

# GOVERNANCE WORLD WATCH

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**Division for Public Economics and Public Administration  
Department of Economic and Social Affairs**

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# Public Economic Policies & Globalization

## AFRICA

### SUB-SAHARAN AFRICA IS GETTING POORER - UN REPORT ON AFRICA

Declining aid donations, poor terms of trade, growing debt and inappropriate structural adjustment policies have left sub-Saharan Africans 10% worse off per capita of GDP than in 1980, so says a recently released UN report on African economic development. It projects an overall growth rate of 3% per annum over the next decade, which is only half the 6% advocated by the UN ten years ago as being needed to tackle economic and social issues. The report proposes a doubling of aid funds, more debt relief, a standstill on repayment of remaining debt and an independent assessment of the sustainability of the debts. It goes further and suggests a full review of the international trading system to remove obstacles to African exporters. This analysis is differed in emphasis from the speech of the Deputy Minister of Finance, the Hon. Dr. G.A. Agambila. He was bullish about Ghanaian prospects and he focused on solutions which Ghanaians could launch to bring Ghana to middle income status by 2020. He emphasized the importance of patriotism. He said every country that had industrialised had a strong national consciousness. The patriotism would be energy that could be focused on the issues of the day. Expatriate Ghanaians also have a role, he argued. The minister lived in the U.S. for 20 years. He cited the function of the one branch Ghana International Bank in London that facilitates the transfer of Ghanaians' money back to relatives and into property in Ghana. He hoped one day it would be "Ghana's Citibank" as part of his vision of Ghana as the financial centre of West Africa. Zero tolerance for corruption was important. He hoped Ghana's development partners would assist in recovering ill-gotten money for proper use in Ghana. In his view, the private sector needed expansion as state enterprises had been tried and performed unsatisfactory. However, this expansion would take time as high interest rates are not conducive to investment. The report will be presented to the UN General Assembly and forms part of the UN's new agenda for the Development of Africa launched in the 1990s.

*From [Africa Online](#), Ghanaian Chronicle, 12 September 2001*

### GOVERNMENT TO REALIGN FEDERATION LAWS

A re-arrangement and consolidation of "Laws of the Federation 2000" are soon to be carried out by the Federal Government. Already, a Working Committee headed by Supreme Court Justice Olayinka Ayoola has been raised to carry out preliminary work on the exercise. When completed, the repackaged laws, said Justice Minister Bola Ige would be published in digital form and also made available on the website of his ministry. Inaugurating the panel in Abuja on Tuesday, Ige described the exercise as timely and of "utmost importance to the orderly development of our laws." He pointed out that the laws of the country were last revised in 1990 and that many decrees promulgated by the military since then, also needed to be harmonised. The minister said the committee's work would facilitate smooth and fast implementation of the publishing of the laws. He added that the law revision committee, which is the main committee, would thereafter, prepare a comprehensive programme of consolidation and statute law revision. The terms of reference of the working committee includes, ensuring that all existing laws, decrees and legislation up to December 31, 2000, are compiled and collated in a form that would enable consolidation and revision. It will also supervise and ensure correct consolidation and revision of the laws in digital and analogue forms, and also publish certified revised laws of the federation in electronic and print form. Ige said: "What is being proposed is not a reform of the law, but a re-arrangement and consolidation of existing laws and various amendments to these laws. "We intend therefore, where appropriate, to pass on to the National Assembly, those areas that require legislative reforms or amendment." He said the committees are expected to work harmoniously with the legislature and all other stakeholders. The minister expressed appreciation to the MacArthur Foundation for providing financial support amounting to \$300,000 toward the project, adding that the Federal Government would complement the foundation's support. Responding, Ayoola expressed appreciation for "the opportunity to contribute our quota to the modernisation of our legal system and the strengthening of the rule of law." He noted that the law revision exercise, usually conducted after every 10 years, was missed in 1968, 1978 and 1988 and therefore, commended the minister for the initiative. Ayoola pointed out that one of the cardinal reasons for law revision is to make the laws more readily accessible and known and pledged that the working committee would "work with determination, thoughtfulness and speed and in regular consultation with the relevant interests." The 14 members of the committee were chosen from the Ministry of Justice, academia and civil society and has Deji Adekunle as secretary. The committee has about 12 weeks to complete its assignment.

*From [Amebo.com](#), 14 September 2001*

### HOUSE COMMITTEE WANTS 100% SALE OF NEW VISION

Members of Parliament want the 100% government shares in The New Vision Printing and Publishing Corporation sold, reports Felix Osike. The 1993 Public Enterprises Reform and Divestiture (PERD) Statute places The New Vision under class 11, where government was to retain majority shares. The MPs on the presidential and foreign affairs while considering the policy statement of the Department of Information, yesterday said they want the company be fully divested. Aggrey Awori (Samia Bugwe), Steven Chebrot (Tingey), Salaam Musumba (Bugabula South) and Geoffrey Ekanya (Tororo) questioned how revenue generated by the

corporation was being handled. They also wanted to know how the profits made by the corporation are used. Awori asked when Cabinet would transfer the corporation to schedule 1V of the PERD statute for divestiture. Ekanya asked whether government had a policy on the recruitment and firing of The New Vision staff, saying the dismissal of former Corporation Secretary, Conrad Nkutu was arbitrary. State Minister for Security Muruli Mukasa who represented information minister Basoga Nsadhu and Dr. Ben Mbonye, the PS President Office told the MPs that the corporation was autonomous but overseen by a Board of Directors. "The New Vision is autonomous, the office of the President does not interfere with its operations. It is audited by the Auditor General. It has been making profits which are declared," said Mbonye. He said part of the profit is used for expansion. The MPs decried the poor conditions in Radio Uganda and Uganda Television.

*From [AllAfrica.com](#), [New Vision](#) (Kampala), 14 September 2001*

## PRINCIPLES OF CORPORATE GOVERNANCE

When we speak about governing bodies or governance issues, the key words that must come to mind are transparency or openness, integrity and accountability. The concept of governance recognises the essence of order in any situation, be it at corporate level, government, or any grouping of individuals or organisations. Openness or transparency equates to visibility in the sense that full and relevant information and actions are communicated on a timely basis. The concept of integrity calls for straightforward dealings and the discharge of assigned responsibilities in a professional manner. Lastly, accountability imposes an obligation on those with certain responsibilities to account for their actions in protecting the interests of those who gave them the responsibilities in the first place. While this article will mostly deal with corporate governance issues, it must be borne in mind that the same principles are equally relevant to any governing body. We all know that our economy needs to have stronger enterprises that can generate and increase employment and produce goods and services to supply not only local demands, but also regional and international markets. What many of us don't acknowledge or choose to ignore, is that we must have a disciplined and effective management, and be properly governed, to inspire the confidence of our shareholders and the public at large. In Africa generally and in Zimbabwe to a lesser extent, there has been a successful move away from state-run enterprises as the dominant instrument for economic performance. Private enterprises have become the key drivers in stimulating economies that can support populations that edges closer to the poverty line as the effects of hyperinflation take hold. Sound corporate governance is critical to economic and social progress and if we accept that the private sector will be the vehicle for future growth, we have to attract as many investors as possible and implement measures to protect their investments and interests, regardless of size. In addition to the issues of effective and sustainable management of organisations, governing bodies have to come to terms with the levels of fraud and corruption now prevailing in both the private and public sectors. It is essential that governance structures ruthlessly deal with known cases of fraud and corruption as well as putting in place mechanisms for the prevention and detection of such acts in the future. Much has been said about dealing with these problems but not enough has been done, in spite of the serious damage to businesses and the economy in general. Deteriorating living standards and the severe poverty now afflicting our people are the result of allowing this scourge to continue unchecked and governing bodies must not only bring the offenders to book, but should strive for policies and actions that address the problems that underpin it. Essentially, corporate governance imposes a legal and regulatory framework on operations and a management that obeys both the letter and the spirit of the law, one that makes sound ethical and moral judgements to ensure long term sustainability rather than short term personal gain. This can't be done as a short term measure, and it can't be done without a captain at the helm who is both committed and who has a totally disciplined approach to professional ethics, demanding the same committed approach from his team. All companies in Zimbabwe must recognise and accept the need to audit their organisations, protect the physical environment and develop relationships with local communities. The relevant national codes of best practice should be followed to help to sustain and improve independence, responsibility and disclosure. Implementing corporate governance must be an ongoing process. Keeping up the momentum and maintaining enthusiasm is paramount to success. Codes of best practice must be living documents, developed and updated over time as the organisation evolves and the next edition of Business Talk looks at these in more detail. Sound governance has to be pragmatic, and must include diagnostic reviews. The Zimbabwe firm of Ernst & Young is a member of Ernst & Young International. Information in this publications is intended to provide only a general outline of the subject covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young accepts no responsibility for loss arising from any action taken or not taken by anyone using this article.

*From [Financial Gazette](#), by David Gwande, 21 September 2001*

## ASIA/PACIFIC

### GLOBE'S BUSINESS ETHICS

Globe Telecoms' plan of a 60% reduction in free text messages and airtime calls for its subscribers should be a big 'NO' for its customers! It all started with free and unlimited text. Now, it is 1 peso per text message with 150 free text messages monthly. It will eventually be 1 peso per text message but the free text messages will be reduced to only 50 per month. For plan or post-paid subscribers, a 60% reduction on their free airtime calls will also be imposed. Globe is saying that the depreciation of the peso against the dollar is causing higher costs for the company's technical operations. Because of this, the company believes that it should increase the costs of its communication services to compensate for its higher expenses. Globe argues that the company has been spending for the free text messages and airtime calls so they are now imposing this new regulation. This contention might be

true. Globe has been promising its subscribers of boosting and making their services better. Unfortunately, this promise was not fulfilled. I conclude that this move of Globe is primarily to increase profits. The company can freely increase costs of their services because they will not bear the worry of losing subscribers, even with the rise of competition. Globe must also be concerned about being fair to their clients. They should make sure that the money that their customers spend should be worth the services Globe provides. Business should not solely be about making profits. It should also involve moral values, one of which is fairness to the consumers.

From [Philippine Daily Inquirer](#), 4 September 2001

## GOVERNANCE REFORMS GO BY THE BOARD

All too often in Asia, the interests of small investors are betrayed by corporate directors who serve the boss rather than stockholders. One of the lessons that Asian companies were supposed to have learned from the '97-'98 financial crisis was that greater transparency and better corporate governance were needed. No longer was it O.K. for companies dominated by one businessman or one family to abuse minority shareholders. As in the U.S., such shareholders should have their rights respected. Alas, as with so many other good things that were supposed to come from the crisis, improvement in corporate governance has been spotty, at best. This week in the Asian print edition of *BusinessWeek*, I wrote about Acer Inc., the Taiwanese computer maker that has fallen on hard times (see BW Magazine, 9/17/01, "[Commentary: Taiwan Inc.: Shareholders Need a Break](#)"). Acer has implemented several strategies over the years, with Chairman Stan Shih trying to find the right formula to revive what was once Taiwan's premier information technology company. As he struggles to right Acer, Shih has the luxury of a pliant board of directors. Of the seven members, five are executives at Acer or one of its subsidiaries. Another is a representative of the investment company owned by Shih and his wife. The last is a well-connected businessman with ties to both former President Lee Teng-hui and current President Chen Shui-bian. UNDER MANAGEMENT'S THUMB. Acer is hardly the only Taiwanese company with a board dominated by insiders. In trying to understand why Taiwanese -- and by extension, other Asian -- companies have such a hard time with shareholder rights, I recently spoke to lawyer Mark Ohlson, a senior legal consultant with the Taipei-based law firm Qi Lin International Law Offices. "A lot of the reasons that you don't have aggressive restructuring and shareholder rights issues in Taiwan isn't so much a legal issue as much a cultural or ownership issue," he says. In most cases, the shareholding in publicly listed companies is still under the control of a family. That means that you don't have significant numbers of outside shareholders who aren't members of the family or business associates. "Everything is managed in a closed sort of fashion," he says. "In many of these companies, the boards are under the control of management." Result: Boards are often passive. "There isn't a separation of ownership and management that you see in most publicly traded U.S. corporations," says Ohlson. "You've got the guy who owns the company also running the company. You don't really have an independent board that can fire the chairman or fire the general manager. That is a block to some rational corporate restructuring measures." PASSIVE LOCAL FUNDS. What about big institutional investors? After all, in the U.S. it's big pension funds like CalPERS that have been some of the strongest advocates for better corporate governance. Companies in Taiwan, says Ohlson, doesn't have foreign institutional investors buying big stakes. And even the local funds aren't active. "All you've really got are passive mutual funds taking a share in Taiwan portfolios," he says. "They're not really interested in buying 25% of the company. They're interested in buying 0.5% at most." Another hindrance to greater shareholder rights in Taiwan is the absence of class-action lawsuits. While many Asians (not to mention Americans) like to mock the U.S. shareholders as a litigious bunch, these critics are overlooking one of the important roles that the courts play in the U.S. system. By giving shareholders recourse to the courts, the system encourages companies to be more proactive in protecting shareholders' rights. Of course, the system isn't perfect, and the U.S. is hardly a Utopia for corporate governance. But I'd argue that the American system operates better than its counterparts in Taiwan or other parts of Asia. LINING UP PLAINTIFFS. So why can't investors just get together and sue a company in Taiwan? In the U.S., the law allows for a class-action suit to be filed on behalf of an unspecified group or subset of people, not all of whom need to be identified at the time of the filing. Hence the search for disgruntled investors on the part of law firms that have already filed suit against a company. In Taiwan, that doesn't happen. "You can't bring a suit on behalf of an undefined class," says Ohlson. "You can't bring a suit on behalf of a bunch of investors who are not named. You've got to go out and find the people." This thinking isn't bad only for small shareholders -- it also hurts management. Consider Acer. As part of Shih's latest plan, he wants to spin off the Wistron subsidiary, which produces computers on a contract basis for foreign name-brand players like IBM, as a separate company. Taiwanese law doesn't allow Acer to list the company right away since the company must have a track record showing several years of profits. NECESSARY ANNOYANCE. The goal is admirable: To protect investors from scams. "It's really a kind of paternalistic attitude by the government toward the investor," says Ohlson. In effect, the Taiwanese regulators are "saying that we are going to protect the investor from unsound companies." By contrast, in the U.S., the companies have to disclose information and it's the investors' responsibility to digest it. If the companies don't disclose enough, then shareholders can sue. Sure, managers don't like to deal with pesky minority shareholders, their irritating lawsuits, and annoying calls for reform. Yet they play an important role in ensuring proper governance of a company. The sooner Asian companies realize that, the better off they'll be.

From [Business Week](#), 10 September 2001

## N. LUZON RESPONDS TO GLOBALIZATION - A SINGLE ECONOMY

The mangoes, grains, tocino and longganisa, and furniture of Central Luzon; the vegetables, flowers, delicacies, and handicrafts of the Cordillera Autonomous Region; the marine products of Ilocos-Pangasinan Region and the fruits and livestock of Cagayan Valley. Altogether, the four regions and their renowned products will comprise what would be known as the North Philippines--an

area that would soon become a single economy to cope with globalization. This is the vision of the business community north of Manila up to Batanes, according to Renato Romero, an Angeles City-based businessman and current vice president for North Luzon of the Philippine Chamber of Commerce and Industry (PCCI), the country's largest business organization. Romero stressed that the only way for the four northern regions' economy to survive globalization or the impending implementation of the General Agreement on Tariffs and Trade and World Trade Organization policies is to integrate themselves into one single economy. Through integration, he said, the regions would no longer compete but compliment one another's products and resources. Romero said that the PCCI and provincial and city chambers of commerce and industries, in cooperation with the Office of the President's Regional Development Executive System for North Luzon, have earlier organized the North Philippines Business Council and the North Philippines Tourism Council. The two councils would serve as bodies that would coordinate the trade and investment and tourism promotion in the North Philippines. Last year, Romero also worked with former Presidential Adviser for North Luzon Junie Cua, now a congressman in Nueva Vizcaya, to form the Central East Asia Growth Circle Program. The program will promote people-to-people economic cooperation between the North Philippines, the Southern Prefectures of Japan, South Korea, Southern provinces of China, Macau and Hongkong. A separate program was also drafted between the North Philippines and Taiwan. However, the political upheavals early this year affected the full implementation of the two economic programs that were envisioned to achieve micro-linkages on the level of businessmen of the participating countries for developing expanded markets, induce investment flows, promote technology transfers, and increase tourist arrivals. Romero said that economic growth alliances are the only respond to the challenge of globalization.

*From [Philippine Daily Inquirer](#), by Jun Malig, 10 September 2001*

## **VERTICAL INTEGRATION TOWARD GLOBALIZATION**

The final phase of vertical integration envisioned by the late SK chairman Chey Jong-hyon came between 1989 and 1991, when he closed in on realizing the objective of turning SK into a conglomerate covering everything from "petroleum to fibers." Chey made the proposal during the 20th anniversary celebrations of Sunkyong Textiles in 1973, and the vertical integration was facing completion as SK dedicated the massive Ulsan Complex with its nine major industrial plants, including the fourth oil refinery and the second ethylene processing facility. With the Ulsan Complex, SK would become the first Korean company ever to achieve full vertical integration, with a presence in petroleum exploration and petrochemicals and downstream sectors like film and textiles. The operation of such mammoth production facilities meant that not only Sunkyong but Yukong had the foundation to emerge as a world-class integrated energy and chemical company in the 21st century. Chey was then 62. Back in the late 1980s and the early 1990s, numerous petrochemical plants were popping up across the country with even greater concentration in information and communications. SK, for its part, set up its very own Yuktronics in New Jersey in October 1989, launched Sunkyong Information Systems in May 1990 and YC&C in October of the same year, and set up Sunkyong Telecom in April 1991 to signal its entry into information and communications. Along with these diversification measures, SK moved into distribution through the establishment of a logistics business division within Sunkyong Ltd. and founded Sunkyong Distribution on Jan. 1, 1990. At the same time, Chey focused on the development of new and advanced products by setting up Sunkyong Pharmaceuticals, operating a local plant of SKC America and opening SKC Japan. Sunkyong Magnetics spread into foreign markets while Sunkyong itself won an order for the construction of a polymer plant from Eastman Kodak and a petroleum terminal in Thailand, all evidence of the business savvy of the late SK chairman. As the vertical integration was proceeding through the final phase, Chey shifted his focus to globalization and the enhancement of the sophistication of SK services as the main innovation strategies. Under the innovation strategy, Chey terminated businesses such as apparel and daily necessities which had lost their competitiveness, and concentrated on high value-added products, brand businesses and integrated product marketing. Chey established an office in Moscow to capitalize on specialized markets and became the first Korean company to set up an operation in Beijing. On the other hand, SK moved quickly to boost its marketing activities for the export of steel, fiber and petrochemical plants, while launching new brands like Caspi and Smart for targeting the local clothing market. As for Sunkyong Ltd., Chey saw the opportunity to utilize its strength in marketing to push integrated product trading and set up ECOBAN in the United States for adopting financial engineering as part of the globalization strategy. Eager to engage in natural resource development, SK entered into the management of a fisheries company in Sakhalin, pursued timber businesses in Guyana in South America and joined hands with POSCO (Pohang Iron and Steel Co.) for a cold-rolled steel project in Malaysia. With vertical integration firmly in place, Chey's management philosophy and ideology took concrete shape, as can be seen in his publication, "The Future Belongs to Those who Challenge," which he wrote in 1992 at the age of 63. In reality, no one took Chey seriously when he foresaw full vertical integration by declaring that SK would dominate from "petroleum to fibers" way back in 1975, and even those within Sunkyong expressed doubt, seeing it as an over-aggressive business plan. However, with clear vision for the future and strong conviction and determination, Chey proceeded to realize his business objectives by the early part of the 1990s. As could be seen, Chey had the uncanny ability to see 10 years ahead, and this meant that he began shaping SK's strategy for the 21st century in the beginning of the 1990s. This nudged Chey to make his decision to move into the information and communications industry, which would make a viable contribution to the development of the national economy. Having made up his mind, Chey began immediately to secure the most advanced technologies and professional manpower in the United States and succeeded in winning the license as the second operator of the second mobile communications service provider in 1992. Even though SK had to suffer the agony of having to return the license due to political considerations, Chey continued with his plan to make energy, chemicals, information and communications the core competences as a world-class enterprise. Such determination culminated in SK winning the controlling stake in Korea Mobile Telecom, which has since been renamed SK Telecom, to strengthen the foundation to emerge as an integrated information and communications conglomerate. As if to recognize Chey's contribution to the development of Korean industry and economy, he was elected as the 21st chairman of the Federation of Korean Industries on Feb. 12, 1993. In his position as FKI chairman, Chey clarified his guidelines for running the organization, the largest private

economic group in the country, with the most important aspect being his principles on political contributions. He said the main priority of business people must lie in running their companies and, in emphasizing the need for separation of corporations from politics. He said businesses should provide their support within the confines of the Political Funding Act, but no unofficial, under-the-table funds should be provided. Where the real-name financial transactions are concerned, Chey was basically in agreement with the need for more transparent financial practices, but pointed out that measures must be taken to ensure that the side effects affecting small and medium-size companies and consumers in general be minimized. Chey also clearly opposed the artificial and forced disbandment of large conglomerates, and insisted that the rights of companies to operate freely under the market system be protected for the health of the national economy.

*From [Korea Times](#), by Prof Kim Sung-soo, 8 September 2001*

## MINISTRIES RESIST REFORM OF SPECIAL CORPORATIONS

The administration of Prime Minister Junichiro Koizumi is in for a bumpy ride over its reform plans, as reports submitted by ministries and agencies on privatization or abolition of special-status public corporations show strong resistance to its efforts. The reports, which detail individual ministries' and agencies' ideas on reforming the special corporations for which they are responsible, were submitted to the Administrative Reform Promotion Secretariat on Monday and made public Tuesday. The reports say almost all such corporations will be difficult to privatize or abolish. One of the only few corporations left unprotected by the bodies was the Japan National Oil Corp., already singled out by the prime minister for abolition. The Ministry of Economy, Trade and Industry, which controls the special-status public corporation, made the straightforward suggestion of "reform from the ground up, on the assumption that it will eventually be abolished." "Almost all of the reports say abolition or privatization is difficult," said Nobuteru Ishihara, state minister in charge of administrative reform. "It seems to me there is a strong intention overall to maintain the existing structure." According to government sources, Koizumi intends that plans first be drawn up to abolish or privatize six public corporations under the jurisdiction of the Ministry of Land, Infrastructure and Transport, including the Japan Highway Public Corp. The ministry has delayed the submission of some of its ideas on reforming public corporations until Sept. 20. Among a handful of cases in which ministries worked out plans for privatization or abolition, the Ministry of Public Management, Home Affairs, Posts and Telecommunications clearly indicated in its report that the Postal Life Insurance Welfare Corp. should be abolished. However, in this case, too, the corporation is already headed for abolition as it is slated to be merged into a new public corporation to be created in fiscal 2003 to take over the functions of the Postal Services Agency. As Koizumi has ordered all 77 special-status public corporations to be considered for privatization or abolition, the government faces a rough ride until a final reform plan is decided on toward the end of this year, sources said. In its report, the transport ministry supports plans by the Japan Highway Public Corp. to build expressways, saying the corporation's decisions were made under fair procedures and that it had provided explanations of them to local residents. The report goes on to say, "Abolition (of the corporation) would have an extremely grave impact on the nation and local communities." Its comments are being seen as a rejection of the reform secretariat's request that such projects be frozen. The transport ministry also says it will study the possibility of abolishing or otherwise reforming the Japan Railway Construction Public Corp., another special-status corporation under its jurisdiction, after the planned construction of new Shinkansen lines has been completed. Meanwhile, the report by the Ministry of Agriculture, Forestry and Fisheries, which has seven special-status corporations under its control, effectively states it is possible to privatize or abolish only one of them.

*From [Asahi.com](#), 10 September 2001*

## MUSHARRAF PLEDGES TO STABILIZE ECONOMY: WORKERS GET OWNERSHIP RIGHTS

Peshawar: President Gen Pervez Musharraf said on Friday that his government would initiate 20 huge projects this year to pump a new life into the sagging economy and bring an end to poverty. He was speaking at a gathering organized by the Workers Welfare Board at the Nishtar Hall to hand over scholarship documents to the children of workers, grant for dowry, and flat ownership rights to workers of different industrial units. Gen Musharraf identified three areas - rural, urban and manpower - which needed immediate overhauling for poverty reduction and revival of economy on a sound footing. "The rural areas which comprise 70 per cent of our country, need urgent measures for poverty alleviation. But it is linked with the development of agriculture sector," he said. The president informed the gathering that the government had initiated a long-term programme for the development of the rural areas. "We are trying to streamline the irrigation system, which is the life line of agriculture. We are also trying to make vast barren lands arable and improve our yields." As for the industrial sector, he said the Corporate Industrial Restructuring Corporation had identified 104 industrial units for their early revival and privatization. The development of the private sector was also an integral part of the government policy, he said. The third area, he said, was the semi-skilled and illiterate manpower, and added the government had decided to set up small and medium size industrial units so that they could earn their livelihood. Without the development of these three areas, the president observed, no claims about the poverty alleviation would bear any fruit. He said they had no magic wand to bring a pleasant change overnight: it would take about four years to complete those projects. "Gomal Dam and new canal system will take some time to produce results." Referring to the energy sector, he said that despite having many opportunities of hydel power generation, the government was to pay \$1 billion for thermal plants oil requirements. "We are generating our 70 per cent electricity through thermal plants and 30pc from hydel plants," he added. He said the government would provide maximum facilities to traders, but it would not tolerate tax and duty evasion under the cover of the land route export. Some of the traders had wrongly used the SRO facility and evaded sales duty and taxes in the past, he added. He assured that the Workers Welfare Boards (WWBs) would be decentralized and every province would be free to utilize its funds according to its needs. The president advised the federal labour ministry to hand over documents of 270 flats, constructed four years ago in Hayatabad, to the provincial government.

Earlier, the president inaugurated 200 flats for workers at the industrial estate Hayatabad. Spread over six acres, the project consists of eight blocks. It cost Rs130 million to the WWB. NWFP Governor Syed Iftikhar Hussain Shah and Labour Minister Omar Asghar Khan also spoke. Later, he president gave away scholarship documents to six children of workers, grant of dowry cheques, and documents of flats ownership to workers.

*From [DAWN Group](#), by Mohammed Riaz, 8 September 2001*

## **O'NEILL URGES CHINA TO STEP UP REFORMS**

Beijing - U.S. Treasury Secretary Paul O'Neill on Monday urged China to keep up its drive to create a rules-based market economy as he emphasized the best measure of any country's success comes from boosting rates of production. O'Neill told students at the University of International Business and Economics in formal remarks that it was vital for China to have clear operating rules for business if its rapid economic growth was to continue. "One of the most important endeavors you are currently engaged in, corporate governance reform, is crucial to continuing China's growth," O'Neill said ahead of a series of meetings with top Chinese government officials at which he was expected to press the case that companies need clearer protection in law to be able to drive economic expansion. "Placing profit incentives and management efficiency as the highest priority, rather than government targets, will ensure that China's economy flourishes and Chinese firms succeed," O'Neill said. Students questioned O'Neill closely about foreign exchange rates, including whether a high-valued U.S. dollar was hurting U.S. exports as some groups, including the National Association of Manufacturers, claim. O'Neill said he did not want to respond directly for fear of "stirring up the financial speculators" and said he preferred an emphasis on heightened productivity, or output per worker, as a means of raising living standards. **CREATE, DON'T SPECULATE** - "The important thing for every country in the world is that it work on improving its relative rate of real growth compared to the rest of the world," O'Neill said, suggesting that was a higher cause for leaders rather than concern about relative currency values. "The alternative that's buried inside the idea of caring about manipulating exchange rates is an idea I don't agree with at all," he said. "The idea is that leaders are supposed to redistribute income and wealth. I don't believe that's an appropriate role for leaders. The role for leaders is to create value, not to redistribute it." O'Neill is spending four days in China before traveling to Tokyo later in the week for meetings with Japanese government officials. He spent the weekend in the city of Suzhou, participating in closed sessions of the 21-nation Asia-Pacific Economic forum before traveling to Beijing late on Sunday night. O'Neill held a series of afternoon meetings with senior Chinese officials including Jiang Xiamin, the head of China's central bank as well as Executive Vice Premier Li Lanqing and Vice Premier Wen Jiabao. He later told reporters the sessions were useful and showed China's interest in improving relations with the United States. "All these conversations today I found really engaging, they were not superficial," O'Neill said, without revealing details. "They took the initiative, they didn't wait for me to ask them a lot of questions about the obvious things we talk about. They went out of their way to indicate to me how much they want a relationship with the United States to be a great relationship and constructive with emphasis on positive things, recognizing that on occasion we're going to have differences of opinion about things." In response to questions, O'Neill said there was no discussion about apparent Chinese punishment of investment firm Credit Suisse First Boston, which was dropped from an underwriting group for a new share offering by China Unicom after helping organize a European tour for Taiwanese government to promote international investment. O'Neill participates in a morning-long meeting of the U.S.-China Joint Economic Committee on Tuesday with China's finance minister, Xiang Huaicheng, a possible opportunity to raise the CSFB issue as O'Neill indicated on the weekend that he might. In his remarks to students, O'Neill noted that resistance to corporate reforms often comes from government agencies and said that was a problem that should be addressed. "The collection and distribution of funds by government is diffuse, difficult to understand and track, and therefore open to misallocation and fraud," he said, urging that China consider setting up "a centralized treasury system (that) would reduce the need for government agencies to control corporations and siphon their revenues for political use." China is apparently headed for another year of strong economic growth, in the range of seven percent for 2001, O'Neill noted. He suggested China could achieve faster job growth, to help those displaced by market reforms, if it let private industry have a freer hand. **LET MARKETS RULE** - "The best way to improve the quality of growth is to make it market-driven," O'Neill said, since that would help unleash consumer demand and foster sustained expansion. O'Neill told reporters during the weekend that, with China expected to become a member of the World Trade organization as early as next year, he wanted to make the point to government officials that there should be fewer subsidies, a stronger application of laws in China and increased protection for copyrights and other intellectual property owned by foreign companies that do business in China. O'Neill travels to Tokyo on Tuesday night to meet top Japanese officials including Finance Minister Masajuro Shiokawa and other officials on Wednesday and Thursday. Japanese officials have indicated their worry that the yen's recent appreciation against the dollar makes it harder for them to achieve stronger economic growth. Japan's economy contracted during the second quarter, though on Sunday Shiokawa insisted "our fundamentals are solid and firm" so that declining GDP should be "just a transitory figure" and said that he would like to see growth resume "as promptly as possible."

*From [iWon](#), by Glenn Somerville, 10 September 2001*

## **CHINESE JUDGE URGES WIDER USE OF LETHAL INJECTION TO REPLACE EXECUTION BY GUNSHOT**

Beijing - Chinese courts have been urged to replace execution of prisoners by gunshot with lethal injection by the end of this year, the official Xinhua News Agency reported. Courts should switch as soon as possible in order to carry out executions in a "more humane and scientific way," Xinhua quoted Vice President of the Supreme People's Court Liu Jiachen as saying Thursday. Major cities should switch by the end of the year, Liu said. China executes more prisoners than all other countries combined and has put

at least 1,781 people to death since April. The vast majority of them are shot in the head or back of the neck after being paraded before crowds at public sentencing rallies. Lethal injection was first legalized in 1997, and since then has been carried out on a trial basis in southwestern China's Yunnan province. Condemned prisoners and their relatives said they prefer lethal injection as a method of execution, Liu said.

*From ABC News-World-Wire, 13 September 2001*

## **UK ENVOY PRAISES ECONOMIC REFORM PROGRAMS**

Karachi: The British High Commissioner to Pakistan, Hilary Nicholas Synnott, said here on Wednesday that economic growth was a prerequisite for the development of South Asian countries. Speaking to the members of the English-speaking Union of Pakistan (ESUP) in a local hotel, he referred to Pakistan's poor economy in the past. But, he said, the IMF recognized that there had been significant improvements in economic management over the past one year or so. The Hubco dispute had been resolved, and the IMF was now considering the release of the third tranche of a standby arrangement which was agreed last November. This would facilitate the rescheduling of debts, he added. The British envoy said the government of Pakistan was showing determination to introduce and maintain sound economic management techniques. He said Britain was one of Pakistan's biggest trading partners. Currently, there was a large trade surplus in Pakistan's favour, and Pakistan's exports to Britain were doing well and growing by about 16 per cent a year. He said Britain was the biggest single new investor in Pakistan. This had been the case at least for the past two years, and Britain remained heavily engaged in commercial activities in Pakistan which showed that it was not just a fair weather friend. He spoke of the assistance extended by Britain in the field of education, and highlighted the role of the British Council here. He said the British High Commission in Islamabad ran Britain's biggest visa operation in the world. He also made it clear that his government was not changing its immigration rules. Mr. Synnott expressed concern over the increasing incidence of forged documents and the resultant organized human trafficking. He said it had led to the arrest of such applicants by the Pakistani police. In the political field, he observed that relationship between the two countries had been somewhat uneasy. However, political concerns did not amount to unconstructive carping. The British envoy said for the past 18 months his country had been providing a targeted programme of development assistance to Pakistan. "We have looked at the reform programmes of the present government here, and think that many of them deserve support," he added. "We think it is reasonable that there should be a third tier of government below the national and provincial levels to bring decision-making closer to the ordinary people at the local level." So we have helped with advice about the local government structure and devolution of power, Mr. Synnott said. He said there had been a problem over allegations that corrupt people had fled to the UK taking ill-gotten gains with them. We have helped provide relevant information to the National Accountability Bureau (NAB) which might, in certain circumstances, be used as an evidence in court, he said adding: "And we are helping NAB to devise a long-term anti- corruption strategy." The British envoy said like other Commonwealth member countries and all the member countries of the European Union, we have expressed our concern about the absence of an elected government. But we have also been trying to help this government lay the foundations for a sound democracy, he added. He pointed out that the British government had publicly welcomed the roadmap for elections announced by the President on Aug 14 this year. Mr. Synnott expressed shock and horror over Tuesday's terrorist attacks in New York and Washington. One minute's silence was observed for those who lost their lives in these incidents. Earlier, the President of ESUP, Byram D. Avari, presented the address of welcome. He also spoke of the long association between Pakistan and Britain.-APP

*From Dwan Group, 14 September 2001*

## **JAPAN'S TAKENAKA SAYS PACE OF REFORMS WILL NOT SLOW AFTER ATTACKS ON U.S.**

Tokyo - State Minister for Economic and Fiscal Policy Heizo Takenaka said structural reforms will go ahead as scheduled even after the terrorist attacks in the US. "Even after the terrorist attack, I don't think the schedule of structural reform will be changed," Takenaka told a regular press briefing. Prime Minister Junichiro Koizumi also reaffirmed at this morning's Cabinet meeting that the speed of reforms will not slow following the attacks, he said. Japan's economy has the potential to support global markets after the attack so it is important to proceed with structural reforms as planned, he cited Koizumi as saying. Takenaka said the government should urgently set up a social safety net and carry out stockmarket and financial system reforms, as well as structural measures to boost new employment, under its existing programme. "The creation of the safety net is the first priority in this programme and I expect that it will carry the largest weight in the overall budget," he said. Takenaka said the prime minister issued orders to create an employment safety net, including vocational training, stockmarket and financial system reform, as well as the launch of the planned new capital-gains tax system. In addition, the government aims to introduce an annual check of bad debt conditions at the banks, compared with the current two year inspection system, with follow up investigations every six months. The government plans to normalise the bad debt problem after three years, as well as an expansion of the role of the Resolution and Collection Corp, which is currently involved in the recovery on non-performing loans. The prime minister also asked Cabinet members to ease restrictions in the six fields of medication, welfare, employment, education, the environment and urban development. Takenaka said he will attend the Bank of Japan policy board meeting scheduled for next week but he declined to provide details of what he plans to say. "Global markets may change after the opening of the New York market. I would like to consider what I will say after this," he said.

*From [AFX Press](#), 14 September 2001*

## **NYE: JAPAN CAN TEACH WORLD ABOUT GLOBALIZATION**

In today's information age, Japan has a lot to teach to the world about globalization, former U.S. Assistant Secretary of Defense Joseph S. Nye, Jr. said in a videotaped speech at Friday's Dentsu Forum 2001 titled "Challenging Japan." Nye had been scheduled to appear at the annual symposium, organized by the Dentsu Institute for Human Studies as one of the keynote speakers, but could not come to Japan since U.S. airports were closed due to Tuesday's terrorist attacks. Instead, he delivered the speech, which was videotaped in Boston and sent to Tokyo via the Internet. Describing Japan as the first Asian country to open itself to globalization in the 19th century, Nye said Japan did the same thing after World War II, successfully borrowing tools and innovations from the rest of the world "to implement strategies based on economic power." Japan also proved, Nye said, that "it is possible to adopt (policies of globalization) while preserving a unique culture." Anyone who fears that globalization might lead to a homogenization of the world should take a careful look at "Japan's cultural uniqueness after a century and a half of globalization," he said.

*From [Daily Yomiuri](#), by Yomiuri Shimbun, 17 September 2001*

## **ASIAN MINISTERS PLEDGE TO CRACKDOWN ON ILLEGAL LOGGING, TRADING**

Sanur, Indonesia - Government ministers from around East Asia ended a three-day forestry conference on Thursday with an unprecedented pledge to crackdown on illegal logging and trading. Representatives of 13 countries said they would strengthen laws on forest management, increase penalties against illegal timber barons, and swiftly prosecute those found guilty. The pledge was the first ever international commitment by governments to combat the trade in illegally felled trees. The conference was held in Sanur, a resort on Indonesia's tourist island of Bali. The final document said participating nations would "take immediate action to intensify national efforts and to strengthen bilateral, regional, and multilateral collaboration to address violations of forest law and forest crime." However, environmental groups were quick to criticize the declaration, which was passed by delegates at the East Asia Regional Ministerial Conference on Forest Law Enforcement and Governance. "Pledges are meaningless unless countries can implement them," said Hapsoro from Telapak, an Indonesia environmental group. "It is unclear what the ministers hope to achieve," said Hapsoro, who goes by one name. The World Bank, which organized the conference, estimates that nearly a fifth of the global timber trade involves illegal and corrupt practices. Mark Baird, the bank's country director, said political will and commitment was needed to halt illegal felling. "Forest law cannot be effectively enforced in the absence of good governance," he said. Environmentalists had demanded the declaration include a three-year moratorium on all industrial-scale felling in Indonesia. Indonesia is one of the world's largest tropical timber suppliers. Around 70 percent of its logs are felled illegally, watchdogs say. Corrupt government officials are accused of involvement in much of the trade. "We predict that the forests will be wiped out unless the government has the political will to carry out the moratorium policy," said Loggena Ginting of Walhi, the Indonesian Environmental Forum. The forests covering Sumatra and Borneo islands will be destroyed within five and ten years respectively without a ban, Ginting said. Malaysia and Singapore were criticized for refusing to attend the conference. "Many illegally cut logs in Indonesia go through Malaysia and Singapore," said Hapsoro. "It is crucial they are also involved in combatting the trade." The 13 participants mostly came from East Asian countries, including Papua New Guinea, Philippines, Laos, and Cambodia. Representatives from the United States, the United Kingdom, and Japan also took part.

