

THE PHILIPPINES

She, Too, Belongs to the Elite

Antoni Lopez in Manila

GLORIA Macapagal Arroyo is on the move. The Philippine vice president has temporarily shifted residence from her luxury high-rise apartment back to the sprawling house in Makati's tony Forbes Park neighborhood where she grew up. The split-level four-bedroom home sits on a 2,000-square-meter lot, twice the size of the session floor of the Philippine Senate. A large bronze bust of Arroyo's father, the hugely popular late president Diosdado Macapagal, dominates the terrace that overlooks the manicured garden. As Arroyo pursues her bid to succeed scandal-ridden Joseph Estrada as president, the house reminds visitors of her heritage, and her possible destiny. She has been entertaining a steady stream of guests. The house shows that Arroyo belongs to the elite, who have always ruled the country. And it demonstrates that Arroyo has the money to compete in a presidential election, whether the one scheduled for 2004, when Estrada's term ends, or the snap vote Congress will now consider following Estrada's request for one Friday.

As Estrada struggles to save his presidency, Arroyo, 53, is the woman to watch. She had carefully avoided calling for Estrada's resignation since a scandal erupted in November, in which provincial governor Luis Singson accused Estrada of taking millions of dollars of illegal gambling proceeds (the president denies the allegation). Then, as now, Arroyo took off her gloves. "The best political solution," Arroyo told *Asiaweek*, "is resignation." Why the change of heart? Arroyo has lately run into her own difficulties, with charges that she, too, has been connected to the gambling business. Manila's business leaders seem lukewarm toward her. They worry that she has no vision after all, they point out, she served

under Estrada until recently. They complain about her populist-style politicking and that she relies too much on her father's reputation. Arroyo may realize that if a snap election is called, she would have to face other candidates, with no guarantee of victory.

Yet Arroyo already seems to be preparing for a campaign. If she has to run, Arroyo plans to be ready. The recent visitors at the Macapagal home have included leaders of a host of political parties. After resigning as social welfare secretary in the Estrada cabinet, Arroyo has been busy trying to unite the fractured opposition. She has already forged alliances with former defense secretary Renato de Villa and former Cebu governor Emilio "Lito" Osmeña, both of whom lost to Estrada in 1998. The three have linked up with the main opposition party, Lakas-NUCD-UMDP. Says Arroyo: "We will speak as one." As clouds erupted around the President in November, she flew to Cebu, traditionally an opposition stronghold, where she, de Villa and Osmeña determined the line-up of candidates for May's congressional elections. Says de Villa: "We have all agreed that the person to lead a united movement should be the vice president."

A difficult task for Arroyo will be winning the support of the business community. She will need their cash, it can take tens of millions of dollars to bankroll a presidential candidacy. The vice president, who has a Ph.D in economics, has been trying to woo the business community with her pro-business policies. She vows transparency and a level playing field, to bid out all government contracts, and not to coddle cronies. But prominent businessmen like the Ayalas have yet to come out openly for

her. When Arroyo returned Oct. 17 from 11 days abroad, she was warmly received at a welcome-home rally by some 3,000 supporters. No tycoons showed up. One reason the business elite has not been more enthusiastic about Arroyo may be pragmatic. Philippine conglomerates undertake a number of big projects requiring concessions, licensing and permits. Naturally, their owners do not want to antagonize a sitting president. The Ayala group, for example, is still awaiting a contract for a railway connecting their property in the Makati business district to an area south where they have more than 4,000 hectares of residential, commercial and industrial development.

Perhaps the best thing going for Arroyo is that she is generally well-liked. Even at the peak of Estrada's popularity, she consistently scored higher approval ratings than the president. In the end, those are the figures that may count the most, and not how many parties she can unite nor how much money she can raise. Estrada now faces calls to resign from practically the full spectrum of society. Arroyo could one day be president. But nobody seems to think she could solve the deep, systemic problems that have crippled the country's economy. The kindest thing some in the business community will say is that she is not Estrada. Says Romeo Bernardo, a former finance undersecretary: "Arroyo is a vast improvement over the president." Unfortunately, that may not be enough to fix the Philippines.

