ession, and prognosticators believed that the economy was likely to shrink.

The fate of debt-ridden Italian national airline Alitalia paralleled both the rising costs of aviation fuel and the individual inscrutability of the labour unions. Two rescue packages intended to save the beleaguered airline, one foreign and one domestic, collapsed when union leaders vetoed extensive job cuts, and in August Alitalia filed for bankruptcy protection. A compromise deal, finalized in December following internal feuding, kept the airline aloft and in Italian hands. Berlusconi, who opposed the airline's sale to foreign interests, immediately claimed this as a personal victory.

As always, Italians looked to sports for solace. At the Olympic Games in Beijing, Italian competitors captured 28 medals (8 gold), notably victories by swimmers Matteo Tagliariol and Valentina Vezzali and sprintsman Federico Pellegrini. The country's strong showing at the Olympics partially offset a forgettable performance by the national team in the European association football (soccer) championships held in Austria and Switzerland. Italy was eliminated by Spain in the quarterfinals, which led to the dismissal of coach Roberto Donadoni and his replacement by former trainer Marcello Lippi. Inter Milan won its third consecutive Serie A title in Italy's top soccer league, and fans violence that had marred the sport in 2007 appeared to abate domestically. In October, however, Italian fans rioted during a World Cup qualifying match in Sofia, Bulgaria, shouting insults and injuring local police. Italian political authorities vowed to intensify the vetting of fans bound for away matches.

(CHRISTOPHER P. WINNER)

JAMAICA

Area: 10,991 sq km (4,424 sq mi)
Population (2008 est.): 2,688,000
Capital: Kingston
Chief of state: Queen Elizabeth II, represented by Governor-General Kenneth Hall
Head of government: Prime Minister Bruce Golding

The new Jamaica Labour Party (JLP) government announced in January 2008 that it would proceed with the decision of its predecessor, the People's National Party (PNP), to adopt liquefied natural gas (LNG) as the preferred fuel diversification option for the country. Prime Minister Bruce Golding said that discussions on LNG supplies were "under way" with unnamed countries; these talks occurred following the inability of either Trinidad and Tobago or Venezuela to provide promised LNG within an acceptable time frame.

The Office of Utilities Regulation in April began soliciting proposals for the provision of 73 MW of renewable energy such as wind, biomass, solar, and hydrogen. The takeover by Brazil's Infinity Bio-Energy of Jamaica's five sugar factories was confirmed in July, with the company stressing its intention to use sugar as the basis of a significant ethanol industry in the country.

Prime Minister Golding in May called on the U.S. to lift its decades-old economic embargo on Cuba and for both countries to undertake "constructive engagement" to resolve differences. He suggested making efforts similar to those that the U.S. had adopted in reestablishing ties with China, Vietnam, and North Korea.

Former prime minister Portia Simpson Miller defeated rival Peter Phillips for the leadership of the PNP in party elections held in September. After her re-election Miller insisted that she would work harder to restore the PNP to power in Jamaica.

(DAVID RENWICK)
A customer at a currency exchange bureau in Tokyo in late October watches in concern as the Japanese yen soars in value against other currencies.

blocked Fukuda’s efforts to appoint Toshiro Muto the new central bank governor, delaying the selection of a new chief until after the term of the outgoing governor, Toshihiko Fukui, had expired on March 19. The post thus stood vacant for several weeks—with Masaaki Shirakawa (see Biographies) serving as acting chief—as an important meeting of the Group of Seven economic officials approached. Only the potential embarrassment of having Shirakawa attend this meeting as a mere “acting” governor compelled the DPJ to stand aside and allow him to assume the post of governor with Diet approval. Nevertheless, the drama continued when the DPJ announced that it would oppose Fukuda’s nominee for the open deputy governor’s slot. Over the remaining months of his tenure as prime minister, Fukuda was forced to abandon a series of proposed candidates. The standoff over this issue appeared to have been one of the headaches that pushed Fukuda to step down. A new deputy was approved on October 24.