*From [Environmental News Network](#), by Lely T. Djuhari, 15 September 2001*

## **CHINA VOWS TO ABIDE BY TRADE RULES WITH WTO ENTRY**

Beijing - Foreign firms, the Japanese government and Chinese advocates of reform hailed China's impending World Trade Organisation membership yesterday, but others fretted that the country is ill-prepared for foreign competition. After 15 years of gruelling talks, negotiators agreed on Monday to rules allowing China to join the global trade club. China's government vowed to abide by common trade rules and open its markets, saying WTO entry would boost China's economy and unleash the huge purchasing power of 1.26 billion Chinese. "Joining the WTO is an important strategic decision of the Chinese government against the background of globalization," said Foreign Ministry spokesman Zhu Bangzao. "The Chinese government is busy making preparations for entrance so that the various commitments can be earnestly fulfilled." Foreign businesses were excited by the prospect of greater access to China's long-protected markets. But they also urged foreign governments and firms to help ensure that China fulfills its promises to open its doors. "The terms of China's accession are very specific, both as to goals and as to the time granted to China to achieve those goals," said Robert Kapp, president of the U.S.-China Business Council. For some, the decision took on added significance because it came when the world and its markets are still reeling from last week's terror attacks in New York and Washington. "When we see some very powerful forces trying to tear down the international order, to have the largest country in the world become a part of that order and make those type of commitments -- it is a very encouraging sign," said Timothy Stratford, vice-chairman of General Motors China. Chinese leaders are gambling that increased foreign investment and access to export markets will create jobs and prosperity. They also hope ailing state firms will be forced to reform. But opponents fear Chinese industries and farmers will succumb to foreign competition, costing millions of jobs. Police expect smuggling to decrease as tariffs drop and foreign goods become more available. But crime could rise as idle farmers and the unemployed flock to cities in search of work. "I don't think we're adequately prepared," said Han Deqiang, an economics professor and author of the anti-globalization book *Clash*. "The disadvantages outweigh the advantages." Mr. Han said he would have delayed WTO entry until "Chinese industries were competitive enough." He fretted that China would be unable to protect firms from more modern competitors. "China's door has always been open, but the meaning of WTO is to rip the sill off the door too," he said. "China needed that sill." Some Chinese supporters of WTO entry hope economic change will force the communist government to allow political reforms, too. Chinese

consumers also have been looking forward to a greater choice of cheaper foreign imports. Bankruptcy consultant Cao Siyuan, one of China's foremost advocates of capitalist remedies for socialist industries, said WTO accession was as significant as China's decision two decades ago to begin opening its state-planned economy to market forces. The U.S. Department of Agriculture predicted a possible increase of US\$2-billion a year for American farm exports.

*From [National Post Online](#), by John Leicester, 20 September 2001*

## **FTC HEAD STRESSES ENGLISH AS PRIMARY LANGUAGE**

Lee Nam-ki, chairman of the Fair Trade Commission (FTC), yesterday stressed the need for wider use of English. "It is necessary for us to change our basic concept on the language and language education to cope with rapid globalization," Lee told a group of business leaders at the Westin Chosun Hotel yesterday. Given this, the expansion of areas where English is commonly used and efforts to provide children with proper language training, need to be pushed, he said. "English is no longer a secondary language and has already become a primary language," he said. Lee also noted the importance of Chinese language in light of the increasing role of China in Korea's international view. Lee's statement drew attention amid moves to designate Cheju Island an English speaking region as part of efforts to turn the province into an international visa-free zone. Lee also denounced the trend where many people try to study abroad as a means of polishing their academic background, rarely coming back with improved English skills. "In the past, studying abroad was regarded as an effective tool to get a promotion. Now such trips need to be seen as a goal in and of themselves," said Lee. He went on to cite the need for an increasing number of people with foreign school background to work abroad, saying it would eventually prove to be invaluable assets for the nation and contribute to national development in the long-term.

*From [Korea Times](#), by [jayshim@koreatimes.co.kr](mailto:jayshim@koreatimes.co.kr), 20 September 2001*

## **FIRMS STUMPED FOR ANTI-GLOBALIZATION RESPONSE**

Kuala Lumpur - Branded villains by anti-globalization protesters, many of the world's largest companies are casting around for a fitting response. But they are finding it tough. At violent protests in Seattle in 1999 and in Genoa last July, the behavior of multinationals was a rallying cry for a body of causes, from the plight of world's poor to destruction of the environment. Many companies are worried the protests will get worse, especially if the attacks on Washington and New York hurt the global economy and pull the world into conflict, leading to greater unemployment and other cutbacks. "We have got to work out how to deal with them," said Richard Sykes, group environmental adviser for Anglo-Dutch oil firm Shell International BV. "And to me it's not obvious how you do it." But the array of causes emblazoned on the banners of angry marchers -- such as poor country debt, sweat-shop labor, human rights and the perceived hand of business in thwarting climate change action -- has made it hard to forge coherent replies. Executives tackled the topic at a recent meeting of the World Business Council for Sustainable Development (WBCSD) in Malaysia, whose Prime Minister Mahathir Mohamad has voiced sympathy for some issues raised by protesters. Participants came from the coalition of 150 global firms in the council, a body styling itself as a leader in "eco-efficiency, innovation and responsible entrepreneurship." DEMANDS NOT IRRATIONAL - "We think that the violence is totally crazy, however, we think that the protests are not all irrational," said Al Fry, a WBCSD program manager. "Although there's a wide spectrum of protests, and sometimes internal conflicts within these movements, there are some serious and genuine concerns. Most of these protesters are not crazy." Shell is one of several high-profile multinationals that has been singled out by demonstrators. It came under criticism in 1995 for its part in Nigeria's oil industry at a time when writer Ken Saro Wiwa and eight fellow activists were hanged on disputed charges of murder. Saro Wiwa's organization had campaigned against Shell, arguing the oil industry had devastated his native Ogoniland and left its people in poverty. That same year Shell came under fire for trying to dump its disused Brent Spar oil installation at sea, sparking consumer backlashes in Europe before it backed down. "We took a year out to understand society's changing expectations and why we'd gone wrong," Shell's Sykes told Reuters on the sidelines of the WBCSD meeting in Kuala Lumpur. Shell's apparent change of heart has seen it join fellow oil major BP in backing the Kyoto protocol to limit the emission of climate warming greenhouse gases. EXXON BOYCOTT - Exxon Mobil Corp, meanwhile, which has rejected the Kyoto approach on climate change, faces a boycott by an alliance of environmental groups based mainly in Britain. Campaigns targeting the environmental, social and human rights records of companies have mushroomed since 1999 when thousands of protesters took to the streets in Seattle outside a meeting of the World Trade Organization (WTO), claiming free trade hurt workers and the environment. Trade ministers who are to pick up the pieces two years later at November's WTO ministerial meeting in Doha, Qatar, may meet against a backdrop of what anti-globalization activists say will be a world day of action. Anti-globalization demonstrators have also vowed to disrupt a meeting of Commonwealth leaders next month in Australia, which is scheduled to host up to 50 heads of state. At a WBCSD closed-door session in Kuala Lumpur dubbed "Battles in Seattle to demos in Doha -- What is the business response to anti-globalization?" executives engaged in some soul searching to find a response. Fry, the WBCSD program manager, said slow progress on debt forgiveness and WTO deals favoring rich or rapidly developing countries were among issues that have enraged protesters most. Shaun Stewart, international and government affairs adviser at mining giant Rio Tinto, said no company appeared to have built a workable strategy response. "There was no evidence of any company having done that," he said after chairing the session. He warned that September 11's attacks on New York and Washington, the week of the WBCSD's meeting in Kuala Lumpur, could bring an economic downturn which in turn could spur more anti-globalization sentiment in the longer term. "I would think we are going to probably see more rather than less of it," he said.

*From Reuters Limited, by Patrick Chalmers, 23 September 2001*

# EUROPE/CIS

## UNIONS ANGRY WITH PUBLIC SECTOR PLAN

Ms Hewitt's cool reception came despite a promise that the government would safeguard the pensions and employment rights of workers transferred to private contractors. Earlier, TUC president Bill Morris warned the government that it would be morally wrong to depend on private companies to run schools and hospitals. The minister tried to salve union anger with the launch of proposals to strengthen the regulations (known as TUPE) that protect workers' rights when a business changes hands. **Workers' protection** - Ms Hewitt said current measures were "not working properly" in the case of workers whose jobs had been moved from the public sector to a private company and then on to another firm. "We're not going to allow workers to be left in limbo when a public service contract transfers from one company to another," she told the conference in Brighton. "We won't allow our public servants to be short-changed, that's why I'm going to strengthen protection for those workers and their occupational pension rights." Ms Hewitt said the wholesale review of the Employment Relations Act would result in legislation this parliament, if changes were deemed necessary. She also sought to reassure the most beleaguered sector of the British economy by dubbing herself "the minister for manufacturing". Earlier Sir Ken Jackson - general secretary of the AEEU, which represents manufacturing workers - told a BBC News Online forum that Tony Blair should appoint a specific minister to represent the sector. **'Obsession' attacked** - The annual conference was opened on Monday morning by Mr. Morris attacking the government over its "obsession" with its plans to shake up public services. Ministers are trying to head off a union revolt after Unison leader Dave Prentis warned there could be industrial action if workers' terms and conditions became worse. In his speech, Bill Morris accepted the need to reform public services but rejected the plans to increase private sector involvement. Later, he told BBC Radio 4's World At One programme: "Nobody is arguing about the importance of improving public services. The issue is how do we do it. "Here we have got the private sector, which is saying 'unless we can continue a laissez-faire chopping of terms and conditions, we are not interested'. "I say it's a good opportunity for the government to lay down the quality of improvement that it seeks, to engage the workers and their representatives in a meaningful dialogue and we will deliver." Concentrating on the theme of social justice, Mr. Morris also called for respect for asylum seekers and called for an end to the "demeaning" voucher system. **Contract delays** - The proposed reform of the TUPE regulations comes after it emerged that contracts to build and operate the next 29 private finance hospitals had been delayed because the contractors are refusing to promise to safeguard the pension and employment rights of health workers. The GMB has released figures suggesting that private companies could make about £3bn from the private finance initiative in the NHS alone. Under the scheme, private businesses would use their own money to build hospitals and then rent them to the NHS, keeping the profits for themselves. GMB general secretary John Edmonds told Monday's Guardian newspaper that Tony Blair threatened to "crack the foundations of the Labour party" through the public-private plans.

*From BBC, 10 September 2001*

## POPSICLE JOKES FALL VICTIM TO GLOBALIZATION

London - A leading British ice-cream maker said Monday the failure of the British pun to travel had forced it to abandon a decades-old tradition of printing jokes on its popsicle lolly sticks. "We export to other countries and other countries can't understand our jokes," a spokeswoman for the Wall's ice cream company ruefully told Reuters. The decision, following complaints from Germany, means that foreign lickers will no longer be faced with humorous lines such as "What lies at the bottom of the sea and shivers? A nervous wreck." The jokes have delighted generations of British children and become something of a national institution. Because of strong demand and heavy production during the summer months, the company could not ensure ice cream with the jokes would not be sent abroad.

*From [iWon](#), 12 September 2001*

## FOES OF GLOBALIZATION IN EUROPE VOW TO PRESS AHEAD

Anti-globalization activists in Europe say they will press forward with their protests. Some of them argue that the tragedy on Tuesday came about as a direct result of U.S. foreign policy and that capitalism is to blame for the lack of security in the world. Anti-globalization types in the U.S., however, voiced concerns that authorities would be quick to crack down on protests and categorize them as a form of terrorism. (Thankfully, even the most radical activists said they didn't condone the terrorist attacks on Tuesday.) The activists drew sharp distinctions between vandalism against private property owned by corporations, which some of them supported, and violence against people, which all of them condemned. Straight to the source: [Wall Street Journal](#),

*From [Grist Magazine](#), by Yaroslav Trofimov and Peter Waldman, 17 September 2001*

## FRANCE SEEKS NEW ROUND OF WTO TALKS

French Minister for Agriculture Mr. Jean Glavany has said that France would support globalization only if it did not infringe its national individuality. Mr. Glavany also made it clear that France wanted a new round of WTO negotiations, leading to the formulation of more stringent rules and regulations. The opening up of world markets would be meaningless if all nations did not enjoy equal protection. Mr. Glavany, who was speaking at a round-table organized by the Confederation of Indian Industries (CII), said liberalization could not be at the extent of the food security of developing countries. Mr. Glavany highlighted the immense

potential for increased trade relations between France and India, specially in the fields of agriculture and food processing. His visit, he said, was aimed at giving a boost to the level of co-operation between the two countries. He said that India would emerge as a center of food processing in the region if it developed an efficient cold chain monitoring system. This outlook is further bolstered by a recent study by McKinsey & company in collaboration with Confederation of Indian Industry (CII), which projects three times growth for the food processing sector in India - from US\$ 20 billion to a US\$ 60 billion industry by 2005 - particularly in areas of poultry, dairy, branded wheat flour and bakery products. Member of the Planning Commission Mr. Sompal expressed the hope that the visit of the French Minister would enhance Indo-French relations. However, voiced his reservations about the agricultural policies of developed countries. The French presence in India is both valuable and significant comprising over 150 companies, 200 joint venture subsidiaries, as well as a number of liaison offices and commercial affiliates. Together they generate employment for 25,000 people in India.

From [indiaexpress.com](http://indiaexpress.com), 20 September 2001

## NEW UK DOMAIN RULES SAVE INTERNET'S SOUL

New UK rules over domain name disputes, which came into effect on Monday, show that Internet regulators can, if they put their mind to it, be capable of making good decisions. The changes to Nominet's domain resolution service (DRS) - which affect all domains ending .co.uk - are the first major overhaul since 1997 of the resolution process at the UK root registrar, and have taken into account past cases as well as respondents' views to a public consultation. The most important changes are the introduction of independent judges, improved transparency and a rewording of the rules to step away from issues of confusion over domains and towards abusive registrations. While many of the changes - including the addition of personal and geographical names into the system - appear to be a case of catch-up, the most important difference between Nominet's approach to domain resolution and that of ICANN-approved arbitrators such as the World Intellectual Property Organisation (WIPO) and National Arbitration Forum (NAF) is one of philosophy. While they tend to view the Internet as little more than a corporate marketplace, Nominet has always made it plain that it supports free speech on the Internet. **Case By Case** - Two other important differences between Nominet and other arbitrators are: that Nominet does not view previous decisions as forming a domain resolution case law. "No decisions carry a precedent," Nominet's main lawyer Emily Taylor told us. The case law approach has led to an unfortunate increase in the number of poor or flawed judgments based on previous flawed judgments at other arbitrators. The system also adds an air of legitimacy of these new judgments. On top of that, Nominet views its role as an arbitrator and not as a court of law. For this reason, it will act as intermediary for both parties and only step in when both sides have failed to reach an agreement. Only then does it charge an arbitration fee. The opposite is true for arbitrators following ICANN rules - pulled together under the Uniform Dispute Resolution Policy (UDRP). **Let me be the Judge of that** - In the introduction of independent judges and the decision to post all judgments on its Web site, Nominet is simply matching the transparency of other arbitrators. However, while the NAF in particular has been heavily criticised for continually using trademark lawyers, Nominet is to choose an initial selection of 30 judges from a range of professions, including IT directors and magistrates (over 700 applied for the job, which comes with a £750 per-case fee). More importantly than that, it has gone with a "cab rank" system, meaning that the judge chosen for a particular case will simply be the next one in line. This is a vast improvement over other approaches, which often have a secretive and biased system for judge selection. A recent study showed that the judges working for the NAF are at least ten times more likely to be picked for a case if they regularly choose for the complainant. In line with a general movement away from solely trademarks to incorporate personal names and geographical areas as legitimate claims to ownership of a domain, Nominet has included them under the new rules. However, while this has been widely seen as opening the floodgates to hundreds more corporate cases at other arbitrators, Nominet has a balancing clause. "We have a specific provision that says if a domain is providing criticism or a tribute then that may come under fair use," Ms Taylor told us. "That is our free-speech carve-out." Basically, company X will never win [ompanyXsucks.co.uk](http://ompanyXsucks.co.uk), and Pop Star will never get her mits on [popstarfan.co.uk](http://popstarfan.co.uk). "The idea is to support the free speech element of the internet by not branding activities as being in 'bad faith'," Nominet's main lawyer Emily Taylor told us. "Bad faith" is one of the three damning tests for UDRP resolution. The new rules - we have been written in plain English, we are assured, and posted on Nominet's site - will also provide individuals ignorant of domain dispute resolution enough information to help them decide how to tackle the problem if a company approaches them demanding a particular domain. **But what about fsa.co.uk?** - Which brings us to a very recent case in which we believe Nominet made the wrong decision. Last Friday - just before the new rules came into effect - Nominet ruled in favour of the FSA over Findlay Steele Associates for the domain [fsa.co.uk](http://fsa.co.uk). The decision was made over the issue of confusion and was clearly nonsensical. Ms Taylor refused to discuss any cases in particular but did remark that under the old rules "the demand for confusion [between the domain in question and a company's trademark] may hit people that are co-existing and using other domains on the Net". Under the new rules, it seems unlikely that the decision over [fsa.co.uk](http://fsa.co.uk) would go the same way. The case is still under review following an appeal by Findlay Steele but that appeal will be run under the old rules Elaine Findlay told us. The company looks certain to request its case is heard under the new rules. That case aside, we find it refreshing that an Internet organisation has managed to retain some of the initial revolutionary fervour that made the Internet possible. Perhaps ICANN should look towards the UK when it finally allows UDRP to be debated. ©

From [The Register](http://The Register), by [Kieren McCarthy](http://Kieren McCarthy), 27 September 2001

## MIDDLE EAST

### JORDAN: 'NEW SECURITIES LAW COULD BE ISSUED SOON'

Amman -- A senior official said a temporary law to amend the 1997 Securities Law could be issued "soon" in order to toughen the penalties on the companies that delay their mid-year and annual results. Chairman of the Jordan Securities Commission (JSC) Bassam Saket said amendments entail imposing financial penalties on shareholding firms listed on the Amman Stock Exchange (ASE) and brokerage houses found in violation of JSC regulations. The JSC chairman said violators could even face trial. Speaking during an interview with The Jordan Times, Saket said: "[W]hat we are trying to do is to encourage the disclosure process for the listed firms. The more transparency in our stock market, the more investors will come and do business." Last month, Saket, a former minister, said the JSC issued notices to 63 firms which failed to submit their half-year results to the bourse on time. Among them were leading blue-chip firms such as the Housing Bank for Trade and Finance and the Jordan Petroleum Refinery Company. Many believe that losses incurred by industries and delays in the Central Bank of Jordan's approval of bank results are among the reasons behind the delinquent reports. Saket expressed his optimism of more trading in the stock market as a result of both internal and external factors which he believes have enhanced trust in the Jordanian bourse. "Many investors have realised that the book value of most of the shares in the bourse are below market value," Saket said. According to Saket, losses of Jordanian investors in IT firms once listed on the Nasdaq could run up to \$200 million. "These investors have decided to bring their money back after they were burnt on Nasdaq," the chairman said. Among the factors which also encouraged trading in the ASE is the decline of the construction market in Jordan "which pushed investors of this sector to channel their investments to the bourse." He also said that half-year profits recorded by the banking sector and other firms were also boosted, a "move which draws more investors to the ASE." "In one word: things are moving in the right direction and we are sure that these developments will attract more investments and boost trading on the bourse," Saket said. The JSC official urged the Social Security Corporation to give more priority to investing in the capital market. He was referring to news reports that the SSC plans to direct some of its investments in international markets. Saket also urged commercial banks to reduce interest rates to encourage investors to obtain loans and invest in the local market. "The banks should reduce not only their margin of profits but also the cost of funds. This will encourage people to obtain loans and invest in the market," Saket added.

*From Jordan Times, 10 September 2001*

## THE AMERICAS

### EDUCATION REFORM PLAN LACKS FUNDING

A plan developed by state education officials would mean repairs for outdated, dilapidated buildings, textbooks for all students and more teachers to help reduce class size. The only problem - finding funding to implement the plan. A 1993 order by Montgomery Circuit Judge Gene Reese said Alabama's public schools were academically inadequate and unfairly funded. An Oct. 15 court-ordered deadline was set for state officials to have a plan to address those issues ready. That plan is now almost complete. The one part of the plan that is not clear is how much it will cost. While state superintendent of Education Ed Richardson and his staff must come up with an expected cost, a Birmingham newspaper in June estimated it would be at least \$1.1 billion a year, an increase of 25 percent in current education spending. Superintendents of education in Covington County applauded the plan, but they have doubts about it becoming a reality any time soon. "The things in the plan are excellent," said Clayton Bryant, Andalusia superintendent of education. "If our state could ever get in the position to afford that (reform plan), it would move Alabama to the forefront in education." Some of the reforms included in the plan are already taking place, such as the Alabama Reading Initiative and moves to end social promotion. However, Richardson said much more is needed, and that the reform plan will only put the state in an adequate position for providing an education for students. Tim Lull, Opp superintendent of education, said he agrees improvements need to be made, but he is realistic about the possibility of funding any changes. "The plan is wonderful, but we are not even funded at the level we are sitting at right now," Lull said. "It's not going to be paid for." Richardson has said implementing the plan will be expensive and require more taxes. In a time when systems struggle with the challenge of a reduced budget, funding a reform plan seems doubtful. "Where are they going to come up with the money (for this plan)?" said Ronnie Driver, superintendent for the Covington County school system. "The plan has very worthy goals, but I'd like for them to figure out a way to fund us at what we have. I want to look at the plan closer, but I think it would certainly be a way to make good things happen." Attorney General Bill Pryor challenged the ruling in the Alabama Supreme Court, saying the lower court did not have the authority to order the fix to education and that education reforms have made the ruling unnecessary. However, the state board of education said the state's public schools are still inadequate and said it plans to meet the October deadline to have the plan ready. While discussions and arguments over the court's ruling and the reform plan continue, superintendents try to work with the funding they have and the cuts that may come next year. "We are already in proration, and they are going to hit us for another 2 or 3 percent in next year's budget," Lull said. "(U.S.) Sen. Jeff Sessions is trying to help us get (federal) funding for special education, possibly at 100 percent, which would help." All three local superintendents said solving the current funding crisis is what they would like to see happen first. "Right now I'd prefer to fund what we have," Driver said. "We are not going to hold our breath until any of these (reform plans) are implemented. "They are predicting another 3 percent proration to next year's budget, and it was already cut tremendously. I'd like to see them get us out of the present crisis." Bryant said he would like to see long-range planning, but first wants the current budget problems solved. "The

issue in education is how education is funded and what can be done to see us through the dilemma," he said. "Then we need to look at the future, have a plan such as this and really provide the kind of educational opportunities our children deserve."

*From [Andalusia Star](#), By [Nancy Blackmon](#), 5 September 2001*

## **OPENNESS: WB'S MOVE FOUND INSUFFICIENT**

Washington: Groups advocating greater openness in World Bank policies have reacted negatively to the bank's announcement last week of tentative steps towards revising its information disclosure policy. The new steps have apparently been prompted by the threat of demonstrations at the time of the World Bank/International Monetary Fund annual meetings here in Washington towards the end of this month when anti-globalization NGOs have promised large-scale street protests. One of their main demands relates to the closed style of functioning of the bank and the fund. The recent WB/IMF and industrialized countries' meetings have been dogged by protests that have provoked heavy-handed police retaliation, most notably in Genoa. Washington DC police are estimating that they can face crowds of up to 200,000 people during the meetings on Sept 29 and 30. In a press release, several NGOs have described as insufficient the attempt by the World Bank to adopt a more open policy. They say the bank's board of directors in fact appears determined to maintain the high level of secrecy that characterizes the institution. "Resistance to greater transparency seems to be coming mainly from some of the bank's board members," says Graham Saul of the Bank Information Centre, a non-profit organization that monitors the World Bank. "This is a perfect example of the bank's inability to transform its laudable rhetoric into concrete policy commitments." The bank says that it wants communities to participate in decisions that affect their lives. The new policy does commit to releasing poverty reduction strategy papers in advance of board approval. Mr. Saul says: "This is a positive example of their policy, because if you want people to participate, you need to allow them to participate before decisions are made. But detailed proposals for projects that the bank is considering funding, as well as country assistance strategies, remain secret until after decisions are already made. The credibility of the institution is increasingly being brought into question by its own contradictions." Many developing countries do not favour public disclosure of World Bank and IMF country assistance strategies and assessment documents because these will reveal the extent to which these countries' governing establishments are prepared to compromise on the people's good for the sake of meeting WB/IMF conditionalities.

*From [DAWN Group](#), by [Tahir Mirza](#), 10 September 2001*

## **LATIN LEADERS PRAISE IT, BLAST TRADE POLICIES**

Miami, Florida -- Computer technology allows Latin American countries to participate in the global economy, but exclusionary trade policies from larger nations could prevent the region from enjoying the benefits of this technology-driven globalization. That was the message several speakers -- including two heads of state -- delivered Thursday at The Miami Herald's 5th Annual Americas Conference here. Information technology -- including the Internet, PCs and telecommunication equipment and services -- gives Latin American nations a bridge to new markets, opens up business opportunities and can thus help reduce the region's widespread poverty, while also fostering political and economic stability. "Little is known about the effect that computer technology can have over poverty," said Francisco Flores, president of El Salvador, during a question and answer session after his keynote. In that Central American country, where 35 percent of the about 6.1 million residents live under the poverty line, farmers use the Internet to find international markets for their products, which in turn has increased their sales, he said. And more and more residents, even those below the poverty line, are going online to find information they couldn't access before, he added. "It's very important that in Latin American countries, technological advances aren't seen as a threat but rather as opportunities," he said. The Caribbean nation Antigua & Barbuda has taken advantage of computer and telecommunication technology to attract companies that offer Internet, call-center and financial services, said Prime Minister Lester Bird during his keynote speech. "The new century is centered on information technology," Bird said. His country, whose population is below 100,000, boasts the highest rate of per capita Internet connectivity in the Caribbean and a 60 percent telephony penetration, he said. But the two leaders warned that the globalization that technology is enabling must be managed fairly to prevent large nations and big multinationals from grabbing all the benefits, such as increased income, jobs and opportunities. "The opportunity driven by technology will be squandered and the world will be worse off," if smaller countries are elbowed out of the globalization trade dance, Bird said. El Salvador's Flores expressed a similar concern. Globalization is primarily an economic phenomenon, spurred on by technology, and he is steering his country towards taking advantage of this shift. "We will seize the opportunity by educating ourselves, by working twice as hard," Flores said. But those efforts will be to no avail if small nations aren't given fair access to markets. "For us, the Chinese proverb must be restated: we do not want the gift of a fish; neither do we expect a lesson on fishing; what we direly need is a chance to fish," Flores said. Among other things, Antigua & Barbuda's Bird complained angrily about U.S. trade policies in the Caribbean and about what he termed "autocratic" policies adopted by the Organization for Economic Cooperation and Development (OECD) regarding financial institutions in small countries. The OECD has 30 member countries -- including the U.S., Japan, Mexico, the U.K. and Germany -- which produce two-thirds of the world's goods and services. Meanwhile, Flores' complaints were less specific, saying that "while some countries have unlimited access to markets, others, like mine, can only trade in the periphery of development."

*From [CNN](#), b [Juan Carlos Perez](#), 10 September 2001*

## **NEW LEGISLATION PUTS BITE IN LAW**

Selling gasoline below cost is illegal in Utah due to the Motor Fuel Marketing Act that was signed into law a few years ago. Jade Pusey, of the Utah State Attorney General's Office, suspects that, in spite of the law, there are some retailers who are selling fuel at

below-cost prices in order to attract customers to their stores. "We are currently investigating who is doing that [selling fuel below cost] and we're looking for the strongest case to bring before the judge," Pusey said. Even though the Motor Fuel Marketing Act has been a law for the last five years, many lawmakers believe it is not enforceable, he said. The Attorney General has only taken one case to court, and the defendants settled the case before the judge had an opportunity to hear the evidence against them. So the issue of whether or not the law can be enforced has not been answered, and for that reason, the Attorney General's Office is proceeding with caution, according to Pusey. Violation of the Act carries civil penalties, such as fines. Until this year, the Attorney General's Office reported violations of the Act, said Pusey, so developing cases against offenders has been difficult. That has all changed with new legislation that gives them the authority to investigate possible offenders. While the Attorney General's Office now has investigative authority, the legislature did not provide funding for these activities. However, Pusey said, "If independent owners of gasoline retail stations complain about possible violators, we will send them [the violators] a letter bringing the law to their attention. We will aggressively pursue civil injunctions against anyone who is selling fuel at below-cost prices." While selling fuel at artificially low prices is not a practice that has been seen in the Uintah Basin, many in the petroleum business suspect that is exactly what is happening in many Utah cities. The purpose of the law prohibiting selling fuel at below-cost prices, according to Pusey, is to protect small gasoline retailers from being run out of business by large retailers. The market needs competition in order to prevent one or two large companies from determining fuel prices, he stated.

*From Uintah Basin Standard, by Therenia Morrill, 13 September 2001*

## PROPOSED CITY TAX LEVY HIKE REFLECTS NEW LAW

On Tuesday last week, the City Council unanimously approved a maximum property tax increase of \$6,933,413 for 2002. That marks a proposed increase of 56 percent over 2001, which would fuel a 16.5 percent increase in general fund expenditures. The overall levy increase means the typical home in Shakopee, with an assessed value of \$155,000 and having experienced an 8.5 percent increase in valuation, will likely see its city taxes rise 34 percent, from \$367 in 2001 to \$492 in 2002, according to Scott County's Department of Taxation. However, city taxpayers with the typical home will see their overall tax bill drop an estimated 7.3 percent, from \$1,635 in 2001 to \$1,525 in 2002. The huge increase in the city levy is largely due to changes in the way state taxes are calculated. Officials in cities throughout the state are telling taxpayers to look at their overall tax bill for 2002, not the city increase. Because of the property tax reform enacted by the state in June, the county has yet to receive the final figures it needs to officially calculate estimated property taxes. Like the county, the city is anticipating a form of the Truth-in-Taxation hearing it has traditionally held even though that meeting is not statutorily required this year. That meeting will be held in December. "I think this is a recognition of the changes that the Legislature has handed us," said Shakopee Mayor Jon Brekke. "But until you see the final impact on the individual property, you're really flying blind." City Administrator Mark McNeill said the city would likely use that meeting in December to present its general fund budget to taxpayers along with the property tax picture. Tax statements are scheduled to be mailed to property owners in November. But with the property tax reforms approved earlier this summer by the Legislature, property owners were promised an overall tax decrease. That decrease will largely be carried by a reduction in local property taxes that go to the school district's general fund. The school district still has the right to ask voters to approve an excess levy. The council approved the preliminary maximum with no discussion, only Councilor Bob Sweeney's notation that the proposed levy was a maximum preliminary figure that would likely be reduced somewhat. However, Sweeney later noted that the new tax formula approved by the Legislature, while being kind to the bottom line of tax bills, may have left cities looking as if they are not doing their part to reduce taxes. In Shakopee's case, the loss of all of the city's \$534,865 in Homestead and Agricultural Credit Aid (HACA), and a 32.6 percent reduction in Legislative Government Aid (LGA) - an amount totaling \$76,360 - impacted the city's proposed levy. The city also lost over \$460,000 it was able to levy to help support transit funds. That money is now being moved to the state. The city's eyeing the levy on the heels of a proposed operational budget of \$10.6 million for 2002 - a 16.5 percent increase over 2001. Meanwhile, the city is counting on a 13 percent increase in revenue, from \$9.6 million to \$10.8 million. The addition of nine police officers and additional firefighters is the keystone of the increase in the city's budget. The city's 2001 budget was 33 percent funded by development fees, a number city officials believe is too high given the demand for services weighed against development being negatively impacted by an economic downturn. The proposed 2002 budget is about 23 percent dependent on development fees, McNeill said. The city is also working to fill open technical positions in the engineering department. McNeill said the increasing pay that engineering technicians are receiving in the private sector and from other municipalities has hurt Shakopee. The council is considering improvements to the city's pay plan that upgrades technical skill without blowing the city's observance of pay equity laws out of the water. The city will adopt its budget next month for taxation purposes before formally approving it in December.

*From [Shakopee Valley News](#), by John Mueller, 13 September 2001*

## COMMISSION EXPLORES SOCIAL SECURITY REFORM

This year, President Bush appointed the Commission to Strengthen Social Security-a bipartisan 16-member panel charged with looking into ways to reform and preserve Social Security. At the heart of the debate facing the commission is the controversial idea of adding private investment accounts to Social Security, thus entrusting part of Americans' retirement security to the equities market. According to the commission, annual Social Security trust fund revenues are projected to break even in 2016. Beginning in 2016, assets of the trust fund will be drawn down to pay benefits until the funds are exhausted in 2038. The reform plan favored by President Bush-and all 16 members of the commission-would allow employees to divert a portion of their Social Security contributions to private accounts, to be invested in stocks, bonds or other instruments. This would enable employees to earn larger

returns than the minimal, but stable, returns the Social Security market now receives through specially issued government bonds. Opponents, however, criticize the President's approach as dangerous to the retirement security of millions of workers. They argue that investors could lose money meant for their retirement, and contributions diverted to private accounts would siphon away funds paying benefits to current retirees. HAIFA will continue to monitor the commissions activities and any impact they might have on HAIFA members.

*From National Association of Life Underwriters, by David A Winston, 1 September 2001*

## **McKAY TO PUSH TAX LAW REFORM**

Tallahassee - Senate President John McKay said Wednesday that he will move ahead with his plans to change the state's tax laws during the 2002 session despite a souring economy that may only get worse after last week's horrific attacks. "We will do something during the session, you can take that to the bank," McKay told members of a state task force that he helped assemble last year to look at what Florida does and doesn't tax. McKay, R-Bradenton, has been advocating for changes to the state's tax system, calling it "antiquated" and "static" since he first became president. So far, his call for tax reform has been met with indifference from other state leaders, including Gov. Jeb Bush and House Speaker Tom Feeney, R-Oviedo. Even members of the task force McKay created told him on Wednesday that they did not support large-scale changes and had no plans to recommend such changes at this time. The task force is supposed to finish its work by the end of this year. "If it ain't broke, don't fix it," said Robert Williams, a task force member appointed by Feeney who works for Smurfit Stone Container Corp., one of the world's largest paper products manufacturers that owns mills in northeast Florida and in more than 30 other states. "Florida's tax system, compared to other states we do business in, is pretty darn good in terms of fairness." But McKay will unveil his own proposals within the next two to three weeks -- coinciding with a series of appearances he will have with business and civic groups across the state. Those appearances include a presentation before the League of Women Voters on Oct. 15 in Sarasota. Although McKay has not been specific on the details, he told members of the tax reform task force on Wednesday that he is interested in finding ways to expand the state's tax base by taxing services offered by attorneys and accountants or taxing newspaper advertising revenue. But McKay simultaneously wants to lower the 6-percent sales tax rate now charged on appliances, cars and other goods so that the amount of overall taxes collected by the state remains unchanged or "revenue neutral." McKay also said he does not plan to recommend the elimination of all current sales tax exemptions, a prospect that many in the business community who enjoy such exemptions have feared. But McKay, a real estate investor and commercial developer who plans to leave politics at the end of 2002, said the state must move now on revamping its tax code. He said the state stands to lose \$4 billion due to an increase of sales over the Internet and the repeal of the estate tax pushed into law this year by President George W. Bush. "We ignore this at our own peril," said McKay, warning that state lawmakers under future financial pressures may enact unfair tax increases. "Because that \$4 billion is coming down the track and because the Legislature should be proactive, not reactive. This is something I feel must be dealt with. It must be dealt with in a very thoughtful and careful manner." McKay said he hopes that the tax reform task force will endorse his recommendations, but that he is open to changing them. "I would hope the commission would endorse them, but my views are not all-knowing," he said. McKay's push for tax reform comes at a critical time for Florida's economy and the state budget. State economists last week said that Florida's current state budget could be in the red by \$673 million by June 2002 if no cuts are made. Reserves could take care of part of the deficit but that would still leave the state \$265 million short that Gov. Bush and lawmakers must find a way to make up. Those projections, however, came before last week's devastating attack on the World Trade Center and the Pentagon. Air travel has been crippled and there are mounting fears that the state's tourism industry may be hit hard in the months to come. Ed Montanaro, director of the state's economic and demographic research office, said Wednesday, "I don't think there's a lot of doubt we're in a recession now." McKay noted that his call for tax reform came before the downturn in the economy and the attacks. But it may prove harder than ever before for him to win support. Liz Hirst, spokeswoman for Bush, said the governor has still not decided whether he will back any changes sought by the Senate president. "While we support the Senate president's efforts to have open discussions about how to best address our budget concerns, the governor will thoughtfully review Sen. McKay's tax reform proposal to determine what impact it would have on our state's economy," Hirst said. Rep. Rob Wallace, R-Tampa, chairman of the House Fiscal Policy and Resources Committee, said he would be willing to look at McKay's proposal but he said it must be "revenue neutral" and not impose any overall tax increases. But Wallace, who is also a member of the task force, said any overhaul of the state's tax laws should coincide with two constitutional amendments that he has sponsored. One amendment would place tighter limits on future spending by the Legislature and the other would require a supermajority vote by lawmakers before a tax or fee increase can be imposed. "If we move ahead with tax reform, we need some protections in there," Wallace said.