Courtesy: *Asiaweek*.

INTERVIEW

'When You Grow Old, You Face Reality'

Malaysians either love or hate Prime Minister Mahathir Mohamad, but few have doubted his fighting spirit. At least until now. At 75, Mahathir's legendary combative ness has faded. When Dorinda Elliott, Salman Wayne Morrison and Arjuna Ranawana interviewed him in his office at the new administrative capital Putrajaya, Mahathir slumped in his chair and appeared tired and worn down by the unpreceded criticism of his rule. He acknowledged that his party has lost its way and that he is no longer master of his country's fate.



Excerpts:

Race is in the headlines again. Ethnic Chinese groups are demanding meritocracy. Thirty years after the NEP began, racial tensions persist. Has the NEP failed? Some Chinese are extremists. They make unreasonable demands, which negate the social contract we entered into at the time of independence. The vast majority of the Chinese are very tolerant. They understand the reasons behind the policy of positive discrimination. They have seen what has happened in other countries where there is no attempt to equalise the development of the different

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communities, and how people take it out on the Chinese community. But there is a perception that Malays are divided and this is the time to make demands.

Aren't the Malays divided because UMNO and the whole Malaysia Inc. system have been tainted by cronyism? The idea of cronyism is not a local idea. It appeared first in foreign magazines. The NEP has benefited some 7 million Malays. Not just one or two 7 million Malays. We promised that there would be equality between the Chinese and the indigenous peoples at all levels. At the highest level, at the big business level, there have been hardly any Malays. They had to be brought up, so that there is equitable sharing of the growth of this country. Otherwise, people will say that we share only the poverty, not the wealth. So when companies allocate shares, we use the opportunity to give the shares to a few Malays if they show the capability. But anybody who is given shares, whether he is known or not known by government leaders, or prominent or not, is immediately labeled a crony. We become open to the accusation that we have cronies, but then to whom do we give?

But if you keep protecting bumiputras through affirmative action, won't Malaysia be left behind in a globalised economy? We have to protect them because it is in the interest of the country's stability. There is a feeling among international experts, among economists, that affirmative action is bad. That people who are poor should remain poor, people who are lacking in skill should not be helped.

Do you want to see a Malaysia where the Malays, the majority, are thrown to the side? Many young Malaysians are

frustrated by the system. I was young once also. When you grow old you face reality. You have to accept there are certain things that you cannot do.

Is the delayed restructuring of top companies slowing the economy's recovery?

No. We have made better progress than most other countries. When you halve the value of a currency, and then you reduce the share prices by 90%, any company, no matter how strong, how well-managed, will fail. The American government came up in support of Chrysler or GM or Ford. I forget which with almost a gift of \$2 billion. That's how they recover. They would have gone under without help. That to me is real bailing out. I'm not saying there is no corruption in Malaysia. But cronyism, that will not refute. I don't help people because they are my cronies. I help people who have ability.

Foreign direct investment in Malaysia is falling. Yet you keep criticising the West, the source of the funds coming in. We have been criticising other countries a long time, yet the investments keep coming in. People are still investing in this country because they like the stability, they like our currency management.

Yet investment has been declining.

It has been declining throughout the whole area. A lot of money is going to Europe, to America, and little is coming to this region. The Japanese economy is in bad shape and they are not investing either. It is not Malaysia's internal policy or aggressive foreign policy which is affecting investment. At least not much.

You are reviewing the peg on the ringgit?

I don't know why everybody

keeps on asking me this question. Up until now it has done us a lot of good. Until the international financial system is changed, so that people cannot destroy whole economies simply because they want to make money for themselves, I will not review the peg.

UMNO lost support in the 1999 general elections and is still losing support. Why?

