have a crucial impact on events in the rest of the world.

First, there is oil, the price of which has just peaked above the symbolic U.S.$100 threshold, setting off a fresh bout of hand-wringing over energy prices and oil scarcity.

At roughly 3.5-million barrels per day, Canada's production ranks only 7th on the list of oil-producing nations. Yet its proximity to the United States — along with the fact that it is one of the few major oil producers that is a stable, democratic, Western-friendly trading partner — serves to boost its importance as a long-term supply source.

Much of Canada's petrochemical stock is locked up in its western oil sands. Extracting oil from these sands — a mixture of clay, water and heavy crude oil — is costly, energy-intensive and technologically difficult. But the high price of oil has made the process economical in recent years, thereby setting off a major petro-boom, particularly in the province of Alberta, which now has more revenue than it knows how to spend.

The effects of this boom will last decades, perhaps even centuries. Historically, oil sands have not been counted in national oil reserves. But once they are factored in, Canada is believed to have the world's second largest reserves (the first being Saudi Arabia).

In this sense, it is ironic that Canada has an international reputation as an environmentally pristine natural wonderland: The tar sands have scarred Alberta's landscape and contributed to Canada's status as the third-highest per-capita emitter of greenhouse gases in the world. Under Canada's previous Liberal government — presided over by Jean Chrétien and Paul Martin — this was taken to be a badge of shame. But under the current Conservative minority government, elected in early 2006, the country has swung to the right on a range of issues, including environmentalism.

This is the second issue on which Canada is having a significant impact on the world stage. Prime Minister Stephen Harper has political roots in Western Canada, which, for a variety of reasons, is traditionally opposed to top-down environmental schemes imposed by Ottawa. At the recent Bali global-warming conference, Canadian skepticism helped water down the flimsy last-minute deal produced by delegates.

Though a nation of just 33-million people, Canada has outsized influence where Kyoto is concerned. Unlike the United States, Canada signed and ratified the protocol long ago, and was seen as a key ally to Europe in its implementation. Mr. Harper's frank declaration that the Kyoto targets are unworkable has helped isolate the European Union as Kyoto's lonely champion. Unless Canada's Liberal opposition — led by avowed environmentalist Stéphane Dion — takes power in 2008, the country can be expected to continue agitating against any meaningful international greenhouse-gas reduction plan.

The third issue on which Canada has an outsized influence on world affairs is Afghanistan, where about 2,500 members of the Canadian Forces are currently serving as part of the NATO-led International Security Assistance Force (ISAF) mission.

Canada's troop level puts it 4th behind the United States (26,000), the UK (6.700) and Germany (3,600). But the Canadian contingent is centered in Kandahar province, one of the most dangerous and politically crucial parts of the country. Moreover, the Canadian military is suffering deaths at a much higher per-capita rate than those of other NATO allies. A recent analysis shows that a Canadian soldier has about a one-in-70 chance of dying during a one-year deployment, a figure comparable to those for WWII combat deaths — and far higher than the comparable figure for U.S. soldiers currently serving in Iraq. Once thought to be a nation of pacifists, Canada has put itself on the front lines of the war on terror.

The Harper government is committed to the Afghanistan mission. But the Canadian public is divided. And it is unknown how long the mission can endure in the face of mounting Canadian casualties, a stubborn Taliban movement, and a corrupt, dysfunctional Afghan government. The war is particularly unpopular among Canada's pacifist-minded Québécois and left-wing politicians, who see the Afghan campaign as being an extension of a larger U.S.-led military strategy in the Middle East and central Asia.

If Canadian resolve falters, and Ottawa brings its troops home, the geopolitical fallout may be severe. European nations, which will be called upon to help fill the gap in Kandahar, may balk as well, leading to a large-scale exodus

from Afghanistan — and with it, possibly, an existential crisis within NATO itself.

Since the Pierre Trudeau era, Canadian governments have sought to project influence on the world stage through tireless promotion of multilateralism, human rights and "soft power." That has changed in recent years, and Canada arguably has become more influential as a result of the shift in strategy. With its surging oil sector, muscular military presence in Afghanistan, and hard-headed rejection of Kyoto, Mr. Harper's government has forged an international role that his socialist-minded predecessors would hardly recognize.

Shaun Breslin
University of Warwick, U.K.

"Forecasting a financial crisis in China "next year" has pretty much become an annual affair in some quarters."

Shaun Breslin is a professor of politics and international studies at the University of Warwick, and co-editor of The Pacific Review.

With a rapidly growing economy, but also rapidly growing inequalities and an increasingly diverse set of domestic and external interests and demands to cope with, every year is a challenging year for the Chinese leadership.

While investment in capital construction expands despite the government's attempts to stem it, consumption (particularly in the countryside) remains relatively low despite the government's attempts to boost it. Add to the perennial struggles to combat corruption and environmental collapse the potential for a reduction in demand for Chinese exports and there is little reason to expect that 2008 will be very different.

Forecasting a financial crisis in China "next year" has pretty much become an annual affair in some quarters, and similar future predictions should be viewed in light of the inaccuracy of past predictions; so it's probably better and fairer to say that whoever emerges from the changes to the top level of government in the spring with responsibility for financial affairs will be in for a busy time.

What happens in China clearly has a big impact on the rest of the world. But there are good reasons to think that Chinese economic interests will have even greater global significance in 2008. For example, it is possible – perhaps even likely – that foreign firms will be able to list on Chinese stock-markets. More important, the global reach of Chinese outward investment continues to impact on the price and distribution of a whole range of key commodities.

As Chinese economic relations come with no liberalizing strings attached, this growing global presence also provides an alternative to those in parts of Africa and Latin America who would rather not accede to the demands of the global liberal order. Moreover, a new sovereign wealth fund, The China Investment Corporation (CIC), came on-stream in September 2007 with U.S.$200 billion worth of funds at its disposal. Around two-thirds of the fund appears to be earmarked for domestic purposes – not least heading off the potential of economic woes by ensuring that banks and asset management companies (that have purchased large chunks of the bank's bad loans) do not go to the wall. But there is still a sizable chunk of money to be used to buy equity overseas – for example, the U.S.$3 billion that has gone to Blackstone and the U.S.$5 billion stake in Morgan Stanley.

Chinese officials are well aware that the prospect of the Chinese government buying up assets across the world is not welcomed everywhere and are doing their best to emphasize prudence, gradualism and the positive impact that this injection of funds will have. But they have also warned against using "economic security" arguments to justify blocking Chinese investment. Given continued complaints in the developed world that WTO promises to make it easier to operate in China have not been met, and about the use of exchange rate policy to promote China's own economic security, then what CIC does with this money is not going to remain a technical economic issue, but will inevitably become highly politicized.

China's leaders are well aware that image matters, and that a negative image can obstruct the attainment of political and economic goals. That's why so much has been done in recent years to portray China's rise as not only strategically benign but also economically beneficial for others. Protests in Vietnam over Chinese policy in the South China Seas and in parts of Africa over economic issues point to a period of backlash.

And while this concern with image would be important in any year, 2008 is not just any year. It is, of course, the year of the Beijing Olympics, which means that international scrutiny of China's internal politics and international impacts are going to be ever greater. It is also an election year in the United States – and if previous campaigns are repeated, then the current President's China policy will be heavily criticized as damaging U.S. economic interests whilst doing nothing to promote democratization and the promotion of Human Rights in China itself. History also suggests that those who criticize the incumbent's policy subsequently adopt and defend the very same policy with equal vigor once in power.

It is also an election year in Taiwan, which means that the question of independence could well be the dominant issue in China's international relations in 2008.

The nightmare scenario in Beijing is that a referendum in Taiwan supports the call for a return to the United Nations and a move towards de facto independence. Although the U.S. authorities have pressed Taiwan's leaders for restraint in recent years, the nightmare continues with the race to the White House resulting in reluctance

to do anything that might appear to support Beijing's agenda and would go further yet with Beijing's threat of force resulting in the Olympics being boycotted. And beyond that, who knows?

As with most nightmares, this vision might be taking things not so much to an extreme as beyond reality. Nevertheless, the confluence of the Olympics with a referendum and two Presidential elections suggests an interesting year with quite a lot needing to be done by diplomats and others to stop an interesting year becoming "interesting times."

Bronwyn Winter
University of Sydney, Australia

"Sarkozy's politics differ little from that of the contemporary right elsewhere in capitalist democracies."

Bronwyn Winter is a Professor in French Studies at the University of Sydney, Australia. She was contributing co-editor of "After Shock: September 11, 2001: Global Feminist Perspectives" and author of the upcoming book "Hijab and the Republic: Uncovering the French headscarves debate."

In his first New Year's Eve address as French President, Nicolas Sarkozy announced a "politics of civilization" for France in 2008, as part of the "profound change" brought about since he defeated Socialist opponent Ségolène Royal at the polls on May 6 last year.

It is an idea reminiscent of colonial France's "civilizing mission," and it has been described by Julien Dray, spokesperson for the Socialist opposition, as a "woolly" concept deployed to mask an "absence of results." Similarly, an Agence France Presse roundup of 2007 characterizes the new French Head of State as a hyperactive and media-wooing, but not necessarily effective, "hyperpresident."

