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MAY / JUNE 2006

Saddam's Delusions

The View From the Inside

An exclusive report by the authors of the Pentagon's secret study of Saddam Hussein's regime, based on captured Iraqi documents and prisoner interviews

Latin America's Turn to the Left JORGE CASTAÑEDA

The Real Hugo Chávez MICHAEL SHIFTER

The U.S. & Britain: Still Special? LAWRENCE FREEDMAN

The Return of U.S. Saving MARTIN FELDSTEIN

Curbing Global Corruption HEINEMAN & HEIMANN

Climate Challenges R. GREENSPAN BELL

Gangsters' Paradise JOHN RAPLEY

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Russia, Iran and Qatar have 58%
of the world's natural gas reserves.

The U.S. has 3%.

So what does that mean for us?



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Building the natural gas infrastructure will cost \$2.7 trillion.

There is almost as much natural gas in the ground as there is oil.

WHERE'S THE GAS AND WHO NEEDS IT?

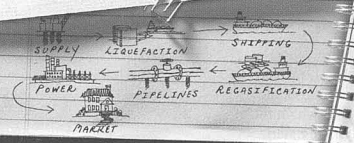


As demand for power and fuel grows steadily in the coming decades, we must consider every viable energy source at hand if we're to meet the world's needs. And because clean natural gas is found in abundance there is little doubt that it will play a major role on the world energy stage in this century, much like oil did in the last. But, like oil, gas reserves are concentrated in just a few places in the world, usually far from where they're needed most. And that's only part of the challenge. The world has had well over 100 years to search for oil and to build the necessary infrastructure to bring it to market; the natural gas infrastructure, particularly when it comes to liquefied natural gas (LNG), is not nearly as developed.

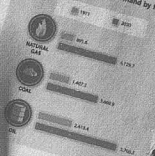
So what needs to be done? On the supply side, producing nations need policies that allow for efficient development of their natural gas in an open, stable business environment, not one in which the rules of the game change without warning. The governments of consuming nations, on the other hand, must enact long-term policies to encourage such development and to ensure they'll have adequate supplies in the future. That means building the related infrastructure, including LNG terminals. This, in turn, will require coastal communities to allow these necessary, but not necessarily pretty, facilities to be built in their backyards. And energy companies have a responsibility to be good neighbors in those communities by operating these facilities responsibly and safely. They must also continue to invest the billions of dollars needed to build the complex transport and storage infrastructure required to bring more gas to market.

Expanding and diversifying energy sources by using more natural gas could lead to lower fuel prices and to greater energy security. We've taken some of the steps to get started, but we need your help to get the rest of the way.

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World primary energy demand by fuel



ment. He added, "Our findings are not in to a president's closet." (The...)

▲ Chevron Steps Taken:

- Planning to invest more than \$10 billion in developing gas projects over the next five years.
- Developing one of the largest integrated LNG projects in the world.
- Created a four country partnership to build West Africa's first regional gas pipeline.
- Spending more than \$1 billion over the next several years on next generation, ultra clean diesel fuel from natural gas.

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The Time for Urgency

War, terrorism, workplace violence, sabotage, theft . . . the list of security-related worries preoccupying today's executive seems to grow each year. Who can predict what looms on the horizon? It's easy to pretend that corporations cannot shield themselves from these threats. Publicized tragedies heighten vigilance: anthrax made people think twice about opening parcels, workplace shootings led to new focus on disgruntled employees, and the September 11 attacks united the nation in a fight against terrorism. Unfortunately, complacency seems always to return with time.

Do you compromise on security when it comes to protecting your family? Experts know that **the more you do, the safer you are**. Workplace security is no different; only the stakes are much greater. A large corporation is like an extended family living in a huge neighborhood: the chance of something going wrong somewhere increases with scale and there are more lives and livelihoods at risk.

Not all organizations think about security in terms of its total cost—at their peril. Some corporate budgets measure the dollars spent on security personnel and equipment but ignore the costs of crime and terror—the human tragedy, the liability expenses, the legal fees, the public relations and crisis management costs, the increased insurance premiums, the lost revenue from business interruption, the shaken confidence of customers and shareholders, the devastation in employee morale. Consider one example: A terminated employee, heavily armed, gains unauthorized entry past a new and inexperienced security officer. A single mistake, and several minutes later, lives are lost. Just one such tragic incident can jeopardize the future survival of an entire organization.

When companies view security services as a commodity, that is what they get. Some purchasing departments often only look at the unit cost, selecting the lowest bidder. Many service providers, however, fail to include additional costs, such as health insurance, vacations and even training, in their rates—which the customer may not discover until the invoicing starts. Other companies compete by minimizing their investment in wages, training and employee screening. Transient hourly employees treat their jobs in a perfunctory way. With limited authority, security managers cannot invest in quality or innovation. And yet if a serious incident occurs, they take the blame for failing to bring in a quality provider. This vicious circle detracts from buying the necessary value and focusing on what truly counts in security—results.

