

THE PHILIPPINES

Deadly Politics

By Anthony Spaeth

If politics is viewed as a game, an impeachment is an Olympic. Filipinos happen to have an Olympic appetite for politics-as-entertainment, but they discovered that trying to remove a President from office is no mere spectator sport.

The impeachment trial of President Joseph Estrada on charges of corruption and violation of the constitution produced explosive testimony accusing him of trying to cover up millions of dollars of unreported assets even after the trial had begun. At the same time, residents of Manila were picking up the pieces following the simultaneous detonation by cell phone of five deadly bombs shortly before New Year, which killed 18 and injured at least 80. The million-dollar question: Were the bombs and the trial connected? And if they were, as many suspect, has Estrada's impeachment pitched the Philippines into the kind of political chaos the nation experienced in the 1970s and '80s?

Estrada is certainly slipping into the danger zone. His accusers included Luis Singson, the provincial governor who initially blew the whistle on the President's alleged involvement in illegal gambling syndicates. Singson produced a cancelled personal check for \$160,000 that was allegedly deposited in Estrada's wife's bank account. But even more damaging testimony came from Clarissa Ocampo, a senior vice president at Equitable PCI Bank, who had earlier told the Senate she saw Estrada sign a bank documenting a pseudonym (Jose Velarde) transferring \$9.8 million to a friend's company. Ocampo described another stunning deal. On Dec. 13, 12 days after the Senate trial began, Ocampo says she drew up papers to cover up ownership of the Jose Velarde account, which prosecutors say contains \$24 million. Then she and two friends of Estrada got together to switch names on the account and did the paperwork



in the office of Estelito Mendoza, who happens to be lead counsel of Estrada's defense team. On hearing Ocampo's testimony, Mendoza seemed startled. He later insisted he hadn't been in the room when the paperwork was processed, which Ocampo confirmed, and that he had merely been lending office space to old friends.

The fallout from the December 30 bombings sowed anguish throughout the country, and not just among those who lost relatives, narrowly escaped death, or, as was the case with one resident of Manila's expensive Dasmarinas Village, found a human leg on her roof. (The victim was Roberto Gutierrez, a member of the Makati police bomb squad, who was blown to pieces trying to defuse a device left beside one of Manila's heaviest thoroughfares.) The police say the bombs were all of the same design and detonated by cell phone. The most lethal,

responsible for nine deaths, was placed on a Light Railway Transit system train.

"The train was approaching when I heard the explosion," says Mari Vicpaglan, a ticket clerk at the Blumentritt station. "I was getting a ticket for a ride when, without warning, I heard the explosion. I knew at once it was fatal. When the smoke cleared, the most gory and bloody sight caught my eye. I felt like puking," says Alfie Averia, a freelance writer. Afterward, the platforms were littered with holiday gifts, lunch bags and body parts, including a child's leg. "This is the work of animals," thundered Manila Mayor Lito Atienza, "people without souls. They have no compunction killing innocent civilians."

But who did it? Police arrested 17 people in a predominantly Muslim section of Manila, and the government filed murder charges against the top seven leaders of the separatist Moro

Islamic Liberation Front. Another suspect group is the terror-prone Abu Sayyaf, which was behind the mass kidnapings of foreigners in Mindanao last year. But neither group has shown the sophistication displayed in the Dec. 30 bombings; one device was planted in a secure area of Manila's international airport.

And three days before the explosions, two Abu Sayyaf leaders were arrested in Manila. Their mission: they were trying to sell to CNN a tape recording of one of their few remaining hostages, U.S. citizen Jeffrey Schilling. The pair also was busted for having a small quantity of methamphetamine, a street drug.

A more disturbing theory is that a segment of the Philippine military, loyal or disloyal to its commander in chief, was responsible. "Only a member of the military, or retired military, or at least someone with access

to military-style training could have masterminded and carried out the bombings," concludes Jerry Barricano, a former spokesman for Estrada. Disloyal soldiers might have been trying to force Estrada from office, or to lay the groundwork for a coup d'état.

The contrary theory is that Estrada loyalists planted the bombs to afford him an excuse to declare martial law and avoid removal from office. That theory has a historical precedent: in 1971, former President Ferdinand Marcos declared martial law while fighting an uphill re-election campaign, after bombings rocked Manila. One was outside the residence of his Defense Secretary, Juan Ponce Enrile, and 15 years afterward Enrile admitted the bombing had been a setup. "The similarity cannot be swept under the rug," says Homobono Adaza, a former assemblyman and governor of Cagayan province. Estrada's team denied any such notion. Last week, Ernesto Macea, who functions as Estrada's spokesman for the impeachment trial, reportedly told a Manila radio station that the President didn't have the "intellectual capacity" to devise such a plot.