There are many reasons. The clever use of the Anwar issue played a very big role, especially that picture with the black eye. I brought him into UMNO to keep him from joining Pas and creating mischief. Once you are in UMNO you must accept UMNO's struggle, and not make use of UMNO for your own personal purpose. He built up cells in every organisation, in the police, in the armed forces, in the civil service, among the students, among the university teachers, abroad. He was building up personal loyalty to himself, using his power. Once he became deputy prime minister his next step was to overthrow me. I could not imagine that a person I helped would do that.

Aside from the Anwar factor, the opposition has capitalised on the perception that UMNO is elitist and moneyed. I have told UMNO you have to behave yourself. Over the years, because of the success of the country, these people have become materialistic. I admit that. It is a very tough battle to fight.

Are you winning?

Some grassroots people say, well, we only get a few dollars. The people we elect make so much money for themselves why do you grudge us these few dollars? If we don't take [the money] then somebody else will. How do you argue against that? But this mentality is wrong. I've got my frustrations with my own party. UMNO is weak because there is no dedication [like]

inclination would have been to join Pas. But he joined UMNO because he foresaw no future for Pas. There was no way Pas could ever make him prime minister. He came into UMNO because he thought he would be able to turn it his own way. All along he was plotting. I underestimated his capacity for creating trouble.

But you were both playing a game. You brought Anwar into UMNO because you needed to give UMNO an Islamic face. I brought him into UMNO to keep him from joining Pas and creating mischief. Once you are in UMNO you must accept UMNO's struggle, and not make use of UMNO for your own personal purpose. He built up cells in every organisation, in the police, in the armed forces, in the civil service, among the students, among the university teachers, abroad. He was building up personal loyalty to himself, using his power. Once he became deputy prime minister his next step was to overthrow me. I could not imagine that a person I helped would do that.

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As you look back over your career, what are your regrets?

Maybe I regret going into politics. I should have stayed a doctor. When I was practicing, I was very popular. People loved me.

What do you think you will be remembered for?

I don't care.

Courtesy: *Asiaweek*

SOUTH KOREA

Dialogue with the North

David Ignatius in Singapore

ABOVE the stairway to the office of President Kim Dae Jung in the Blue House, South Korea's presidential mansion, is a large tapestry depicting the Korean Peninsula. Like the Korea in the imagination of many of the president's compatriots, it has no border dividing North and South.

Kim realizes that his homeland, carved in half by the United States and the Soviet Union after World War II, probably won't be reunited in his lifetime. That process will take another 20 to 30 years, he said in an interview in Seoul. But he worries that his rapprochement with North Korea, symbolized by the dramatic visit last June to Pyongyang that won him the Nobel Peace Prize, may be undone because of misjudgments by the new administration of George W. Bush.

He said he plans to visit Washington soon to urge Bush to maintain support for his "sunshine policy" of engagement with the North. And he hinted at the message he will deliver: Don't change course; support continued dialogue; don't push the North's leader, Kim Jong Il, back into a corner.

Korea presents what may be the Bush administration's trickiest foreign policy problem outside the Middle East. It is a region where the new administration has especially hawkish views and its rhetoric conflicts directly with the peace policies of a close ally. Because 37,000 U.S. troops are stationed in South Korea, it is one of the few places on earth where U.S. missteps could lead to a real war.

The Clinton administration

achieved some important gains, helping Kim Dae Jung draw the isolated neo-Stalinists of North Korea into a process of dialogue and change. Indeed, Bill Clinton had hoped to cap his presidency by visiting Pyongyang himself to sign an accord limiting North Korean missile development, but he ran out of time.

When the Bush administration looks at North Korea, it sees red - a rogue nation that is a living demonstration of the need for a missile defense system to protect the United States (and, in theory, South Korea) from attack. A senior South Korean diplomat worries that in the mind of Defense Secretary-designate Donald Rumsfeld, North Korea has become a "poster child" for missile defense. He fears that the new administration will create a "missile arms race in our region and a return to an 'us-them' mentality."

President Kim chose his words carefully in the interview, and he specifically refused to answer a question about the Bush administration's enthusiasm for missile defense. He said he would wait to hear what administration officials had to say on the subject when he visited Washington, perhaps as soon as March.