Being serious about security is not just about employing more security officers or buying more technological equipment. It is about approaching security in a different, smarter way. It is about knowing the

backgrounds of one's employees and on-site contractors. It is about ensuring that the one person accountable for security also purchases security. It is about considering the realm of possible threats and developing proactive solutions. It is about forming vendor partnerships to give others a stake in ensuring that all that can be done is done. It is about a commitment to total quality.

No entity can be entirely immune from crime and terrorism. When organizations commit time and resources to an urgent focus on security, however, they can minimize risk and create tangible value. A thoughtful security infrastructure supported by dedicated, energetic employees offers a shield against attack and often surpasses the traditional call of duty: responding to an accident on the shop floor and saving an employee's life or detecting a mechanical malfunction that could lead to a plant shutdown. A strong security program also acts as a deterrent. According to reports published in a leading national newspaper, a murderous terrorist cased a sensitive public facility in California and found the Guardsmark security to be so tight that he selected different targets, shooting six people and killing one. The wounded included three children.

When we founded our company in 1963, we saw an industry that failed to focus on total quality. We sought to fill a market void by offering higher pay to employ and retain better people—offering a career, not a job. To support these professionals, we built an unmatched management team composed of former FBI and Secret Service officials, military officers, and leaders of law enforcement agencies, creating a unique think tank for a broad spectrum of security-related issues.

Whatever concerns our clients face—from routine loss prevention investigations to dealing with kidnappings and assassinations in distant lands—our men and women stand ready with the wisdom of experience, the ability to manage uncertainty, and an intricate network of valuable relationships. These crisis-resolution skills give our clients the confidence that their security provider can respond to any emergency anywhere at a moment's notice.

Never before has confidence in security been more critical. Homeland security has emerged as an unprecedented concern. The United States of America is engaged in a war against terrorists who want to attack Americans at home, and the nation must take immediate action to correct its greatest vulnerabilities. Unfortunately, some institutions and organizations have failed to demonstrate sufficient urgency, focus and attention to safeguarding against the heightened risk facing the entire nation. The threat is not restricted to high-profile cities such as New York and Washington, D.C. It is about tighter security measures in those municipalities that convince the enemy to seek softer targets in less-prepared areas of the country.

Urgency Is NowSM

Increasing emergency preparedness is essential to minimizing casualties. The ability of the United States to strike back with swift, devastating force does not deter agents of terror. Consequently, local governments must receive assistance to prepare for attack and to improve the technological capabilities of our emergency response agencies. Similarly, every organization must not only strengthen its defenses to prevent an attack, but it must also prepare to manage the aftermath of a successful assault by training on-site emergency responders and developing partnerships with firefighters, police and medical professionals. Securing a facility so that an attack will either fail outright or produce minimally disruptive consequences at best will significantly decrease the likelihood of a future strike.

The world has changed. Complacency has never been wise, but at this time of increasing uncertainty, it has become outright dangerous and irresponsible. At Guardsmark, we realize that each of our employees is the critical ingredient in securing some facility somewhere. Who that person is, what that person thinks and how that person reacts may make the difference between calm and calamity. That is why we are committed to excellence in management, to continuous innovation, to organizational ethics and diversity, and to an unyielding focus on the customer. It all has to do with being serious about security. That is our mission. And we believe that is the mission that you need.

The time for urgency is nowSM.



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Special Report

Saddam's Delusions: The View From the Inside

Kevin Woods, James Lacey, and Williamson Murray

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After Baghdad fell, the U.S. Joint Forces Command commissioned a secret study of the inner workings and behavior of Saddam Hussein's regime. Drawing on thousands of captured documents and interviews with dozens of senior Iraqi officials, the report shows that Saddam thought the United States would never invade—and that even if it did, he and his regime would survive. Fed a stream of lies by his terrified underlings, Saddam focused mainly on internal, rather than external, security, making the war's outcome a foregone conclusion.

Essays

Latin America's Left Turn *Jorge G. Castañeda*

28

With all the talk of Latin America's turn to the left, few have noticed that there are really two lefts in the region. One has radical roots but is now open-minded and modern; the other is close-minded and stridently populist. Rather than fretting over the left's rise in general, the rest of the world should focus on fostering the former rather than the latter—because it is exactly what Latin America needs.

