



Institute of Strategic and International Studies (ISIS) Malaysia

**POLITICAL CONFLICTS
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Prospects and Challenges

The future of Sino-Japanese relations is bright, but the two sides should also look out for potential problems

By FENG ZHAOKUI

Japanese Prime Minister Taro Aso paid a visit to China on April 29-30, during which he expressed his confidence in the future of the Sino-Japanese relationship. He said that since cooperation between Japan and China had been developing steadily in every area, he no longer saw the need for analogies to the seasons in discussing bilateral relations.

People are now fairly optimistic about the future of Sino-Japanese relations. Both sides realize that only cooperation can push forward each country's development and prosperity, which will also promote peace and prosperity in Asia as a whole. But there are also chances for friction between the two countries because of differences in national interests, histories, cultures and traditions.

Bright future

In recent years, Japanese researchers have held many discussions on the topic of national interests. As a result, more and more Japanese realize the country's diplomacy should be based on what is good for Japan. As famous American historian and diplomat Edwin O. Reischauer pointed out, Japan relies on foreign trade more than other countries do, giving it a higher stake in a peaceful world and open markets. Therefore, its relations with China should have a rational and solid basis. Peace will bring benefits to both China and Japan, while confrontation can only do them harm. Developing the bilateral relations is thus in line with the two countries' national interests, and the idea is gaining wider support among people on both sides.

Today's world faces three major threats—the global financial crisis, environmental degradation and epidemic diseases. All countries, especially major powers, should enhance coordination rather than clash with each other, so as to deal with the common challenges they face. The question before China and Japan, a pair of neighbors, is no longer whether to coordinate, but how to coordinate, due to their common interests in protecting the environment. Seeking common ground is playing a bigger role in developing bilateral relations.

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During the Bush and Obama administrations, the Sino-U.S. relationship has overall been steady. Although Japanese experts differ on whether the improved Sino-U.S. relationship will benefit Japan, they agree on the need to seek balanced Sino-U.S.-Japanese ties and push forward a trilateral strategic dialogue. It seems likely that, in the foreseeable future, the U.S.-Japanese alliance will remain largely unchanged, while the improved Sino-U.S. relations might lead to an improved Sino-Japanese relationship as well.

For a long time, historical issues and the Taiwan question have been the two complex issues influencing Sino-Japanese ties. Now the improving cross-straits ties is also warming up Sino-Japanese relations, because an important purpose of the U.S.-Japanese military alliance is for the two sides to step in should there be conflict across the Taiwan Straits. Since the current U.S. administration has expressed its desire for improved cross-straits relations, scholars believe Taiwan will become a less sensitive issue in Sino-U.S. relations. As the possibility of war between China and the United States over "Taiwan independence" grows dimmer, so does the potential for a Sino-Japanese clash. The Taiwan question will be a weaker threat to the Sino-Japanese relations.

The current global financial turmoil and economic recession, which was triggered by the U.S. sub-prime mortgage crisis, has raised questions about free and indulgent capitalism and the capitalist model. Japan's capitalist model of development has influenced many developing countries in Asia, including China. In its opening-up policy, China has been careful to learn from Japan's development after World War II. But the global financial crisis has made Asian countries realize that they should develop a development model that benefits not just one country, but the whole region. China became Japan's top trade partner in 2007. Meanwhile, the Japanese economy has become more oriented toward the Asian economy. By jointly revitalizing Asian development, China and Japan can be strong partners rather than adversaries.

Challenges ahead

There are many reasons to feel optimistic about the future of Sino-Japanese relations, but there are also problems the

two countries should pay more attention to, before they may block the development of bilateral ties.

Nowadays, China is not as bound to its past precondition for developing the Sino-Japanese relationship, which was to settle the historical issues between them. The Japanese Government has apologized several times for the atrocities it committed in China during World War II. But this does not mean the two countries have completely reconciled. Without such reconciliation, historical issues will remain sensitive to the Chinese people. Japanese of younger generations have difficulty understanding this sensitivity because they did not live the history.

How to respond to China's peaceful growth is a new topic to Japan. Information from Japanese media reflects the Japanese public's complicated and varied psychological reactions. During his visit, Aso said that he believes China's economic development created opportunities for the international community, including Japan. He said Japan had observed China's peaceful development strategy and its confidence in realizing common peace and prosperity in the world, and looked forward to seeing China's corresponding activities. He claimed that neither Japan nor China would become giant military powers or pose a threat to one another. Instead, they should make joint efforts for peace and development, which was also what the international community expected of them, he said. Most Chinese media considered Aso's words a dismissal of the "China threat" theory, but what Aso actually stressed is global expectations for the two countries. Some Japanese feel unbalanced by China's rapid development, but at the same time they recognize that China still faces serious problems in its economic development, such as environmental problems and wide gaps between the rich and the poor as well as those between urban and rural areas. Some Japanese still look down their noses at China. Japanese media also like to point out China's faults, to prove Japan is in a much better position.

As some Japanese diplomats have pointed out, both countries should pay attention to controlling their nationalistic tendencies, which could be a big obstacle to developing bilateral ties. Nationalism in one country can easily stoke nationalism in the other.



HUANG JINGWEN

BILATERAL TALKS: Chinese President Hu Jintao (right) exchanges views with visiting Japanese Prime Minister Taro Aso (left) on April 30 in Beijing

Portfolio

The most outstanding achievements of Aso's visit to China were in three fields: bilateral economic cooperation; energy saving, environmental protection and climate change; and people-to-people exchanges.

Leaders of the two countries discussed how to jointly deal with the financial crisis. They also exchanged views on opposing trade protectionism, strengthening international finance monitoring and pushing through international financial reform. The two sides also agreed to restart high-level economic dialogue on bilateral economic cooperation. Moreover, they moved to open charter flights between Tokyo and Beijing. The two sides will strengthen their cooperation under mechanisms like the East Asia Summit and the ASEAN+3 Summit so as to promote peace, stability and development in Asia.

On the environment, the two sides will launch new programs on energy-saving, environmental protection, extreme weather control and climate change, like purifying polluted lakes and improving energy efficiency at power plants. China and Japan will deepen their cooperation through more than 500 environmental programs.

The two sides paid more attention to people-to-people exchanges, especially between young people. Aso also suggested setting up a Japan-China future leadership dialogue mechanism.

Moreover, leaders of the two countries exchanged views on global issues like influenza A/H1N1, the nuclear issue on the Korean Peninsula and nonproliferation.

The sovereignty dispute over the Diaoyu Islands and the oil fields beneath them could also threaten healthy ties between China and Japan. The two countries' wisdom will be tested as they try to balance the urgent need to exploit ocean resources with their competing territorial claims.

During their meetings, Chinese and Japanese leaders discussed the poisoned dumpling issue that made headlines in early 2008. At the time, the issue reflected the lack of understanding between the Chinese and Japanese people. After being excessively reported and exaggerated in Japan, the dumpling issue came to symbolize unsafe products imported from China. It caused China's favorability rating among Japanese citizens to decline. Japanese experts confirmed the sanitation conditions of Chinese food plants, finding some to be superior to food processing factories in Japan. Statistics from the Japanese Ministry of Health, Labor and Welfare also showed that Chinese foods are of better quality than those imported from the United States. The giant volume of food imports from China gives rise to more cases about Chinese food quality, but it also shows the close food trade relations between the two countries. Nonetheless, China and Japan need to establish a mechanism to prevent issues from hurting the bilateral relations. ■



Myanmar after the cyclone

When the help dries up

KYAUNDA

One year on, cyclone Nargis is still taking a toll on its Burmese victims

IF A few small gold earrings escaped the cyclone the villagers pawn them, otherwise they pawn their clothes. They complain that moneylenders advance only a fraction of the item's value. And, with an interest rate of 30% a month, they can rarely afford to redeem their collateral.

Life is still desperate for the survivors of cyclone Nargis, which crashed ashore a year ago killing at least 140,000 in Myanmar and devastating the lives of 2.4m others. In the village of Kyaunda, near the mouth of the Irrawaddy delta, almost every house was lost. The process of replacing them with inferior bamboo shacks is not yet complete. Paddy fields and aquifers are still contaminated with salt water. Fishing boats, and the fish themselves, were washed away. The greatest needs, locals say, are for food and shelter.

Initially the callousness and incompetence of Myanmar's ruling junta hampered the aid effort. Now the obstacles are a shortage of funds and foreign squeamishness about dealing with the junta. In the weeks after the disaster it blocked foreign access to the delta and stalled aid shipments. But some aid did soon reach the survivors, from international agencies already working in Myanmar. And ordinary Burmese people and monks gave crucial assistance. After a few weeks a tripartite

mechanism involving the regime, the United Nations and the Association of South-East Asian Nations (ASEAN), the regional block, was established and eased barriers such as the visas aid workers need, and the permits required to import equipment.

The leaders of the international rescue operation insist that everyone received some assistance, and the feared secondary wave of deaths was averted. By October 2008 the UN's World Food Programme (WFP) had reached 1.1m people, exceeding the 920,000 it originally envisaged.

If basic needs were eventually met, however, the recovery phase has barely begun. Some 500,000 people still have no permanent home, 200,000 have no access to fresh water and 350,000 are receiving WFP food aid. Indebtedness has soared because survivors have no way of making a living. The problem, according to agencies, is a lack of funds. Only two-thirds of the original target for last year's appeal, of \$477m, was achieved, a fraction of what Aceh, on the Indonesian island of Sumatra, received after the tsunami of December 2004. A fresh appeal for \$69m for reconstruction for the next three years has received only \$100m so far.

There is a taboo against giving aid to Myanmar for fear of bolstering the dreadful regime. But the price may be the deeper

suffering of its people. The country receives \$2.80 per head in foreign aid, compared with \$55 for Sudan and \$49 for the communist dictatorship next door in Laos. In particular, almost no one wants to finance infrastructure; so schools, clinics, raised footpaths, fishing jetties and bridges in the watery delta have not been rebuilt.

A recent expression of this tendency is a controversial report from Johns Hopkins University in Baltimore, which called for a moratorium on aid to cyclone victims. The report alleged widespread misappropriation of aid and the use of forced labour by the army in the delta. It received withering criticism from aid agencies and diplomats.

The response to the report may show that attitudes to delivering aid in Myanmar are changing. Agencies working inside the country hope so: to respond to the cyclone some had to divert resources from other parts of the country where the situation is scarcely less awful than in the delta. They believe they have proved that, despite the huge problems, aid can be delivered effectively in Myanmar.

If they win the argument, the next question will be how to spend it. Most Western governments prohibit the routing of any of their aid money through the regime. Some Europeans are reconsidering even that, though the European Union this week renewed its sanctions directed at members of the junta and at the export of Burmese gems, timber and metals. Japan and some UN agencies already attempt to co-operate with the government on health and education. And some of the independent Burmese groups that emerged to help cyclone survivors are still active. It is hard to argue when they say they deserve some help from abroad. ■

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Banyan | A watched frog never boils

Peace is breaking out across the Taiwan Strait. Presumably, that is good for Taiwan



LOCAL gloom holds sway, from Pakistan to North Korea, in so many corners of Banyan's woods, and an economic pall hangs over nearly all. So it is nice to stumble into a sunlit clearing once in a while.

Taiwan is such a clearing, and the sunlight is its improving relationship with China. Ground-breaking recent agreements on cross-strait travel and investment promise profound consequences for Taiwan. And after a dozen failed attempts to join the World Health Organisation (WHO), Taiwan at last won China's agreement to be invited to the WHO's World Health Assembly this month, though merely as an observer.

President Ma Ying-jeou of the Kuomintang (KMT or Nationalist Party) has presided over the change. He came to office a year ago determined to alter the course of his predecessor, Chen Shui-bian of the Democratic Progressive Party (DPP). For eight years, Mr Chen aired his independence-minded views with increasing abandon. China seethed. It views Taiwan as the last unfinished bit of a civil war in which the Chinese Communist Party drove the KMT off the mainland in 1949. It promises war if Taiwan ever declares independence. The tensions were not all Mr Chen's doing, since China rebuffed early overtures. Still, by the end of Mr Chen's term, relations with the United States, Taiwan's protector, were badly strained, too. It was conceivable that Taiwanese provocation might drag America into a conflict with China, dashing hopes of an Asia-led 21st century.

Mr Ma promised a more conciliatory line. The WHO breakthrough is being celebrated in Taiwan as proof it is paying off. This will be the first delegation to represent Taiwan at a UN event since the island lost its seat to China in 1971. Cross-strait relations are the stuff of debate and disagreement, but most Taiwanese see the deal as gaining the kind of "international space" which China has long sought to constrict. Perhaps China reckoned that obstructing Taiwan did nothing for the image China is polishing for itself as a responsible global power. And without its long-planned gesture, progress on cross-strait ties would be harder. China's long-term strategy for Taiwan is sometimes likened to boiling a frog in water, over a flame so low the frog does not feel it. But first you have to get the frog to plop into the pan.

And so the cross-strait agreements may prove to be the more

far-reaching for Taiwan. Direct flights will more than double, to 270 a week. The two sides agreed on a framework to allow financial firms to set up in each other's country. And Taiwan agreed to open up to Chinese investment. Until now Taiwan, which has up to \$400 billion invested in China, allowed almost nothing in return, citing national security. Now, both companies and fund-managers will be allowed in. Already, China Mobile's purchase at the end of April of a 12% stake in a Taiwanese telecoms firm, Far EasTone, marks the first big mainland investment in Taiwan since 1949, a harbinger of much more to come (see page 59).

