Deadly Politics

By Anthony Spaeth

F politics is viewed as a game, an impeachment is an Olympiad. Filipinos happen to have an Olympic appetite for politics-asentertainment, 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 assetseven 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 milliondollar 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 documentusing 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 accountand



did the paperwork in the office of Estelito Mendoza, who happens to be lead counsel of Estrada's defence 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 civil-

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 kidnappings 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 Savvaf 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

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

methamphetamines, a street drug.

cludes Jerry Barrican, 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'é tat. 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 Defence 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 Maceda, 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 ques-

carried out the bombings," con-

tioned 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 weekand with the stock market and currency hitting new lows, a whole lot of Filipinos must

feel exactly the same way. Courtesy: Asiaweek

Thailand

Stability Provides Recovery Platform

By Parista Yuthamanop

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

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, jewellery and textile indus-

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 gains.

Auto sales grew 62.1% in the first quarter from the year before due to stronger domestic demand. Private investment also posted positive gains on higher car sales, capital goods imports and cement

But industrial capital utilisation averaged 57.6% from January to April, suggesting that production overcapacity remained high within the economy.

Biggest recipient

The property sector, the biggest recipient of credit from the financial sector, remained weak, as increases demand remained insufficient to absorb

Îmports increased by 39.2% in dollar terms in the first four months from the year before, as stronger consumption and private investment led to increased imports of intermediate products, raw materials and capital goods.

The trade and service accounts continued to post surpluses, helping the current account post a total surplus of \$3.73 billion in the first quarter.

But net capital movement showed an outflow of \$4.83 billion in the first quarter, as private companies and financial institutions continued to retire foreign currency debt.

Central bank officials said outflows were sufficiently financed from trade and service surpluses. Foreign direct investment totalled \$720 million in the first quarter, with regulators projecting total investment of \$4.3 billion for the year.

The decline in short-term foreign debt has helped boost overall economic stability. Total external debts declined to \$72.1 billion as of March compared to \$86.1 billion at the end of 1998.

Private sector debt has fallen to \$35.44 billion at the end of March from \$54.6 billion at the end of 1998. Short-term debt decreased to \$12.3 billion, compared with \$23.5 billion at the end 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

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

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 topping 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

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 a 75% stake in Bangkok Metropolitan Bank for around 37

This would make it the third state-owned bank sold to foreign investors, following Nakornthon's sale to Standard Chartered and Radanasin's to United Overseas Bank.

Privatisation of Siam City Bank is expected to be delayed for several months after the central bank rejected bids by US investment fund Newbridge Capital.

Thailand formally exited the three-year reform programme under the International Monetary Fund in June. Fund officials said the economy was on track for up to 5% growth in 2000, although noted that corporate debt restructuring remained a major task.

But the overall improvement in the macroeconomy and

financial sector raised hopes that credit agencies, such as

Moody's Investors Service, would upgrade Thailand's sovereign rating in the second half, thereby boosting investor sentiment. One major uncertainty, however, is in the political arena. The Chuan Leekpai government must call for new

whether reform policies would remain on track under a new coalition. The next government will face hard decisions on public debt management, state enterprise privatisation and

elections by November, and questions remain about

fiscal stimulus policies amid tighter budget constraints. How to boost the country's long-term industrial and human resource competitiveness and implement a

Òknowledge-based economy" remains a major challenge. Overall, employment posted slight gains in the first half, with new employee registrations in the social welfare

system increasing in the first quarter. Demand for job skills such as computers and English are sharply higher, reflecting the impact of globalisation in the local economy and the influence of information tech-

Courtesy: Bangkok Post

Russia

Crime and Penalty

Fred Weir in Moscow

USSIA, home to the world's largest prison popularing planning imminent changes largest prison population, is 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 brutalityplagued prisons. The law's proposed limits on pre-trial detention, eaucea sentences for petty crimes. and expansion of the probation system could lead to the release of as many as 350,000 prisoners within

"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 Russians have passed through the prison system, one of the world's harshest, in the past three decades. One out of

CHINA

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 farflung network of jails, prison camps, and detention centres, which house more than 1 million inmates, remain squalid and desperate.

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, mentary 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. "Police continued to torture detainees in order to secure confessions, using methods like beatings, asphyxiation, [and] electric shock ... as well as psychological intimidation," notes New Yorkbased Human Rights Watch in its "Nothing has changed," year 2000 report on Russia. Experts say SIZO inmates are often packed into cells with sitting-room only, forced to sleep in shifts, and given inadequate food, clothing, and medical care. AIDS, tuberculosis,

> problem. of the new law will be to slash permitted pre-trial detention to a maximum of one year, and to implement a bail system for those charged with minor crimes. "Many of these prisoners are not people who need to be kept isolated from society," he says. "Our system is traditionally based on tough measures and no consideration for the accused. The

> definitions need to be changed." 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 terror-

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

and other diseases are a major sentences of years at hard labour. "Our system of justice is excesa harsh and uncompromising stance against crime clearly has not worked. Look around you, our society is more criminalised than

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 crimi-

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 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

Courtesy: The Christian Science

AFGHANISTAN

The Taliban dilemma

get tougher with the Taliban by pushing for a long new list of United Nations sanctions is likely to be the UN's own humanitarian efforts in Afghanistan. Aid workers were fleeing Kabul in droves, fearing reprisals if the proposals go through the Security Council.