He travels, within France or abroad, four times a week on average, as opposed to the twice-a-month schedule of his predecessor Jacques Chirac. The inevitable impression is that what counts for Sarkozy is not so much doing as being seen to be doing. A couple of weeks earlier, he was accused of "transforming French political life into a soap-opera" with his very public romance with model-turned-singer Carla Bruni (a few months after his equally public divorce from wife Cecilia, not long after his election).

Yet the image Sarkozy wishes to cultivate is more ideologically muscular. In a press interview during his presidential campaign, he announced, peculiarly, that he "had made his own" the analysis of Italian communist Gramsci, in that he believed that power was won through ideas. Sarkozy's driving idea at the time was one of rupture: a break with three decades of too much egalitarianism and not enough work. Since coming to power, the most "profound" of Sarkozy's ruptures is an unprecedented level of presidential intervention in the running of the country, to the extent that the main function of Prime Minister François Fillon appears to be to do the President's bidding.

The rest of Sarkozy's program follows a neoliberal economic agenda combined with interventionist "law-and-order" government to which we have become accustomed in the West. It may break with the "exception française" of social safety nets and worker protection, shifting from the idea of state-sponsored social "solidarity" to privatized "charity," or with that other exception française of political and cultural demarcation from the U.S.

It is clear, however, that Sarkozy's politics differ little from that of the contemporary right elsewhere in capitalist democracies, and are likely to result in the same polarization between the big end of town and a growing group of socio-economically marginalized. And, notwithstanding a number of protest strikes in the public sector in autumn 2007, the left, in disarray, is for the moment putting up little serious opposition.

The four main elements of Sarkozy's domestic agenda are in the areas of fiscal reform, public services, the workplace and immigration: on this last point he builds on his work as Minister for the Interior with the previous government.

The government's fiscal package, among other things, eases inheritance and wealth taxes and includes incentives to invest in small business. The "small-government" agenda, under the grandiose title of Révision Générale des Politiques Publiques, is inspired by similar measures introduced in Canada in the 1990s. Half of the 35,000 public service posts targeted to disappear in France in 2008 as part of this "revision" are in education. Related education measures include liberalization of universities and plans to do away with regulation of school enrolment based on where families live rather than parental choice, a move that has been criticized as encouraging elitism.

In his New Year's Eve address, Sarkozy affirmed his commitment to helping those in France who "wanted to work more." The government's controversial and strike-provoking changes to the retirement regime in 2007 (with more on the way) will thus be followed in 2008 by greater workforce "flexibility." Plans include removal of the 35-hour limit to the ordinary working week introduced a decade ago and promotion of enterprise-based agreements on working hours that will include the use of individual worker agreements. Such measures would contravene legally encoded principles of workplace equity, as unions have been quick to point out.

Other measures related to the cost of living, that came into force on Jan. 1, 2008, are excess payments on prescription medicines and para-medical care, and lower than usual increases in the minimum unemployment benefit (1.6%) and in pensions (1.1%). Employment is slightly on the rise, except in the industrial sector, but wages are rising by less than 3% per annum. Between 6% and 12% of French people are living below the poverty

line, depending on the measure used, and an estimated one in three homeless people is working for a living. While these poverty figures relate to 2005 (the latest official statistics available), measures introduced in 2007 and planned for 2008 are more likely to exacerbate them than alleviate them.

Sarkozy's fiscal and workplace measures have yet to translate into a resurgence of the sluggish economy. While he has been quick to point out that "things can't all be done in a day," economic forecasts for 2008 are glum, with predictions of a "morose" year on the French stock market.

Immigration measures include the family-reunion "DNA test" to which are subject children aged 16 or over seeking to join their families in France, and the introduction of a test in French language and "values of the Republic" for family reunion immigrants.

A third measure that came into force on Jan. 1, concerns access to personal data on clandestine immigrants against whom deportation procedures have been commenced. This data collection includes information on members of the immigrant's family and on French citizens and residents who have provided them with lodging. Human rights organizations have argued that this law penalizes innocent family members and constitutes a backdoor means of providing surveillance on organizations helping illegals to apply for asylum or residency or to appeal against deportation decisions. This, along with hunger strikes in December 2007 by illegals protesting conditions in French detention centers, signals further unrest in a country already marked by race- and immigration-related conflict and violence. Sarkozy's notorious suggestion, in 2005 when he was Minister for the Interior, that rioting "scum" be hosed down with water cannon, has for many remained symbolic of his politics on immigration, race and national identity.

As concerns France's foreign policy, Sarkozy's focus is firmly on Europe, with France taking over the Presidency of the European Union from July 2008. In his New Year's Eve address, Sarkozy referred to the EU as "the soul of the renaissance of the Old World": a renaissance that will include new fiscal, economic and defense strategies, but not include Turkey, if Sarkozy has his way.

A new simplified treaty or "mini-treaty," known as the Lisbon treaty, was one of Sarkozy's pet projects, as an alternative to the unsuccessful 2005 project for a European constitution, of which the Lisbon treaty is more or less a replica. The treaty, which will need to be ratified by parliamentary vote in member countries, has been criticized as undemocratic as it will not be subject to referendum, and Sarkozy has been accused of supporting a Europe that is becoming more remote from its citizens. The United States, however, has given the Lisbon treaty the thumbs-up. Finally, Sarkozy's current review of France's defense and security operations is likely to result in reorientations that will further please France's new trans-Atlantic Best Friend.

WOLFGANG SEIBEL
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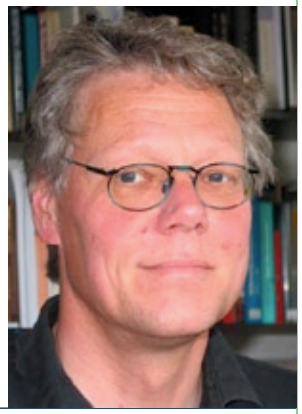

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LATE IN 2007, Germany witnessed an unusual stand-off between Chancellor Angela Merkel (Christian Democrats) and Frank-Walter Steinmeier (Social Democrats). Merkel was publicly criticized by her coalition-partner for putting strain on Germany's relationships with Russia and China through her outspokenness as far as human rights conditions are concerned. At a joint press conference with president Russian President Vladimir Putin at the EU-Russia summit in Samara in May 2007, Merkel, serving as acting President of the European Union, had castigated human rights abuses in Russia. In October 2007 Merkel did not hesitate to welcome the Dalai Lama in the Federal Chancellery which the Chinese government used as a pretext to suspend a series of bi-lateral talks on rule of law standards.

The intragovernmental dispute will presumably impact on Germany's posture in international politics in 2008. It is indicative of two different political milieus in German politics. Merkel represents vintage transatlanticism and commitment to the values of liberal democracy. Steinmeier represents a social-democratic détente philosophy with a pacifist undercurrent. No miracle that both positions collide the moment two non-democratic great powers, substantially weakened or politically isolated in the immediate post-Cold War era, are (re-)surfacing as impressive challengers of the community of Western democracies. In a way, the divergences within the German government reflect the disillusionment of the West that defies the notion of Western Democracy as the victor of the Cold War.

Two types of realism emerge from this. One is traditional Realpolitik, which is the Steinmeier approach. It emphasizes political stability as a value in itself hoping for democratic progress in non-democratic states as a side-effect. Its flipside is a tendency towards appeasement-style of diplomacy with democratic values occasionally being sacrificed for the sake of trust and mutual reliability in international relations. The second approach emphasizes the coercive force of democratic values themselves, a kind of democratic neorealism shared by Chancellor Merkel. It emphasizes the proven evidence of democracy being the true guarantor of sustainable freedom and peaceful international relations. Since both approaches are influential in shaping German foreign policy, the latter is less predictable today than it used to be. What can be said for the prospects in 2008 may be illustrated by two key-issues, Iran's nuclear program and the future of Kosovo.

Germany will officially support any common position of the European Union regarding Iran's nuclear program beneath the threshold of military action. Backstage, however, Germany will not press hard for sanctions against Iran in accordance with Russian and Chinese preferences, thus mitigating the tensions within the Federal Government but accentuating the divergences among Western Democracies.

One can easily anticipate Iran exploiting that situation – easier when Steinmeier's Realpolitik prevails, harder when Merkel's democratic neorealism will shape German foreign policy. Public opinion, however, will support rather the Steinmeier than the Merkel position and Merkel will have a hard time persuading her fellow Christian Democrats to follow her with a series of regional elections ahead.

The future of Kosovo and, thus, stability in the Western Balkans hinges on the credibility with which the European Union insists on the key-elements of the Ahtisaari plan whose rationale is trading protection of the Serb minority against "substantial autonomy" under EU control. So far, Serbia and Russia stiffened their resistance against the Ahtisaari plan and Russia will continue to use the Kosovo issue as a bargaining chip in the framework of package deals, part of which is to make NATO accept limits to continuous expansion. The rivalry between neorealism, Merkel-style, and Steinmeier-type Realpolitik only can encourage Russia to keep things in limbo as long as possible and to conceal her own strategic interests – weakening NATO at the expenses of Western security – through peaceful rhetoric, just like in the old times of Soviet rule. And just like in the old days, the Germans could be inclined to buy the rhetoric rather than analyzing the risks.

