

The fallout from Ma Ying-jeou's bungling of the Morakot disaster has far-reaching implications, writes Ted Galen Carpenter

Storm warning

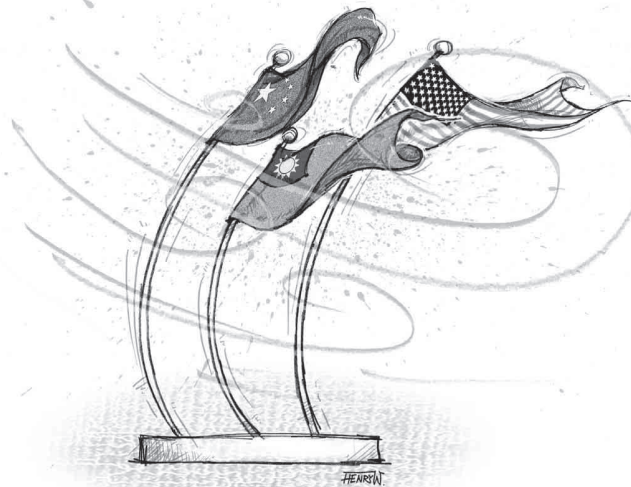
Ma Ying-jeou, Taiwan's president, is under withering fire from domestic critics, and his eroding political fortunes could have a serious impact on cross-strait relations. Ma's popularity, which stood at nearly 90 per cent when he took the oath of office in May 2008, had fallen to an anaemic 35 to 40 per cent by the summer of 2009, as he received much of the blame for the economic woes that Taiwan shares with the rest of the global economy.

But it was his inept handling of the destruction caused by Typhoon Morakot in early August that has truly imperilled his political future. Rescue efforts were poorly executed, and criticism poured in that a more competent performance might have saved at least some of the 670 people who perished. Ma himself apologised to the Taiwanese public, but the pervasive anger barely abated. On September 7, the Morakot fiasco caused prime minister Liu Chao-shiuan to resign, followed a few days later by the rest of his cabinet. Ma's approval rating had plunged to 20 per cent – a dangerous level for any incumbent.

There is an eerie parallel between Ma's misfortunes in the aftermath of Morakot and US president George W. Bush's political problems after Hurricane Katrina. Even before that storm, Bush was a highly controversial figure, but the mishandling of the rescue efforts in New Orleans greatly escalated public doubts about his judgment in appointing high-level officials and his overall competence as president. He was never able to erase that perception, and it is likely that Ma will experience a similar problem.

That ongoing shift in Taiwan's political landscape has far-reaching implications. Tensions with Beijing have declined dramatically since Ma took office, in marked contrast to the situation that existed with his predecessor, Chen Shui-bian. Mainland China and Taiwan have established a regular scheduled commercial airline service, mainland tourists are visiting the island in robust numbers, and a wide range of economic ties are growing at a brisk rate.

Political relations have also improved, as the two sides are engaging in direct negotiations for the first time in a decade, and Beijing has not only allowed Taiwan to acquire observer status at the World Health Organisation but has stopped trying to wean away the two dozen countries that still maintain diplomatic relations with



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Taipei. The Chinese Communist Party even sent Ma a congratulatory letter when he was elected chairman of the Kuomintang – a gesture that would have been highly improbable only a few years ago. For its part, Taiwan dropped its provocative annual bid to get a seat in the UN General Assembly.

True, not all manifestations of tensions have disappeared. Most troubling, Beijing has not reduced the number of missiles that it deploys across the strait from Taiwan. But, on the whole, relations between Beijing and Taipei are far better today than they have been since the early

1990s. From Beijing's perspective, that has become possible because of the conciliatory attitude that Ma and the KMT have adopted. That political development came as a great relief to Beijing following eight years of confronting Chen and his independent-minded Democratic Progressive Party (DPP). If Ma and the KMT cannot sustain their political dominance, it is uncertain how long the improvement in cross-strait tensions will last. Beijing is clearly worried and is careful to avoid taking any action that might cause further problems for Ma. That became apparent in late August when Ma gave permission to the Dalai Lama to visit the island. Eight years earlier, Beijing responded with vehement denunciations regarding a similar visit.

