



**Institute of Strategic and International Studies (ISIS) Malaysia**

**POLITICAL CONFLICTS  
(SELECTED ARTICLES FROM MAGAZINES)**

**MARCH 2010  
3/2010**

**INFORMATION SERVICES DIVISION  
ISIS MALAYSIA**

## CONTENTS

### POLITICAL CONFLICTS

#### Contents

1. Directing the diplomats by Kerry Brown. **Beijing Review**, March 11, 2010, pp. 14-15.
2. Time to show them what you're made of. **The Economist**, March 6, 2010, pp. 14.
3. Divided loyalties. **The Economist**, March 6, 2010, pp. 34-36.
4. The Chinese are coming. **The Economist**, March 6, 2010, pp. 38.
5. As father fades, his children fight. **The Economist**, March 20, 2010, pp. 24-
6. Not pointing or wagging but beckoning. **The Economist**, March 20, 2010, pp. 27-28.
7. Najib v Anwar. **The Economist**, March 27, 2010, pp. 27-28.
8. A matter of life and death. **The Economist**, March 27, 2010, pp. 34.
9. Why China won't budge on Iran by Melinda Liu. **Newsweek**, March 1, 2010, pp. 13.
10. A more dangerous world by Erwann Michel-Kerjan and Paul Slovic. **Newsweek**, March 1, 2010, pp. 17.
11. How America can make Israel listen by Dan Ephron and Joanna Chen. **Newsweek**, March 29, 2010, pp. 8.
12. Beijing steps up domestic security by Isaac Stone Fish. **Newsweek**, March 29, 2010, pp. 9.
13. Leaning on Lula by James P. Rubin. **Newsweek**, March 29, 2010, pp. 25.
14. Growing green jobs by Rana Foroohar. **Newsweek**, March 29, 2010, pp. 36-37.
15. Parsing the color codes of Thailand. **Time**, March 29, 2010, pp. 4.
16. Home truths by Hannah Beech. **Time**, March 29, 2010, pp. 16-19.
17. Turning Japanese by Michael Schuman. **Time**, March 29, 2010, pp. 23.

# Directing the Diplomats

Europe's foreign affairs head faces knotty problem of developing new structure



By KERRY BROWN

**C**atherine Ashton was appointed as the EU's new high representative for foreign affairs and security policy by the 27 member states of the union last November. The announcement surprised many. Better-

known names such as current British Foreign Minister David Miliband and former Governor of Hong Kong Chris Patten had been suggested. Ashton's previous career had been as the Labour Party leader of the British House of Lords, and before that in the British National Health Service. In both, her main focus was on UK domestic issues.

Her job as trade commissioner did give her international experience, but during her hearing before the European Parliament in January 2010, one of the main issues that members concentrated on was her lack of foreign policy exposure. One German member of the European Parliament (MEP) complained after her appearance he had no clearer idea on what her vision for the EU in the world was, and where she wanted to take the union in global relationships. But, crucially, she dealt with most of the questions put to her reasonably confidently. Having passed this test, she must now proceed to implement the sections of the Lisbon Treaty relevant to her brief.

That means establishing, somehow, a new European diplomatic service. It is still not entirely clear how she will do this. As U.S.-based Irish scholar Perry Anderson wrote in his recently published study of Europe, *The New Old World*, the EU is frequently a mystery to its own citizens, let alone those outside of it. At least until the Lisbon Treaty took effect in December 2009 it consisted of four main pillars: the European Commission, a group of officials who administer and run the EU's affairs; the European Parliament, elected by citizens across the 27 member states with widely different levels of turnout; the European Court of Justice; and finally the Council of Ministers, where the relevant leaders in each area of the 27 states meet at a higher

level, almost along the lines of a cabinet, to decide key policy issues. Despite much criticism from some member states, in fact the bureaucracy that runs this huge entity is small—18,000 people at most. And they run it on a surprisingly small budget, less than 1 percent of the EU's GDP.

The Lisbon Treaty reconfigures the power and functions of these four pillars. The European Parliament is now upgraded, having powers like congresses in most places, sanctioning and scrutinizing new legislation. From this arises the right of the MEPs to question Ashton, and to authorize her final appointment. But there is some confusion over how the current parts of the European Commission dealing with external affairs will function once a new European diplomatic service is set up. New entry procedures for EU diplomats need to be decided, along with issues about how many people each country can have, and what sort of representation is needed at the highest level. Already the UK is anxious because its quota of current EU officials at a senior level is falling. These issues need to be set out over coming months.

## A vision on China

Ashton takes China seriously. When she was EU trade commissioner she made sever-

al visits to China, the last in September 2009, where she co-chaired an EU-China trade dialogue with Vice Premier Wang Qishan. But just as it is not clear what her overall vision of the EU's global role is, so it is not clear where China fits into how she sees the EU's priorities over the next few years.

Reports that she has been reading Mark Leonard's short 2008 book *What Does China Think?* at least reveal that she is starting to think in more depth about this issue. Leonard was one of the policy thinkers most favored by the new Labour government during and after its election in 1997 after 18 years out of power. He set up with others the Foreign Policy Center, which had, in particular, close links with the then British Foreign Secretary, the late Robin Cook. Leonard in particular argued for the EU being a model for the rest of the world to look at, including the United States, in terms of how it delivered accountable, transparent and stable governance. In *Why Europe Will Run the 21st Century* he argues that "those who believe Europe is weak and ineffectual are wrong...Europe is remaking the world in its own image through its unique 'transformative power.'"

In *What Does China Think?*, Leonard, the head of the European Council on Foreign



**ONE VOICE:** Catherine Ashton, High Representative of the EU for Foreign Affairs and Security Policy, at a press conference on helping Haitian earthquake relief at the EU headquarters in Brussels on January 18, along with Spanish Minister of Foreign Affairs and Cooperation Miguel Angel Moratinos and Karel De Gucht, at the time European Commissioner for Development and Humanitarian Aid

The author is a senior research fellow at the Royal Institute of International Affairs in Britain

Relations since 2007, sets out what he sees as the key ideas that academics, officials and policy makers in Beijing are working on for the modernization of the administrative and political system. During a visit to China in 2007, when he was a visiting fellow at the Chinese Academy of Social Sciences, Leonard met with a number of prominent Chinese intellectuals, and talked with them about their vision for China in the next decade. The range of views he gathered was presented in an accessible and easy style. He also referred to experiments in local administration being undertaken in cities like Chongqing.

It was clear that there was a need for a brief overview of what Chinese thinkers themselves felt about the development of their own country. While there are many commentators outside China who set out, at some length, where China is, and what it needs to do, in order to modernize further in the future, there are very few Chinese writers who have any sort of coverage and exposure in the West.

Yu Keping, from Peking University, and Wang Hui, from Tsinghua University, have both published works in English about where they see modern China standing. But beyond China specialists, their works have failed to reach a wider audience. Leonard, who already had a wide following because of broader work in the 1990s on foreign policy at the Foreign Policy Center, was able to leverage the interest he had created in his arguments over the EU to bring a new audience to look at the issues China faces. It is recognition of that therefore that Baroness Ashton may have chosen his book to start orientating herself as she deals with China in her new position.

Leonard explains various key challenges that China is currently facing—from a need to continuing satisfying its increasing energy needs, to doing something about its huge environmental issues, and continuing to grow its economy, at a time when the rest of the world is just emerging from global recession and only just beginning to post positive growth rates. In each of these areas, the EU is a good partner. It has some of the world's best environmental technology. It is China's largest trading partner. And it is seeking to work with China on energy efficiency issues.

But what should be a marriage made in heaven has all too often in the last few years been marred by frustration between both sides, with clear evidence of a lack of understanding about each other's needs. The EU remains frustrated at what it perceives

as lack of market access in China. The rising trade deficit continues to be a political problem. For Chinese, the EU's lack of unity on key issues continues to confuse. Unlike the United States, it continues to fail to speak with one voice. It sways between being merely a huge free trade area on some interpretations, to being a union between separate sovereign states with far greater and more sweeping ambition. These internal uncertainties affect the way it presents itself to the world outside.

The issue of who now runs the EU as an organization is a good illustration of this. Is it the current President of the European Commission José Manuel Barroso, who was appointed for a further five years last year? Is it its newly appointed President Herman Van Rompuy, whose position was announced alongside Baroness Ashton's last November? Is it the holder of the six monthly rotating presidency of the EU member states, currently the prime minister of Spain? Or is it the head

of the European Parliament, under new powers granted in the Lisbon Treaty? There is still a lack of clarity over how these four relate to each other, who leads in which areas, and who, in the end, can be said to be in charge. Once more, for those outside the EU things are even more confusing. Who exactly will China be speaking to about

important political and economic issues in the months and years ahead? And who does China accord the highest protocol to when they visit China—Rompuy, Barroso or someone else?

These are not the problems that can be solved overnight. For Ashton's specific area, having a cadre of China specialists in Europe might be a first step. That will need a great deal more detail than what is in Leonard's short book. With the best will in the world, his account served only as a guide for beginners, and not as something to be used as a basis for detailed policy making. The EU, pre-Lisbon Treaty, has already done a lot of work on this. There is plenty to work from. Now the challenge will be to address issues of disunity, lack of clarity, and lack of a united vision over policy making toward China and other countries, which existed before. For this, Ashton will not need a book called *What Does China Think?*, but something far trickier: *What Does the EU Think of China?* And, alas, that book remains unwritten. ■

(The viewpoints in this article do not necessarily represent those of *Beijing Review*)

## Diplomatic Dynamics

### China and Zambia

China has promised to strengthen political, economic and cultural ties with Zambia during Zambian President Rupiah Banda's visit.

Apart from developing a political relationship of "sincerity and trust," the two countries should expand cooperation in areas including agriculture, mineral resources and infrastructure, Chinese President Hu Jintao said while meeting with Banda on February 25.

They should also make joint efforts to enhance prosperity in the China-Zambia trade and economic cooperation zone in Zambia. Established in 2007, the zone homes a number of Chinese and Zambian companies.

Hu also called on both sides to engage in collaboration in areas of education, culture and public health to deepen mutual understanding.

### China and Chile

China stands ready to assist Chile with disaster relief after a massive 8.8-magnitude earthquake ravaged the South American nation on February 27, said Chinese Foreign Ministry spokesman Qin Gang.

China has declared its intention to provide Chile with \$1 million in humanitarian aid, Qin said at a March 2 press conference. In addition, the Red Cross Society of China has pledged a further \$100,000 toward disaster relief.

On March 4, it dispatched 96 tons of relief supplies to Chile, including tents, blankets, power generators and water purification devices, worth \$2 million.

### China and U.S.

China has called on the United States to respect China's "core interests" and properly handle sensitive issues in bilateral relations, Chinese Foreign Ministry spokesman Qin Gang said.

Qin made the remarks at the outset of a recent visit by two U.S. officials at a March 2 press conference.

U.S. Deputy Secretary of State James Steinberg and National Security Council Senior Director for Asian Affairs Jeffrey Bader—both experts on Chinese affairs—visited China between March 2 and 4.

Their trip came amid tensions following Washington's decision to permit a multibillion-dollar arms sale to Taiwan and President Barack Obama's meeting with the Dalai Lama.

China is not to blame for the current difficulties, Qin said, while urging the United States to work with China to engender stability in bilateral relations.

► candidates back into an ugly sectarian struggle.

The hope is that any new government—which will probably take several months to emerge—will need to look for allies across the spectrum. It is highly unlikely that any one electoral alliance will win a majority of seats. At least one alliance that is predicted to do well has a secular and admirably non-sectarian outlook. And, as before, the Kurds, whose autonomy is one of the few unalloyed successes of America's invasion, are likely to be kingmakers.

Yet, as our briefing shows (see page 26), Iraq is still bitterly divided. No leader or party has emerged that can truly command the loyalty of all its religious sects and ethnicities. The Kurds and the Arabs have yet to accommodate each others' aspirations or banish the prospect of violence to achieve their aims. Iraq's institutions are feeble and corrupt. Ministries are run as party fiefs. Public services, such as the supply of electricity, are dire. Professionals who fled the country in tens of thousands have yet to return.

So it is still too soon for the outsiders who wrought much of the misery to rush for the exit. If the Iraqis ask for some or all of them to stay on, Mr Obama should say yes. American troops in crucial spots still hold the ring between rival groups. The

American president has some semantic wiggle-room: he previously talked of leaving a "residual force" of up to 50,000 advisory troops after August. The "status of forces agreement" signed by the Iraqi government and President Bush before he left office stipulates that all American troops, whether "combat" or not, must be out by the end of next year. That too can be twiddled and extended. Only if the Iraqis' own elected government asks all foreign troops to leave forthwith should they leave. Iraq, after all, is a sovereign country.

And, ultimately, it will fall to Iraqis to build a nation that is more than just a country in name. Sadly they still show few signs of doing so. Unless the next government breaks out of the cycle of sectarian patronage and corruption, it is entirely possible that another strongman, perhaps in cahoots with the army, will emerge to replace today's pluralistic free-for-all with the sort of suffocating authoritarian rule prevalent elsewhere in the Arab world. That would be yet another tragedy. The cost of displacing Saddam was, in any case, far too high in blood and treasure. The case for removing him, made among others by *The Economist*, has not been vindicated. But if a solid peace and something resembling a democracy were entrenched, that at least would be a legacy worth leaving behind. ■

#### Indonesia's embattled reformers

## Time to show them what you're made of

Even Javanese democrats cannot always rule by consensus



**I**N THE coming days you will read plenty of good things about Indonesia. Barack Obama's return later this month to his childhood home, Jakarta, will give an underreported country a moment in the international spotlight. It will be a

chance for reminders that, just 12 years after the toppling of the 32-year Suharto dictatorship, the world's third-most populous democracy seems remarkably stable; that, with more Muslims than any other country, it is a bastion of tolerance; that its economy has weathered the global downturn well; and that, in Susilo Bambang Yudhoyono, it has a president who enjoys a huge popular mandate at home and respect abroad as a model reformer. All of this is true. So it is a shame that of late Indonesia's politicians have been giving democracy a bad name, and that Mr Yudhoyono himself has been doing precious little in the way of either reforming or leading.

This week saw a climax of sorts in a lengthy parliamentary probe into the government's rescue in 2008 of Bank Century, a small local lender (see page 29). The debate in the lower house degenerated into rowdy uproar; outside police used water-cannon and tear gas to disperse a rent-a-mob. Were the bail-out really at issue, this might have been less ugly. But in fact, the probe had become a witch-hunt against the two leading reformers in Mr Yudhoyono's cabinet—his vice-president, Boediono, and his finance minister, Sri Mulyani Indrawati. Both are technocrats rather than politicians. Both have good reputations for competence and honesty. Both, therefore, are the natural enemies of the businessmen and their politician cronies who lorded it in the Suharto days. Far from respecting Mr Yud-

hoyono's decisive electoral mandate, the old elite has been trying to undermine it and scupper his reformist agenda.

The president himself, however, must bear some of the blame for this. He did not come out clearly in support of his embattled colleagues until this week. He has preferred to try to placate all-comers in the name of consensus. That was his style throughout his first term, which ended last year. Back then he relied on a disparate coalition for a parliamentary majority, but now his Democratic Party is the largest in parliament. And yet he has continued to favour building and managing the largest possible coalition over decisive action.

#### The benefit of the doubt

The Bank Century affair is not the only time that Mr Yudhoyono's actions have belied his reforming rhetoric. A campaign against graft by an anti-corruption commission, known as the KPK, was one reason for his government's popularity. But as the KPK itself became the target last year of what looked like a vendetta by the police, Mr Yudhoyono did not always give it his full backing. Nor has he fulfilled his promise to reopen the investigation into the murder in 2004 of a human-rights activist, Munir bin Thalib, in which Indonesia's security service is a suspect. That is typical of his government's connivance at a culture of impunity and cover-up that has also seen a number of books on Indonesia's recent history banned.