Madhav Nalapat
UNESCO Peace Chair

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Although born in India, Jawaharlal Nehru was never more comfortable than with his old classmates from Harrow. His father deliberately avoided an "Indian" education and ensured that his only son was sent off to the U.K. for an "English gentleman's" education. Consequently, from his boyhood, Nehru knew little and cared less for the fables, faiths and traditions of India, becoming an "English gentleman" in all but race.

Tellingly, his first action when sworn in as free India's first prime minister on August 15,1947 was to request the outgoing Viceroy, Lord Louis Mountbatten, to continue in India, this time around as the country's first Governor-General, and head of the armed forces. Even on matters of economic policy, Nehru deferred to British expertise, for example fashioning his (expropriatory) tax policies on the basis of the recommendations of Nicholas Kaldor. The Indian politician's distaste for the U.S. and preference for a socialist model of development were both common in the upper-middle class England of his time, and the paternalism within such "radicalism" made Nehru fashion a system of governance that forced Indians to get permission from one or the other state agency for even the most routine of tasks.

Nehru was an agnostic, who treated Hindu rituals with disdain. Small wonder that the "secularism" introduced by him had a visible anti-Hindu bias. Even today, in a country that is 84% Hindu, while Christian churches, Muslim mosques and other minority houses of worship are run without state interference, Hindu temples are under state control, with even the donations of devotees being sequestered for use by the central and state governments. Under Nehru, the Hindu majority was effectively reduced in status to an underprivileged minority. The clusters of vested interests that sprung up in the wake of such exclusionary and restrictive policies had ensured the continuance of Nehruism

Till, that is, the Congress Party's first full-term prime minister from outside the Nehru family took office in 1992. Pamulaparthy Venkata Narasimha Rao swiftly began cutting away at the web of restrictions that bound the Indian economy, introducing a partial liberalization that enabled the country to more than double its rate of growth, to a comfortable nine percent annually.

The economic freedom given under the Rao Reforms soon had its backwash in other fields as well, with the media becoming more feisty, especially in television. Until the Communist-backed United Progressive Alliance took office in 2004, economic reform continued to move forward, although often at a crawl. However, since then, the heir to the Nehru dynasty and protectress of the Nehru system, Sonia Gandhi, has ordered a rollback of reform and an intensification of the social policies that favor the minorities over the Hindu majority.

Although more than 80% of the country's desperately poor are Hindu, the UPA government has thus far focused only on the Muslim population, to the extent of ensuring a "Muslim Only" allocation of 15% in Five-Year Plan funds, and other schemes that are specific only to the Muslim community. Not surprisingly, this has generated a Hindu backlash. On Dec. 23, 2007, this long-festering Hindu resentment of Nehruvian policies found expression in the state assembly polls in Gujarat, where the Congress Party was trounced by the Bharatiya Janata Party, led in the state by chief minister Narendra Modi, who has made anti-Nehruism his motif. Modi pushes for social policy that removes the present marginalization of the Hindus, and favors an aggressive economic liberalization that welcomes multi-national corporations as well as the widespread use of the English language.

After Gujarat, there is likely to be a swelling backlash against what may be termed as Nehru's policy of "Partial Secularism," where the majority Hindu community was expected to remain secular, even while Muslims and Christians were encouraged in exclusivist practices. A truly secular state is one where each faith is given the same rights as the others, not a construct where either the majority (India) or the minority (Pakistan) is disadvantaged. Although those steeped in Nehruvian logic are crying out in shrill tones about the "danger to the moderate state," the reality is that a truly moderate state must be one that applies the same yardstick to believers in every faith. Something that has been absent in Nehruvian India.

Modi's success came in the face of energetic Congress efforts to whip up caste and religious feeling against him, while Muslims were sought to be terrorized into voting against what Congress President Sonia Gandhi (evidently using the services of speech

writers familiar with the JP Morgan hearings in the U.S. Congress in the 1930s) publicly called "Merchants of Death." This despite the fact that more than 46,000 people have been killed in riots since 1947 in India, in states ruled by the Congress Party.

She also came down hard on Modi's liberal economic policies, calling for a return to the socialist ways of the Nehrus. Neither pitch made any impact on the Gujarat electorate, who brought back Modi to office. His victory may herald a period of intensification of Hindu reaction to the inequities of the Nehru era, and hopefully to the fashioning of policies that promote economic and personal freedom, irrespective of the faith to which a citizen belongs. Whether Hindu, Christian or Muslim, all need to be given the same rights and privileges, if genuine secularism is to be established in the world's largest democracy.

ALEKSIUS JEMADU
PARAHYANGAN CATHOLIC UNIV.,
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"...There is a widespread impression that the Indonesian judicial system can easily be manipulated by certain vested interests."

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THE YEAR 2008 has a special meaning for Indonesia as the country is entering the 10th year of political reforms after the collapse of Suharto's regime in 1998 and the 100th anniversary of its national awakening. Although it is generally agreed that over the last three years since the election of President Susilo Bambang Yudhoyono a relatively stable democracy has been established, both the Indonesian government and the people will still have to work hard in order to produce a significant progress in 2008.

At the aggregate level, government achievement so far looks quite promising. Although the annual economic growth of 6.3 percent in 2007 is not sufficient to absorb the rapid growth of the labor force, a solid basis for further growth has been created. Macroeconomic factors like the increase of foreign reserves and the surplus in the current account balance give some optimism that 2008 will bring the same level of growth or even higher.

However, there is no room for complacency. There are sources of concern and uncertainty if we go deeper into the details of the government's overall economic achievements. Since the economic crisis hit the country in 1997, millions of people have lived below the poverty line and the increasing rate of unemployment cannot be contained by government policies to create new jobs.

The unfavorable external conditions, like soaring oil prices in the world market and the possible slowdown of world economic growth, could exacerbate the gloomy outlook of the Indonesian economy. In fact, as far as the Human Development Index (HDI) is concerned, Indonesia stands at 107 out of 170 member countries surveyed by the United Nations, far behind Singapore (25), Malaysia (63) and Thailand (78).

Like many other new democracies, Indonesia's problem is that the democratization of the political system is not followed by the practice of the good governance that is so essential for the improvement of public services. Indonesia is one of the most corrupt countries in Asia. Despite the fact that combating corruption is a top priority for President Yudhoyono, the Indonesian public remains unsatisfied with the reform of government bureaucracies. Rampant corruption at the government level prevents the inflow of foreign investment. On top of that, there is a widespread impression that the Indonesian judicial system can easily be manipulated by certain vested interests.

In his book titled "Indonesia on the Move," President Yudhoyono claims that his government has succeeded in strengthening national security, especially with regard to the prevention of new terrorist attacks. It is true that over the last few years there has been no major terrorist attack in Indonesia and the security authorities manage to convince the international community that Indonesia is a reliable partner in the global war on terrorism. The arrests and prosecution of some leading members of terrorist groups have significantly reduced the threat to national security.

While the Indonesian government makes progress in dealing with the terrorist threat, there is growing concern about the indifference, if not failure, of the President Yudhoyono in stopping some Islamic radical groups or militias who take the law into their own hands. Local and international human rights groups have criticized the government for its failure to protect religious minorities whose freedom of religion have repeatedly become a target of the anarchical behavior of these radical groups. There is a speculation that President Yudhoyono himself fears that tough measures against these groups could cost him the support of Islamic political constituents.

In the lead up to the 2009 general elections, the political temperature in 2008 will be high as political parties scramble for popular support. It is quite evident that President Yudhoyono will have to compete with other heavyweights like Vice President Jusuf Kalla from the dominant Golkar Party and former President Megawati Soekarnoputri from the Indonesian Democratic Party of Struggle (PDIP).

It remains to be seen how far the political competition among the elite will contribute to the strengthening of substantive democracy in Indonesia. As long as the political leaders only care about their own interests at the expense of the public, it is hard for the nation to achieve something significant for the well being of the people in 2008. In this era of global competition, Indonesia needs no less than spectacular progress in many aspects of its national development in order to gain respect from its own people and the international community.

NOBUTO YAMAMOTO
KEIO UNIVERSITY, JAPAN

"...There has been mounting demand, most notably from urban intellectuals, for a younger generation of leaders for the national political scene."

Nobuto Yamamoto is professor at the Department of Political Science and currently Research Director at the Global Security Research Institute at Keio University.

INDONESIA WILL NOT ELECT its new president until 2009. Yet, the political world is already noisy with news and moves regarding the general election and presidential election in 2008. Some politicians have already publicly announced their candidacy for the presidency; some are quietly taking the public temperature for support, while others have made visible attempts at building alliances. At least four institutions deserve our attention in this regard.

First is the role of the political party as a vote-gathering machine. It is widely expected that Vice President Jusuf Kalla will challenge President Susilo Bambang Yudhoyono in the presidential election in 2009. Already he has stirred the political scene by taking very visible steps toward networking and reconciliations with many notable politicians. In addition to being chairman of the most-established Golkar party, Kalla will likely draw support from Eastern Indonesia by virtue of his origins.