Having his intelligence questioned by his own spokesman summed up a bad week for Estrada. When top policemen and the armed forces chief rushed to the presidential palace shortly after the bombs went off around noon, Estrada had just woken up. He held a small family party for New Year's Eve, foregoing the traditional soiree at the fancy Manila Hotel. Then he quit a cabinet panel that makes economic policy, hoping to insulate the Philippine economy from his troubles. He conceded he was "beaten up hard" last weekend with the stock market and currency hitting new lows, a whole lot of Filipinos must feel exactly the same way.

Courtesy: *AsiaWeek*.

RUSSIA

Crime and Penalty

Fred Weir in Moscow

RUSSIA, home to the world's largest prison population, is planning imminent changes to a penal code that many regard as unwieldy, often arbitrary and unfair.

But in the drive to improve justice, while saving money for the cash-strapped government, there are concerns that the overhaul could simply deposit hundreds of thousands of prisoners on the streets with no provisions for adjustment back into society.

Even critics concede the new law, which parliament is expected to pass this month, might signal the first-ever sweeping cleanup of Russia's overcrowded and brutally-plagued prisons. The law's proposed limits on pre-trial detention, reduced sentences for petty crimes, and expansion of the probation system could lead to the release of as many as 350,000 prisoners within months.

"It is only half a step forward, but it will partially relieve some of the ugliest problems," says Maj. Gen. Sergei Vitsin, one of Russia's leading criminologists and an adviser to both the Kremlin and the Helsinki Group, a Russian human rights movement based in Moscow. "Our state is being pushed into this reform for urgent financial reasons, but the logic leads in a progressive direction."

More than 20 million Rus-

sians have passed through the prison system, one of the world's harshest, in the past three decades. One out of 4 Russian adults either has been in jail personally or had a family member incarcerated.

Despite hopes for improvement in the decade since the Soviet Union collapsed, human rights experts say conditions in the far-flung network of jails, prison camps, and detention centres, which house more than 1 million inmates, remain squalid and desperate.

"Nothing has changed," says Larissa Bogoraz, a former Soviet dissident who spent years in the gulag prison-camp system and now works as a human rights consultant. "Anyone who enters our prisons can expect to have no rights, no hope, not a shred of mercy."

It is hoped that the new law, which has already passed two parliamentary readings, will dramatically reduce overcrowding and in the short run, at least theoretically, enable the state to improve nutrition and living conditions for the remaining prisoners.

But an amnesty of 120,000 convicts last year proved insufficient and unsatisfactory. "An amnesty is a one-time measure that lets off steam, but does not address the underlying problems of our system," says Oleg Filimonov, deputy chief of Russia's department of corrections and the main author of the new law. "We need sustained reforms

that will make our prisons more humane and fair, as well as more efficient."

Russia's pre-trial detention centres currently house more than 300,000 suspects, who are often held for five years or even longer while police investigate their offences. These jails - known as SIZO - have a reputation for brutality and neglect.

Critics worry that the proposals do not go far enough. "There needs to be a radical decriminalization of whole swaths of our criminal code," says Major General Vitsin. Many things that would be handled under civil law in the West - such as failure to shovel a snowy walkway that a pedestrian slips on - are treated as criminal matters in Russia.

"Huge numbers of citizens go to jail where they should simply pay fines or do community service," the general says. Offences that would be considered misdemeanours in the US, such as shoplifting, often draw sentences of years at hard labour.

"Our system of justice is excessively punitive," says Vitsin. "Taking a harsh and uncompromising stance against crime clearly has not worked. Look around you, our society is more criminalised than ever."

The new law makes no provision for re-educating police, judges, and prison guards. The financially strapped Russian government has no money for such frills, says Filimonov: "We are doing what we can and must do right now."

The law also includes measures to make probation more accessible and rapid, to create a network of minimum-security

prisons for minor offenders, and to reduce restrictions on family visits and other forms of outside aid for prisoners.

Filimonov says the new rules will not apply to those convicted of serious crimes, which he says include murder, treason, and terrorism.

Critics worry that the proposals do not go far enough. "There

needs to be a radical decriminalization of whole swaths of our criminal code," says Major General Vitsin. Many things that would be handled under civil law in the West - such as failure to shovel a snowy walkway that a pedestrian slips on - are treated as criminal matters in Russia.

"Huge numbers of citizens go to jail where they should simply pay fines or do community service," the general says. Offences that would be considered misdemeanours in the US, such as shoplifting, often draw sentences of years at hard labour.