Of the two sides, Taiwan stands to gain hugely more from all this. Its strengths are in fields such as electronics, information technology and biotechnology. Even with Chinese involvement, these industries will stay in Taiwan, for they depend on decent regulation and copyright protection, both lacking on the mainland. Meanwhile, top Taiwanese brands will get readier access to China's huge domestic market, so shielding Taiwan's exports somewhat from the vagaries of the global economy. More mainland Chinese visitors, already running at 3,000 a day, will be a boost to flagging tourism. (Hoteliers report that groups first lock themselves in their rooms, to gawp gobsnacked at politicians being insulted on television chat shows.) Recently a pariah among foreign investors because of poor cross-strait relations, Taiwan has suddenly become the only bull-market story in town.

For some in Taiwan, notably in the DPP, the risks are only beginning as China puts the pan on the heat. Deeper economic integration, they say, will dangerously narrow Taiwan's options as China moves towards the endgame of unification. Yet Mr Chen's tenure undermined these arguments. His legacy is very nearly destroyed. Family members have admitted to venality, and Mr Chen himself sits in jail accused of graft and embezzlement. On May 5th prosecutors filed yet more charges of bribe-taking and influence-peddling. The sanctimony of the KMT, once one of the world's most thuggish and corrupt political parties, but largely spared by the present judicial system, is grotesque. Yet Mr Chen and his approach are discredited, the DPP in tatters.

Enmeshing China too

So at least until 2012, the date of the next presidential election, Mr Ma and his colleagues will make the opposite case. The chairman of his Mainland Affairs Council, Lai Shin-yuan, says that economic integration will increase security by making Taiwan so valuable for China that it will think twice about jeopardising stability. Others argue that an unprovocative island more firmly enmeshed in the global economy will bring about greater American commitment. For now, the United States is delighted at the rapprochement, and at a Beijing-Taipei-Washington triangle that for once is pretty harmonious. Ms Lai promises a "diplomatic truce" with Beijing and an end to a costly (and losing) battle to win diplomatic recognition from tinpot countries. Nor, she says, will political showmanship play any part in Taiwan's participation in the WHO assembly.

Mr Ma, as it happens, tapped Ms Lai from the pro-independence movement, a sign of the constraints on his policy. Even if he does harbour longings for a closer eventual union with China, its Communist rulers view the 58-year-old upstart as a liberal with ugly habits: advocating human rights and trimming his sails to suit the Taiwanese majority. For now, at least, the desire of that majority is, overwhelmingly, to keep Taiwan's sovereign arrangements—independent in fact if not law—exactly as they are. ■

► ministration would be illegal.

With a history of unstable coalitions, many Nepali politicians appear to think this mess normal. But with a peace to be won and constitution to be written, for which political consensus is required, these are not normal times. According to a 2006 peace agreement between the Maoists and their political opponents, some of the Maoists' 23,000-odd former fighters, currently in UN-supervised camps, should be integrated into the army. But General Katawal, egged on by the NC, UML and India, has resisted this. Indeed, many Nepali politicians say the agreement should be renegotiated, arguing that the Maoists have not kept their side of the bargain, for example by failing to control their thuggish youth wing. That is true. But tearing up the peace agreement will hardly encourage the Maoist leaders, with their standing army outside Kathmandu, to honour it. ■

The Sichuan earthquake

Salt in their wounds

JUYUAN

Bereaved parents treated like criminals

“CITIZENS of the disaster zone are marching towards a new life,” proclaimed China's president, Hu Jintao, on May 12th, a year after an earthquake in Sichuan Province left more than 86,000 dead or missing and millions homeless. But for all Mr Hu's talk of the victory won by China's colossal relief efforts, some survivors are deeply unhappy.

China's immediate response to the earthquake won international praise for its speed and openness. Journalists, who are often kept away from disaster scenes, were given largely unfettered access. But officials soon began trying to limit their access to the angry relatives of the thousands of children crushed to death by collapsing school buildings. While Mr Hu spoke at a ceremony attended by foreign diplomats in the badly hit town of Yingxiu, close to the epicentre, police around the zone were on heightened alert to prevent parents from airing their grievances.

In the town of Juyuan, about 20km (12.5 miles) south-east of Yingxiu, police surrounded the fenced-off remains of a middle school where hundreds of children were killed. Foreign journalists now have to register with the government to report from the earthquake zone. Officials in Dujiangyan, a nearby city, insisted that a government minder accompany your correspondent to Juyuan. But once there, three black-shirted security agents soon put a stop to the tour. They drove the visitors to a

police station where an officer declared that Juyuan was under “special controls”.

Buildings near Juyuan Middle School show few visible signs of earthquake damage. Parents suspect that this is because they were better constructed than the school's two collapsed buildings. In the days after the earthquake, senior officials vowed to investigate whether shoddy construction was to blame for the destruction of more than 7,000 classrooms in the disaster. But the issue was soon played down. It was not until a few days before the anniversary that the government finally gave a figure for the number of students killed or missing: 5,335. But officials also insisted that not one school had collapsed because of poor building quality.

Some of Juyuan's bereaved parents are not convinced. The father of a 15-year-old boy killed in the middle school accuses the local government of fearing a public investigation “because there is corruption involved”. Officials ordered this man and several other parents to join a sightseeing trip on May 12th, apparently to keep them out of town over the anniversary. Because of China's strict family-planning policy, many of the parents had only one child.

In Beijing, a prominent artist, Ai Weiwei, famous as a designer of the “bird's nest” Olympic stadium, has organised a team of more than 50 volunteers to travel around the earthquake zone and collect the names of students who were killed (he believes there were more than 7,000) and record interviews with their parents. He says team members have been stopped by police more than 20 times. The police usually confiscated or erased their recordings and threatened further retribution if they continued their work. On two occasions, volunteers were beaten. Several of the victims' parents as well as foreign journalists have suffered similar thuggery. Parents have been warned not to protest. Some who have refused have been told they will be treated as supporters of Falun Gong, an outlawed sect, or of Tibetan independence, says Mr Ai.

Officials have not directly attempted to stop Mr Ai's activities, but internet portals in Beijing often remove blog postings with updates on his name-gathering mission. In March police in Sichuan arrested an activist, Tan Zuoren, engaged in a project similar to Mr Ai's. He is still in custody, as is Huang Qi, who was charged last year with possessing state secrets after gathering information on collapsed schools.

Mr Ai says the refusal of central leaders to admit policy failures has exacerbated parents' frustration. In the 1990s, he says, shoddy school buildings were erected across China because of the government's drive to provide enough classrooms for all children to undergo nine years of compulsory education. Building costs were supposed to be shared by central and local au-



Remembering what was lost in the rubble

thorities, but the latter often failed to chip in. This led to quality problems.

A law took effect this month requiring that schools and hospitals be built to withstand quakes of magnitude eight, about the scale of Sichuan's. This will be only a crumb of comfort to Juyuan's grieving parents. They say local officials have banned them even from visiting the school's weed-filled compound to mourn. ■

Malaysian politics

Practising in Perak

BANGKOK

For federal battles to come

WHEN three legislators in Perak, one of five of opposition-ruled Malaysian states, switched sides in February, overturning a narrow majority in the 59-seat assembly, the United Malays National Organisation (UMNO) was cock-a-hoop. After a big electoral setback last year, the long-dominant UMNO was at last taking the fight to the opposition, led by its nemesis, Anwar Ibrahim, a former deputy prime minister. Loyalists credited the defections, reportedly induced by the threat of corruption probes, to the bare-knuckle tactics of Najib Razak, since sworn in as prime minister in place of the mild-mannered Abdullah Badawi. Taking back Perak was just the start, UMNO snarled.

Perak was indeed the start of something, but not the rollback of Malaysia's opposition, as foreseen by UMNO and its ►►

► ruling coalition partners. Instead it has snowballed into a constitutional crisis that reveals the wobbly underpinnings of a democracy yet to be tested by a handover of power at the federal level. On May 7th, amid scuffles at Perak's parliament, UMNO's man was installed as chief minister. Scores of people were arrested, including the speaker of the house, who was bundled away by plainclothes police. He had objected to the takeover as it had never been put to a vote in the assembly.

On May 11th it was the opposition's turn to crow. The High Court ruled that its man, Nizar Jamaluddin, was still the chief minister of Perak as his removal in February was illegal. He had been removed not, as is usual in parliamentary systems, by his elected peers but by Perak's sultan, one of Malaysia's hereditary state rulers. Sultan Azlan Shah had sealed the controversial takeover on February 5th, ignoring an appeal from Mr Jamaluddin to dissolve the house and hold snap elections.

The opposition's euphoria was short-lived. The next day UMNO successfully obtained a stay from an appeals court against the reinstatement of Mr Jamaluddin. That decision allowed Zambray Kadir, UMNO's candidate, to return on May 13th as caretaker chief minister. Grotesquely, in a blog posting, Mr Kadir likened his grubby power play to the struggles of Nelson Mandela and Mahatma Gandhi.

A fast-track deliberation by the appeals court should resolve the case in the next week or so. But the political fallout is much harder to fix. Should the obstreperous assembly reconvene, more scuffles are likely, says James Chin, a political scientist at Monash University's campus in Kuala Lumpur. One way out, it seems, is to hold fresh elections in Perak. Yet that is exactly what UMNO fears most after a run of embarrassing defeats in state and federal polls. Ministers complain that by-elections are a waste of public money. In the case of Perak, the legal and legislative routes have not been exhausted, argues Khairy Jamaluddin (no relation), a senior UMNO official.

The opposition is expected to win again in Perak, as it did in March 2008 in an election that saw the UMNO-led National Front lose its cherished two-thirds majority in parliament. Mr Anwar subsequently sought to persuade 30 ruling MPs to cross the floor, the same tactic used in Perak. His advisers argued that this was justified as he planned to dissolve the house and return power to the people, betting on victory. In the end, Mr Anwar's carrot went unbitten. But it dangles still, and UMNO knows it.

The bigger question posed by the proxy war in Perak is what happens if the levers of federal power should one day slip from UMNO's hands, as has seemed inevitable since last year's election. Entrenched political elites rarely go quietly. A politicised civil service and security apparatus might

Australia's budget

Stimulating stuff

CANBERRA

Rudd pins his hopes on Australia's luck holding

FOR more than a decade, Australia had enjoyed one of the biggest booms in its history, and a robust series of budget surpluses. When Kevin Rudd led the Labor Party to power in 2007, he promised, as a "fiscal conservative" to keep this ball rolling. But when Wayne Swan, his treasurer (finance minister), presented the government's second budget on May 12th, the ball had suddenly stopped. Mr Swan delivered an underlying cash deficit for 2009-10 of almost A\$58 billion (\$44 billion), or 4.9% of GDP, one of the largest ever. Only last year, an A\$20 billion surplus was forecast. The lucky country's reversal of fortune could hardly have been starker.

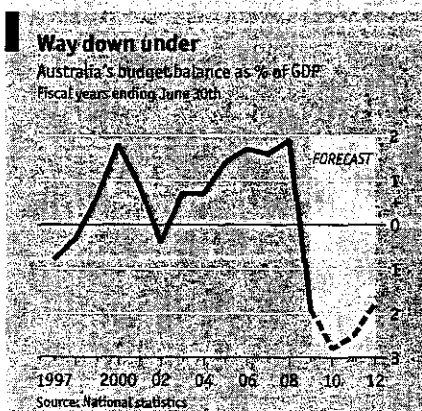
It mirrors the global downturn, but especially that in China, Australia's biggest trading partner. Just before the budget, the central bank revised earlier hopes that Australia might plough through all this. It says the economy has been contracting since late last year, and it will shrink by 0.5% up to mid-2010. This may sound mild compared with other rich countries. But the slump in commodity markets and prices has blown a hole in record company profits that underwrote much of the boom. The Treasury

says that tax revenues over the next four years will now be A\$210 billion less than expected.

This posed a stark choice for Mr Rudd. He has promised big spending on health, education and attacking climate change. Now, he has either to find some way of financing his plans, such as tax hikes, or to drop them. He chose neither course. Buoyed by public and pundit support for two stimulus packages since October, he turned the budget largely into a third stimulus. It invests A\$22 billion in infrastructure, including ports, interstate roads and new railways in Australia's big cities. Clean-energy projects, mainly solar and carbon capture from burning coal, will get A\$4.5 billion. Under pressure from an unlikely alliance of business and greens, Mr Rudd recently delayed by a year his plan for an emissions-trading scheme from 2010. The green budget measure turns the pressure back on his critics.

Mr Rudd plans to pay for all this by finding savings roughly equal to the infrastructure outlays. Richer Australians will sacrifice most. The government will slash tax breaks for private health insurance, pension contributions and other forms of middle-class welfare. Nevertheless, the government faces net debt to the tune of almost A\$200 billion in four years from money it will have to borrow to cover projected deficits.

But luck has not entirely deserted Australia. Having shunned toxic assets, its four big banks look healthy. The Treasury is predicting that growth will return to boom levels of 4.5% in just two years. That must assume China's demand for Australia's commodities revives. The contraction, meanwhile, is expected to raise unemployment to 8.5%, or about 1m people, by mid-2011. This will worry Mr Rudd as he faces an election by the end of 2010. For now, he has avoided imposing quite the horror budget many had feared.



