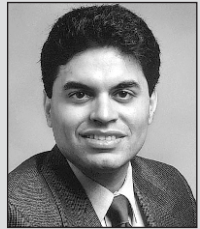


The virtue of learning vices

You cannot solve the problem of popular energy and passion by telling people to behave themselves. You have to educate them honestly about the substance of the issues, including controversial stuff, whether that means talking about China's vices or Japan's virtues. Only then will the passions get tamed. Only then will confidence not morph into arrogance. To face the future confidently, China must be able to face its past truthfully.



FAREED ZAKARIA
writes from Washington

It doesn't surprise me that China has just slapped tariffs on its own textile producers so that they don't flood the US and European markets. (In all, it will increase tariffs by up to 400 percent on 74 goods.) When I was in China last week I was struck by how determined its officials are not to pick a fight with the United States while they focus single-mindedly on economic growth. In fact, many of them get nervous talking about China's rise to power. "It frightens me," said Wu Jianmin, a senior diplomat. "We are still a poor country, a developing country. I don't want people to think of us in exaggerated terms." Xinghai Fang, the deputy CEO of the Shanghai Stock Exchange, spoke in the same vein: "Please remember, our per capita GDP is \$1,200. America's is 25 to 30 times that. We have a long way to go."

Talk to Chinese businessmen and they sound a good bit bolder. They speak of the world's biggest market, the largest consumer base, the strongest growth trajectory. "There are so many people here that even if you get a small percentage of them as customers, it is massive in global terms," says Charles Zhang, the CEO of Sohu.com, one of China's two largest Web portals. That is the strange effect of China's size. It can be both a Third World country and a dominant global player at the same time. As a result, there is tension in China between a

society bursting at the seams and a state trying to manage this process.

In foreign-policy terms, this tension manifested itself in an interesting debate over the concept of "peaceful rise." The term, suggesting that China hoped to move quietly up the global power ladder, was coined in 2002 by Zheng Bijian when he was deputy head of the Central Party School. When Zheng spoke, people listened, because his former boss was President Hu Jintao. Hu and Premier Wen Jiabao both used the phrase in 2003 and 2004, giving it official sanction. But then it fell out of favour. Many Western analysts believed the problem was the first word in the phrase

"peaceful" which could limit China's options on Taiwan. But that doesn't seem to be the case. China regards Taiwan as a domestic matter and believes it could use force as a last resort. "Lincoln fought a war to preserve the Union," Zheng told me, "but you can still say that the United States was rising peacefully."

In fact, people disliked the phrase's second word, "rise." (The Chinese word actually translates more accurately into "thrust" or "surge.") Many senior diplomats recoiled at the idea of going around the world talking up China's rise. In particular, they worried about critics in the United States who saw China's rise as a threat. They began arguing against it in the summer of 2003, at the party's leadership retreat at Beidaihe. As a result, the Chinese leadership now talks only about "peaceful development." The concept is the same," said Zheng. "It's just a different phrase." True, but the shift reflected the attention China was placing on not ruffling any feathers as it steamed ahead.

And yet China's growth rises creating energy, ambition and, inevitably, fear among its neighbours. In addition, in the past year Beijing has made several crude assertions of power. In a delicately phrased set of warnings delivered in China, Singapore's senior states-

man (and longtime friend of China's), Lee Kuan Yew, worried about the next generation. "China's youth must be made aware of the need to reassure the world that China's rise will not turn out to be a disruptive force," he said in a speech at Fudan University.

Lee implied that what has kept Chinese leaders humble since Deng Xiaoping is the bitter experience of Mao's mistakes: the Great Leap Forward and the Cultural Revolution, which together resulted in the deaths of at least 20 million Chinese. "It is vital that the younger generation of Chinese who have only lived through a period of peace and growth and have no experience of China's tumultuous past are made aware of the mistakes China made as a result of hubris and excesses in ideology," Lee said.

When I asked Chinese officials how they intend to handle the danger of populist sentiments: arrogant or bullying on Taiwan or Japan or the rest of Asia they gave me the same answer: we are going to teach people how to express patriotic feelings and how they might demonstrate peacefully, and sternly remind them what is not permitted. This is where central planning fails. Lee Kuan Yew's understanding of the solution is deeper and goodness knows he believes in planning and control.

You cannot solve the problem of popular energy and passion by telling people to behave themselves. You have to educate them honestly about the substance of the issues, including controversial stuff, whether that means talking about China's vices or Japan's virtues. Only then will the passions get tamed. Only then will confidence not morph into arrogance. To face the future confidently, China must be able to face its past truthfully.