This time, the reaction was muted, and most telling, mainland officials directed their fire at the DPP for inviting him, largely ignoring the point that Ma had approved the visit (as part of an effort to revive his flagging domestic popularity). Beijing's uncharacteristic restraint suggests just how

concerned mainland leaders are about Ma's political future.

Unfortunately, Ma and the KMT seem intent on shooting themselves in the foot. On September 11, a KMT-controlled court convicted Chen and his wife of corruption charges and sentenced them to life in prison. That move has probably made Chen, who left office with woeful levels of popularity, into a political martyr and galvanised the DPP.

Washington has been relieved at the easing of tensions between Taipei and Beijing, but that sense of relief may prove only temporary if the DPP regains power. The political situation on Taiwan is now highly volatile. The Taiwan issue, which has been largely off the list of global crisis spots since the spring of 2008, threatens to return to prominence. The Barack Obama administration would be wise to start making some contingency plans.

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Icon has done its bit

The global economy may be improving, but its recovery is not progressing as fast as has been predicted. A year after the financial system nearly collapsed, many countries are still licking their wounds; battling high unemployment and trying to revitalise consumer spending to stimulate growth. The crisis has seriously rattled tourism and the aviation industry. Moreover, the combination of high unemployment and rising oil prices is spelling disaster for the industry, which means its profits are forever at the mercy of oil prices.

According to the latest International Air Transport Association figures, the industry is projected to suffer a total loss of US\$11 billion this year, US\$2 billion more than the previous estimate. Yields from passenger and cargo services are also expected to drop, by 12 per cent and 15 per cent, respectively.

It is therefore not surprising to see Hong Kong flagship carrier Cathay Pacific. Always agreeing to sell some 20 million shares, equivalent to 12.45 per cent of its shareholding, in Hong Kong Aircraft Engineering Company (Haeo), to Swire Pacific earlier this month. The deal is worth about HK\$3.3 billion.

The transaction, if approved, will strengthen the airline's cash position and improve its balance sheet during a very challenging time for the industry while, at the same time, helping the carrier to maintain a strategic interest in Haeo.

Cash is always on everyone's mind in the business world but more so than usual these days. Cific Pacific, stung by its notorious currency accumulator investments that reportedly cost billions of dollars, has agreed to sell a 12.5 per cent shareholding in Cathay to Air China, and 2 per cent to Swire Pacific. This means Air China's stake in Cathay will increase from about 18 per cent to nearly 30 per cent, while Swire Pacific's stake will go up to about 42 per cent.

Cific's decision was purely a practical move to round up cash while Air China's would be more of a strategic investment to counter increasing threats from China Eastern and China Southern airlines. The acquisition is also expected to boost Air China's international competitive strengths and increase its brand value.

Air China and Cathay have now formed a strategic partnership that will include not only reciprocal sales representation, but also expanded business co-operation in other significant areas.

For Cathay, it will bring more benefits and business security in the long run as the affiliation will boost its business expansion on the mainland.

Cathay Pacific has been part of Hong Kong people's lives for decades. Many consider the company an icon of the city. The airline has, for the fourth consecutive year, been voted the most-admired company in Hong Kong in the "Asia 2007" survey of subscribers of *The Wall Street Journal*.

And, despite a sharp fall in cargo business and premium passenger traffic amid the financial crisis, it has not allowed cost-cutting to affect its product and services. The only imperfection that might have slightly tarnished the brand is the long drawn-out pay disputes with its cabin crew. Since Cathay is a staunch advocate of corporate social responsibility, it should genuinely promote a corporate culture that embraces openness and fairness.

But, no matter what, Cathay is still a premium Hong Kong company that deserves every bit of support from us, including the government. It battled plunging travel demand during the severe acute respiratory syndrome crisis in 2003, sliding share prices, surging oil prices, and now the global financial crisis that is threatening its long-term well-being.

The company has confronted one daunting problem after another by itself over the years. Maybe it's time the government entered some sort of "strategic partnership" with the carrier, at least in one area; to counter rising oil prices by giving it reasonable flexibility to adjust fuel surcharges according to jet fuel index fluctuations.