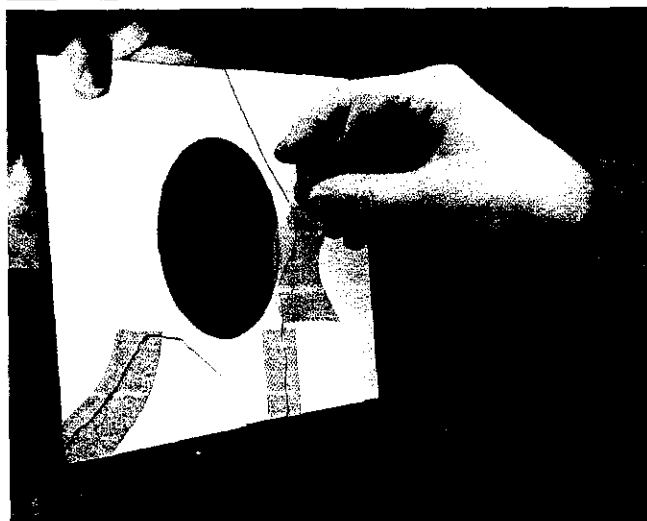
resist an opposition victory, and look to the judiciary and, possibly, the sultans for support. Mr Anwar knows this, and is courting power-brokers in the system. But the danger of civil unrest should not be dismissed lightly. That is particularly true if UMNO decides to play on tensions between Malaysia's majority Malays and its ethnic-Chinese and Indian minorities.

Until the Perak storm broke, Mr Najib had been steering a mildly reformist course. A handful of political prisoners have been freed, including ethnic Indians

jailed after rowdy anti-government protests in 2007. Regulations on Islamic banking and insurance, and on local-ownership restrictions in selected service sectors were liberalised. But the core grievances of non-Malays over statutory privileges for the Malays remain. These privileges, staunchly defended by UMNO, were introduced in 1971, two years after deadly race riots in Kuala Lumpur. The riots began after UMNO suffered election losses to Chinese-based opposition parties. The date, by coincidence, was May 13th 1969. ■

Banyan | Creative destruction

The need for change in Japan is pressing, but the callow opposition hardly seems up to the job



THERE is no revolution at the barricades, and on an early-summer Sunday the homeless in Tokyo's Yoyogi park form a polite long queue for the *bento* (packed lunch) boxes being handed out by a schoolgirl from a local church: the deepest bows come from those at the back who go away empty-handed. Yet as far as the problems of a rich country go, it is hard to exaggerate Japan's.

The global slump has hit the economy far harder than the famous bursting of its bubble did two decades ago. Government debt stands at twice the economy's annual output, dwarfing even Italy's. The export-led growth which drove a six-year recovery after 2002 has proved a chimera. Now, as Japan's 127m-strong population is set to fall, some predict, by more than a third over the next few decades, the working-age population will fall fastest, before a way has been found to pay for all the grey heads. Yet, under a nutty-sounding new policy the government is quietly bribing South American immigrants of Japanese extraction to return home for good. Other solutions to the crisis proposed by members of the ruling Liberal Democratic Party (LDP) include creating a brand-new currency, with which to flood the economy. Much else about the LDP is either crackpot or forlorn, suggesting that Japan's problems are political at root. And now, for the first time in Japan's post-war history, an opposition offers a feasible alternative to the LDP, which has run Japan for all but ten months since 1955.

Until this week, however, which brought the resignation of Ichiro Ozawa, imperious leader of the opposition Democratic Party of Japan (DPJ), that feasibility had once again been in doubt. Victory in the general election, which the prime minister, Taro Aso, is bound to call by September, was the DPJ's to lose. Mr Ozawa seemed determined to lose it. Not for nothing is he known as "the Destroyer". This spring he was implicated in a fund-raising scandal, in which an aide was indicted for receiving illegal donations from a construction company. That went down poorly with voters, underscoring how much Mr Ozawa's politics were still rooted in the murk of back rooms.

The 66-year-old Mr Ozawa had started out in the LDP, where his rise was as astounding as the quantities of enemies he made. Earlier than any politician, he had articulated the need for political reform and for Japan to come out from under its pacifist constitution to chart a more "normal" course in foreign affairs, shoul-

dering more of the burden of its own defence. He defected from the LDP in 1993 and, as the DPJ's head, has turned the party into a national force not just among the urban middle classes but in rural regions too. The strategy paid off in 2007, when the party won control of the upper house of the Diet (parliament), throwing the LDP into disarray. It is on its third prime minister since.

The latest scandal, however, had turned Mr Ozawa into an electoral liability for the DPJ. Stepping down may prove to be a rare constructive act in the Destroyer's career. His successor will present a fresh start in promoting a reformist agenda of fixing the pension and health systems, providing jobs and making government and bureaucracy more accountable.

"Fresh", however, is hardly the apt term for the two contenders for the leadership, to be decided on May 16th. One, Yukio Hatoyama, the secretary-general, is closely associated with the former leader and will be backed by Mr Ozawa's henchmen. Mr Ozawa himself may expect to wield more power from behind the throne than on it. The other, Katsuya Okada, led the DPJ to a crushing defeat in 2005 by the LDP under its former prime minister, Junichiro Koizumi. Fatally, he opposed Mr Koizumi's popular plans to privatise the postal-savings system. Both DPJ contenders are charisma-light insiders. But at least Mr Okada, who has admitted his 2005 electoral blunder, has hit a nerve in promising to campaign against the practice, common among LDP political families, of treating Diet seats as heritable sinecures. Over half Mr Aso's cabinet are the offspring of former politicians.

Searching for the new

Even so, the DPJ hardly offers a clean break with the sordid past. Like its predecessor as pretender to the LDP's crown, the Socialist Party, it has tended to be a rather tame opposition. Many of its members, indeed, are ex-Socialists. Others, Mr Hatoyama and Mr Okada included, are from the LDP. Mr Hatoyama has a brother in the cabinet. His grandfather, Ichiro Hatoyama, was an LDP founding father and arch-rival to Japan's most notable prime minister after the war, Shigeru Yoshida. Mr Yoshida, as it happens, was Mr Aso's grandfather, so this summer's election may play out as family rivalry. Further, the political careers of both Mr Hatoyama and Mr Okada have been bankrolled by immense family fortunes, just like those of many in the LDP. *Plus ça change.*

With Mr Ozawa gone, establishment meddlers, such as retired prime ministers and media magnates, will redouble efforts to get the LDP to propose a post-election "grand coalition" with the DPJ. After all, many have long viewed it as merely an errant LDP faction. Elsewhere, modernisers within the LDP are pondering defecting to the DPJ. Given the DPJ's inexperience—one reason why it depended so on Mr Ozawa—they might be welcome.

So the big test facing the DPJ is to dispel the suspicion that politics in Japan, more than any other rich democracy, is a top-down business arranged by a self-selecting elite, which rarely informs the public of its actions, much less consults them. Voters, of course, have in part themselves to blame for this. To date, they have too readily accepted what they are given, even when the political *bento* boxes prove empty. When they line up at the ballot boxes this summer, a resounding vote for the DPJ would show Japanese politicians they are accountable after all, and offer a chance to see if the DPJ can keep its promises. It might even elicit an explanation as to how the party is to pay for them. ■

► paksa. He said it would serve no purpose when the rebels were clearly holding civilians as human shields.

European Union foreign ministries have already urged an independent inquiry into alleged war-crimes by both the LTTE and the government. At a meeting in Brussels, they said they were appalled by the high number of civilian casualties in the fighting. Separately, David Miliband, Britain's foreign secretary, noted on May 19th that, though exact numbers may never be known, thousands of civilians have died. More than 250,000 have been displaced by the fighting and interned by the

government in camps, to which the access of the international humanitarian agencies is still restricted.

The ICRC has been excluded from the area of north-eastern Sri Lanka hardest hit by fighting in recent weeks. So it has been unable to obtain first-hand information about the needs of civilians and wounded people, including those needing urgent medical care. Many of those crammed into internment camps require humanitarian assistance that the government is not financially equipped to provide. The territorial conflict may be over but a humanitarian disaster is still unfolding. ■

Myanmar's beleaguered opposition

The isolation ward

YANGON

The junta's latest outrage and the debate over the West's failed Myanmar policies

APPEARING in a court in prison in Yangon this week Aung San Suu Kyi, Myanmar's opposition leader, appeared "composed, upright and crackling with energy", according to Mark Canning, Britain's ambassador. He was one of a handful of diplomats and journalists afforded a glimpse of proceedings. After spending most of the past two decades in more or less restrictive forms of detention, and recently in poor health, her composure is remarkable; all the more so given the almost laughable nature of the charges against her. She is accused of having broken the terms of her house arrest by offering hospitality to John Yettaw, an American who swam uninvited to her house across the adjacent lake, helped by plastic containers as floats and homemade wooden flippers.

The backdrop to this farce is an election expected early next year. It always seemed impossible that the junta would free Miss Suu Kyi before then. Mr Yettaw's hapless intrusion simply provides them with the flimsiest of pretexts not to. She still retains the popularity which gave her a sweeping victory in the country's election in 1990, a result the generals ignored. In preparation for the new poll, dissent has been quashed even more ruthlessly than usual. The number of political prisoners has doubled since 2007 to around 2,100.

There are many other reasons to dismiss next year's election as a sham. Last year a referendum on a new constitution recorded a 92% "yes" vote amid rampant manipulation. The "no" campaign was banned. The constitution, scheduled to take effect after the election, ensures the army's continued dominance of politics, with a quarter of parliament reserved for it, a ban on dissent and sweeping emergen-

cy powers for the chief of the army.

The process has almost nothing to do with democracy, yet many diplomats and observers regard it as the greatest political change for a generation. After four decades of absolute military rule, three-quarters of parliament and members of the new government itself will be civilians, or at least retired soldiers. It appears that some powers will be devolved to the provinces. The junta is undergoing a generational shift. Several generals, including the junta's leader, Senior General Than Shwe, are nearing retirement. This seems to be their



Not much left of the opposition

bid for a peaceful old age. Sceptical as they are about the hopes for progress, for many Burmese any change is better than none.

Miss Suu Kyi's National League for Democracy (NLD) has not ruled out contesting the election and some survivors of a mass uprising against the army in 1988 may stand. Optimists dream that the opposition might establish a foothold in parliament, or that a business-minded, civilian, political class might slowly emerge. More important than the stance of the NLD, almost obliterated by the junta, will be that of the myriad insurgent outfits representing Myanmar's non-Burmese ethnic groups. They are mostly observing cease-fires in the country's 60-year civil war, but are still undecided about the election.

Nor has the outside world decided how to view the process. In February Hillary Clinton, America's secretary of state, started a debate on Western policy when she said that neither sanctions nor engagement had worked. That debate may now be hijacked by the latest outrages.

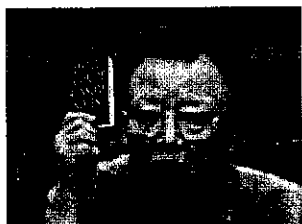
For decades after seizing power the generals clung to it by isolating the country themselves. After the massacres that ended the 1988 revolt, America and Europe began imposing sanctions, which both recently renewed. Meanwhile, the Burmese economy is suffering from years of mismanagement, sanctions and the impact of the global financial crisis on remittances and commodity exports. Inflation is running at around 30% a year. Millions face desperate hardship.

Yet Myanmar's rich resources of natural gas and other commodities, and the strategic access it offers western China to the Indian Ocean, mean that the country has no shortage of Asian trading partners. The regime attempted to open up to global investment in the mid-1990s, but many Western companies were quickly deterred again by divestment campaigns run by exiles and Western activists. Humanitarian aid has also been strictly limited, so that Myanmar receives \$2.80 of annual aid per head compared with \$55 for Sudan. Some senior foreign officials in Yangon argue for the return of the World Bank and the IMF, which left after 1988. With even a limited mandate they could help professionalise the utterly inept bureaucracy. Without that, any kind of reform process or political transition is probably impossible.

According to this view the top generals are wicked, but not everyone inside the system is. And given the state of Myanmar's economy, the choice may be between working with the government and not working with anyone. Those arguing for more engagement believe Myanmar's best hope is gradual change, assisted by exposure to Western influence. The junta has smashed its enemies so thoroughly that the only alternative, short of violent upheaval, might be no change at all. ■

Kim Jong Il's bombshell

Isolated it may be, but North Korea's antics do damage far beyond its own reach



HE HAS been coaxed, cajoled, censured and sanctioned. Yet whenever it suits North Korea's boss, Kim Jong Il, he spews out new threats. For years he has managed to extort cash, oil and other goodies for then quietening down, only to behave even more threateningly next time. Can nothing be done to make this serial rule-breaker blink?

With his second nuclear test and multiple missile launches (see page 27), North Korea's Dear Leader has ignored the hand that President Barack Obama has said he is ready to extend to America's erstwhile enemies. He has also delivered a nuclear-powered slap in the face to China, his semi-backer and the chief proponent for the past six years of a strategy of come-what-may patience, negotiation and perks in an effort to humour Mr Kim out of the bomb business. But patience is not always a virtue in dealing with a regime as practised at blackmail as Mr Kim's. For unless he now pays a seriously high price for his defiance, the message heard by others, particularly Iran, still mulling how far they should push their own nuclear plans is that they too can have a bomb—if they are prepared to be belligerent enough, for long enough.

Watch what he does, not what he says

Mr Kim has long played the nuclear game by his own rules. The aim of the other five around the negotiating table—America, South Korea, Japan, China and Russia—has been to get him to shut down his bomb factories and (after steadily increasing dollops of trade and investment, and in return for diplomatic ties with America) eventually to give up the bombs he has long claimed to have stashed away. Indeed, Mr Kim has promised, more than once, to do just that. Yet he has dragged out the process at every turn. It came as little surprise to those who always doubted his disarming intentions that the six-party talks came badly off track last year just at the point where tight verification rules were to be agreed upon so that outsiders could check that his promises were kept.