*From Sun Tallahassee Bureau, by Gary Fineout, 20 September 2001*

## **GLOBAL**

### **GLOBALIZATION'S DIVERSE FOES**

Wide Range of Protesters Unites Against IMF, World Bank - Dave Zirin and Pete Capano have never met, but they share a common struggle. Zirin has been organizing meetings with his Latino neighbors in Washington's Mount Pleasant community, talking to them about fighting the Goliaths of globalization, the International Monetary Fund and the World Bank. Capano has been spreading the word about the two institutions in Lynn, Mass., arranging a bus caravan to head to Washington with fellow union members eager to

give the world's bankers an earful. Zirin is 27 and a D.C. public elementary school teacher taking a year off in large part to devote more time to fighting global capitalism. Capano is 43 and an air-conditioning mechanic at a General Electric Co. plant in Lynn. He took a 12-hour bus ride to Quebec in April to protest a summit of trade leaders, and it turned into a family outing -- his 16-year-old daughter marched alongside him. "We used to look at it as a bunch of old union guys trying to save their jobs, but it's really more than that now," Capano said. "It's sort of becoming one large movement against globalization the way it's practiced today." Zirin and Capano are but two faces of a population that defies categorization -- anti-globalization protesters. As the gulf between the rich and poor widens nationally and abroad, the racial, economic and age diversity of the demonstrators has increased. There is no stereotypical globalization buster; those who rally against the gatekeepers of global finance are as likely to wear wedding bands as they are to wear nose rings. Tens of thousands -- no one knows how many -- plan to turn the nation's capital into a melting pot of dissent at month's end to show opposition to the IMF and World Bank during their annual meetings. The issues sparking such a turnout center on the lending policies of two international financial institutions that organizers say strangle developing countries with debt and benefit multinational corporations at the expense of the impoverished and the environment. The international move to change those policies has grown in size, sophistication and diversity, building strength by attracting union organizers, churchgoers, environmentalists, high school and college students, left-leaning activists, neighborhood leaders and anarchists. "This is the early stage of the first-ever global revolution," said Kevin Danaher, co-founder of Global Exchange, a San Francisco-based group at the forefront. "It's a values revolution, shifting from money values to life values." Protesters are drawn for various reasons. Some have spent a lifetime in social activism, protesting the Vietnam War in the 1960s and South African apartheid in the 1980s. Many newcomers were stirred by something they read and then researched. What unites them is a sense that something has gone wrong and that it can be traced directly or indirectly to international economic bodies such as the IMF, the World Bank or the World Trade Organization. Danaher said: "There are two basic world views: Their world view is that you subordinate society and nature to the economy. And we say, subordinate the economy to society and nature. It's understandable that bankers would have trouble with this concept." The IMF and World Bank dispute such arguments. Officials have said that the demonstrators' characterizations are grossly inaccurate, and they point to a program that provides billions of dollars in debt relief to impoverished countries as one of many ways that they help reduce poverty. The protesters' arguments have shaped a movement that has its own intellectual culture and jargon. Activists think up jokes and write chants. The Internet serves as their bulletin board, telephone and door-to-door fundraiser. They post scores of e-mail manifestos about where the movement is or isn't headed. These are bookish dissenters, speaking not of the Man or the System, but of the Economy. Virtually everyone knows the names of the IMF managing director and World Bank president, and some could write informed essays on the effect of bank user fees on primary health care in Tanzania. Some have. Nathan Wyeth, 16, has been busy lately, juggling conference calls with fellow student activists and attending organizing meetings. It's easier to handle in the summer, when he doesn't have homework, he said. Wyeth is a junior at St. Albans School for Boys in Northwest Washington and a national coordinator of the student-run arm of the Sierra Club. "These rules are being written for the new global economy, with these trade agreements being written with corporate interests at heart, and they're written to facilitate the movement of money and to facilitate corporations doing business," said Wyeth, who got involved after developing an interest in environmental issues about two years ago. When the Sierra Student Coalition organized a trip to the Quebec demonstrations, his mother told him the only way he was going to spend a weekend at an international protest was if she went with him. He took her up on the offer, and he was back in school the following Monday. Jen Cohn, 24, manages her class work and organizing similarly. Cohn is a medical student at the University of Pennsylvania who is helping set up health clinic tents for protesters who might suffer from dehydration or might be injured in run-ins with police. "Use of chemical weapons -- any police weapons, whether it's tear gas or rubber bullets -- is a public health issue and should be addressed as such," said Cohn, who has worked for several years in the HIV/AIDS community. Cohn traveled to Washington in April 2000 to demonstrate during the city's first major battle over global capitalism, the A16 protests, named after the main day of the demonstrations. She said a police officer sprayed her with pepper spray. "A medic came and washed out my eyes," she said, adding that she was grateful for the help of someone she never saw again. Daniel Holstein, 26, is a Washington waiter who lectures co-workers about the perils of free-market theory. Holstein, an organizer with the Mobilization for Global Justice, one of the main protest coalitions, has participated in demonstrations involving D.C. General Hospital and the commission that sponsors presidential debates. He sums up his philosophy: "Life is not about the endless pursuit of money. Period." **Spreading the Word** - Wyeth, Cohn and Holstein are just a few helping to plan this year's round of demonstrations, organizing that is now in high gear in Washington. Anarchists seeking capitalism's extinction, Unitarian Universalists concerned with social justice and high school students who, like Wyeth, are still taking driver's education courses have been spreading their messages. David Taylor, 23, a Unitarian Universalist, traveled from Oakland, Calif., to take part. He moved in with friends in the District last week to help the Mobilization. He now staffs the coalition's phone line. "Our economic and political systems place more value in the accumulation of wealth than in the dignity of people," Taylor said. "I found a real contradiction between the values I was taught in my religious community and the values I saw portrayed not just by the IMF, World Bank and World Trade Organization, but by our political system and the parties involved in them." Other activists who are planning a Latin American solidarity march Sept. 29 say they have seen shared strength in calls from Kansas and Ohio, from supporters who plan to come. Online donations and e-mail requests for housing assistance keep flooding the Internet site of the Anti-Capitalist Convergence, said a member of the District-based network of anarchists who seek the abolition of the IMF and World Bank. Members of the Mobilization have met virtually every day in small and large groups to discuss logistics and to craft props, including a big cardboard dragon and various signs and puppets being built in the garage of a Takoma Park home. The last weekend of this month is the focal point for organizers; IMF and World Bank officials decided to drastically consolidate their meeting schedule because of security concerns. The International Action Center, an organization based in New York City with offices across the country, plans a march that is to surround the White House on Sept. 29. And on Sept. 30, several groups plan to rally at the IMF and World Bank headquarters off Pennsylvania Avenue NW. Events geared toward Washington area issues are also part of the bill, including the People's Repo, a four-day squatters summit to focus on gentrification issues. Panel discussions, concerts, candlelight

vigils and teach-ins are scheduled as well. Protesters say they hope the gathering turns out to be the biggest anti-globalization demonstration in the United States since tens of thousands disrupted a summit of the World Trade Organization in Seattle in November 1999 and gave the movement momentum. Organizers said they plan peaceful rallies, but some say that a movement rooted in anti-authoritarianism is not about to start policing its participants. Law enforcement agencies say that worries them. They say they have gathered intelligence that the Washington demonstration -- like those since Seattle that have rocked Prague, Quebec and Genoa, Italy -- has the potential for violence. They are taking unprecedented precautions, tentatively planning a nine-foot-high fence around a section of downtown Washington to keep protesters out. Organizers have called the proposed security zone and police buildup -- including recruiting thousands of outside police -- a waste of tax money and an attempt to keep protesters away. Activists say it won't work. And they are trying to shift focus from the police to District neighborhoods, where they seek to increase support. Some African American leaders who fought against privatizing D.C. General Hospital have joined the global battle, the result of protesters pushing to form alliances with area activists. When D.C. General protesters shut down a meeting of the D.C. financial control board this year, IMF and World Bank protesters were there to pitch in people and attitude. Zirin has been spending his days turning the global into the local on the Unite the Fight tour, an attempt by the Mobilization to reach out to neighborhoods. One evening last month, Zirin and others brought the tour to a Methodist church auditorium in Columbia Heights. Zirin hoped that a half-dozen community activists would show up, but by the start of the meeting, about 50 sat in folding chairs, a mix of neighborhood leaders, health care workers, death penalty opponents and anti-capitalists. Sonia Umazor, of El Salvador's left-wing Farabundo Marti National Liberation Front (FMLN), said she wanted finance ministers to face crowds so large that they would have to use the back door to get to their meetings. After the meeting, Zirin lingered outside the church, grinning. "You had black, white and Latinos, all in the same room," he said. "Ladies and gentlemen, the United States has a Left. Call Mom." Zirin studied labor history at Macalester College in Minnesota but tired of reading about it and wanted to make it. He joined the International Socialist Organization at 19. "I see this movement as a vehicle for creating a different kind of world," Zirin said. Capano sees his involvement in much the same way: "It seems like there's this economic battle brewing within each country where workers everywhere suffer the effects of the policies that they're implementing." Capano, a leader of the electrical workers union, is only one of many labor organizers coming to Washington for the protests. The AFL-CIO, which has spoken out against the IMF and World Bank for undermining labor protections in developing countries, has thrown its support behind the demonstrations, helping to organize the massive Sept. 30 rally. **A Dramatic Shift** - It will be a dramatic change from the early years, said Washington activist Njoki Njoroge Njehu. She remembers when only a few dozen gathered outside the IMF and World Bank headquarters to protest the institutions' policies in April 1999. A year later, more than 20,000 demonstrators protested on those same streets. What happened was largely due to the spirit of Seattle, protesters say. More than 30,000 demonstrators succeeded in shutting down the WTO meeting in November 1999. For many, Njehu said, the movement runs far deeper than the television images that most people saw. Njehu, 35, says she visits her family in Kenya, and while everything crumbles -- roads, schools, reliable health care -- international debt remains. Canceling such debt for poor countries is an economic as well as moral issue, she said. "What is at issue here is the heart and soul and the morality and values of the international community," said Njehu, director of the 50 Years Is Enough Network, a longtime critic of the IMF and World Bank. In July, more than two months before the upcoming protests, Njehu wasn't surprised to find about 40 men and women from a smattering of ages and races at a general meeting of the Mobilization for Global Justice, of which she is a member. Everyone gathered in a community room at a Mount Pleasant church, where the evening's handwritten agenda was taped to a pillar in the center of the room. The discussion included fundraising, logistics and the environmental racism that members of the group said was inherent in the care of the Potomac and Anacostia rivers. At the meeting, they passed around an envelope hastily scrawled with a dollar sign to raise cash for the Washington protests. And despite the talk of revolution that filled the room, they put away the chairs before heading home.

*From The Washington Post, by Manny Fernandez, 5 September 2001*

## ANTI-GLOBALIZATION FORCES GROWING MORE VIOLENT

Conferences on global economic issues, environmental policy or human rights problems are increasingly accompanied by ever more violent demonstrations. The June EU summit in Göteborg and July's G-8 summit in Genoa represent the unfortunate high points to date. At the behest of the Security Committee of the Federal Council, an interdepartmental working group headed by the Service for Analysis and Prevention in the Federal Bureau of Police has prepared a report, presented on Tuesday, which deals with the development of violent groups within the anti-globalization camp. A central statement of the report is that radical anti-globalization activists are trying to take up the banner of the class-struggle-oriented, anti-imperialism movement of the 1970s. According to the report, this would link oldtime revolutionaries with modern groups. The study clearly notes that the majority of globalization opponents, even of those who go out into the streets, are peaceable. But it is difficult to distinguish between the groups. Moreover, there is a possibility that a core of violent activists may develop out of today's mostly peaceable anti-globalization movement. Opponents of globalization do not respect borders, either cantonal nor national, notes the document. This makes preventive measures under existing laws extremely difficult. The use of modern means of communication, as well as the varying degrees of organization of the different groups, make surveillance difficult as well. In order to work against radicalization, the authors of the report recommend emphasis on deepening the dialogue with the more peaceably inclined representatives of the anti-globalization forces. They also propose intensification of national and international cooperation and the exchange of information about the more violent opponents of globalization. All of this immediately raises the issue of data protection, which was already in the spotlight in the period leading up to Genoa. To make preventive work effective, the authors of the report suggest laying a legislative foundation for the undertaking, as well as making the necessary resources available, "before a hard core of violence-prone activists has crystallized."

*From [NZZ Online](#), by Ronald Schenkel, 3 September 2001*

## POOR REFORM PROGRESS HITS DEBT RELIEF

London - The international initiative to relieve the debt of the world's poorest countries is being hampered by countries failing to implement key reforms and the reluctance of some government and private creditors to write off debt, according to an internal analysis by the World Bank. The report - a copy of which has been seen by the Financial Times - was discussed by the bank board last week, and will be circulated to ministers at the forthcoming annual meeting of the bank in Washington. It says that, while 23 heavily indebted poor countries (HIPC) out of the 40 or so eligible have qualified for interim relief, "progress has been slow" in preparing debt relief programmes for the rest. Many of the countries lack effective government or are affected by armed conflict. Moreover, 13 of the 23 qualifying countries have experienced delays in progressing to full debt relief. The study says that rich country creditors are generally on track with granting relief on bilateral debt and in contributing to a trust fund to enable the World Bank and International Monetary Fund to write off their share. But it also warns that some creditor governments, including China and some Middle Eastern countries, have yet fully to support the initiative. Some multilateral lenders such as the Islamic Development Bank have also yet to approve debt relief. The study also expresses concern that some commercial creditors - such as the holding company Leucadia in the case of Nicaragua - have bought up debt owed by HIPC and begun litigation to force payment. "In some cases, HIPC have paid commercial creditors in full because of the threat of litigation or to avoid disrupting a commercial relationship," it says. "This could endanger the achievement of sustainable debt levels." Axel von Trotsenburg, head of the HIPC unit at the World Bank, stressed that the report was an interim bank document. He said: "We are being as aggressive as we can in engaging with countries to get them into the debt relief process. In countries like Sierra Leone, I have flown staff in there by helicopter to try and get the debt dialogue going. He said that debt owed to commercial creditors and middle-income country governments was not a large part of the total. "But we are still concerned to get them on board so that HIPC can enjoy the full benefits of debt relief," he said. - Financial Times

*From [africast.com](http://africast.com), 10 September 2001*

## EDUCATION MINISTERS CALL FOR REFORMS TO BOOST QUALITY EDUCATION

80 education ministers and some 600 delegates from 127 nations today called for education reform, notably a better policy dialogue with civil society, a greater involvement of teachers in education policy-making, and a bolder set of actions to close the gap between quantitative advances in school enrollment and qualitative improvements in teaching. The 46th International Conference on Education (ICE) -- the first to be convened in five years -- closed today with the adoption of a four-page document that illustrates the need to boost the quality of teaching in the face of scientific and technological advances, multiculturalism and globalization. The ICE "conclusions and proposals for action" notably calls for the training of education decision-makers to discuss and harmonize policy formulation with other actors -- notably civil society organizations (CSOs) - in order to best identify common goals, to broaden consensus and to mobilize productive partnerships. UNESCO Director-General Koïchiro Matsuura today advocated an expanded role for CSOs in a speech at the opening of a "Special Session on the Involvement of Civil Society in Education for All". In his address to the education ministers and delegates, Mr. Matsuura decried the "ideas gap" between states and civil society and illustrated the role that CSOs play as innovators, informed critics, advocates, and alternative service providers in education. He outlined UNESCO's actions over the past year to try to build "a new culture of policy dialogue" involving CSOs and NGOs as full "policy partners" alongside UNESCO's 188 Member States. In addition to pledging a broader cooperation in education policy-making, the ministers and delegates stressed the need to reshape and update their school curricula to reflect: the economic and social changes set in motion by globalization, migration and cultural diversity; the ethical dimensions of scientific and technological progress; the contributions that can result from integrating technologies into the learning process; the need to prepare societies for a global era of communication, not just in official national languages but in indigenous and foreign languages; the need to develop school curricula that best ensure relevance at the local, national and international level. The final conference document urges policy-shapers to facilitate a genuine involvement by teachers and students in decision-making through training and other means, and advocates practical research, curriculum development and teaching methodologies related to the conference's unifying theme: "Learning to Live Together". UNESCO's Geneva-based International Bureau of Education organized the ICE meeting from 5-8 September. The conference's conclusions and proposals will next be presented at the 31st session of UNESCO's General Conference (15 October to 3 November 2001).

*From [UNESCO](http://unesco.org), 13 September 2001*

## THE PARADOX OF ANTI-GLOBALIZATION

In Seattle, Gothenburg and Genoa tens of thousands of people took to the streets to express their views. A real breath of fresh air in this post-ideological age. If only there had not been all that meaningless violence we could almost have applauded them. Anti-globalization protests are a welcome crosscurrent at a time when political life has become rather dull, sterile and technocratic. Indeed, this crosscurrent is good for democracy. But what is your actual message? Do you espouse the views of the 'Black Block', which violently opposes any form of private property? Or perhaps your views are better represented by the 'Slow Food' campaign, a mundane club that spreads chic pamphlets invariably stressing the importance of eating correct food in the better restaurants? What is suddenly so wrong with globalization? Until recently even progressive intellectuals were singing the praises of a worldwide market, which, they said, would bring prosperity and well-being to countries where before there was only poverty and decline. And they were right. Experience has shown that the per capita income of a country's population rises by 1 percent for every 1 percent that it opens up its economy. This explains the wealth of Singapore, which contrasts so sharply with the poverty of a closed

economy such as Myanmar. In short, prior to Seattle, globalization was not a sin but a blessing for mankind. This was in stark contrast to the dissenting voices on the far right that bemoaned the loss of identity in a globalized world. But ever since Seattle, you have been shunning globalism as if it were a modern-day form of bubonic plague, sowing poverty and ruin. Of course, globalization, as a movement that disregards national borders, can easily deteriorate into a form of "selfishness without frontiers." For the rich West, free trade is naturally something that should be embraced wholeheartedly ... as long as it is not in products that can harm Western economies. No sugar from Third World countries. No textiles or manufactured garments from North Africa. In this regard, then, your anti-globalization protests are well founded. The much vaunted free world trade moves largely in one direction: from the rich Northern countries to the poor South. But I would also like to point out a number of contradictions in your way of thinking. You oppose American hamburger chains, reject soya that has been genetically modified by multinational corporations, and condemn worldwide brand names that influence buying habits. Many of you feel that everything must return to a small, local scale. We must go back to the local market, to the local community. And yet not when it comes to migration ... Then, globalization suddenly becomes an aim. Large numbers of homeless people drift along the borders of Europe and North America, staring wide-eyed into the shop window of a prosperous society. Millions of illegal immigrants live as homeless pariahs, in pitiful conditions, hoping against hope that somehow they can tap into Western riches. But it is precisely the absence of free trade and investment that drives them to the West in the first place. Another contradiction resides in the fact that, while opposing globalization, you strongly urge tolerance toward lifestyle diversity. Surely, we owe the fact that we live in a multicultural and tolerant society to the process of globalization? I thought that nostalgia for the narrow-minded societies of our forefathers was the sole domain of conservatives who glorify the past, of extreme right-wingers who believe in the superiority of their own race, and of religious fanatics who live and die by the Bible or the Koran. In this way, anti-globalization protests unwittingly veer dangerously towards extremist, 'populist' right-wing views. The only difference is that you oppose multinationals because of the alleged harm they cause to the South, whereas the extreme right, such as Le Pen in France, condemns multinationals because he wants to retain control over his own economy. **Right questions** - You are asking many of the right questions. But do you have the right answers? Nobody now denies the existence of climate change and global warming. But such issues can only be dealt with through global commitments. Everybody recognizes the importance of free world trade for the poorest countries. But this also requires global social and ecological standards. Look at the immoral speculation that preyed on weak currencies such as the Mexican peso and the Malaysian ringgit a few years ago. The most effective way of combating this kind of speculation is through the creation of larger monetary zones (another form of globalization). The prospect of coming up against the dollar or the euro will scare off speculators more than any tax. I do not think it makes any sense to be unreservedly for or against globalization. The question is rather how everybody, including the poor, can benefit from the manifest advantages of globalization without suffering from any of its disadvantages. When can we be sure that globalization will benefit not only the happy few but also the massed ranks of the Third World's poor? Again, your concerns as anti-globalists are extremely valid. But to find the right solutions to these valid questions we need more globalization, not less. That was exactly the point of James Tobin. That is the paradox of anti-globalization. Globalization can, after all, serve the cause of good just as much as it can serve the cause of evil. What we need is a global ethical approach to the environment, labour relations and monetary policy. In other words, the challenge that we are faced with today is not how to thwart globalization but instead how to give it an ethical foundation. I would call this 'ethical globalization', a triangle consisting free trade, knowledge and democracy; alternatively, trade, aid and conflict prevention. Democracy and respect for human rights are the only sustainable ways of avoiding violence and war and of achieving trade and prosperity. The international community has still not managed to impose a worldwide ban on small arms or to set up a permanent international criminal court. Moreover, increased aid is needed from the rich West. It is shameful that more than 1.2 billion people still do not have access to medical care or a decent education. Trade alone will not be enough to solve the problems of the least developed nations. Even with more trade there is still a need for increased development cooperation to build harbours and roads, schools and hospitals, and to construct a stable legal system. Finally, world trade needs to be further liberalized. If all world markets were fully opened up to competition then the total income of developing countries would be boosted by \$700 billion per year, or 14 times the total development aid that they currently receive. No more dumping of Western agricultural surpluses on Third World markets. No more exceptions for bananas, rice or sugar. The only trade ban would be on weapons. 'Everything but arms' must be the motto of all future negotiating rounds of the World Trade Organization. More free trade, more democracy, greater respect for human rights and more development aid: Is that enough to make ethical globalization a reality? Certainly not! What is missing is a powerful instrument to enforce it. We need a global political body that is as powerful as the globalized market in which we already live. The G8 of the rich countries must be replaced by a G8 of existing regional partnerships. A G8 where the South is given an important and deserved place at the table to ensure that the globalization of the economy is headed in the right direction. In other words, we need to create a forum where the leading continental partnerships can all speak on an equal footing: the European Union, the African Union, Mercosur, ASEAN, the North American Free Trade Agreement, etc. This new G8 can and must be a place where binding agreements on global ethical standards on working conditions, intellectual property and good governance can be entered into. At the same time, this renewed G8 could lay down the guidelines and give the necessary encouragement to the major international organizations and negotiating bodies such as the WTO [World Trade Organization], the World Bank and Kyoto. This G8 would no longer be dominated exclusively by the big wealthy countries; instead, everyone in our world community would be represented. In this way it could provide a forceful answer to global problems such as international trafficking in human beings. We saw such a process emerge in an embryonic stage at the Kyoto Protocol negotiations in Bonn, where finally a breakthrough was made as a result of agreements between the Umbrella Group, the European Union and the group of less developed countries, against the wishes of the greatest power on earth, the United States of America. But of course we do not need to wait for the first meeting of the new G8 to begin the process of ethical globalism. We could start in our own European backyard. Why shouldn't we systematically test every decision made in the European Union for its impact on the weakest societies on earth? Does it widen or narrow the gulf between the rich Northern countries and the poor South? What is the result of this decision - or of the lack of a decision - on worldwide ecological problems? And why shouldn't we call for an opinion from a high-level non-European body?

Because in this respect you are absolutely right. Even when we are driven by the very best intentions, it is only natural for us to be more concerned with the interests of a multinational oil company or of the European sugar beet farmers than with the fate of the Ogoni people in the Niger Delta or the meagre incomes of workers on sugar cane plantations in Costa Rica. Guy Verhofstadt, prime minister of Belgium and the current President of the European Union, attended the recent G7/G8 summit in Genoa. This open letter gives his view of the events that took place there and includes a personal proposal for reviewing the way in which G8 meetings are organized. An international meeting to discuss the contents of this open letter will be held in the auditorium of the University of Ghent (Belgium) on October 30 October, in association with the King Baudouin Foundation Guy Verhofstadt's email: [globalisation@premier.fed.be](mailto:globalisation@premier.fed.be)

From [Haaretz Daily](#), by Guy Verhofstadt, 13 September 2001

## EVERYTHING FOR A PRICE: CORRUPTION'S TOLL ON THE HEALTH OF NATIONS

Corruption Perceptions Index			
10 Most Corrupt Countries			
Rank	Country	2001	Score
91.	Bangladesh	0.4	
90.	Nigeria	1.0	
88.	Indonesia	1.9	
	Uganda	1.9	
84.	Azerbaijan	2.0	
	Bolivia	2.0	
	Cameroon	2.0	
	Kenya	2.0	
83.	Ukraine	2.1	
82.	Tanzania	2.2	

Source: Transparency International, 2001.

Corruption Perceptions Index			
10 Least Corrupt Countries			
Rank	Country	2001	Score
1.	Finland	9.9	
2.	Denmark	9.5	
3.	New Zealand	9.4	
4.	Iceland	9.2	
	Singapore	9.2	
6.	Sweden	9.0	
7.	Canada	8.9	
8.	Netherlands	8.8	
9.	Luxembourg	8.7	
10.	Norway	8.6	

Source: Transparency International, 2001.

Curbing corruption has become a priority in the United Nations, multilateral organizations, and lending agencies; among governments that realize they cannot attract investment or aid without tackling it; and among citizens who are more acutely aware of how corruption undermines the health of their societies. The 1990s saw a proliferation of international and local initiatives to increase accountability and transparency. The banks and corporations that abet corruption overseas are being subjected to heightened scrutiny. And in this past year alone, in some dozen countries, sitting and former government leaders or their relatives were prosecuted for lining their pockets with public funds. Corruption is narrowly defined for TI's indices as abuse of public office for private gain. But fish rots from the head. In many countries where high-level dishonesty is perceived, corruption is a way of life. Whether the payoff is called baksheesh, la mordida, kola, Schmiergeld, or chai-pani Kharcha, whether corruption involves graft, extortion, fraud, embezzlement, nepotism, cronyism, money laundering, or just a mandatory tip, in a culture of corruption, ordinary people pay the price.

From [World Press Review](#), by Margaret Bald, 25 September 2001

# Governance Systems and Institutions

## AFRICA

### A SONG ABOUT CORRUPTION TAKES KENYA BY STORM

When a Kenyan asks for a little tea, he may or may not have a hot beverage in mind. Tea is a popular drink here, usually served with healthy helpings of milk and sugar. But "a little tea" is also the slang used by bureaucrats, police officers or anyone else with an outstretched palm to ask for a bribe. In "Nchi ya Kitu Kidogo," a new Kiswahili song that has taken Kenya by storm, Eric Wainaina tells those desiring a little tea to visit a popular tea-growing area in central Kenya. He recommends that those in need of a soda — another word for bribe — refresh themselves with a Fanta. "A nation of 'something small,' " he asserts, using still another bribery euphemism, "is a nation of small people." Mr. Wainaina's song, whose title means "a nation of something small," has caught on among the wananchi, or everyday people, of this country, where corruption is commonplace. Police officers stop matatus — the overcrowded vans that shuttle people to and fro — and demand tea from the driver in the middle of the road. Underpaid civil servants remain aloof until they hear the crinkling of a 1,000 shilling note. Elected officials skim from the treasury a little something for themselves. "No bribes should be given or accepted whether demanded or not," says the sign greeting passengers at the airport. The demands can begin as early as the baggage carousel. "Corruption is not limited to ministers, permanent secretaries and other top state officials," Kiraitu Murungi, a member of Parliament, said at a recent conference on the topic. "Corruption is everywhere. The chief, the businessman, the teacher, the driver, the messenger, the farmer, the rich and the poor — your brother and mine — are involved." But just because the problem is widespread does not mean Kenyans embrace the current state of affairs, as evidenced by the popularity of Mr. Wainaina's anticorruption anthem. Radio stations say they are playing the song over and over because listeners keep requesting it. And many of those matatus, known for their breakneck speeds and blaring sound systems, seem to have adopted the catchy tune as their own. Mr. Wainaina, 27, took a break from his studies at the Berklee College of Music in Boston to make his new CD, "Sawa Sawa" ("It's O.K."), which was produced and arranged by Christian Kaufmann in the Boston area. "I'm not a politician," Mr. Wainaina said. "I'm just a young Kenyan living at a time when there's a lot happening in Kenya politically." The World Bank office in Nairobi has been one of the largest en masse buyers of the compact disc, according to Mr. Wainaina's brother, Simon, who is his manager. The bank is withholding financial aid to Kenya until the government of President Daniel arap Moi takes serious steps toward addressing corruption. When Kenya's Parliament failed last month — despite a rare personal appearance by the president — to endorse an independent body to investigate corruption, Mr. Moi announced that he would set up a special police unit to do the job. International financial institutions remain skeptical of the government's commitment to stamping out the problem. One indication of that commitment may be the official reaction to Mr. Wainaina's song. He delivered the CD to the state-run Kenya Broadcasting Corporation, the only station with a national reach, but officials there so far have declined to broadcast it. When he began singing the song at a national school musical festival last month — in front of the vice president and other government ministers, no less — organizers cut the microphone before he was through. "The impression that the Kenya government doesn't want people singing about corruption is the wrong impression," said Silverse Anami, the deputy director of culture, a singer himself and the man who gave Mr. Wainaina the ax. Mr. Anami said corruption was a real vice in Kenya and that music ought to address it. But he said there was a time and place for everything, and Mr. Wainaina had not been scheduled to perform when he did. An earlier Wainaina song, called "Kenya Only," won praise from politicians, including Mr. Moi, who heard the young singer perform it at a ceremony and asked him for a repeat performance. The government, however, has not called for an encore of the anticorruption number. "It's a sensitive song," Mr. Wainaina said, recalling the music festival. "All these big shots of the government were there. I saw them motioning for me to stop. I said to myself, 'I'm not going to stop because a couple of people are getting their feathers ruffled.' If there is one thing that Kenyans live under it's the fear of challenging authority. By singing, I showed that it's possible to stand up and speak without putting your life in danger." The Kenyan government does promote songs that address societal ills in its national music competitions. There are separate categories for songs dealing with such topics as AIDS, female genital mutilation and even corruption. But the songs are judged not just on how well they depict the problem but whether they also offer a solution, Mr. Anami said. "I believe this world must be better than it is," said Mr. Anami, sounding not at all like a censor. "Messages through songs, through poetry, through theater, act as mirrors. Through them the society is able to see what their face really looks like."

*From [New York Times](#), by Marc Lacey, 6 September 2001*

### TAKE ANTI-CORRUPTION MESSAGE TO THE HOMES

A minister of God, Rev. Dr. Samuel B. Asore, has stated that corruption can only be taken away when there is a change in the life of the people. So to check corruption in our society, it should be preached against in houses, schools, workplaces as well as villages and towns for people to change their way of life. Rev. Dr. Asore who is also the General Superintendent of the Assemblies of God Church, was speaking to pressmen after he dedicated the chapel for the Akuse branch of the church on August 2. Rev. Dr. Asore said there are people who claim to be Christians but have nothing to show that they are Christians. This is because they are not practising the true Christian principles that make one a Christian and that by ones love to another, people will know that we are

Christians. On the issue of reconciliation, he said churches are the best institutions to preach reconciliation explaining that reconciliation in order not to lose its essence must not be made political. "It should not be put under one umbrella and should not be looked at politically too. When it is made political, we may forget the essence of it," he pointed out. He observed that governments fail to perform because they are not given time to prove themselves but rather receiving criticisms every minute. He, therefore, called on Ghanaians to give their Members of Parliament (MPs) and the government the necessary push to prove themselves especially by honouring their campaign promises. The minister made it known that he has been encouraging Christians to practice politics because there was theocracy where God ruled so with their Christian spirits they can lead their people very well. Rev. Dr. Asore advised that before the government gives back mission schools to the churches, a committee should be set up to advise the government on what the two parties can do for it to become successful. Addressing the congregation, the MP for Lower Manya Constituency, Mr. Michael Nyaunu, charged them to access their lives since live without assessment is not worth living. He admitted that there are hardships in our society today but who we turn to for help in this time is what matters. He advised them to also look up to God for help when they are in need. Giving a brief history about the church (Akuse branch), Rev. Joseph Odjidja, host pastor said the church began with six members 10 years ago. They were ejected from their place of worship until they got a permanent place to worship. He paid tribute to the founding members who helped in diverse ways to establish the church in the area. A special prayer was offered for Mr. Nyaunu, MPs in the country and the government for God's guidance in their undertakings.

*From [Africa Online](#), [Ghanaian Chronicle](#), 12 September 2001*

## **BOTSWANA GOVERNMENT URGED TO CURB CORRUPTION**

Government has been urged to work hard to curb corruption and guard against some unscrupulous ways meant to short circuit red tape. BOCCIM executive director, Elias Dewah told a national symposium on corruption and transparency in Gaborone that "by its own nature bureaucracy is slow and works by the book." He said government should be mindful that every piece of regulation or control put in place has the possibility of creating corruption. However, Boteti MP, Slumber Tsogwane, disagreed arguing that such regulations and controls exist to curtail corruption. The seminar was organised by Transparency International Botswana to discuss issues bordering on prevalence of corruption in the country, efforts to combat it and the role of the organisation. Dewah said anti-corruption agencies such as the Directorate on Corruption and Economic Crime could only win the confidence of the public if there was proof of no special considerations for privileged citizens. They should focus more on privileged individuals because this is where corruption is," he said. He said Transparency International Botswana would re-enforce the anti-corruption crusade already in place if it endeavoured first for acceptance by the society. "TIBOT (Transparency International Botswana) is seen by many as an elitist organisation championed by a group of carefully selected elites. It should go out there and be owned by ordinary women and men to achieve its mission," Dewah said. The organisation's board members Quill Hermans and Gobe Matenge complained Dewah's views were unfair, the nation should be grateful that some people came together to establish the organisation. On another issue, participants of the seminar wondered about delays in the passing of the Declaration of Assets and Liabilities Bill, which would help to determine the economic "cleanliness" of politicians. "Before the declaration of assets and liabilities by our Members of Parliament, it may probably be premature to give our politicians a seal of excellent behaviour. Therefore the sooner our parliamentarians declare their assets and liabilities the better," Dewah said. He said councillors and members of land boards should be required to do likewise, as such a declaration was a prerequisite to good governance. To Tymon Katholo, the DCEC director, corruption is corruption irrespective of the intensity and value of the transaction. There is therefore a need to tackle all forms of evil and foster public support to make corruption a high risk and low-return undertaking. He said the civil society had not been actively involved in the fight against corruption and called for the support of all to make the country free of corruption. "Corruption is most rampant in, among others, public procurement and tendering, tax evasion and illegal immigration," Katholo said. Botswana Law Society Executive Secretary and Transparency Director, Sanji Monageng, said the judiciary should give corruption cases priority. She urged the courts to mete out meaningful sentences, complaining about some ridiculous verdicts, which she said, sent a wrong message to convicts and potential offenders.

*From [Republic of Botswana](#), 21 September 2001*

## **ASIAPACIFIC**

### **MURDOCH CLOSE TO CHINA DEAL**

The move will be seen as a triumph for Rupert Murdoch - News Corporation and AOL Time Warner may be given greater access to the Chinese broadcast market if they agree to transmit a government-controlled channel in the US. If the Chinese talks are successful, the two companies may be able to broadcast to Guangdong, a prosperous province next to Hong Kong. In return, Mr. Murdoch would agree to broadcast China's main TV channel China Central Television (CCTV) in the US, it is understood. However, if a deal goes through analysts believe that bringing CCTV to the US would be a regulatory and political challenge. **Personal triumph** - News of the Chinese talks has been interpreted as a personal triumph for Rupert Murdoch who has repeatedly tried to break into that country's television market. He has tried to repair relations with the authorities after a statement eight years ago in which he said satellite TV represents "an unambiguous threat to totalitarian regimes". The talks are thought to be far advanced and likely to lead to the launch of a general entertainment channel by News Corporation. "We are hopeful we can reach a positive conclusion soon and launch a new service that complements our already substantial operations in China," James Murdoch, chairman and chief executive of Hong-Kong based Star said. Under the current complicated rules, both companies already have a

presence in the market. Some observers say that the fact that some foreign television distributors have already made inroads into the Chinese market may have encouraged the authorities there to change their approach. "Instead of trying to block all of this stuff, they will regulate and approve a certain amount of it," the Financial Times' Beijing correspondent James Kynge told the BBC's World Business Report. 'Symbolic move' - The deal is potentially highly lucrative, given that the Chinese television advertising market is estimated to be worth about \$2.4bn (£1.6bn). Already China has 90 million cable subscribers. But analysts warn that it may be years before the two companies can reap profits from China. Some analysts are also sceptical about the value of current negotiations, given that Guangdong represents only one part of the potential market. Ultimately, Andrew Collier, media analyst with Bear Stearns in Hong Kong, said: "It is a symbolic move...It takes a long time to get coverage on individual cable systems, and it takes a long time to turn that into advertising dollars."