Cathay has held on for as long as it could. Maybe it's time to say it does not have to be left on a wing and a prayer any longer.

Albert Cheng King-hon is a political commentator

Other voices

Japan's sentimental samurai spirit

Kevin Rafferty

Japan's new government of Yukio Hatoyama has hardly been in power for a week, yet that has not stopped squabbling among leading players that could potentially tear the Democratic Party of Japan apart before it achieves anything.

Some of this is working out how to handle power. But there is also a more deeply rooted problem – what I would call a romantic longing for Japan's old samurai spirit, a code that could lead the government along a dangerous road, back towards the 17th or 18th century when it should be looking ahead to the 22nd century.

One expression of inexperience involves the entrenched bureaucracy. During the long rule of the Liberal Democratic Party, bureaucrats and politicians got along famously, the bureaucrats in charge and the politicians kept happy with lots of boondoggles. These included bullet trains to their constituencies, roads, bridges and town halls that were uneconomical but provided work for construction companies, money for the political coffers and votes from constituents grateful for such largesse.

So far, the government has shown the haughtiness of insecurity. When new ministers appeared for the first time, they had been told not to take briefings from their bureaucrats, and it showed, with many clearly uncomfortable with the issues they were supposed to be responsible for.

Wise ministers listen to their bureaucrats, knowing that the officials have wisdom and experience, but make it plain that they will make the final decisions because they have to carry the political can.

The relationship between the government and the party could prove a dangerous fault line, given the autocratic personality of Ichiro

Ozawa, who has no ministerial portfolio but became party secretary general. Ozawa was the real mastermind of the DPJ victory, but had to resign as prime minister because of a corruption scandal involving a close aide. But Ozawa has a history of petulant behaviour in rebelling against former political friends. He had been secretary general and a rising star of the LDP in the 1980s. Hatoyama may wish that he had brought Ozawa inside the government tent, especially if for when he encounters fickle changes in the public support now surging in his favour.

There is already a rift between two pivotal ministers. Naoto Kan is finding

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ing that his powerful title of deputy prime minister and head of a new National Strategy Bureau responsible for budgetary decisions has led to clashes with Finance Minister Hirohisa Fujii, with Kan discovering that he lacks the muscle of the powerful finance bureaucracy to support him.

There is also conflict between Fujii, maverick Financial Services Minister Shizuka Kamei and Home Minister Kazuhiro Haraoguchi over the emotive issue of privatisation of Japan's giant postal system.

Kamei, who belongs to the small New People's Party whose support Iatoyama needs to secure a majority in the upper house of parliament, nailed his colours to the mast by declaring that he would introduce a bill to prevent initial public offerings by

Japan Post Bank and its insurance sister. For good measure, he then trod further on Fujii's toes by promising to small companies a three-year moratorium on loan payments.

The DPJ and Hatoyama in particular, struck chords with their election promises relating to the harm and hardship of globalisation and their questioning of Japan's reliance on a pax Americana.

But what is not clear is how well these policies have been thought through. In office, Hatoyama has again suggested promoting the closer ties of an East Asian community. This is excellent in principle. But is Japan prepared to down its historical revisionists, who were rampant in revising textbooks a couple of years ago, and accept China's and Korea's view of Japan's wartime behaviour? Hatoyama might also stop to ask what kind of relationship with Japan a resurgent China wants.

The Hatoyama government is already trying to clarify murky deals concerning US nuclear-armed vessels and access to Japan. But it would be risky for a cash-strapped Japanese government to push the US too far. Domestically, the government risks coming up against economic realities. The economy has been hit badly with unemployment at record highs. Wages have fallen faster than in other countries because of the switch from traditional jobs for life at big companies to more flexible hiring. Japan is constrained by massive debts, by increasing health and welfare costs, with an ageing and declining population, and a low consumption tax rate of 5 per cent.

The answer to this from people like Kamei, the financial services minister, is to return to the fabled samurai spirit and kill economic reforms or more globalisation.