Now Mr Kim says he will “never” go back to the six-party talks. He wants North Korea to be accepted as a nuclear power, his officials say, just as India in practice has been. But you can be sure of one thing if the capricious Mr Kim is persuaded back to the table. With a second nuclear blast to boast of, the price will have gone up yet again. How does he get away with it? And does it really matter that such an isolated and impoverished contrarian keeps breaking all the anti-nuclear rules?

Mr Kim does not need his bombs to wreak havoc in South Korea, whose capital, Seoul, has long been within range of the North's artillery dug into the hills just over the border. Rather, he needs a “deterrent”, he says, to fend off a hostile America. And yet this latest nuclear test surely destroys North Korea's best chance in years to get on friendlier terms with the country it claims to fear most. That in turn leads dogged optimists to argue that this may be nothing more than a temporary diplomatic setback after all: the ailing Mr Kim needs the backing

of nuclear hardliners in the armed forces, they explain, to steady the regime while he lines up one of his sons to take over the family dynasty.

The thought should bring little comfort. For whether he is trying to hang on to power at home, or determined to cock an enduring nuclear snook at the world, makes little difference when Mr Kim clearly feels he has licence to bang on regardless and get away with it. He has shrugged off past half-hearted sanctions imposed on him by the United Nations Security Council and others. He knows that, whatever he does, some food aid will keep flowing in, since outsiders care more than he does for the plight of his often malnourished, sometimes starving, people. And he calculates that China, which controls most of the oil taps to North Korea, is fearful of a swelling influx of refugees if the economy collapses further. China says it “resolutely” opposes Mr Kim's latest nuclear and missile tests, but continues to oppose the sort of truly punishing sanctions that could make Mr Kim ponder the error of his ways.

With China's misguided protection, the harm the radioactive Mr Kim is doing just goes on spreading. There will be no stability in East Asia until he can be induced to cease his nuclear antics. His tests of increasingly sophisticated rockets were causing alarm in Japan—and talk of “rearmament” in some quarters there—even before hints that he is perfecting missile-mountable nuclear warheads to put on them.

Leaving Mr Kim free to demonstrate his nuclear wares also increases the danger that he will find new customers for them. North Korea had already secretly built a nuclear reactor in Syria before Israel destroyed it in an air raid. Before that some of Mr Kim's nuclear material had turned up in Libya, via the nuclear black market, before that country handed in all its bomb-making paraphernalia. A well-tested warhead design is both easier to hawk and more lucrative to sell.

North Korea is known to work closely with Iran on building nuclear-capable missiles. No one knows where their co-operation stops. Unlike Mr Kim, Iran insists it has no use for the bomb. Yet suspicions have mounted as Iran has invested in expensive technologies for enriching uranium and making plutonium (both possible bomb ingredients) before having a civilian nuclear-power industry that can make peaceful use of them. And though it claims to co-operate with UN inspectors, Iran refuses to answer their questions about studies and past experiments that have little or no plausible civilian purpose.

The fallout to come

But even if North Korean and Iranian scientists have kept their nuclear distance, the example Mr Kim sets and the failure of the UN, America, China and others collectively to do more than inconvenience him with trade restrictions on fast cars and Rolex watches will only cause Iran's suspicious neighbours, like North Korea's, to worry that time and the world's anti-nuclear rules are not on their side. Unless North Korea is checked, the fear and suspicion Mr Kim has created could set off a chain reaction of proliferation. If China is at all serious about joining America as a global leader, this is the time for it to shoulder its responsibility by helping to punish Mr Kim. ■



North Korea's nuclear test

On mushroom cloud two

BEIJING, SEOUL AND TOKYO

Bad behaviour from a repeat offender, but will the world agree to punish him?

THE news that North Korea had carried out a second underground nuclear test, on May 25th, nearly three years after what it claimed was its first, and that it created a bigger bang this time, drew swift international condemnation. The United Nations Security Council speedily condemned the nuclear effrontery. Even China, a supposed friend of the rogue regime, piled in. Unabashed, the forces of Kim Jong Il, North Korea's oddball dictator, subsequently fired off a handful of short-range missiles for good measure.

These fireworks follow the launch in April of a three-stage rocket over Japan and the Pacific. Until that point, it was still possible to argue that increasingly belligerent rhetoric from Mr Kim's regime was just his way of catching the attention of President Barack Obama's new administration. The pariah state had long said it wanted an accommodation with the United States that guaranteed its security. But engagement with the outside world now looks near the bottom of its priorities.

North Korea also says it has torn up the truce that ended the Korean war in 1953. This was provoked, it says, by South Korea's decision to join the American-led Proliferation Security Initiative, a group that aims to block shipments of weapons of mass destruction and related contraband. South Korea was reacting to Mr Kim's nuclear test; North Korea accused it of a "decla-

ration of war". With American and South Korean troops put on a higher alert, some kind of military clash looks possible.

North Korea has also said it is restarting its plutonium reprocessing plant at Yongbyon, closed since 2007 as part of a disarmament deal negotiated with America, South Korea, Japan, China and Russia. International nuclear inspectors have been kicked out of the country. There is also concern that North Korea will resume selling nuclear technology abroad.

Earlier this month North Korea told South Korean managers at the Kaesong industrial complex, not long ago seen as a symbol of warming ties on the peninsula, that they must sign new, costlier contracts for North Korean workers, or pack up and go. The chief North Korean negotiator of closer relations between North and South, once a confidant of Mr Kim, is rumoured to have been sent to a labour camp and even shot, possibly for taking bribes.

Mr Kim has played high-stakes games before, only to return to the six-party talks aimed at getting North Korea to dismantle his programmes in return for aid and security guarantees. With what looks to have been a successful nuclear test (the previous one fizzled) the stakes have again been raised. But the North's actions suggest it now wants to kill the six-party process.

Indeed, Mr Kim may have other things in mind. Not since the death of the divine

(and now eternally president) Kim Il Sung in 1994, and the accession to power of his son, the current leader, has North Korean behaviour appeared so erratic. One assumption is that Mr Kim is locked in negotiations over the anointing of his successor. He reportedly suffered a stroke last summer and in rare appearances since has looked a shadow of his former paunchy self. The chief surprise is that the 68-year-old Dear Leader had not set the succession in train years before. One explanation may be that his offspring appear an underwhelming lot, with no great lust for power.

In April his brother-in-law, Jang Song Thaek, was appointed to the crucial National Defence Commission. It is thought he could act as regent to Mr Kim's youngest son, Kim Jong Un, still in his 20s. Of two elder sons, Kim Jong Nam was nabbed in Japan in 2001 using a false passport. And Kim Jong Chol has so far shown most interest in that other divinity, Eric Clapton, whose concerts he attended in Germany.

Kim Jong Il, it is claimed in North Korea, was born on the slopes of Korea's sacred Paekdu mountain, and a double rainbow attended his birth. But for all that, he spent decades laying the groundwork to succeed his father, and even then many months passed before it was clear that Mr Kim was truly in command. The next succession will be trickier. That may explain why the jingoistic volume is now being cranked up, to show that Mr Kim has army support for his plans. In turn, senior commanders will be enjoying nuclear prestige.

All this leaves China in a quandary. The explosion could be felt in its north-eastern Jilin province. But the government in Beijing is more worried about turbulence in North Korea and the impact this could have on stability in its own borderlands. It is therefore likely to resist calls for tough

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► new sanctions on Mr Kim's regime.

Yet at the same time, it does not want to hear regional demands, especially from Japan, for stronger anti-missile defences or other weaponry that would undermine its military clout. American diplomats will point out to China that by putting a curb on Mr Kim they could help the United States reassure its ally, Japan, and help damp down any alarming talk of its rearming.

But the main diplomatic action has moved for now to the UN Security Council. North Korea's actions have been met with unanimous condemnation. Japan, within range of the North's missiles, is pushing hardest for punitive sanctions on top of the existing ones that have failed to bite. Indeed, sanctions agreed after Mr Kim's 2006 test were never fully implemented, after China managed to coax North Korea back into talks.

That policy has now been shown to have failed, though China still claims that negotiations provide the only solution. It has given no hint that it is prepared to punish its ally with anything more than a scolding. If so, others may take stronger action. America has in the past shown that financial sanctions on banks that deal with North Korea can cause both them and Mr Kim massive inconvenience.

As *The Economist* went to press, the Security Council was meeting behind closed doors to discuss a possible new resolution on North Korea. It is not certain what more can be done by way of sanctions, nor how firmly these could be implemented, even if they were agreed. Meanwhile, most members of the six-party process will want to make clear to North Korea that the door remains open to it, however much it wants to slam it shut. ■

Japanese politics

Noh debate

TOKYO

A vaunted political duel elicits yawns

THE Japanese public received a rare glimpse of parliamentary debate on May 27th, when Yukio Hatoyama, the new head of Japan's main opposition, the Democratic Party of Japan (DPJ), squared off against Taro Aso, the prime minister and head of the ruling Liberal Democratic Party (LDP). With an election to be called by September, at which the LDP is expected to lose power after 54 years of almost uninterrupted rule, this duel had been awaited eagerly. Many considered it an appetiser for an unusually engrossing Japanese election campaign. Moreover, the battle had history: Messrs Hatoyama and Aso



Hatoyama's hand of friendship

are grandsons of two former Japanese prime ministers who were themselves bitter rivals.

Yet the leaders personified their parties' shortcomings, with Mr Aso as the haughty old pro against Mr Hatoyama, a naïve idealist. "A politics of friendship and love," is how the 62-year-old Mr Hatoyama described his political ideal. Mr Aso flashed a characteristic sneer at this, but volunteered no alternative vision.

In a negative way, the two leaders also represent the country's disaffection with politics. More than half of Japanese want neither for their next prime minister, according to an opinion poll commissioned by *Nikkei*, a newspaper. But Mr Hatoyama, whom 29% of respondents opted for, came off better than Mr Aso, whom only 16% wanted as their leader. That was a big improvement for the DPJ on the ratings of their previous leader, Ichiro Ozawa, who resigned on May 11th after a fund-raising scandal involving his main political aide. A survey conducted in April found that only 9% wished to be led by Mr Ozawa.

But the memory of his leadership still haunts the DPJ and may damage its electoral prospects. Mr Ozawa arranged for Mr Hatoyama, a loyal lieutenant, to be his successor. Upon taking the reins he returned the favour by asking Mr Ozawa to oversee the party's election strategy. So Mr Ozawa—who is said to have kept control over the DPJ's budget, personnel appointments and policy decisions—has retained a good deal of his former power even as he has sought to escape the glare of public scrutiny. For example, he has stopped calling the weekly press conferences that top party officials routinely hold.

Whether Mr Hatoyama will emerge as his own man or a puppet of Mr Ozawa is unclear. He may feel that since he does not

represent the clean break that voters hoped for, he should promulgate a more reformist agenda than his predecessor did. Meanwhile he may spend much energy holding his party together; a jumble of former leftist politicians, bankers and bureaucrats, it is sorely divided.

If neither party wins a decent majority in the election, there may be more of this complexity, with both looking to bolster themselves with support from smaller parties—or breakaway factions of each other. The man Mr Hatoyama beat to lead the DPJ (but who is preferred by voters), Katsuya Okada, is already scouring Japan's smaller parties for potential allies.

The LDP is also readying for battle. It recently issued its parliamentarians with a three-volume manual on such matters as "using manners to win people's hearts", which urges members to practise smiling in front of a mirror each day. If its advice can help Mr Aso refrain from sniggering during future debates, it would be welcome, with leaders of both parties hoping to see these take place twice a month. Regular debates would represent a refreshing change in Japanese politics. If they were to involve discussion of serious issues, so much the better; but on past form that is sadly a lot to hope for. ■

Pakistan's borderland war

Swatting militants

BANAI BABA ZIARAT

A mass exodus as the Pakistani army presses into the Swat Valley

SURVEYING the snowy peaks of Swat, Major-General Sajjad Ghani says he wants to eliminate the "Taliban savages". His vantage, an airy ridge known as Banai Baba Ziarat, was captured by Pakistan's army last week, after an uphill battle. The general reckons that clearing the militants from Swat, the main theatre of an army offensive launched early this month, may take three months. But with public support for the campaign, he says, the army's morale is high; and the Taliban are in retreat.

The army claims to have killed 1,190 of an estimated 4,000 to 5,000 Taliban militants in Swat, for the loss of 75 soldiers. Most analysts suppose its losses are higher. And there are no reliable figures for civilian casualties, though hundreds are reported to have been killed or injured in cross-fire. According to the UN's estimate, some 2.4m have fled Swat and neighbouring regions to other parts of North-West Frontier Province (NWFP). Around 200,000 are in government camps, but most are depending on the hospitality of strangers. To assist them, the UN is appealing for \$600m; sev- ►

Banyan | The party goes on

Who, 20 years ago, would have thought that the Communist Party could come to this?



WHEN the tanks departed Beijing after the crackdown of June 1989, no one with an interest in China thought the matter ended. The Chinese Communist Party had won its battle for survival, but the war seemed unwinnable. All the more so after communism collapsed in Eastern Europe later that year, followed by the Soviet Union. Even China's lunge for breakneck growth from 1992 looked set to accelerate forces the party might not control. As the party's ideological and moral foundations crumbled, it was no longer clear what on earth it stood for.

China-watchers' scenarios ran from party collapse to a democratising path. As late as 1998 Bill Clinton was able to tell his Chinese host, President Jiang Zemin, that suppressing dissent put China "on the wrong side of history". Banyan was in the audience that day, his Flying Pigeon (state-made bicycle) outside. Mr Clinton's words seemed self-evident. But with hindsight, much of where the West said China was going was wishful thinking.