Likewise, former President Megawati Sukarnoputri will rely on her party, the Indonesian Democratic Party-Struggle, as the main pillar of political backing. She secured the party's endorsement to compete again for the presidency in 2009 during a nationwide party representative conference in September 2007. But despite such early moves by the two politicians, it should be noted that political parties do not always present united fronts and their support bases may move independently as well.

Second is the network of retired personnel of the military, which thus far can still garner votes. The former commander of the Armed Forces, Wiranto, is considered a strong contender. He established the People's Conscience Party in 2007 to prepare for his candidacy. In October 2007, the former governor of Jakarta, Sutiyoso, who had served as commander of the tenth army martial district with jurisdiction over Jakarta prior to serving as governor, announced his entry into the presidential race. During the ten years of his governorship, Sutiyoso showed strong leadership, even though his governing methods faced much criticism. His weakest point is the lack of a popular base, including support from political parties. This limitation can be overcome if Sutiyoso manages to draw support from other military veterans, such as the former Vice President Tri Sutrisno. The military network is also expected to support the incumbent President Yudhoyono, a retired general himself, which will end up dividing their voice.

Third are local political leaders and their local powerbase. Since 2001, when decentralization was enforced and significant authority was handed over to the local government, the local leaders acquired greater notability with regards to their statesmanship and administrative ability. Such prominence provides them the basis for political strength, so much so that names of local governors are now cited as potential presidential candidates. Among others, the governor of Yogyakarta, Sri Sultan Hamengkubuwono X, has always been regarded as a strong contender. The governor has announced that he will resign in April 2008, which further encouraged expectations for his candidacy. The national appeal of such leaders, however, is limited.

The last institution is relatively new – public opinion. Beginning with the 2004 elections, opinion polls have been imperative for the media, political parties, and contenders to pay attention to; this tendency continues. The incumbent president Yudhoyono is the strongest contender in this regard. Yudhoyono is highly expected to seek re-election, even though he has not formally declared his candidacy. Since he took office, Yudhoyono has been fairly successful in fighting corruption and terrorism, with a modest recovery in the economy. These achievements, plus his comparatively clean image, are the basis of his popularity. Furthermore, since 2007, there has been mounting demand, most notably from urban intellectuals, for a younger generation of leaders for the national political scene. Young people do not have strong organizational bases, nor a clear unifying candidate thus far, but they may be able to garner popular support through public opinion and mass media.

In the end, the same old players may again dominate the political race, and yet the rules of the game seem to have changed. Organizational political machines can split over candidates and fail to become the supporting mechanism they used to be. Additionally, popular opinion now matters in the elections. Thus 2008 will see very dynamic political prospects for Indonesia.

MARK KATZ
GEORGE MASON UNIVERSITY

"Ahmadinejad is likely to find the risks of an American attack more acceptable than the threats of growing internal opposition and Sunni fundamentalist hostility that an Iranian-American rapprochement might bring."

Mark N. Katz is a professor of government and politics at George Mason University, Fairfax, Virginia.

In 2008, tensions between Iran and the West—especially the United States—will undoubtedly continue over whether the Iranian atomic energy program could morph into a nuclear weapons program. There were signs at the end of 2007, though, that an Iranian-American confrontation might be avoided and that relations between them might even improve.

In late 2007, it was revealed that an American National Intelligence Estimate (an analysis reflecting the consensus of the American intelligence community) concluded that Iran had ceased work on a nuclear weapons program in 2003. Some saw this as a blow to the Bush Administration's claims that Tehran was aggressively seeking to acquire such weapons and had to be stopped. Others believed that the Bush Administration leaked this Estimate as a way of defusing Iranian-American tensions and avoiding an attack on Iran that Washington knows would be highly unpopular throughout the world. This latter view gained currency when at the very end of December, U.S. State Department officials credited Iran for helping to bring about the reduction of violence that took place in Iraq during 2007.

Iranian President Mahmoud Ahmadinejad definitely wants to avoid a direct American attack on Iran that would seriously set back (though probably not eliminate) the Iranian atomic energy program. On the other hand, American attempts to befriend Iran pose other problems. For hostility from the U.S. is not the only threat that Ahmadinejad faces.

Another threat is the growing domestic unpopularity of Ahmadinejad and the Islamic regime more generally due to their failure to generate economic prosperity despite record high oil prices, continued constraint of freedom of action and expression, and refusal to allow meaningful democratization. Tense Iranian-American relations allow Ahmadinejad to portray his opponents as unpatriotic. Improved Iranian-American relations, by contrast, would bring these domestic issues to the forefront.

Yet another threat Tehran faces is that the Islamic Republic is in competition with Al-Qaeda and other Sunni fundamentalists—who are strongly anti-Shia—for legitimacy and popularity in the Muslim world. Iranian support for Lebanon's Hezbollah in its conflict with Israel during the summer of 2006 helped to burnish Tehran's Islamic revolutionary credentials in the Arab world. Improved Iranian-American relations, by contrast, would allow Al-Qaeda and other Sunni fundamentalists to denounce Ahmadinejad for capitulating to Washington.

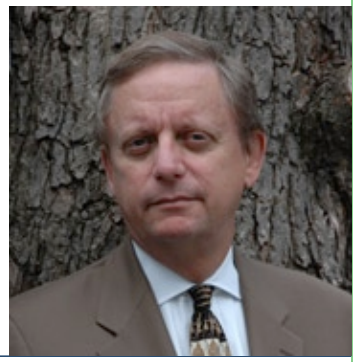
The trade-off in risks that Ahmadinejad may see, then, is the possibility of an American attack against Iranian nuclear facilities if Iranian-American tensions increase on the one hand, and increased domestic unrest as well as greater vulnerability to Al-Qaeda and other Sunni fundamentalists if Iranian-American relations improve on the other. This being the case, Ahmadinejad is likely to find the risks of an American attack more acceptable than the threats of growing internal opposition and Sunni fundamentalist hostility that an Iranian-American rapprochement might bring. Indeed, a paranoid perspective (which Ahmadinejad has often expressed) might see the U.S. as attempting to improve relations with Iran in the hope that this might undermine the Islamic Republic internally.

If Ahmadinejad spurns the Bush administration's tentative efforts to improve Iranian-American ties, the Bush administration is highly likely to abandon them and resume its hostile stance toward Tehran. Yet while Ahmadinejad may take great comfort in this, the existence of hostile Iranian-American relations is no guarantee against the rise of internal opposition against him inside Iran. And if the November 2008 American presidential elections are won by someone who pledges to reduce or even eliminate the American military presence in Iraq, there will be little to prevent the chaos in that country from blowing back into Iran.

2008, then, may well prove to be a challenging year for Iran-and for President Ahmadinejad in particular.

John Tirman
Center for International Studies, MIT

"...A kind of equilibrium is beginning to take shape in Iraq. But it is not the stability one would hope for or expect after five years and perhaps a trillion dollars of expenditures by the occupation forces."



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The post-invasion challenges in Iraq remain as daunting as ever as it enters the fifth year since the March 2003 invasion by the U.S. coalition. One could call it the third post-invasion phase. The first was the formal war and the relatively quiet aftermath. From late summer 2003 came the second phase of mounting violence, stirred by the occupation and a growing insurgency, and then a sectarian civil war. The third phase, begun in the autumn of 2007, appears to be a realignment of forces for the long struggle to control the country and its vast oil wealth.

While violence continues at a high level, it is apparent that in Baghdad and Anbar province the civil strife and resistance to occupation have abated significantly. Some see this as temporary—wily actors waiting out the Americans, regrouping, even rearming (as Sunni tribesmen seem to be in the Awakening movement, thanks to the U.S.). Muqtada al-Sadr, the Shia leader of the Mahdi army and a stout opponent of U.S. policies, has laid low. Sunnis, at a numerical and resource disadvantage, are making alliances with the U.S. military to rid their provinces of jihadists, whether foreign or domestic. Some places, like Mosul, remain unstable with high rates of killing, and the displacement numbers remain troubling—nearly 5 million overall.

Others see the decline in violence as more permanent, partly a result of what amounts to ethnic cleansing in Baghdad, where they describe the much-heralded security improvements as the peace of the graveyard. Kirkuk is less explosive than many expected. It is likely, too, that violence has dropped as a consequence of sheer exhaustion. It would be unimaginable that the rates of mortality, which the most credible estimates put in the many hundreds of thousands, would be sustained indefinitely.

What seems clear is that a kind of equilibrium is beginning to take shape in Iraq. But it is not the stability one would hope for or expect after five years and perhaps a trillion dollars of expenditures by the occupation forces. Rather, it is the equilibrium of clarity about politics, interests, and forces. Iraqi politics remain in gridlock, again a likely waiting game by the Shia politicians. Once Al-Qaeda in Mesopotamia is defeated or marginalized, some seasoned observers expect the newly legitimized and armed Sunnis to challenge the central government with fresh vigor. Signs of growing security problems in Basra, as the British have left, may herald the shape of post-occupation dynamics, with militia again riding herd. In the north, the Kurdish entity, led by the former warlord Massoud Barzani, is acting as if it is independent of Iraq, which remains the Kurds' aspiration.