Fareed Zakaria is Editor of Newsweek International.
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CCC polls an eye-opener

SAIFUL ALAM

"DISCREPANCY of nearly one lakh votes, not a matter of joke!" This is how one individual expressed his reaction in the aftermath of the CCC poll results. Indeed it belied all predictions of neck-to-neck fight, rather turning out to be a one-sided game at the end of the day. All parties involved heaved a sigh of relief as the elections passed off peacefully barring a few stray incidents that are typical in a society like ours. The victor and the vanquished both deserve to be highly appreciated for exchanging greetings which is rare in our political culture.

Although it was a civic body election, it assumed the political dimension of a national event with the ruling alliance mobilising its high profile ministers and MPs and the opposition under the banner of Nagorik Committee gathering almost all leading opposition stalwarts for the election campaign. But at the end it appeared that the voters had already made up their minds. It was a clear manifestation of triumph of people power. It was also people power that perhaps thwarted what many suspected could turn out to be a last minute "vote fraud campaign" to alter the results.

It was a race neither party could afford to lose. So much was at stake for both of the contending parties at a time when the general election is not too far off. The win or loss meant so much to the parties that they would like to read into the outcome not only the will of the citizens of the port city, but also of the electorate of the entire country. Many would conclude that the majority who voted against Mir Nasir in fact voted not only against him, but also against the ruling alliance. The election result is a sign that the government should read carefully and correct their faults.

On the other hand, parties now looking for a united stand to see the ruling alliance off in the next parliamentary election have a great lesson to learn from the election. It is that they will have to be on guard to make sure that the voters' will gets reflected in the result. The mayoral election had a concentration of workers and leaders. So

day of election approaching nearer, the air was ripe with rumours that one party or other would rig the election as the neutrality of the administration was in doubt. The suspense reached its zenith on the evening of the election day when vote counting was abruptly suspended for unknown

reasons for quite some time. But an uncompromising EC finally succeeded in presenting a reasonably free, fair, and violence-free election to re-establish its independent image.

However all was not quiet on the election front, as the helplessness of the EC was exposed through this poll. Various controversies and irregularities in the appointment of polling officers and the role of EC secretariat and police have once again emphasised the demands for reforms to the EC to make it stronger and let it have an independent secretariat with adequate manpower and logistics so that the EC can appoint its own officials as returning officers. There is a lesson for the EC from CCC polls. If holding a city corporation election

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modities, widespread corruption, abduction of businessman like Jamaluddin, and open secret extortion in the commercial capital. Other reasons included excessive dependence on a particular alliance partner and projection of Mir Nasir as a member of the Zia family by Tareque Rahman, who seems to be the worst loser in this election as it was his first election campaign in favour of a party nominee and to which he attached much importance.

In the end, the debacle of the ruling alliance candidate in the CCC polls will give confidence to the opposition parties now agitating for reforms in the caretaker government system and EC. Now the Awami League and its allies in the movement for reforms will prepare to step up the combined movement, cashing in on the poll results, as the results will surely infuse some new life into the opposition camp. In fact, this was the first serious contest after the 2001 general election that had thrown the opposition to the sidelines of national politics. The CCC polls have also proved that the four-party alliance can be defeated by unity among the progressive and non-communal forces. So the opposition seems to be doing everything to continue this spirit until the next parliamentary elections.

Which is why, on the other hand, the ruling alliance, particularly BNP, appears to be looking for new allies, as the CCC poll has exposed the vulnerability of the alliance compared to the combined strength of the opposition. As a result, in coming days the nation may witness desperate game of alignment and realignment in both camps, centring on choosing reliable and effective partners to contest the next parliamentary elections. In this game, the role of main actor will be played by different splinter groups of the Jatiya Party and some Islamic parties and groups not related to the four-party alliance. In the new polarisation, the possibility of an emerging third force comprising some right-wing parties with heavy-weight leaders cannot be ruled out altogether.

Saiful Alam is a businessman.



The victorious Mayor of Chittagong.

ensure similar vigilance.

The election was a test for the Election Commission (EC) also, having seen its image dented after the much talked about Dhaka-10 by-election. During the campaign there was wide allegation of money power playing its part, distribution of saris, lungis, and cash among slum dwellers. It was also alleged that at times the tone of campaigning by government leaders amounted to intimidation. With the

How markets misread Putin

Far from destroying the economy, as some claim, the Yukos case in some ways is helping to stabilize it. After Khodorkovsky's arrest, the effective tax rates of large Russian companies shot up: Sibneft's went from 5 percent to 26 percent, Lukoil's from 16 percent to 30 percent and Mechel's from 4 percent to 28 percent. That's one reason the government is running a 12 percent surplus for the first quarter and is scheduled to have a 4 percent surplus for the entire year.