What nearly no one predicted has transpired. Today, the party is as strong at home as at any time since it seized power in 1949. Though still authoritarian, it rules largely by consent, preferring persuasion to violence and intimidation—though these remain handy, as during the crushing of Tibetan riots last year.

Abroad, its prestige is as high: some believe China's economy is about to save the world. Mr Jiang's successor, Hu Jintao, has been welcomed at the top table of world leaders. On her first trip to Beijing as secretary of state, Hillary Clinton was as blunt as her husband had been a decade earlier, but with a different message: the United States would not let China's human-rights abuses obstruct the history being made between these two great states.

It is a commonplace that the party's legitimacy is built on economic growth. Yet China's leaders have long considered that to be merely the (simplistic) half of it. After the massacre, the Communist Party set about transforming itself. It launched a vast historical investigation into how political parties fall, and how they stay in power. Everyone was scrutinised, from Saddam Hussein to Scandinavian social democrats. The conclusion: adapt or die.

The outcome is a wholesale reinvention of the party, a process accelerated after Mr Hu stepped up as paramount leader in 2004. Shortcomings that were identified included corruption (a chief complaint of the Tiananmen students), lack of accountability in

decision-making, no convincing ideology, and an ossified structure. In a recent book ("China's Communist Party: Atrophy and Adaptation"), David Shambaugh describes how the 74m-strong party has fired whole armies of time-servers. Bright technocrats and entrepreneurs have been recruited. Retirement rules have been revamped (the Soviet Union's gerontocracy was noted). Party members have gone back to school: three weeks a year and three months for every three years of mid-career training. More appointments are open to peer scrutiny before they are filled. The Communist Party is vastly more able to govern.

Some in the wishful West will see this as a proto-democratisation of a Leninist state. The opposite is the case. Staying in power is the party's only credo now that revolution has been jettisoned. It is the sole reason for revamping the mechanisms of power.

China's other manufacturing industry

A case in point is the Communists' approach since 1989 to the crucial field of propaganda. With the end of Maoist mobilisation, the party turned to Western techniques of public relations and mass media, manufacturing consent by guiding public opinion in certain directions while barring it from others. In "Marketing Dictatorship", Anne-Marie Brady sums up the party's approach as emphasising achievements, not allowing bad news during holiday periods or around sensitive dates (including June 4th), and not raising problems that can't be solved (unemployment, inequality). It talks up the economy, regularly demonises the United States and uses Orwellian newspeak to shape the debate about certain subjects ("party-state" is banned in public discourse in favour of "the political party in power"). It presents stories in ways that encourage people to take sides. It turns natural disasters into quasi-religious occasions of national solidarity. And always, always repeat after me: "Taiwan is an inalienable part of China."

With this approach, the proliferation of channels for media, information and entertainment offers unbounded scope for the party to get its messages across, abetted by commercial operators. The internet has proven a particular boon, since its users are predominantly young, educated males from the cities—just the kind of groups, the party has noted, behind the colour revolutions in Serbia, Georgia and Ukraine. Shaping the online debate while using controls and surveillance to block most of what it does not want surfers to see, the internet is an example of how the party has corralled mainland Chinese into what Ms Brady calls "a virtual mind prison"—though one with plenty of fun and games to keep people entertained. In 2000 Mr Clinton said that trying to control the internet in China was "like trying to nail Jell-O to a wall". The Communist Party seems to have managed it.

This is little comfort to Westerners projecting their hopes for democratic change on to China. Nor is there any sign that Chinese intellectuals identify with the myriad grievances of their poor countrymen, as they did during the Tiananmen protests. And the growing middle class appears more fearful of the great unwashed than of the depredations of a party that once was at war with the bourgeoisie. So no national movement challenges the party's monopoly. The state might yet prove unable to meet growing demands for health care and schooling. Leadership splits might threaten the party, as they did in 1989, with China now facing its biggest economic test since then. But for now, the Communist Party glides smoothly upon the tide of history. ■



Amnesty International

Taking on the sins of the world

No state or system has a monopoly on curbing liberty, as Amnesty (perhaps a tad grudgingly) agrees

FOR an organisation that has tried to broaden the definition of human rights, Amnesty International has a lot to say about violations of the old-fashioned sort. Its latest report on the state of civil liberties round the world is a ghastly tale of torture, state terror, the suppression of free speech and the curtailing of due process, under regimes of every ideological stripe.

With its cautious, empirical approach to researching abuse, "The State of the World's Human Rights" is a tome with moral power—as useful a work of reference as the American State Department's annual reports (on human rights and more specific matters like human trafficking and religious freedom) and those of fellow NGOs like Freedom House and Human Rights Watch.

Just as Freedom House (committed to the belief that the United States is, or at least can be, a benign power) is sometimes chided for overstressing the faults of America's foes, Amnesty has in recent years had the opposite aura: it has often seemed to share a rhetorical platform with the opponents of capitalism and globalisation, not all of them very liberal.

But to its credit, the 2009 report pulls

few punches in documenting the misdeeds of regimes that use the rhetoric of revolutionary socialism or "anti-imperial" rage. For example, it finds that last year China's authorities "intensified their use of administrative forms of detention which allowed police to incarcerate individuals without trial." Far from ushering in a happier, freer China, the Olympic games had brought "heightened repression throughout the country" with tighter state control over human-rights activists, religious groups, lawyers and journalists.

It devotes one of its longer entries to the woes of Iran, where at least 346 executions were carried out in 2008, and 133 juvenile offenders were at risk of being put to death. (Amnesty opposes the death penalty.) Other punishments included flogging and amputation; public stoning was supposedly stopped as a form of execution last August, but two men died by that method in December.

In Iran and many other countries, Amnesty detected a retreat in women's rights, often in the name of religion. Dozens of Iranian women's rights campaigners were detained and interrogated. Some were tried; up to ten were sentenced to prison

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Green.view, our online column on the environment, appears on Economist.com on Mondays. The columns can be viewed at Economist.com/greenview

terms and at least two to flogging.

It is not just Muslim theocracies that Amnesty blames for maltreating women or denying their "reproductive" rights. (The organisation has since 2007 added abortion rights to its list of core concerns, a stance the Roman Catholic church has deplored.) Even Finland—often seen as a model of sexual equality—gets a scolding. Less than 10% of rapes in that country are reported to the police, and only one in seven of those cases leads to a conviction.

With regard to its home country, Britain, Amnesty's main complaint is not about the British authorities' own actions but about efforts to deport people to places where they are likely—in Amnesty's view—to be tortured. In at least two ways, the report suggests, torture and inhumanity have been "globalised" to the point where few countries can be islands of virtue. States that would never practise torture found themselves colluding with the "extraordinary rendition" of terror suspects. And migration on a huge scale has tested the ability of countries to deal humanely with desperate people.

As it lists the misdeeds of one country after another, Amnesty's careful, plodding ►►

► methodology acts as a brake on ideological fervour. But a sharper tone is struck in a foreword to the 2009 report by Irene Khan, the Bangladeshi-born secretary-general of the organisation. Primarily as a result of the economic crisis, "billions of people are suffering from insecurity, injustice and indignity," she says. In fact, "we are sitting on a powder keg of inequality, injustice and security, and it is about to explode."

Amnesty's individual country reports deal mostly with the sins and failures of governments, or else de facto administrations led by warlords. In other words, the reports reflect the classic human-rights concerns (freedom of the press, freedom from arbitrary arrest) which made the organisation famous after its establishment in 1961. But Ms Khan's list of adversaries also includes some very elusive ones: big business, climate change (see next story) and impersonal economic forces—ranging from the global growth that galloped away until 2008 to the reversal of that process.

It would be hard to deny that globalisation and (to a much greater extent) its reversal have taken a human toll—but in any general account of the causes of human misery, mention could surely be made of autarchic dictatorships. In other words, countries like North Korea and Myanmar, which cut themselves off from the world economy at vast human cost.

Many observers of China agree that for all its dreadful human-rights problems, economic growth has helped to create a freer society: there is only so much control that a regime can exercise over a nation that is developing so rapidly and unpredictably. But Amnesty (perhaps inevitably, given its commitment to accentuate the negative) has little faith in economics or private business as a source of liberty.

Questioned about this, Ms Khan insists that Amnesty still sees governments as the agencies that matter most in delivering or repressing human rights. Where private firms gain too much authority (by using their own security companies, for example) it is still the fault of governments for failing to exercise countervailing power.

But unlike some critics of globalisation, Amnesty's boss doesn't see any category of governments as self-evidently virtuous or malign. In her view, the shift of global influence away from the rich north isn't all good: it has boosted the influence of some countries with a decent stance on human rights (Brazil, Mexico, India) but it is also empowering harsher countries like China.

At its worst, anti-globalisation rhetoric insists (borrowing the silly slogan of Alexander Kerensky, the Russian leader who lost out to the Bolsheviks) that there are "no enemies on the left"—a line which neatly absolves the sins of many a populist dictator, theocrat, kleptocrat or misogynist. By sifting facts from all countries, Amnesty seems to steer clear of that trap. ■

Climate change

Go on, guess

Seat-of-the-pants estimates won't be enough to cool the world

"THE HUMAN impact of climate change is difficult to assess reliably," say the authors of a new report from the Global Humanitarian Foundation, a think-tank run by Kofi Annan, a former United Nations secretary-general, aided by a raft of eminent folk. But they make a stab, and reach the conclusion that 325m people around the world are seriously affected by climate change every year and that this number could more than double, to around 660m, by 2030.

As in so many reports of this kind, the general trend looks plausible, but there seems little basis for the exact numbers. For example, the authors attribute two-fifths of an expected increase in weather-related disasters to climate change and use this as a basis for all their other sums. But they offer no convincing rationale for this approach, and admit with refreshing candour that "the real numbers may be significantly lower or higher."

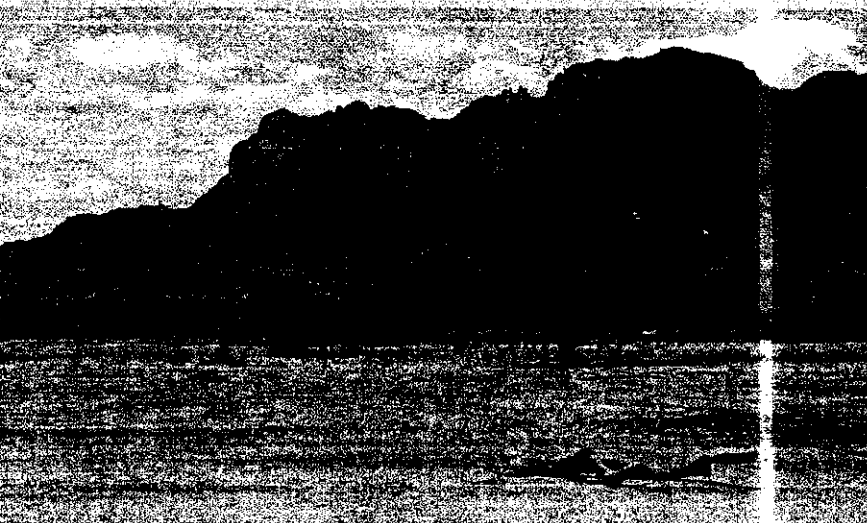
On slightly firmer ground, the authors elaborate on the familiar point that most of the damage from a changing climate will be felt in poor countries. Warmer temperatures are actually leading to increased crop yields in some parts of North America and Russia. But areas where yields are falling because of climate change include sub-Saharan Africa and South Asia, where the victims are small farmers eking out an already meagre living. And the countries seen as most vulnerable to climate change are all poor: they include Somalia, Burundi, Niger, Eritrea, Afghanistan and Chad.

Nor are people in those countries well

placed to adapt to change; as their livelihood vanishes, they are more likely to fuel the ranks of the temporarily or permanently displaced. The eminent writers duly propose a huge (nay, hundredfold) boost in funding to help the poor cope with a shifting climate—through drought-resistant crops, for example.

In another haphazard estimate, the authors of "Human Impact Report: Climate Change—Anatomy of a Silent Crisis" say 26m people have already been displaced by climate change. But here again, accuracy is impossible. Should Cyclone Aila, which hit Bangladesh and India on May 26th and affected hundreds of thousands of people, be classified as a climate-change event? Even if scientists could agree on the contribution of global warming to the rising frequency of such disasters, it is very hard to classify the causes of any given catastrophe. Nor is it easy to disentangle the effects of climate change from those of avoidable failures in policy.

In South Asia, for example, climate change is likely to bring more water to a perennially thirsty region. A blessing in disguise, then? No, because so little progress has been made on ways to trap and use this water when it cascades down in a short space of time. Given that governments have missed so many obvious tricks, is there any reason assume that more money thrown at the problem will be spent wisely? Coping with climate change will certainly cost money—it is anyone's guess how much—but plenty of wisdom will be needed too.



Try counting the trees

WORLD VIEW
Fareed Zakaria

Change We Can't Believe In

FINALLY, WE ARE TOLD, THE PAKISTANI MILITARY HAS GOTTEN SERIOUS about the threat that militants pose to its country. The Army is now fighting back for real, sending troops to dislodge the jihadists who had spread out of the Swat Valley. We hear this from Pakistani commanders, of course, but also from civilian leaders as well as from U.S. officials, including the secretary of defense, Robert Gates. In an interview with me for CNN, Gates said, "I think the movement of the



Taliban so close to Islamabad was a real wake-up call for them."