*From BBC, 5 September 2001*

## CHINESE PREMIER ADDRESSES HUMAN RIGHTS CONCERNS

Chinese premier Zhu Rongji today spoke of the "limited" understanding the Irish people had of his country and the government's human rights record. Speaking after a business breakfast organised by Enterprise Ireland, Mr. Zhu conceded there were "shortcomings" in the areas of civil rights and other political and social reforms. But he said there was more to China than human rights and the plight of members of the Falun Gong spiritual movement and the people of Tibet. Yesterday, Taoiseach Bertie Ahern raised his concerns about the communist state's human rights record during "frank and friendly" talks with Mr. Zhu. Specifically, Mr. Zhu committed himself to investigating the plight of Zhao Ming, a former Trinity College student and Falun Gong member detained in a Chinese labour camp since 1999. But Mr. Zhu said today: "Since my arrival a couple of days ago I have watched the TV and read newspapers and found that the Irish people's knowledge about China is, like my knowledge of Ireland, limited. "The impression I get from the media reports about China is that China has been reduced to three issues - civil rights, Falun Gong and Tibet, nothing more." He said recent reforms - of which he is regarded as the chief architect - had quadrupled China's economic output, providing more than enough food and adequate supplies of consumer goods to China's 1.3 billion population, who led "comfortable lives". He offered all Irish journalists free trips to China to witness first hand their impact. Mr. Zhu added: "It is hardly imaginable that the Chinese government is not serving the people, it is hardly imaginable that the Chinese government is not observing universal standards for human rights - if the government were not doing these things it could not survive for a single day. "My point is not that we are perfect in our political and social reforms and in our human rights situation. We have shortcomings like any other country in this world." He said there was a need for "mutual understanding" between the Chinese and Irish before the promotion of further economic co-operation and trade, an area where there was "great potential for further growth". He said: "I hope the Irish people will come to understand that in addition to human rights, Falun Gong and Tibet there are other things going on and happening in China." Yesterday, his vehicle was pelted with red paint bombs and eggs as he arrived for an official dinner at Dublin Castle where nearly 200 protesters carried placards reading Free Zhao Ming and with Chinese workers - No welcome for the butchers of Tiananmen Square. Irish Labour Party leader Ruairi Quinn boycotted the dinner as a protest against the human rights situation in China. Today, the penultimate day of his four-day official visit to Ireland, Mr. Zhu and his 100-strong delegation travelled to Co Kerry to meet business representatives before flying to Brussels tomorrow morning

*From [UTV Internet](#), 5 September 2001*

## 37 LAWMAKERS GOT ILLEGAL DONATIONS

**Tokyo** - Thirty-seven lawmakers received illegal political donations in 2000 before punishments for corporate donations to individual politicians took effect in April that year, a government report showed Thursday. Four cabinet members, including Chief Cabinet Secretary Yasuo Fukuda, were among lawmakers who received such donations, according to the report compiled by the Public Management, Home Affairs, Posts and Telecommunications. Other cabinet members who received illegal donations were Economy, Trade and Industry Minister Takeo Hiranuma, Agriculture, Forestry and Fisheries Minister Tsutomu Takebe, and Nobuteru Ishihara, state minister on administrative reform and deregulation, said the report on income and expenditure on political funds for 2000. The report included donations and government subsidies. Former Prime Minister Ryutaro Hashimoto and Koichi Kato, former secretary general of the ruling Liberal Democratic Party, were also among lawmakers who had received illegal donations. The law banning donations to individual politicians was enacted Jan 1, 2000, in a bid to sever cozy ties between politicians and business concerns, but punishments for violators were imposed from April 2000 following a three-month moratorium. The moratorium was set so politicians would not be punished if they inadvertently broke the new law when getting used to it. The law allows the continuance of corporate donations to political parties. The illegal donations were made in a last-minute effort to avoid the punishment, analysts said. Illegal corporate donations to Diet members and local assembly members, including former members, totaled about 150 million yen, the report said. According to the annual report, 4,325 political parties and related organizations, including support groups for individual politicians, collected 156.9 billion yen in political funds in 2000, up 3.4% from the year before. They collected 5.38 billion yen in corporate donations, the record low since the government began gathering statistics in 1976, due to the enforcement of the law, while donations by individuals increased to 8.52 billion yen, up 20% from last year. Income from businesses such as party newspapers was 55.34 billion yen, while income from government subsidies was 31.39 billion yen. Income from membership and other fees charged by parties and related organizations was 14.26 billion yen, while the parties had debts of 9.74 billion yen. In addition to political donations, political parties and individual politicians collected 13.14 billion yen through fund-raising parties. Total expenditure by the parties, related organizations and individual politicians came to 174.5 billion yen, up 25% due to the House of Representatives election in 2000. (Kyodo News)

*From [Japan Today](#), 13 September 2001*

## AJK GOVERNMENT TO AMEND EHTESAB BUREAU ACT

Muzaffarabad: The AJK government has decided to introduce an amendment to the Ehtesab Bureau Act, 2000, to stop the practice of obtaining pre-arrest bails from the high court in corruption cases prepared by the Ehtesab Bureau, Dawn learnt here on Thursday. Under the proposed amendment to be placed before the cabinet for formal approval on Friday, only the Ehtesab Court shall have the powers to entertain the applications seeking bails before arrest of the accused. The Section 10 (2) of the Ehtesab Bureau Act, 2000, says that all offences under this act shall be non-bailable and no court, except the Ehtesab Court, shall have the jurisdiction to grant the bail to any person accused of any offence under this act. After the full stop a new sentence is being inserted which reads: "No court, including the High Court, shall have the jurisdiction to grant bail, including bail before arrest, to any person accused of any offence under this act, provided that nothing herein contained shall affect the powers of the high court under the AJK interim constitution act." The sources told this correspondent that the amendment was being introduced on the recommendation of the Ehtesab Bureau, "as the high court was entertaining the applications of bails, including the bail before arrest, without any authority." Being the appellate court, the High Court could entertain such applications only after the same were rejected by the Ehtesab Court, the sources maintained, adding that the HC could not accept the bail applications in cases instituted by the Ehtesab Bureau when the remedy was already available at the proper forum. The sources said the amendment was likely to get the approval of the cabinet at its Friday's meeting.

*From [DAWN Group](#), By Tariq Naqash, 14 September 2001*

## CALL TO INCREASE PUBLIC INPUT IN POLICY PRO-POOR STANCE DOES NOT GO FAR ENOUGH

The government's social policies have paid too little attention to public participation, said Paiboon Wattanasiritham, chairman of the Community Organisations Development Institute. Speaking at a forum on the government's social policies, organised by the Bangkok Post and Reed Tradex, Mr Paiboon said: "Instead of just talking about it, the government should embrace the real practice of participation, such as allowing rural communities to manage their own money under the one-million-baht village fund programme." Public participation in debt suspension, public sector reform, the fight against drugs, HIV/Aids, and corruption should also be increased, said Mr Paiboon, a former director-general of the Government Savings Bank. The government should pay more attention to people-centred development and His Majesty the King's concept of economic sufficiency. Senator Mechai Viravaidya said the Thaksin government seemed to be the country's first pro-poor government. However, its declared social policies, such as the village fund, "one tambon, one product" plan, debt suspension programme and 30-baht health care scheme, were not enough. Policy-makers should learn to trust grassroots people, who had proved they were able to run communities themselves, the senator said. He also urged the government and Thai society to promote women's role. "In the near future, I would push for an amendment to the constitution, which should specify that half of the senators must be women," he said. Jayasankar Shivakumar, former World Bank country director (Thailand), agreed that the government needed to do more to get the public involved. Overall social policies were admirable, but the only real insurance against global volatility was a comprehensive reform agenda, put in place without delay, he said.

*From [Bangkok Post](#), by Kullida Samabuddhi, 26 September 2001*

## EUROPEIGIS

## OECD IMPROVES TRANSPARENCY THROUGH ICTs

Deputy secretary-general of OECD - Good governance means, above all, clean government. There are other important aspects, but probity and integrity in the public service and in public life generally are central to the proper functioning of public administration. Corruption is like a deadly disease. Left unchecked it weakens economies, creates huge inequalities and undermines the very foundations of democratic government. But how to achieve the state where honesty and integrity are taken as read and where departures from the highest norms are the rare exception rather than the common rule, is far from easy. Hence in OECD we have not seen it as our role simply to preach but to try to understand the factors, which determine the standards of integrity achieved and the means by which they can be raised and then maintained. All OECD countries strenuously reject bribery and have strict laws and rules applying to their public officials. Most also have codes of conduct, which seek to encourage honesty. One of the most important exercises that the OECD has undertaken over the past few years has been the Review of the Guidelines for Multinational Enterprises. The OECD Guidelines are recommendations on responsible business conduct addressed by governments to multinational enterprises operating in or from the 33 countries that have agreed to adopt them. First published in 1976, they have been regularly updated. The new Guidelines contain recommendations on core labor and environmental standards, as well as sections on combating corruption and safeguarding consumer rights. New information and communication technologies (ICTs) offer a step-gain over other conventional communication and information management systems in several important respects. They allow greater accessibility, the facility for wider instant multi and two-way communication and the dissemination of information, automatic record-keeping, the systematic classification and recovery of data and generally better knowledge management and the sharing of information. These characteristics have the power to transform public administration, the way it is conducted and the relations between government and citizens. This is why the OECD has recently launched a new program of work on e-Government, which will look at how governments can best exploit 21st century ICTs. The new possibilities offered by harnessing ICTs to public administration provide a powerful tool to combat corruption. They have the ability to make transactions, whether financial or

administrative traceable and open to challenge. The power of ICTs as a vehicle of communication means that citizens can be more fully involved in all aspects of government including policy-making, thus reinforcing the creation of a culture of trust and mutual interest. From our project we hope to be able to offer some useful wider lessons and thoughts. But for now, I would like to mention two of the concrete measures that the OECD recommends governments to explore in this area. Firstly, governments should increase the information on administrative procedures that is available on-line. The point is the fact that the rules of entitlement and the procedures for applying etc can be made more transparent and open to question. The OPEN system of the city of Seoul provides an excellent example from which others can learn, as it provides citizens with on-line information on the processing of their applications for licenses and permits. The second practical step I would encourage governments to consider is providing on-line information on policy proposals and draft legislation to enable citizens and civil society to provide their input in the policy-making process. The use of ICTs for feedback and consultation is still in its infancy in all OECD countries and only a very few OECD countries have begun to experiment with on-line tools to actively engage citizens in policy-making.

*From [Korea Herald](#), by Sally Shelton-Colby, 1 September 2001*

## **TRANSPARENCY INTERNATIONAL DEDICATED TO PREVENTING CORRUPTION**

Transparency International (TI) is a non-governmental organization dedicated to increasing government accountability and curbing international and national corruption. Founded in Berlin in 1993, TI now has chapters in more than 80 countries. TI works on various levels. On the country level, national chapters work with governments, the private sector and other NGOs, building coalitions to tackle corruption at the local level. Working with international organizations has been its biggest success. In particular, it was very instrumental in bringing the OECD member states to launch the Anti-Bribery Convention, which went into effect two years ago. It is now monitoring progress in the countries that signed the convention to ensure that they implement the corresponding national legislation and appropriate enforcement mechanisms. Furthermore, TI is raising public awareness of corruption and its prevention. Since 1995, TI has released an annual Corruption Index. The index plays an important role in making governments aware of the international image of their countries in terms of the prevailing business environment. In October, TI will be launching the first-ever edition of the Global Corruption Report, which is expected to become an indispensable annual state-of-the-world report on corruption. TI's movement has multiple concerns: humanitarian, as corruption undermines and distorts development and leads to increasing levels of human rights abuse; democratic, as corruption spoils democracies and in particular the achievements of many developing countries and countries in transition; ethical, as corruption undermines a society's integrity; and practical, as corruption distorts the operations of markets and deprives ordinary people of the benefits. "Combating corruption is only possible with the involvement of all the stakeholders which include the state, civil society and the private sector," TI said in a statement. Through its National Chapters, TI brings together people of integrity in civil society, business and government to work as coalitions for systemic reforms. It does not "name names" or attack individuals, but focuses on building systems that combat corruption. TI takes a holistic view of National Integrity Systems, in the belief that simply strengthening prosecution and judicial powers cannot by itself curtail corruption. In line with this, its National Integrity Source Book provides a framework. A standard reference point for reformers, it describes practical steps that can be taken in each sector of society and contains extensive best practice documentation. Corruption often transcends the national level. Working closely with a growing number of international organizations now starting to tackle the issue, TI plays a catalytic role in defining and implementing the international agenda against corruption. A key concern is to monitor the implementation of the OECD anti-bribery convention.

*From [Korea Herald](#), 1 September 2001*

## **'CORRUPTION, MISTRUST, AND INJUSTICE' IN GEORGIA**

Following an extraordinary meeting of the Georgian government, Givi Targamadze, member of the Anti-Corruption Council and representative of the non-governmental organization Institute of Freedom, said that the authorities were not really intending to fight against corruption. Targamadze stressed that there was no force in the Georgian political spectrum able to withstand this process. Targamadze's criticism was directed toward Georgian President Eduard Shevardnadze. "A man who has destroyed the Berlin wall has put up three walls in his own country--corruption, mistrust, and injustice," he said. Targamadze compared the current situation in Georgia with the situation in Russia before the resignation of former Russian President Boris Yeltsin.

*From [Transitions Online](#), by [Sarke](#), 9 September 2001*

## **MINISTERS WILL NOT INTERVENE OVER BBC CHAIRMAN**

The Government has decided against intervening to achieve political balance at the top of the BBC, whatever the outcome of the battle for the chairmanship. One of the favourites is the the Goldman Sachs economist Gavyn Davies, the present vice-chairman of the BBC. If Mr. Davies, who has close links with new Labour, was appointed Chairman, there would be an immediate problem over the vacant vice-chairmanship under the Nolan rules on public appointments. Before the Nolan rules were introduced, the government of the day ensured political balance at the top of the BBC: for instance, if the Chairman was Conservative-leaning the government would ensure that the vice-chairman was Labour-leaning. Now the Nolan rules stipulate that the process of making public appointments be transparent and objective: the BBC vice-chairmanship would be advertised, as the chairmanship has been, for the first time. The successful applicant would be appointed on merit, so political balance could not be guaranteed. Tessa Jowell, the Culture Secretary, has decided to stick to the Nolan procedures, whoever becomes Chairman. Last night Peter Ainsworth, the Shadow Culture Secretary, said that the Nolan rules should not prevent political balance being achieved on the BBC Board of

Governors. "I do not think we would have any fundamental objection to Gavyn Davies getting the chairmanship provided the deputy was clearly someone from a different political persuasion". What would be "completely unacceptable", he said, "would be having the Chairman, deputy and chief executive (Director-General) all signed up to new Labour. That would be hugely damaging." Mr. Davies is on a shortlist of six; interviewing begins today. The others are David Dimbleby, Michael Grade, Baroness Jay of Paddington, John Ashworth and Dame Pauline Neville-Jones.

*From [The Times](#), by Raymond Snoodly and Greg Hurst, 13 September 2001*

## THE AMERICAS

### DESPITE PERCEPTIONS, HATE CRIMES DROP

The numbers seem so out of sync with the headlines. But there they are, in neat columns tabulated by the State Police: The number of hate crimes in Maryland is going down. Not slightly, but dramatically. There were less than half as many hate crimes statewide in 2000 as in 1991, according to the statistics. The figures, though, are hard for civil rights activists to reconcile with day-to-day realities, especially after a cluster of four instances of racist vandalism over the past month at homes and churches in Anne Arundel County. The attacks add to a montage of racist incidents that have galvanized public attention in the metropolitan area in recent years: the racial and religious epithets spray-painted in May on two churches and an elementary school in the Prince George's County town of Clinton; the racist symbols painted in March on a new city gym in Bowie; the homophobic slurs found last November in a St. Mary's College dormitory room. Some activists believe the number of reported hate crimes is shrinking because police officers often mislabel incidents. Gary Monroe, a member of the Maryland Hate Crimes Task Force, said he is pushing for more training for police officers. "Sometimes they don't recognize these incidents when they happen. They get labeled as vandalism or just as an assault," Monroe said. "Right now, we're basically trying to educate people." Another difficulty in assessing the spread of hate crimes is the reluctance of many victims to come forward and notify authorities, Monroe said. "Some people don't have a good relationship with law enforcement," Monroe said. To address that problem, the task force has established a toll-free number (800-637-6247) through which people can report hate crimes, Monroe said. Black people are the most frequent targets of hate crimes in Maryland, accounting for more than half the reported incidents in 2000, according to state police records. Three of the four recent incidents of vandalism in Anne Arundel targeted black families or churches. The first was Aug. 6, when vandals spray-painted racist epithets on the Crofton home of the Rev. David E. Queen Sr., an assistant minister at the Greater Mount Nebo AME Church in Upper Marlboro. Then, five days later, vandals ransacked the food pantry and painted racist messages on the wall of the Rapture Church in Lothian. Racist graffiti were spray-painted Aug. 24 on an Edgewater home that a black family was about to buy, and racist and satanic graffiti were found Sunday at two homes in Churchton that were being built by a white developer. Clusters of racist vandalism are common nationwide, experts say. "It's not surprising that a number of hate crimes will concentrate in time and space. It's the copycat phenomenon -- the first inspires the second, and so on," said Jack Levin, a professor at Northeastern University in Boston and co-author of a book about hate crimes. Levin said hate crimes are typically committed by people between ages 14 and 21 who feel alienated from mainstream society. "The majority are thrill crimes," he said. "It's a bonding experience; their friends think hate is cool." Hate crimes can be exceedingly difficult to solve. Activists in Anne Arundel are piqued because no hate crime has been successfully prosecuted in the county, which has a history of race-related problems, including Ku Klux Klan rallies in Annapolis in the mid-1990s and the defacing of statues of "Roots" author Alex Haley and pioneering black legislator Aris T. Allen. In January, Arundel State's Attorney Frank R. Weathersbee dropped racial harassment charges against an Anne Arundel man accused of vandalizing the Allen statue because two witnesses did not show up for the trial. The decision infuriated some black leaders. But Weathersbee has been lauded in recent weeks for forming a hate crime task force within his office -- the first of its kind in the state -- that will specialize in prosecuting and investigating such incidents. Levin said such steps are a positive sign. "Hate crimes are meant to send a message," Levin said. "The best thing to do is to send a message back to the perpetrators that we are a unified community." Legal limits also have created problems in the handling of hate crimes elsewhere in Maryland. In May 2000, Montgomery County State's Attorney Douglas F. Gansler said he was outraged that he could not use the hate crime statute to prosecute a man accused of choking, beating and kicking a neighbor simply because she is a lesbian. Gansler said that the state's hate crime law did not include actions based on sexual orientation. Determining the source of hate crimes can be tricky. Experts say that many people wrongly assume that organized groups orchestrate most hate crimes. In fact, fewer than 5 percent of hate crimes are committed by members of hate groups, according to estimates by the Southern Poverty Law Center, which tracks race issues nationwide. There are eight active hate groups in Maryland, according to the Southern Poverty Law Center. Even though hate groups may not commit the crimes, they can play a role nonetheless, Levin said. "They do not directly participate in the crimes, but they inspire hate crimes through propaganda on Web sites, music recordings, publications," Levin said. "They do things that appeal to teenagers." Levin and others worry that acts of vandalism can eventually escalate to attacks on people. "There's a kind of low-level war of symbols going on," said Mark Potok, spokesman for the Southern Poverty Law Center. "The defacing of these symbols reflects a larger battle, essentially."

*From The Washington Post Company, by Manuel Rolig-Franzia, 13 September 2001*

### GOVERNMENT RETURNS TO FRONT AND CENTER

The long campaign against terrorism declared Thursday by President Bush represents a turning point for the U.S. economy. Government spending will account for a greater share of the economy than it did for most of the 1990s, when the U.S. enjoyed a

"peace dividend" after the Cold War. The peace dividend is no more. The war economy has begun. Since the Sept. 11 terrorist attacks, Congress has authorized an additional \$40 billion in spending for defense, rebuilding and aid to the airline industry on top of a record federal budget of \$2 trillion for fiscal 2002, which begins Oct. 1. More will be spent, including \$3 billion for federal reform of airport security. Administration and congressional leaders are discussing a package of spending programs and tax relief for business that could total more than \$100 billion. The spending is needed to spur a dangerously stalled economy, says economist James Galbraith of the University of Texas. "It is imperative at this time that the government maintain employment and morale, keep the economy going, keep people working," Galbraith says. Others concur. A government aid package "should not be capital gains tax reduction or long-term missile development, which can take years to have an impact. Everything should focus on boosting spending in the next year," says economist Albert Wojnilower of Monitor Clipper Partners, a New York investment firm. What will a sudden flood of government spending mean to the economy, to specific industries and investments? The obvious hope is that business and consumer confidence can be bolstered and the economy can expand again by winter. But world economies had been slowing for a year before Sept. 11. Since then, new fears about U.S. financial markets and even safety in the United States have caused the dollar to decline against the Swiss franc, the Japanese yen and the euro, notes economist William Rhodes of Rhodes Analytics, a Boston consulting firm. Dollar declines, which raise the prices of imports, and war spending could spark inflation in a still-recessionary economy. That could be serious in wartime. "The government would have to take action to control prices," Galbraith says, recalling that his economist father, John Kenneth Galbraith, worked in the Office of Price Controls during World War II. Today the worry is deflation, tomorrow the concern could be inflation. Choosing bonds and stocks will be as tough a call as ever. Industry will see changes in the new war economy. Industrial deregulation, a trend since the 1970s, when banks and airlines were deregulated, will be modified. The trend was already on the wane after California's troubles with electricity deregulation. The war economy, with more government guidance and control, will recall the 1950s more than the 1990s. Airlines, which have become the nation's long-distance mass transit system in the 23 years since deregulation, will come under more government guidance for several reasons. Some regulation will be a natural consequence of the \$15 billion in aid and loans from taxpayers coming to the industry. The industry won't return to routes being set by a Civil Aeronautics Board, but airlines may not have the option of abandoning service to small cities on grounds that it is unprofitable. Also, if traffic does not recover quickly, airlines will want to collaborate and merge in hopes of surviving through size. The government will have to approve or arrange such transactions. Other industries will come to the fore in the new war economy. Communications is getting renewed attention. Investors noted how essential telephone communications were in the week of the terrorist attacks. That's why stocks of BellSouth, SBC Communications Inc. and Verizon Communications rose last week even as most stocks fell. Experts predict that companies will rely even more than they now do on computer systems to run their affairs. Stocks of computer services companies, such as Electronic Data Systems and Computer Associates International Inc., fared better than most stocks in last week's markets. "Authentication will be a major new field," says telecommunications expert Peter Bernstein of Infonautics Consulting, a Ramsey, N.J., firm. "Security of data will be paramount; companies will want to be sure who they're dealing with and whom they're employing." The security industry itself was already evolving from a fragmented collection of rent-a-guard firms to a business led by sophisticated companies with technological and international capabilities, says Enrique Hernandez Jr., president of Inter-Con Security Systems, a privately held firm in Pasadena. Securitas of Sweden has acquired leading U.S. firms Pinkerton's Agency (of Encino), Borg Warner Security and Globe Security in recent years. Defense spending will take precedence during the long campaign outlined by President Bush on Thursday evening. The defense budget was already scheduled to rise to \$325 billion for fiscal 2002, 21% above its 1998 recent low point. Now that budget will rise further, as spending is increased on domestic air defense systems and on technology for surveillance and military intelligence systems. Most defense stocks rose last week; Northrop Grumman Corp. shot up 25% when trading resumed Monday. Some on Wall Street see a poorer economy ahead. William Seidman, former head of the Federal Deposit Insurance Corp., said on the CNBC cable channel last week that the economy would see "government intrusion increase and productivity decrease" in the next five years. But Wall Street thinking as usual is like the proverbial "reed shaken by the wind"—much anxiety, little reflection. The economy's prosperity in the late 1990s wasn't all due to the peace dividend. As Federal Reserve Chairman Alan Greenspan pointed out in congressional testimony last week, technological innovation has been the "driving force" behind gains in productivity in the last half-dozen years. And further technological innovation certainly would be possible as government spends on research in a war economy. Also, one of the greatest periods of growth in economic productivity—loosely defined as rising output and living standards without inflation—occurred in the 1950s, when government guidance led the economy. The point, of course, is that other factors influenced the economy in the Cold War, as they will in this "long campaign" period. The only certainty is that the war economy has begun. James Flanigan can be reached at jim.flanigan@latimes.com. For recent columns on the Web, go to <http://www.latimes.com/flanigan>.

From [Los Angeles Times](#), 23 September 2001

## GLOBAL

### WORLD BANK: WEAK INSTITUTIONS A DRAG ON DEVELOPMENT

Washington - Corruption and biased policies at the heart of weak institutions hurt the world's poorest people and hinder development, the World Bank said in its latest report on development. The World Development Report 2002: Building Institutions for Markets, released this week, said countries that systematically tackle such problems and create new institutions can dramatically increase incomes and reduce poverty. "Without effective institutions, poor people and poor countries are excluded from the benefits of markets," said World Bank Chief Economist Nicholas Stern, who oversaw the annual report. "This report offers principles for reform based on the experience of people around the world who are grappling with the challenge of building more effective

institutions." For example, registering a new business in Mozambique takes five months, while in Australia it only takes two days. In many countries, legal systems fail to serve the needs of poor people, who are unable to pay legal fees or read complex judicial documents, the bank noted. And infrastructure standards and regulations often exclude small entrepreneurs who lack the capital or technology required. The media can also play a key part in determining the quality of institutions. Analysis of media ownership structure in 97 countries found that state-owned media tend to be less effective than private media in monitoring government. "Countries with more prevalent state ownership of print and broadcast news outlets tended to have fewer political rights, higher corruption, inferior economic governance, less developed financial markets, and worse education and health," the bank said in a statement. The Washington-based lender recommends that policy makers should take on board the experience of other countries in improving their institutions but they should not be copied without consideration of whether they are relevant for the country they would be used in. "In the development business there is a tendency to label approaches that have worked well in one or more countries as 'best practice' and then try to transplant these to other countries," Roumeen Islam, director of the report said. "When it comes to institutions, one size doesn't fit all." The report said countries should try and complement the institutions that already exist and that the institutions should be prepared to try out new ideas. Also, open exchanges of information and encouragement of competition should help create demand for better institutions.

*From [iWon](#), by Anna Willard, 12 September 2001*

## Civil Services & Ethics in Public Sector

### AFRICA

#### POWER, NOT LAND, LIES AT THE HEART OF ZIMBABWE'S CRISIS

Robert Mugabe will not hand over power in Zimbabwe. Whatever promises have been made following the Abuja accord, whatever undertakings have been made about a return to the rule of law and the withdrawal of squatters and self-styled war veterans from farms "illegally occupied", the retention of political power remains the bottom line. It has always been thus. This wave of lawlessness and farm invasions commenced within days of President Robert Mugabe being voted down by his own people - for the first time - in a constitutional referendum last year. For the previous 18 years of his rule he had been noticeably indifferent to the needs of his landless peasants and the only acquisition of formerly white-owned farms was undertaken for the benefit of a handful of Mr. Mugabe's political allies. The referendum undermined Mr. Mugabe's illusions of political invulnerability. I remember watching him deliver his concession speech on national television, his acquiescence to the will of the people delivered with polite formality but with barely concealed menace. One knew that the minute he had finished admitting defeat, the work would start on ensuring it would never happen again. If a free and fair election were held tomorrow, I have no doubt that Mr. Mugabe would be swept from power. So, too, if it were held on any other day between now and April, as required by the Zimbabwe constitution, so widespread is the revulsion at the greed, corruption and violence his government has inflicted on the country. But there's the fatal flaw of the Abuja accord. By stating "land is the core of Zimbabwe's crisis" it plays directly into the hands of Mr. Mugabe's propagandists. The core of the crisis is clearly misgovernment and the accord, by focusing on the land issue, shows no express commitment to a fair electoral process. In fact, by declaring "the international community will respond to any request by the Zimbabwe government regarding the electoral process", the accord rather misses the point. Surely it is the opposition Movement for Democratic Change (MDC), which has had at least 80 of its supporters and candidates murdered over the past two years, who should be making requests for protection and transparency. This scepticism is informed by a 10-day trip I have just made in Zimbabwe, travelling as a tourist because foreign journalists are turned away at the border. I still cannot quite digest the harsh reality of this beautiful, once self-sufficient country in which I was raised disintegrating so visibly and so catastrophically, week by week. The nation is on the brink of famine. Clearly, the intention behind the Nigerian accord, the planned fact-finding mission to Zimbabwe next week by the five southern African presidents, and the October Commonwealth Conference in Brisbane is to talk Mr. Mugabe and his followers down from their vindictive campaign against the small community of whites and the enormous community of black opponents. In the calm surroundings of Europe's drawing rooms, these may seem rather reasonable requirements. However, on the frontline in Zimbabwe they appear as little more than wishful thinking. Mr. Mugabe's own people say so in public. On the day I arrived in the country, the Zanu-PF MP and war veteran, Nobby Zinzi, told parliament that anyone who thought the ruling party would hand over power was kidding himself. A few days earlier another Mugabe stalwart, Didymus Mutasa, had said in court, under oath, that if circumstances required there would be a coup in Zimbabwe. This is not the ranting of party extremists, but an expression of Zanu-PF's official position, and supports the view of political opponents that even if the MDC's Morgan Tsvangirai did win a presidential election, he would not necessarily take office. As one senior opposition politician told me: "There is nothing Mugabe will not do to retain power. He is prepared to take out Morgan Tsvangirai if he feels it necessary." This win-at-all-costs approach explains the escalation of violence and intimidation that has spread throughout the country over the past two weeks. On a farm that provides five per cent of the country's maize, "war veterans" looted an entire warehouse of fertiliser and grain and smashed the three combine harvesters, each worth 300 million Zimbabwe dollars, that would have harvested what is left of this year's crop. On the same day, more war veterans, all of whom are paid wages out of the national treasury, attacked Matabeleland farmers, occupied gold mines in the region and set fire to huge swathes of the countryside, so destroying the grasslands at a critical time of the year. Now the cattle that provide the country with one of its last trickles of foreign currency will starve and the beef industry will collapse. This is not a spontaneous popular uprising by landless peasants, but a campaign orchestrated from the very top of government to terrify the people into submission. For all these outrages, the most sinister development is Mr. Mugabe's increasing attachment to his most vocal political ally. As his southern African neighbours have over the past weeks been distancing themselves from him, so he has turned to Libya's Muammar Gaddafi for support. Col Gaddafi recently swept into the country in a motorcade that had travelled from Lusaka, on the way stopping at the besieged farming community of Chinhoyi and telling the whites they should leave the country. The Libyans have just concluded a \$300 million oil deal and the Zimbabwe government has all but admitted that part-ownership of some of the state's oil company NOCZIM is part of the deal. They have also bought at least 10 luxury properties in the capital of Harare, and have expressed interest in agriculture and tourism businesses. It is the Libyans that Mr. Mugabe's political opponents fear most. David Coltart, the shadow Minister of Justice, told me he had received reports that the Libyans were now assisting with Mr. Mugabe's security and there was talk of assassination squads moving into Harare. He said that the previous week Patrick Chinamasa, the minister of justice, had approached him during a parliamentary recess and warned him, in front of witnesses, that "if you think you have been under pressure from us, you haven't seen anything yet". When he opened Zanu-PF's special conference last December Mr. Mugabe blamed the whites for the country's economic ills. "Our party must continue to strike fear into the heart of the white man," he thundered. "They must tremble." In this, they have succeeded and over the past six months the confidence of the small but economically influential white community has evaporated. For the first time they have stopped talking about "making a

plan" or "lying low" until this particular storm blows over. Now they are queuing up at five in the morning outside the British High Commission, scrambling to get their British passports in order. In the past weeks Mr. Mugabe has set a course down which his country is plummeting irreversibly, and whatever happens at the forthcoming international gatherings, nothing will deter him and his henchmen from clinging on. He will retain power at any cost.

*From [Electronic Telegraph](#), by Graham Boynton, 9 September 2001*

## **KENYA POLICE CHIEF CONFIDENT ON ANTI-CORRUPTION**

The Kenyan police commissioner says he is confident a new police unit will be effective in dealing with corruption. The commissioner, Philemon Abongo, told the BBC that the new anti-corruption unit possessed experienced investigators, and he urged members of the public to come forward with evidence. President Daniel arap Moi ordered the unit to be set up last month after parliament failed to pass a bill to establish an independent anti-corruption body. The International Monetary Fund and aid donors have made the provision of further assistance to Kenya dependent on progress in tackling corruption.

*From the newsroom of the BBC World Service, 14 September 2001*

## **HEAD OF ANTI-CORRUPTION SQUAD APPOINTED**

[UN Integrated Regional Information Network](#) The Kenyan government on Thursday appointed the head of the police department's new anti-corruption squad, the 'Daily Nation' reported. Deputy Police Commissioner Swaleh Slim, formerly a senior investigator at the defunct Kenya Anti-Corruption Authority (KACA), was given the job of running the new unit charged with investigating claims of corruption in government, the police and other public institutions, the newspaper said. A series of special courts are also to be set up to deal with corruption cases, and provincial liaison offices are also planned. Slim was in charge of 139 high-profile corruption cases at KACA before the body was disbanded. The new anti-corruption unit will be based at Integrity Centre, Nairobi, the building which originally housed KACA, the 'Daily Nation' said on Friday. KACA was ruled unconstitutional by the Kenyan High Court in January, on the basis that it undermined the powers of the attorney general and the police commissioner. Although the International Monetary Fund had tied the release of an estimated US \$317 million of funding to the re-establishment of KACA, Kenya's MPs in August voted down a contentious constitutional amendment bill aimed at paving the way for anti-corruption measures and the reinstatement of the authority. President Daniel arap Moi announced on 15 August, the day after MPs rejected the bill, that the new police anti-corruption squad would be set up, and would deal with the 139 cases previously being investigated by KACA.

*From [AllAfrica.com](#), 15 September 2001*

## **MASSIVE CIVIL SERVANT PAYROLL FRAUD UNCOVERED**

[UN Integrated Regional Information Network](#) Following an investigation, the DRC government has suspended pay to more than 21,652 "ghost" civil servants put on the country's payrolls by corrupt government employees, news agencies reported Monday. Hordes of civil servants and some former ministers profited from the scheme, Civil Service Minister Benjamin Mukulungu told AP, while telling the BBC that the fraud had cost the government several million dollars. Mukulungu told the BBC that by comparing who was on the payroll, and who was on the staff lists, his team of auditors discovered the fraud. Mukulungu also told AP that the discovery saved the government US \$619,000 in salaries it was about to pay out. The BBC noted that working out who should be paid and who should not is only part of the problem. Salaries are so low that Kinshasa has witnessed several strikes recently - most notably of nurses and teachers. According to the BBC, they are paid as little as five dollars a month, which they say is not enough to even feed a family for a week. According to AP, government employees in most parts of the DRC make from US \$2 to US \$20 per month, many supplementing their incomes with bribes. Some civil servants in Kinshasa told AP they have not been paid in the last eight months. The government argues that nevertheless, civil servants in territory controlled by Kinshasa are better off than those in rebel-held territory in the east, where civil servants reportedly have not been paid for 37 months. The DRC government recently offered to pay the wages of civil servants in the east, citing this as part of its commitment to peace and the approaching inter-Congolese dialogue. Leaders of the Rwandan-backed Rassemblement congolais pour la democratie (RCD-Goma) rebel movement, however, claim the offer is an attempt to destabilise their economy by flooding the region with cash. When students in Bukavu took to the streets last week to demand the rebels take the money, they were fired on. According to witnesses, one 14 year-old was killed and others wounded.

*From [AllAfrica.com](#), 19 September 2001*

## **HIGH SALARIES FOR KENYAN JUDGES**

The authorities in Kenya have awarded high salary rises to judges in what they say is move to help fight corruption. The rise which takes immediate effect is over 400 percent. The Chief Justice will now earn about two-thousand-five-hundred dollars a month. He will also be given transport allowance in addition to the vehicle which is provided for him by the government. Judges' salaries were last reviewed in 1996. A BBC correspondent in Nairobi says magistrates and junior judiciary officers, who have not been awarded the increases, are likely to protest against the new salaries.

*From the newsroom of the BBC World Service, 17 September 2001*

## PRESIDENTIAL HOPEFULS DECLARE ASSETS, JAMMEH TOPS THE LIST

[The Independent](#) (Banjul) - Tuesday witnessed a thickening of the political dust as five presidential hopefuls visited the Independent Electoral Commission's headquarters as the official nominees of their respective parties for the October presidential election. Among the requirements is the declaration of their personal assets prior to October 18. This transparency is for the electorates to know intimately facts about their prospective leaders. President Jammeh, the incumbent, has a personal asset over and above all the other nominees, while Sidia Jatta of PDOIS, who is the only nominee to disclose his bank deposit, can only boast of few properties and a library of books. The Independent publishes below the full list of properties owned or co-owned by the five aspirants. Yahya Jammeh-APRC (Incumbent) Farms - One farm at Dobong village Foni Kansala District Western Division One bird sanctuary (not yet developed) at Santangba village Foni Kansala District. Vehicles - (4) personal vehicles (1) Mini truck (1) Pajero (1) 4x4 Mercedes Station Wagon (1) 4x4 Jeep. Jointly owned assets: The Kanilai Worni family farms with the following components: a) Livestock, (Cattle) - 200 heads of cattle (Sheep) - 55 (Goats) - 75 (Horses) - 9 (Camels) - 9 Donkeys - 4 Ostriches - 9; b) Vegetable garden for women of the surrounding villages, a rice field, a cornfield, fruit trees and a game reserve. The products of the farms are used in funding the Jammeh Foundation for Peace. On this farm in Kanilai are four Agriculture Teachers and two power tillers. Sheriff Dibba-National Convention Party: a) Property at No. 47 Antouman Faal Street Banjul, b) Plot of land situated in Saliikeni North Bank Division bought from the United African Company (UAC) with a building. c) Mercedes Benz 200 car registration No. BJL 0061 Hamat Bah-National Reconciliation Party: a) One developed plot at Sinchu Alagi Kombo North b) Two undeveloped plots at Sinchu Alagi and Kaur respectively c) One Mitsubishi Pajero registration No. KM 7746 A d) One Mitsubishi van L 300 registration No. CRD 0228A e) One Land Cruiser registration No. KM 2499 B, Sidia Jatta PDOIS: a) Five heads of cattle b) Two single arm chairs c) One table d) One chair e) One refrigerator f) Two radio sets (one portable) g) A library comprising of over two thousand volumes. h) Paid D937.60 for landed property at Nema-su (which he is yet to take possession of)? i) A total bank deposit of D15000. Ousainou Darboe Opposition Coalition: Landed property: a) Leasehold property at 57 Kairaba Avenue KSMD b) Partially developed property at Kembujeh held under customary tenure c) Undeveloped property situated at Serekundanding d) Farm situated at Brufut e) Property situated at Tanji held under customary tenure. Vehicles: (1) KIA five-seater van (1) Nissan terrano (1) Pajero (1) Mitsubishi Gallant (of-road).