In Search of Hugo Chávez *Michael Shifter*

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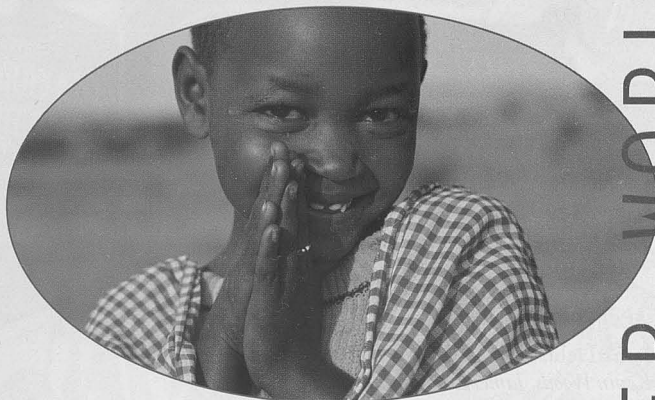
The debate over Hugo Chávez has been dominated by opposing caricatures—a polarization that has thwarted a sound policy response. The Venezuelan president has an autocratic streak, no viable development model, and unsettling oil-funded aspirations to hemispheric leadership. But Washington and its allies should “confront” him indirectly: by proving they have better ideas.

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The global healthcare paradox: Humanity has never been closer to finding innovative treatments for our most dangerous diseases. We've also never been more in need of change in the global healthcare system.

Every day, more than 12,000 Pfizer researchers search for innovative treatments for diseases ranging from diabetes, to cancer, to HIV/AIDS.

But our work doesn't stop there. Because discovery alone is only part of the equation. We believe that delivering innovative healthcare solutions for people around the world is also part of the work we must do.

For example, Pfizer has joined with Makerere University, the Ugandan government and other partners to establish the Infectious Diseases Institute. This innovative facility, now owned and operated by Makerere University, is a center for patient care, research and health worker training

that meets the unique challenges of the African HIV/AIDS crisis. Each of the hundreds of medical professionals trained there each year will go on to share their knowledge with dozens more caregivers. The result is both immediate help for those in need, as well as a sustainable healthcare infrastructure.

The Infectious Diseases Institute is just one among many healthcare solutions Pfizer is working on around the world today. Because we see our commitment to research and to partnerships like these as an investment in the promise of better health for people everywhere. No one organization alone can surmount the challenges of the global healthcare system. But through partnership, we can make good health the rule and not the exception throughout the world.

It is one of the biggest challenges humanity has ever faced. It is also our greatest opportunity. Let's work together. And make it happen.

A HEALTHIER WORLD



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As Tony Blair gets lambasted for backing the Iraq war, it is worth noting that the current strain in U.S.-British relations is hardly the first induced by war. Twenty-four years ago, London was dismayed by Washington's lack of support during the Falklands War—an episode that shows both how complex the allies' relationship has been during times of crisis and how resilient it can be afterward.

The Long War Against Corruption

Ben W. Heineman, Jr., and Fritz Heimann 75

Corruption is widely acknowledged to distort markets, undermine the rule of law, damage government legitimacy, and hurt economic development. The global anticorruption movement has gained ground since the mid-1990s, but its key agents—developed and developing countries, international organizations, and MNCs—must do more to prevent and punish misbehavior systematically.

The Return of Saving *Martin Feldstein* 87

The U.S. savings rate has been falling for decades. But that downward trend will likely soon be reversed, as factors such as rising mortgage interest rates force Americans to start saving more. The change will ultimately be for the better, but in the short term it could cause serious problems for the United States and its trading partners unless they start preparing immediately.

The New Middle Ages *John Rapley* 95

The Middle Ages ended when the rise of capitalism on a national scale led to powerful states with sovereignty over particular territories and populations. Now that capitalism is operating globally, those states are eroding and a new medievalism is emerging, marked by multiple and overlapping sovereignties and identities—particularly in the developing world, where states were never strong in the first place.

What to Do About Climate Change *Ruth Greenspan Bell* 105

Despite mounting evidence of the seriousness of climate change, the problem remains a low policy priority for most countries. Yet action is urgently needed. Emissions-trading regimes, which do too little to cap pollution, must be revised. And any new strategies must be customized to the particular needs and means of those states, developed and developing alike, that will have to implement them.

The Tipping Points *Daniel Yankelovich* 115

A new survey of U.S. public opinion on foreign policy shows that the war in Iraq and terrorism are not the only problems on Americans' minds. Public concern over the United States' dependence on foreign oil may soon force policymakers to change course. And religious Americans are rethinking their support for many of Bush's policies, which has brought them closer in line with the rest of the public.

The Globally Integrated Enterprise *Samuel J. Palmisano* 127

A new corporate entity based on collaborative innovation, integrated production, and outsourcing to specialists is emerging in response to globalization and new technology. Such "globally integrated enterprises" will end up reshaping geopolitics, trade, and education.

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