Fukuda was involved in one final legislative showdown with the DPJ over the renewal of the “temporary” gasoline-tax surcharge. The surcharge, which had been in place since the oil-crisis years of the mid-1970s, had been repeatedly renewed because it produced an annual stream of tax revenue totaling an estimated ¥2.6 trillion (about $27.2 billion) that was used to fund road projects. The DPJ, citing the public’s concern over rising gas prices, refused to approve renewal ahead of the March 31 expiration date. Fukuda countered by proposing to redirect the gas-tax revenue from road projects to a fund used for general purposes. This plan was eventually approved on April 30, though Fukuda’s proposal was modified to reflect the demands of rank-and-file LDP members that the gas-tax support road projects for one more year, after which such revenue would be directed to general-purpose use starting in 2009. This represented a major change in policy that former prime minister Junichiro Koizumi had failed to achieve earlier in the decade.

The DPJ orchestrated one final effort to embarrass the prime minister. In June, just prior to a meeting of the Group of Eight (G-8) hosted by Japan, the upper house passed a motion of censure against the prime minister. While ostensibly designed to press Fukuda to call early elections for the lower house, the motion was (as expected) overridden by a vote of the LDP-dominated lower house, which under Japan’s constitution had the power to select the prime minister. Nevertheless, the vote was yet another reminder that Fukuda had only partial control of the legislature.

More worrisome for the LDP, however, was the prospect that the party would have to face the voters in lower-house elections by September 2009. Given the standing of the party and the prime minister in public-opinion polls, the LDP and its New Komeito allies looked certain to lose their two-thirds majority in that chamber in the new elections. Anything short of the two-thirds control that the party had wielded since the 2005 elections threatened to make the job of managing the Diet even more complicated, since that supermajority had been critical to Fukuda’s ability to push through legislation on several occasions during his tenure in office. A bare majority would leave the LDP completely dependent on opposition cooperation until at least the 2010 upper-house elections—and probably beyond that to 2013.

Having found the existing situation difficult enough, Fukuda decided to leave the task of leading the LDP into a general election to a successor. The party promptly focused on Aso as the man best situated to take on this challenge. After he assumed the party presidency on September 22, Aso was quickly approved by the lower house as the new prime minister. His approval rating immediately after taking office stood at 49% in most polls—high enough for a man who had started his term in office a year earlier. By November, Aso’s support had fallen to just 40% as it became clear that the economy was slowing sharply and that the financial crisis was driving the stock market to record lows. Aso, who had been given until December to present the public with a comprehensive economic recovery plan, was elected prime minister in an October 31 ballot in the Diet by just a single percentage point, 32% to 31%. Elections were likely to be held in the spring of 2009 if political conditions improved for the ruling coalition or possibly as late as the summer if Aso decided to wait until close to the September 2009 deadline.

The Economy. In late July the International Monetary Fund (IMF) reported that the Japanese economy was showing “resilience to recent shocks” and that “activity remained robust through the first quarter of 2008.” By October, though, it was apparent that the worldwide economic slowdown that began in the U.S. after the collapse of the housing bubble was tugging Japan hard. During the second quarter, Japan’s economy contracted 0.7%, or at an annual rate of 3%. Further contraction in the third quarter pushed the Japanese economy into recession in the fall.

Growth was affected by the rise of Japan’s import bill as the country...
World Affairs: Jordan

Economic hardship continued to worsen and high prices for imported oil, combined with a slump in exports, which were hit by declining growth in the U.S. and Europe. The slowdown also a product of developments at home, where both private residential investment and public investment declined sharply. As a result of the region, projections for Jordan's growth in 2008 and 2009 were downward. Whereas the IMF's midyear projections suggested that Jordan would grow at a rate of about 1.5% in 2008-09, the projections it issued in September called for growth to fall to 1% in 2008 and 1.1% in 2009. But two months later, after taking into account the effects of the spreading global financial crisis, the IMF lowered its projections for Japanese growth again.

The contraction of credit and the associated unwinding of the yen-carry trade, which had led the yen to strengthen 15% against the U.S. dollar on October 1 and to strengthen even more sharply against the euro and many other currencies, dealt a severe blow to Japanese bondholders and other exporters. Bankers slashed projected sales in the U.S. and other markets and predicted even lower levels of profits. These developments fed a sharp decline in the Japanese stock markets; the Nikkei 225 Index fell to a 26-year low in October before recovering slightly by year's end. The unemployment rate moved up to 4.2% in August after starting the year at 3.8% but fell back to the 3.7-3.9% range in the autumn.