For most of the most prominent Iraqi actors, 2008 is a transition year from the brutal violence of 2006-07 to the gradual but certain withdrawal of U.S. forces. The Shia, as the majority (60%) and aggrieved still by Sunni oppression that reaches back to Ottoman times, will not easily share wealth or power. They do not have an interest in reform and are unlikely to meet the U.S. benchmarks on which the success of the "surge" pivots. The Sunnis are regrouping, aided by the new U.S. strategy of small alliances in Anbar and by steady flows of money from the Saudis. (They are also being paid by the U.S.) The Kurds continue to move people into Kirkuk and move Arabs out, through deals or intimidation, to gain control over that province's oil resources. All of this requires a compliant U.S. administration, which the Iraqi actors get if they tone down the violence and voice support for American initiatives.

One cannot be optimistic about what will occur after U.S. withdrawal, likely to be well underway by late 2009. What is gradually coalescing in Iraq is a country with strong armies but no strong central state or central purpose, a perilous prospect. The battles for control of oil and for Baghdad remain a harrowing possibility, one that could roil the country for decades. Violence is still a daily nightmare, and is likely to be sustained at unacceptable levels. The maneuvers we see in 2008 will all be aimed to gain leverage over the post-occupation period. That is now the underlying contest, one over which the United States may have little to say.

JAMES L. NEWELL
UNIVERSITY OF SALFORD, U.K.

"...If signs of an early end to the Government recede, then the current turmoil on the center-right seems likely to continue and one of the biggest issues in 2008 will be the future of the Casa delle libertà."

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PREDICTING WHAT will happen in 2008 is exceedingly hazardous, since so much will depend on whether the Government survives, and since its fragmentation and slim Senate majority render its survival so uncertain. Following the 2006 election, the coalition had 158 seats, to the center-right's 156, and that remains the case. But if this makes an early change of government a distinct possibility, three features of the parliamentary arithmetic offer Prodi at least some comfort:

1) The seven life Senators. Of these, four supported the government in the confidence vote that took place in February 2007.

2) The Government can in addition count on the support of an independent Senator, one of the representatives of Italians living abroad.

3) The composition of the parliamentary groups is rather unstable – reflecting shifting patterns of alliance within each of the two main coalitions that can even lead to defections from one coalition to the other (there has been one defection in each direction so far). If this renders the Government vulnerable, then in principle the same is true of the Opposition and any switch of votes from it to the Government increases the latter's majority by a number twice as large as the number of switches.

In practice, therefore, the Government's fate will probably depend on: 1) developments within and among the parties of opposition; 2) what happens to the electoral law; 3) the extent to which controversial issues divide the governing parties while uniting those of the opposition: most legislative proposals in the Italian parliament are passed with large majorities, cross-cutting government and opposition lines.

With regard to the first, if signs of an early end to the Government recede, then the current turmoil on the center-right seems likely to continue and one of the biggest issues in 2008 will be the future of the Casa delle libertà (Cdl). Like the center-left, the Cdl too is a coalition whose constituent parties are very diverse in terms of their ideologies, sizes, geographical strongholds and the interests they seek to represent (Diamanti and Lello, 2005: 9). Brought together under the leadership of Silvio Berlusconi, they were able to remain united as long as the entrepreneur's personal popularity was essential for their collective success and as long as his party did well. Otherwise, the parties are united by little more than opposition to the center-left, and whenever, as of late, Berlusconi's popularity has shown signs of weakening, they have been encouraged to break ranks.

They are aware that the political costs are not high: For one thing, voters are unwilling to switch between the two main coalitions, but increasingly willing to shift among the parties within the coalition with which they identify (Natale, 2002) – a tendency significantly encouraged by the electoral law. For another thing, therefore, the parties are encouraged to keep in sharp relief, the profile of their separate identities: Representing conflicting socio-political interests, they are under pressure to shore up support among their core supporters.

Finally, having embraced the 'personalization' of politics, they have multiplied the tensions within and between themselves by transforming what were once contests between parties into face-offs between individual leaders (Diamanti and Lello, 2005: 10-12). But if the Cdl led by Berlusconi is in difficulties, then few viable alternatives appear currently to be available: On the one hand, aside from Berlusconi, there do not appear to be any other leaders with the strength to hold the coalition together; on the other hand, a party that turns its back definitively on the coalition risks complete marginalization.

With regard to the electoral law, Jan. 16 will see the Constitutional Court begin deliberations on the admissibility of a request for a referendum on proposals to abolish parts of the law. The latter, by providing a majority premium to the coalition with the most votes, encourages parties to form the broadest coalitions possible; and by removing the pressure created by the 1993 law (with its single-member constituencies) to unite behind candidates representing the coalition as a whole, it allows voters to support a coalition without having to cast a vote for candidates drawn from parties other than their most preferred party. Thereby, it eliminates any political costs associated with defection and splitting: parties know that they will in any event be courted in the coalition-building process and that in the meantime it is in their interest to seek to retain their own followings by emphasizing their visibility and distinc-

tiveness.

In seeking changes that would reserve the premium to the largest single list, and raise the vote thresholds for all lists, referendum supporters are therefore aiming to reduce fragmentation and thus raise governing stability – either because their reforms would drive party actors to pursue the formation of single large groupings, or because the threatened referendum would force the parties themselves to sponsor reform (to avoid change as drastic as that implied by the referendum).

If the Constitutional Court gives it the go-ahead, then the parties will know that it will be very difficult for them to introduce any kind of incisive new law without risking government stability. On the other hand, this might also be jeopardized by the absence of such legislation if the small parties conclude that averting the threat of a successful referendum outcome (from which they, on the face of it, appear to have the most to lose) requires them to engineer a dissolution: in such cases any referenda in train are automatically suspended until at least a year after the resulting elections.

An alternative possible scenario is that the parties seek to render the referendum invalid by preventing the turnout from reaching 50% – for example, by declining to give clear signals to voters about which way to vote; through using their influence in the media to deprive the issue of proper coverage; through open invitations to desert the polling booths. It is also at least possible, in the event of a successful referendum, that the parties might then pass legislation designed to undermine the outcome or its effects, as allegedly happened in the case of the 1993 referendum on the public funding of political parties.

Finally, even if this did not happen, the small parties might still assure their survival and the persistence of fragmentation: such a scenario would see them using their blackmail power to guarantee a parliamentary presence by securing places for their representatives in the lists fielded by the large parties.

With regard to substantive issues that might threaten the Government, the coming days (possibly Jan. 10) will see a summit meeting of majority party leaders to agree terms for continuation of the alliance. Lamberto Dini has advanced seven proposals (ranging from public-spending cuts to abolition of the provinces) implying (with the more-or-less convinced support of his small group of followers) that the Government's future will depend on acceptance of his program, in toto. Most observers appear to feel that the demand to 'take it or leave it' should not be taken too seriously.

Arguably, a more significant source of concern is parties such as Communist Refoundation – which risks losing support if it does anything that appears to put survival of the government at risk, but which risks undermining the solidity of its radical core support if it takes too accommodating a position on many of the currently salient issues – such as pensions, immigration, the labour market and civil partnerships – with which it is closely identified. Consequently, the Government has suffered from an image of permanent argumentativeness, as parties have sought to distinguish themselves, only to fall into line at the last minute. If this has obscured the Government's achievements in terms of reduction of the budget deficit and the resumption of growth, then it keeps alive the possibility of the Government falling almost 'by accident', a victim of its components' brinkmanship.

It is for this reason that the Prime Minister has recently sought to increase his control of the political agenda by declaring that 2008 will be the year of action on wages and their purchasing power – hoping that, by means of a wide-ranging agreement with the trade-union confederations and the employers (to include changes to the national system of wage bargaining) he will be able to find outside the coalition the ballast for his government that he is unable to find within it.

AKIRA NAKAMURA
MEIJI UNIVERSITY, TOKYO

"The problem with making any sort of progress has lately been compounded further by the fact that Japanese public confidence in government is at an extremely low ebb in the last few years."

Prof. Akira Nakamura is vice president and dean of the graduate school at Meiji University in Tokyo and chair of the Research and Program Affairs Committee of the International Administrative Sciences (Brussels).

AN INTEGRAL PART of Japanese politics has been the frequent turnover of executive leadership, with the country having had a total of 13 Prime Ministers in the last twenty years. Indeed, the average tenure of a Japanese prime minister remains just two years and two months; former Prime Minister Junichiro Koizumi's five-year tenure (2001 - 06) was a notable exception. The short tenure of executive leadership has had many important policy ramifications.

Due to the lack of continuity in leadership, various policies in Japan have often become disjointed and even failed to have been implemented at all. Consequently, lawmakers have been debating the same old issues over and over again for many years with little or no resolution. It is essentially for this reason that many Japan watchers often feel the country's politics is boring and dull in the extreme.