From [AllAfrica.com](#), by PK JarjuBanjul, 21 September 2001

## ASIAPACIFIC

### CORRUPTION IN DEAL FOR DREDGERS – THAKSIN ORDERS PROBE INTO B2BN PURCHASE

Prime Minister Thaksin Shinawatra has ordered the Transport Ministry to discipline officials involved in a state contract to import dredgers worth two billion baht, saying there was clear evidence of corruption. Cabinet was yesterday informed of a two-year delay in the Harbour Department's purchase of three dredgers from the US. The department contracted Ellicott Machine International Corp to build them. Mr. Thaksin said the department had paid over 80% of the contract value but the contractor had completed less than 50% of the work. The contract was adjusted to reschedule instalments and work acceptance in favour of the contractor. "The corruption is so obvious. No sane person would have committed such a big mistake," the premier said. He ordered Deputy Transport Minister Pracha Maleenond to set up a disciplinary committee to investigate and discipline corrupt officials immediately. The Transport Ministry had asked the National Counter Corruption Commission (NCCC) to look into the matter but there has been no progress. Therefore, the ministry would have to handle the inquiry itself, he said. "Those officials responsible must be suspended. There are many officials involved," Mr. Thaksin said. The premier agreed to maintain the dredger contract, as proposed by Mr. Pracha. He said Thai authorities would have the dredgers completed and delivered and minimise the government's loss in the project. Asked if the corruption investigation would include any politicians, Mr. Thaksin said procurement projects normally involved only government officials but a corrupt politician could be tackled if there was enough evidence. "The investigation will go as far as it can. The culprits must be punished, no matter if they are government officials or ministers. The action will depend on evidence," he said. A cabinet source said yesterday that Mr. Thaksin was upset with the NCCC. "Why doesn't the NCCC speed up this probe as it did with my case? It is slow in handling corruption cases but quick in non-corrupt ones," the prime minister was quoted as saying in yesterday's cabinet meeting. The source said Mr. Thaksin told Mr. Pracha to speed up the investigation by a ministerial committee and publicise the progress regularly. This would help spur the graft commission into action. Deputy government spokesman Kuthep Saikrachang said the graft commission had been asked to look into the issue a year ago. Mr. Kuthep said the premier wanted Ellicott to complete the dredgers. He told the Harbour Department to take legal action if necessary to implement the contract. He instructed the department to ask the Bangkok Bank, the project's guarantor, to work with the Export and Import Bank and the First International Bank of the US to force the company to honour its contract. Mr. Pracha said yesterday his fact-finding committee headed by Deputy Attorney-General Rewat Chamchalerm had found 13 senior transport officials of levels C-6 to C-10 involved in the irregularity. A transport source said those officials had played a role in accepting stages of work of the American contractor. The fact-finding probe found that some officials had lied that the contractor had made much progress in building the dredgers and deserved more instalments of the payment. The department has paid US\$42 million of the US\$49 million contract, but the dredgers were found to have been only 43% complete and are still lying at a dock in Louisiana. The C-10 officials involved were identified as Jong-arch Pothisunthorn, a former Harbour Department chief and currently deputy transport permanent secretary; Wit Worakupt, a former Harbour Department chief who has retired; and Vichet Rojanathamkul, transport inspector-general. The C-9 officials are Sunchai Kulprecha, deputy director-general of the Harbour Department, and Prawet Rakpaen, an expert of the department. The C-8

officials are regional Harbour officials Vichet Pong-thongcharoen and Itthipol Kan-chanakit, and Charnchai Chuenchoey, secretary to the department. The C-7 officials are Thiemjit Amart-yakul, Danai Sormpitak and Anant Srimakutpan. The C-6 staff are Vichit Rakpanit and Net Sajjawanit. The cabinet approved the procurement project on March 28, 1995, and the department signed the contract on Sept 30, 1997, when Wit Worakupt was the director-general of the Harbour Department, then supervised by former deputy transport minister Pinit Charusombat. Ellicott was contracted to complete three dredgers together with three tugboats and related facilities by September 1999. Since then, the contractor has regularly sought delays and exemption from fines from the Harbour Department.

*From [Bangkok Post](#), 5 September 2001*

## **SEOUL'S ONLINE ANTI-CORRUPTION SYSTEM ACCLAIMED AS GROUNDBREAKING TOOL**

The Seoul Anti-Corruption Symposium 2001, which concluded yesterday in Seoul, has served as a springboard for the worldwide dissemination of Seoul City's innovative online anti-corruption system, called Online Procedure Enhancement for Civil Applications, or OPEN. At the two-day Seoul forum, the first of its kind, some 150 anti-corruption experts from at home and abroad reviewed and exchanged opinions on the user manual for the OPEN system, which will soon be distributed in six languages among U.N. member countries. Under the theme "The Role of Online Procedures in Promoting Good Governance," the participants also shared experiences and ideas on transparency and e-government. The OPEN system, which went into operation in April 1999, is an online system aimed at enhancing transparency and preventing corruption by allowing citizens to monitor the entire process of Seoul City officials' handling of civil applications in 54 areas. Under the new system, areas most susceptible to corruption - sanitation, housing, construction and tax administration - can be monitored over the Internet 24 hours a day. "OPEN is a ground-breaking system that can be used by other countries and the Seoul symposium provided a good opportunity for municipal-level leaders and administrators to explore the intersection of three interlinked areas of interest - transparency, accountability and e-government," said Guido Bertucci, director of the Division for Public Economics and Public Administration of the U.N. Department of Economic and Social Affairs (UNDESA). Bertucci said transparency in government does not point to old and obsolete information. "It does not mean information that is hard to access or hard to understand once it has been obtained, it means accurate, reliable and relevant reporting based on reliable and regular records." The United Nations organized the Seoul gathering together with the Seoul metropolitan government. Barnett F. Baron, executive vice president of the Asia Foundation, also spoke highly of the OPEN system. The non-profit, non-governmental grant-making foundation, established in 1954, sponsored the Seoul seminar. "This system is without doubt one of the most advanced and ambitious efforts to deal with the global issue of corruption," Baron said. "Seoul City offered a shining example of how information technology can be used to fight corruption, improve the delivery of public services, and strengthen positive interactions between citizens and their government." Baron pointed out the "unusual explosion of anti-globalization sentiment and demonstrations at almost all international meetings." He said "a loss of confidence in governments" was the catalyst for this growth. He said e-government provides tremendous new opportunities for Asian governments and societies, adding that the OPEN system provides an outstanding model for addressing transparency and accountability through innovative, technology-based solutions. "In addition to improving transparency, e-government also provides an opportunity for government to increase efficiency, cut costs, and increase revenue, which enables governments to dedicate scarce funds to other areas. Seoul Mayor Goh Kun anticipates that the successful Seoul anti-corruption symposium would have a positive impact on the perception of corruption in Korea. "The Seoul forum and our city's planned hosting of an international anti-corruption conference in 2003 will definitely help enhance Korea's image within the international community," said Goh. "One of the achievements of the symposium is that it has served as a good opportunity for the public to be aware of the global issue of corruption." In October 1999, Goh presented the city's OPEN system before the 9th International Anti-Corruption Conference (IACC) in Durban, South Africa. Reflecting the growing popularity of the system, the number of visitors to the city's online anti-corruption Web site exceeded the 2-million mark as of Aug. 20, meaning an average of 2,300 people visited the site every day. Peter Eigen, chairman of the international anti-corruption watchdog Transparency International (TI), was also positive on Seoul City's OPEN system and other efforts to fight corruption. "I think the OPEN system is a system which will have a very practical impact on corruption in Korea and you have a very effective spokesman who is presenting this system in the international community," Eigen said. "Goh made a very successful presentation in Durban two years ago and he is going to present it in Prague, showing the success of the system." He also predicted that Seoul City's various anti-corruption efforts would greatly help improve Korea's corruption perception. According to TI's corruption perception index (CPI), Korea placed 50th among some 90 countries with a score of 3.8 out of a possible 10 points in 1999, but it moved to 42nd with a score of 4.2 this year. "The trend is very important and I think Korea is on the right track, but I have to warn you that it is not easy to change a system overnight," Eigen said. "A change in the perception of corruption may require years and I hope that Korean society will not lose its patience, its determination and not become frustrated because changing is a long-term effort."

*From [Korea Herald](#), by Kang Seok-jae, 1 September 2001*

## **VIET NAM CORRUPTION TRIAL BEGINS**

Viet Nam wants to project an image of a modern, clean economy - A court in the Vietnamese capital, Hanoi, has begun hearing the first legal proceedings against top officials involved in a corruption case which dates back almost two years. The corruption allegations in 1999 led to the disgrace of a deputy prime minister, Ngo Xuan Loc, the most senior official to be dismissed for corruption. On Monday, eight other people - a central bank official, a tourism chief and six officials from the planning ministry - went on trial over the case which centred on a property deal on the Hanoi area of West Lake. The allegations of fraud over the

development of a \$13m amusement park on West Lake sparked an angry public reaction when they came to light. People demanded tough action against those accused of involvement in the land deal. It concerned a company headed by Le Tan Cuong, which allegedly falsified financial documents making it eligible to bid for the contract to build the entertainment complex despite the company having no construction experience. The army newspaper, the Peoples Army, says the alleged fraud was uncovered when the developer tried to sell off part of the land at a grossly inflated price. About 30 people are said to have been involved in the fraud. When a deputy prime minister, Ngo Xuan Loc was accused of involvement late in 1999 he became the most senior official in Vietnam to be dismissed for corruption. Just five months later he was back, working in a job with cabinet rank, with responsibility for the same property sector connected to the original accusations against him. The case against the other officials is expected to last until Friday.

*From BBC, by Clare Arthurs, 10 September 2001*

## **GOVERNMENT TO HOLD HEARINGS ON CAR INSURANCE PLAN**

In the spirit of transparency, Transportation Secretary Pantaleon Alvarez said Friday a public hearing would be held to discuss a memorandum on vehicle insurance. "The MOA (memorandum of agreement) has good intentions, but the (DOTC) legal department suggested that we conduct a public hearing to allow all those concerned with the transport industry to participate and give their side about the issue," Alvarez said. On June 4, the Land Transportation Office, Insurance Commission, Insurance and Surety Association of the Philippines and consulting firm DTech Management Inc. signed a memorandum of agreement to form a consortium that would provide compulsory third-party liability insurance policies to motorists. Dtech was tapped to install a computerized system that would monitor transactions involving vehicle insurance. It would also set up a bank-based payment system for those registering their vehicles. The company would remit to the government all taxes from the premiums paid and make sure premiums would be paid on time. It would also hold area-based actual studies at no cost to the government. In return, the company would be given a service fee for every transaction. Numerous complaints from various groups that the memorandum may result in an insurance monopoly, however, have prompted Alvarez to suspend it on Aug. 27. He said the memorandum would remain suspended pending a public hearing on it. Alvarez had yet to set a date for this hearing. "This is in keeping with the public interest. While the MOA appears to be getting support from some groups, it has also been earning complaints from other groups in the same industry. (A public hearing) will provide a venue for these groups to meet and (air) their sides," he said. Alvarez earlier said "it would be better to iron out all the questions being raised against the MOA if only to prove that all transactions undertaken by the (DOTC) and its attached agencies are all aboveboard." He explained that the consortium was formed to prevent fly-by-night insurance companies from preying on unsuspecting vehicle owners.

*From [Philippine Daily Inquirer](#), by Abigail L. Ho, 10 September 2001*

## **MALAYSIA BELIEVES IN VOLUNTARY ADOPTION OF CODES**

Kuala Lumpur: Malaysia is against countries being forced to adopt international standards and codes on transparency in efforts to strengthen the international financial architecture. Deputy Finance Minister Datuk Chan Kong Choy said Malaysia was concerned that the emphasis was skewed towards enhancing transparency by the public sector, especially in developing countries in discussions on global finance. "There is a need to ensure symmetrical treatment in encouraging both the public and private sectors to be more transparent in order to promote more efficient and stable financial markets," he said. Chan was articulating Malaysia's stand on strengthening the International Financial Architecture (IFA) at the eighth Asia Pacific Economic Cooperation (Apec) finance ministers retreat at Suzhou in China today. The text of speech was released here yesterday. He said that the adoption of international standards should remain voluntary because of differences in the level of economic development and administrative capacity of individual countries. The deputy minister also told the retreat of finance ministers held before the summit next month in Shanghai that Malaysia was concerned that the international community was becoming complacent about IFA reforms. "We find that the focus of IFA reforms has been skewed to measures to improve transparency and risk management policies at the national level. We urge for a comprehensive review and complete overhaul," he said. Turning to capital flows, he said Malaysia was calling for a global framework for effective monitoring and risk management of cross-border flows, as it was essential to promote efficient markets and reduce volatility. In the absence of international rules on capital flows, Malaysia feels that countries have the right to implement appropriate mechanisms at the national level to curb excessive volatility of cross-border capital movements, including exchange controls. As for highly-leveraged institutions (HLIs), Chan said that initiatives to address problems arising from their activities have focused on enhancing the disclosure of the HLIs and ensuring that countries strengthen risk management practices when dealing with them. In Malaysia's view, not much attention has been given to the impact of HLI activities on the integrity and stability of small emerging markets. "We continue to believe that self-regulation is not a viable option and that direct regulation of HLIs is important to reduce the risk they pose to small open economies." Chan also said that the reform of the IFA should include reforms to the international financial institutions. To this end, Malaysia welcomes the changes in International Monetary Fund (IMF) facilities and the setting up of the independent evaluation office in the Fund. This represents an important first step to enhance transparency and accountability, ensure that IMF programme design was more tuned to local conditions, and refocus on its core functions. "We also welcome the work underway in reviewing IMF conditionality," he said. However, he said Malaysia remains concerned that a key element of change, namely, representation in the IMF decision-making process, has not been addressed. Malaysia is continuing to urge for early and comprehensive review of IMF quotas to better reflect changes in the IMF decision-making process, he said. Chan also called for Apec economies to tackle the economic slowdown brought on by the US slowdown, particularly for developed countries to take necessary measures to contain the slowdown by implementing pro-growth policies. This

should either be through monetary or fiscal stimulus, as well as adopting concerted measures to ensure the stability of the major currencies to prevent excessive volatility that might have serious repercussions for developing economies.

From [thestar.com.my](http://thestar.com.my), 9 September 2001

## **BANGLADESH AMBASSADOR TO UN RECALLED: OFFICIAL**

Bangladesh's ambassador and permanent representative to the United Nations in New York, Anwarul Karim Chowdhury, has been recalled home following allegations of financial irregularity, officials here said Sunday. A government spokesman, quoted by the official BSS news agency, however declined to comment following reports that Chowdhury not only denied the allegations but also refused to comply with the government order. Spokesman Harunur Rashid said Chowdhury was recalled as per the terms and condition of his service and hoped that he would return to Dhaka soon. Several Dhaka dailies last week reported that Chowdhury, who has held the key position in Bangladesh's mission in New York since 1996, faced allegations of "serious financial wrongdoings." Chowdhury later rejected the charges in a statement from New York. Dhaka's Daily Star Sunday reported that Toufiq Ali, currently Bangladesh ambassador to UN offices in Geneva, has been asked to proceed to New York to take over from Chowdhury.

From *Agence France Presse*, 9 September, 2001

## **CODE OF ETHICS FOR PRESS WITHIN A MONTH, SAYS INFORMATION SECRETARY**

The new code of ethics for the print media, drafted by the Council of Pakistan Newspapers Editors (CPNE), is under way and will be promulgated in a month or so, federal information secretary Syed Anwar Mehmood told a consultative workshop for media persons on Monday. The workshop on "monitoring and sensitization of print media on portrayal of women in press" was organized by Aks (image), a research and resource NGO in Islamabad. Mr. Anwar Mahmood said that the new code of ethics, would be a complete document outlining standards of morality, sensationalism, violence, sexual offences against women and children. "Whether it will have any impact has yet to be seen," he told a questioner. The federal secretary said there was no institutional impediment on raising women issues in newspapers. "Lack of portrayal of women issues could be due to the fact that there are not many women working in newspapers and advocacy groups have not been interacting," he observed. He said a series of workshops would be held where representatives of Pakistan Federal Union of Journalists and CPNE would be invited to derive some measures. "Women in Pakistan, like in various Third World countries, are underprivileged and more prone to exploitation," Mr. Anwar Mahmood said. "Empowerment is the key word. You have to empower people and then women." The federal secretary said empowerment of women in Pakistan was directly related to education. He called for educating women and making them aware of their rights and making them economically strong. Comparing the print and the electronic media, he said, given the rate of literacy in the country, especially amongst women and the demographic spread of electronic medium, both television and radio have a greater impact. "Although there is a lot lacking because it is state control, there is no bar on raising the question as to what really are women issues," he said adding: "If human rights issues are taken in totality, women issues will automatically get addressed." Sheen Farrukh, a prominent journalist, presented a paper on the role and responsibility of Urdu press in the country. Criticizing the Urdu press, Ms Sheen said that women victories were either ignored or not given due coverage. She said instead of concentrating on issues concerning women, the women pages of Urdu newspapers publish articles on topics like what they do in spare time. She also claimed that women studying in journalism departments of the universities do not know the areas of women concern. Talking about the mind set of the policy makers in the Urdu press, she said they believe, "writing about women issues is giving undue coverage to NGO's". She also pointed out crucial elements, which were impediments to the process of change. "It is very rare to see the press raising women issues or generating debates that women rights are human rights," she said. "We keep on wasting time trying to find out what are the problems," she said. "The answer is we already know the problems. All the issues are debatable and unfortunately the Urdu press has never had a forum addressing them." Affiliated with Akhbar-e-Khawateen for a long time, Ms. Sheen remembered how the magazine was subjected to slow poisoning during President Zia-ul-Haq's regime and died an unceremonial death. Ms. Tasneem Ahmer, director Aks spoke on the supportive role of the English press, which she said has had quite a liberal policy since the time of independence, with little exceptions. The damage to the English press, she said, is done by the women section and women magazines where most of the space is devoted to beauty and cookery. "Trivial things take away the valued space that should go to serious issues," Ms Tasneem said adding that sections such as the letters to the editor remain under-utilized concerning women issues. "Although the Urdu press does not take up the issues but when there is a controversy or a scandal, Urdu press takes the lead." Referring to the glossy women magazines, Ms. Tasneem said that they were filled with glamorous photo shoots, and just one or two issues concerning women. "These (issues) get lost in the gloriousness of the pages, which end up at the tailor's shop," she said. The workshop was the result of lengthy research in which a number of newspapers and magazines were consulted by Aks to find out the psyche behind the derogatory headlines given to news items related to women and what was the treatment given to women issues by the press in general without targeting any particular newspaper. In the second session of the workshop participants raised questions such as "should women's issues be accommodated in a special edition or should they be incorporated in the mainstream press? Participants agreed on the formulation and implementation of code of ethics. They emphasized on the role of print media in enhancing women's status, positive coverage of women issues in both women sections and mainstream press, inclusion of more women in newspaper organizations and equal opportunities for them. - Huma Khawar

From [DAWN Group](http://DAWN Group), 12 September 2001

## EX-MNA ARRAIGNED FOR CORRUPTION

Lahore: An accountability court on Thursday framed charges against former MNA from Faisalabad Mian Farooq in a corruption case registered under the NAB Ordinance. The court fixed Sept 20 for recording prosecution evidence in the case. Mian Farooq, who pleaded not guilty, is accused of acquiring assets disproportionate to his known income. The reference attributes assets worth over Rs30 million to the accused which it says he cannot account for. MUSHTAQ AWAN: A court fixed Sept 20 for framing charges against former Punjab senior minister and PPP leader Malik Mushtaq Awan. The PPP leader is accused of illegally awarding octroi contracts in Sheikhpura district. The case was initiated by the Anti-Corruption Establishment during the chief ministership of Mian Shahbaz Sharif. After the change of government it was referred to the NAB for re-investigation. Copies of the reference were handed over to the accused during the day. FAISAL SALEH HAYAT: A court allowed former PPP MNA from Jhang Faisal Saleh Hayat's mother time for producing her son in the court. The next date of is hearing is Oct 12. The former MNA is one of the accused in a default case regarding a loan obtained for Shah Jewana Textile Mills. The court was recording prosecution evidence in the case when Mr Hayat, granted bail by the Supreme Court of Pakistan, left the country to see his ailing mother in Canada. His counsel had argued he did not require permission from the NAB for leaving the country and sought a one-time exemption from appearance in the court. The court, however, dismissed the application and directed Mr Hayat to appear before it. He later filed another application saying he was suffering from back pain and the doctors had advised him against a long journey. The court dismissed this application too and summoned the former MNA's mother who had been the guarantor. She appeared in the court during the day and sought time to produce her son. Two other accused in the case, Maj Muhammad Jehangir (retired) and Haider Ali Khan, currently in the United States sought exemption from personal appearance in the case on the pretext that flight operations to and from the country had been suspended. They assured the court they would return to Pakistan as soon as the flights were restored. The court allowed the request. ABDUR RASHEED: A court directed the initiation of proceedings for declaring former MPA and Azad Kashmir Legislative Assembly member Abdur Rasheed a proclaimed offender. The order was passed on an application filed by the NAB under Section 31-A of the NAB Ordinance. A person can be sentenced under the NAB ordinance to three years imprisonment for absconding in a case. A court adjourned proceedings till Sept 20 in a reference against former MNA Chaudhry Zulfiqar for recording further prosecution evidence.

*From [DAWN Group](#), 14 September 2001*

## SPORTS MINISTER PLANS TO STAMP DOWN ON CORRUPTION

Newly appointed Sri Lankan Sports Minister, Mangala Samaraweera, who replaced Laksman Kiriella on Friday after a cabinet reshuffle, has vowed to come down hard on endemic corruption within national sports bodies, the most high profile of which is the Board of Control for Cricket in Sri Lanka (BCCSL). Speaking at his first public appearance, the closing ceremony of the 27th National Sports Festival at the Welagedara Stadium, Kurunegala, on Saturday, the minister declared: "I will not allow the businessmen to misuse money." He warned officials that he would not hesitate to "punish" any guilty offenders. During the course of his speech he pledged greater support for out-station areas, commenting that: "One has to invest money on rural sports development to produce more Sanath Jayasuriya's." In March this year the previous minister decided to dissolve the cricket board and launched an ongoing inquiry into claims of financial mismanagement. The accusations centered on tenders by and payments for the constructors responsible for constructing a five million dollar international stadium in Dambulla. No substantive evidence, however, has yet been revealed and no charges have been made. Since the dissolution, the board's affairs have been managed by an Interim Committee, headed by Vijaya Malalsekera, who is close to the President Chandrika Bandaranaike Kumaratunga. The Sports Minister also had met the officials of the Interim Committee on Saturday.

*From [CricInfo](#), by Clemetine Fernando, 17 September 2001*

## MACAPAGAL TIES DIRTY MONEY TO TERRORISM

Naga City - President Macapagal-Arroyo on Saturday linked money laundering to terrorism and vowed to "take any possible executive action" immediately against it. "Last week, it (money laundering) had an economic and political issue. From now on, it is an international political issue. It has moved from being a question of financial corruption and has become a question of abetting terrorism," Ms Macapagal told the media upon her arrival from a state visit to Japan. "Money laundering is now linked, in the investment community's mind, to terrorism" and gives the perception that the Philippines coddles terrorists, the President said. "Let us not make the world believe that the Philippines is a haven for terrorist money and that terrorist cells are not far behind them," the President said. She warned that money laundering, if not checked immediately, might even give the impression that the Philippines is among the countries not fighting terrorism. She said the government must formulate a credible anti-money laundering bill by Sept. 30.

*From [Philippine Daily Inquirer](#), by Juan Escandor Jr., 17 September 2001*

## OFFICIAL SELECTION OPEN TO COMPETITION

The jobs of Chinese officials are no longer for life, due to the introduction of a competitive mechanism in leading posts, said an article in Beijing Review. For many years, officials in China were selected and appointed in a certain way. Leaders and high-level departments decided which employee would be promoted; This of course sometimes resulted in unhealthy tendencies and corruption in official appointment procedures, said the article. To improve the situation, China has begun to reform its government

official selection and appointment system. Competing for leading posts has been practised at many levels, and incompetent officials are usually removed. Much has been done in improving checking systems for officials and in strengthening supervision. Laws and regulations have been worked out to create favourable conditions for the promotion of outstanding personnel. Thanks to the new methods, malpractice and corruption in the selection of officials has now been greatly reduced. Beijing, the capital of China, has made a breakthrough in selecting leading officials in an open manner. At an open selection of leading officials at bureau level earlier this year, the Beijing municipal government for the first time withdrew the condition that candidates should have registered permanent residence in Beijing. This move is designed to find and recruit outstanding personnel from other areas. Beijing lacks certain types of professionals, including chief economists, chief accountants and chief engineers, who are vital to many important departments and units. In the 1997 selection, a post was left vacant due to a lack of qualified candidates. With the prerequisite of having a Beijing residence withdrawn, 78 people visited Beijing to compete for a leading post in the capital. The practice of selecting leading officials conforms to reforms towards a market economy, said the article, and its ultimate goal is to get rid of defects of the old official selection and promotional system, and bring about a more effective and optimized allocation of human resources. Breaking restrictions from domicile administration is conducive to unleashing pent-up talent. Only when outstanding people are put in suitable leading positions can the talent of every individual be genuinely encouraged. Featuring openness, equality, competition and a fair selection of the best person for the job, competition for leading posts involves an open solicitation of candidates, written and oral examinations, discussions and assessment by higher authorities. Selected candidates will then be appointed to leading posts according to set procedures. The practice first began at prefectural and county level institutions, and has been popularized not only at town and township levels, but also in central government. Since the institutional restructuring of the central government in 1998, some 100 departmental posts and more than 800 divisional level posts in more than 20 ministries, commissions and bureaus under the State Council, have been subject to competition. Recently, the Organizational Department of the CPC Central Committee, the Ministry of Personnel, the Ministry of Education, the Ministry of Foreign Trade and Economic Co-operation, the State Administration of Taxation, and the State Family Planning Commission have also opened department and divisional level leading posts that are all open for competition. The practice has been intensified in local governments. In Guangdong Province, 2,490 staff from 46 provincial government departments have run for 1,235 divisional level leading posts. Out of these 1,136 young staff members, who have both ability and political integrity, have been promoted to the post of division director or deputy director. In Shanxi Province, all divisional leading posts have been subjected to competition, with 43 successful candidates being appointed. By the end of April this year, there were more than 179,000 divisional (county) and sectional level leading posts nationwide. The practice has brought about encouraging changes. Those who sought promotion through connections or with money have been rejected, and under-the-counter operations have been abolished. Competing for posts has evolved from merely targeting government employees in the initial stages of the public servant system to a regular mechanism for selecting and recruiting qualified personnel. The competitive scope has expanded from medium-level posts to non-leading and higher posts. In the past, when a person became a leading official, they stayed in this position throughout their career. Those who were later deemed incompetent were transferred to other departments or localities, and would continue to be a leading official. But now, the situation has totally changed. Incompetent leading officials will be dismissed from office. Since 1995, the posts of 10,109 incompetent leading officials at and above the division level were removed from their jobs. These included 366 department and bureau level officials, and more than 63,000 sectional and lower level officials. They were either appointed to non-leading or lower posts, or dismissed from government institutions. Making it possible for incompetent officials to be dismissed from their positions is a key link in the reform of the personnel system, the article stressed. And various localities have explored effective methods in the following aspects. Assessment system. Leaders at various levels are evaluated in an annual, mid-tenure and end-tenure assessment, through which incompetent officials are defined and dealt with. Official probation system. This method makes it convenient to remove incompetent officials during the initial period of their tenure. Post suspension system. Under the system, unqualified leading officials will be suspended from their posts. They will study and receive training whilst doing other temporary jobs during the suspension period, which normally lasts one to two years. When the suspension period expires, those who have performed well will be appointed to new leading posts according to their original rank, whilst those who have performed indifferently or poorly will be appointed to a lower post or removed from office. System for appointment under contract. Leading officials compete for posts and are appointed under contract. When their contract expires, those deemed qualified will have their appointment contract extended. Different localities made huge efforts in strengthening supervision over official selection and appointments. Organization departments at various levels have set up special telephone numbers for public complaints, and have assigned special personnel to deal with complaints. Some localities have introduced a fault responsibility system concerning official appointments. All those involved in recommending, evaluating and making decisions on appointing an official will bear respective responsibilities, the article concluded.

*From [China Daily](#), 15 September 2001*

## **CHINA PARTY PLENUM ZEROES IN ON CORRUPTION**

Beijing - China's Communist Party Central Committee ended its annual gathering on Wednesday with a call to crack down on corruption, and underlined the point by announcing the expulsion of two alternate members for graft. The three-day meeting focused on "building the party's work style," which analysts said was a catch-phrase for polishing up the party's image. "Every level of party organizations and all leaders must make a clear-cut stand in opposing corruption, resolutely investigate and deal with cases of people using their authority for personal gain, and punish corrupt elements severely," the communique issued at the end of the assembly said. President Jiang Zemin has in the past openly said that corruption threatens the survival of communist rule. The communique recommended two alternate members, Li Jiating of the southwestern province of Yunnan and Shi Zhaobin of Fujian province, be expelled for corruption. Both had been deputy party secretaries in their home provinces and Li resigned as governor of Yunnan earlier this year under a cloud. They are the latest targets of a high-profile crackdown on corruption. The official Xinhua

news agency said the two faced criminal charges. China has executed several senior officials for corruption in recent years including Chen Kejie, former vice-chairman of the National People's Congress (NPC), China's parliament. The only other personnel change announced was the elevation of one alternate member, Tang Honggao, to a full membership in the Central Committee. Analysts had been keenly watching to see whether President Jiang's protege Zeng Qinghong, who heads the party's influential organization department, would be promoted to full membership of the committee's all-powerful Politburo. The Politburo currently has 20 full members. The assembly was the last before a party-wide congress next year at which many of China's top leaders are expected to give up their party posts to make way for a younger generation. Analysts had said that Jiang and other senior party members, preparing for retirement, would be pushing the committee to promote their allies to ensure that their influence and policies continued after they stepped down. In addition to Jiang, NPC chairman Li Peng and Premier Zhu Rongji are set to give up their party posts next year and government posts in 2003. The Central Committee said the 16th party congress would be held in Beijing in the second half of 2002 but did not give a firm date. Echoing Mao Zedong's famous likening of the party to fish and the masses to the water they need to be in to survive, the communique said the party and the masses had a "flesh and blood connection." "The biggest threat to a Marxist political party is being divorced from the masses," it said. "If the endorsement and support of the masses are gone, the party's enterprise and all its work will be in no position to be spoken about." The communique also put improving the party's image among the top tasks, saying "work style" was related to image which was related to the survival of the party and the country. Amid China's rapid modernization and the widespread abandonment of belief in socialism, the Communist Party is struggling to find relevance to ordinary people. The closed-door assembly called on party members to ditch old ways of thinking and Marxist dogma, an apparent nod to Jiang's efforts to rejuvenate the party by bringing entrepreneurs into its ranks. "The entire party must... consciously unfetter and liberate its thoughts and understanding from concepts, methods and systems that are behind the times, from erroneous and dogmatic Marxist understandings, from the shackles of subjectivism and metaphysics," the communique said. Jiang's "three represents" theory that the party stands for the interests of advanced productive forces, advanced culture and a wide sector of the population was given a ringing endorsement in the communique. And the Central Committee firmly backed a controversial July 1 speech in which Jiang proposed the party should admit entrepreneurs into its ranks. "The plenum valued highly comrade Jiang Zemin's speech marking the 80th anniversary of the founding of the party," read the first paragraph of the communique after five sentences introducing the proceedings. At a leadership meeting at the seaside resort of Beidaihe in August, Jiang won broad support for his idea, but not without a fight — he temporarily shut down a leftist magazine for publishing articles that opposed his ideas. Analysts said Jiang wanted to see the ideas behind his July 1 speech and "three represents" theory adopted into the party constitution.

*From [Japan Today](#), by John Ruwitich, 27 September 2001*

## EUROPEICIS

### GEORGIA CONSIDERS ANTI-CORRUPTION DRIVE

The Georgian Government is holding an extraordinary session to consider the fight against corruption and forgery. President Eduard Shevardnadze said in his weekly radio address on Monday that he hoped the meeting would spark a nationwide public attack against corrupt clans, individuals and civil servants. The president said he would address the meeting which is due to receive a report on what has been done over the past few years to combat the problem. He said this would be the beginning of an anti-corruption battle and it would be an uncompromising fight against corruption which he described as the main barrier to development of the country.

*From the newsroom of the BBC World Service, 4 September 2001*

### WHAT WILL PRIVATE MONEY DO TO PUBLIC SERVICES?

The UK government is committed to expanding the role of the private sector in the provision of public services. It says that is the only way to improve them - and wants more private sector involvement in running schools and hospitals as well as roads and prisons. But critics say that the schemes are costly and ineffective, and could eventually lead to the end of free public services. The battle rages fiercest over London Underground. The government insists that private money is the only way to modernise the tube. Opponents of the scheme say it will lead to the same kind of safety problems that beset Britain's privatised railway network. Will private money rejuvenate or kill the public sector? Tell



us what you think. Private companies running outsourced public services ultimately cost more because the private service provider will often only negotiate to provide a 'base line' level of service. Anything above and beyond this is then considered additional to contract and incurs a commercial rate of cost. This is how the profit is made in providing public service. *Stephen, UK* Why is there the myth that private companies would run services better than the Government? Anyone who works in the private sector - whether in an office, on a building site or in a shop can tell you their own horror stories of ineptitude and incompetence. The only differences between the two is that a private company is not accountable to the public, only to its shareholders. And that public companies are

not expected to make a profit. Cash that would otherwise be spent on new railway lines, schoolbooks or hospital beds goes into someone's pocket. *David Heffron, Glasgow* Nothing makes me seethe more than the current obsession with the supposed efficiency of everything private. I'd much rather have certain aspects of my life governed by some sort of democratically-elected system than by a share price-driven multinational, headed by a morally-bankrupt fat cat. *Richard G, UK* It is only fair that, for example, those who have private healthcare pay less National Insurance. And those who pay for private education for their children pay less tax; after all they are not using the services paid for by tax. *Guy Hammond, England* The UK spends an equivalent amount of taxpayers' money on the NHS as many European countries. These, however, spend a larger share of GDP on their health services through... private funding... Sure a little pragmatism would call for the same approach in Britain... *Michael, Eire P, UK* has hit the nail on the head. Predominantly, the track record (pun intended) to date of such initiatives is one of costly failure and attributable death. Public opposition to PPP/PFI runs high. And this is supposed to be a democracy? It is absurd to contrive a framework where PPP initiatives are encouraged to run underfunded public services for a profit taken from the tax-payer and without either accountability or responsibility for things going wrong. *John Bennett, Reading, UK* Anyone with practical experience of PFI/PPP schemes will tell you what a bad deal they are. Workers and customers who initially said, "let's not be dogmatic" are now against private partnership because we've seen it lead to cuts and closures. But the Government refuses to even consider alternatives; a true case of political correctness gone mad! *Ben Drake, York, UK* The problem is more than "what will private money do for us?" - a business is not the same as a service and never will be. What we have to decide here is what are the duties of the state to its people? When we know that we may be able to say that some things are public services, that they will never make a profit and if we want to enjoy the better quality of life that they bring then we'll have to pay for them in taxes. *Steve G, UK and Germany* Having worked closely with several UK public-sector organisations, I've seen the horrendous inefficiencies and inept management that is endemic behind the scenes. If we can get private-sector management methods into these organisations, it can only be an improvement. The "forces of conservatism" - primarily the public-sector unions - won't like it though. Tough. They're part of the problem, not part of the solution! *David Moran, Scotland/ Australia* The only beneficiaries will be the fat cats who milk the public to award themselves massive pay rises and bonuses while doing precisely nothing to improve the system (at the same time as slagging off those who in their view let it deteriorate). Like most of New Labour's ideas it is just a corporate scam. *P, UK*

*From BBC, 4 September 2001*

## CIVIL SERVANTS CALL FOR PROTECTION FROM SPIN

Tony Blair's reliance on spin doctors was attacked by senior civil servants yesterday with a warning that the creeping politicisation of Whitehall threatens to infect the Scottish executive, writes Jon Hibbs. The First Division Association, which represents 11,000 officials at the top of the civil service, is expected to receive support from the TUC conference next week in demanding new laws to protect the independence of mandarins across the UK. The union wants statutory protection from political interference for its members and a formal limit placed on the number of ministerial special advisers, which has doubled since Labour came to power and costs the taxpayer £4 million a year. A resolution to the TUC complains that the growing trend to use senior civil servants as direct representatives of the government was making it more difficult for them to fulfil their role in offering independent and impartial advice to ministers. The motion adds: "Devolution in Northern Ireland, Scotland and Wales may also create pressures that challenge the currently understood role of civil servants."

*From Scotsman Online, 6 September 2001*

## MINISTER RESIGNS FROM UNPOPULAR TURKISH GOVERNMENT

Minister of Housing and Public Works Koray Aydin of the Nationalist Movement Party (MHP) stepped down on September 5th after the State Security Court (DGM) began investigations into the rigging of state tenders issued as part reconstruction efforts following earthquakes of 1999. He is the fourth minister to depart from the three-way coalition since the start of the current economic crisis and the ninth of this government. Most of the resignations have come in the wake of corruption allegations, which have made public confidence in the government plummet since February. According to figures released by the pollster ANAR on September 2nd, the most popular party former Istanbul Mayor Tayyip Erdogan's Justice and Development Party (AK Party). Even the popularity of Kemal Dervis, the economy "tsar" brought in to rescue the Turkish economy, has fallen dramatically in recent months. Aydin has denied any wrongdoing, although he did admit that he had established- since becoming a minister- a company that supplies building materials to public works contractors. In his resignation speech he accused the media of conducting a smear campaign and vendetta against him, and claimed that he was resigning to give a good example to Turkish politicians and to save his party from a "defamation campaign". Prime Minister Bulent Ecevit welcomed the resignation as the ongoing allegations were destabilising the government. He described it as a "very positive act" and offered his congratulations. Opposition parties jumped on this claiming that if the prime minister were so much in favour of resignations he ought to do so himself. Aydin has also resigned from the parliament, but this requires the body's approval through a vote that must have a majority of at least 138 votes. Resignation from parliament removes his immunity to prosecution. The minister was never directly accused of any wrongdoing, but officials at his ministry of housing and public works were, which brought increased media allegations that he must have been involved. Prosecutors in Ankara are investigating reports that ministry officials demanded 10% kickbacks during the signing of contracts to construct housing for people made homeless in the 1999 earthquakes. The media accused Ayadin of involvement because he had quite freely admitted that- together with his father and brother-in-law- he had established a company to supply construction materials to public works contractors. Earlier this year the Ankara Chamber of Commerce report claimed that up to 15% of the value of public works contracts went to public officials as "political party donations". Two days before Aydin's resignation, Minister for Labour and Social Security

Yasar Okuyan, called for help in sorting out the corruption problem at his ministry, claiming that it cost the country hundreds of millions of dollars each year. He has demanded 300 inquiries into corruption and fraudulent social benefit payments. Corruption on a high level is endemic in Turkey, and various governments have long claimed to try and fight it. Within the IMF agreement of May 2001, the Turkish government agreed to step up its efforts to combat corruption, a move that has seen two ministerial resignations so far since February. However, much of the basis of the government depends on some form of give and take with the voters, although they now believe that high-level corruption was one of the main reasons for the collapse of the economy last February. Analysts see this last resignation as a positive sign in the fight against corruption, as it seems to indicate that ministers are taking responsibility for affairs within their ministries. In April the MHP energy minister, Cumhur Ersumer, resigned over allegations that he was involved in corrupt multi-million dollar energy deals. Unfortunately, the popularity of the government as a whole is fading, as the population's patience wears thin in the face of ongoing economic hardship and what seems to most voters as a weak coalition. In a poll conducted in the last few days of August by ANAR, the government's popularity was shown to be very limited. Bearing in mind the 10% threshold for entry into parliament, the poll indicated Ecevit's Democratic Left Party would only receive 2.8% of the votes cast in an election. All three coalition partners together would only have received 12% of the vote, with Erdogan's new AK Party gaining the top rank with 23.8%. A surprising 51% claimed that the government had been "extremely unsuccessful" during its term, and 38.6% said that the way out of current problems was to have early elections- the next scheduled ones are not until 2004. Some of the Turkish institutions fared rather better. The military received an approval from 62.9% of those asked, and 66.6% said they had faith in the president, Ahmet Necdet Sezer. The parliament as an institution did rather less well, with only 12.9% saying that they had any faith in it. In June this year, Dervis enjoyed an approval rating of 45.2%, but in August this dropped to 37.3%. These figures indicate that although the population is broadly in favour of early elections, the ruling coalition will likely ensure that it can hold on to power for as long as possible. With such apparently small national backing it hopes that before 2004 it can restore the faith of the population in the three parties, a policy that the military is likely to accept as the most popular party polled- the AK Party- is an off-shoot of the recently banned Virtue Party (FP). Despite its displeasure at some of the measures being taken to revive the economy, largely in the area of privatising infrastructure such as Turk Telekom and Turkish Airlines, it is opposed to another Islamist party ruling Turkey. As long as the economic programme is properly implemented the Turkish economy has a chance of full recovery and along with it the popularity of the ruling parties. The resignation of ministers may be painful, but it sends the signal to the voters that the government is serious about combating corruption.