In response to the slowdown, the government passed a fiscal stimulus package valued at $18.8 trillion (about $15 billion) in October and immediately began working on a second package. The latter became the top priority of the new cabinet inaugurated under Prime Minister Aso, who announced on October 30 that the package would be valued at $15 trillion (about $52.3 billion)

The next day, the BOJ announced that it was lowering interest rates from 0.5% to 0.3%, the first time the central bank had cut rates in seven years. Additional measures designed to inject public funds into banks, along with a major economic stimulus package, worked their way through the Diet in late 2008.

The fiscal and monetary policies adopted late in the year caused the Japanese government to backtrack from efforts to "normalize" interest rates, which had been at 0.5% or lower for the entire decade, and from efforts to reduce the country's fiscal deficit to a level where it achieved a "primary balance" by fiscal year 2011. Private-sector forecasters predicted that Japan could reach this goal only if it raised the consumption tax, but such a tax hike was not even on the agenda as Japan faced both a recession and elections in 2009.

Foreign Affairs. The foreign policy issue that preoccupied senior Japanese officials in 2008 was the effort to persuade North Korea to give up its nuclear weapons program and take responsibility for past violations of international law—especially the kidnapping of Japanese citizens in the 1970s and '80s. The good news was that the U.S. and North Korea agreed during the year on several steps that were aimed at resolving these issues. North Korea disabled its nuclear reactors in June after it reached a tentative agreement with the U.S. on a verification regime. This step was to be followed by the U.S. removal of North Korea from the list of countries that it considered state sponsors of terrorism and by the provision of one million tons of fuel to North Korea by South Korea, China, Russia, the U.S., and Japan—all participants in six-party talks on North Korean denuclearization. Because the tentative agreement on verification did not resolve all of the concerns on the U.S. side or address Japan's kidnapping concerns, these moves were delayed in the fall, which thus caused North Korea to resort once again to brinkmanship by barring inspectors from its nuclear facilities at Yongbyon, threatening to resume production of plutonium, and moving toward another nuclear test. Hoping to avoid this, the U.S. announced on October 11 that it was indeed removing North Korea from its list of state sponsors of terrorism in exchange for verbal compromises by Pyongyang on the terms of the verification regime.

The bad news was that these compromises were not enough to reassure Japan, which announced that it was not willing to approve the deal. Japan insisted that it would agree to provide fuel oil only when details of the verification regime were put into writing and accepted by all participants in the six-party talks. Japan further demanded that the North Koreans carry out another investigation into the fate of the kidnap victims. Japanese officials blamed the U.S. for failing to adequately consider their concerns, and Aso went so far as to question the U.S. decision to make a deal with ailing North Korean leader Kim Jong Il, who, Aso claimed, was "incapable of making important judgments."

This deterioration in relations with the U.S. amid continuing concerns about North Korea came during a time when Japan was able to improve its relations with China and Europe. Chinese Pres. Hu Jintao traveled to Japan in May—the first visit by a Chinese head of state since 1998. His trip—which came after several years in which visits by Japanese heads of state to the Yasukuni Shrine (where both Japanese war dead and 14 Class A war criminals were enshrined) and anti-Japanese demonstrations in China had aggravated relations between the two neighbors—marked a milestone in improving ties. Nevertheless, the two countries continued to face difficulties dealing with issues such as the Chinese tainted-food scandal, which caused problems throughout Asia and elsewhere during the year.

In July, Japan hosted the G-8 summit, which was held in Toyako on the island of Hokkaido. Much effort was devoted prior to the summit in working with the Europeans to nudge the U.S. toward taking a more productive role on climate-change negotiations. The summit's crowning achievement was a commitment by the group—including the U.S.—to halve greenhouse gas emissions by 2050. The group also pledged to work to bring China and India and other large emitters of greenhouse gases into a new post-Kyoto Protocol climate-change mitigation regime.

(LEONARD SCHOPPA)

JORDAN

Area: 88,778 sq km (34,277 sq mi)
Population (2008 est.): 5,844,000 (including about 1,900,000 Palestinian refugees, most of whom hold Jordanian citizenship; excluding roughly 600,000 Iraqi refugees)
Capital: Amman
Head of state and government: King Abdullah II, assisted by Prime Minister Nader Dahabi

Confronted in 2008 by the rising cost of living spurred by unbridled increases in world oil and cereal prices, Jordan...