"Our system of justice is excessively punitive," says Vitsin. "Taking a harsh and uncompromising stance against crime clearly has not worked. Look around you, our society is more criminalised than ever."

The new law makes no provision for re-educating police, judges, and prison guards. The financially strapped Russian government has no money for such frills, says Filimonov: "We are doing what we can and must do right now."

Experts say the imminent mass release of prisoners is not as controversial as a similar

event might be in the US. "Too many Russians have been exposed to the prison system," says Leonid Sedov, a sociologist with the independent Institute of Public Opinion Research in Moscow. "Peoples' sympathies tend to be with the prisoners, not with the state - at least when it comes to minor criminals."

Largely absent from the discussion is any consideration of what happens to former inmates once they hit the streets. "This is typical of our country. We take sweeping measures without thinking through the consequences," says Col. Lyudmila Tropina, deputy head of the Moscow police force's department of juvenile affairs. "We are not asking if these people have homes to return to, or any means of making an honest living. We will simply turn them loose and congratulate ourselves for enacting reforms and saving the state's resources."

"But if there is no sustained effort to follow released prisoners into the community and help them to adjust, it is guaranteed that most of them will fall into the orbit of criminal gangs. Soon they will be back in prison, and what will we have solved?"

Courtesy: *The Christian Science Monitor*

CHINA

Go West, Young Han

THE authorities compare it to the opening up of the American west, or Siberia, and their campaign to develop the vast but poor western regions of China promises to become the chief domestic obsession of the country's rulers over the coming years. If the late Deng Xiaoping is remembered for bringing prosperity to China's coastal regions, President Jiang Zemin wants to be remembered for developing its farthest reaches. By the government's definition, the "west" consists of the provinces of Sichuan, Gansu, Guizhou, Yunnan, Qinghai and Shaanxi, the municipality of Chongqing, the tiny, "autonomous" province of Ningxia and the two vast ones of Tibet and Xinjiang. Together, they account for just one-quarter of China's population of 1.3 billion, but more than half its land. Prosperity has passed by great swathes of this region. Well over half of China's poorest 80m live in the west. A farmer there earns about a third of a coastal farmer's average of 3,600 yuan (\$435) a year. This half of the country has attracted less than 5% of the foreign investment committed to China in the past two decades.

The case for bringing more prosperity to the west, then, is a strong one, but the official campaign was cranked up only this year. That is testimony only to the huge political and economic influence that China's coastal

provinces have long brought to bear. Who, after all, would dare argue with Deng Xiaoping's theory of the "two overall situations": that the coastal regions should be given free rein to develop first, and that only when they had reached a measure of prosperity should the west be given special help? With little sign that eastern prosperity has trickled west, it is hard these days for China's leaders to ignore western backwardness.

Yet there are worrying aspects of the government's "go west" campaign. For a start, it is not clear how much money the central government is able to spend. Some \$13 billion is said to have been made available during 2000, and it is suggested that equal, or larger, sums will be available for the years to come. That seems implausible. The central government collects revenues equivalent to a mere 14% of GDP, which greatly constrains its policy options. A large part of the central government's efforts lies in cajoling better-off provinces, and state banks, to help with its western plans. Foreign investors and even banks are now being courted.

Second, there is curiously little emphasis on one of the notable features of the western region and a central cause of its backwardness: the dominance of the state in the economy. Nowhere is this clearer than in Xinjiang, where four-fifths of the province's industrial assets

remain in state hands. In addition, its farm output is dominated by a huge paramilitary organisation that reports directly to the central government: the Xinjiang Construction and Production Corps, popularly known as the bingtuan. The bingtuan was set up to settle the border areas and to make land available for soldiers demobilised at the end of China's civil war. Today, with a string of agricultural colonies, processing plants, schools, hospitals and its own police force and prisons, the bingtuan has 2.5m members, or one-seventh of Xinjiang's population. It loses money, which the central government makes up.

Which leads to a third worry: there is little emphasis in the "go west" campaign on measures to alleviate poverty. Some of the biggest bangs for the development buck lie in spending on schools and health, and cheap, local roads that tie isolated communities to the broader market. But rather than choosing such basics, the government is obsessed with gigantic, and correspondingly expensive, infrastructure projects.

Gangs of workers are rebuilding the Beijing-to-Lhasa road that crosses the Qinghai and Tibetan plateaus: a government minister says China will build 150,000 km (about 94,000 miles) of new highways in western China over the next decade. Work is about to start on a rail-

way to Lhasa. A 1,000 km railway along the edge of the Taklamakan desert now runs from the capital of Xinjiang, Urumqi, to the western oasis town of Kashgar. Yunnan wants to see a railway going all the way to Singapore. A \$15 billion pipeline is planned to take natural gas from Xinjiang's Tarim basin 4,200 km to Shanghai. Hydropower is being explored, particularly in Sichuan and Tibet.