Mr Yudhoyono continues to be viewed charitably. The commonest gibes are that he dithers, is weak and sacrifices too much in the name of consensus. In a country with a recent history of strongman-rule, those are not the worst sins. But they do leave open the question of whether Mr Yudhoyono is really, as his supporters would have it, a reformist break with the past, or just a chip off the Suharto-era block. ■

Two of Miss Park's supporters in the assembly, Hong Sa-duk and Lee Sung-hun, have accused Mr Lee's office of dirty tricks, saying they have been the targets of a smear campaign. The presidential office denies the allegations, but the echoes of tactics used by former military dictators such as Miss Park's father to suppress dissent have been bad for Mr Lee's image.

The feud with Miss Park threatens other parts of Mr Lee's ambitious agenda, too, such as a big sale of state enterprises and a massive project to improve navigability in the country's four biggest rivers. Without the votes of Miss Park's faction, these are unlikely to pass the National Assembly.

Mr Lee had hoped to be a unifying figure. But his tin ear for politics has damaged his standing within both his own party and the National Assembly. And time is running out. He has entered his third year in office, usually the last chance for South Korean presidents to realise their legislative ambitions. After that parliament tends to stall new laws, and voters turn their attention to the next presidency. ■

Thaksin Shinawatra

## Divided loyalties

BANGKOK

Some scent compromise; more fear a looming showdown

IN THAILAND politics has long been about compromise rather than conviction. Political parties run on expediency, not ideology, which makes it possible to cobble together all manner of oddball coalitions. But in recent years pragmatism has given way to more rigid loyalties. Rival camps rally their base with fiery talk of an all-out struggle for the nation's soul, all the while tugging relentlessly at its seams.

Might compromise yet make a comeback? Some scented a whiff of detente on February 26th, when the Supreme Court ruled on the family fortune of the former prime minister, Thaksin Shinawatra. But that still seems wishful thinking. The nine judges found Mr Thaksin guilty of abusing his powers while in office to favour Shin Corp, his family-owned telecoms group, which was sold in January 2006 to Temasek, a Singaporean sovereign-wealth fund. The court decided to seize \$1.4 billion of the \$2.3 billion in proceeds from that sale, which had been frozen after the army deposed Mr Thaksin in September 2006.

In theory that leaves a tidy sum for Mr Thaksin to live it up in self-exile in Dubai. The remaining \$900m represents the value of the family's stake in Shin Corp before Mr Thaksin became prime minister in 2001. But that money is unlikely to be re-

Vietnam's economy

## The Tet effect

Worries about corruption threaten

During the lunar new year holiday, money is everywhere in Vietnam. It is dished out to children, gambled in roadside card games, and splurged on gifts, feasts, and trips to home villages. There is also an annual bump in the country's GDP, with a year-on-year spike in the consumer price index.

But the Tet effect is also a time when the government's budget deficit widens, and the country's foreign reserves are depleted. The government is expected to announce a new budget in the coming weeks, and the country's foreign reserves are expected to fall by \$10 billion in the next few months.

The government is expected to announce a new budget in the coming weeks, and the country's foreign reserves are expected to fall by \$10 billion in the next few months. The government is expected to announce a new budget in the coming weeks, and the country's foreign reserves are expected to fall by \$10 billion in the next few months.

The government is expected to announce a new budget in the coming weeks, and the country's foreign reserves are expected to fall by \$10 billion in the next few months. The government is expected to announce a new budget in the coming weeks, and the country's foreign reserves are expected to fall by \$10 billion in the next few months.

turned soon, if at all. A large tax bill has to be paid. The court's verdict exposes Mr Thaksin and his family to a range of civil and criminal charges. Prosecutors may go after members of his cabinet and officials accused of helping Shin Corp. The government can also try to claw back lost revenue from Shin Corp, and particularly its lucrative mobile-phone unit, AIS.

Mr Thaksin lost no time in attacking the verdict and urging his red-shirt supporters to seek justice. Political life is "really

stagnant without seeing much of the money leak away into trade deficits. At the time Mr Pincus argued it should depreciate its currency to boost exports, and focus investment on labour-intensive industries rather than

the opposite. The government is expected to announce a new budget in the coming weeks, and the country's foreign reserves are expected to fall by \$10 billion in the next few months.

The government is expected to announce a new budget in the coming weeks, and the country's foreign reserves are expected to fall by \$10 billion in the next few months. The government is expected to announce a new budget in the coming weeks, and the country's foreign reserves are expected to fall by \$10 billion in the next few months.

The government is expected to announce a new budget in the coming weeks, and the country's foreign reserves are expected to fall by \$10 billion in the next few months. The government is expected to announce a new budget in the coming weeks, and the country's foreign reserves are expected to fall by \$10 billion in the next few months.

tough", he moaned. A mass rally in Bangkok is planned on March 14th, with the aim of unseating the prime minister, Abhisit Vejjajiva, and forcing fresh elections. Red-shirt leaders claim that 1m people will converge on the capital, by road and river, to join a "people's war against the elite" over several days. The actual crowds are likely to be more modest, admit rally organisers, but the incendiary rhetoric is menacing, as are the drumbeats from the army as it prepares for a possible repeat of last April. ►►



Uncompromisingly red

► when troops battled red-shirted protesters for control of Bangkok.

That bout of anarchy went down poorly with Bangkokians, including the so-called silent majority. This is the group that Mr Abhisit probably had in mind when he urged Thais to pay close attention to the Supreme Court's fine-grained verdict, which took more than six hours to read aloud. By exhibiting to this group Mr Thaksin's corruption and greed, the government hopes to discredit his legacy and hurt his proxies in a future election. It has also indulged in fear-mongering over disruptive red-shirt rallies. A spate of mysterious after-hours grenade attacks on banks and government buildings has stoked a sense of unease over what lies ahead.

Unsurprisingly, the court ruling failed to change the minds of many reds, who believe that the legal system is rigged. But this movement has long outgrown its *casus belli*, Mr Thaksin's downfall. It now sees injus-

tice behind every door. Alarming for those still hoping for a quietly stitched-up compromise, it is infused with revolutionary bile. In recent months it has snapped at the heels of advisers to King Bhumibol Adulyadej and framed its fight as a long-overdue reckoning for Thailand's elite. "Our time is coming...and their power is weakening more and more," says Somyos Prueksakasemsuk, a leftist red leader.

Last September King Bhumibol was admitted to hospital with a lung infection and other ailments. A day after the court ruling, he briefly left for a palace function. He has begun to resume some duties from hospital, but a royal succession looms as the unspoken backdrop to Thailand's crisis. Any compromise that pacifies Mr Thaksin needs the blessing of the revered monarch. None seems forthcoming. Instead, says a palace source, the Supreme Court verdict sent its own clear message: "Here's some money, now go away." ■

#### Tajikistan's flawed election

## Change you can't believe in

ALMATY

**A rigged vote keeps the ruling party in power in a failing state**

**T**O THE surprise of no one, the governing People's Democratic Party of Tajikistan (PDPT) won a landslide victory in parliamentary elections on February 28th, with almost 72% of the vote. Nor was anybody taken aback by the myriad irregularities on election day. The Organisation for Security and Co-operation in Europe (OSCE), which monitored the polling, said it "failed to meet many key OSCE commitments". It noted a high prevalence of fam-

ily- and proxy-voting and cases of ballot-box stuffing.

Preliminary results give the PDPT, led by Emomali Rakhmon, the president, 53 seats out of 63 in the lower house of parliament. The Islamic Revival Party, Central Asia's only religiously based party, came second, with 7.7% of the vote and two seats. The party's leadership, which expected to win around 30% of the vote, has cried foul, and plans to sue the election board.

The PDPT in fact lost four seats. But the vote reinforces the stronghold the president, in power for nearly two decades, has over the mountainous country. This is its misfortune. Among other gloomy analysts, the International Crisis Group, a think-tank, has depicted Tajikistan as on its way to becoming a failed state.

About 70% of its 7.3m people live in abject poverty in the countryside. It has still not fully recovered from a vicious five-year civil war that ended in 1997. The economy relies on exports of cotton and aluminium, and especially on remittances from more than 1m migrant labourers, mostly toiling in Russia and Kazakhstan. The World Bank estimates their contribution in 2008 as \$2.3 billion, or 46% of GDP. Last year, amid the global economic downturn, remittances fell by around 30%.

The exodus of mostly young and enterprising Tajiks provides Mr Rakhmon with a political safety-valve, and helps shield his regime from political unrest. But it has wreaked havoc on traditional family life, with women and old people left behind to fend for themselves. Young women often have difficulties finding a partner and may, out of necessity, agree to become a man's second or third wife. This is prohibited by Tajikistan's secular laws, but acceptable in Muslim practice. Others get divorced by husbands who stay away for years and start new families abroad. These women then have to raise their fatherless children and struggle to make ends meet, sometimes by going abroad themselves.

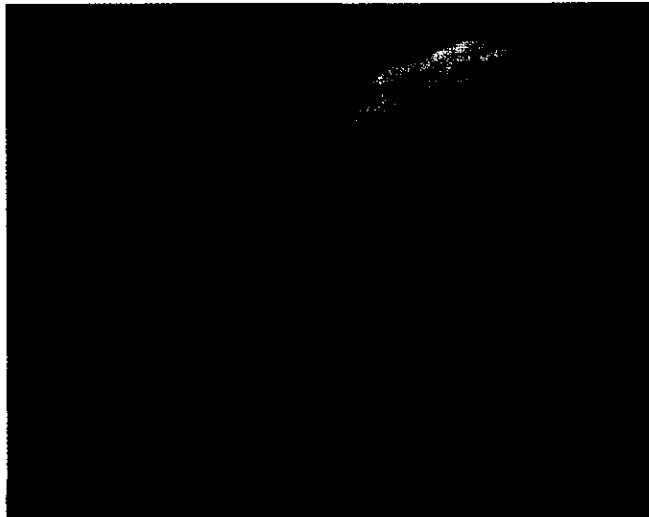
Tajikistan has also for years had fraught relations with its larger neighbour, Uzbekistan. One of the main sources of acrimony is Tajikistan's long-planned construction of a dam and hydroelectric power-plant, which will provide a much-needed supply of steady electricity. Uzbekistan worries it will limit the amount of water it receives from Tajikistan for irrigation.

Western observers, in turn, fret about the country's 1,300km (830 mile) southern border with Afghanistan. Much of it is lawless, giving rise to fears that conflict in Afghanistan might spread, bringing extremism and chaos. Increased fighting in northern Afghanistan has caused ethnic Tajiks there to seek refuge in Tajikistan. Taliban fighters might do the same. Moreover, Tajikistan continues to be an important transit country for drugs en route to Russia and Europe.

Concerned about all this, America wants closer ties with Tajikistan. Visiting Dushanbe, the capital, in February, Richard Holbrooke, Barack Obama's "AfPak" envoy, said that Tajikistan held "immense importance" to a peaceful outcome in Afghanistan. Worries about the deeply flawed election and its outcome, which did little to encourage hopes for stability and progress in Tajikistan, extend far beyond the country's borders. ■

## Banyan | The Chinese are coming

To a sitting room, mobile telephone or supermarket screen near you soon



ON MARCH 1st *China Daily* got its biggest makeover since the newspaper was launched in 1981 as China's first English-language daily. As well as a new look, the paper is boosting the number of its foreign correspondents. With a new investigative-reporting feature, *China Daily* said that it was aiming to "set the news agenda instead of just follow it".

So far, this agenda seems unlikely to set foreign pulses racing. Next to this bold new feature *China Daily* splashed an "exclusive" interview with the foreign minister, Yang Jiechi, under the headline "FM: China is doing all it can in foreign affairs". Still, the makeover marks a departure for the vapid broadsheet. And *China Daily* is only the latest Chinese media organ to revamp itself in what President Hu Jintao calls an "increasingly fierce struggle in the domain of news and opinion".

On a visit in 2008 to the *People's Daily*, the Communist Party's mouthpiece, Mr Hu lamented the "West's strength and our weakness" in the global exchange of ideas. To stress the message that China intends to redress the balance, he presided in Beijing last October over China's first "world media summit". China's party-controlled press shared the stage with global media giants such as Reuters, the BBC and Rupert Murdoch's News Corporation.

Change is coming thick and fast. Since last April a racy new English-language tabloid, *Global Times*, has given *China Daily* a run for its money. China's state television network, CCTV, has a three-year plan to increase the number of foreign news bureaus, from 19 to 56. CCTV launched Arabic and Russian channels last year, building on existing English, French and Spanish services, with Portuguese to follow. The English channel, CCTV-9, is already widely available in the United States. Now Xinhua, the party's wire agency, is moving into television, with short programmes screened outside embassies, in supermarkets and on 3G phones. In all, the government is reported to have committed 45 billion yuan (\$6.6 billion) to global expansion. Both CCTV and Xinhua aspire to 24-hour English-language news services.

If it sharpens the media's reporting instincts, this is all to the good. At the time of the Asian tsunami in 2004, China had many more reporters in South-East Asia than did the American networks and the BBC. But Western television made all the running, and even Chinese broadcasters had to rely on it.

At home, competition is already encouraging higher standards. Since the 1990s the government has slashed subsidies to all but the clutch of media organisations that report directly to the party's propaganda department. In a bid for readers and advertising revenues, other outlets now flirt with racier, more inquisitive reporting. *Global Times*, though controlled by the *People's Daily*, is a remarkable innovation. The Chinese-language version has long been popular among hotheaded nationalists. But the English edition strays into realms once thought taboo.

On March 1st it put a scandal concerning an underage Chinese Olympic bronze-medallist on its front page, a story shunned by *China Daily*. Last year it was the only paper to report on the anniversary of the Tiananmen Square protests and their suppression in 1989. Recent articles include an investigation of internet censorship. A full-page spread reported on "happy endings" offered by male masseurs to women in Beijing massage parlours (headline: "A little of what you knead"). Yet even here, limits are implied. The clientele were not China's demure womanhood, but frustrated, sexually voracious expatriates. More seriously, the press does sometimes expose and criticise official wrongdoing—one this week, for example, editorialised against the police's use of torture. And, in a highly unusual campaign on March 1st, a dozen publications ran identical editorials calling for modest reform to the household-registration system that discriminates against rural Chinese. But here again there are limits. Within hours, the editorials had vanished from most of the papers' websites.