Maybe. It was only a few years ago that Husain Haqqani, a former Pakistani diplomat who recently became ambassador to Washington, wrote a brilliant book arguing that the Pakistani government—despite public and private claims to the contrary—continued "to make a distinction between 'terrorists' ... and 'freedom fighters' (the officially preferred label ... for Kashmiri militants)." He added: "The Musharraf government also remains tolerant of remnants of Afghanistan's Taliban regime, hoping to use them in resuscitating Pakistan's influence in Afghanistan." The Pakistani military's world view—that it is surrounded by dangers and needs to be active in destabilizing its neighbors—remains central to Pakistan's basic strategy.

While President Musharraf broke with the overt and large-scale support that the military provides to the militant groups, and there have continued to be some moves against some jihadists, there is no evidence of a campaign to rid Pakistan of these groups. The leaders of the Afghan Taliban, headed up by Mullah Mohammed Omar, still work actively out of Quetta. The Army has never launched serious campaigns against the main Taliban-allied groups led by Gulbuddin Hekmatyar or Jalaluddin Haqqani, both of whose networks are active in Pakistan. The group responsible for the Mumbai attacks, Lashkar-e-Taiba, has evaded any punishment, morphing in name and form but still operating in plain sight in Lahore. Even now, after allowing the Taliban to get within 60 miles of the capital, the Pakistani military has deployed only a few thousand troops to confront them, leaving the bulk of its million-man Army in the east, presumably in case India suddenly invades. And when the Army does attack the Taliban, as it did a couple of years ago in the same Swat Valley, it bombs, declares victory and withdraws—and the jihadists return.

The rise of Islamic militants in Pakistan is not, Ambassador Haqqani writes, "the inadvertent outcome of some governments." It is "rooted in history and [is] a consistent policy of the Pakistani state." The author describes how, from its early years, the Pakistani military developed "a strategic commitment to jihadi ideology." It used Islam to mobilize the country and Army in every conflict with India. A textbook case was the 1965 war, when Pakistan's state-controlled media "generated a frenzy of jihad," complete with stories of heroic suicide missions, martyrdom and divine help.

Pakistan was created as an Islamic state, with a population that shared little geographically, ethnically and linguistically. The country's rulers have maintained power using religion as an

ideology. And then the region's geopolitics—the tensions with India and the battle against the Soviet Union in Afghanistan—helped create deep links between the Pakistani military and Islamic militant groups. The Pakistani military has lost the wars it has fought via traditional means. But running guerrilla operations—against the Soviets, the Indians and the Afghans—has proved an extremely cost-effective way to keep its neighbors off balance.

Has this all changed? The ambassador's book, "Pakistan: Between Mosque and Military," marshals strong evidence that, at least until recently, the Pakistani military made the pretense of arresting militants in order to get funds from Washington. But it never shut down the networks. "From the point of view of Pakistan's Islamists and their backers in the ISI [Pakistan's military intelligence]," Haqqani writes, "jihad is on hold but not yet over. Pakistan still has an unfinished agenda in Afghanistan and Kashmir."

The book concludes by telling how Pakistan's military has used the threat from these militant groups to maintain power, delegitimize the civilian government and—most crucial of all—keep aid flowing from the United States. And the book's author has now joined in this great game. Last week Ambassador Haqqani wrote an op-ed claiming that Pakistan was fighting these militant groups vigorously. The only problem, he explained, was that Washington was reluctant to provide the weapons, training and funds Pakistan needs. He has become a character out of the pages of his own book.

Pakistan's military has lost every conventional war. It's far better at guerrilla wars.

In truth, Haqqani is a smart and honorable man with an impossible job. In its first months, Pakistan's democratic government has been overruled by the generals every time it has asserted its authority. If Washington hopes to change Pakistan's world view, it will have to take a much tougher line with the military while supporting the country's civilian leaders, whose vision of Pakistan's national interests is broader and less paranoid, and envisions more cooperation with its neighbors. The \$15 billion Biden-Lugar bill, designed to help develop Pakistan's civil society, is a big step in that direction.

Perhaps, as Haqqani's op-ed implies, the strategy of the past six decades has suddenly changed. But I recall what Warren Buffett once called the four most dangerous words in investing: "This time it's different."



FRIENDS IN HIGH PLACES: The Pakistani Taliban

The Sky Isn't Falling

Our world is more stable than we think

BY FAREED ZAKARIA



IT CERTAINLY LOOKS like another example of crying wolf. After bracing ourselves for a global pandemic, we've suffered something more like the usual seasonal influenza. Three weeks

ago the World Health Organization declared a health emergency, warning countries to "prepare for a pandemic" and said that the only question was the extent of worldwide damage. Senior officials prophesied that millions could be infected by the disease. But as of last week, the WHO had confirmed only 4,800 cases of swine flu, with 61 people having died of it. Obviously, these low numbers are a pleasant surprise, but it does make one wonder, what did we get wrong?

Why did the predictions of a pandemic turn out to be so exaggerated? Some people blame an overheated media, but it would have been difficult to ignore major international health organizations and governments when they were warning of catastrophe. I think there is a broader mistake in the way we look at the world. Once we see a problem, we can describe it in great detail, extrapolating all its possible consequences. But we can rarely anticipate the human response to that crisis.

Take swine flu. The virus had crucial characteristics that led researchers to worry that it could spread far and fast. They described—and the media reported—what would happen if it went unchecked. But it did not go unchecked. In fact, swine flu was met by an extremely vigorous response at its epicenter, Mexico. The Mexican government reacted quickly and massively, quarantining the infected population, testing others, providing medication to those who needed it. The noted expert on this subject, Laurie Garrett,

says, "We should all stand up and scream, 'Gracias, Mexico!' because the Mexican people and the Mexican government have sacrificed on a level that I'm not sure as Americans we would be prepared to do in the exact same circumstances. They shut down their schools. They shut down businesses, restaurants, churches, sporting events. They basically paralyzed their own economy. They've suffered billions of dollars in financial losses still being tallied up, and thereby really brought transmission to a halt."

Every time one of these viruses is detected, writers and officials bring up the Spanish influenza epidemic of 1918 in which millions of people died. Indeed, during the last pandemic scare, in 2005, President George W. Bush claimed that he had been reading a history of the Spanish flu to help him understand how to respond. But the world we live in today looks nothing like 1918. Public health-care systems are far better and more widespread than anything that existed during the First World War. Even Mexico, a developing country, has a first-rate public-health system—far better than anything Britain or France had in the early 20th century.

One can see this same pattern of mistakes in discussions of the global economic crisis. Over the last six months, the doomsday industry has moved into high gear. Economists and business pundits are competing with each other to describe the next Great Depression. Except that the world we live in bears little resemblance to the 1930s. There is much greater and more widespread wealth in Western societies, with middle classes that can withstand

job losses in ways that they could not in the 1930s. Bear in mind, unemployment in the non-farm sector in America rose to 37 percent in the 1930s. Unemployment in the United States today is 8.9 percent. And government benefits—nonexistent in the '30s—play a vast role in cushioning the blow from an economic slowdown.

The biggest difference between the 1930s and today, however, lies in the human response. Governments across the world have reacted with amazing speed and scale, lowering interest rates, recapitalizing banks and budgeting for large government expenditures. In total, all the various fiscal-stimulus packages amount to something in the range of \$2 trillion. Central banks—mainly the Federal Reserve—have pumped in much larger amounts of cash into the economy. While we debate the intricacies of each and every move—is the TALF well structured?—the basic reality is that governments have thrown everything but the kitchen sink at this problem and, taking into account the inevitable time lag, their actions are already taking effect. That

does not mean a painless recovery or a return to robust growth. But it does mean that we should retire the analogies to the Great Depression, when policymakers—especially central banks—did everything wrong.

We're living in a dangerous world. But we are also living in a world in which deep,

The Mexicans suffered billions of dollars in losses but brought transmission of swine flu to a halt.

structural forces create stability. We have learned from history and built some reasonably effective mechanisms to handle crises. Does that mean we shouldn't panic? Yes, except that it is the sense of urgency that makes people act—even overreact—and ensures that a crisis doesn't mutate into a disaster. Here's the paradox: if policymakers hadn't been scared of another Great Depression, there might well have been one.

ZAKARIA's latest book, *The Post-American World*, about the rise of India, China and "the rest," has been released this month as a paperback by W.W. Norton & Co.

GARY COSBY, JR.—DECATUR DAILY-AP

WHY BOW

A GROWING CHORUS OF PUNDITS IN ASIA and the West is declaring that China's moment has finally arrived. Who can blame them? While the United States is trying to fight a massive economic contraction and to restore an image tarnished by two seemingly endless wars, China is growing and extending its influence. Throughout the Middle Kingdom, the confidence is palpable. Last month at the Boao Forum (Beijing's answer to Davos), a series of Chinese speakers dispensed with their usual modesty and derided Washington for its financial mismanagement, calling for the establishment of a new reserve currency to replace the dollar and demanding more influence in the global economic system. A few days later, on the 60th anniversary of the founding of the Chinese Navy, Beijing debuted two nuclear subs and vowed that its blue-water force would soon project power into the Pacific and beyond.

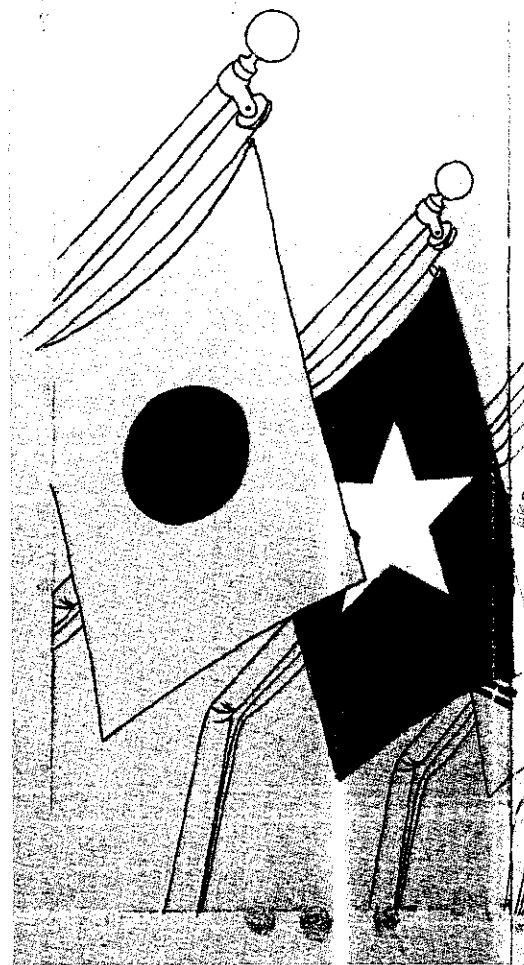
What's particularly striking about the rise of China is how little anyone questions its purported status as the first nation of Asia. That's true even in Japan, which has an economy 10 times larger. The spectacle of Beijing's playing a lead role at global summits, where Tokyo is generally invisible, has been almost universally greeted as an overdue promotion. More and more, world leaders are quietly bowing to China as the superpower with all the economic momentum. This was the unspoken message when, last month, French President Nicolas Sarkozy apologized to Chinese President Hu Jintao for meeting with the Dalai Lama, or when the U.S. quietly stopped accusing China of manipulating its currency. Newspapers from London to Seoul have begun heralding China's emergence as a global hegemon, and journalist Martin Jacques recently predicted in *The Guardian* that Shanghai would soon

replace New York as "the world financial center." He did not even mention regional rivals like Tokyo, Singapore or Seoul.

Scholars like UCLA's David Kang even argue that the rise of a Sinocentric world order could be a positive, stabilizing development. For much of the past two millennia, he notes, Asians took Chinese dominance as a fact of life. And that dominance was generally benign: while imperial China expected its neighbors to acknowledge its supremacy and pay it tribute, it otherwise mostly left them alone. Chinese hegemony proved remarkably stable and elastic, Kang says: "If you look at history, you may not automatically conclude that the bigger China gets, the more dangerous it is."

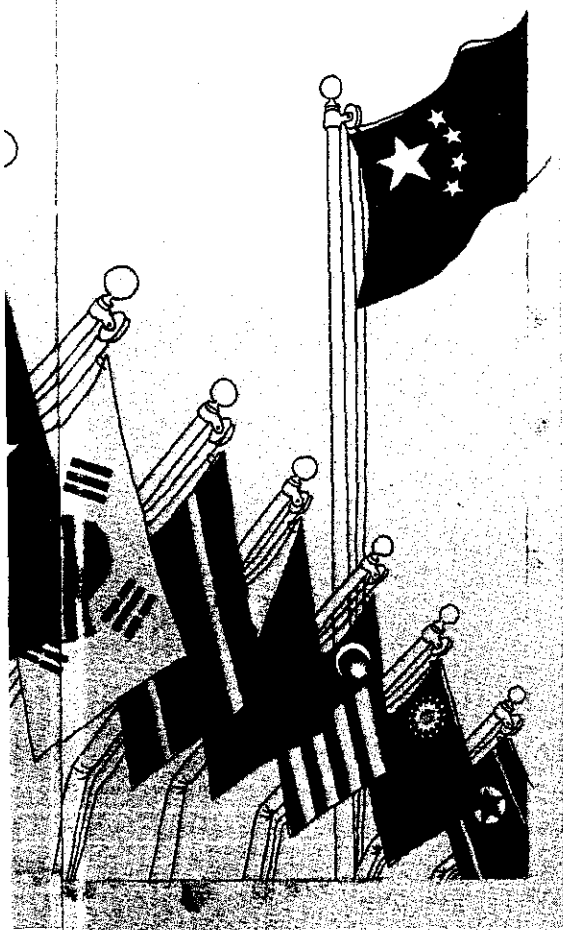
Perhaps. But it's worth asking whether China is really ready to call the shots, even regionally. Modern-day Asia is a messy, multipolar place that doesn't lend itself to hierarchies. China is much bigger than its neighbors in terms of the size of its economy, but by other measures—technology, per capita GDP or the strength of its institutions—it's far from supreme. Asia watcher Bill Emmott writes in his recent book, *Rivals*, that China's growth has been plagued by wasteful investment, massive capital export, bloated foreign-exchange reserves and crippling pollution. China's own prime minister, Wen Jiabao, said recently that structural problems are causing "unsteady, unbalanced, uncoordinated and unsustainable development."