The problem with making any sort of progress has lately been compounded further by the fact that Japanese public confidence in government is at an extremely low ebb in the last few years. The disarray of the Social Security System and the revelations of gross mismanagement in the Defense Ministry have been responsible for the decline. With these predicaments, Prime Minister Yasuo Fukuda, leader of the ruling Liberal Democratic Party, will be confronted with a difficult contest in the coming lower house (House of Representatives) elections, most probably to be held later this year.

If the LDP is not able to maintain its two thirds majority in the lower house, Japanese will soon find themselves with a new chief executive. He will probably hail from the LDP, but possess the kind of popularist appeal as Koizumi had. Former Foreign Minister Taro Aso seems to be a leading contender, while his main rival will likely be from the old guard - perhaps Chief Cabinet Secretary Nobutaka Machimura.

YOICHIRO SATO
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JAPAN'S SECURITY policy in 2008 is likely based on modest upgrading of its capabilities and gradual expansion of overseas non-combat military operations—continuation of the trend set under former Prime Minister Junichiro Koizumi. However, a new domestic political situation of a stronger parliamentary opposition makes Prime Minister Yasuo Fukuda's policymaking much more difficult in 2008. The competitive politics is already contributing to the liveliness of the debate on security issues, and a possibility of policy stalemate and a possibility of dynamic bipartisan decisions coexist. Increasing public scrutiny of security policy under the new competitive political environment is also likely to improve the quality of Japan's defense spending.

Japan's two major overseas military missions ended with different consequences in 2007. The air logistical support to the U.S. forces in Iraq was extended by one year to July 2008, and the support was also expanded to logistics between U.S. bases in Japan and Guam. On the other hand, extension of the naval refueling mission in the Indian Ocean to assist the coalition navies in the Operation Enduring Freedom (OEF) was blocked by parliamentary opposition in November 2007. While the government continues to seek resumption under new legislation, the prospects of this effort are still uncertain.

Overseas troop dispatches have been hotly debated between the ruling Liberal Democratic Party (LDP) and the main opposition Democratic Party of Japan (DPJ). Heads of the two parties in November 2007 engaged in a series of discussions over a possibility of forming a grand coalition, but the talks broke down. The deadlock over the LDP proposed bill to restart the refueling mission has been taken hostage by the DPJ, which fully utilizes the combined upper-house majority of the opposition parties and exploits whatever parliamentary procedures necessary to delay deliberation on the LDP bill.

The open parliamentary debate on the refueling mission has forced the two parties to more clearly differentiate their approaches to overseas troop dispatches, and this development has reactivated the bipartisan discussions of constitutional revision to allow collective defense. Both parties are going through internal discussions to achieve consolidated and principled positions.

The year 2007 witnessed a significant improvement in Japan's relations with China. Since its recent low in late 2005 through the remainder of Koizumi's tenure in 2006, Japan's political relationship with China recovered under former Prime Minister Shinzo Abe. The premiership succession by Fukuda in the fall of 2007 continues to build on this path. Not much tangible progress has been made during 2007 on the ongoing security issues between the two countries, but there has been considerable improvement in the political mood for discussing these matters. Most notably, the deadlocked working-level discussions over the disputed gas fields in East China Sea have been moved up to the political level during Foreign Minister Masahiko Komura's December 2007 visit to Beijing. Despite the absence of tangible agreement on this issue during Fukuda's visit to China in the same month, high-level talks will likely intensify during the early months of 2008.

Continuous presence of Japan's maritime self defense force (JMSDF) ships in the Indian Ocean under OEF, annual multilateral exercises under the Proliferation Security Initiative (PSI), and active port calls overseas have prepared the JMSDF for distant water coalition missions. These activities will likely continue to improve JMSDF capabilities. On the procurement front, Japan has been reducing the size of its fleet, but its destroyers are being upgraded. Introduction of new Aegis destroyers to replace the older conventional models and a new class of helicopter-capable flat-top vessel will add anti-submarine patrol and logistical capabilities to the JMSDF in distant missions.

At the same time, some progress is also expected on the policy front. The aforementioned parliamentary debate over the maritime refueling mission will likely provide the basis for SDF participation in coalition operations, setting a more transparent legal framework for future overseas troop dispatches. While the ruling LDP prefers some flexibility to the government in legitimating its dispatch decisions through various international authorities, the opposition DPJ is eager to require more strict and explicit UN authorizations. As a possible lower-house election is expected within 2008, its result will greatly affect the outcome of the debates on overseas troop dispatches.

Support for maritime intercept operations, as was practiced in the OEF, has prepared JMSDF for contingencies

involving North Korea. In an event of a breakdown of the denuclearization talks, refueling and other rear support missions in conjunction with a U.S. blockade of North Korea would be permissible under the Contingencies in the Adjacent Area Law of 1998. Although the current atmosphere in the six-party talks seems positive, signs of typical North Korean delay tactics are still visible. Japan will continue to be ambiguous about applicability of the "Contingencies" Law to a crisis in the Taiwan Strait for political reasons. Japan's improved capability, however, serves as deterrent against China's military adventurism against Taiwan.

SDF activism overseas, however, faces a major fiscal limitation. Japan's cumulative government debt has reached crisis point, and the Ministry of Finance has capped the country's defense budget, despite China's estimated double-digit annual growth in defense spending. Further pressure comes from the expensive items related to missile defense. This budget situation is likely to affect Japan's procurement decisions in 2008 and ahead.

Japan has historically preferred licensed domestic productions over off-the-shelf purchases of weapons. While this preference has cost the Japanese taxpayers, the arrangement subsidized Japan's domestic defense industry. The main justification for this arrangement was that maintaining indigenous technological advantages was necessary to assure America's commitment to the U.S.-Japan alliance. The ongoing corruption charge against a former administrative vice-minister of defense has severely damaged the credibility of the defense procurement. Japan's projected development of fighter planes, cargo planes, and helicopters will likely face increased criticism from both the public and the scandal-averse politicians.

Japan's defense policy has become increasingly politicized. The days of stable LDP control of the parliament (including in a coalition with other parties) are over, and the DPJ plays a critical role in key defense issues. Combined with the prospect of an early lower house dissolution and election, security issues may hold a key to yet another major political realignment in Japan.

A total estrangement of the Sino-Japanese relations during the Koizumi years has reversed its course under Abe and Fukuda, but a full warming of the relationship is unlikely due to the numerous pending issues—including the territorial and maritime boundary disputes.

Japan is hedging against a rising China through a solid U.S.-Japan alliance and gradual expansion of its security relations into multilateral collective security arrangements. To enable this strategy, SDF capabilities have gone through a series of incremental upgrading despite the tight budgetary condition. Though consensus around continuation of this basic strategy is strong, the choice between a more pragmatic U.S.-centric strategy and a more dogmatic UN-centric strategy is tied with the outcome of the ongoing political realignment.

Japan's new defense procurements, essential for upgrading of the SDF capabilities, face increasing fiscal challenges. As public demands for more transparency increase, Japan's preference for domestic production will be more critically examined.

AIDAN FOSTER-CARTER
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"Roh Moo-hyun continued the 'sunshine' policy of outreach to North Korea. But at home he was weak and combative, seeming keener to promote equality than growth."

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2008 PROMISES TO be a year of change and uncertainty on the Korean peninsula.

South Korea has a new president. Lee Myung-bak was elected by a landslide on December 19 for the conservative Grand National Party (GNP), ending a decade of center-left rule in Seoul. A former mayor of Seoul, aged 66, Lee begins his five-year term on Feb. 25.

Or at least he is due to. An unprecedented special counsel is probing financial allegations from Lee's past. He will probably survive this, since to indict him now could cause turmoil. But his foes will keep digging for old sleaze, which may weaken his mandate for change.

Hence the GNP might not after all win separate parliamentary elections, due on April 9. Lee Hoi-chang, an ex-premier who polled 15% as an independent in December, is founding a new right-wing party. This may rob the GNP of the majority Lee needs for his program.

Lee's ambitious pledges include 7% GDP growth (now cut to a more realistic 6%), and a vast new canal network. Critics fear the latter will be a white elephant and ecological disaster.

Lee's appeal was his promise to fix the economy: in fact not in bad shape by OECD norms – it is the world's 12th largest – with growth close to 5% and record exports. But graduate unemployment and (till recently) soaring real estate prices have created a sense of unease.

A decade ago, it was Lee's party that brought the ROK close to sovereign default in the 1997-98 Asian financial crisis. Veteran dissident Kim Dae-jung, elected president at his fourth try, resisted populism to open and restructure the economy, which bounced back. He also won the Nobel Peace Prize in 2000 for the first ever inter-Korean summit meeting.

Dae-jung's successor Roh Moo-hyun continued the 'sunshine' policy of outreach to North Korea. But at home he was weak and combative, seeming keener to promote equality than growth.

Hence the appeal of Lee Myung-bak. Nicknamed 'bulldozer' from his career as a CEO at Hyundai, one of the biggest conglomerates (chaebol), Lee won plaudits as a can-do mayor of Seoul. Yet amid global economic uncertainty, his many promises, if not delivered, could rebound.