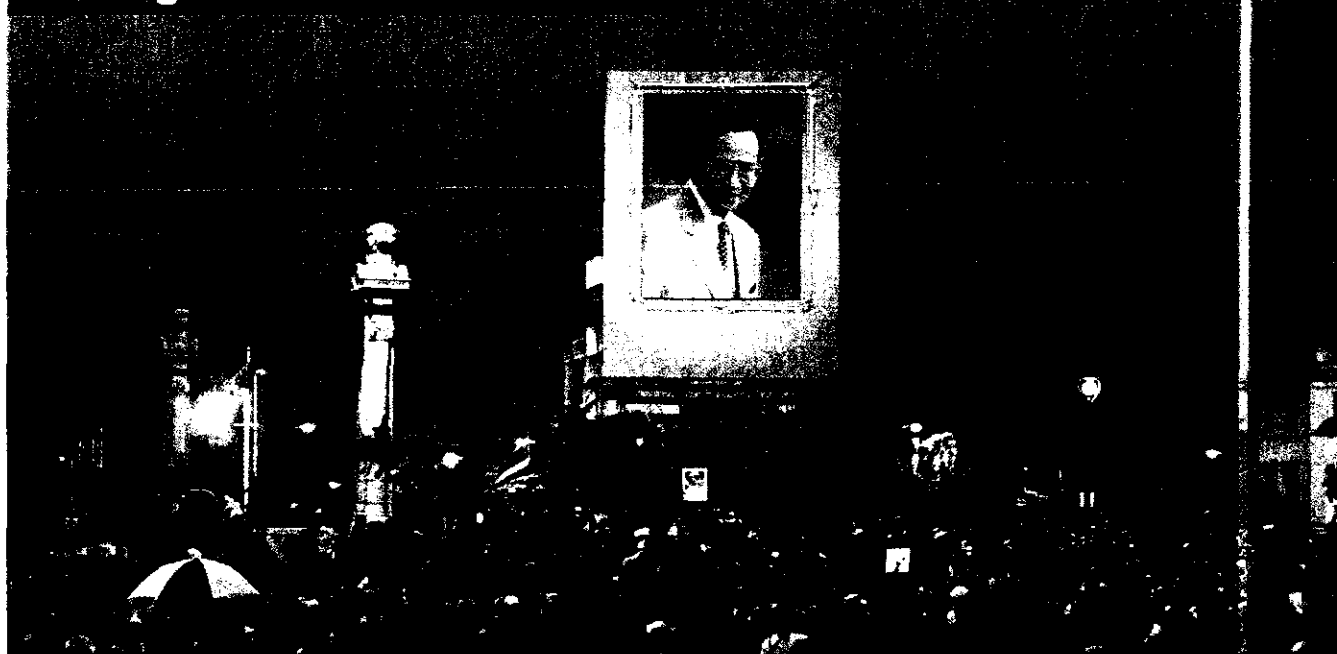
As for China's media offensive abroad, the limits will also become clear. At bottom, Mr Hu's frustration is with his country's deficit of soft power abroad. For all China's might, as David Bandurski of the China Media Project at the University of Hong Kong puts it, the world seems impervious to its charm. To the country's leaders, an epiphany came with the Tibetan upheaval in 2008 and subsequent protests abroad against parades of the Chinese Olympic torch. China's soft-power aspirations, they concluded, were frustrated by an anti-China bias whipped up by a dominant Western press. The leaders also believe that a better reputation abroad would boost their popularity at home.

### The medium and the message

"Monopoly is the enemy of freedom," railed a party journal, *Qiu-shi*, in August. This was no call for press freedoms at home, but rather indignation at China's not having a place among the world's supposed media monopolists. It underscores the fallacy in China's media push: that controlling the communications channels abroad is enough to win friends and influence people.

At home, journalists in service to the Communist Party are taught mind-numbing courses in "the Marxist view of journalism". The mission is to embed propaganda messages in supposedly objective reports. In the marketing of dictatorship, consent is manufactured and controversy snuffed out. Mr Hu promotes "harmony" as a singularly Chinese virtue by stifling the media. In Chinese journalism, an emphasis on party leaders' activities trumps reporting unwelcome facts, which can be suppressed. An example is the large number of children killed by shoddy school buildings in the Sichuan earthquake of 2008. Journalism is also venal, shaped by payments from officials and businessmen. It leads to a stilted public debate at home and, no matter how snazzy the packaging, will mean poor journalism abroad. ■





## As father fades, his children fight

**Behind the present unrest in Thailand lie far deeper fears about the royal succession. And those may not be spoken publicly**

**I**N TRUCKS, boats and buses, protesters streamed into Bangkok for a non-stop rally that was billed as a "people's war against the elite". By March 14th the crowd, all wearing bright red and brimming with elation, had passed 100,000. On the stage, speakers railed against the government and its royal and military enablers. Banners read "No Justice, No Peace". Another bruising round in Thailand's protracted power-struggle was under way, with no clear end in sight.

By mid-week the red shirts seemed no closer to their goal of forcing out the prime minister, Abhisit Vejjajiva, and forcing new elections. The army stands squarely behind Mr Abhisit, who took power 15 months ago by a parliamentary fix and remains the hero of Bangkok's myopic middle classes, as well as the yellow-shirted protesters who support the status quo. But in a one-man, one-vote democracy, the have-nots hold the key to success.

Thailand's twice-elected and now fugitive former prime minister, Thaksin Shinawatra, understood this well. He has refused to keep quiet since the army ousted him in 2006. A court ruling on February 26th to seize \$1.4 billion of his fortune has only made him angrier. Many red shirts consider Mr Thaksin to be the country's true leader and, despite his enormous wealth and privileged life, make common cause with him.

Ruling-party politicians complain that the lowly red shirts are paid proxies and do not represent mainstream opinion. They bat away the idea that an election may be the only way to prove their point, arguing that an orderly vote is impossible amid the tumult. Most of all, they blame Mr Thaksin for the uproar.

But there is another figure in the political landscape to consider: King Bhumibol Adulyadej, at 82 the world's longest-reigning monarch. At the rally site, a giant spotlight portrait of him gazed down impassively on the red-shirted crowds. To Thailand's royalist movement the monarch is the nation's father, and the "fighting children" on the streets are a source of distress to him. Some fear that Thailand's troubles may be thwarting King Bhumibol's full recovery from the respiratory illness that has kept him in hospital since September.

But it is precisely because "father" is on his way out that his "children" are fighting. The death of a monarch is always a moment of national drama and self-reflection. Thais feel a dread of it. Few have known any king other than Bhumibol, who ascended in 1946 to an institution that had slipped into irrelevance. As military rule gave way to a semi-functional democracy, the palace served as a respected power-broker. But its legitimacy depended on the charisma of King Bhumibol and the stealth of his courtiers.

The palace insists that the king is alert and active. But Thais already fear a destabilising royal succession. Investors are especially worried, and the more so because lèse-majesté laws discourage frank talk about it. When a large Thai brokerage polled fund managers about political risk factors in 2010, 42% of respondents chose what the brokerage describes as "a change that cannot be mentioned". Rumours of King Bhumibol's death last October sparked a two-day equities sell-off and a furious government witch-hunt for rumour-spreaders. The real thing is likely to outdo that rout.

Thailand has already endured four years of turmoil. The death toll has been low so far, but the rage unleashed last April, when red shirts fought the army in Bangkok, was a glimpse of how deep passions run. Splits within the army itself are starting to appear. Even if fear of all-out civil war seem overblown, it is reasonable to expect more years of political confrontation and paralysis.

The crown itself should pass smoothly. The designated male heir is Crown Prince Maha Vajiralongkorn, aged 57, and there is not much scope for doubt about his claim. A long mourning period, perhaps six months or more, will allow a pause in the political dogfight. Some protagonists may come to their senses and seek a compromise. The death of King Bhumibol would also signal a generational shift in Thailand: younger voices could start to be heard.

But this king will be a most difficult act to follow, and Prince Vajiralongkorn is already widely loathed and feared. Most Thais try not even to think about this accession. "This reign ends. And then, nothing," says an academic. The next ruler must fill the shoes of a beatified icon whose

► achievements have been swathed in a personality cult. The role of a crown prince in an era of great longevity and public scrutiny is tough anywhere. In Thailand it verges on the impossible. "How do you follow someone who walks on water?" asks a senior Western diplomat.

### Doubts about the prince

This conundrum is a familiar one. King Vajiravudh, Rama VI, who assumed the throne in 1910, had a rough ride in the shadow of his father, King Chulalongkorn, a vigorous moderniser. Even before he ascended to the throne he was tainted by palace gossip of alleged bad behaviour, according to Thongchai Winichakul, a Thai historian at the University of Wisconsin. Vajiravudh was a "fantastic poet and playwright" but an also-ran monarch who was eclipsed by his exalted predecessor. "The royals shot themselves in the foot," Mr Thongchai told a recent public seminar.

His successor, Prajadhipok, Rama VII, fared worse. A bloodless 1932 coup ended absolute rule and nudged the Thai monarchy towards the margins. Prajadhipok fled to exile in London and abdicated in 1935, deepening the drift. He handed over to Rama VIII, King Bhumibol's elder brother, who died in 1946 after a mysterious shot to the head. Bhumibol was proclaimed king the same day, and promptly returned to Switzerland to complete his studies.

In 1926 Prajadhipok had written frankly about the shortcomings of dynastic rule. In a letter, he wrestled with the clash between a society in flux and the law of hereditary kingship, a clash that seems to hang over Thailand today. The king's rule was one "of great difficulty" as public opinion had turned against absolute rule. He fretted over who might be coming next. "Some sort of guarantee must be found against an unwise king," he wrote.

Nearly a century on, no such guarantee exists. Instead, Thais are faced with the prospect of Prince Vajiralongkorn, a career army officer and fighter pilot, who has already assumed many ceremonial duties from his father. Largely absent in recent years on jaunts around Europe, he is now back in Thailand and in the public eye. The signals are loud and clear. Two weeks after King Bhumibol's birthday speech, the *Bangkok Post* ran a stiff, respectful profile of him under the headline: "King in Waiting".

For Thais used to King Bhumibol's virtues, which include monogamy, Buddhist piety and old-fashioned thrift, the crown prince is a poor substitute. Salacious stories of his private life are daily gossip. A video circulated widely in 2007 showed his third wife, known as the "royal consort", at a formal dinner with the prince in a titillating state of undress. Diplomats say Prince Vajiralongkorn is unpredictable to the point of eccentricity: lavishing attention on his pet poodle Fu Fu, for example,

who has military rank and, on occasion, sits among guests at gala dinners. In the 1980s his rumoured ties to the criminal underworld, which he denied in a newspaper interview, inspired the gangster nickname of "Sia O".

In contrast, Princess Sirindhorn, his sister, enjoys a saintly image as a patron of charity. Many Thais are praying for an eleventh-hour change that installs her on the throne. Some army and palace factions are said to favour the princess as the next ruler. Other possibilities aired in recent years are a jump to Prince Vajiralongkorn's children, such as his youngest, Prince Tipangkara, with a regent, perhaps Princess Sirindhorn. The leaked video was presumably a bid to discredit the prince and push other options. So far, however, King Bhumibol seems to have made up his mind that Prince Vajiralongkorn will succeed him.

Paul Handley, the king's unofficial biographer, whose book is banned in Thailand, thinks there is a tiny possibility that King Bhumibol could decide on his deathbed to disinherit Prince Vajiralongkorn. That would require a written command. Life in exile in Europe might suit the prince, who would not want for money or diversions. Inevitably there are other, bloodier, predictions of how he might be removed from the succession. This might explain why soldiers in his personal guard are not allowed to wear guns in his presence.

One reason why Prince Vajiralongkorn is distrusted in military circles is his past association with Mr Thaksin, who was ousted by a military coup in 2006. Mr Thaksin, a telecoms billionaire turned populist politician, was said to have lavished money on the prince. That may have been the real reason for the coup, which appeared to have the blessing of Prem Tinsulanonda, the chairman of the Privy

Council and thus the king's chief adviser. The fact that Mr Thaksin, who is living in exile in Dubai, is still in contact with the prince is deeply troubling for those same royalists. In a recent interview with a British newspaper, the former prime minister lavishly praised the heir to the throne.

Nobody knows what kind of ruler Prince Vajiralongkorn would be. Sulak Sivaraksa, a veteran royal observer and social activist, says that the prince has matured during his third marriage and is more respectful of others than in the past. Others say that he is still easily bored by royal duties, unlike Princess Sirindhorn, who lives for them. Above all, say royal watchers, he needs able courtiers to steer him through the political pitfalls ahead. Many believe that Prince Vajiralongkorn will replace the Privy Council with his own men. For senior courtiers who have served the king and look askance at his successor, an exit will be welcome. But the new men "will definitely not have the calibre" of the current crop, says a foreign scholar.

### Mighty but clumsy

A taste of this came last year when Mr Abhisit, the prime minister, tried to reshuffle the police force. His choice for police chief was blocked by members of his own team, including Nipon Prompan, an aide to Prince Vajiralongkorn, who lobbied for another candidate. A "powerful and mighty" backer was reported to be pushing the second man, a former head of national intelligence under Mr Thaksin. Mr Nipon later resigned from the cabinet. Mr Abhisit was unable to confirm his man, who is currently acting chief. The row exposed Prince Vajiralongkorn's clumsy meddling. It also provoked apoplexy among King Bhumibol's courtiers, says a palace source. Prince Vajiralongkorn was told that "we don't do things like this," the source says.

In fact, the palace has long patronised loyalists in the army and bureaucracy. This is how power operates in Thailand. What made Mr Thaksin such a threat to the palace was his determination to exert similar control. In turn, Prince Vajiralongkorn is itching to meddle in the annual autumnal shuffle of senior jobs in the armed forces and extend his support base, says a senior Asian diplomat. How far he succeeds may determine how long he lasts. Another possibility is a royal pardon for Mr Thaksin so that he can return to manage state affairs for the new king. This would delight the red shirts. But it would appeal Bangkok's elite and split the army. As for courting public support, this seems far-fetched. The prince knows he is unpopular, says a political acquaintance, but "he doesn't care."

One way out of this predicament would be to shrink the Thai monarchy back to its previous size. Top-down reform of the institution is more palatable than a push from below with republican over-



Vajiralongkorn, meddling already



## Also in this section

- 28 Homosexuality in China
- 28 Pakistan's role in Afghanistan
- 29 Child pornography in Japan
- 30 Banyan: The rights approach to India's development

For daily analysis and debate on Asia, visit  
[Economist.com/asia](http://Economist.com/asia)

## Chinese foreign policy

## Not pointing or wagging but beckoning

BEIJING

**Defensive and assertive in its words, China for the time being has a bark that is worse than its bite**

**“WE ARE** opposed to the practice of engaging in mutual finger-pointing among countries,” said China’s prime minister, Wen Jiabao, on March 14th, resisting for the moment his own index-finger-wagging habit. Speaking at a news conference, Mr Wen was at pains to dismiss suggestions that Chinese foreign policy was becoming more assertive. Not all Chinese officials seem to have got the message. In their dealings with a stricken West, they appear conflicted.

“There are already views about China’s arrogance, China’s toughness, and China’s inevitable triumph. You have given me an opportunity for me to explain how China conducts itself,” said Mr Wen. The opportunity was a rare one. Mr Wen is the only Politburo member to hold regular press conferences, just once a year at the end of the brief annual rubber-stamping session of China’s parliament, the National People’s Congress (NPC). He has only two to go before he steps down in 2013.

Mr Wen’s soft-spoken, laboriously delivered remarks mixed recrimination and defensiveness, offering few clues as to how the government will reconcile its traditional low-key approach to international affairs with growing nationalism at home. He castigated President Barack Obama for meeting the Dalai Lama last month and in

January approving arms sales to Taiwan worth \$6.4 billion. These actions, he said, had “violated China’s sovereignty and territorial integrity” and had caused “serious disturbances” to the two countries’ relations. But he did not threaten any retaliation. Earlier warnings of sanctions against American companies selling weapons to Taiwan have yet to materialise.

In another swipe at America, Mr Wen said that attempting to boost exports by putting pressure on another country to appreciate its currency was a form of “trade protectionism”. Chinese officials anxiously await the American Treasury’s next twice-yearly report, due in April, on the currency policies of other countries. If it names China as a currency “manipulator”, trade tensions are likely to rise. Mr Wen said he was a “staunch supporter of free trade” and denied China’s currency, the yuan, was undervalued. He called for negotiations on a “win-win solution”. Despite China’s unyielding line on the yuan, some Western diplomats believe that the country will in fact allow it to appreciate in the coming months, though perhaps not by much. Foreign cajoling may not do the trick. But inflation might.

On some other Western worries there is also cautious optimism that pragmatism could prevail in Beijing. Mr Wen spent a

long time at his press conference defending his record at the climate-change summit in Copenhagen in December, where China was widely accused of obduracy. He missed one leaders’ meeting, he said, because he had not received a proper invitation. But since then China has restated its commitment to achieving a 40-45% reduction in carbon emissions per unit of GDP by 2020 compared with 2005. Mr Wen’s report to the NPC called for an “industrial system and consumption pattern with low carbon emissions”. He did not even mention carbon in his report to the session a year ago. Deborah Seligsohn of the World Resources Institute, an American think-tank, says this year’s report showed a “clear and comprehensive” strategy for shifting China’s economy away from carbon-intensive sectors.