The China model is hardly superior to its rivals for Asian leadership. Japan is far less corrupt and better managed, and holds a vast technological lead. While Japan's export-oriented economy has taken a huge hit from the global slowdown, its cash-rich companies have continued to spend heavily on R&D in everything from



electronics to steel. Thus Japan now leads the world in green-car technology, and China is not likely to catch up. Charles Gassenheimer, CEO of the U.S. green-car firm Energi, says that Japan's total investment in the development of state-of-the-art batteries was 10 times greater than America's every year in the decade after 1998, while China, by contrast, is only just entering the game (albeit at a rapid pace).

Even South Korea—a country that loves to fret over its supposed status as a "shrimp between whales"—has emerged as a force, with one of the world's most dynamic, innovative and high-tech economies. In the recent International Innovation Index, South Korea scored second in the world, while China landed in 27th place. The Korean example suggests that Asia today has multiple leaders in different fields: China excels at producing huge volumes of low-cost products, but Japan



TO CHINA?

Many world leaders seem ready to cede Asian supremacy to Beijing—but China may not be ready for the role.

BY CHRISTIAN CARYL

and South Korea are tops in innovation and high-tech goods.

In many ways, the whole idea of a No. 1 is becoming passé. Some experts argue that Asians remain wedded to the idea because Confucian tradition emphasizes respect for hierarchy and order. But look at how Singapore is exploiting the growing importance of information technology to command a global role out of proportion to its tiny size. Or at how global trade and the Internet make it increasingly tough for Beijing to maintain order at home. The global age does not respect Confucian hierarchies.

Foreign-policy realists like to point out that the region has never before known a period when both China and Japan were strong at the same time. They worry that this development could lead to conflict, and fret that China's naval forces, which could be bottled up by the Japanese island

chain in a conflict, have already taken to probing Japan's defenses. Meanwhile Tokyo has been beefing up its Coast Guard forces around disputed islands and staging surveillance flights over Chinese drilling rigs. Princeton political scientist Aaron Friedberg compares modern Asia to Europe in the 19th century, with great powers still jockeying for control.

Yet this point underlines just how far China is from regional supremacy. No single nation was able to dominate 19th-century Europe. Similarly, it's not clear China would win even a small conflict with Japan, much less a larger one that drew in Japan's main ally. Consider: despite years of double-digit increases in China's defense budget, it will be at least a decade before Beijing launches its first aircraft carrier—the mark of a serious navy able to project power. (The United States has 11.)

Of course, China disavows any desire for military supremacy or economic tribute, and perhaps it should be taken at its word. Much has been made of how China and the U.S. are now fatefully tied to one another as creditor-to-debtor and seller-to-buyer. But the same is true of China and Japan. China surpassed the United States as Japan's No. 1 trading partner back in 2007. An aging Japan benefits from low-wage Chinese workers, while those factories in the Pearl River Delta often rely on machine tools and technology made in Japan. Global and regional cooperation are

very much in both countries' self-interest.

That doesn't mean there's no reason for neighbors to prepare for a more aggressive China. Efforts to create a regional self-defense organization have been stymied by differences in wealth and ideology and by fear of provoking Beijing. But there are ways to promote an Asia of many powers. The Obama administration seems to get this: when Hillary Clinton visited Asia in February, she made a point of hitting Japan first and then Seoul, urging them to work together. Then came Indonesia, a big new democracy. Only then did she stop in Beijing, where she called on the Chinese and Japanese to work together on climate change. That's just the kind of transnational issue that demands cooperation, not great-power jockeying—the kind of increasingly common problem that pays no attention to who's on top.

With MARY HENNOCK in Beijing

ESSAY

Survival Tactic

North Korea's rogue behavior is as much an act of self-preservation as it is defiance

BY MEL GURTOV

NORTH KOREA'S ROCKET LAUNCH OF APRIL 5, the U.N. Security Council vote to condemn the launch and strengthen sanctions, and the North's decision of April 14 to pull out of the six-party talks have thrown a monkey wrench into prospects for a negotiated resolution of Pyongyang's nuclear-weapon and missile programs. On the surface it appears that North Korea is again embarked on a threatening course; it has vowed to continue work on its contested weapons programs. But on closer examination, the North's weapons tests always occur at times of insecurity. Its tough posturing belies the tenuous internal and external circumstances in which it operates.

Far from seeking to create an international crisis, North Korea is acting defensively. This is a regime that above all else seeks to remain in power, to preserve its *juche* ideology of militant nationalism and self-determination, and to run its economy without following China's advice about "reform and opening." But the regime presides over a desperately poor country with few resources, very little international trade, an ever-widening gap between itself and South Korea, a calamitous public-health situation and a military that gobbles up the greater part of the budget. On top of all that, North Korea no longer can count on its Chinese and Russian partners for security, and not always for food and fuel.

To interpret the latest North Korean actions as provocations, pure and simple, badly misreads the message and the precarious position of its sender. An insecure regime with an economy that may easily descend again into widespread famine, and a leader, Kim Jong Il, who appears very ill, to judge from recent photos, is not bargaining from strength. Self-preservation is the name of its game. The leading decision-making body that Kim heads, the National Defense Commission, is filled with generals who most assuredly want to demonstrate that the regime still has muscle. These are people who know that war means their demise, whereas a bargain with the U.S., while it would require stopping nuclear-weapon and missile production, would give the regime legitimacy. It might also spare them from having to give up the six to 10 plutonium bombs they evidently have.

In such dire circumstances, the North's leaders not only consider nuclear weapons and long-range missiles a necessary deterrent, they surely also regard them as their only bargaining chips. And the bargaining

can only be with Washington, which Pyongyang has recognized for some time as its best hope for surviving. From the North's point of view, any bargain would have to take the form of a new package deal that would reaffirm to Kim Jong Il that the U.S. is not hostile to the regime, accepts its legitimacy and is willing to provide long-term development assistance. Only the U.S. can persuade the leadership in South Korea not to seek to absorb the North or undermine it—so long as North Korea terminates its plutonium-bomb program under verifiable conditions. In sum, it can be argued, North Korea's security is actually the best way to promote South Korea's and the region's security.

The six-party talks, which began in 2003, have resulted in several improvements in the security situation on the Korean peninsula. The North has stopped plutonium production and completed several promised steps to disable the Yongbyon nuclear facility. (Though North Korea now says it is restarting that facility, U.S. experts who have visited the site say it will take considerable time and expense to do so.) South Korea has become an important trade and investment partner of the North.

Some nongovernmental organizations, such as Mercy Corps, have had regular access to North Korea because they have delivered on meaningful development projects. If talks resume, they will surely be invited back. And China has moved from being a passive to an active player in the talks.

Some critics will say that a dictatorial regime such as North Korea, with all its human-rights abuses, does not deserve added security. But as former U.S. defense secretary William Perry said in 1999, on returning from Pyongyang: "We have to deal with the North Korean government not as we wish they would be, but as in fact they are." Although the U.S. does not consider itself a threat to the North, Perry continued, Pyongyang believes the opposite. The North's need of a deterrent, Perry said, has "a very clear logic." The prescription seems plain: keep engaging the North while defanging it. If the other parties persist in engagement, North Korea will return to the negotiating table. It needs the six-party talks as much as anyone. ■



Standing fast Kim Jong Il with his acolytes

Mel Gurtov is professor emeritus of political science at Portland State University, editor in chief of *Asian Perspective* and the author of numerous books on Asia and U.S. policy

A New Direction

The U.S. hasn't paid much attention to Southeast Asia for years. No longer

OVER SOY LATTES AND BUTTERY-SOFT muffins, I sat down in a coffee shop a few weeks ago with one of Washington's savviest Asia activists. Through endless networking and tireless advocacy, she has helped keep Burma's human-rights abuses on Washington's radar, even though the country has little strategic significance to the U.S. During the George W. Bush Administration, she exuded confidence. Now she's anxious. Barack Obama's government has taken a close interest in Burma, but not the sort she wants. On a trip to Asia in February, U.S. Secretary of State Hillary Clinton told reporters that the White House would review its policy toward Burma. My friend fears that the Obama Administration might move toward some kind of compromise with the junta, possibly even lifting sanctions. "You have the whole community of engagers coming out of the woodwork now," she says. "They see an opportunity; they haven't had one in years."

Burma is not the only country in Southeast Asia to draw the attention of the new U.S. Administration. While other recent American Presidents pretty much ignored the region, Obama has made it a priority because his government sees Southeast Asia as a place where Washington can pick up some quick goodwill. Clinton made her first overseas trip to Asia and since then she has built a team of Southeast Asia experts who include nominated Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell, a longtime Washington power player who lobbies in particular for stronger ties with Singapore and Australia. It's not just a matter of engagement. As with its actions and statements elsewhere,

Barack Obama's Administration has shown itself willing to question years of received wisdom

the Obama Administration is displaying flexibility and pragmatism in its dealings with Southeast Asia—not the ideological approach espoused by the Bush White House. These fresh initiatives promise, however, not only to be different but, in some cases, controversial.

During the Bush years, senior officials paid about as much attention to Southeast Asia as to New Orleans' levee system. Policymakers would jet into

received wisdom. While Laura Bush condemned the Burmese junta, the Obama Administration has held relatively high-level talks with the country's leadership—in March, Stephen Blake, the State Department's director of Southeast Asian affairs, met Foreign Minister Nyan Win in Naypyidaw. Condoleezza Rice would skip ASEAN's Regional Forum, and the Bush Administration refused to sign ASEAN's Treaty of Amity and

Cooperation. The treaty is pretty innocuous—it merely pledges signatories to uphold a zone of peace in Southeast Asia. But the Bush Administration objected to Burma's membership in ASEAN and was averse to signing anything (remember the Kyoto Protocol). In contrast, as with Kyoto, the Obama Administration says it will consider signing the ASEAN treaty.

But the Obama Administration is fielding fire,

too, ironically from groups on the left. Burma is one particularly sore point; another is Clinton's comment that pressing Beijing on human rights "can't interfere" with policy on a number of global crises, like climate change, where cooperation with China is vital. This appears to be part of the Administration's strategy to emphasize rights where it can make real progress, and not just for rhetoric. But in the past, activists say, they expected new Presidents to talk tough on rights first and then, if necessary, throttle back. Obama, they complain, has sold out on the opening gambit.

Still, at least Southeast Asia is no longer off the U.S.'s map. Issues in the region are not as pressing or as vital to American interests as they are in, say, Pakistan and Afghanistan. But precisely because they aren't, Southeast Asia is where Washington can win easy points at a time when it needs as many as it can score. ■



Singapore to take in a couple of days of private meetings with local officials, then return to Washington never having set foot in regional giants like Indonesia. And when the White House did attend to Indonesia or Malaysia or Thailand, it usually focused only on talking to the elite, or about counterterrorism. Now, with Indonesia, which is proving to be Southeast Asia's most vibrant democracy, the Obama Administration sees an opportunity to build a wider relationship while riding the President's popularity in the country, where he spent some of his childhood years. This strategy would involve not just the government of President Susilo Bambang Yudhoyono but the Indonesian people through greater interaction among students, academics and opinion leaders in the two nations.

With other countries in Southeast Asia, too, the new Administration has shown itself willing to question years of

Joe Klein

AfPak's Odd Couple. Presidents Karzai and Zardari are working together. But let's not pretend they're perfect

THE BEST DIPLOMATS WALK A FINE LINE between flattery and the Stockholm syndrome. The more dire the situation, the easier it is to lose perspective, to mistake a shift in body language for a breakthrough, to mistake a breakthrough for a solution. And so it was slightly disconcerting to hear Richard Holbrooke, America's very best diplomatic negotiator, deploying words like "extraordinary" and "unprecedented" to describe the recent round of talks with delegations from Afghanistan and Pakistan in Washington, during a White House briefing for columnists just after the talks ended. He was flanked by General David Petraeus, who reinforced Holbrooke's message. The talks "exceeded my expectations," the general said. A good deal of this is, obviously, puffery designed to keep the diplomatic balloon aloft. But there was also, I'd guess, some wishful thinking involved.

There really were breakthroughs in the talks. But these were bureaucratic advances, the sort that only occasionally lead to actual changes. Holbrooke was well aware of this, of course, and he was quick to say that "no one is promising that this will win the war." He then added, with a certain pride of authorship, "But success isn't possible if we didn't do it." And he's right: for the first time, Afghan and Pakistani Ministers of the Interior sat down and hammered out a rudimentary agreement on information-sharing. Agricultural and trade delegations also met, as did, most significant of all, military and intelligence representatives. (The idea that the Afghan intelligence service would break bread with the Pakistani Inter-Services

Intelligence directorate, which created the Taliban, is mind-boggling.) These advances were given greater heft by positive developments on the ground—especially Pakistan's apparent decision to stop the Taliban advance toward Islamabad, using six to eight brigades transferred from the Indian border.