The timing could hardly be worse. The World Food

Programme, which recently launched a campaign for an extra \$53m to feed 1m people believed to be close to starvation this winter, says the levels of food assistance per person required for Afghanistan are the highest in the world. Some 200,000 people are at present displaced within the country, many of them driven out of their homes during the past 22 years of civil war. The worst drought in a generation has forced many more off the land, as crops have failed for the third year in succession, leaving no fodder for livestock. Neighbouring Pakistan estimates that, between early September and November 10th, when it closed its borders with Afghanistan, some 46,000 Afghans had fled to its territory.

The United States hopes that further sanctions will persuade the Taliban, the Islamic zealots who now control some 95 per cent of Afghanistan, to hand over Osama bin Laden, believed to be linked with the bombing of the American embassies in Kenya and Tanzania in August 1998 as well as the attack on an American warship, the USS Cole, in Aden in October. The Russians are keen to place whatever pressure they can on the Taliban, fearing Islamic militancy spreading through Central Asia, spilling over their borders and further contributing to their problems in Chechnya

The Security Council circulated an "informal" proposal which discussed a new list of sanctions, including an arms embargo on the Taliban, though not on their rivals, as well as restrictions on travel for Taliban officials and the closure of all their overseas offices. The Taliban argue that an arms embargo directed at them, but not at the opposition, under Ahmad Shah Masoud, which still holds areas including the Panjshir valley in the northeast of the country, will only prolong the war. A tenuous effort at peace-broking, initiated last month by the UN special envoy to Afghanistan, Francesh Vendrell, is likely to be an early casualty of any further sanctions.

The Taliban's ambassador to Pakistan, Mulla Abdul Salam Zaeef, argues that "instead of helping the drought-hit Afghans, Washington-sponsored sanctions on Afghanistan under the pretext of Osama bin Laden amount to a human-rights violation." To a degree, he has a point. Last year the UN imposed sanctions on Afghanistan that stopped the national carrier Ariana from flying in and out of the country and blocked some of its international financial arrangements. These measures must have impeded the import of medical supplies, though it is not easy to know how much misery is properly attributable to them and how much to the drought and the

war, never mind the Taliban's own skill at obstructing the work of the UN and other agencies in the country. To the Taliban, the UN appears to have a contradictory role, in applying sanctions while simultaneously delivering humanitarian assistance. To outsiders, the Taliban also have a contradictory role: castigating the outside world while accepting its help

In any event, the Taliban's main concern continues to be the war in the north. When, in September, they took the city of Taloquan from the Masoud forces, many Afghans hoped it would signal the end of the war and the start of proper administration by the regime, which has so far been more concerned with imposing its own version of sharia (Islamic) lawbanning music, pictures, sport, and women from workingthan providing basic services for its people.

Aid is certainly needed in Afghanistan. Herat, once a thriving centre of Islamic culture, is already struggling to cope with its share of the 165,000 refugees who have returned from Iran since the launch last April of a refugee programme by the UN. These people are distinguishable from other Afghans by their clean-shaven faces. For other Afghans, the Taliban Ministry for the Prevention of Vice and the Promotion of Virtue strictly enforces a rule making the shaving of beards an imprisonable offence.

Of mixed ethnic origin, Turkmen, Uzbek and Pashtun, these families make a colourful spectacle in the camps round the city. Yet conditions are harsh, with poor sanitation, limited access to drinkable water and few employment opportunities. Some women are so malnourished that they have no milk to suckle their babies. Aid workers in Herat are struggling to provide shelter, sanitation and food before winter sets in and northerly winds whip though from Central Asia. The building of 2,000 shelters was interrupted three weeks ago when heavy rains turned some 3m bricks to mud.

Despite this, the Taliban seldom seem grateful to aid agencies for managing Afghanistan's humanitarian crisis while they continue their war in the north. The growth of an "entitlement culture", expressed in relentless demands by the authorities for vehicles, wheat and sinecured positions, has not helped, and the UN and other agencies have often had to bow to these demands just to be able to continue to operate in the country. If more sanctions are applied, the outcome may be a further withdrawal of aid agencies just when the Afghans need them most.

Courtesy: The Economist of London

People: The ultimate sufferers

Go West, Young Han

HE authorities compare it to the opening up of the American west, or of 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 Chongging, the tiny, "autonomous" province of Ningxia and the two vast ones of Tibet and Xinjiang. Together, they account for just onequarter 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 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 regionand a central cause of its backwardnessthe 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 Xingjiang 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 150,000km

(about 94,000 miles) of new high-

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 4,200km to Shanghai. Hydropower is being explored, particularly in Sichuan and Tibet. The suspicion, then, is that the

ways in western China over the next

decade. Work is about to start on a

railway to Lhasa, A 1,000km railway

central authorities are keener 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

Xinjiang's southern region, where

the Han presence has historically

been slight. The impressive high-

way, now five years old, that crosses

the previously uncrossable

Taklamakan was ostensibly built to

allow the development of oilfields

local communities will benefit. Concerns about stability in Xinjiang remain. There are sporadic, if small, armed rebellions in 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 Hunanese 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 welleducated. 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 Schlevogt, from the Australian Graduate School of Management, puts it, this is China's way to "ram its own posts into the ground".

Courtesy: The Economist But southern Xinjiang is now less London.