Undoubtedly, this wins popular

sympathy. Japan has become an inward-looking society. Unlike the Meiji era, Japan of 40 years ago or in most other countries today, youngsters in Japan are not rushing abroad to study. They are staying at home, not much interested in the world.

Kazuo Ogura, a former diplomat and president of The Japan Foundation, declared that Japan's contact with international society was becoming "soft power", meaning Haruki Murakami's literary works, manga, animation, costume play and *otaku* (geek) culture.

Such advocates might stop to ask whether soft power pays the increasing bills of an elderly society. The real answer to Kamei and his samurai warriors is that the fittest parts of Japan are those that have been through the refining fire of reforms, the household-name companies at the cutting edge of global industry.

Japan's domestic markets are littered with businesses protected from competition, bolstered in their inefficiency by high support prices or political favour. Farming is the leading example, with rice prices six times those of the world market, but construction, retailing and service industries are generally less efficient and more expensive in Japan than in the rest of the world. Adding a samurai spirit could take Japan back economically to the same age.

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Why Thais pick Sweden

Bertil Lintner

It's been a bad year for blueberries and lingonberries in Sweden. Normally, these wild berries grow in abundance in the Swedish forests. But a long, wet summer with more rain than anyone can remember destroyed the berries even before they had matured. That's bad news for Thailand as well.

Every year, in what has become a regular feature in today's globalised world, thousands of Thais travel to Sweden to pick wild berries. The life and lemonary work permit if he or she has been employed by a foreign labour broker who is recognised by the Swedish Forest Berries Association. They can then borrow up to 100,000 baht from Thailand's Bank for Agriculture and Agricultural Co-operatives.

But if it's a bad year for wild berries, where pickers might net only 33,000 baht at most, it's inevitable that it will be difficult to repay those loans. Many workers have also borrowed money from private loan sharks and paid brokers to facilitate the process.

As a result, many Thais this year returned destitute instead of rich. Last month, Thailand's Labour Minister Pitakorn Kaewthong travelled to Sweden to meet Thai workers and representatives of the Swedish companies employing them. Berry-picking was not the only issue he discussed with Swedish employers. The two sides, the *Bangkok Post* reported on August 30, also "discussed how to

possible, some of the workers say, to earn the Swedish equivalent of up to 100,000 to 200,000 Thai baht (HK\$23,000 to HK\$46,000) a month – much more than a doctor or other professional in Thailand.

Not surprisingly, the Thais are not the only foreigners picking berries in the Swedish forests. There are east Europeans and others as well, but the Thais are considered the best, picking more than workers of any other nationality.

This year, as many as 5,911 Thais came to Sweden to pick berries. But bad crops turned out to be a disaster. Many had borrowed thousands of dollars to pay for tickets – and for fees to often unscrupulous labour brokers and other middlemen.

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expand the Swedish job market for Thai labourers" – because there are also other unattractive slots in the Swedish labour markets, which now have a surplus of workers despite rising unemployment among the Swedes.

Today, most Swedes travelling to the mountains in Sweden are likely to meet Thais who are not berry-pickers. There are Thai restaurants, take-away outlets and food stalls not only in major towns but also in small villages in the countryside. Over the past two decades, many Thais have settled in Sweden and the total number of Thai-born people there may now be nearly 30,000.

One of the most interesting of the northern towns of Ostersund, there is evidence of an even older connection – a genuine Thai pavilion, which has become a tourist attraction for Swedes and foreign visitors alike. The pavilion, the only one of its kind outside Thailand, is built on the spot where Thai King Chulalongkorn visited in 1897. Local Swedes flocked to gaze at the Asian king and his entourage, who at that time were seen as extremely exotic.

Elsewhere in Sweden, there are other signs of Thai influence. In the central industrial town of Borlange, with its steel mill and paper factory, the Thais, numbering between 2,000 and 3,000, now make up the second largest immigrant group, after Finns.

So the Thais in Sweden are not only seasonal workers in the northern forests. Many are here to stay – and many are no longer perceived as exotic, as King Chulalongkorn was a century ago.

Bertil Lintner is a Swedish journalist based in Thailand and the author of several works on Asia. Reprinted with permission from Yale Global Online. <http://yaleglobal.yale.edu>