Western officials also remain hopeful that China will acquiesce to another round of sanctions on Iran in order to persuade it to give up its nuclear ambitions. Late last year relations between China and Britain were strained by China’s decision to ignore British pleas not to execute a British drug smuggler believed by his family to be mentally ill. But Britain’s foreign secretary, David Miliband, visited China this week for an upgraded “strategic dialogue” between the two countries, previously held at the deputy-minister level.

Mr Miliband’s Chinese counterpart, Yang Jiechi, said non-committally after their meeting that China had become “more concerned” about the Iranian problem, but that it needed to be resolved through negotiations. A recent report by the International Crisis Group, a think-tank, said that if other UN Security Council members unanimously supported more

► sanctions, China was likely to delay rather than block such a move. As previously, however, it would try to water the sanctions down. China is reluctant to jeopardise its big oil interests in Iran.

Western governments are clearly eager not to antagonise China, even if they chafe at its foot-dragging. British officials chose photo opportunities for Mr Miliband that would highlight China's importance as a responsible world power, at a training facility near Beijing for UN peacekeepers, and a factory making solar panels. Privately, some Chinese officials warn of what could happen if the West becomes more confrontational. It could, says one, divide China and the West into "two worlds", with "endless conflict" between them.

On its handling of dissent, however, China shows no sign of compromise. Western governments have been pressing it about the fate of a human-rights lawyer, Gao Zhisheng, who was taken from his home by security police a year ago. Mr Yang, at the press conference with Mr Miliband, said Mr Gao had been convicted of subversion. But it was not clear if he was referring to a suspended sentence imposed in 2006 (after torture, Mr Gao alleged). Mr Miliband said he was given no news of Mr Gao's whereabouts. Western leaders, unnerved by Chinese finger-pointing, are at least used to the cold shoulder where human rights are concerned. ■

#### Homosexuality in China

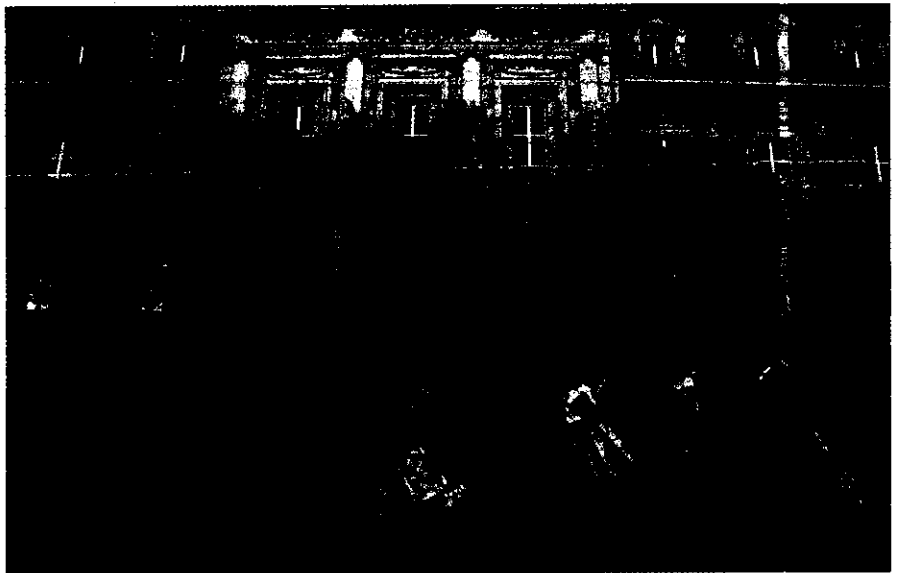
### Collateral damage

BEIJING

#### Neither comrades nor spouses

**"T**HERE are three ways of being an unfilial son," argued Mencius, an ancient Confucian philosopher. "The most serious is to have no heir." The desire for male descendants has had many baleful consequences in China, and in recent years one that used to be hidden has come to light. Millions upon millions of women are trapped in loveless and often miserable marriages to homosexual men. Thanks to the internet their cries for help have been heard widely enough in mainstream culture to earn their plight a commonly accepted abbreviation. They are known as "tongqi", combining the words "tongzhi", or comrade, Chinese slang for "gay", with "qizi", meaning "wife" in Mandarin.

It is estimated that 15-20% of gay men in America marry heterosexual women. But Liu Dalin, a pioneering sexologist now retired from the University of Shanghai, has put the share in China at 90%. If so, the number of tongqi in China may be as high



Often means having to say you're sorry

as 25m. Li Yinhe, a sociologist at the Chinese Academy of Social Sciences, explains this in almost the same terms as Mencius: "The name for a family without descendants is juehu, which means 'a house that is severed'. That is considered the biggest tragedy and causes huge pain."

But so do many tongqi unions. Mrs Li explains why she thinks a woman should never marry a gay man: "Their husbands don't want to look them in the eyes. They're not willing to get close to them or touch their bodies. This is a huge blow to a woman's sense of self-worth."

He Xiaopei runs a Beijing-based tongqi support group, called Pink Space. She says some tongqi have sunk into severe depression because of their husbands' refusal or inability to have sex with them. Tongqi brides typically have little sexual experience before marriage, and little knowledge of homosexuality. Once they have discovered their husband's sexuality and accepted that he cannot change, they often feel angry and betrayed.

Pink Space offers no advice to those who contact it, just moral support. Mrs He says that many women who join her group feel immense relief after they have unburdened themselves. A small fraction eventually opt for divorce. But most choose to slog unhappily on with their sham and desolate unions.

Mrs Li says their husbands cannot be blamed, citing the parental and other social pressure to conceal their sexual orientation and marry. China has no powerful gay lobby. But Mrs Li has used her reputation to campaign for same-sex marriage. In 2003 she sought support at the National People's Congress (NPC) for legalising gay marriage. She could not even secure the backing required for a formal debate (30 delegates out of some 3,000). She has since tried three times to provoke a similar dis-

cussion at an advisory body to the NPC. She sees some progress. When she started her lobbying, delegates would tell her gay marriage was wrong. Now they say China is not ready for it. But Mrs Li cannot see change coming soon, so strong is China's family-dominated culture. "If tongqi marriages become a thing of the past," she says, "then the last country in which that will happen will be China." ■

#### Pakistan's role in Afghanistan

### Tickets to the endgame

ISLAMABAD

#### Pakistan wants a say in ending the war, and it knows how to ask

**A** HIGH-LEVEL delegation of Pakistanis is due to sweep into Washington for the restart on March 24th of a "strategic dialogue" with America. The Pakistanis have muscled their way to the table for what looks like a planning session for the endgame in Afghanistan. The recent arrest of the Taliban's deputy leader, Mullah Abdul Ghani Baradar, and a clutch of his high-ranking comrades, has won them a seat.

The Pakistani team, led by the foreign minister, will include both the army chief and the head of the army's spy agency, the Inter-Services Intelligence (ISI). America has upgraded its own representation at the talks, last held in mid-2008, from deputy-secretary to secretary-of-state level. The dialogue is supposed to cover the gamut of bilateral issues, including help for Pakistan's fragile economy, and even, on its ambitious wish-list, civil nuclear technology.

But the future of Afghanistan is the most pressing topic, and in Pakistan that is ►►



## Malaysian politics

## Najib v Anwar

KUALA LUMPUR

Even as Anwar Ibrahim faces a legal battle, the opposition he leads suffers other setbacks

**T**O LOSE one member of parliament during a recess is a reverse. To lose three, along with a senior official, as has happened to Malaysia's opposition, looks like a big lurch backwards. Two years after making historic gains in a general election, the opposition is going through a bit of a wobble. The spate of defections, and the hint of more to come, has cheered the ruling Barisan Nasional (BN) coalition led by the prime minister, Najib Razak. And it has created more headaches for his opponent, a former deputy prime minister, and now opposition leader, Anwar Ibrahim.

Mr Anwar takes the blame for lax discipline in the ranks of his People's Justice Party, known as PKR, which has won support from the government's critics in all of Malaysia's ethnic groups. His colleagues fret that his leadership has drifted as he grapples with the trial and the possibility that he may, once again, be jailed for sodomy, as he was in 1998 after falling out with his mentor, the former prime minister, Mahathir Mohamad. A new sodomy trial, due to resume on March 25th, has been delayed until May 10th and is expected to drag on until August.

Even a short jail sentence would bar Mr Anwar, who is 62, from political office for five years. That would be a serious blow to PKR, and its two coalition partners, an Islamic party and a Chinese-dominated one. Without Mr Anwar's charismatic leader-

ship, some fear that the coalition would fall apart. The loser would be Malaysia's democracy, which, for the first time since independence in 1957, has an opposition that seems capable of winning power.

Speaking in London on March 20th, Mr Anwar insisted there was "not a shred of evidence" for the sodomy accusation, made in 2008 by a former male aide. He said his opponents should focus on fighting him in elections. But he admitted to frustration with some of PKR's 2008 parliamentary candidates. The party had "struggled to convince people to run." Such fair-weather friends have since fallen to the strong-arm tactics and money politicking of BN's dominant United Malays National Organisation (UMNO). Similar tricks were used in March 2009 to poach PKR assemblymen in Perak, an opposition-run state, which flipped back to BN.

UMNO officials retort that Mr Anwar is getting a taste of his own medicine. He vowed to topple BN in parliament in September 2008. The threat of mass defections was taken so seriously that the government hurriedly sent 40 MPs to Taiwan on an agricultural study-tour. Mr Anwar's deadline for defections came and went, leaving the mystery of who might have been prepared to jump ship.

On March 18th a disgruntled ex-PKR legislator, Zahrain Hashim, in a parliamentary speech, identified eight BN members as

would-be defectors. For good measure, he said Mr Anwar had claimed to have the backing of Malaysia's army chief and its king to form a government. UMNO hot-heads have demanded an investigation into Mr Anwar's conduct.

Although such calls may wither, the sodomy trial will not go away. A PKR official complains that Mr Anwar has not said what will happen if he is convicted. If there is a Plan B, nobody knows it, he grumbles. A likely stand-in is Mr Anwar's wife, Wan Azizah, who ran the party when he was barred previously. A wildcard candidate is Razaleigh Hamzah, a veteran UMNO maverick minister, who featured on Mr Zahrain's list of eight, and publicly admonishes his own party for its corrupt ways. He is at odds with the government over the denial of oil royalties to Kelantan, an opposition-ruled state. But Mr Razaleigh denies any approach by Mr Anwar and says he does not hanker for a government post. "No thank you," he smiles.

PKR has other worries. Party donors have been pressing for contracts from opposition-run state governments, only to be told to compete with other bidders. This has caused friction, the party admits. Donors expected recompense for their past support. But the PKR is anxious to distance the party from UMNO's brand of patronage politics. Its leaders also know that any hint of corruption will be pounced on by law-enforcement agencies run by UMNO appointees.

For all its wobbles, though, Mr Anwar's coalition is still intact. It runs four Malaysian states, including two of the richest. It is still dogged by ideological and interracial squabbles; but the same is true of BN, which is held together by the shared spoils of office and not much else. Its main ethnic-Chinese party has been without a

## Also in this section

28 Beijing's new-look Tiananmen

28 Australia's election campaign opens

29 Japanese politics

29 Democracy in Afghanistan

32 The death of a Nepali statesman

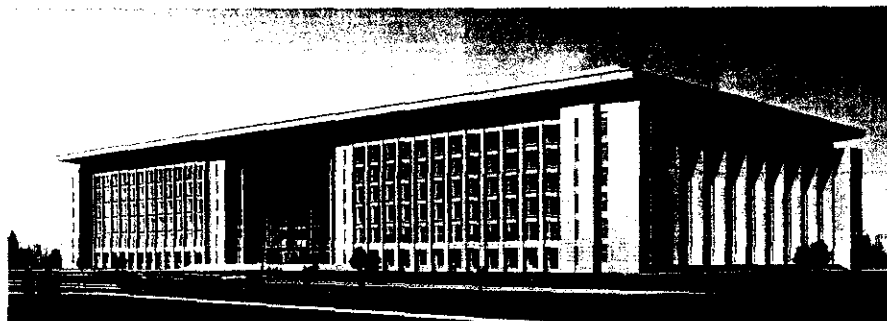
34 Banyan: Capital punishment in Asia

For daily analysis and debate on Asia, visit  
[Economist.com/asia](http://Economist.com/asia)

leader for several months. The opposition still represents a potent threat to BN, particularly as more young voters join the rolls. But the loss of Mr Anwar's talents would dent its chances. It might also spark more defections, putting BN closer to its goal of a two-thirds parliamentary majority, sufficient to redraw electoral boundaries.

Should the opposition crumble, as some in UMNO dearly hope, democratic

choice would not be the only loser. Mr Najib's stuttering economic reform efforts would probably drift further or grind to a halt. Malay ethnic-nationalists are already resisting changes to the affirmative-action policies that enrich UMNO cronies and deter investment. Mr Najib has sold his party on the idea that change is necessary to win elections. A neutered opposition would deal his reforms the death blow. ■



Tiananmen Square's buildings

## Don't tell anyone

BEIJING

China's parliament is used to being ineffectual; its new offices are invisible

IN THE south-west corner of Tiananmen Square, a grandiose new building looms behind a shabby row of low-rise structures facing the plaza. These will be bulldozed in the coming months, unveiling in its full glory a monumental edifice that will be the first new structure in the square since Mao Zedong's mausoleum was plunked in the middle of it in 1977. The authorities, however, seem oddly sheepish about the new arrival.

Few but the most observant of Beijing residents are yet aware that the appearance of the city's most famous landmark is soon to change. The official press has largely kept quiet about the new building, which occupies what used to be a block of slum-like courtyard houses of pre-Communist vintage, together with a school and some offices and shops. The edifice is about half the size of the Great Hall of the People, to its north, a 1950s building which houses China's parliament, the National People's Congress (NPC). It shares its dour mien.

It took just 18 months from the laying of the foundation stone in February 2008 to its topping out ceremony last year. Yet the Chinese media have been coy about this feat, and the painstaking relocation further down a side road to make way for it of the historic 1920s' building that was once home to the All-China Journalists' Association. A government website briefly described the topping out ceremony, but did not say where the building-site was. It identified the project,

however, as the "NPC Office Building". It said workers had completed the outer structure (with a "high sense of political responsibility") a month before schedule.

Back in 2004 the Chinese press was a little less reticent. *Oriental Outlook*, a magazine controlled by China's government-run news agency, Xinhua, said then that plans for such an NPC office building had been suspended as part of efforts to rein in a bubbling economy. But Chinese sources say blueprints were quietly dusted off again in 2005. In December the following year the building was officially designated a "project involving state secrets", though its purpose was revealed in notices posted around the area in 2007 warning residents that their block would be flattened. The government ordered that the building be ready for use by the middle of this year. An NPC spokesman for the legislature refuses to give any details of the cost or confirm when the project would be finished. A budget of 1.3 billion yuan, or \$190m, was submitted in 2003, sources say.

Since 2007 the Communist Party has been stepping up efforts to curb a rash of lavish office building by local governments. "We will strictly control the construction of office buildings for Party and government bodies", the prime minister, Wen Jiabao, cautioned again at this month's annual NPC session, which is likely still to be held in Great Hall of the People even after the new offices are ready. Mr Wen has reason to be furtive.