*From [Oxford Business Group](#), 14 September 2001*

## SPANISH FORMER MINISTERS ON TRIAL FOR FRAUD

Felipe Gonzalez, the former Socialist Prime Minister of Spain, has been summoned to appear as a defence witness in the trial today of several of his former ministers who are accused of misappropriating millions of pounds of state funds. Señor González has been subpoenaed to appear for the defense of Rafael Vera, a former Secretary of State for Security, one of seven accused of misusing Ministry of Interior finances. The other accused include another Security Minister, two former Ministers of the Interior, the Director-General of the police and a former anti-terrorism chief. The trial, which will be televised, dates back to the last years of the González Government, whose Socialist party ruled Spain for 13 years until its fall five years ago amid a welter of corruption scandals. Today's trial opens just as a fresh financial scandal threatens to engulf José María Aznar's as yet untainted Popular Party Government.

*From [The Times](#) by STEPHEN BURGLEN, 18 September 2001*

## THE AMERICAS

### THE 'SCANDAL' IN TORONTO'S POLICE

Is the Toronto drug squad rife with corruption, framing scores of poor innocents and pilfering from the fink fund? Or is this seeming scandal a classic example of using an elephant gun to shoot the proverbial flea? Could it be that a group of police officers just broke some rules to make a broken system work? The National Post's Christie Blatchford investigates. When The Toronto Star breathlessly reported last month that the Royal Canadian Mounted Police had been called in to head an ongoing probe into alleged misconduct at the Toronto Police, it appeared the force must be embroiled in its worst scandal in modern history. The story led the CBC national news that night, and the next day was picked up by newspapers across the country, receiving front-page play in Montreal and Edmonton and prominent space elsewhere. All the significant buzz words were duly invoked: The probe is "huge" and "ever-widening" and shrouded in secrecy; it involves former members of the "troubled" central field command drug squad; federal prosecutors have abruptly stayed or withdrawn criminal charges in 115 cases involving about 200 accused drug dealers, and at least one unidentified man has been sprung from prison on a mysterious "fresh evidence" application, his conviction described as "a miscarriage of justice." A public increasingly inured to tales of police wrongdoing could be forgiven for leaping to the conclusion that the Toronto force is rife with corruption, that there may be scores of innocents set up or framed by the police antics, and that, what with the Mounties -- actually, one Mountie, Chief Superintendent John Neil -- now on the scene and two of the accused officers under investigation for perjury, the worst is yet to come. It may be so: Off the record, high-ranking command officers interviewed by the National Post for this story all warned ominously that "there's more" and cautioned me not to "give these guys the Good Housekeeping Seal of Approval." But there is an argument to be made the other way -- that this is a classic example of using an elephant gun to shoot the proverbial flea and that, at most, the evidence may prove only that a handful of officers bent internal force rules and procedures to make a broken system work, and furthermore, that virtually everyone in authority knew they were doing it.

There are 13 officers facing a total of more than 260 criminal charges, most of them theft- and fraud-related. In addition, the 13 are charged with a truckload of related Police Act charges. But what the casual observer may not realize is that the charges cover a five-year period and involve a total of only \$12,690 of allegedly stolen or misused money, all of it dispensed -- or not, as the allegations have it -- in dribs and drabs of as little as \$30 and \$50 to a total of 11 "confidential informants," or finks, virtually all of whom hail from the underclass and are arguably among the most dubious of witnesses -- the drug addict, or recovered addict, with a habit and concomitant unreliable memory, a criminal record and substantial self-interest. What almost no one knows is that during the period in question, the accused officers were handling upward of \$60,000 a year in "fink fund" money, which makes them either the most curious or stupid thieves in the world: Why, with about \$300,000 slipping through their collective fingers, would they steal only \$12,000? Now, the original accusations cited much bigger sums -- hundreds of thousands of dollars purportedly stolen from drug dealers during police raids -- but a lengthy internal affairs probe that had detectives conduct searches on the suspected officers' personal bank accounts and even review videotape from the Niagara Casino in nearby Niagara Falls looking for signs of untoward high-living and which revealed instead some of the officers withdrawing normally small amounts from bank machines in order to continue playing the slots -- uncovered "insufficient grounds for charges," as internal affairs boss, Superintendent Bob Strathdee, said last week. "We got knots on our heads trying to seek evidence to support these allegations," he bluntly told the Post. The original complaint, Supt. Strathdee said, came in a phone call he received in the spring of 1999 from Edward Sapiano, a Toronto defence lawyer whose client claimed officers from the central drug squad had stolen cash from him during a raid. Mr. Sapiano told Supt. Strathdee he knew of other lawyers whose clients had similar complaints. The superintendent invited Mr. Sapiano to write him a letter, laying out his allegations, and then Supt. Strathdee wrote the other lawyers, inviting them to do the same. Eventually, 10 defence lawyers complained their clients had been robbed. (At least one such case, involving large sums purportedly stolen by former drug squad members, is still live and before the courts, the Post has learned. The allegation here is that two officers, neither of whom is facing charges, executed a search warrant upon a suspected drug dealer's safety deposit box and turned in only part of the haul they found there, allegedly pocketing approximately \$250,000. There is a publication ban on the details of this case.) Mr. Sapiano was frank then, and is frank now, about the inherent problems of any case built around claims from drug dealers. "I told IA in writing that the prosecution cannot be based on real or alleged drug dealers," Mr. Sapiano said in an interview last week. "I recommended a sting operation. These guys [the police] were getting so reckless it would be like shooting fish in a barrel." He said he suspects the original investigation, conducted by Detective Sergeants Randy Franks and Marie Greer, uncovered evidence which wasn't court-credible because it came from convicted or admitted drug dealers but which nonetheless "convinced the brass these cops were dirty." This first probe having gone nowhere, the official line from police headquarters on what happened next is that, coincidentally, the commander of the force's elite Repeat Offender and Parole Enforcement (ROPE) squad discovered irregularities in records relating to fink-fund payments during a routine audit. It was two members of this ROPE squad -- Detective Rod Lawrence and Detective Constable Gary Corbett -- and three from divisional drug squads -- Constables Gordon Ramsay, Wayne Frye and Rick Franklin -- who were charged first in April last year. Though most allegations involve their work on the drug squad, they began, in a sad wordplay on the famous little robot from Star Wars, referring to themselves as "R2-D3", the ROPE two and drug squad three. All are middle-aged veterans of the force; Const. Franklin, at 40 with 18 years of service, has the least experience, and Det.-Const. Corbett is widely known as one of the city's best plainclothes officers, a hard-nosed and canny officer who has served three separate stints on the drug squad. The investigation continued, officially because IA detectives kept uncovering new irregularities, and in November last year, eight more former central drug squad officers were charged. These eight, too, are veteran officers, the most senior among them Staff Sergeant John Schertzer, who at the time of his arrest had been with the Toronto force a quarter-century. As Staff-Sgt. Schertzer and six other of these eight officers were named by Mr. Sapiano in his letter of April, 1999, it seems likely that, at least unofficially, what was always figuring large in the background were the unproven suspicions raised by the original probe. But for all the time, manpower and money devoted to investigating the former drug squad cops -- the probe is now in its third calendar year, numbers about 20 officers working under RCMP Chief Supt. Neil and is in the process of finding a new office outside Toronto Police headquarters for which the task force will likely sign a year-long lease -- the case against the 13 is arguably as weak now as it was in the beginning. Mr. Sapiano told the Post last week if the case "is inescapably linked to these informants, I'll be really shocked and disappointed." Yet it appears that this is precisely the situation. Crown disclosure to defence lawyers representing the accused officers indicates the evidence relies heavily, if not exclusively, on claims from the 11 informants, what Gary Clewley, the Toronto Police Association lawyer who represents six of the officers, describes as "evidence you wouldn't punish your dog on." It was only in November of 1993 that the Toronto force first began requiring confidential informants to sign for monies it received for giving information to police. The form used then and now is a "property receipt tag;" the snitch, though allowed to be known only by number everywhere else in police records, is supposed to sign his or her real name upon payment, and the transaction is to be witnessed by a second officer. Indeed, the charges against at least three of the accused officers allege only that they fraudulently claimed to have been in an unmarked car when a snitch signed a tag. In theory, it is supposed to work like this: The officer gets information from a snitch; he arbitrarily decides what it's worth (to a maximum of \$1,000, beyond which a deputy chief must sign off); he obtains the OK from his immediate supervisor; then he goes to the cashier's office on the fourth floor of headquarters and gets the money; then he pays the informant, who obligingly comes out of the shadows long enough to sign on the dotted line. But in the real world of drug enforcement, police may pay an informant out of pocket; the tips and information as often as not come in when the cashier's office, which is open only during normal business hours, is closed; and the snitch may not want, or may refuse, to sign his real name. And informants, while reliable enough within the narrow confines of their world (as drug users, they may reasonably know who is selling), make for ripe pickings in the witness box. Often, they offer information to police when they need money for a fix or when they hope for "consideration," that is, a break, on charges they themselves are facing. Most of them by definition have criminal records. Their ability to recall dates and times may be clouded by years, even decades, of drug use. And as addicts or recovering addicts, they are notorious liars. In other words, it could be argued that they are the street equivalent of the "jailhouse informants" against whom, in the wake of the wrongful conviction of Guy

Paul Morin, police and Crown attorneys are warned not to rely because their testimony is motivated by self-interest and is as a rule suspect and unreliable. "Why is that principle abandoned when it comes to these people [the officers]?" Mr. Clewley thundered in an interview last week. The Post has learned that at least one of the accused officers will, if the case gets to trial, happily admit to improperly crediting payments to one fink because the real informant wouldn't sign the property receipt; or to knowing that another's signature was bogus; or that the monies that on paper were paid to snitch A on one day were in fact paid to him, or even to snitch B, on another. Where it gets troublesome for the accused officers is that they would have sworn to the veracity of this information, knowing it to be false, before a justice of the peace in order to obtain a search warrant. Such breaches, the officers will claim, are but "technical" ones and the result of the practical realities of drug work; the finks' information, they will say, was usually backed up by their own independent surveillance; none of this impinged in any way whatsoever upon the accused drug dealers' guilt. Ironically, this is almost word for word what Mr. Sapiano said last week. It is precisely this unacknowledged duplicity within the justice system that so offends him and other defence lawyers and that makes the prosecution of police so difficult. "It's too easy to catch a few bad cops and say, 'bad police.' Nothing happens in a vacuum." Here he quoted Alan Dershowitz, the famous U.S. lawyer who was part of O.J. Simpson's dream team, about the so-called "noble cause" that may drive improper police actions, and the game that goes on in court. Mr. Sapiano describes that game this way: "The police officer is lying. The trial judge pretends to believe the police officer. The court of appeal pretends to believe the trial judge. "There have been decades of the bench turning a blind eye, of accepting ludicrous testimony from police officers," Mr. Sapiano said. "I know the road to hell is paved with good intentions," he said. "I know the public would absolutely support the police and I can see it; if my neighbourhood cop bends the rules to get the job done, I can even see my way clear to forgiving that. "The problem is that [the practice] will mushroom, it will grow. "And the police are no longer pursuing the noble cause when bending rules becomes the norm, when the rules go out the window." He said he often has "white, middle-class families in my office who say the police officer didn't read me my rights, and then they get to court and he says he did, and they're astonished." Even in the Morin case, Mr. Sapiano said, the police and prosecution "knew" they had the right guy. In other words, they didn't want to see an innocent man convicted; they genuinely believed Mr. Morin was guilty. But if police should not justify their actions this way, why is it all right for internal affairs to do the same thing with cops they are sure must be dirty? This, said Mr. Clewley, is just what is going on now, with the accused 13. In the absence of evidence, he said, neither internal affairs nor prosecutors are "entitled to act on their gut instinct," he snapped. Certainly, the evidence against the police appears problematic, and not only because of the general reliability, or lack of it, of informant witnesses. The Post has learned that the key witness in the case against the five ROPE squad officers has recanted what he originally told internal affairs in a cautioned videotaped statement. He is informant No. 186, and in March of last year, he was questioned by Det. Sergeants Mike Hamel and Stephen Pipe of internal affairs. The gist of his complaints, as with most of the allegations, was that he either didn't sign the property receipts that purported to bear his signature or that he didn't get all of the money he was supposedly given. But just three months later, on June 7, apparently at his request, No. 186's family doctor wrote a letter to Det.-Sgt. Hamel in which he said that the man had severe memory problems due to a head injury he suffered years earlier and to several medications he was taking. This letter reads in part, "The statement he made to Officer Hamel is not true ... because of the alteration of his mind" caused by his prescription drugs. Det.-Sgt. Hamel subsequently interviewed the physician, who confirmed he had written the letter at his patient's request. But the existence of the letter was not disclosed to police defence lawyers by prosecutors until late this spring, almost a year later, and only after the Ontario Provincial Police had been quietly called in to authenticate the doctor's handwriting (which he had already authenticated as his) and investigate whether any of the five accused officers had leaned on No. 186 to recant, or had cooked up the document. There is less to even the most serious-sounding aspects of the case than may appear. It was a drug trafficker who can be identified only as Mr. X. who was suddenly released from prison in July of this year amid much secrecy. The man, whose name is protected by a publication ban, was in the midst of serving a 48-month term at a federal jail when, in an affidavit now sealed by the Ontario Court of Appeal, Det.-Sgt. Franks swore to fresh evidence that purported to show the man had been wrongly convicted. The two accused officers who are now being investigated for perjury were involved in this case. The logical inference might appear to be that the two had planted evidence. But the Post has learned that in fact there is virtually no question about Mr. X's guilt. He was arrested and charged by the drug squad officers after they saw him emerge from his house with a bag which later proved to contain heroin. In his statement to police, Mr. X told them there was more heroin back at his house, and even provided for the officers the alarm code to enter his residence. They used it, and found the additional heroin. Mr. X was ably represented by a veteran defence counsel, and after a preliminary hearing, traditionally the place where the Crown shows its hand to the defence, pleaded guilty to possession of drugs for the purpose of trafficking. But when Internal Affairs was renewing the probe of misconduct, they recalled Det.-Sgt. Franks to re-interview the informants he had already questioned. One of them, a 55-year-old long-time heroin addict, had been interviewed twice as part of the original probe. But in a third interview, the informant described how he had bought heroin from Mr. X, and how, when he had returned to his handler, the officer had stuck a finger in the stash and proclaimed it "good smack." If true, that would have turned the informant into a police agent -- the distinction is tricky, but centres around whether police just get information from a snitch or actually use him to make a buy -- and that, in turn, would have rendered the snitch disclosable to Mr. X's lawyer and potentially compellable at trial. The "agent" was not disclosed, because, the police say, the incident he described never happened, and because he was only ever an informant, and informants are legally protected, can't be identified in court and cannot be compelled to testify. But when the federal prosecutors who handle drug charges learned of the allegation, they took it to the Court of Appeal, and Mr. X was freed. The perjury probe around Staff Sgt. Schertzer and Det. Const. Steve Correia centres not on anything they testified about, but rather on their alleged failure to make mention of the informant-agent in their testimony at Mr. X's trial. Similarly quickly -- some would say prematurely -- have the federal Crowns moved to drop charges in, at last count, 115 other cases in which one or another of the accused officers was involved. With only drug users or reformed drug users as witnesses, with the 13 officers not yet convicted of a single solitary offence, criminal or Police Act, prosecutors have stopped proceedings against as many as 200 accused drug dealers. As Police Association boss Craig Bromell said with trademark bluntness last week: "There are a lot of people walking the streets who should be behind bars. Where's the priority?" A spokesman

for the federal justice department last week declined to say if there are others, like Mr. X, who were released from prison as a result of the drug-squad probe, or why lawyers dropped the cases touched by the 13 officers like hot potatoes, or how many more charges may yet be affected. Dorette Huggins would say only that prosecutors each time weighed "the public interest and the rights of the accused" and that the lawyers are taking it "a case at a time." And what is the public interest? Is it, as Mr. Sapiano said last week, that police should play by the rules and the law? Or is it, that in the name of getting drugs and those who sell them off the streets, they ought to be forgiven if they play a little loopy-goopy with the rules or, as the allegations have it, the laws? Among the more interesting statistics the Post uncovered is this: Last year, the Toronto Police spent about \$100,000 in payments to confidential informants, up from the usual \$60,000 a year. To the end of June this year, only \$16,000 has been paid out, far below the norm. Supporters of the accused officers would argue that what this means is that drug dealers are not being roused, that informants are not being pressed for tips on the various unsolved homicides in the city and that drug squad officers have either grown timid or have become paper-pushers who stick to the letter of the law, with predictable results. As for what motivates the force's clear dogged desire to press on with the case -- the probe began under the tenure of former chief David Boothby but it was at the behest of Chief Julian Fantino that Chief Supt. Neil was brought in -- Mr. Clewley believes it is a function of three factors: the Chief's "exaggerated notion of what is required to maintain the high road; his unwillingness to presume innocence in the face of evidence you wouldn't punish your dog on, and the pressure of the defence bar." Chief Fantino told the Post last week this "is a heart-wrenching thing for me. I happen to know some of these [accused] people and yes, I feel pain for them." But the police, he said, must be held to a higher standard. "It isn't just \$50, if that's what it is," he said. "We have a duty of care. We are not like every other citizen. We can deprive people of their liberty, use deadly force ... When the public trust is compromised, it's not trivial. "Bending rules and inappropriate practices," he said, "don't count any more, other than to bring you into trouble." It sounded remarkably like a shot over the bow. The protracted probe, he noted, "may very well go to proving people innocent." If so, that day will come too late for at least some of the accused men. One of the accused officers has seen his 25-year marriage collapse under the strain; another has retired from the force; a third, slated to take over the board of the local hospital where he has volunteered for years, refused to accept the presidency and stepped down; another man believes he and his wife lost the child they were on the verge of adopting because of the publicity. This is also, of course, the normal sort of price paid by civilians charged in a whirl of media attention and found not guilty months or years later to little notice -- even if, as the police might say, they "got off on a technicality." What's sauce for the goose is sauce for the gander, and bitter medicine for all. *Christie Blatchford can be contacted at [cblatchford@nationalpost.com](mailto:cblatchford@nationalpost.com), [National Post Online](#), by Christie Blatchford, 5 September 2001*

## CANDIDATE TAKES AIM AT SERVICE FIRST

A Democratic candidate for governor, struggling to get known in a crowded field, barnstormed through Tallahassee on Wednesday with some criticism of Gov. Jeb Bush's personnel policies. Bill McBride, a Tampa attorney who left his post as managing partner of one of the nation's largest law firms to make the race, said he would repeal parts of the Service First plan that could subject employees to political pressure or patronage. He told the *Tallahassee Democrat* in an interview that modernizing and streamlining the employment process and management practices of state government were proper but that moving 16,000 Career Service employees to the Selected Exempt status was not good business. McBride also questioned Bush's emphasis on privatization of some state services, such as personnel, maintenance and custodial work. "Everything this governor wants to do is cheaper, not better," McBride said. "We want to have the best schools in the world, not the cheapest. We want the most efficient state government, not always the cheapest." The Republican-run Legislature enacted Bush's personnel plan, which he signed into law May 14. Besides moving employees into Selected Exempt, where they receive free insurance benefits but can be reassigned or fired without appeal rights, Service First gave state agency managers wider authority to reward individuals or groups of employees for superior performance. If he becomes governor, McBride said, he would reverse Bush policies that reduce job security. But he said he would keep some efficiency improvements. "There are aspects of Service First that are beneficial, but to put politics back in Career Service was a mistake," McBride said. "Employees of state government fear for their jobs because of political considerations, and that's a trade-off that wasn't a good one." McBride raced through a morning reception at Goodwood, a Rotary Club luncheon at the Civic Center, a meeting with business executives at a realty firm and an evening cocktail party at the Governors Club. With at least four other major Democrats seeking the nomination to fight Bush for re-election, McBride said, meeting people and raising money is essential for a relatively unknown contender. He said the official entry of former U.S. Attorney General Janet Reno on Tuesday "will really energize the race" and boost turnout in the Democratic primary. But the Sept. 10, 2002, contest is the only primary next year - a frontrunner can win the nomination with less than 50 percent of the vote. The Legislature this year eliminated runoff elections for next year's campaign. "The ramifications of the new system have been tremendously underestimated," said Robert Augustus Harper, a Tallahassee attorney and McBride supporter. "Everyone says it gives a well-known candidate the advantage, but it gives a newcomer a genuine entrance into the political system that he wouldn't have had before. I think not having a runoff could be an advantage for someone with a small, solid base who can jump out front the first time." But state Rep. Curtis Richardson, D-Tallahassee, said "no runoff makes it much more difficult" for candidates such as McBride, state Rep. Lois Frankel, D-West Palm Beach, and Sen. Daryl Jones, D-Miami, who are not statewide figures. Richardson, who is uncommitted in the Democratic race, said, "I think McBride has a viable chance" of breaking out of the pack. Tallahassee publicist Ron Sachs, an adviser to Govs. Reubin Askew and Lawton Chiles, said, "It all depends on who can raise the money." He predicted McBride would do well financially, with his connections in the business community from his years as managing partner of Holland & Knight. "We'll know when we see the financial reports after Sept. 30 who's a serious candidate," Sachs said. "Anybody who's deep in the hundreds-of-thousands range will be doing well; anything that's flirting with \$1 million will be spectacular." McBride said he does not expect to be as well-known as Reno and former Vietnam ambassador Pete Peterson, an ex-Tallahassee congressman, until next summer - when candidates begin advertising heavily and voters begin paying more attention to politics. "I figure that if I shook hands with 2,000 people a day, and

every one of them liked me, in six months my name recognition would be about 1 percent," McBride said. "It's going to take mass mailings, advertising and a lot more travel like this. Right now, name recognition is irrelevant."

*From [Tallahassee Democrat](#), by Bill Cotterell, 6 September 2001*

## **CORRUPTION FALLOUT MINIMIZED**

Some business owners claim they have been hurt by corruption in San Bernardino County, but Inland economists, real estate brokers and economic development officials say it will take more than a bribery scandal to stop economic growth in the Inland Empire. "I don't think it has helped us, but the county is going to do well in spite of itself," said Rick Lazar, a real estate broker. Like most businesses in the region, his Redlands-based brokerage, Lazar and Lauer, has not seen any effect on his business from past corruption scandals nor from the ongoing bribery allegations against San Bernardino County Supervisor Jerry Eaves and one current and three former Colton city councilmen. Some say it has hurt - But some business leaders say their business dealings have been hurt by San Bernardino County's history of corrupt influence peddling that led to the conviction of former San Bernardino County Administrative Officer Harry Mays and a no-contest plea to seven political misconduct charges by Eaves. Local businessman Harold Willis tried in 1994 to win a county contract to convert his former Thrifty Drug Store at the corner of Ninth Street and Waterman Avenue in San Bernardino into a county office, but he did not get the contract. Willis confirmed he was low bidder, so he asked Eaves why he didn't get the contract. "Eaves told me: 'Willis, I don't have to tell you anything.' And then he almost kicked me out of his office," Willis said. In 1996, Willis attempted to convert an empty Kmart building in San Bernardino into an interim courthouse, at the request of the county, but the effort failed because, Willis believes, he didn't curry enough favor with Eaves. The county chose to lease a similar Kmart building in Rialto from Mays and Redlands Realtor Scott Beard for roughly \$143,000 a month before Willis could submit an offer to lease his building for about \$73,000 a month, he said. Neither Eaves nor his staff could be reached for comment on Willis' remarks. Other business leaders have told the San Bernardino Area Chamber of Commerce staff they did not get county business even though they too were sure they had made the lowest bids, said Judi Penman, the chamber's executive director. "If the corruption had an impact on local businesses not receiving contracts, then this obviously would affect the local economy," she said. Robert Monge, co-owner of Minuteman Press, believes his San Bernardino-based printing business may get more business from the county now that the corruption scandal has been exposed. "The impression I get is that there are more quotes available, probably because all hell broke loose and people were complaining," Monge said. Despite the claims, companies will continue to build their warehouses and developers will still construct homes in the region because real estate in San Bernardino and Riverside counties is cheaper than what can be found in Orange, Los Angeles or San Diego counties, said regional economist John Husing. He said he also had never heard of a business not wanting to move to the region because of corruption. Other factors cited - The business community is far more concerned with the cost and reliability of energy and the state of the economy than with a local corruption scandal, said Teri Ooms, president and chief executive officer of the Inland Empire Economic Partnership, an economic development group serving San Bernardino and Riverside counties. Although a government scandal can stain the reputation of a community, most in the business community say that the economics of a business venture are far more important than the political climate of a region. "Cost-sensitive businesses are looking at land and labor costs. Most businesses won't get touched by a political scandal," said Paul Lewis, professor of political science and urban development with the Public Policy Institute of California, a nonpartisan research institute. Studies of corruption in developing nations point to instances where it can slow economic development but usually in cases where property rights are being compromised, such as the need for a bribe to obtain the deed to some land, Lewis said. "In some cases, corruption can grease the wheels," Lewis said. Corruption in San Bernardino County may have touched some business deals, but commercial real estate brokers say it has not made a difference in companies choosing to move to the region. "I can't point to a deal where someone has said, 'I don't want to be there because there is too much political stuff going on,'" said Rick John, senior vice president of Collins Commercial Corp., a commercial real estate brokerage.

*From [Riverside Press Enterprise](#), by Adam Eventov, 9 September 2001*

## **MIAMI POLICE CORRUPTION FALLOUT CONTINUES**

The Miami police department is trying to mend its broken image, after more than a dozen officers were indicted Friday on corruption charges. Officers put on a different face Saturday, joining 200 Miami students at the "Do the Right Thing" back-to-school rally, where students pledge a year without violence. The rally was a chance to put a different face on a department marred by scandal this week when 13 current and former officers were arrested on corruption charges, accused by federal prosecutors of planting guns, lying to investigators and trying to cover up four shootings in which three people died. Prosecutors are now taking a closer look at 2 more police shooting incidents in which they suspect guns were planted at the scene by officers. Some residents calling for more scrutiny of Miami police - This is the city's worst police scandal in more than a decade, and now some residents are hoping police conduct will now come under closer scrutiny. "They're going to have to deal with this and it's going to make police officers think twice before they start shooting unarmed people," Bishop Victor Curry, a Miami community activist said Saturday. Some residents say the indictments are insufficient. "This is like catching a bank robber and instead of charging him with robbing the bank they're charging him with illegally parking the getaway car," says Max Rameau of Brothers of the Same Mind, an anti-police brutality organization in Miami. Others say they hope the case will build momentum for the creation of a civilian review panel to review allegations of police misconduct. Voters will decide in November whether to create such a panel.

*From Associated Press, 9 September 2001*

## AREA WOMEN HONORED FOR COMMUNITY EFFORTS

Area women were recently chosen to receive Women of Distinction awards at the 19th annual Coeur d'Alene Soroptimist Women's forum on Friday. Honorees and their organizations are listed along with their awards. Spirit of the American Woman - **Dorothy Wiegele**, Coeur d'Alene, 3 Cs (Cancer and Community Charities) and KMC Auxiliary. Recognized for professionalism and community dedication. Arts and Culture Award - **Peggy Mahoney**, Hayden, conductor of the Coeur d'Alene Youth Orchestra and a retired music teacher. Honored for promoting the creation and support of the arts and culture. Business and Professional Award -- **Sharon Culbreth**, Coeur d'Alene, Realtor with Re/Max. Recognizes women working in the private sector. Community Service Award -- **Holly Stetson**, Spokane, The Wishing Star Foundation. Honored for community service with a nonprofit, charitable organization. Education Award - **Wanda Quinn**, Coeur d'Alene, University of Idaho/Coeur d'Alene School District 271. Recognized for working in a professional, instructional or support staff capacity at a public or private school. Health Award - **Judy Nixon**, Coeur d'Alene, Nixon & Bistline. Honored for her work in medical and mental health care in social services. Public Service - **Christie Wood**, Coeur d'Alene, Coeur d'Alene Police Department. Recognized for her work in the public sector, i.e. law enforcement, elected officials, city, county, state or federal government. Senior Citizen Recognition Award - **Mary Lou Dion** Coeur d'Alene, private music instructor, involved with Rotary/church/theatre volunteer. Honors women over the age of 62 who have made a significant contribution in any category. Youth Adult Community Service - **Lynn Denison**, Post Falls, Kootenai Medical Center. Recognizes women age 22 years and younger who demonstrate exemplary community service. Tourism and Hospitality Services - **Brenda Young**, Hayden, Idaho, Coeur d'Alene Chamber of Commerce. Honored for promoting tourism and hospitality in the community and offering services with volunteer or paid groups. Women Helping Women - **Janet Jones**, Post Falls, O.A.S.I.S. (Officers and Advocates Sharing Intervention Services). Recognized for giving her time and talent to help other women progress personally and professionally. Local Award sponsors are J.C. Penney Co., Susan Jacklin and Riverbend Commerce Park, Joann Jackson, and A.G. Edwards and Sons Inc., Kootenai Electric Co-op, North Idaho College, Lewis-Clark State College, University of Idaho, and the UI Research Park, Kootenai Medical Center, Firstbank Northwest, Fairwinds, Carpet Pro, Hagadone Hospitality, and Soroptimist of Coeur d'Alene.

From [Spokesman-Review.com](http://Spokesman-Review.com), 13 September 2001

## FOUR SENIOR LEVEL MANAGERS AT TRINIDADIAN STATE AGENCY FIRED FOR CORRUPTION

Port-of-Spain, Trinidad -- A state health agency fired four senior level managers after discovering Trinidadian \$265,000 in theft and irregular payments. Following the recommendation of an independent report into corruption at the North West Regional Health Authority, board members late Friday fired the executives after they had been put on suspension, chairman Robin Maraj said Monday. The agency, which runs area hospitals, came under suspicion after a recent government audit detected theft and irregular payments. The independent investigation, conducted by Personnel Management Services Ltd., recommended the termination of property maintenance manager Reynold Makhan, chief executive officer Ramesh Sharma, chief operations officer Ranjit Sookdar and finance manager Gulabchand Maharaj. None had been charged as of Tuesday police said. However, Finance Minister Gerald Yetming has vowed any officials accused of corruption would be prosecuted. The state-owned oil company Petrotrin is also being investigated by police for possible corruption. The oil company allegedly paid bribes to clinch a pumping contract with FW Oil last year.

From [South Florida Sun-Sentinel](http://South Florida Sun-Sentinel), 20 September 2001

## GLOBAL

## ANTI-CORRUPTION CONFERENCE, PRAGUE 7-11 OCTOBER

President Vicente Fox Quesada of Mexico, Milos Zeman, Prime Minister of the Czech Republic, and justice ministers and public prosecutors from around the world will converge on Prague on 7-11 October 2001. They will join top representatives of private business, including the mining, petroleum and banking sectors, and leading NGOs, including Global Witness, Greenpeace, Jubilee +, Article 19 and Human Rights Watch and of course, the world's leading non-governmental organisation fighting corruption, Transparency International, which provides the secretariat for the event the 10th International Anti-Corruption Conference (programme details are available at [www.10iacc.org](http://www.10iacc.org)). The 10th IACC will be opened on 7 October by Czech President Vaclav Havel and the Transparency International Integrity Awards ceremony, which will recognise the bravery of individuals or groups who have shown outstanding courage in fighting corruption, often at great personal risk. (The first TI Integrity Awards, in 2000, were presented to a citizens' group in the Philippines ensuring that government money reaches the earmarked destinations, a whistleblower in the Moroccan army, and an investigative journalist in Sri Lanka. There was a posthumous award to a whistleblower in the Argentine civil service.) The IACC plenary and workshops follow on 8-11 October. Speakers include Baltasar Garzon, the investigating judge who sought the extradition to Spain of former Chilean military ruler Augusto Pinochet, Eva Joly, prosecutor in the Elf Aquitaine affair in France, Frene Ginwala, Speaker of the National Assembly of South Africa, Soli Sorabjee, Attorney General of India, Kun Goh, Mayor of Seoul, George Soros, financier and philanthropist, and Peter Eigen, Chairman of Transparency International. The private sector will be represented by Ricardo Semler, President of Semco Industries, Brazil, Heinz Rothermund, Royal Dutch Shell's Regional Business Director in Latin America and sub-Saharan Africa, and James Schiro, CEO of PricewaterhouseCoopers. Other expert speakers include Ronald Noble, Secretary General of Interpol, and Jean Lemierre, President of the EBRD and, from NGOs,

Ann Pettifor, Director of Jubilee +, Ekaterina Genieva, President of the Open Society Institute in Russia, Remi Parmentier, Greenpeace Director, and Ayo Obe, President of the Civil Liberties Organisation in Nigeria. Important: The deadline for media registration is 10 September 2001. Accreditation can be submitted via the [www.10iacc.org](http://www.10iacc.org) web site, or by contacting TI at [press@transparency.org](mailto:press@transparency.org). Note for editors: The first ever edition of the Global Corruption Report, the new definitive annual overview of the state of corruption around the globe from Transparency International, will be published immediately after the IACC Conference, at a press launch in London on Monday 15 October 2001. As well as expert analysis of party funding, money laundering and corruption in the diamond trade, the GCR 2001 will feature in-depth regional reports from across the globe, and a comprehensive Data and Research section. On an embargo basis, the book will be available for preview by accredited journalists before the launch. For a preview copy, please contact [gcr@transparency.org](mailto:gcr@transparency.org). Further details are available at [www.globalcorruptionreport.org](http://www.globalcorruptionreport.org)

*From [AllAfrica.com](http://AllAfrica.com), 5 September 2001*

A yellow banner with a ribbon-like shape, containing the text "Management Innovation & Trends".

## Management Innovation & Trends

## ASIA/PACIFIC

### ASIA FOUNDATION PROMOTES E-GOVERNMENT

Executive vice president of the Asia Foundation - The Asia Foundation has supported efforts to improve the effectiveness and accountability of government. Our approach to counter-corruption issues over the past decade has therefore differed from place to place, but our approach always involves support to local efforts to inform the public about the costs of corruption and the possibilities for reform. We are supporting the efforts of local organizations to develop technically sound and actionable agendas for reform. "e-Government" provides tremendous new opportunities for Asian governments and societies. The Seoul OPEN system provides an outstanding model for addressing transparency and accountability issues through innovative, technology-based solutions. In addition to improving transparency, e-government also provides an opportunity for governments to increase efficiency, cut costs, and increase revenue, which can enable government to dedicate scarce funds to other areas. Furthermore, e-government can improve the relationship between the government and citizens, and government and business, by reducing the time and cost required to interact with government. As we can see from the example of Seoul, much of the leadership in e-government and anti-corruption initiatives is coming from the municipal level of government. Relative to higher levels of government, municipal governments are closer to citizens and businesses. Municipal government tends to be the primary provider of public services, and the most likely manager of licenses and applications. As a result, citizens and businesses tend to have more frequent and substantive interaction with municipal government officials. Consequently, city government is often the focal point for corruption and graft. In this era of rising economic competition and interconnectedness, city governments are realizing that corruption is a significant obstacle to economic growth, distorts prices and incentives, and creates an environment of favoritism and inequity. As a result, forward thinking political leaders are beginning to confront corruption through various mechanisms, including administrative reform and, more recently, e-government. The Foundation is working with governments and local partners to organize a series of e-government workshops in countries across Asia that will provide forums for cities to learn from one another. In October, we will conduct the first two workshops, in Taipei and Manila. In 2002, our programs on e-government at the local level will continue with additional workshops in Asian cities, research on e-government in China and the Philippines, and a major international conference. We invite your participation in these events, and would welcome the opportunity to work with you on other initiatives on e-government and counter-corruption.

*From [Korea Herald](#), by Barnett F. Baron, 1 September 2001*

## EUROPE/IGIS

### 'TRANSPARENCY' KEY TO SWILLY MANAGEMENT - MINISTER

The Irish Minister for the marine, Hugh Byrne, launched last Thursday the Co-ordinated Local Aquaculture Management Scheme (CLAMS) for Lough Swilly, which will see fish farmers be 'proactive' and take up 'responsibility'. "With aquaculture licensing, the public's legitimate concerns are addressed primarily by the Fisheries (Amendment) Act 1997, which provides for public consultation,"



said Byrne at the launch. "The CLAMS process then builds on the involvement of the public, above and beyond the statutory requirements. The CLAMS plan lays out clearly what the fish farmers do, how they do it and what they plan to do in the future. "CLAMS is not a definitive coastal zone management plan, but represents fish farmers being proactive and taking responsibility for their part of the process. Under the CLAMS plan the needs of all other users of the Lough are taken into consideration by the fish farmers. The fact is that all stakeholders depend on pristine water conditions for the future of their businesses". Mr. Byrne [Centre on picture] continued, "Top class water quality is of the utmost importance to fish farmers, who rely on immaculate waters to operate. The fish farmers of Lough Swilly have committed

themselves to best practice in all aspects of their operations." Watchdog for the Lough and the environment The CLAMS plan guarantees a never-sleeping environmental watchdog for the Lough. With the recent downgrading of the Lough's waters from Class A to Class B, fish farmers and the Lough Swilly CLAMS group have led the way in calling for urgent remedial action to be taken. In line with national policy, the CLAMS process in Lough Swilly will involve local consultation opportunities for the wider community. The process to date has involved compiling extensive baseline data on the environment and on aquaculture production in the Swilly. The local CLAMS co-ordinator sought input to the plan from local stakeholders, including fishermen, anglers, sailors and the tourist

industry. The final CLAMS document outlines production in licensed areas of the Lough, obstacles and opportunities for the industry and a proposed future development plan. Once launched, the CLAMS process then actively invites consultation from the local community on an ongoing basis. It will allow them to raise issues and queries relating to aquaculture in the bay with the CLAMS group directly.