And yet, the rude truth of the situation in Afghanistan and Pakistan was revealed at a lunch the Presidents of both countries



attended with 27 U.S. Senators, an event that really did merit a few over-the-top encomiums like "unprecedented" and "brutal." The climax came when Senator Bob Corker of Tennessee asked President Hamid Karzai of Afghanistan what the purpose of the U.S. mission was in his country. Karzai filibustered, and Corker told him, in no uncertain terms, that his answer was incomprehensible. At a Senate Foreign Relations Committee hearing a few days later, Corker confronted Holbrooke about the lack of credibility both Presidents shared. According to the Obama Administration, Corker said, the Karzai government "is taking more of the illegal [poppy crop] moneys than the Taliban." And in Pakistan, he said, "the leader was formerly called 'Mr. 10%,' referring to Asif Ali Zardari's alleged practice of taking kickbacks on contracts when his wife Benazir Bhutto was in charge.

Indeed, neither President is exactly a

paragon of statesmanship. The reality in Afghanistan and Pakistan is that both governments have been unable to provide the most basic services—security, education, justice—for their citizens, which is why the Taliban, which has some fairly strong ideas about law and order, has been able to intimidate its way back into control of some areas. Karzai has an excuse: his country has suffered through 30 years of war, although the alleged participation of his brother in the Kandahar-province opium trade and the utter corruption of the Afghan civil service don't help his reputation much. Zardari has no excuse at all: his country has a brilliant, educated intelligentsia and governing class, but it has been entirely unable to provide the rudiments of civil society to the Pakistani masses, a remarkable indictment.

"You've got to go with the incompetents you've got," a Senator who supports the Obama Administration's policy told me. "We have no alternative." Holbrooke made a similar point during the hearing. Yes, he said, this situation resembled the war in Vietnam, harking back to his earliest service, as a U.S. diplomat in Saigon. "Structurally, there are many similarities—the enemy sanctuaries across the border, the [failure of] governance, corruption ... but there is one core difference: 9/11," he said. "There was no threat from Vietnam to the U.S. homeland."

That is why both Holbrooke and Petraeus will do everything they can to nudge and puff Zardari and Karzai into being statesmen who occasionally act in their own national interest, as Zardari seems to have done by deciding to fight the Taliban. That is why Secretary of Defense Robert Gates acted with such alacrity to replace a good general, David McKiernan, with another, Stanley McChrystal, better versed in the tactics used to fight terrorist insurgencies. That is why the U.S. is in Afghanistan and Pakistan: because its enemies—the people who killed 3,000 Americans on Sept. 11, 2001—are festering there. It would be nice if, unlike Vietnam, America's "friends" proved as competent as its enemies, but that is where the wishful thinking inevitably begins.

Both Afghanistan and Pakistan have been unable to provide the most basic services for their citizens

DALY: DUANE BURLESON—AP; THOMAS AND DALY: ANDREW D. BERNSTEIN—NEA/GETTY; SABERI: FARZANEH KHADEMIAN—ARCA/USA; MELTON: ROBERTO SOLIS—AP; PHAIR: LOWELL OBSERVATORY AND VENETIA PHAIR; PLANE: THE WHITE HOUSE—AP

ILLUSTRATION FOR TIME BY STEPHEN KROMINGER; KARZAI: SEAN GALLUP—GETTY; ZARDARI: ALEX BRANDON—AP

Strait ahead Ma hasn't wavered in his mission to make it easier for China and Taiwan to do business



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To read an extended interview with Ma Ying-jeou, go to time.com/ma

economically from better ties with China—but he won't let the island be assimilated by the rising giant. "I won't sell out Taiwan," Ma told TIME, adding that "I'll sell China Taiwan fruit... We're trying to create an atmosphere of peace."

Ma has already done more to close ranks with China than anyone in Taiwan's brief history. Ever since Ma's political party, the Kuomintang, fled mainland China to Taiwan after losing a civil war to Mao's communists in 1949, relations between the two have been antagonistic at best. Beijing treats Taiwan as a runaway province and has blocked the democratic Taipei government from receiving diplomatic recognition or participating in many international forums. Both sides armed the Taiwan Strait to the teeth, turning it into one of Asia's most dangerous military flash points. Contact between them has been grossly restricted. A year ago, Taiwan residents couldn't take a scheduled flight or mail a letter directly to the mainland, and Taiwan-made goods had to be transhipped through Hong Kong and Japan.

This has begun to change under Ma, who shortly after taking office established what he calls the "three links": direct shipping, air travel and mail service. In late April, the two sides agreed to more than double the number of weekly direct flights to 270. Ma has also eased limitations on investment by Taiwan companies in China, and his administration recently announced that, for the first time, mainland investments would be allowed in a broad range of Taiwan manufacturing and services companies. China Mobile, the mainland's largest cellular-service provider, has already agreed to invest about \$530 million in Taiwan's Far EasTone Telecommunications, although the landmark deal has not been approved by Taipei. In perhaps the most hopeful sign of change, China recently relaxed its longstanding opposition to Taiwan's inclusion in international organizations. After being rejected since 1997, Taiwan was finally invited this year to be an observer at the World Health Assembly, the governing body of the World Health Organization—the first time it has participated in a U.N.-related forum since Taiwan lost its U.N. seat to China in 1971. China-Taiwan relations "are now on the right track," Ma says.

Many in Taiwan don't consider the island to be part of China, and they fear closer ties will eventually lead to a loss of identity



Howdy neighbor A boatload of mainland tourists lands in Taiwan

To an extent, Ma is simply taking the next logical steps toward normalizing relations between two governments that technically don't recognize the other's right to exist, but which have inevitably been drawn together economically. Taiwan is a global center of IT manufacturing, and in recent years, the island's companies have for competitive reasons been compelled to open factories on the mainland, taking advantage of a liberalization of Taipei's restrictions on such investments. More than a million people from Taiwan now live in China in industrial centers near Shanghai in the east and in Guangdong province in the south. Direct transport links greatly enhance efficiency and lower costs of doing business across the strait, which could help a Taiwan economy that has struggled in recent years to find new sources of growth. In addition, a warmer China-Taiwan relationship alleviates a thorny diplomatic and security problem for the U.S. Its historic support of Taipei is a point of contention between Beijing and Washington. Now, "the likelihood of war has decreased," says Li Jiaquan, a senior researcher at the

Chinese Academy of Social Sciences Institute of Taiwan Studies in Beijing. "This is good not just for Taiwan and China, but for the U.S."

The easing of tensions has come about in part because Ma, a Harvard Law School graduate and former Taipei mayor, is a far more palatable politician to Beijing than his more confrontational predecessor, Chen Shui-bian. China's leaders ultimately

want the island and the mainland to reunite. During his eight years as President, Chen irked Beijing by flirting with ways of making Taiwan more formally independent, such as scheduling a referendum on applying for U.N. membership under the name Taiwan. Ma, on the other hand, has promised not to declare Taiwan an independent state, a position that has made it easier for Beijing to cooperate with Taipei. During Chi-

na's National People's Congress in March, Chinese Premier Wen Jiabao dangled an olive branch, saying that Beijing stands ready to "create conditions for ending the state of hostility and concluding a peace agreement between the two sides of the Taiwan Strait."

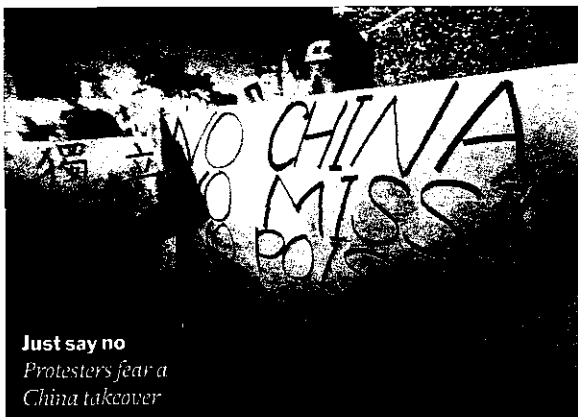
Strides toward détente carry a political price for Ma. Many in Taiwan don't consider the island to be part of China, and they fear closer ties will eventually lead to a loss of identity, even sovereignty. Last October, hundreds of thousands protested against Ma's China policy in a Taipei rally organized by the opposition Democratic Progressive Party (DPP). Another large protest is planned for May 17. Ma "sees the closer ties [with China] as an opportunity," says Cheng Wen-tsang, the DPP's spokesman. "But we see them as a threat."

Ma counters that everything he has done is in Taiwan's best interests, especially concerning the economy. The global financial crisis hit trade-dependent Taiwan especially hard. Exports in April plunged a staggering 34% from the same month in 2008—the sixth consecutive monthly double-digit decline—as

demand for the island's computer and electronic equipment shriveled in the U.S. and Europe. The government expects GDP to contract 3% in 2009; some private estimates predict worse. The severity of the crisis brought new urgency to the effort to improve ties with China in order to capitalize on one of the world's few remaining sources of growth. "If we had not opened up to the mainland, we would suffer more," Ma says.

Indeed, direct links appear to be boosting profits. Eric Kuei, general manager of Fruit Taiwan Corp., says the time to transport his pineapples and other produce to Shanghai from Taiwan has been cut from seven days to three, which means more time on Chinese store shelves and a 20% increase in profits. "After Ma got elected, everything's more convenient for businessmen," says Kuei. In a recent survey conducted by Taiwan's *CommonWealth* magazine, 60% of the CEOs questioned said that liberalized cross-strait relations were improving Taiwan's economic competitiveness. This positive outlook has helped fuel a 40% surge in Taiwan's stock market this year, making it one of the best-performing in Asia. "A positive relationship across the strait can help recover some of the competitive advantages we have lost in the past 10 years," says J.T. Wang, chief executive of computer maker Acer.

Still, many restrictions on cross-strait business remain. Taiwan banks, for example, can't operate on the mainland because the necessary agreements aren't in place to allow regulators from the two sides to co-operate, cutting off a key source of growth.



Just say no
Protesters fear a
China takeover

Victor Kung, president of Fubon Financial Holding Co., says Taiwan's isolation from a burgeoning China has stunted the development of the entire economy. As costs at home have risen and the island's manufacturing has moved offshore, Taiwan has needed to foster new industries, especially in the service sector, to generate growth and jobs, but a lack of access to China has hindered those efforts. "The transformation from a manufacturing base to more of a services base is still experiencing labor pains, and it still has a lot to do with cross-strait difficulties," Kung laments.

Ma is promising more reform. In April, China and Taiwan inked an agreement that will start the process of liberalizing cross-strait financial services. More broadly, Ma intends to forge a comprehensive economic-cooperation agreement with Beijing that would reduce tariffs on Taiwan exports to China as well as provide investment guarantees and

protect intellectual property. There is a reason to hurry. In 2010, China is slated to slash tariffs on goods from nations in Southeast Asia, potentially putting Taiwan's products at a greater disadvantage in the China market. Through a bilateral trade agreement, Ma says, "We hope we can avoid the marginalization of Taiwan as a result of regional economic integration in East Asia."

But this seems about as far as Ma is prepared to go. He is holding off on China's offer to negotiate a peace treaty, insisting that Beijing must remove missiles pointed at his island as a precondition to talks. Relations between the two have improved so much, he believes, that the security threat has been significantly alleviated. "Taiwan is no longer a flash point in East Asia, and that's what we want," Ma says.

Even more importantly, Ma rejects the possibility of negotiations with Beijing that touch upon Taiwan's political status or raise the issue of unification. People in Taiwan "still have a lot of doubts about China," Ma says. "They fear [the mainland Chinese] way of life is not something they can accept." Though Ma may be bridging the gap with China faster than anyone could have expected, one year—even one of great progress—can't erase 60 years of animosity. —WITH REPORTING BY AUSTIN RAMZY/BEIJING AND NATALIE TSO/TAIPEI ■

Interview

'You can't have an isolationist policy.'

AFTER A YEAR IN OFFICE, MA YING-JEOU DISCUSSED THE ECONOMY and Taiwan's shifting relationship with China with TIME's Jim Erickson, Michael Schuman and Natalie Tso. Some excerpts:

What lessons have you learned from the economic crisis?

We were hard-hit by the shrinkage of exports to the U.S. and Europe, so we should diversify our markets. We need to look to emerging markets and oil-producing countries. Secondly, we should diversify our export industries. We depend so much on IT. We have designated six industries as

future flagships: green energy, tourism, biotechnology, refined agriculture and cultural and creative industries. Not only do we have to revise our economic policy, but also our political and security policy. That is why I started to reform our China policy.

How do you win over people in Taiwan who are worried

about closer ties with China?

Look at what happened when we allowed mainland tourists to come to Taiwan last year. Opponents said they wouldn't come. Now we have about 3,000 daily. Some are big spenders. There are people who fear mainland capital [coming to Taiwan] will ruin our market, but we'll regulate the different industries so that we open bit by bit. Taiwan is a country that depends on international trade and investment. You can't have an isolationist policy.

Will you sign a peace agreement with China?

Two years ago, [China President] Hu Jintao formally

extended an offer to Taiwan to sign a peace agreement. At the time, I responded positively. But we want to make it clear this would not be an agreement on Taiwan's [political] future. It is a security issue. Taiwan's future is related to unification and I made it very clear that I won't touch that issue during my presidency.

Do you think China will pressure you?

Of course they hope we'll move faster. [But] our policy is based on three principles: no unification, no [declaration of] independence and no use of force. We will maintain the status quo. ■