### Australian politics

## Opening shots

SYDNEY

The health-care debate Obama missed

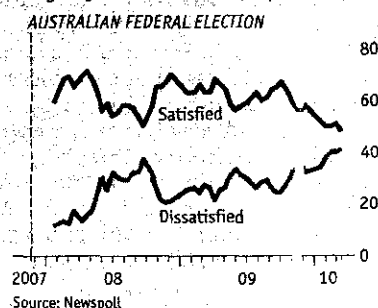
INSTEAD of welcoming Barack Obama to Australia, Kevin Rudd, the prime minister, was this week saddled with the ordeal of a televised debate with Tony Abbott, the opposition leader. The subject, health reform, mirrored the one that led Mr Obama to postpone his visit. At stake for Mr Rudd was his sweeping plan for the federal government to take over from the states most funding for Australia's 762 cash-stretched public hospitals. The first of several planned debates gave voters a foretaste of the federal-election campaign due later this year. Mr Abbott, the attack dog, against Mr Rudd, the unflappable, dry bureaucrat. According to television "worms", tracking viewers' instant responses, unflappable aridity won hands down: by 71% to 29%, says one network.

He badly needed the boost. An opinion poll a week earlier showed his approval rating at 48%, the lowest since he led the Labor Party to power in late 2007 (see chart). So far, voters have seen little from Mr Rudd's promise to change Australia with such projects as an education "revolution" and a high-speed broadband network. And his most cherished reform, an emissions-trading scheme to tackle climate change, is stuck in the upper house of parliament, where his government lacks a majority. In the press, the public service and privately in his own party, Mr Rudd's setbacks have sparked gripes about his attempts to micromanage policy.

The health plan he launched early this month allowed him fresh momentum. Australia's six states run and mostly pay for public hospitals. Crowded wards and lengthy waiting lists are common. The Treasury calculates that, in 35 years, health alone will consume the states' entire rev- ➤

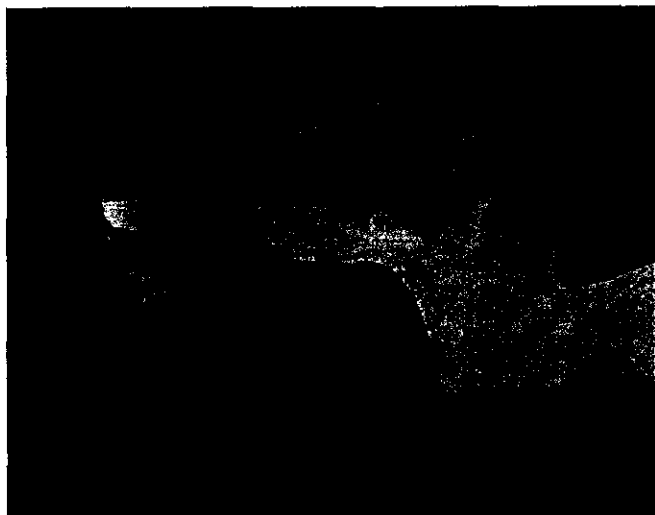
### Ruddy heck!

Satisfaction with the way Kevin Rudd is doing the job of Prime Minister, % poll'd



# Banyan | A matter of life and death

Setbacks for opponents of capital punishment, but they are making more progress than meets the eye



**B**ELIEVERS in “progress”, or at least those of a mutton-chopped, European variety, hold to a kind of ascent of man. First comes spreading prosperity. Then representative government replaces tyranny. Finally, notions of human rights, social justice and the fallibility of the state extend even to death row, and the judicial terror of capital punishment is ditched. Last year was the first in Europe’s recorded history in which not one person was executed.

On the face of it Asia stacks up not at all well against this achievement. The region accounts for just over half the world’s population. Prosperity has spread, and representative government. But in its application of the death penalty, Asia leads the world. Some 95% of Asians live in jurisdictions that carry out capital punishment, and Asia accounts for over three-quarters of executions worldwide.

South Korea has not carried out a death sentence in 13 years. Yet in late February the Constitutional Court ruled that the death penalty as prescribed in the criminal code did not violate the constitution. This alarms the country’s legal scholars. The 110-odd crimes qualifying for the death penalty include corporate offences and “criminal ideological violations”—a throwback to South Korea’s dictatorial days.

And this month in Taiwan the justice minister, Wang Ching-feng, suddenly resigned. A Buddhist, she fiercely protected the lives of 44 death-row convicts. The president, Ma Ying-jeou, a former Harvard law student, was also thought to oppose capital punishment. But his party, the Kuomintang, is sagging in popularity before year-end elections. Miss Wang’s stance cost her her job. On March 22nd a new justice minister was sworn in, hinting that the official killing would begin again.

Yet dig a little deeper, and the picture looks different, even hopeful. In December the UN General Assembly votes on calling for a global moratorium on capital punishment. Abolitionists lobbying Asian governments will find a better reception than you might think. Naturally, Asian statistics are skewed by China, alone accounting for over nine-tenths of all Asian executions. But even Chinese executions have seen a precipitous fall. A best guess is that 5,000 were executed in 2008, giving a rate per head of population dozens of times higher than the United States. Yet this represents a drop of two-thirds from a decade earlier.

China’s penchant for execution is explained by a dictatorship which has a low regard for citizens’ rights and uses violence as an instrument of state power. But an official policy of “kill less, kill carefully” is taking root. All capital cases now have to be reviewed by the Supreme Court, which is said to approve only a tenth of cases, a remarkable change, if true. So even in China, development seems to have bred a less punitive state. Perhaps a human-rights dialogue between China and the EU, long derided by liberal critics, is actually doing some good.

Another populous country, India, is also “retentionist”, but from 1999 to 2008 it executed just one man. For Asia as a whole, according to David Johnson and Franklin Zimring writing in the online *Asia-Pacific Journal*, 16 out of 29 jurisdictions have abolished the death penalty, either definitively or in fact, whereas 13 retain it. In January Mongolia, with a history of murky executions, was the latest to declare a moratorium. The death penalty, said President Tsakhia Elbegdorj, was an act of state violence that ran the risk of irrevocable error, and neither deterred criminals nor restored justice to victims’ families.

Even in South Korea and Taiwan, there is probably no profound change of course. Both democracies emerged from mid-century authoritarian rule marked by an orgy of judicial and extra-judicial killings. These are now in the past: one democratic president of South Korea, the late Kim Dae-jung, was himself sentenced to death in 1980, before reprieve. NGOs now lobby for convicts’ rights, and lawyers argue that the issue is not between death-row convicts and the rest of the citizenry but of overweening state power over all.

Like nearly all countries considering abolition, in Taiwan people are overwhelmingly against it, but abolitionists, including Mr Ma’s former Harvard professors, hoped the president would lead from the front. Both countries are concerned about their international reputation, including among Europeans. And each is in soft-power competition for legitimacy with a bloody, authoritarian rival. Before too long, both may fall into the abolitionist camp.

## Rich, plural and cruel

Outliers remain. Until recently, rich, sophisticated, peaceable Singapore killed as high a proportion of its population as does China. And in Japan executions have risen sharply in recent years. Quite apart from known miscarriages of justice, the country’s penal habits are chilling. Its death-row inmates, in solitary confinement, are allowed few visits from family or lawyers. They must sit all day on their bed, with rules dictating even their postures, and may not look their guards in the eye. After waiting usually years, they are hung, always during a parliamentary recess, with only a couple of hours’ notice, with the family informed only when it is told to pick up the body. With high rates of mental illness from the stress, this is bureaucratic killing at its cruellest.

How to explain these exceptions to the model of “progress”? Perhaps, Mr Johnson and Mr Zimring argue, by realising that both countries, although structurally pluralistic democracies, have long been in practice under one-party rule. But recently executions in Singapore have fallen by nine-tenths. In Japan the fall from power last year of the Liberal Democratic Party may signal change. The new justice minister, for one, is an abolitionist and has signed no death warrants. Asia has yet to prove those old European dreamers wrong. ■



# WHY CHINA WON'T BUDGE ON IRAN

BY MELINDA LIU



Iranian port city.

HAS IRAN FINALLY GONE TOO FAR, pushing China into changing its mind about sanctions? Not just yet. After Iran ratcheted up its uranium-enrichment program in early February, Beijing looked increasingly isolated in its calls to continue negotiations. Western countries, the U.S. in particular, are lobbying China hard to join them in pushing through "crippling sanctions" against the Tehran regime. But Chinese officials have stuck to their guns, arguing that sanctions don't work, and the haggling could go on for months.

It's not that China is irreversibly wedded to its "we don't do sanctions" mantra. Beijing itself recently made the rare decision to announce punitive sanctions against U.S. defense firms involved in Washington's \$6.4-billion arms sales to Taiwan. In the past, Beijing has quietly boycotted U.S. firms that peddle arms to Taipei, but this is the first time it's publicized the move. "This is kind of an experiment. It's unprecedented," says international-affairs expert Tao Wenzhao of the Chinese Academy of Social Sciences.

Still, Beijing has way too much invested in its multibillion-dollar energy relationship with Tehran to risk it easily. Chinese leaders won't even consider agreeing to sanctions without a really big quid pro quo—something akin to,

say, Washington stopping or curbing its own longstanding arms sales to Taiwan. That scenario isn't likely.

Another complication is that Beijing would need to be sure that any sanctions are appropriately targeted and, most important, likely to work the way they're supposed to. That's a painful lesson Chinese authorities learned back in 1840 when the imperial court tried to halt the opium trade by British traders near Canton. Tasked with impounding and destroying more than a thousand tons of opium, the erstwhile "drug czar," Commissioner Lin Zexu, wrote a letter to Britain's Queen Victoria threatening to cut off Chinese exports of, among other things, tea and rhubarb to the West. "Foreign countries cannot get along for a single day without [these products]," Lin wrote. "If China cuts off these benefits with no sympathy for those who are to suffer, what can the barbarians rely upon to keep themselves alive?"

Commissioner Lin was well intentioned, but his ignorance of diplomacy and the outside world crippled efforts to stop the drug flow. These days the Beijing regime perceives sanctions to be a precision tool, like a surgical scalpel. Using them like a blunt instrument can hinder rather than help achieve the desired result.

## KICKING THE GREENBACK HABIT

BY MICHAEL HIRSH

WITH THE EURO ZONE IN CRISIS AND China suppressing its currency against the dollar, the greenback is again becoming a safe haven for investors. U.S. officials say they're fine with that. But a global currency system ruled by the dollar is bad for all parties—including the U.S. To get dollars for their reserves, countries must export goods and services that the U.S. has to buy. Yet the only way these days for America to play this role is to take on enormous debt. Does the U.S., and the rest of the world, really want to set that cycle in motion all over again now? If things remain as they are, economically it has to happen; it's baked into the cake.

U.S. officials defend the dollar's role as the chief reserve currency, happy that America in effect gets low-cost funding from the rest of the world. But that advantage is now outweighed by the cost of the overvalued dollar to the U.S.'s decimated industrial base and by the global instability it causes. One way out, suggested by economist Joseph Stiglitz: a global reserve currency. Each year, countries contribute a certain amount to a global reserve fund; in return, they're issued global greenbacks of equivalent value to hold in their reserves. This way, no one country has to be the consumer of last resort.





# A More Dangerous World

## Why we misunderstand risk.

BY ERWANN MICHEL-KERJAN AND PAUL SLOVIC



THE EARTHQUAKE in Haiti is an omen for what the new decade has in store. We will see more natural disasters, and of larger scale, in the coming years. The trend is already

accelerating: more than half of the planet's 20 costliest catastrophes since 1970 have occurred since 2001. Because of the world's quickly growing population and larger concentration of assets in high-risk areas, and its increasing social and economic interdependency, these disasters will only increase in frequency.

Economic analysis helps determine how people will respond to this more dangerous world. But the traditional economic view suggests that human actions can be predicted as if people were always completely informed, perfectly responsive to economic fluctuations, and rational, in the sense of having stable, orderly preferences that always maximize their individual economic well-being. In fact, disasters seriously challenge this view. The current situation in Haiti highlights three critical elements where behavioral scientists have found the rational predictions of many economists to be flawed.

First, people don't think disasters will happen to them. This is partly because the human mind is not very good at understanding a low probability of occurrence. What does it mean to you to live in a flood plain or an earthquake zone if you learn that there is a one-in-100 chance of experiencing a disaster next year? For many it

is hard to translate this number into concrete action. As a result, people typically just ignore these dangers. This explains why so few countries have implemented risk-reduction measures that have proved to be cost-effective. Betting against the odds—or Mother Nature—people continue to build in high-risk areas, and don't prepare. Then disasters hit with catastrophic consequences.

Second, we fail to learn from others' misfortunes. After the strong emotion people typically feel during a crisis (driven in part by live media coverage), their attention fades. This is true in developing and developed countries alike. Nine months after Hurricane Katrina, one of the most devastating hurricanes in U.S. history, a survey of more than 1,000 residents of U.S. coastal areas revealed that 85 percent of them had done nothing to protect their homes against future catastrophes. Those who had not suffered from the hurricane personally viewed the possibility of a disaster hitting their homes as so improbable it could simply be disregarded. Two years later, Hurricane Ike struck Texas, killing more than 100 people and causing more than \$35 billion in damage.

**Research shows that human beings are unable to grasp the full significance of disaster statistics.**

Third, research shows that humans can't grasp the full significance of disaster statistics. If you heard that 150,000 people perished in Haiti, and later learned it was 230,000, would your brain appreciate the difference? Probably not. But the difference is huge; 80,000 is more than the number of people who died last year from car accidents in the European Union and the U.S. combined. Moreover, people are more likely to offer aid to an individual they can

identify and relate to, like an orphaned child, than to a larger group of people in need. Insensitivity to the prospect of large losses of life, a form of "psychic numbing," violates the traditional view of economic rationality, according to which we should care more about two people suffering than one, and even more about thousands of deaths. Often we don't.

What lessons should decision makers draw from these observations? We know that human reason often fails when it is most needed. People have intuitive and analytic thinking skills that work beautifully most of the time to help them navigate life. But those skills often fail when the potential losses are catastrophic or their probability appears to be low enough that the risks can be ignored. Understanding such behavioral quirks is critically important to those in charge of developing long-term strategies to make their countries more resilient. Overcoming these obstacles to rationality requires that the knowledge developed by decades of research on human behavior in the face of risk be translated more systematically into actionable decisions. This constitutes the very foundation of a new and more effective response to catastrophic risk. It is essential for the economic recovery of Haiti today and for mitigating all the disasters still to come.

MICHEL-KERJAN is chairman of the OECD Secretary-General Advisory Board on Financial Management of Catastrophes; SLOVIC is president of Decision Research, a nonprofit research institute in Eugene, Oregon. They are the authors of *The Irrational Economist* (TheIrrationalEconomist.com).

PETER VAN AGTAMEL—MAGNUM

REUTERS

**SCOPE InternationalList**

# HOW AMERICA CAN MAKE ISRAEL LISTEN

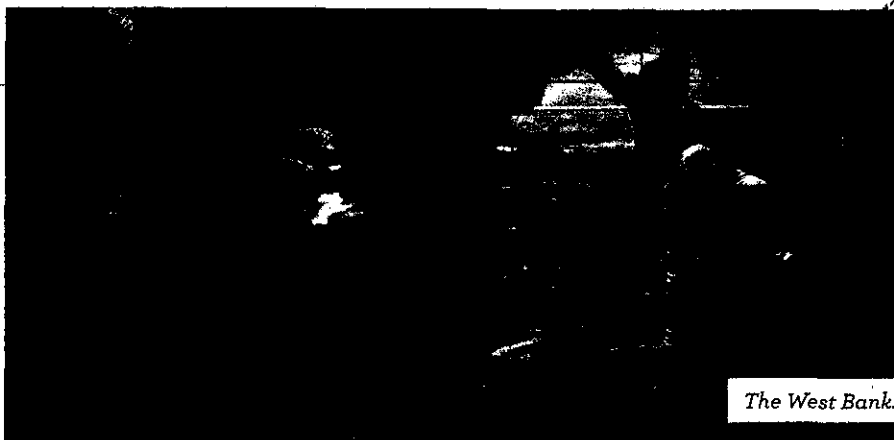
BY DAN EPHRON AND JOANNA CHEN

**MID EAST** THERE'S A REASON WASHINGTON'S heavy aid and support have bought so little control over Israel. The latest evidence—Israel's announcement of plans to build new settlements in East Jerusalem, during a visit by Vice President Joe Biden—follows an old pattern. Successive U.S. administrations have pressed Israel to halt settlement construction in the West Bank but looked the other way when Israel went on building. As a result, Israel simply doesn't take American demands seriously. At U.S. urging, Israeli Prime Minister Benjamin Netanyahu declared a temporary settlement freeze in November. But he also authorized hundreds of new homes just before the measure went into effect. The result: housing starts in the settlements during the fourth quarter of 2009 were up 31 percent compared to the same period a year earlier. When Washington ignores this kind of maneuvering, says Daniel Kurtzer, U.S. ambassador to Israel from 2001 to 2005, Israel learns it can safely ignore its big benefactor.