Abroad, Lee will mend fences with the United States. U.S. President George W. Bush and Roh were not soulmates, though Roh sent (non-combat) troops to Iraq to win breathing space for the sunshine policy.

Yet in 2007 Bush dropped his 'axis of evil' rhetoric to belatedly start engaging Pyongyang, bringing new life to six-party nuclear talks (both Koreas, the U.S., China, Japan and Russia).

Surprisingly Roh also backed a free trade agreement (FTA) with the United States, signed last year. Lee supports this too, but protectionist lawmakers in both countries may refuse to ratify it.

How Lee will handle North Korea is unclear yet. He threatens to review a flurry of inter-Korean agreements inked in Roh's final months. But many of these are sensible business deals, not the one-sided largesse of the past. These should be acceptable to the pragmatic Lee – no cold warrior, unlike his old-guard namesake Lee HC.

However, Lee says he will make sunshine conditional on nuclear compliance. That could be a problem. After a year of unprecedented progress, including closure of its plutonium-producing Yongbyon site, North Korea has reverted to type and is now dragging its feet.

By the end of 2007 Yongbyon was meant to be disabled (put beyond use), and Pyongyang was to declare all its nuclear facilities. But disabling has slowed, and nothing has been declared.

The latter means hard choices for the North's leader, Kim Jong-il. The U.S. needs not only a full inventory of his nuclear arsenal, but also credible accounts of two related concerns: a suspected separate program based on highly enriched uranium (HEU), and alleged nuclear proliferation to Syria. Pyongyang as usual denies it all, but has a lot of explaining to do.

The fear is that Kim, or his tough generals, are not yet ready to follow Libya in truly giving up their weapons of mass destruction. A militant, secretive paranoid state with no other assets (like oil) to parlay, North Korea does not do disclosure – much less surrender.

So Kim may play for time, in hopes – surely vain – of a better deal from Bush's successor. But elsewhere time is not on his side, as he refuses to adapt to an age of globalization.

North Korea's economy, wizened and desperate like its people, urgently needs reform. Yet the regime is trying to rein in markets. This year could see malnutrition tip into famine, like a decade ago when a million people perished. Seoul's and other aid is thus sorely needed.

Kim turns 66 on February 16. He

had heart surgery last year, but has named no heir. Yet successions are the Achilles heel of dictatorships. His own—to his father, North Korea's founding self-styled 'great leader' Kim Il-sung—took over 20 years of careful preparation.

If quasi-monarchy continues, a tangled love life leaves at least three young and untried sons—by two mothers, neither his wife and both now dead—vying for the dear leader's crown.

Should anything befall Kim Jong-il, all bets for North Korea are off. The Korean People's Army (KPA) may well step in, but the risk of chaos—with loose nukes—would be acute. Long-suppressed struggles for power and about policy (hawks vs reformers) could explode.

All his neighbors pray that Kim Jong-il will finally and fully embrace peace and reform in 2008, so his fierce mangy little dinosaur of a state can evolve into a more normal mammal.

Yet on past form the dear leader may continue to dither and feint. If so, no one will attack a nuclear North Korea—but Seoul and even Beijing will tire of propping up such a nuisance.

North Korea has defied the pundits by not collapsing, outliving communisms elsewhere. It may cling grimly on for a while yet, but not indefinitely. Its interlocutors are right to seek a soft landing—but prudence demands they also brace themselves in case of a bumpier ride.

Carl LeVan
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Nigeria's 2007 presidential election marked the first time in the country's tumultuous post-independence history that one civilian administration handed over power to another.

After Alhaji Umaru Yar'Adua emerged as the winner, he acknowledge in his inaugural address "that our elections were not perfect and had lapses and shortcomings." His concession (or perhaps confession) is an understatement. The National Assembly narrowly averted a stealth campaign for his predecessor, Olusegun Obasanjo, to remain in office for a third term, and over 300 people were killed during the April elections according to Human Rights Watch. In the face of flagrant fraud, the leading civil society coalition called for the cancellation elections. The European Union's elections observers noted "the process cannot be considered to have been credible." Former Canadian Prime Minister Joe Clark, who led another delegation of observers, declared that other than Nigeria's Independent National Electoral Commission (INEC), the chorus of criticism was "virtually unanimous."

Yar'Adua's principal challenge in 2008 will be to resolve the legitimacy crisis precipitated by the dubious elections that brought him to power. Time is on his side, as governments around the world largely ignored the conclusions of the electoral observers by recognizing his government. Civil society's response was civil, unlike the drama following the 1983 elections and in apparent contrast to Kenya's recent troubles, where the ruling party there similarly resolved to hold on the power at all costs. The courts, however, may not be on Yar'Adua's side. They ruled in favor of Vice President Atiku Abubakar when he abandoned the People's Democratic Party in favor of campaigning with a new opposition party. The courts recently nullified gubernatorial elections in Anambra and Kogi states. The Supreme Court's resolution of the 1979 election, in which no candidate satisfied all of the required electoral thresholds, looms as a historical precedent. The dispute over the presidential results is at the top of a heap of over 1300 cases before electoral tribunals.

The court of public opinion may in the end matter the most, and numerous reforms are a positive step. A Presidential Commission on Electoral Reform has reportedly received over 15,000 memoranda; its chairman has judiciously opted to wait for the outcome of the legal battles over the presidential election before moving forward with hearings and recommendations. These reforms must confront a critical tension in Nigeria's mechanisms of political representation: while the electoral system is designed to cut across cleavages and promote multi-ethnic coalitions, the country's traditions of "federal character" and "power shift" facilitate ethno-regional balancing. Preserving a sense of inclusion, while expanding political participation and improving the overall integrity of elections are all worthy goals for this reform process. A necessary starting point will be reforming the candidate selection process, which allows unelected party bosses rather than voters choose candidates.

INEC recently announced other important reforms, including an ongoing voter registration. This could remedy the scarcity problems presented by the unnecessarily brief registration period in previous elections. It also is revisiting constituency delimitations, always a sensitive issue since these geographical boundaries can drastically alter revenues that flow from the federal to the subnational tiers of government. The Transition Monitoring Group agrees that such reforms are necessary but has properly warned that the political sensitivity requires an independent commission. Given INEC's record with the 2007 elections, this seems wise.

The anti-corruption crusade remains a center of attention. The Economic and Financial Crimes Commission (EFCC) won praise for pursuing governors and former politicians, but it also sustained criticism for alleged political bias in its prosecutions. A recent mysterious leave of absence by its chairman raises questions about the Commission's integrity; press reports are speculating that former President Obasanjo aims to prevent EFCC investigations into his administration. The EFCC's independence remains a pivotal question. The National Assembly – still recovering from its own corruption scandal that climaxed in the removal of the Speaker of the House – plans amendments to strengthen the EFCC institutionally, while preventing the individual heading it from centralizing the power to prosecute.

Yar'Adua seems acutely aware of Nigeria's growing importance in the world. His inaugural address also mentioned the ongoing Niger Delta problems; over 30 foreigners were

hostages were taken in May and 50 in June, up from a handful in April. OPEC has partially blamed high oil prices on the region's instability. The United States, eager to ensure the flow of cheap oil (and confused about the causes of terrorism) has launched an "Africa Command" for the Pentagon. Yar'Adua's quick backpedaling on the issue after his visit to Washington suggests Nigeria's democratic institutions and civil society can indeed hold him to account for a wildly unpopular policy. But it also implies that Africa's giant still faces some critical tests of leadership, at home and abroad.

KATINKA BARYSCH
CENTRE FOR EUROPEAN REFORM

"An overwhelming majority of Russians want Putin to continue to run things so they will happily vote for Medvedev to keep Putin."

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THE YEAR 2008 WAS going to bring some big changes for Russia. In March, the country will elect a new president, having been ruled for eight years by the steely Vladimir Putin. Until recently, many western observers were hoping that Putin's successor may reverse Russia's slide towards authoritarianism and state capitalism. No longer. In the course of 2007 it became clear that Putin was not really going to hand over the reins. Instead, he would appoint a loyal underling to the Kremlin, while he himself would continue to wield real power in this resource-rich country of 145 million.

Having kept everyone guessing for most of 2007, Putin announced in December that he endorsed the candidacy of Dmitry Medvedev, a long-time ally from St Petersburg who now doubles as deputy prime minister and chairman of Gazprom, the giant gas monopoly. Medvedev has the whiff of a reformer about him: he is young, reasonable and relatively liberal. But - being outside the tight-knit circle of current and former security officers that dominate Russian politics today - Medvedev has no power base of his own. So he immediately announced that he would appoint Putin as his prime minister. An overwhelming majority of Russians want Putin to continue to run things so they will happily vote for Medvedev to keep Putin. This implies at least another four years of Putinism – this curious mix of formal democratic rules and widespread disregard for civil liberties; and of capitalism and government intervention in 'strategic' sectors.

However, the new government will have to work just that little bit harder to perpetuate the economic boom and political stability that Russians have enjoyed ever since Putin took over from Boris Yeltsin at the end of 1999. First, opinion surveys show that Russians are suspicious of democracy but adore strong leadership. The experiment of having a dual reign - the president has strong formal powers while a prime minister Putin would presumably have the last say in practice – is risky.