WILLIAM BROWDER

GLOBAL equity investors are taking their cues on Russia from the headlines about Yukos, which portrays President Putin as a dictator destroying the nation's most efficient oil company. Indeed Moscow is now the cheapest stock market in the world, trading at a 50 percent discount to other emerging markets, with a price-to-earnings ratio of 6.3. The earnings yield of Russian companies, or their earnings divided by their stock price, is rising, reflecting a growing fear of holding Russian stock. In the last two weeks, anticipating what everyone expects will be a guilty verdict in the trial of former Yukos

brazen of the oligarchs, the group of 22 individuals who seized control of 40 percent of the economy in the corrupt privatizations of the 1990s, then exerted enormous energy to avoid sharing the wealth. Putin was elected in 2000 with a mandate to rein in these billionaires. When Khodorkovsky and his colleagues started throwing money at nearly every political party in the 2003 parliamentary elections, he landed in jail. Yukos was destroyed not because Putin didn't care for foreign investors. He just cared much more about stopping the oligarchs.

Fear of renationalization is also fed by a misunderstanding of the Russian system, which still falls woefully short of the rule of law. When the Kremlin

as some claim, the Yukos case in some ways is helping to stabilize it. After Khodorkovsky's arrest, the effective tax rates of large Russian companies shot up: Sibneft's went from 5 percent to 26 percent, Lukoil's from 16 percent to 30 percent and Mechel's from 4 percent to 28 percent. That's one reason the government is running a 12 percent surplus for the first quarter and is scheduled to have a 4 percent surplus for the entire year.

Another reason for the surplus is that Putin continues to push ahead with fiscally conservative economic reforms, once again, contrary to popular belief in the West. Despite all the attention paid to the rise of former KGB men, or siloviki, in the Putin government, the liberals still hold the key economic posts, including the Ministry of Finance and the Ministry of Economics and Trade. They are busting local monopolies and pushing through key banking reforms like deposit insurance. Rather than spending Russia's oil windfall, as most governments would, they have placed it in the rainy-day Stabilization Fund that now holds more than \$25 billion. No wonder bond buyers love Russia.

They aren't the only ones. For all the talk about how the Kremlin is chasing off foreign investors, Putin has given repeated personal assurances that there is no renationalization plan. Foreign strategic investors are listening. Foreign direct investment in Russia has tripled since 2002, from \$3.5 billion to more than \$13 billion, including recent deals by GE and Coca-Cola. Confidence received another boost in March, when Putin proposed a general amnesty over all of the 1990's privatization deals, removing a renationalization threat from many Russian blue chips.

It's only the fickle foreigners playing hot money in stocks who have lost confidence in Russia, but that will change. As the days go by and they see there is no renationalization program, they will regain their faith, at first slowly. Then in 2008, after a peaceful transfer of power from Putin — and there is every reason to expect it to be peaceful — today's excessive pessimism will almost certainly give way to tomorrow's excessive optimism, as we have seen so often before. In the end, Putin will be remembered, probably far too fondly, as the reformer who made it all possible.

William Browder manages the \$1.3 billion Hermitage Fund, the largest

Russia-dedicated investment fund
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Russia's new strongman.

CEO Mikhail Khodorkovsky, the market fell 7 percent more. Interestingly, those who buy bonds have an opposite view of Russia. The yields on 25-year Russian bonds have dropped from 12 percent to 6 percent over the last two-and-a-half years, reflecting confidence that with economic growth of 7 percent a year, the Kremlin will repay its debts. As a result, Russia's equity risk premium — the difference between the earnings and bond yields and a quantitative measure of fear in the stock market has grown dramatically. It stands at a record high of 9.6 percent and is higher than that of any other country in the world. What that tells us is that shareholders fear their assets could be renationalized at any moment, just as Yukos was.

reviewed Yukos's tax receipts, it came up with a back tax bill of \$27 billion — an absurdly high figure clearly intended to undo the company. Contrary to the criticism that this was selective justice, the Kremlin is issuing tax bills to everyone. Unlike Yukos, however, the bills are usually negotiated to a level that allows the state to declare victory, and the company to thrive. This murky process is more akin to the Italian than to the American tax system.