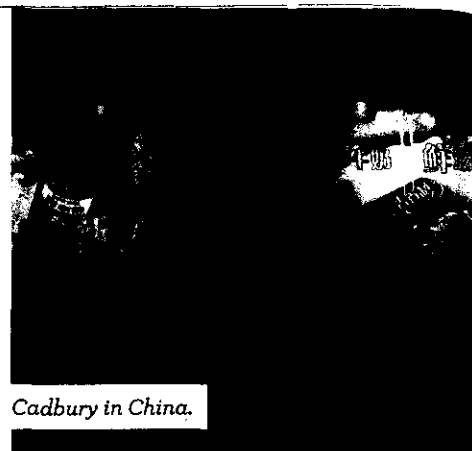
Yet the United States has potent tools it could use to pressure Israel—without resorting to cutting military aid or security cooperation, the linchpin of ties many in Washington and Jerusalem see as sacrosanct. Diplomacy is a subtle art. It might be enough to just signal to Israel, which enjoys almost unparalleled access

to officials in Washington, that the government's doors will no longer fly open every time an Israeli cabinet minister comes to town. Recalling the U.S. ambassador or signaling that the prime minister is not welcome at the White House are more extreme possibilities. Groups critical of Israel's West Bank policies have put forward other ideas, including denying tax-exempt status to U.S. nonprofits that help fund settlements.

On a few occasions, America has deployed such measures successfully. The most striking example was in 1975, when Secretary of State Henry Kissinger shuttled between Israel and Egypt trying to seal a disengagement agreement in the Sinai Peninsula. Anwar Sadat, the Egyptian president, had quickly accepted America's terms. But Israeli Prime Minister Yitzhak Rabin refused to pull troops back from key areas even when Kissinger framed the matter as vital to U.S. interests. The Israeli intransigence so infuriated Kissinger that his boss, President Gerald Ford, announced the U.S. would reassess all aspects of its relationship with Israel. Rabin relented and signed the agreement, eventually paving the way for direct talks with Egypt and a peace accord that has held up for more than 30 years. Moral of the story: the U.S. has the leverage to get Israel to make tough decisions. It just needs to use it.



The West Bank.



Cadbury in China.

# BRITAIN'S NOT LOSING ITS NATIONAL ASSETS

BY WILLIAM UNDERHILL

**MERGERS** DOES BRITAIN'S DEVOTION to an open economy mean it's doomed to be stripped of its best assets by foreign investors? The recent \$19.6 billion acquisition of Cadbury by U.S. food giant Kraft prompted a fresh round of hand-wringing in the U.K. media and Westminster alike. Many Brits are still smarting over the 2008 sale of the great car brands Jaguar and Land Rover to Tata of India. Business Secretary Peter Mandelson is now talking about rewriting the U.K.'s takeover code to hinder acquisitions, perhaps by forcing purchasers to win the support of two thirds of shareholders—rather than a simple majority—before any change of control.

But despite all the talk of foreign takeovers, the figures tell a different story. British companies are just as rapacious in cross-border M&A as their overseas counterparts, says a new report from British think tank Policy Exchange. Since 2000, U.K. businesses have snapped up 9,316 foreign firms, compared with 6,967 national companies that were taken over by foreigners, according to Dealogic. Along the way, Britain has acquired some iconic overseas brands, including Greyhound and Mannesmann. And in five of the past 11 years—including this year, to date—the Brits spent more on foreign purchases than overseas buyers spent on U.K. raids. Sure, Britain lost Cadbury. But U.K. insurance company Prudential also just splurged \$35 billion for the Asian arm of its U.S. rival AIG. Free trade is never a zero-sum game.

FROM TOP: MARK HENLEY—PANOS, EDUARDO CASTALDO

# BEIJING STEPS UP DOMESTIC SECURITY

BY ISAAC STONE FISH

**CHINA** CHINA'S GROWING defense budget has many neighbors worried that this economic hyperpower has global military ambitions, too. But when Beijing recently announced that its military budget will rise by a relatively modest 7.5 percent in 2010 (last year it registered a 14.9 percent hike), pundits debated what the slowing rate of increase means for China's role in the world. And for the moment, at least, Beijing seems more concerned with turning its guns inward. China's domestic-security budget this year will hit \$75.3 billion, slightly less than the military budget but growing at a faster rate of 8.9 percent annually. The

paper estimates that China employs 21 million people in public security, dwarfing the approximately 3 million members who make the People's Liberation Army the world's largest military force. This focus on internal peace and quiet is happening not just in places like Xinjiang, which doubled its security budget this year after the region was rocked by deadly ethnic riots in 2009. Even relatively calm provinces like Yunnan are doubling their per capita security spending. The numbers are a potent reminder that it is not the stability of the exchange rate that will determine China's future, but the stability within its own borders.

# PRETENDING WE'RE NOT IN A TRADE WAR

BY BARRETT SHERIDAN

**ECONOMY** EVEN IN THE DARKEST days of the recession, as job reports registered stomach-flipping descents, politicians around the globe swore not to give in to protectionism. Now, as the economy starts to stabilize, the World Trade Organization has offered them a muted congratulations. Its analysis of anti-free trade actions in 2009 reveals some minor slippage, but in general "paints a reassuring picture."

But like all self-portraits, this one tends to flatter the painter. The WTO relies on countries to report their own transgressions, "and when you grade yourself, you tend to be an easy grader," says Gary Clyde Hufbauer, an economist with the Peterson Institute for International Economics. That's es-

pecially true when the guidelines allow for lots of wiggle room. When the U.S. slaps a tariff on Chinese tires, it's a clear act of protectionism and is duly reported to the WTO. But elbowing foreign firms out of government purchases—as the U.S. did to Airbus over a \$40 billion contract for aerial-refueling tankers—doesn't require a confession.

A more accurate assessment of the state of trade comes from independent watchdog Global Trade Alert, which estimates that governments enacted at least 100 new protectionist measures per quarter last year. "Any suggestion that 2009 was a benign, low protectionism era should be dismissed," the latest report reads. The "reassuring picture," it turns out, has plenty of blemishes.

# BUYING UP THE WEST

As the recession eased in the second half of 2009, rich nations continued to scale back acquisitions in emerging markets, while developing economies—led by China—began buying up Western corporations even faster, according to a new study from KPMG.

16

Percent of top developed-country acquisitions in emerging markets in second half of 2009 vs. first

30

Percent of emerging-market acquisitions in developed world

47

Percent of top developed-country acquisitions in emerging markets since 2007

52

Percent of top China's acquisitions in developed countries since 2007

IRAN SANCTIONS

# LEANING ON LULA

ALLIES WHO REFUSE TO  
SANCTION IRAN MUST  
THEMSELVES PAY A PRICE.

BY JAMES P. RUBIN

EVERYONE EXPECTED RUSSIA AND CHINA to resist efforts to sanction Iran over its nuclear program. But at the United Nations, America is facing opposition from friends like Turkey and Brazil, too.

This frustrating impasse comes amid a series of challenges to U.S. leadership. Through the end of last week, the Israeli government continued to resist American demands to roll back the announcement of new Jewish housing units in East Jerusalem. U.S.-China relations are going through another tense period, as Beijing defends its overvalued currency, continues its crackdown on democracy activists, and bellows about U.S. arms sales to Taiwan. Climate-change negotiations are moribund following their collapse at the Copenhagen conference. World-trade talks are off the international agenda altogether. And even a relatively simple arms-control treaty with Russia—the replacement for the recently

expired Strategic Arms Reduction Treaty agreement—has yet to be finished despite the “reset” in U.S.-Russian relations.

Now the Obama administration is having trouble getting a NATO ally (Turkey) and a Latin American democracy (Brazil) to help stop Iran from getting a nuclear weapon. This shouldn't be so hard. The International Atomic Energy Agency made clear in its most recent report that Tehran still refuses to suspend its nuclear-enrichment programs as required by previous U.N. resolutions, and notes that there are substantial grounds to believe that Iran's program is intended to build a nuclear weapon. Countries like Turkey and Brazil that have a strong stake in the international system should respond when a U.N. agency issues such a report.

One part of the problem is that nearly everyone admits that the current leadership in Iran isn't likely to capitulate as a result of restrictions on shipping, insurance, and travel. Since the chances are remote that the Obama administration will initiate another war in this volatile region, Washington can only argue that sanctions are a better alternative than an Israeli military attack, and that in any case Iran must pay a price for its noncompliance.

Another part of the problem relates to perceptions of U.S. power and influence. President Obama's reversal of Bush-era policies on global warming, Guantánamo, and international law did help restore lost respect for the United States. On a trip to Brazil in November, Iranian President Mahmoud Ahmadinejad claimed that the United States was discriminating against smaller countries trying to use nuclear technology for civilian purposes; Brazilian President Luiz Inácio Lula da Silva expressed similar sentiments during his trip to Israel last week.

China has historically opposed sanctions in most situations and has a growing dependence on Iranian oil and gas. While Russia has sounded more cooperative lately, it too has grown weary of economic sanctions as a tool of international diplomacy and says it will soon complete a nuclear-power reactor in Iran. Both Beijing and Moscow seem unwilling to offer

much help to the new administration and may be testing President Obama's resolve.

This is an opportunity to demonstrate America's diplomatic strength and determination. An admired, democratically elected leader like Lula is entitled to choose his friends and pursue his nation's energy policy without interference from the United States. But Brazil aspires to a larger role in international affairs. As a result of its political dynamism, size, and economic success, it

wants to join the most elite club in the world: permanent membership on the U.N. Security Council. So, if simple logic won't secure Brazil's support (Iran

is breaching international rules; it should be held accountable), then the United States should make clear that it will take Brazil's position on the Iran nuclear issue into account in deciding whether to support permanent membership.

The new geopolitical order is defined by the rise in strength and independence of middle powers like Brazil, India, South Africa, and Indonesia. All say they want a rules-based international system. Fair enough. But if countries like Brazil want to play a more prominent role, then they have to shoulder the responsibility of upholding those rules. When the IAEA declares Iran is flouting those rules, responsible countries must respond and punish the rule breakers.

Good will and respect is not always enough. Sometimes even friendly countries must understand that they will pay a price for defying the United States. In all likelihood, this approach will work. Brazil will adjust its position. And the rest of the world will take notice. That might not solve the Iran conundrum. But at least it's a start.

RUBIN is an adjunct professor of international affairs at Columbia University. He was an assistant secretary of state in the Clinton administration.

## NEXT ►

### THE GANG THAT COULDN'T SHOOT STRAIGHT

The Afghan National Police is unprepared for the job.

BY T. CHRISTIAN MILLER, MARK HOSENBALL, AND RON MOREAU



PREVIOUS PAGES: PHOTOGRAPH BY KYLE BU; THIS PAGE: ASHRAF AMRA—APA-LANDOV

FERNANDO BIZERRA JR.—EFE-NEWS.COM

ENVIRONMENT

INNOVATION



# GROWING GREEN JOBS

Beware politicians promising to put millions to work in a new 'green economy.' They can't deliver.

BY RANA FOROOHAR

PHOTOGRAPHS BY PETER BIALOBRZESKI

THERE IS NO MORE FASHIONABLE answer to the woes of the global recession than "green jobs." Leaders including American President Barack Obama, Gordon Brown of Britain, Nicolas Sarkozy of France, and Hu Jintao of China have all gotten behind what U.N. Secretary-General Ban Ki-moon has called a "green New Deal"—pinning their hopes for future growth and new jobs on creating clean-technology industries, like wind and solar power, or recycling saw grass as fuel. It all sounds like the ultimate win-win deal: beat the worst recession in decades and save the planet from global warming, all in one spending plan. So who cares how much it costs? And since the finan-

cial crisis and recession began, governments, environmental nonprofits, and even labor unions have been busy spinning out reports on just how many new jobs might be created from these new industries—estimates that range from the tens of thousands to the millions.

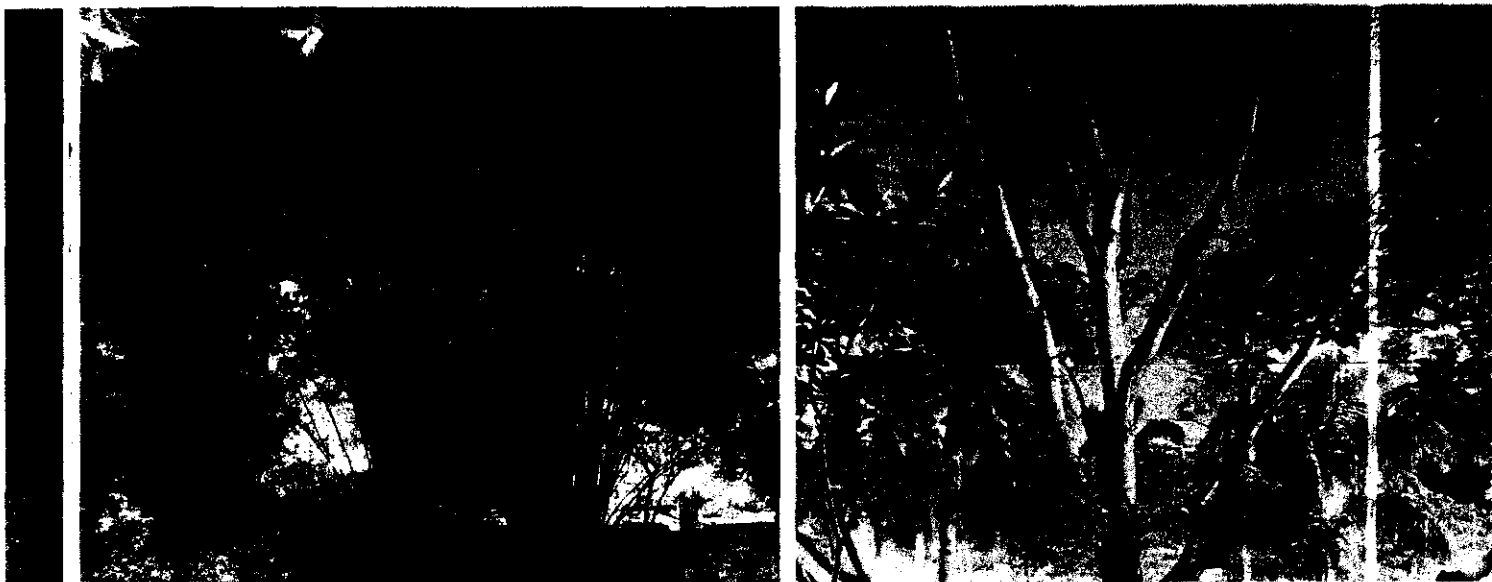
The problem is that history doesn't bear out the optimism. As a new study from McKinsey consulting points out, clean energy is less like old manufacturing industries that required a lot of workers than it is like new manufacturing and service industries that don't. The best parallel is the semiconductor industry, which was expected to create a boom in high-paid high-tech jobs but today employs mainly robots. Clean-

technology workers—people who do things like design and make wind turbines or solar panels—now make up only 0.6 percent of the American workforce, despite the matrix of government subsidies, tax incentives, and other supports that already exists. The McKinsey study, which examined how countries should compete in the post-crisis world, figures that clean energy won't command much more of the total job market in the years ahead. "The bottom line is that these 'clean' industries are too small to create the millions of jobs that are needed right away," says James Manyika, a director at the McKinsey Global Institute.