While he noted that there are different voices in the new administration, he said he expects that Bush will support his policy of engagement with the North. He said he wants the United States, too, to continue engaging Pyongyang through the tripartite U.S.-Japanese-South Korean approach that the Clinton administration backed.

DEMOCRACY

For Stronger Institutions

Philip Bowring in Hong Kong

THE ousting of Joseph Estrada has provided the Philippines with a more competent president in Gloria Macapagal Arroyo, but it has left the notion of constitutional democracy in tatters.

Estrada's removal may have been desirable and peaceful, but the end does not justify the means. A nation which sees itself as an Asian democratic exemplar now boasts only one normal succession, that of Fidel Ramos in 1992, since Ferdinand Marcos defeated Arroyo's father, President Diosdado Macapagal, in 1986.

In the short run, the sudden end to the Estrada corruption crisis will bring benefits. Much of the nation will heave a sigh of relief. The peso and stock markets will rise, some investment will return, neighbors and allies will be visibly happier dealing with a hardworking, well-educated, economically literate president used to mixing in elite circles and behaving with a decent authority.

However, far from being the victory for democracy that is being claimed by leaders of the anti-Estrada movement such as Cardinal Jaime Sin, the evolution of events has been a defeat for due process. For many it merely confirms the fragility of political institutions in the Philippines and the likelihood that the streets will become the arena for political action.

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BURMA UPDATE...

Talks

BURMA'S ruling military junta has entered into secret talks with the opposition National League for Democracy in their first official dialogue since 1994. Meetings that began in October between NLD leader Daw Aung San Suu Kyi and junta intelligence chief Lt.-General Khin Nyunt were brokered by United Nations Special Envoy for Burma Rizali Ismail. Daw Suu Kyi, held incommunicado in her Rangoon residence from 1989-1995, has again been under house arrest since she attempted to travel outside the city to meet NLD supporters on 22 September. NLD officials report unspecified "progress" in the talks, but many observers express only cautious optimism. The NLD has insisted that the results of 1990 elections in which it won a landslide victory over a military-backed party be honoured in any reform package. In related developments that may indicate a softening of the regime's harsh stance toward the NLD, junta officials have allowed at least 86 jailed NLD officials to receive food packets, and state-run media have sharply toned down routinely vitriolic attacks on Daw Suu Kyi and the NLD.

General Denies Splits

THE head of Burma's military intelligence denies splits within the country's ruling army junta over secret negotiations with the opposition National League for Democracy (NLD). Lt.-General Khin Nyunt said that foreign media and foreign diplomats had spread rumours of divisions within the army, but such stories are "all just wishful thinking on their part." Diplomats in Rangoon suggest that hard-line soldiers led by junta Vice Chairman General Maung Aye oppose any loosening of the junta's firm grip on power.

Jailed Student Leader Ailing

An imprisoned Burmese student leader is reportedly gravely ill in Sittwe Prison in Burma's southwestern Arakan State. According to a prisoner who recently escaped to Bangladesh after his release from the prison, jailed All Burma Federation of Student Unions (ABFSU) leader Min Ko Naing now has trouble even walking a few feet. He was arrested in March 1989, and remains in detention despite completing a ten-year prison sentence.

ILO Presses...

THE International Labour Organisation (ILO) East Asia chief is pressing Burma's ruling generals to honour pledges to end forced labour in their country, saying the junta has broken past promises. ILO official Ian Chambers said in Bangkok on 15 January that the Burmese junta had responded to international pressure by issuing an edict "eradicating" forced labour in October, "because what is at stake is the economic and commercial position of the country." The ILO called for sanctions against Burma after finding that the military regime uses or condones massive official forced labour throughout the country. Any change in the ILO position requires that the regime "must be seen to be making some credible efforts in order to improve the situation of forced labour," Chambers added.

Scorched Earth Attacks

A new "scorched earth" offensive by Burma's army junta has driven about 30,000 people from their homes in eastern Burma, relief workers in Thailand say. Burning villages is an apparently deliberate