Any sign of weakness at the top could upset the fragile truce between various clans that jostle for positions in the Kremlin and the wider country. Given that the state now has a tight grip over the massive oil and gas sector (as well as other lucrative industries, such as gem stones and weapons), a power struggle in Russia is invariably a struggle for very large sums of cash. The stakes are high, as is the potential for foul play in a country that has no established property rights or political institutions.

Second, after almost a decade of uninterrupted growth, Russians have become accustomed to rising incomes. Continued economic growth will no longer be enough to make them love their new government. Russia's growing middle class will demand better public services in health care, transport and education. The government has cash to throw at the problem (the budget is in surplus and the oil stabilization fund has amassed $145 billion). But real improvements would need a reform of the bloated, inefficient and corrupt state administration - a gargantuan task.

If trouble is brewing at home, the new government may be tempted to boost its popularity through foreign policy action. Russians have generally backed Putin's angry, sometimes aggressive stance towards the United States and the European Union, and his occasional bullying of smaller neighbors in the former Soviet Union. So if the West expects a more pliant Russia after 2008, it will probably be disappointed.

Americans and (somewhat belatedly) the Europeans too are admitting to themselves that they have little influence over Russia's internal development. But they need a Russia that co-operates with (or at least does not block) Western initiatives to stop WMD proliferation, stabilize the Balkans and fight climate change. On many international problems, Russia's interests and those of the West actually overlap. But Russia will only acknowledge this if it is treated with the respect it thinks it deserves as a restored great power.

Edwin Segal
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"South Africa's potential remains as strong as it ever was, but the barriers to realization are vast."

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THE DOMINANT FACT of South African life in 2008 is likely to be the same as it has been since 1994, when a majority controlled government first came to power: The previous 46 years of apartheid left the country with such deep disparities, especially in employment, income, education and health care that it has to run very fast just in order prevent those disparities from getting worse.

South Africa's potential remains as strong as it ever was, but the barriers to realization are vast. Unemployment stands at approximately 40%. However, the previous National Party Government's apartheid policies hid a great many things. The only people for whom the apartheid government had good records were those few allowed into the areas of the country the government had not labeled as "native preserves." The result is that for the 75% of the population called "African" by that government, the data ranging from census figures to employment statistics to health care needs were woefully inadequate.

Much of the responsibility for medical care was shunted off onto the shoulders of the so-called "tribal homeland governments." The result was that many people never received the care they needed. With the advent of Nelson Mandela's African National Congress government, that responsibility landed again in the national government's portfolio. Only now the government had the will to work at changing the state of affairs, but lacked the resources necessary. That condition has continued to persist.

Part of the international campaign to bring apartheid to an end involved a retraction of investment in the nation's industries and infrastructure. The investment climate has not yet recovered. What we are not seeing, and what South Africa desperately needs is an international campaign to reinvigorate industrial and entrepreneurial investment. The risks are higher, but the rewards are also potentially much higher. South Africa has always had the potential to be a major regional power and the economic engine for all of southern Africa. But the investment resources must be plentiful for that to happen.

Two other issues will also bulk large for South Africa: HIV/AIDS and the government to succeed Thabo Mbeki. HIV/AIDS and the rest of the public health sphere stand as the current government's major failure. Because statistics of this sort are highly unreliable, it is hard to say which country in the southern African region has the highest AIDS infection rate. South Africa is currently estimated to have an infection rate of 21.5%. However, because it has the largest population, it is certain that in absolute terms, South Africa has more infected people than any other country in the region (5.3 million). The recent failure of a promising vaccine has left only two courses of action that have any effect on the disease: behavioral changes through both condom use and different standards of sexual fidelity, and antiretroviral drugs.

South Africa has not yet mounted a behavioral campaign as effective as Uganda's or even Kenya's. Kenya's campaign shows some promise and Uganda's has actually reduced infection rates. Both Thabo Mbeki and his Health Minister, Manto Tshabalala-Msimang have expressed doubts that HIV is a cause of AIDS or that antiretrovirals are an effective treatment. In addition, the well regarded Deputy Health Minister, Nozizwe Madlala-Routledge was recently fired because she disagreed with the Health Minister about HIV/AIDS and other public health issues. What will happen next in this area depends on Mbeki's successor as President.

Nelson Mandela set a precedent for South Africa. Although revered as the first majority party leader of his country, when his term of office was over he did not seek to have the constitution changed to allow a third term. His successor, Thabo Mbeki, has continued that pattern. Mbeki has two more years in his term of office as President, and will be replaced by someone else.

However, South Africa's parliamentary system also places him at the head of the African National Congress and that term of office ended in December of 2007. If Mbeki had succeeded himself as President of the ANC, he would have been in a powerful position to influence the selection of South Africa's next president. However, he was not reelected party president. The person elected, Jacob Zuma, is almost certain to become national President. Zuma, has been embroiled in a variety of potential scandals, and was, in fact, dismissed from his post as Deputy President in 2005 over charges of corruption. He is relatively unknown in the industrialized nations and comes from a different personal background. As far as can be guessed, his approach

to government has a more populist ring than Mbeki's. But that says little about the policy stances he might take or encourage.

In 2010 South Africa will host the Soccer World Cup matches. Although a major boost in the country's prestige, preparation is likely to put an added strain of the country's economic and human resources. This will only complicate South Africa's prospects for 2008.

Julia Buxton
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“…the referendum defeat reflected mounting grassroots discontent with the pace and quality of anti-poverty initiatives and the government’s failure to address a serious problem of crime and insecurity.”

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2008 will be a turning point for Venezuela and a year of unprecedented challenges for the government of President Hugo Chavez.

Since he was first elected to the presidency in 1998, Chavez has capitalized on a propitious domestic and international environment. His socialist and anti-imperialist project of Bolivarian revolution has advanced on the back of a ten-fold increase in the international oil price, the disorganization of the domestic opposition in Venezuela, the election of sympathetic left of center presidents in neighboring countries and pervasive anti-American sentiment.

In this context, Chavez’s message of economic justice and his criticism of free markets, U.S. unilateralism and U.S. President George W. Bush have played well with local and regional audiences. Strong oil export revenues have provided his government with the fiscal largesse to build new commercial alliances, deflect U.S. economic pressure and construct new institutions (such as the Banco del Sur) posited as alternatives to U.S. dominated organizations (such as the IMF and World Bank). Over the course of nine years, the Chavez government has turned traditional Venezuelan foreign and economic policy on its head, a process of revolutionary change facilitated by the weakness of the domestic opposition and its disconnect from the poor—Chavez’s core constituency of support.

But these once favorable variables are changing. Popular rejection of Chavez’s constitutional reform proposals in December 2007’s referendum was a serious setback for the administration. This first electoral defeat in 11 election processes derailed the government’s strategy and policy program for advancing ‘Twenty First Century Socialism,’ in turn revealing divisions within the Chavista movement between moderates and radical elements - the latter having gained influence over Chavez in recent years.

Problematically, the referendum defeat reflected mounting grassroots discontent with the pace and quality of anti-poverty initiatives and the government’s failure to address a serious problem of crime and insecurity. In sum, the message of the referendum was that Chavez can no longer take the support of the poor for granted and that more coherently targeted welfare initiatives are needed.

2008 will consequently see the President forced to confront burgeoning apathy - if not antipathy - among traditional loyalists and address critical policy challenges, while leading a movement divided over the way forward.

The early signs (underscored by the January cabinet reshuffle) are that Chavez will opt for moderation and seek to regain the trust of the middle classes. But this strategy will face resistance from hard-line Chavista elements - it will test Chavez’s political skills (and consistency) and further illuminate the government’s policy making and policy delivery limitations.

The economic scenario for 2008 underscores the mounting fragility of the once impregnable Chavez government. While Venezuela is expected to enjoy a sixth consecutive year of economic growth (allowing for further progress on debt reduction and poverty alleviation) inflation, production bottlenecks and supply problems necessitate a revision of existing fiscal and monetary approaches. The economic policy challenges run deeper. The government is attempting build a socialist economy in an oil boom, and needs to balance high levels of social spending with necessary investments in the oil sector. These contradictions will play out in 2008, pointing to heightened economic risk and uncertainty.

Finally, the regional and international outlook is far less favorable for Chavez than at any time since 1999. Presidential elections in the U.S. will mean the replacement of Chavez’s nemesis, George W. Bush, and a potential Democrat victory will increase pressure on Venezuela to pursue a more consensual and amicable bilateral policy. The ‘Axis of Good’ grouping Venezuela, Cuba, Bolivia and Ecuador also looks shaky, with the Morales and Correa governments in Bolivia and Ecuador under significant domestic political pressures.

In conclusion, it should be emphasized that Chavez remains tremendously popular and that the opposition continues to be fragmented and inchoate - despite the December referendum result. Chavez goes into 2008 with sustained political leverage and popular legitimacy. The challenge ahead lies in using this political capital to craft durable, functioning and meritocratic institutions capable of delivering effective and coherent policies.