They might not create those jobs—

LAF-REDUX

**BRANCH OUT**  
YOU NEED MORE  
THAN CLEAN  
TECH FOR JOBS.



but they could help other industries do just that. Here, too, the story of the computer chip is instructive. Today the big chip makers like Intel employ only 0.4 percent of the total American workforce, down from a peak of 0.6 percent in 2000. But they did create a lot of jobs, indirectly, by making other industries more efficient: throughout the 1990s, American companies saw massive gains in labor productivity and efficiency from new technologies incorporating the semiconductor. Companies in retail, manufacturing, and many other areas got faster and stronger, and millions of new jobs were created.

McKinsey and others say that the same could be true today if governments focus not on building a "green economy," by which they really mean a clean-energy industry, but on greening every part of the economy using cutting-edge green products and services. That's where policies like U.S. efforts to promote corn-based ethanol, and giant German subsidies for the solar industry (which is losing ground to China), fall down. In both cases the state is creating bloated, unproductive sectors, with jobs that are not likely to last. A better start would be encouraging business and consumers to do the

basics, such as improve building insulation and replace obsolete heating and cooling equipment. In places like California, 30 percent of the summer energy load comes from air conditioning, which has prompted government to offer low-interest loans to consumers to replace old units with more efficient ones. Consumers pay back the loans through their taxes and pocket the energy savings, which can often cover the cost of the loan within a month or two. The energy efficiency is an indirect job creator, just as IT productivity had been, not only because of the cost savings but also because of the new disposable income that is created. The stimulus effect of not driving is particularly impressive. "If you can get people out of cars, or at least get them to drive less, you can typically save between \$1,000 and \$8,000 per household per year," says Lisa Margonelli, director of energy-policy initiatives at the New America Foundation.

Indeed, energy and efficiency savings have been behind the major green efforts of the world's biggest corporations, like Walmart, which remains the world's biggest retailer and added 22,000 jobs in the U.S. alone in 2009. In 2008, when oil hit \$148 a barrel, Walmart insisted that its top 1,000

suppliers in China retool their factories and their products, cutting back on excess packaging to make shipping cheaper. It's no accident that Walmart, a company that looks for savings wherever it can find them, is one of the only American firms that continued growing robustly throughout the recession.

The policy implications of it all are clear: stop betting government money on particular green technologies that may or may not pan out, and start thinking more broadly. As McKinsey makes clear, countries don't become more competitive by tweaking their "mix" of industries but by outperforming in each individual sector. Green thinking can be a part of that. The U.S. could conceivably export much more to Europe, for example, if America's environmental standards for products were higher. Taking care of the environment at the broadest levels is often portrayed as a political red herring that will undercut competitiveness in the global economy. In fact, the future of growth and job creation may depend on it.

#### **NEXT ►**

**THE GREEN FIGHTER**  
The EPA's Lisa Jackson  
does battle for America's  
air and water.

BY DANIEL STONE

# Postcard: Bangkok. It's hard to be neutral in a country where not just political parties but also the days of the week are assigned hues and meanings. **Parsing the color codes of Thailand**

BY HANNAH BEECH



**Global Dispatch**  
For more postcards  
from around the world,  
visit [time.com](http://time.com)

**M**Y 2-YEAR-OLD SON WAS DEMANDING to wear his T-shirt from our vacation on Bali. Getting him to focus on anything in the mornings, let alone sartorial choices, can be an ordeal. So Bali it was. It was only after we walked outside into the tropical heat of Thailand's capital, Bangkok, that we realized just how monumental a mistake we had made. Thais in the parking lot stared. The whispering began. Could it be that a blond American toddler had knowingly dressed himself in a red shirt?

In Thailand, people literally wear their politics on their sleeves. The nation has been locked for years in a paralyzing political showdown between two camps. There are the red shirts, who support former Prime Minister Thaksin Shinawatra, who was ousted in a 2006 military coup and later convicted in absentia of abuse of power. And there are the establishment yellow shirts, who back current Prime Minister Abhisit Vejjajiva. On March 12, around 100,000 red shirts, whose numbers are drawn largely from Thailand's poor rural regions, began descending on Bangkok by bus, truck, boat and tractor for what they deemed their final stand: a massive march to force the yellow-backed government to hold elections, which the reds believe will favor them. "Relinquish power and return it to the people," went the rally cry from protest leader Veera Musikapong.

The protests are the latest in a years-running to-and-fro between the groups. In 2008, the yellows occupied Government House, the nation's seat of power, for three months. Later they hijacked Bangkok's two airports for a week, a disaster for a tourism-dependent economy. Last year, after a yellow-supported government took office, the reds swarmed an international summit at a seaside resort, forcing the emergency airlift of foreign leaders. That was followed by a scarlet siege of



**Red army** Thaksin's supporters mass by the Democracy Monument in Bangkok on March 14

Government House, a takeover that culminated in Thailand's worst political violence in nearly two decades.

Of course, the color revolutions—orange in Ukraine or rose in Georgia—prove that Thailand is not the only country that mixes politics and pigments. But no other nation is quite as rigid about color schemes. In the U.S., Democrats may be associated with blue, but that didn't stop Barack Obama from wearing a red tie on Inauguration Day. (Outgoing President George W. Bush chose a blue tie for the occasion.)

Thailand's color obsession extends beyond politics. Every day of the week has a shade. Born on a Wednesday? Your lucky color is green. Saturday is ruled by the color purple.

Thailand's beloved King Bhumibol Adulyadej entered the world on mellow yellow Monday, which is why for years millions of his loyal subjects have voluntarily worn that hue to begin their week. But since the yellow shirts, who made support for the monarch a cornerstone of their activism, have chosen that color for political purposes, the number

of Thais donning it on Mondays has declined dramatically.

So what's safe to wear in Thailand these days? Pink—and the hue gets to the heart of a color conundrum. The Thai King may have been born on a Monday, but he was born in Massachusetts, which is half a day behind Thailand's time zone. Technically, he was born on Tuesday, Bangkok time, which means he should be honored by the color pink. In late 2007, King Bhumibol wore a carnation-pink blazer and shirt following a hospital stay, apparently because an astrologer had judged the shade as auspicious for his health. The monarch's fashion statement galvanized a run on all things pink, with tens of thousands of shirts selling in a matter of days. Last September, the 82-year old King, the world's longest-reigning monarch, was readmitted to hospital. In late February, during a rare public appearance, he was again pictured wearing a pink shirt, prompting millions of Thais to pull similarly hued clothes out of their closets. Now, with Thailand again turning rosy, I have to convince my son that pink really is cool for boys to wear. —WITH REPORTING BY ROBERT HORN/BANGKOK

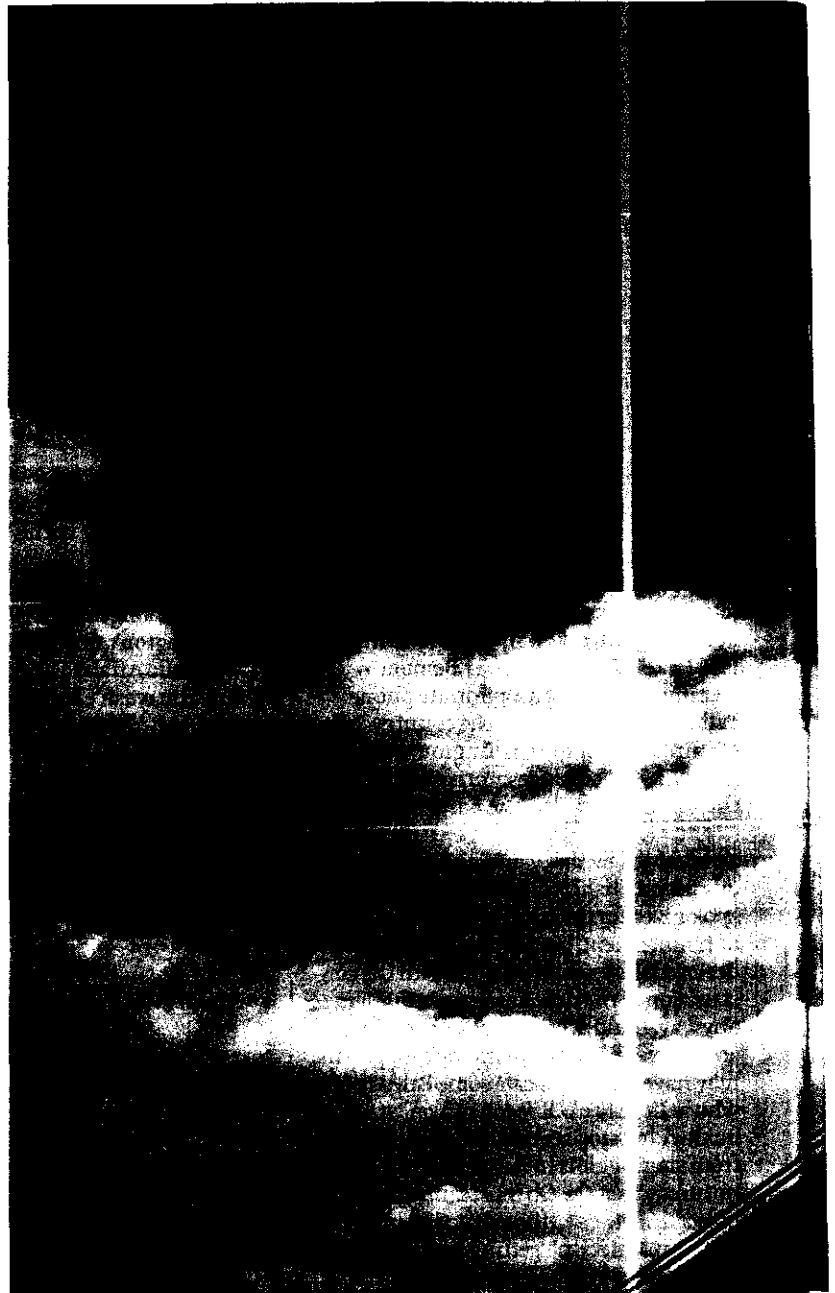


WORLD

# Home Truths

As Barack Obama prepares for a trip to his childhood home in Indonesia, many across Asia are disappointed that he has not delivered on his promise to pay the region more attention

BY HANNAH BEECH/JAKARTA



**T**HE BRONZE STATUE OF A 10-year-old Barack Obama, shod in sneakers and holding aloft a butterfly, quickly turned into a tourist attraction. Foreigners flocked to the public park in Jakarta to honor the U.S. President, who lived four years of his childhood in the Indonesian capital. Locals visited, too, but they weren't as pleased. "Indonesians mostly came to protest," says park groundskeeper Yunus. "They didn't want the statue here." Less than three months after a local Obama fan club raised \$10,000 for the monument, it was quietly moved in February to a nearby school where Obama had studied. "I'm not against Obama," says Protus Tanuhandaru, one of

the Indonesian founders of a Facebook page that collected nearly 60,000 fans calling for the figure's removal. "But it's wrong to have a statue in a public park of someone who has contributed nothing to Indonesia."

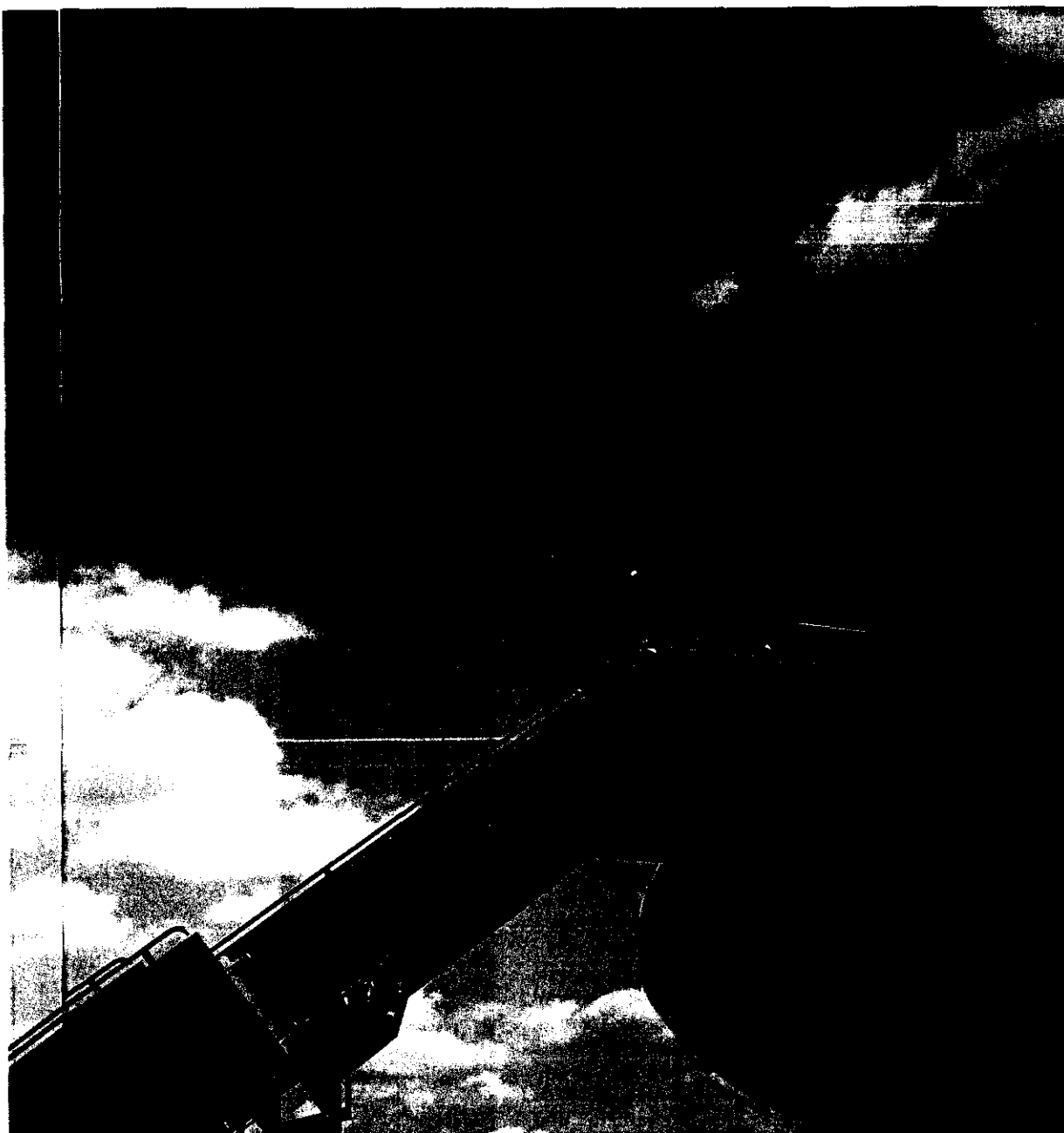
For a man who calls himself "America's first Pacific President," Obama's planned visit to Indonesia is being heralded as a homecoming. Millions of Indonesians consider Barry Soetoro, as he was once known by his Indonesian stepfather's surname, an honorary citizen. But even as Obama takes a trip down memory lane (followed by a visit to Australia), the fate of his boyhood likeness underscores his, and America's, growing image problem across Asia. Soon after Jakarta city workers used the cover

of darkness to relocate the young Barry's statue, top U.S. diplomatic envoys were in Beijing to repair foundering relations with the world's third largest economy. Meanwhile, Japan, the world's No. 2 economy, has been calling for a more "equal" (read: less submissive) relationship with the U.S. That's because the Democratic Party of Japan, which came to power last year for only the second time in half a century, won votes by pledging to break with past governments that hewed too closely to American foreign policy.