The suspicion, then, is that the central authorities are keen on exploiting the west than on alleviating its poverty. The region, after all, has plenty of natural resources. Coal, China's chief fuel, is plentiful. Tibet has gold and other metals. The Qaidam basin in Qinghai has quantities of natural gas, and the Tarim basin holds both oil and gas. Roads and railways make a lot of sense if the central government want to take resources out. It is less clear how the local communities will benefit.

Concerns about stability in Xinjiang remain. There are sporadic, if small, armed rebellions in Xinjiang's southern region, where the Han presence has historically been slight. The impressive highway, now five years old, that crosses the previously uncrossable Taklamakan was ostensibly built to allow the development of oilfields. But southern Xinjiang is now less remote, and the state's security

apparatus has been able to crack down more harshly on "splittism".

Besides, the same roads and railways that take natural resources out also bring Han migrants in. Migrant workers are everywhere: girls from Anhui serve in Urumqi restaurants, and tough, tiny Han Chinese put up pylons high in mountain passes. In Xinjiang, officials have a policy of fervently denying any increase in the Han population. Yet more and more are coming to Xinjiang (as well as Tibet), and they never leave. "Look," says a young Uighur in Urumqi, "I am a strong man, and well-educated. But Chinese firms won't give me a job. Yet go down to the railway station and you can see all the Chinese who've just arrived. They'll get jobs. It's a policy to swamp us."

The emphasis in the western campaign on "hard" infrastructure betrays China's colonising instincts. Roads and railways make it easier for police to be dispatched in times of "minority" restiveness, for Han settlers to seek a new home, and for the centre to control its empire. As Kai-Alexander Schlevoigt, from the Australian Graduate School of Management, puts it, this is China's way to "ram its own projects into the ground".

Courtesy: *The Economist of London*

THAILAND

Stability Provides Recovery Platform

By Parista Yuthamanop

THAILAND entered the 21st century on track for economic recovery, with broad stability in interest, exchange and inflation rates.

Manufacturing production showed gains, bolstered by strong exports in the first half. Domestic consumption and private investment also showed moderate improvement, helped by low interest rates maintained by the Bank of Thailand.

But while broad economic data showed cause for optimism, public confidence in economic recovery remained muted.

Equity investors, for instance, saw the Stock Exchange of Thailand lose nearly 30% from January to June, the worst market performance in the region behind Indonesia's.

External factors, led by concerns over the US economy and volatility in global technology shares, was a major reason cited by investors. Local political uncertainties and sluggish progress in corporate debt restructuring also helped dampen investor sentiment. But exports remained a bright star in the economy, growing 30.4% in US dollar terms in the first quarter year-on-year.

Manufacturing also grew across the board with rising exports and stronger domestic demand. Strong global demand for computers helped put integrated circuits and electronic parts at the top of Thai exports. Gains were also shown in the auto, petrochemicals, steel, jewelry and textile industries.

Low interest rates, continued fiscal stimulus programmes and slight gains in consumer confidence helped boost domestic consumption, with department store, car and motorcycle sales, and value-added tax collection all posting

of 1998.

Despite the brighter macroeconomic picture, economists agree that authorities will face increasing challenges ahead to sustain growth momentum amid increasing fiscal constraints.

Addressing non-performing loans in the system, which totalled 1.95 trillion baht in April, will remain a major policy challenge over the next several years.

Structural reform

Implementing structural reform to promote long-term industrial competitiveness will also be a major task.

Meanwhile, interest rate increases by the US Federal Reserve are expected to help slow the US economy in the second half.

This could pose a major risk for the Thai economy, given that the US is one of the country's biggest export markets. But signs that the Japanese economy has begun to improve after a decade of recession could help boost regional activity.

While debt restructuring has made significant progress under the Corporate Debt Restructuring Advisory Committee, officials agree that future gains will rest with the courts. Debts totalling one trillion baht will have to be settled in court.

Even so, the central bank says it is confident that local banks have sufficient capital for operations to the end of next year.

Debt write-offs, continued restructuring and transfers to asset management corporations are expected to bring non-performing loans down to around 10% of total outstanding credit by the end of the year, compared with 36% at the end of April.

Krung Thai Bank alone plans to transfer bad loans totalling 530 billion baht to a state-owned asset management company, beginning in the third quarter.

The central bank announced in May that it had reached agreement with HSBC Holdings to purchase