Putin is an honest nationalist. Consider that his predecessor Boris Yeltsin presided over a system which allowed 30 percent of the Russian economy to be privatized for \$1.2 billion. Putin has been able to privatize just 0.4 percent of the economy for \$4.7 billion, a return nearly 300 times greater with no apparent quid pro quo. Those who know Putin best, the Russian people, continue to reward him with a 66 percent approval rating. Far from destroying the economy,

Uzbekistan carnage: This time we knew

SAAD S. KHAN

PAINFUL was the massacre of unarmed civilians, women and children included, in Uzbekistan last week; its scale being double that of the last year's Beslan school massacre, principally because this time it were the government forces, not terrorists, who were the killers. More so, because in the wake of the pro-democracy waves in three former Soviet republics in the very recent past, this time we knew exactly what was going to happen and we, the so-called civilized world, let it happen.

The Islam Karimov regime, known for its ruthlessness, dithered before going for a bloodbath, and proceeded only when the White House gave a green signal, clearly and unequivocally. Yes, the White House spokesman Scott McClellan did intervene to urge "both the sides" to show restraint and to resolve the issue peacefully. What does this mean other than a blanket license to the aggressor to go ahead?

The outsourcing of massacre, as the above instance has shown, is not beyond the agenda of President Bush. Admittedly, there would have been no democracy in Ukraine, Georgia, and the Baltic republics if the erstwhile leadership had not known that they simply could not get away with shooting at civilian crowds. It was not so in Uzbekistan, as no such message was sent to Tashkent.

Islam Karimov wants to eliminate extremists — good enough — but wait a moment, have we not taken this argument too far? What if the recently convicted American accused of raping eight women before strangulating them to death had claimed that the women were actually "extremists"? What if the 46-year old cannibal in Germany accused of eating the flesh of the man murdered by him justified it on the plea that the victim was a "traitor"? What if the 24 year old Japanese, now arrested, on charges of raping a 19-year old girl for three months, makes the plea that she was actually a "radical"?

With the whole country a virtual prison, how many unarmed and peaceful "extremists" would the "peace-loving" Karimov kill, torture, or maim, to fulfill his desire for an extremist-free country. How many more people must die, be boiled alive, receive electric shocks, and be stripped naked publicly for the country to remain hostage to the personal whims of a single usurper and his family and cronies?

As a starting point, I do not dispute what Karimov alleged and Scott McClellan confirmed, that the people killed, 81 women and 67 school-age children included, were "bandits" and "terrorists." But four crimes stand testified to by multiple eye-witness sources; one, that many of the wounded were shot point blank in the head and killed; two, the agonized relatives who

boss's poodle, Mr. Blair, who also happens to be the Prime Minister of Britain, had the temerity to sack a career civil servant, Craig Murray, the British Ambassador to Tashkent for speaking up against the most heinous of human rights abuses only last year.

The Uzbekistan economy is in tatters, thanks to mismanagement and rampant corruption. The stan-

"bandit." The consternation and anxiety among the families of 23 traders of Andijan, who were initially held on account of selling cheap goods from neighboring Kyrgyzstan, in violation of Karimov's irrational and untenable ban, but now on a mock trial for terrorism, is completely understandable. True, confessions for having links to terrorism were elicited under

many men? The eyewitness accounts suggest otherwise. Only one police officer was killed when an infuriated protester shot him dead before getting killed himself. And four troops were shot dead by a colonel for refusing to fire into the crowds. This was all of the government losses. And among the civilians, one may only make guesses, only to find to one's horror that wildest guesses were actually under-estimations.

The corpses littering the streets of Andijan were the casualties of the US obsession with Al Qaeda. Al Qaeda has direct proven responsibility for less than 3,500 deaths in the past decade, but our psychological hang up with Al Qaeda has killed directly or indirectly 100,000 people in Iraq, Afghanistan, and elsewhere in as many years.

If we do not want to see many more American and British lives being lost, a decade hence, protecting oil and gas reserves in Uzbekistan, we need to act now. What has happened, has happened. The world community, including the United Nations, the OSCE and the Western powers, must now intervene to stem the tide of Iraqization of Uzbekistan.