*From [News Desk, IntraFish, 21 Sep., 01](#)*

## **SMEs TURN NOSES UP AT WEB OUTSOURCING**

The vast majority of British SMEs prefer to maintain their website and e-business solutions themselves, according to a new study. The study, by e-business service provider Dragnet, looked at the e-business requirements of 127 SMEs, and revealed that 71 per cent wanted to run their own website and control their own e-business. It found that a well-designed 30-page website costs about £5,000 to develop, and a further £20,000 to £30,000 per year to employ an in-house webmaster to maintain. SMEs that don't use expensive external developers can save around £25,000 annually. David Spiby, director of strategy global SMEs solutions at Avaya, told silicon.com that SMEs would rather run their own solution for fear of losing ownership of their product. Cost and content control are the main worries. They would rather take an integrated offering that they can run in-house in a "package of manageable boundaries and low cost support", according to Spiby. Most e-business companies that publish information do not need an outsourcing company to deal with their website, according to IT service provider Computer Sciences Corporation (CSC). However, as services become more complex it becomes better to outsource part of that service. Ismail Amla, VP at CSC UK told silicon.com: "As complexity increases, production cost, total cost of ownership and the risk of service performance increases." Therefore, the cost of keeping it in-house and the cost of guaranteeing the service will be high, according to Amla. "Cost increases, complexity increases," he said.

*From [Silicon.com, 20 September 2001](#)*

## **THE AMERICAS**

### **ESSEX COUNTY WANTS SEAT ON E-GOVERNMENT BANDWAGON**

Elizabethtown - Gathering feedback from local officials on government services delivered via the Internet was why the State Office for Technology came to the Essex County seat of Elizabethtown Thursday. An eCommerce/eGovernment forum held in the Old County Courthouse brought out only one participant: Essex County Information Services Director Robert Lilly. Lilly said he expects Essex County to have its own Internet Web site sometime next year and e-mail for all county departments and agencies later this year. "As far as what I'd like to provide online: information. Information on who your elected officials are, on where your towns and villages are, on the Board of Supervisors form of local government," Lilly said. "I'd love to see Board of Elections information online. "We constantly get requests for lists of voters in a town, and that information could be provided online, and you could just call it up. "But it's a political issue. People don't want their telephone numbers and addresses up." That information is part of public election data now available by going in person to the Board of Elections. "We want to provide (online) results on election night without the telephones ringing off the hook at the Board of Elections," Lilly said. "We'd like to let people pay taxes, get DBA (doing business as) certificates, research mortgage information. Basically, anything you can do face to face. "We have the vision. But I don't have anybody I can dedicate to Web-site development." He'd like to post on the Web all the resolutions that have been passed by the Board of Supervisors, searchable by title or by date. "I think that's all valuable information," Lilly said. "I think the first approach will be non-transactional: Get the info out there, with links to tourism sites, economic-development agencies. It's going to have to be a small beginning step." Representative Julie Leeper said the State Office for Technology wants to help. "The decision of the state is a 'government without walls' to transform government," she said. "In the case of a person or business trying to find out who provides a service, it's to make that easier." The program kicked off in June 2000, she said, with three categories: Government to Government, Government to Citizen and Government to Business. Of 563 services and transactions the state offers, 146 are now online, she said. The biggest offering of the plan is a state Internet portal, through which people could access local governments. "What this gives us is the ability for a local government today to become like a state agency and become part of the state portal," Leeper said. "It's there for any local government or county that has something they want to promote." But some municipalities don't even have static Web sites. "It's a concern: Do you put it all up when they're not (all) participating or do you wait?" she said. "I think you have to put it up," Lilly said. "It could be 10 years before some of them get up." In New York state, 88 percent of the counties, 39 percent of the cities, 14 percent of the towns and 5 percent of the villages are online, Leeper said. Essex County would like to provide certain services online, Lilly said, but is hampered by the high cost. "I've surveyed the towns and the departments," he said. "There's an investment that has to be made. The enthusiasm went from 'I want it' to 'maybe.' I probably should have started small. "Getting elected officials involved, to see the need, is important." Lilly lives in the remote Town of Newcomb, but even there many people are on the Internet, he said. He said 67 out of 300 people in Newcomb have e-mail addresses that he knows of.

"That's probably one per family, and the average age is 50. We only have 65 kids in school," Lilly said. Lohr McKinstry can be reached by e-mail: [lmckinstry@pressrepublican.com](mailto:lmckinstry@pressrepublican.com)

*From [Press-Republican Online](#), by Lohr McKinstry, 5 September 2001*

### **STATE PERSONNEL SERVICES GO PRIVATE**

A giant Jacksonville company was chosen Wednesday to take over personnel services for state agencies - a massive privatization affecting the jobs of 1,200 state workers. Convergys Corp. beat out IBM, Computer Sciences Corp. and Epix for a seven-year contract that will cost the state \$39.8 million annually - about half what government now spends on running payroll, insurance, retirement, attendance-and-leave and other personnel records on its aging system. Avoiding the cost of replacing obsolete Cooperative Personnel Employment Subsystem (COPES) - estimated at \$65 million to \$90 million - was the biggest factor in Gov. Jeb Bush's plan for privatizing state personnel. Fran Brooks, director of the Division of Human Resources Management, said Convergys will set up a service center employing about 300 workers in Tallahassee. She said about 26 percent of the 1,200 personnel employees now working in state agencies will be kept by the state when the privatized system is implemented over the next 18 months to two years. Brooks and Robert Hosay, a senior attorney for the Department of Management Services who has overseen the privatization project, said Convergys agreed to hire as many state personnel employees as possible. They said those employees generally have specialized management and analytical skills and should be easy to place in other state agencies if they don't stay in the remaining state human-resource jobs or go with Convergys. "We specifically asked Convergys if they would commit to hiring our people, and they said, 'We'd be fools not to because they're highly qualified individuals who know the state business,' and they want them on their team," Brooks said. "It's a win-win situation for the state and Convergys." The current budget retains all personnel employees through the fiscal year ending June 30. DMS will present an implementation plan to legislative budget managers Oct. 25, then work out contract details in the next few months. When the contract is signed, the transition will take about 15 months. That means employees making the move will know in the spring, and go in late 2002 or early 2003, in most cases. Convergys has a data center in Jacksonville and will commit about 250 employees there to handle the state contract, Brooks and Hosay said during a briefing after a meeting of an interagency advisory group. They said state employees will have the same service they receive now from personnel offices in each agency - they'll just get it from one Tallahassee center, which will handle files for all agencies. Employee selection, discipline, evaluations, labor relations and some other personnel functions will still be handled "in house" by state agencies and DMS. But Bush told newly elected lawmakers in November, during the House and Senate organizational session, that personnel management costs state government about \$80 million a year - two to three times what corporations of comparable size spend on it. Besides operating costs, Bush and GOP legislators were anxious to get rid of COPES and avoid the replacement cost, figuring a private contractor would have modern computer capacity. Landing Florida's business would be a good selling point for a company to attract other states or big corporations, DMS calculated. Convergys handles personnel records for AT&T, with 190,000 employees worldwide; General Electric, with 230,000; and Pfizer, with 77,000. The state contract calls for services for 135,316 employees, including part-time workers. That figure will go down, however, under Bush's five-year program of reducing the state work force - which he trimmed by 4,200 in the current budget year. "Our current system is 20 years old," Brooks said. "We love COPES, but COPES isn't going to hold together much longer. It's held together with duct tape now." She also said COPES is too dependent on paper, in an age of e-mail and computer chips that can hold thousands of files. "We're very concerned about keeping the personal touch," Brooks said. "But we have wonderful, professional employees who are trapped in a bad system. A tree falls every day for the paper we're using, and we want to free those employees from doing paperwork and make them available to serve employees." The Convergys bid of \$278.6 million for seven years was the lowest of four evaluated by DMS and the interagency task force. Computer Sciences Corp. bid \$381.5 million and called for a 24-month transition but would have located both its data center and service center in Tallahassee. IBM bid \$299.3 million but offered a nine-month transition, with both its data and service centers located in North Carolina. Hosay said Epix bid \$493.3 million on the project. He and Brooks said they have briefed Bush's chief of staff and Cabinet aide on the bid selection. They said none of the losing competitors has given notice of any administrative appeal of Convergys' selection.

*From [Tallahassee Democrat](#), by Bill Cotterell, 6 September 2001*

## WEB SERVICE OFFERS FAMILIES ALERTS ON SURVIVORS

A software firm says it will alert families should their loved one's name be listed on lists of survivors. Spyonit has begun monitoring a number of web databases that have been established to record survivors of the terrorist attacks. [The service](#) will scan all legitimate updates and send an automated alert via email or instant messaging users should a relative's name appear. Currently several sites are listing survivors of the tragedies in New York, Washington and Pittsburgh.

*From [Ananova](#), 13 September 2001*

## INTERNET CONDUIT OF INFORMATION, SUPPORT

With telephone lines largely busy and cellular phone traffic snarled, the Internet quickly became a conduit of information, hope, support and anger in the wake of Tuesday's tragedy. "I can't get through on the phone lines. Are you ok?" was the message that landed in thousands of e-mail boxes in the New York City area, as the old, reliable "killer app" became a vital link between people and their loved ones. Survivors who worked in or near the World Trade Center, unable to get through by phone to reassure family members of their safety, asked others to relay messages. Frequently, the medium used was e-mail. "I just received a call from a co-worker on the street -- he was downtown. He wants to let his family know he's ok but I can't get an outside line. If anyone reading this can, here are the numbers..." one person wrote. Instant messenger applications also became critical for those who found all circuits busy when they tried to use the phone. People chatted with one another as the news trickled in -- sharing their knowledge about the whereabouts of others and expressing their disbelief at the events taking place seemingly right before their eyes. E-mail discussion lists on every topic imaginable turned their focus to the events on the forefront of everyone's mind. Some people used the lists to update others on their safety and the safety of other list members. Others inquired as to whether readers of the list had

heard from missing friends, family, and co-workers. Many list subscribers offered shelter to those who couldn't get home because of transportation issues. Mostly, people shared their feelings and expressed their support. "Most of us are trying to go on with life, but it's far from business as usual," one person wrote in a group normally reserved for talk of aromatherapy. "I'm in the Maryland suburbs of DC, and the streets are very quiet, the schools are closed, and the government is open, but on liberal leave. Most folks have opted to be home with their families. Sounds of jets overhead are a bit disturbing. They have been constant since yesterday morning." The major portals set up chat rooms and discussion areas where people could post their ideas about Tuesday's events. Yahoo!'s message board set up for the subject had generated some 34,000 postings by mid-day on Wednesday. Some used the forums to express their feelings of disbelief and sorrow, while others argued about what the U.S. reaction should be. In response to some participants who quickly laid blame with Arabs and advocated military retaliation, one person posted: "I'm not a Muslim but respect other people and their beliefs when they are true and honest. These radicals have twisted their own religion to suit their hatred."

From [Internet News](#), by [Pamela Parker](#), 13 September 2001

## STATE TRYING TO MAKE PRICE GOUGING A VIOLATION OF LAW

Odd as it might sound in a week that saw gasoline hit \$5 a gallon in some areas of Illinois, price gouging is not a specific violation of state law. The Illinois Attorney General's Office is considering an emergency rule that would clarify the definition of price gouging and make it an explicit violation of state consumer-protection laws. Attorney General Jim Ryan, a Republican candidate for governor, also pledged to consult business and consumer groups. It is a tricky area. Businesses in particular are wary of any attempt to define just where the marketplace ends and price gouging begins. But Ryan believes he has the rule-making authority to define price gouging as an "explicit violation" of state law. That definition could have a significant impact on fines and penalties for companies accused in price-gouging cases. It also could make it easier to prosecute the cases. "It probably increases your chances of success in court if you have a direct reference to a particular act," said Ryan spokesman Dan Curry. A lawsuit filed against Casey's General Stores Inc. this week accused the convenience-store chain of violating the Illinois Consumer Fraud and Deceptive Business Practices Act. However, there is no mention of price gouging in the act. "We're confident it will hold up in court, but it would give consumers even more protection if there was an explicit offense spelled out," said Curry, who noted that a number of states, including Missouri, already have price-gouging statutes. The lawsuit against Casey's alleges 13 outlets in central and southern Illinois sharply raised prices in the hours following Tuesday's terrorist attacks in Washington and New York. In some cases, prices went as high as \$4 and \$5 a gallon. Penalties for violation of the act include injunctive relief, restitution and civil fines of at least \$50,000. One Amoco station owner in Peoria explained his \$4 a gallon cost as an attempt to prevent panic buying and preserve remaining supplies. He told The Peoria Journal-Star, "there was no intent to sell gas at that price. The only reason I did it was to save some gas." Consumers have no doubts about just what constitutes price gouging. On radio talk shows, in coffee shops and shopping centers, discussions of the terrorist attacks were quickly followed by anger over gasoline price increases. One sign of the public's outrage: Petroleum industry groups, which traditionally have resisted even a hint of further regulation, expressed a willingness to accept stronger oversight to prevent such price gouging in the future. Engineering News Record has named CRAWFORD MURPHY & TILLY INC. to its list of the top 25 aviation design firms in the nation. The Springfield engineering firm first made the list last year at 25th and moved up to 19th this year. Firms are ranked based on volume of business in general and specialty categories. CMT has worked on a variety of major airport projects, including at Washington Dulles International Airport in Washington, O'Hare International Airport in Chicago and Lambert International Airport in St. Louis. CMT has 220 employees in Springfield, Chicago, Aurora, Rockford, Peoria and East Alton in Illinois, plus St. Louis. The company was organized in 1946. Engineering News Record has a circulation of 422,000. The MUSTARD SEED has moved to an expanded location on the lower level Famous Barr wing of White Oaks Mall in Springfield. The store, which specializes in Christian books, music, gifts and church supplies, now has 4,350 square feet compared to 2,898 square feet in the previous location. The store also has been remodeled as part of the move. The phone number is 787-8568. Tim Landis is business editor of The State Journal-Register. He can be reached at 788-1536 or [tim.landis@sj-r.com](mailto:tim.landis@sj-r.com). Materials also can be faxed to 788-1407.

From [State Journal-Register](#), 14 September 2001

## DOCTORS CONTROL ROBOTIC SURGERY FROM ACROSS THE ATLANTIC

As if the past week hasn't shown how small the world has become, French surgeons announced Wednesday that they had conducted robotic surgery to remove the gall bladder of a woman in Strasbourg, France - while they were in New York City. Code named "Operation Lindbergh" after the first solo trans-Atlantic flight, which took 33 1/2 hours in 1927, the procedure was carried out Sept. 7 using a fiber-optic network that passed commands across the ocean to robot surgeons in about 155 milliseconds. A millisecond is one-thousandth of a second. "We believe this demonstration of the feasibility of a trans-Atlantic procedure lays the foundations for the globalization of surgical procedures, making it possible to imagine that a surgeon could perform an operation on a patient anywhere in the world," said Dr. Jacques Marescaux, head of digestive and endocrine surgery at Strasbourg University Hospitals. Details of the techniques used for the operation, deemed "completely successful," will be published in an upcoming issue of the journal *Nature*. The 68-year-old patient was carefully briefed about all details of the procedure beforehand, and toured the operating theater and saw the robot arms function. She experienced no complications, was released from the hospital after two days, and is doing well. The operation, using a minimally invasive surgical procedure, took 45 minutes, with the patient under a general anesthetic administered by medical personnel in the operating room in Strasbourg. Two surgeons were also standing by in the room ready to intervene if needed. Marescaux and Dr. Michel Gagner worked the command console for the operation from an

office on the Avenue of the Americas in Manhattan. In all, some 40 medical personnel and technicians were involved in the effort. An optical link and a camera were inserted into the patient's stomach, along with two surgical instruments. The actual surgery was carried out by a ZEUS robotic surgical system built by Computermotion Inc., of Santa Barbara, Calif., first developed in 1995. Key to the operation across more than 4,000 miles was the ability to convert video images and surgical movements into electronic signals that could be transmitted over a high-bandwidth, fiber-optic line at 10 megabits per second, so quickly that they appeared instantaneous to the surgeons in New York. "France Telecom was able to deploy a broadband transmission service with optimized compression, thus limiting the time delay between the command of the action and its return on the monitor to a level that is virtually imperceptible to the human eye," Marescaux said. Marescaux, also president and founder of both the Institute for Research into Cancer of the Digestive System and the European Institute for Telesurgery, has been working on refining remote-controlled operations for nearly a decade. Computer-assisted surgery has been around for several years, with doctors performing delicate operations through artificial-intelligence devices that review proposed moves and then transmit them on to a robot that performs the actual surgery. But this is done using a cable that puts just a few yards' distance between patient and surgeon. Increasing that distance to great distances has been stymied by the time delays imposed by most forms of data exchange. A satellite link, for instance, at best has a delay time of 600 milliseconds, making a reliable, precise surgical manipulation impossible. Doctors determined that the minimum delay acceptable for the signals would be 330 milliseconds. Over time, Marescaux and his team experimented with new transmission systems that speeded things up, first between Paris and Strasbourg, and later New York to Strasbourg. Trial operations were carried out on pigs starting last year and through July of this year, and are also to be reported in *Nature*. Marescaux said he feels the demonstration of remotely controlled surgery marks a third surgical revolution in less than a decade, with the first two being minimally invasive surgery and computer-assisted surgery.

From [Modesto Bee](#), by Lee Bowman, 19 September 2001

## GLOBAL

### INTERNET BECOMING CRUCIAL IN FIGHTING AGAINST WORLDWIDE CORRUPTION

Chairman of the board, Transparency International - The World Wide Web is increasingly a focus of anti-corruption practitioners around the world, and the prospect of an improved flow of information between government and citizens - a two-way flow - is central to the fostering of open government and free access to information. For this reason, the Internet and e-government is an area of increasing importance for Transparency International (TI), an international NGO dedicated to the fight against corruption. In the Internet age, transparency means not only free access to information on the public sector's activities, budget and finance management, but also evaluating performance and making public the results of any assessment of public administration. Best practices are central if we are to remove the scope for discretionary administrative behavior, favoritism, clientelism and discriminatory practices, including bribery. Furthermore, the work of Transparency International's chapters is increasingly involved with the Internet. From Lithuania to Korea to Colombia, they are going online in the fight against corruption. In Lithuania, TI is working with the parliamentary working group on the draft of the National Program on the Development of the Information Society. The chapter is focusing on e-government and transparency in terms of providing public access to government information and providing avenues for public feedback. As well as working with the creators of the e-government program, experts from the TI chapter are working on the preparation of a project that will combine e-government, NGOs and anti-corruption initiatives. The age of the Internet also enables citizens' groups to call politicians to account. In Colombia, Argentina, Ecuador and Panama, TI has promoted greater transparency in election campaigning via the Visible Candidates project. Candidates are publicly called to issue statements about their financial history, campaign financing, their political record and their policies, and a database of candidates is compiled and disseminated to the media on the basis of their submissions. The transparency of public procurement has become an important focus of the work of TI, and we are especially proud that the Seoul Metropolitan Government has introduced - assisted and monitored by TI Korea and other civil society organizations - the Integrity Pact in a number of procurement areas with substantive use of the Internet to further enhance the transparency of the process. Under an Integrity Pact, bidders competing for the supply of goods and services provide a binding assurance that they have not paid any bribes in order to obtain this contract, and an undertaking that they will not do so in the future. Pre-agreed sanctions come into force if this undertaking is breached. In Colombia, the presidential anti-corruption program ([www.anticorruptcion.gov.co](http://www.anticorruptcion.gov.co)) provides information on anti-corruption initiatives and channels for complaints. It also explicitly promotes the implementation of integrity pacts in Colombia's public procurement processes, including the public discussion of tender documents. Transparencia por Colombia is heavily involved in supervising the transparency of public contracting and monitors the response of public officials to enquiries submitted via the web. We are especially proud that the Seoul Metropolitan Government has introduced - assisted and monitored by TI Korea and other civil society organizations - the Integrity Pact in a number of procurement areas with substantive use of the Internet to further enhance the transparency of the process. Four keys to open and transparent e-governance are: accountability; a well-functioning legislative framework and judicial system; best practices to ensure transparency, fairness, equal access, and security; and independent monitoring. But there are dangers, too, for instance the possible misuse of public data/user traffic information - either by government agencies or by private partners, conflicts of interest and the growing problem of e-fraud. Some public agencies (for example, customs, city development, and tax collection) are more prone to corruption than others. We will see what e-government can offer in these areas - both the opportunities and the dangers. In the case of automated customs processing, the removal of corrupt intermediaries can remove an enormous number of bribes from the process, but even on the internet a public service ethos is required in the case of customs and excise, tax collection, procurement, tenders and business licensing.

From [Korea Herald](#), by Peter Eigen, 1 September 2001

**Public Finance**

***ASIAPACIFIC***

## BUDGET FUNDS NEED A MEDIUM-TERM PLAN

Budget spending should be based on a medium-term outlook of at least three years, says Chaturon Chaisaeng, a PM's Office Minister overseeing the Budget Bureau. Plans to establish a medium-term expenditure framework are aimed at improving the design of spending programmes that extend over several years. Mr. Chaturon said the framework would present a clearer picture of how programmes integrate with overall government development policy. Establishing the expenditure framework is one of several proposals made by an 18-person screening committee overseeing reforms to the 1959 Budget Act. The overall goal of the reform is to improve efficiency in budget planning and maximise benefits gained from spending programmes. Mr. Chaturon, who chairs the reform committee, said the changes would also be structured parallel with other reform measures aimed at overhauling the civil service and decentralisation of authority to local administrations. "Budget planning and spending must better reflect government policy. In the past, the budget was drafted as each department submitted their spending requests to the Budget Bureau, with each minister serving as a middleman," he said. But reforms would increase the role and responsibilities of ministers in establishing a spending plan in line with government policy. Monitoring the effectiveness and performance of budget spending and planning would also be strengthened. Mr. Chaturon said a system of assessing the effectiveness of past programmes and proposed new spending projects had to be established, with the elimination of those not matching overall government policy. "In the past, we have never had an assessment system for budgetary expenditure, where a clear conclusion was drawn on how effective a given programme was in accomplishing overall government policy," he said. Reforms would also increase the authority of the legislative branch and elected parliamentary officials in screening the budget. Proposals call for the new budget bill to give Parliament a greater say in the drafting and design of the fiscal budget and spending programmes, in contrast to the current system where MPs only vote to approve or reject a bill in its entirety. The Budget Bureau would see its own authority in budget planning reduced under the new system, although it would probably take a lead in analysing budget needs and its impact on the macro-economy.

*From [Bangkok Post](#), by Wichit Sirithaveepom, 5 September 2001*

## CHAEBOL ASKED TO PROMOTE TRANSPARENCY BEFORE DEMANDING RELAXATION OF RULES

Lee Nam-ki, chairman of the Fair Trade Commission (FTC), yesterday said the government would push current policies designed to prevent major conglomerates from monopolizing the economy. "I believe it is necessary to go ahead with the related policies for the time being," Lee said during a breakfast meeting with a group of business leaders at the Hotel Shilla, yesterday. Since the financial crisis, the commission has been trying to strengthen the monitoring of chaebols' inside and outside business transactions, Lee said. But more policies need to be introduced toward that end as it will take considerable time for the existing systems to take effect, he added. Regarding the envisioned improvement of corporate governance, he said, "I think the enterprises' endeavors have totally failed. "Although the business sector has called for deregulation to the same extent as seen in Japan, business practices between Korean and Japanese companies have been totally different," he said. As the chaebol system exists only in South Korea, this country needs to have a unique regulatory system, he said. Concerning the naming of the 30 major conglomerates by asset size, he said the FTC's recent work in improving the measurement system needs to be part of efforts that speed up market-friendly structural reform. "It is necessary to harmonize corporate restructuring while continuing to invigorate business activities within the framework of curbing the concentration of economic power," he said. Lee acknowledged there has been a gap in opinion between the government and the business sector with regard to how to change management practices at the enterprises. "Policies that prevent the concentration of economic power are not perpetual and need to change once transparent management is guaranteed and the ownership system is improved," he noted.

*From [Korea Times](#), by Shim jae-yun, 1 September 2001*

## OFFICIALS VOW TO BRAVE CHALLENGE

Suzhou: Finance Ministers of the Asia Pacific Economic Co-operation (APEC) yesterday wrapped up their two-day meeting with a consensus that their economies are capable of beating the current regional downturn. In a joint statement, the ministers also voiced their support for globalization but stressed that rules and policies need to be made to ensure it benefits "all of its participants." The meeting, held in Suzhou - a picturesque city near Shanghai - served as a preparatory conference for October's APEC informal leaders meeting in Shanghai. "A remarkable achievement of the finance ministers' meeting is that we have built up confidence to overcome the difficulties in the current economic situation," said Xiang Huaicheng, China's finance minister and chairman for the Eighth APEC Finance Ministers Meeting (AFMM). Regional economic development and prospects were key issues at the AFMM conference. Discussions also incorporated structural reforms - deemed necessary for improving the ability of economies to cope with emergencies - and the promotion of development on a fair and equitable basis; a topic prompted by the controversial issue of globalization. Many delegates said they expect the regional economy to recover by the end of the year, thanks to the effective stimulating measures, such as interest rate cuts, taken by member economies. This year, the world's economy is enduring a slowdown due to the simultaneous actions of the United States and Japan - both APEC members - as well as Europe, an important trading partner for the APEC region. However, in sharp contrast to the devastation suffered in the 1997 and 1998 Asian financial crisis, the current slowdown's impact on the region has been muted. Economists from the World Bank said the Asian economies' resilience to unfavourable conditions have been strengthened by the structural reforms - namely in fiscal policy management, banking sector regulation and corporate governance - implemented in the wake of the financial crisis. Encouraged by this

achievement, the APEC finance ministers renewed their commitment to structural reforms, saying "financial and corporate sector difficulties need to be fully resolved." Xiang said China is playing a stabilizing factor in the current slowdown by maintaining a strong growth, although it is also affected by the difficult global situation in the form of contracting external demand. He said China will continue to pursue the proactive fiscal policy - which started in late 1997 and features the government's massive input in infrastructural construction - in 2001 to help its economy stay in the fast track.

*From Agence France Presse, by XuU Binglan, 9 September, 2001*

## COFFEE EXPORTERS ASK GOVERNMENT TO IMPOSE QUOTA SCHEME

Jakarta: Local coffee exporters called on the government to introduce a quota scheme to limit the market share of foreign exporters operating in the country. Chairman of the Association of Indonesian Coffee Exporters (AEKI) Hassan Widjaja said a quota for coffee exports was crucial to enable local exporters to compete with foreign coffee traders. "We desperately need a quota system to protect local coffee exporters as about 70 percent of the country's current coffee exports are controlled by foreign traders," Hassan said in a hearing with House of Representatives Commission V for industry and trade affairs. Hassan said that without a policy, local exporters would be sidelined and in the end the country's coffee exports would be fully controlled by foreigners. However, he could not yet provide specific details, saying the association was still drafting the criteria and guidelines for the proposed scheme. Hassan said that foreign coffee traders had strong capital and a network, but most had no interest in investing in the country to help create jobs. Coffee exports from here stood at 310 million tons last year. Hassan said the association had predicted the country's exports would fall short of the targeted 320,000 tons this year. "Our exports will plunge by 30 percent to 240,000 tons this year, mainly due to a fall in the country's production," Hassan said. He attributed the plunge in coffee output to the growers' lack of proper cultivation of trees following the continued pressure on coffee prices. Many coffee growers have suffered losses due to low international prices for the commodity, which in turn has forced them not to cultivate their trees properly. "They are no longer able to afford a higher cost of production," he said. He said coffee prices were hovering at about Rp 2,000 (22 U.S. cents) to Rp 2,500 (27 U.S. cents) per kilogram, while the cost of production ranges between Rp 3,000 and Rp 3,500 per kilogram. Coffee prices have been under protracted pressure amid an oversupply in the market following higher coffee supplies coming from the world's largest coffee-producing countries, Brazil and Vietnam. Brazil's output accounts for 1.95 million tons per year, followed by Vietnam with 720,000 million tons per year. Brazil and Vietnam control 38 percent of the world's coffee production at 6.84 million tons. Hassan said coffee prices would recover if Brazil and Vietnam were willing to cut their supplies on the international market. The association also plans to campaign for supply reduction measures during the upcoming meeting of the Association of Coffee Producing Countries (ACPC), to be held in London next September, in an effort to prop up prices, Hassan said. He did not, however, specify as to how far Brazil and Vietnam must limit their coffee supplies, saying only that they should be curtailed "until supply and demand on the international coffee market have reached its equilibrium level."(dmr)

*From [Jakarta Post](#), 8 September 2001*

## EUROPEIGIS

## SCHRÖDER SEALS DEBATE ON INTERNATIONAL CAPITAL FLOW

Berlin - A day before a Franco-German inter-governmental summit, German Chancellor Gerhard Schröder voiced his concerns over proposals put forward by French Prime Minister Lionel Jospin to push for a global a tax on short-term speculative currency transactions. Schröder, speaking at an economic conference hosted by his Social Democratic party in Berlin, said that the so-called Tobin tax was just one of the instruments that should be considered in debates on how to limit the speculative flow of capital. But he warned that the tax had "grave weaknesses". The tax, named after U.S. economist James Tobin who proposed its introduction in the 1970s, has been promoted by non-governmental organizations to curb speculation and to raise funds for developing countries. Schröder pointed to legal, political and practical problems in implementing such a tax. They included the question on how speculative flow of capital can be recognized and restricted. Not least there would be the risk that "new speculation oases" would be established in countries which chose not to participate in levying the tax, the Chancellor said. But Schröder also warned against disregarding young people's concerns about globalization. He said there were many people who were deeply unsettled by the speed of change. Politicians would be well advised to take seriously the concerns of non-governmental organizations over "an uncontrolled dominance by the international finance markets and global corporations", he said. Globalization, Schröder argued, not only had economic but also social, moral and ecological dimensions. It should also mean "global justice and solidarity", he told the conference. The Chancellor noted that World Trade Organisation Director General Michael Moore had said he shared around 80% of the arguments put forward by the critics of globalization. Schröder said even though he would not go this far, he believed that politicians had to play a role in shaping the globalization process. This should include a debate on how international flow of capital can be made more transparent. Finance Minister Eichel (SPD) has also spoken out on several occasion against proposals to introduce the Tobin tax. EU finance ministers will be discussing the issue at their next informal meeting in Liège, Belgium, this month.

*From [Handelsblatt](#), 5 September 2001*

## MCLEISH UNVEILS LEGISLATIVE PLANS

New Bills have been laid before the Scottish Parliament - First Minister Henry McLeish has announced detailed plans for 18 new laws in the coming term of the Scottish Parliament. The package includes free personal care for the elderly, reform of mental health laws, a clampdown on serious violent and sexual offenders, land reform, freedom of information and new moves to protect children. Mr. McLeish told MSPs on Wednesday that the package proved devolution was working for the people of Scotland. But opposition parties said the proposals did not go far enough in providing the reforms that were needed. Mr. McLeish said that four new Bills would be introduced in the area of social justice "very soon". He said one of these - the Community Care and Health Bill - would "prepare for implementation of free personal care and free nursing care". "The introduction of free personal care addresses a major injustice - the anomaly that imposes the costs of long-term illness such as dementia and stroke on individuals and families, when the sometimes comparable costs of more acute illness such as cancer and heart disease are fully met by the state," he said. The first minister also promised a Mental Health Bill that would "strengthen the rights of mental health service users and their families". **Sex crime** - The legal system will also be reformed through the new Criminal Justice Bill. Mr. McLeish said this legislation would contain "new measures for the control and treatment of serious violent and sexual offenders". He also said the executive would introduce "a Bill to replace the diligence of poinding and warrant sales with a humane and workable alternative". This would be designed to "ensure that the interests of some Scotland's poorest people are protected - while at the same time safeguarding the legitimate rights of creditors". A Land Reform Bill will also be put before MSPs during the new session. Mr. McLeish said: "This will provide a right of responsible access to land and inland water for recreation and passage, a community right to buy when land comes to be sold, and a crofting community right to buy croft land." Local government is another area that has been targeted for reform through two separate pieces of legislation. The first minister said: "The Scottish Local Government (Elections) Bill will contain the executive's proposals for four-year terms for councils." **Water Bill** - This will defer the next local government elections by one year until the executive finalises the change in 2003. Mr. McLeish said the second local government bill will "provide a framework for better, more responsive local government services" and give councils "more flexible powers". It will also sound the death knell for compulsory competitive tendering, which was introduced under the Conservative government. But the first minister made no mention of proportional representation being introduced in the near future. Elsewhere, the Water Industry Bill will establish a single authority - Scottish Water. Another, geared at the environment, will aim to "promote the sustainable management" of water dominated landscapes in Scotland. Mr. McLeish said a Public Bodies Bill would implement "certain recommendations" from the review of quangos and create a commissioner to oversee all major public appointments in Scotland. The first minister finished his address to MSPs by promising "several measures aimed at improving people's lives". **Protecting children** - "We plan legislation to improve the education and welfare of Scotland's children in a number of ways," he said. "We will be introducing a Bill for the Protection of Children. "This will have two main functions: to set up an index of adults unsuitable to work with children and to disqualify those on the index, and those convicted of certain serious offences against children, from working with children." He also said a new career structure for teachers would be brought in through the School Education (Amendment) (Scotland) Bill. The venue of civic marriages will also be widened through the Marriage (Scotland) Bill but there was no mention of the promised easing of divorce law. A Freedom of Information Bill will also become law providing "a legal right of access to information held by a wide range of Scottish public authorities". Mr. McLeish said that a "a fully independent Scottish Information Commissioner will have strong powers to promote and enforce the legislation". This, he added, will be complemented by a "Scottish Public Sector Ombudsman Bill, which will set up a modern public sector complaints system".

*From BBC, 5 September 2001*

## PAPANTONIOU OUTLINES SECOND ROUND OF REFORMS

The tax reform which will be adopted in 2003 will be part of the "second generation" of structural reforms the government will undertake, National Economy and Finance Minister Yiannos Papantoniou told a business audience in Thessaloniki on Saturday. Papantoniou was speaking at the general assembly of the Central Association of Chambers of Commerce and Industry. The new tax reform, Papantoniou said, will have two goals: to reduce taxes "for all taxpayers," including enterprises, and to simplify procedures. He added that this will be the first major overhaul of the taxation system since 1950. The new structural reforms will focus mostly on education, health and social services, including social security. No more privatization - The era of privatizations is now over, or almost. Of the 30 privatizations the government had undertaken, only four remain: the Hellenic Industrial Development Bank, Olympic Airways, the Hellenic Shipyards and Helexpo, the trade fair organizers. Papantoniou said there would be no more privatizations, but added that the government would "deepen" the existing ones, that is, relinquish its majority status in privately privatized firms. Papantoniou defended the government's fiscal policies, saying that under his tenure, public debt had been reduced to less than 100 percent of the country's gross domestic product. In the last year alone, the debt was reduced from 104 percent to 99 percent of GDP, allowing Greece to spend 300 billion drachmas less in servicing the debt. The amount will be used to boost social spending, Papantoniou said. In 2004, the minister said, economic growth will exceed 5 percent annually, inflation will have fallen below 3 percent and budget surpluses, first achieved in 2001, will keep growing. As for unemployment, he said that it peaked at 12 percent in 1999 and that it has fallen to about 10 percent this year. He predicted an even steeper drop by 2004. Earlier, Papantoniou met with representatives of the Association of Northern Greek Industries (SVVE) and the Federation of Greek Industries (SEV), who asked him to begin releasing the 180 billion drachmas promised in aid to various Balkan countries, to ensure the smooth flow of European Union funds from the third Community Support Framework program, and to create a tax system friendlier to businesses. Papantoniou replied that a bill releasing funds for Balkan aid will be voted on by Parliament next month and that dialogue on tax reform will begin soon and continue through next year.

*From [eKathimerini.com](http://eKathimerini.com), 10 September 2001*

## MIDDLE EAST

## BAHRAIN TO UNVEIL LAW ON FINANCIAL TRANSPARENCY

Bahrain will introduce a draft law setting new standards for financial transparency to provide foreign tax authorities access to bank accounts and other financial records of companies and individuals accused of civil or criminal tax offences on the island or elsewhere. A statement from the Finance and National Economy Ministry said: "This will apply even if the alleged offence would not constitute a crime in Bahrain." The move comes on the heels of Bahrain's decision to take part in the Paris-based Organisation of Economic Cooperation and Development's (OECD) initiative on harmful tax practices. This law will make the island, which will be recognised by the OECD as a cooperative jurisdiction, the first GCC country to join the OECD's global initiative against harmful tax practices. The government will ensure there are no non-transparent features of its tax system, such as rules that depart from accepted laws and practices, secret rulings, or the ability of investors to "elect" or to "negotiate" the rate of tax to be applied. The government will also ensure that: " No new regime or practice is introduced that fails to comply with the principles of transparency and effective exchange of information. " No existing regime or practice is modified to not comply with the principles of transparency and effective exchange of information. " The existing practices regarding transparency and effective exchange of information are not reduced or curtailed. Some of the main highlights of the proposed draft law follow: \* Exchange of all relevant information on civil and criminal tax matters on the request of other tax authorities. \* Establish a legal mechanism that allows tax information to be exchanged on a reciprocal basis with other tax authorities upon request. To this end, enter into information exchange agreements for criminal tax matters by December 31, 2003, and for civil tax matters by December 31, 2005. \* Provide information without regard to whether or not there is any interest on the part of Bahrain in the case, or in obtaining information. \* In the case of information required for the investigation and prosecution of criminal tax cases, the information will be provided without the requirement that the conduct being investigated would constitute a crime under the laws of Bahrain if it occurred in Bahrain. \* Bahrain will have administrative practices and resources in place so that the legal mechanism for exchange of information will function and be monitored effectively. \* If necessary, any further legislation will be enacted to ensure that information on beneficial ownership of companies, partnerships and other entities, setting up and benefiting from trusts, is available to its authorities. This includes companies and other entities operating from Bahrain, but incorporated or established elsewhere. Beneficial ownership information will be subject to exchange under the tax information exchange agreements. \* Regulatory and/or tax authorities of Bahrain will have access to bank information to the extent that the information is relevant to a taxpayer's tax affairs in another state, and such information will be subject to exchange under the tax information exchange agreements.