## A New Asia

ASIA'S INCREASINGLY ASSERTIVE LEADERS are demanding that the U.S. recognize





#### **On the road again**

*Obama is under pressure to live up to his avowed Asia-friendly foreign policy. Far left: with his mother, stepfather and half sister when growing up in Jakarta*

the continent's growing economic and geopolitical clout. Many feel that Obama, despite his personal ties to Asia, isn't giving the region the respect it feels it merits. An editorial in the *Bangkok Post*—the leading English-language daily in Thailand, a nation that is usually dependably pro-American—summed up the prevailing sentiment: “Mr. Obama’s promises about restoring U.S. interest in Asia ... have proved so far to be more talk than substance.”

Asia matters for America. China is the third biggest consumer of American goods, after Canada and Mexico. The No. 4 spot belongs to the Association of Southeast Asian Nations (ASEAN), the 10-nation bloc that was founded, with American

prodding, as a bulwark against communism in the 1960s. China’s economic resilience (8.7% GDP growth in 2009) helped the U.S. and other developed nations avoid even worse pain from the global financial crisis. The only other major economies that posted decent growth in an otherwise dismal year? India and Indonesia. Asia, in other words, thinks it is shoring up the global economy—and it wants its efforts appreciated.

Obama has spoken persuasively about Asia’s significance. Last November, on his first visit to the continent as President, Obama vowed to address a perception that the George W. Bush Administration had overlooked Washington’s Pacific allies.

“I want every American to know that we have a stake in the future of this region,” Obama said in Tokyo, “because what happens here has a direct effect on our lives at home.” But since then the Obama Administration has dropped the ball on promoting U.S.-Asia trade, neglecting to implement regional free-trade pacts. “We do hope that [Obama’s Asia visit] will not be like Santa Claus coming and just giving a few gifts and then flying away,” says Thailand’s Deputy Commerce Minister Alongkorn Ponlaboot, who has criticized what many Asians perceive as American protectionism. “Because what we need from America is conviction and sincerity that translate into real action.”

## Why Indonesia Matters

INDONESIA DESERVES JUST THAT. OBAMA'S trip is crucial for introducing Americans to a country that may not evoke much beyond earthquakes and tsunamis but is nevertheless key to U.S. interests. A 17,000-island archipelago, Indonesia boasts the world's biggest Muslim population. It is also the world's third largest democracy (after India and the U.S.), proving that Islam need not be the enemy of political freedom. Back when Obama lived in Jakarta, where his American mother was an anthropologist and aid worker, Indonesia was ruled by a dictator and mired in poverty. Today, it is a proud member of the G-20 club of wealthiest economies. While much of Indonesia is still poor (18% live under the poverty line), the country is finally using the profits from its plentiful natural resources, such as natural gas and a horde of minerals, to lift up its citizens. "Foreigners used to think of Indonesia as a place of natural disasters," says Gita Wirjawan, the head of the nation's

## 'We need from America conviction and sincerity that translate into real action.'

—ALONGKORN PONLABOOT, DEPUTY COMMERCE MINISTER, THAILAND

investment board, who earlier this year traveled to the U.S. to drum up interest in his homeland. "But now they realize that this is a \$550 billion economy that's on an upward trajectory."

That's partly because Indonesia has done well fighting terrorism. Most Indonesians practice a syncretic, moderate form of Islam. Yet a small band of home-grown extremists is waging a bloody jihad. A string of bombing campaigns, striking everywhere from Jakarta to the holiday isle of Bali, has claimed hundreds of foreign and local lives over the past eight years. Just weeks before Obama was due in Indonesia, police shot dead at an Internet café outside Jakarta a man believed to have orchestrated the 2002 bombings of two Bali nightclubs. Indonesia's efforts to counter its terror threat—so far it has had impressive success in netting hundreds of suspected extremists and re-educating

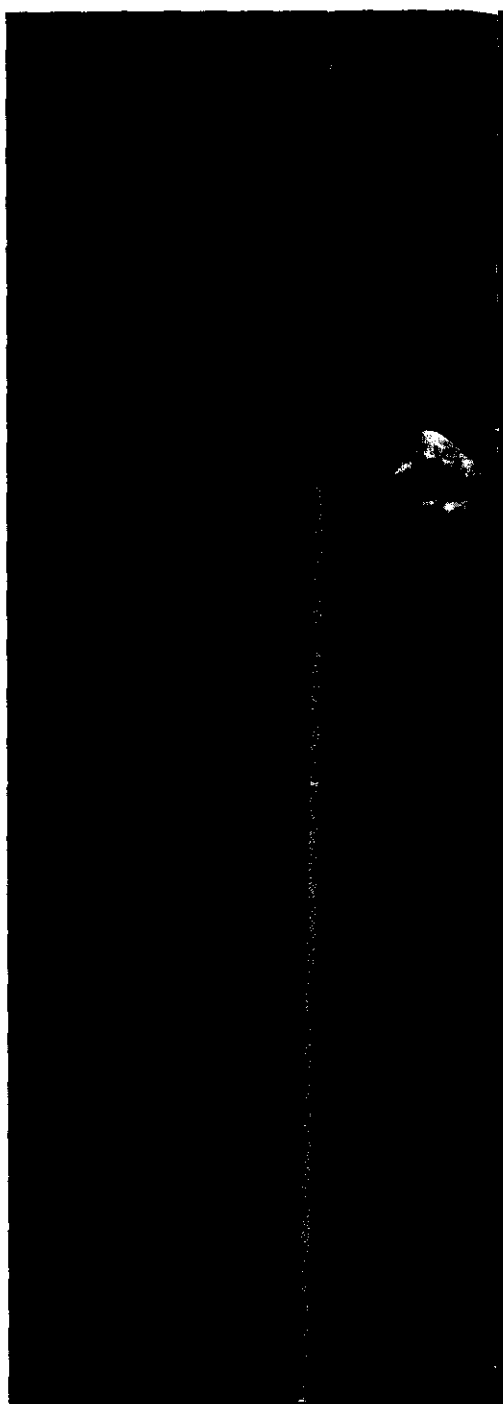
youths susceptible to the call of militant clerics—can provide the world lessons on how to excise the cancer of religiously inspired violence from the Islamic faith.

There's no question that orthodox dogma is gaining sway in Indonesia, like elsewhere in the Muslim world. In Jakarta, for instance, the number of women wearing headscarves has increased dramatically compared to a decade ago. As local governments have gained more autonomy, some have implemented a variety of Islamic-based legislation—ranging from enforced Koran literacy for Muslim children to the as-yet-unenforced stoning to death for adultery—despite the fact that Indonesia is officially a secular nation. At Menteng Elementary School where Obama once studied, the principal and many teachers wear veils. The Muslim prayer room in the public school is much larger than it was when Obama attended classes there.

Nevertheless, just around the corner from the school is a Protestant church, as well as a Starbucks and a Dunkin' Donuts. For all its recent conservative leanings, Indonesia is hardly in danger of turning into a theocratic state, and the nation's pluralistic underpinnings are something Obama will doubtless celebrate during his visit. Predictably, some hard-line Islamic groups have already gathered across the nation to thrust their fists in the air and chant anti-American slogans. But their numbers, so far, have been limited. What reigns in Indonesia, instead, is waning optimism for Obama's efforts to re-engage with the global Islamic community, something he has managed to do with some success in Afghanistan and Pakistan. Last year, a local Muslim organization called Muhammadiyah urged its 29 million members to study Obama's Cairo speech when he called for a new beginning with followers of Islam. But since that historic address, Muhammadiyah's chairman Din Syamsuddin has felt his hopes deflate. "Obama indicated in his speech that there would be mutual understanding and mutual respect between America and the Muslim world," he says. "But one year later, we have not seen those dreams realized and tensions still continue."

## More Hope Than Change

OF COURSE, GLOBAL EXPECTATIONS WERE always going to be tough for Obama to meet. When he was elected President,



**Not fully welcomed** An anti-Obama protest on March 14 in the Indonesian city of Makassar



much of the world, including Asia, considered Obama their leader too. From climate change to a détente with Islamic nations, Asians hoped Obama would somehow solve a multitude of global problems. But there was no magic wand, nor has Obama's connection to Asia translated into significantly closer ties. "Even though he grew up in Indonesia, Obama's strength is as a local community activist, not as a foreign policy expert," says Bara Hasibuan, foreign policy chief for the National Mandate Party, a member of Indonesia's governing coalition. "So far, America's policy of benign neglect toward Asia has continued."

For decades, many Asian countries—from Japan and South Korea to Thailand and the Philippines—were used to counting on an American big brother for everything from economic sustenance to military security. Now there's a new top dog in town: China. Last year, Japanese Foreign Minister Katsuya Okada proclaimed that this "will be the age of Asia and in that context it is important for Japan to have its own stance, to play its own role in the region"—a role separate from that of the U.S. It's no coincidence that such a sentiment was expressed precisely as China had overtaken the U.S. as Japan's largest trading partner.

Further south, China has surpassed the U.S. as ASEAN's third largest partner in commerce after the E.U. and Japan. The Southeast Asian club has signed trade pacts with Japan, India, South Korea and, most importantly, China, paving the way for a regional economic bloc that could rival the E.U. Note that the U.S. isn't involved. "If we are closer to China now, it is only because the U.S. has neglected us," says Kavi Chongkittavorn, a Thai columnist who writes about foreign affairs. Wirjawan, the head of the Indonesian investment board, jokes that, "If I want to get Americans going, all I have to say is China's interested in a deal and they don't worry about the sanctity of contracts or other legal niceties." The creation of an Asian trade alliance could place American big business at a disadvantage. Though U.S. companies have historically invested far more in ASEAN than China, the pace of investment has slowed in recent years as the U.S. is squeezed by Asian competition.

If Obama's trip is meant to reassert American influence in the region, the President will also be mindful of Beijing's

mood. China was one of the few nations where Bush was genuinely popular, and Obama has had a tough time matching his predecessor's success. In recent weeks China has attacked Obama for approving arms sales to Taiwan, which China considers a renegade province, and meeting with the Dalai Lama, whom Beijing accuses of masterminding a secessionist movement in Tibet. "The responsibility for the serious disruption in U.S.-China ties does not lie with China but with the U.S.," snapped Chinese Premier Wen Jiabao during a March 14 press conference in Beijing. Days before, high-level U.S. diplomats had flown to the Chinese capital to address a wide range of issues, and over the past year American officials have taken pains to underscore just how vital China is to the U.S. But there's a fine line between a show of respect and a full kowtow. "In many ways this helps give China an inflated sense of empowerment," says Stephanie Kleine-Ahlbrandt, Northeast Asia project director for the International Crisis Group. During Obama's first year, "America has played Mr. Nice Guy. China follows a different set of rules."

### Better Grades

AT LEAST, AT HIS ALMA MATER IN JAKARTA, the Menteng school, the American President can be assured of an unreserved welcome. Two weeks before Obama was due to arrive in the Indonesian capital, batik-clad students practiced a traditional Indonesian gamelan-orchestra performance they hope to play for him. School principal Hasimah is proud of the school's connection to Obama, showing off a class photo of a young Barry standing among a crowd of Indonesian students. "His story provides a huge motivation to our students," she says. "It means that no matter what your background is, you can succeed if you are a good person with a democratic spirit."

The lessons of the school resonate in other ways. Annisa Luthpia, a 10-year-old pupil, giggles in confusion when asked what religion Obama is. She doesn't know—and doesn't care. Says the Muslim girl of the Christian American President: "He seems like a very nice man." Obama's challenge is to persuade Asians that he is more than just that.

—WITH REPORTING BY ROBERT HORN/BANGKOK, AUSTIN RAMZY/BEIJING AND JASON TEDJASUKMANA/JAKARTA ■

YUSUF AHMAD/REUTERS



## Turning Japanese

Japan's two decades of paralysis provide a lesson for an America in political gridlock

I WAS RECENTLY IN THE TOWN OF SENDAI, north of Tokyo. It snowed, which was a lovely treat, something I never see at home in Hong Kong. Japan is a respite from the rest of Asia in many other ways. While much of the region is still hurtling along the path of development—a blinding whirl of frenetic construction and perpetual change—Japan is a vision of stability, a nation that has everything others in Asia want, and has already had it all for decades. Money. Technology. Global brands. A seat at the table with the powerful countries of the industrialized world. Those of us old enough will also recall that Japan used to scare the pants off Americans and just about everyone else. Back in the 1980s, Japan was the first of Asia's rising powers, a nation that seemed destined to overtake the U.S. as the dynamic force of the global economy. Experts looked to Japan in search of guidance that could rejuvenate an America that, many thought, had lost its way.

There are still a few things the U.S. can learn from Japan. One is its commitment to energy-efficient public transport. Anyone who sniffs at Obama's plan for high-speed railways should have joined me on the glide back to Tokyo. But the main lesson Japan can offer the U.S. today has nothing to do with rapid progress. It concerns the perils of inaction.

For most of the past 20 years, Japan has been in a state of political and economic paralysis. Ever since its property-and-stock-price bubble collapsed in the early 1990s, the economy has teetered on the edge of recession, occasionally tumbling into one. With one exception (Junichiro Koizumi), the country has been captained by a series of leaders who seemed content to reluctantly repair

the economy so that it doesn't outright sink, but not enough for it to return to the high-flying days of yesteryear. What I find most baffling about Japan is how a nation can be in such a protracted period of malaise and never seem to muster the will or ability to do very much about it.

Paralysis isn't unique to Japan; it appears to be a common affliction throughout the developed world. But by looking at Japan, we can get a good



The outlook is gray A salaryman in Tokyo

idea of the damage it can do. Unwilling to make hard choices, the government simply threw taxpayer money around, attempting to keep people employed without fundamentally changing the economy. The result is government debt approaching 200% of GDP. Overly protected at home, Japan Inc. has missed out on the globalization game; its companies, unable to adapt to a changing world, are losing global market share to more nimble competitors. The nation that once led the way toward prosperity in Asia is sitting by while its influence is being usurped by China.

As I sat in Sendai, looking warily across the Pacific toward my home country, I shuddered to think America was heading Japan's way. Everyone in Washington knows what problems the nation faces, but there is a Japan-like inability to take the necessary action. The broken U.S. health care system is an embarrassment, yet efforts to change it have been stymied for almost as long as moves to

revive Japan's economy. The government's finances are deteriorating as politicians refuse to make the hard decisions on what the country does and does not need. The education system requires far more attention if the economy is to compete in the 21st century. And yet, these problems just linger on, getting worse year after year.

The sources of this paralysis are somewhat different in the two countries. In Japan, a combination of highly constraining social patterns, consensus-based decision-making and an ossified political process have suppressed new ideas and made the country resistant to change. In the U.S., there is no shortage of fresh thinking, debate and outrage—the paralysis is caused by a lack of consensus on how problems should be tackled. There are too many people in positions of power who seem to believe no real change is necessary, or that it can just be put off, for political purposes, to another day.

In a rich nation like the U.S., it's easy to be fooled into thinking there's always more time for problems to get solved. So it has been in Japan. The Japanese are wealthy enough that they don't suffer too much from the prolonged period of stunted growth. But Japan also stands as a warning to those who think tough decisions can be delayed indefinitely. Japan's public finally seems ready for something new. Voters last year tossed out the Liberal Democrats, who had governed almost uninterrupted since 1955. The new sheriff in town is Prime Minister Yukio Hatoyama of the Democratic Party of Japan. He's at least talking new ideas: reforming the government, improving the social safety net, cozying up to Asia. But his options are constrained by the mess built up over two decades of inaction. He's confronting an unsustainable fiscal position and an economy with deteriorating competitiveness. Perhaps America's political leaders should ask Hatoyama for some advice. Don't wait, he might say, or you could turn Japanese. ■

**Everyone in Washington knows what problems the nation faces, but there is a Japan-like inability to take action**