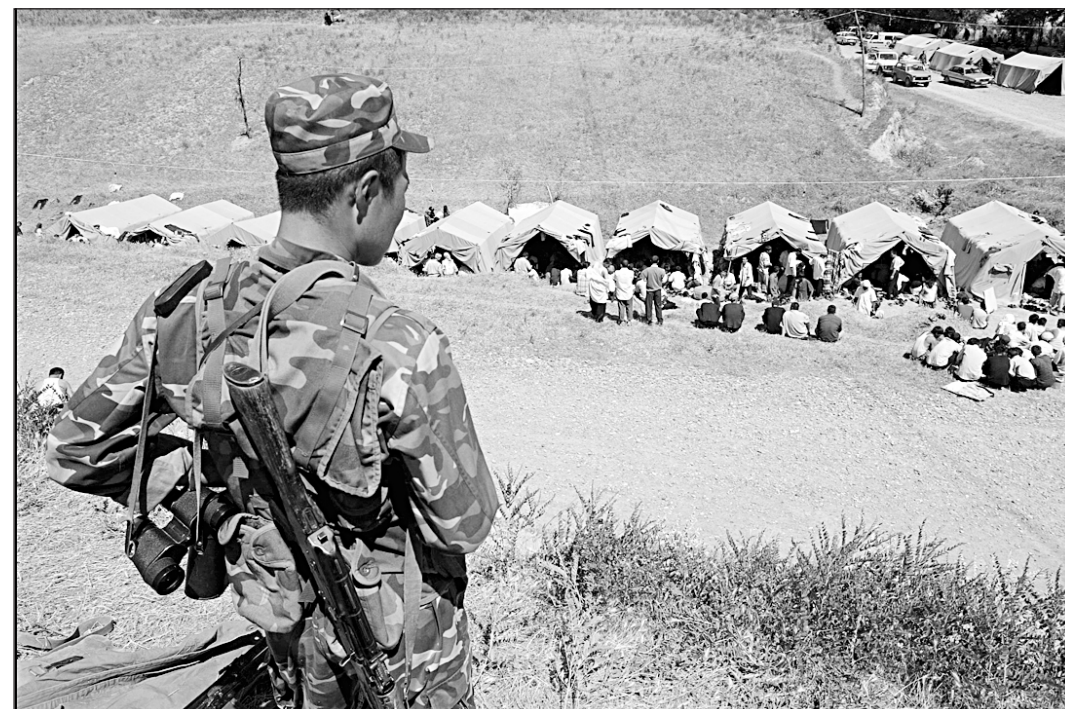
First, it must ensure an immediate international inquiry to be conducted to apportion responsibility for the bloodbath. Secondly, it must help trace the missing persons so that they do not get extra-judicially eliminated. Meanwhile, thirdly, it must monitor the trials of the hundreds of persons arrested to see that the whole exercise is fair.

While, thirdly, it must monitor the trials of the hundreds of persons arrested to see that the whole exercise is fair. It must, however, be borne in mind that eliminating political prisoners in stage-managed prison riots has become a fashion from Algiers to Manila, especially when all eyes are focusing on justice to be done in the trial rooms. So, fourthly, the prisons need to be monitored.

If the present leadership of the free world fails history, posterity will never forgive them, and Western journalists, businessmen, and contractors, would be among those on whom the Uzbek history will take its revenge, like what has happened in Somalia, Lebanon, Iraq, and Afghanistan in the not too distant past.

The writer is an Oxford-published analyst on issues of democracy, governance, and the rule of law in the Muslim world.

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Uzbek refugees fleeing the massacre to Kyrgyzstan.

came to receive dead bodies were kicked, insulted, and beaten up; three, the people who were fleeing to Kyrgyzstan were shot at from behind; and four, over two scores of unexplained disappearances have taken place since the riots of persons believed to have been active in the protests. Killing the wounded, mistreating the claimants of dead bodies, firing at fleeing people, and disappearances are crimes against humanity by any standards.

The democratic credentials of US Secretary of State Condoleezza Rice and her deputy, a gentleman named Tony Blair, must now be inquired into. While Dr. Rice's diplomatically coated jargon hints at approval for the massacre, her

dard of living has plummeted to levels where people do not know how to feed their families. Add to this, the government's whimsical policies, including forcing the farmers to sell their harvest to the government below cost price, crackdown on cheap goods, confiscation of merchandise on flimsiest of pretexts, closure of a popular private bank last year, and more seriously the "cotton slavery," i.e. men and women, including doctors and engineers, forced into government buses and made to do unpaid labour at the farms during cotton harvest season, each year. Life is bitter in Uzbekistan and if somebody protests, be he a journalist, a lawyer or a human rights activist, Karimov has him shot on suspicion of being a

extreme torture, but when the judgments were going to be announced by the kangaroo courts, the families came out on the streets as a spontaneous reaction. The emotion and fury continued to rise, until the contempt and hatred for the Karimov regime, became the leading factor for the sloganeering crowds.

Karimov dithered for a couple of days, and once assured of no interference by Washington and London, he ordered a massacre. He has recently accepted the figure of 169 deaths in the carnage, including 32 security men, only to underline the latter figure of deaths from his forces. Was it an armed fight after all, where government forces lost so