*From Gulf News, 21 September 2001*

## THE AMERICAS

### BRADESCO'S INTEREST IN STATE BANK PRIVATIZATION IS 'RELATIVE'

The interest of Brazil's top private bank Bradesco in state banks scheduled for privatization is "relative", said bank chairman Márcio Cypriano, explaining that Bradesco follows all cases for privatization. However, in the states served by Besg (Goiás), Paraiba (Paraíba) and Besc (Santa Catarina), Bradesco already has a large amount of branches. Cypriano said that the only reason Bradesco would invest in these areas would be to get a stake of the market of paying civil servants and state government suppliers.

*From [Gazeta Mercantil](#), 1 September 2001*

### WEB SITE WILL ALLOW PAYING TAXES VIA INTERNET

Washington - The Treasury Department will unveil Thursday a system to let companies and individuals file tax returns and pay taxes via the Internet, Deputy Treasury Secretary Ken Dam said, according to the Wall Street Journal's online edition on Wednesday. The system also will allow taxpayers to check the status of their taxes anytime on the Web, and to have quarterly estimated taxes deducted automatically from their bank accounts, the report said. The step attempts to move the notoriously bureaucratic Internal Revenue Service closer to a long-sought goal of becoming more like banks and credit-card companies in this regard, the article said. The current electronic-payment system requires filers to use special software and dial into the Treasury's computer system. Just under two million companies -- mainly big ones -- use the cumbersome process, while about nine million either have declined to sign up or have registered but rarely used it, the report said. A mere 12,500 individuals file using the electronic system, though more do indirectly through preparers, according to the Treasury. "This offers direct access" for the first time, Dam said. "We are, amazingly enough, real leaders in various aspects of e-government," Dam added, according to the article. The system will be available for taxpayers to use this week at the Web site of the Electronic Federal Tax Payment System, [www.eftps.com](http://www.eftps.com), the newspaper said.

*From iWon, 5 September 2001*

### CAMPAIGN FINANCE REFORM HEATS UP

Washington -- Backers of campaign finance reform are trying to reignite the volatile issue in the House after legislative efforts imploded earlier this summer. Supporters have nearly enough signatures on a special discharge petition, a mechanism that allows

House members to bring legislation to the floor even if the leadership doesn't want to advance it, to force debate. The petition now has 205 signatures; 218 are needed. But that doesn't guarantee final passage. At least two of the signatures are from lawmakers ultimately unlikely to vote for the bills as currently drafted, West Virginia Democrats Alan Mollohan and Nick Joe Rahall. Both men have expressed serious concerns about the free speech implications of limiting certain types of donations and mandating public exposure of donors. "It does not equal how I feel about the legislation," Mollohan said of signing the discharge petition. "I have a lot of concerns about putting limits on the freedom of speech. The more I think about it, the more I'm concerned." Rahall said he signed the petition because he believes there should be debate on the legislation. "As a longtime supporter of campaign finance reform, I believe reform measures should be debated in the House, but the rules of that debate should allow amendments ensuring the rights of citizens to participate in the political process," he said. But one member of the delegation who has said she very much wants to debate the issue has kept her name off the petition. Republican Shelley Moore Capito hasn't signed on. As a newcomer, undecided member and participant in one of the most expensive congressional races in the country, Capito has been a target for both sides of the reform debate. Capito said she prefers to pursue legislative action through traditional means and has talked with members of the Republican leadership about bringing a reform bill back to the floor. She said she has no plans to sign the discharge petition. "This is not an issue that should lay on the table for the next two years," Capito said. She said her vote in July to debate the legislation is proof of her interest in discussing the issue; reformers said restrictions on the debate then would have produced a bill without teeth. Scott Harshbarger, the president of reform group Common Cause, said, "Any member of Congress who claims to want a fair debate on campaign finance reform should sign the discharge petition." The Senate this spring passed a similar version of campaign finance reform. Both West Virginia senators voted for the measure. The use of a discharge petition to bring campaign finance legislation up in the House is not unusual. Backers have employed the tactic twice before -- and twice before passed a bill by comfortable margins. That outcome isn't ensured this time around, with Democrats like Rahall and Mollohan and members of the Congressional Black Caucus proving skeptical about the legislation and its effects on Democratic and minority candidates.

*From [Charleston Daily Mail](#), by Karin Fischer <[kfischer@dailymail.com](mailto:kfischer@dailymail.com)>, 6 September 2001*

## IRS SITE TO MAKE FILING LESS TAXING

Washington - The Treasury Department will unveil Thursday a system to let companies and individuals file tax returns and pay taxes via the Internet, Deputy Treasury Secretary Ken Dam said. The system also will allow taxpayers to check the status of their taxes anytime on the Web, and to have quarterly estimated taxes deducted automatically from their bank accounts. The step attempts to move the notoriously bureaucratic Internal Revenue Service closer to a long-sought goal of becoming more like banks and credit-card companies in this regard. The current electronic-payment system requires filers to use special software and dial into the Treasury's computer system. Just under two million companies--mainly big ones--use the cumbersome process, while about nine million either have declined to sign up or have registered but rarely used it. A mere 12,500 individuals file using the electronic system, though more do indirectly through preparers, according to the Treasury. "This offers direct access" for the first time, Dam said. "We are, amazingly enough, real leaders in various aspects of e-government." The system will be available for taxpayers to use this week at the Web site of the Electronic Federal Tax Payment System, [www.eftps.com](http://www.eftps.com). Dam described the new electronic-tax plan in his first lengthy interview since taking office last month. The one-time International Business Machines Corp. executive's portfolio at the Treasury will include technology matters. Dam, a deputy secretary of state during the Reagan administration, also will handle certain diplomatic matters, acting as Treasury's representative on the White House National Security Council. In that role, he will travel to India next week to further the Bush administration's recent moves toward "deeper engagement" with that nation and helping improve strained commercial ties between the U.S. and India. Dam confirmed that the administration is considering lifting sanctions against India imposed three years ago after its successful nuclear-weapons tests. "There really haven't been any high points in U.S.-India relations in a long time," Dam said. During his stay in Asia, he also will become the administration's first senior economic official to visit South Korea and will stop in Japan. Treasury officials hope the 69-year-old Dam's long-delayed assumption of the department's No.2 slot will help stabilize Treasury Secretary Paul O'Neill's sometimes shaky reign. While O'Neill tapped Dam back in January, Sen. Jesse Helms (R., N.C.), locked in a dispute with Treasury's Customs Service over textile imports, blocked a confirmation vote on Dam and many other Treasury nominees until early August. Dam and others worked for the Treasury until then as "consultants" and were limited in the duties they could perform. "He's a person who doesn't have any hesitation to tell me the truth; if I'm off the edge, he tells me," O'Neill said. Referring to their 30-year friendship, which began when the two were staffers at President Nixon's Office of Management and Budget, O'Neill said: "He doesn't feel any inhibitions about saying to me, 'You're pressing the limit.'" Dam also is working on resolving a nasty trade dispute with Europe over tax breaks given to American exporters, a policy the World Trade Organization has ruled improper and which has drawn European Union threats of sanctions totaling \$4 billion. He said the administration is torn about whether to appeal the WTO ruling, and that officials are struggling to fashion a response in the event an appeal fails. Dam, currently on leave from the University of Chicago Law School, will be the Treasury's point man in the administration's blitz to press Congress for fast-track authority to negotiate free-trade agreements. He said he will also push trading partners to lift barriers for U.S. financial-service companies. "We certainly think it would be in the interests of both the U.S. and many developing countries," he said. "We have a comparative advantage in providing financial services."

*From [ZDNet](#), by Jacob M. Schlesinger, 6 September 2001*

## IRS ACCEPTS PAYMENTS ON WEB

People and companies can now pay all federal taxes on a secure Web site that promises greater convenience and reduced paperwork. The initiative, to be announced today but already operational, opens to all U.S. taxpayers a Web site that is part of the Electronic Federal Tax Payment System, or EFTPS. The site, [www.eftps.gov](http://www.eftps.gov), has collected more than \$1.9 billion in taxes during the past year, primarily from businesses in a pilot program. "Technology can do many wonderful things," said Deputy Treasury Secretary Ken Dam. "Unfortunately, it can't make taxes disappear, but EFTPS-Online can make taxes less painful to pay." Any federal tax can be paid using the system, which is free. Internal Revenue Service officials say it should be particularly attractive to individuals who make quarterly estimated payments. In fiscal 2000, about 39.2 million estimated tax payments were made. Taxpayers must enroll in the system by going to the Internet site and following the prompts. Necessary information includes a taxpayer identification number -- for individuals, that means a Social Security number -- as well as precise spelling of the taxpayer's name and bank information. After enrollment, the taxpayer will receive a confirmation kit that includes a password for the Internet site. A separate mailing will include a unique personal identification number for additional security. Among the promised benefits for taxpayers are:

- Confirmation that the IRS received a payment in the form of a printable acknowledgment number.
- Direct transfer of the payment to the government from a bank account on a specified date.
- Ability to review tax payment history, up to 365 days for individuals and 120 days for businesses.
- Advance scheduling of payments.

IRS officials say the system will reduce paperwork, improve cash flow for the government, and improve the agency's accuracy and responsiveness to taxpayers. About 3.5 million individuals and businesses have enrolled in the overall electronic payments program, which allows payments by telephone, over the Web site and through a dial-up program using computer software. More than \$5.7 trillion in taxes has been collected since the program began in 1996. Terry Lutes, director of IRS electronic tax administration, said the online system is more secure than those used by banks. It includes dedicated hardware -- several layers that are difficult to breach -- and 24-hour-a-day, seven-day-a-week monitoring by the IRS, he added. "If somebody were to try to gain unauthorized access, they would have significantly more difficulty than they would with a system in the private sector," Lutes said.

*From [Washington Post](#), b Curt Anderson, 6 September 2001*

## **SENATOR ROD SMITH ANNOUNCED THAT THE STATE DIDN'T HAVE ANY MONEY AND WASN'T GOING TO GET ANY**

Senator Rod Smith (D-Alachua) announced at the beginning of the legislative forum held last Wednesday, Sept. 5, in Union County, that the state didn't have any money and wasn't going to get any money. "And if you get any money don't spend it," noted Smith. "Put it somewhere they can hold it for 30 days." Senator Richard Mitchell (D-Jasper) and Representative Aaron Bean (R-Fernandina Beach) seemed to agree with Smith's observation for the 2002 legislative session. "Last year they told me that it was going to be the tightest year it's ever been for the state," said Bean. "I've been told this year that it's going to be even tighter." Despite these grim words of forewarning of a tight budget year, county, city and school board officials, along with several others from the county, presented their wish list to the legislators. Library support - Ginny Bird, director of the New River Public Library Cooperative, was the first to address the legislative delegation, requesting continued support for the library cooperative that represents the counties of Baker, Bradford and Union. "A few of the things that the cooperative does for the libraries and its users is providing telecommunications and automation services for the libraries; big projects that allow Internet access for library users, as well as our online catalog so that we can share resources," said Bird. "In addition, we provide performers for children's programs and supplement book budgets. "Another service that the cooperative provides is bookmobile service to areas of the counties that are underserved," Bird continued. "We also provide a children's outreach service to daycare centers in the counties. This is a new project this year. Our children's outreach assistant will travel to daycare centers to present stories, which is all part of reading readiness for preschool age children. "All of these services for residents of the area are made possible by state aid to libraries," note Bird. "I want to thank you for your past support of this appropriation, but I know that I cannot take this appropriation for granted. Requests for funding are infinite and state resources are finite. "But, I am here to tell you that libraries are one of the good ones," Bird concluded. "The services that we provide to residents of the area enhances the quality of life in each county. But you know that students use the libraries. Books and the Internet are used for school projects. Caregivers bring preschoolers to storytime, adults have current fiction and how-to-books, and materials for their school work if they are retraining. Some need large print books, libraries have those too. Others may check out books on tape to listen to as they commute to work. There is something for everyone - The New River Cooperative received more than \$280,000 in state aid during the current fiscal year, which is the coop's sole source of revenue. These funds were used to support the bookmobile and materials for the bookmobile, which serves all three counties. It also paid for the automation system and telecommunication systems which allow for Internet service to all three county libraries. It also helped to pay for new materials at all three county libraries, with the balance paying for salaries for New River Library Co-op personnel. Mary Brown, director of the Union County Public Library, followed Bird with her appreciation for the state aid that supported the Union County library last year at around \$83,000. The amount of state aid to each county is based on local appropriations. "Last year when I came before you, I quoted my six-year-old son, who said that people need books so they can learn to read," said Brown. "This year, he is a little older and wiser and said that people need books so they can get smart." Senator Mitchell followed Brown's comments, saying "When he says you need books to meet girls, you're going to be in trouble." Worthington Springs - Jimmy Cason, mayor of the town of Worthington Springs asked legislators for support for another Florida Recreation Development Assistance Program (FRDAP) grant for completion of the work being done at Chastain-Seay Park at the Santa Fe River. "Thank you for the FRDAP grants," said Cason. "The last \$50,000 grant we received made \$262,500 Worthington Springs has received. That means a lot to a small town like Worthington Springs, which doesn't generate much revenue. We all work free - including myself. "The main project for the past two years has been the park at the Santa Fe River," Cason continued. "I would like to commend Jerry Scarborough with the Suwannee River Water Management District, who has been helpful to us with

this project. "I would like to invite all of you to come see our park," said Cason. "It will be closed for six months, beginning Oct. 1, for bridge construction." The town of Worthington Springs has received more than \$212,000 for the Chastain-Seay Park. These funds have been used to construct restroom facilities, several covered picnic areas, a large covered pavilion, playground equipment and wooden walkways in the park. The \$50,000 grant the town just received for the park across from city hall, will be used to upgrade the ball field, to construct restroom facilities and to add new playground equipment. Extension/4-H programs - Union County Extension Agent Jacque Breman presented a review to legislators of the benefits of the extension and 4-H programs in Union County. Breman noted the many educational programs presented for farmers in Union County during the past year and the assistance provided by the extension office to residents with questions regarding everything from fishing ponds to lawn care. "Our mission is to develop knowledge in agricultural resources, human resources, natural resources and life sciences to make that knowledge accessible to people to sustain the quality of human life," noted Breman. "In Union County we do this by conducting education programs. Education content and emphasis is based on recommendations of the agriculture and family, 4-H youth and community sciences program advisory committees. Individuals representing Union County residents serve on these working committees to guide, review and account for extension staff and volunteer education program efforts." Cancer issues - Margaret Shaw, cancer control manager with the American Cancer Society, addressed the legislative delegation regarding support for issues on the 2002 agenda, which include the Florida Tobacco Control program, constitutional amendment for smoke-free health and Florida Bio-Medical research project. "The governor (Jeb Bush) vetoed more than \$6 million in last year's budget that had been approved by the house and senate," said Shaw. "I'm hoping to have your support during the upcoming legislative session on these issues." Senator Smith was the only one to comment on this issue, stating that he was opposed to any changes to the constitution. "This issue should be handled by statutes," said Smith. "That's what we have laws for and that's where it belongs."

*From Bradford County Telegraph, 13 September 2001*

## **NEW ORDINANCE PASSED TO SAVE TAXPAYER DOLLARS**

Lehi - A new ordinance has been adopted by Lehi City that has the future potential to save taxpayers millions of dollars in court and property cleanup costs. The adoption of the Administrative Enforcement Hearing Program for the nuisance and abatement process is patterned after a law that was created after a Salt Lake County municipality had spent exorbitant amount on legal and contractor fees. "Harvey Street in West Valley City cost the city several million dollars and many years to clean it up," Lehi Mayor Ken Greenwood said. "If they had an ordinance like this in place it would have saved them the expense and the heartache of taking care of it." A rather lengthy document, the ordinance simplifies the nuisance and abatement process, putting the responsibility of the cost of cleanup in the property owner's pocket. "They (West Valley City) let themselves get into problems and tried wade themselves out," Greenwood said. "We are trying to avoid the problems instead of solving them after they are already there." A fictitious example to illustrate the new ordinance would be a property owner who for years has tied a city's complaint of a unsafe and cluttered property in court costing taxpayers thousands of dollars in legal fees. After the case is found in favor of the prosecution, there was no ordinance in place to hold the owner responsible for the costs. Cleanup costs could vary from a few hundred dollars for junk car removal to millions as occurred in the West Valley City case. With the new law, a complaint would no longer be in criminal court, but would be placed in civil court and additionally changes the need of court evidence where the prosecutor or defendant can use a preponderance of evidence to show reasonable cause. "This gives the city recourse to collect on the cost and it can be handle in civil instead of criminal court," Greenwood said. "It puts a little bit more of a responsibility on the property owner with civil penalties." Before if a property owner had an unreasonable "mess," each item had to be identified in the perceived disorder. It created problems, because owner could remove specific items and property could still be cluttered, unsafe and unsightly. There is little danger, said Greenwood, that zealous enforcement of this law would create havoc for Lehi citizens. "All the safeguards of unreasonable search and seizure are still in place," Greenwood said. "You have to give your consent to have the city come on your property or the city will have to go through a search warrant process. They can't do anything without the due process of law."

*From [New Utah](#), by Cathy Allred, 13 September 2001*

## **NEW RULES ADDRESS PROMPT-PAY ISSUES – INSURANCE CARRIERS NOW HAVE LESS TIME TO AUDIT CLAIMS**

Austin - State Insurance Commissioner Jose Montemayor adopted new rules Thursday aimed at making health insurers and HMOs pay doctors more promptly. The new rules, which apply to services rendered on or after Sept. 12, will limit the time that an insurance carrier can audit a claim it has questioned and also restrict the amount of supplemental information that a carrier can require before making payment. "Texas doctors and providers have a legal right to payment within 45 days of sending in their clean claims," Mr. Montemayor said. "These rules remove some of the ambiguities and loopholes that stood in the way of prompt payment." In a related development Thursday, acting Lt. Gov. Bill Ratliff appointed a special interim Senate committee to look at the issue of slow payment of health insurance claims. The panel will look at possible changes in state law to compel more timely payment of claims by health insurers and HMOs. The committee will be chaired by Sen. Jane Nelson, R-Flower Mound. Earlier this year, Gov. Rick Perry vetoed a prompt-payment bill passed by the Legislature, angering physician and hospital groups across the state. Mr. Perry, who said the measure would have spurred frivolous lawsuits, subsequently asked Mr. Montemayor to write new state rules on payment of medical claims. Mr. Perry had been urged to veto the legislation by Texans for Lawsuit Reform, whose members have been the Republican's biggest single group of financial contributors in his political campaigns. The Texas Medical Association was still reviewing the new rules by Mr. Montemayor on Thursday evening. "The original proposed rules were a step in the right direction," said Ken Ortolon, a spokesman for the association. "We plan to review the rules that were announced today as soon as

possible." Mr. Montemayor also said Thursday that he intends to appoint a working group to study remaining obstacles to prompt payment of "clean claims." The group will include physicians, providers and representatives for health insurers and HMOs. "The Texas Department of Insurance will follow up by identifying solutions that can be addressed through the rulemaking process and will publish rules that are fair both to the health-care community and to insurers and HMOs," he said. The commissioner said the new rules address some of the most frequent complaints by doctors and hospitals, such as that health insurers often require multiple pieces of information outside the control of the medical care provider. The new rules also restrict the insurance company's ability to avoid prompt payment of claims through contract language that extends the time for payment.

*From [Dallas Morning News](#), by Terrence Stutz, 14 September 2001*

## Private Sector Development

### AFRICA

## PRIVATIZATION IN AFRICA: LESSONS FROM EXPERIENCE

Following independence from colonial powers African countries have failed to achieve the rates of economic growth that has been achieved by some of the nations of Asia. In many countries of Africa there is still a lack of basic infrastructures, such as poor roads, inadequate electricity supply services, and in some cases no means for communication. Most post-colonial African states were characterised by high levels of government ownership of enterprises, high levels of economic regulation, and the explicit suppression of financial markets and exchange. Most African governments chose the state-owned enterprise as the main methodology for economic development in the 1960s, 1970s and early 1980s. The results are acknowledged to have been disappointing. The World Bank highlighted this failure in a 1986 paper on public enterprises in Africa where it stated 'public enterprises present a depressing picture of inefficiency, losses, budgetary burdens, poor products and services'. For example a 1990 report by the Societe Nationale d'investissement (SNI) the National investment company in Cameroon revealed 7 enterprises had a deficit of over 33.6 billion FCFA (US \$56 million), and a short term indebtedness of over 400 billion FCFA (US \$666.7 million). The volume of subsidies from the state also doubled between 1982 and 1985, passing from 32 to 72 billion FCFA ( \$53.3 to 120 million). By the early 1980s with increasing calls for change an increasing number of countries in Africa have been implementing structural adjustment programs. Most of these programs included the transfer of state enterprises into the private sector. Though some countries in Africa have attempted to implement a privatization programme, other countries are still new to the process or just starting the process, and so this paper is intended to address some of the most important issues a country should consider implementing a privatization programme based on experiences in other parts of the world.

**CREATING AN ENABLING ENVIRONMENT FOR PRIVATIZATION. COMPETITION** Before introducing competition into State Owned Enterprises (SOEs) one must consider the costs involved with the transition, such as higher transaction costs, and more complications involved with the coordination and possible conflicts amongst the various potential competitors. One has to determine whether the advantages of a more competitive system investments, quality, price, choice, satisfaction of goods or services provided outweigh the costs involved with introducing competition. As SOEs are found in many competitive enterprises, before privatization of an SOE is brought into effect competition should be introduced. Examples of competitive enterprises in which SOEs are found include a glue factory, casino and a shipping line in Ghana, housing and chemicals in Korea, a coal mine, sugar, tobacco and alcohol in Turkey. Competition is desirable as it makes explicit the costs of allowing SOEs to operate inefficiently as governments are able to assess the level of managerial effort by comparing an SOE's efficiency with that of its competitors (Vickers and Yarrow 1988); this exposes any inefficiencies there are. In order to introduce competition governments should remove price controls and barriers to entry in a particular industry or trade. To increase international competition the governments may liberalize foreign trade. For example Ghana had two government owned bus companies and several private bus companies competing on the same routes. The government companies lost money due mainly to government subsidies, but were able to attract passengers from the private operators by charging lower fares. In relation to privatization of monopolies like public utilities competition may be introduced by allowing other participants into certain operations of the particular industry. For example in the electricity industry competition may be introduced into something like generation as it is a contestable part of the business. In the telecommunications industry competition may be extended to the supply of user equipment in addition to interconnection to the establishment of new networks. In railways competition may be introduced by competitive bidding for regional franchises or by licensing a private operator to compete with a state-owned company. Potential monopoly profits that go to an operator in a monopoly market may be competed for in the process of bidding for a contract or license. As the successful bidder will still enjoy monopoly market power, allocative efficiency may be impaired. A solution to this problem may be to link the award of the contract or license to the consumer price at which the bidder offers to provide the service. Where contracting out or licensing are the methods used to introduce competition to a monopoly, genuine competition should be introduced for the contract if it is to be successful, as an insufficient number of firms, a dominant position of the incumbent may lead to less than the best results. To overcome the problem involved with contracting out or licensing which normally involve investments in fixed assets and given their limited duration, there should be provision made in the contracts or licenses for the transfer of assets from one bidder to another. This procedure can be complicated due to the complexity involved in valuing the assets involved. A solution is the ownership of fixed assets may be separated from operations governed by the contract, in effect establishing an operating license. Despite the complications they involve contracting out/licensing is still used to provide services ranging from water supply in France and Australia to vehicle towing, street lighting, hazardous material disposal, solid waste collection and operation of mental health facilities in the USA. The dominance of a monopolistic operator may sometimes be solved by breaking it up into smaller independent units. This may lead to problems, as there may be a conflict between those who want revenue maximization through the sale of a huge monopoly and those seeking competition. This conflict will be of less importance where purchasers expect effective regulation to restrict price increases and prevent other forms of monopolistic practices. Another way of introducing competition in public utilities is by allowing the electricity industry to provide telecommunications services. The reason that this is possible is that public utilities already usually have the infrastructure in place and are well connected to public authorities, both at local and government levels. Electricity companies may be able to establish telephone connections relatively easily without the costly construction costs, by stringing fibre optic cables on electricity pylons or alongside existing underground power lines, with switches installed at sub-stations. Utilities are also experienced at billing and have at their disposal information databases on customers, which will prove useful in any telecommunications venture. Examples of regions in the world where this sort of operation has been tried include the United Kingdom where the privatized regional electricity companies established Energis, which started offering national telephone service to business customers in September 1994. Energis uses pylons of the national electricity grid to carry its fibre optic lines. Veba and RWE, both German energy companies are competing with the state telephone operator Deutsche Telekom in the cellular phone market, one of the few areas in

telecommunications open to competition. Water companies have also used their resources to compete with telephone operators. Like electricity utilities they have the billing and marketing expertise and a network of pipes to form the backbone of their telecommunications grid. Railways have their own communication networks running alongside tracks, an asset which may be further exploited. Modern fibre optic networks coupled with digital technology are able to transmit huge amounts of voice and data traffic that far exceed the needs of railway companies. A part of this surplus may be leased to new companies focusing on long-distance calling and wishing to avoid excessive investments in infrastructure. When Mercury Communications was licensed to provide competing service to British Telecommunications the dominant privatized telephone operator in 1984, it laid most of its fibre optic network alongside the tracks of British Rail. In the United States of America MCI adopted the same strategy and used Amtrak's railway lines. HARD BUDGETS This is very important when considering introducing competition amongst SOEs. Hard budgets means that an SOE does not have access to subsidies, privileges or other forms of soft capital which enable them to compete without improving efficiency. It is only when hard budgets are introduced that a monopolies performance may be judged forcing it to perform up to commercial standards. Introducing a hard budget means that a monopoly will not get tax exemptions, procurement set-asides, or favourable access to foreign exchange, and must pay its bills and debts on time. Its access to credit is decided by independent banks on the basis of commercial principles, without government guarantee and on market determined terms. Its prices are set by the market or for monopolies through regulation that approximate economic prices so the firm does not earn monopoly rents. Before introducing hard budgets hidden subsidies to SOEs need to be uncovered. Hard budgets are difficult to implement because government subsidies to state owned enterprises are difficult to quantify, as they are often hidden. For example loans from government to SOEs are made at below market interest rates; with principal and interest payments rolled over or wiped off the books, converting a loan into a direct transfer. State owned enterprises may be in arrears on their taxes or on payments to other state owned enterprises, and these arrears are sometimes forgiven. State owned enterprises may have a privilege to bid on government contracts, to purchase goods or services from the government or other SOEs at below market prices or use government land or buildings rent free. In Chile for example SOE borrowing no longer received a state guarantee. Companies in Chile that could not break even were denied subsidies but encouraged to improve efficiency and allowed to sell assets. The effect of phasing out of subsidies was seen when Chile's railroad reduced overstaffing from 27, 000 in 1971 to 7, 000 in 1984, selling off its real estate and other assets unrelated to railway, and closing down some uneconomic services. FINANCIAL SECTOR REFORMS The aim is to make loans to SOEs determined by independent commercially driven criteria. Participants in the financial market will evaluate firms, managers and business trends to determine the most promising venture to support. The participants will include banks, mutual funds, pension funds, insurance companies, venture capital institutions and individual entrepreneurs. A financial system that effectively mobilizes savings and selects promising firms intensifies competition, as dominant firms will face more competition if an efficient financial system is able to identify and fund competing enterprises. This will help improve the performance of the enterprises as large financial intermediaries have the resources to undertake the difficult tasks of monitoring managers and obligating them to act more in the interests of investors and lenders. There is also a need for countries to have financial liberalization. Domestic liberalization means there should be a separation of savers from users of funds. This allows for a greater availability of funds for borrowers, such as firms wishing to finance investments in productive plants and equipment for example. Liberalization of domestic markets creates better rates of return and more opportunities for diversification for savers. It also improves efficiency in the formal sector as the discipline of domestic competition forces financial institutions to concentrate on economic criteria when deciding where to invest their funds rather than on noneconomical politically favored projects. In a competitive environment financial firms are less wasteful with their resources and are concerned with customer service standards. International liberalization allows firms to raise funds abroad more cheaply than they could at home, where savings are scarce. When barriers between domestic and international financial markets are removed capital tends to flow from capital abundant economies where rates of return on investments are low to capital scarce countries where the rate of return is high. This means there will be more capital available for domestic investments, and if the foreign capital inflow is invested efficiently the economy may enjoy both higher levels of consumption now and in the future, than it could have if relying solely on domestic capital for investment. The idea is that opening up financial markets to international investment will increase the amount of resources available for domestic investment in the present and the higher rate of current investment leads to greater output in the future. Borrowing abroad allows borrowers in developing countries to diversify their risk, as it partially insulates the domestic firms from economic shocks to the domestic economy. However any country that attempts to introduce financial liberalization should be aware that there are some dangers that accompany it and should be aware of how to avoid those dangers. Issues of concern include an excessive reliance on short-term borrowing. In this context lessons may be learned from the debt crisis of the 1980s and the more recent Mexico crisis of 1994-95. There is also a need to avoid excessive government deficits, especially if for public consumption and financed through external borrowing. Liberalization does not mean the government plays no role in the financial system. As the government deregulates the financial system it must not abandon prudential regulation of banks and securities markets. Prudential regulation of banks and of securities markets is as necessary in a rapidly growing liberalizing country. It is important that the internationally accepted Basle committee's basic rules and core principles for financial and risk management be adhered to by banks which is being increasingly adopted by developing nations. Issues of concern include limits on exposure to a single borrower or related groups of companies as such exposure should be limited to a percentage of a bank's capital. Banking regulation helps maintain the safety and soundness of the banking system. The effect of poor regulation may be seen as a cause of the US savings and loan crisis. In the US Saving and loan (S&L) crisis a combination of both lax regulation and a risk unadjusted deposit insurance system encouraged S&L's with low capital adequacy requirements to make risky loans drawing on deposits insured by the federal government. It resulted in billions of dollars of losses and the government took over insolvent institutions and had to make good on insured deposits. Regulation needs to focus on the existence of management systems capable of assessing overall risk accurately. The New Zealand government recently introduced a system of market based regulation for banks. The new system requires banks to issue quarterly public disclosure statements. The statements are subject to external audit twice a year, but due to the substantial costs of external audits

on banks, the audit at the half year is a limited review. Disclosure statements aim to make bank management adopt and maintain prudent risk positions. They should highlight the fact directors have ultimate responsibility for management of their bank and focus directors' attention on monitoring and management of risk. Directors of a bank are meant to attest that the disclosure statements are not false or misleading. A false or misleading disclosure statement can have serious consequences, including fines and imprisonment. In addition if creditors loose money due to false or misleading disclosure statements the directors face potentially unlimited personal liability. Directors must attest they are satisfied their bank's risk management systems are adequate for managing its risks and the systems are properly applied. This requirement supports the Reserve Bank of New Zealand's intention to ensure responsibility for management of a bank rests with its directors and not the banking supervisor. The new system brings greater transparency to the banking sector, but concerns have been raised by bank directors. It is felt that it is difficult for directors to understand and monitor risks. Though this difficulty is acknowledged, it is felt that directors may be in a better position to understand and monitor risks than banking supervisors though this is not certain. Legal Framework For Privatization Reform of the legal framework also requires the reform of the agencies and institutions which have to review, control or enforce the rules, as well as the dismantling of over-excessive bureaucracy. The objectives of the privatization program must be compatible with the constitutional provisions that underpin the legal framework for business activity in general and privatization in particular. The objectives must also be compatible with general principles of law, the rule of law and international law to the extent that it applies to the legislator. Principles that guarantee the rule of law include publicity of laws that enables all parties concerned to be aware of the laws they are to comply with. An unambiguous and clear legal framework allows the parties to know which law applies to their situation. Nondiscrimination in applying the laws means that all the parties in objectively the same situation will have the same substantive rules of law applied to them. Means of legal redress and respect for due process ensure access to independent appeal and dispute settlement procedures. The stability of the legal and political systems assures investors the state will not unilaterally and unfavorably alter the basic conditions on which the investors based their investment decisions. Privatization involves the enacting of an enabling legislation for privatization projects as in Sri Lanka or it may be more definite and involve specific legislation for each privatization. Privatization will normally involve the review of a country's legal system and the legal status of SOEs to determine whether there are legal issues to be resolved such as ownership rights. Any incompatibility with the constitution should be dealt with immediately. In relationship to property and ownership rights in the former socialist countries their constitutions gave precedence to state or social ownership. Such problems need to be resolved. Property rights need to be stable, clearly defined and legally enforceable. Owners of property must be able to transfer their property freely to others unhindered. Owners should have the right to use and control assets including voting rights, to draw economic benefits from their ownership such as return on assets including rent, interest or dividends, and to transfer any of the above property rights to others. It should also be determined what restrictions if any may be placed on foreigners in respect of acquiring or transferring property rights. There must be an established judicial authority in the country concerned capable of upholding property rights and contractual obligations. In this context one needs to check whether proper procedures exist to establish mortgages and other forms of collateral and to determine whether foreclosure procedures are effective. An issue of particular importance is where privatization is introduced after a wave of nationalizations. This was a problem in former communist countries, and African countries that have introduced privatization following a wave of nationalizations can learn from the experience of former communist countries. The previous owners of property prior to privatization may still possess legal rights, and a compromise should be reached between them and new owners in good faith, taking into account the potential cost of restoring the situation which prevailed before expropriation. These matters should be clarified by law. A solution adopted by some countries is restitution as a way to redress expropriations which took place illegally or without proper compensation. At times however titles or other documents evidencing previous ownership and transfers no longer exist. Previous owners may have passed away and the heirs may claim the same property. To highlight the problems this situation creates, in Romania for example at least 300, 000 claims were filed in the courts as a result of restitution of land to former owners. To avoid overloading the courts and ensure more equal treatment of claims, some countries have set up commissions or other special bodies to examine claims made by previous owners. As restitution laws are felt to discourage foreign investment due to the uncertainty they create due to conflicting claims, a solution adapted by the Germans in their privatization programme was to authorize fast privatization of assets essential for investment or business purposes, regardless of outstanding restitution claims. The Treuhandanstalt(the German Privatization Agency) was authorized to sell disputed assets while limiting the rights of former owners to monetary compensation. However if a country chooses to opt for restitution it should set a deadline for filing claims and after that deadline it should be possible to privatize unclaimed assets with free and clear title. The rights of previous owners would lapse or give rise to monetary compensation by the government. This will reduce the amount of people able to make post privatization claims. The Bulgarian privatization law of 1992 follows this procedure as previous owners may file a restitution claim within two months following date of publication of the decision to privatize an enterprise. After that deadline owners can no longer ask for restitution but only compensation by the state. In relation to future expropriations investors may want guarantees against renationalization before committing themselves financially. In this context legislation which spells out the government's expropriation powers is crucial. Expropriation powers should be limited in scope and subject to judicial review as existence of suitable expropriation legislation does not guarantee unfair or politically motivated expropriation will not take place. Some constitutions of the world prohibit private sector activities in what are considered state monopolies. Till recently article 177 of the Brazilian constitution gave the state a monopoly on prospecting for petroleum, natural gas and in refining of petroleum. The monopoly was repealed in November of 1995. Some constitutions may also limit foreign investment in certain activities and these restrictions also have to be dealt with. Constitutional traditions of some countries require that parliamentary approval be obtained before privatization goes ahead. This is particularly the case in countries that follow the French civil law. Article 34 of the French constitution of 1958 states transfer of ownership of public enterprises to the private sector shall be set by law made by parliament. Article 98 of the Benin constitution states the rules pertaining to nationalizations and transfers of enterprises from the public to private sector are a matter of law. Similarly Article 45 of the 1972 constitution of Morocco preserved in 1992 constitution declares the nationalization of enterprises and transfer of enterprises from the public to the private

sector are matters of law. In these countries where parliament is given a role in making laws on privatization that law which it makes should be specific. For example the Paraguayan constitution requires the law spell out the procedures for granting preferential right to shares in the privatized enterprise to which its employees are entitled. In France the constitutional council that is responsible for verifying the constitutionality of laws before they are promulgated has ruled article 17 of the declaration of human rights that mandates payment of just compensation when property is confiscated, prohibit the transfer of public assets to private investors at less than real value. In addition the council judged enterprises to be privatized therefore had to be valued by independent experts and no sale be allowed at a price below that determined by these experts. The French constitutional council also intervened to regulate use of golden share technique by the minister of the economy. A golden share in a company allows its holder usually the state to exercise exceptional rights with respect to the conduct of business of the company after its full or partial privatization. The laws in France provided the government may be granted a golden share which would enable the minister to reject any sales allowing a shareholder to amass more than a given percentage of the company's capital. The council accepted this but subject to the minister justifying each use of this right of veto and the judiciary being empowered to overrule the minister's decisions. Although there are some benefits to be derived from such a system the benefits must be weighed against the costs of procedures that could become cumbersome and lengthy, hence delaying the privatization process. The conduct of privatization transactions in a country may also be affected by the international treaties and agreements to which it is party. Many countries on all continents have entered into regional agreements on trade, customs controls, or broader economic integration. Examples include the European Union, Mercosur for Latin America, Caricom in the Caribbean, NAFTA for North America and ASEAN for Southeast Asia. In this context there are also regional organizations that already exist in Africa. The SADC for Southern African states, COMESA for Eastern African states, ECOWAS for the Western African states, CEEAC for Central African States and UMA for the Maghreb countries. African countries that are a member of these regional economic organizations will therefore have to introduce privatization programs compatible with their regional commitments. Bi-lateral investment agreements between countries may also affect privatization laws of a country. Contract law and enforcement of private contracts are very essential to the legal framework of a market economy. In the context of privatization and economic liberalization, these should be adapted to new international business practices. Contracts provide a security for the contracting parties and privatization, as by establishing the rights and obligations of the parties one may determine the types of goods and services to be delivered, the terms of delivery and penalties for non bad or late performance. That which is not stipulated in the contract should find its resolution in the general provisions of the law on contracts. Company law sets rules for establishment, incorporation, management, operation and liquidation of business and other enterprises. A feature of company law is categorization of companies for example regarding liability or share capital and the determination of various types of legal personality and related company structures. The law must determine the minimum capital requirements and personal liability of shareholders for company debts and must set rules regarding sale or transfer of shares, voting rights and other powers of shareholders, directors, the management or employees. The practical impact of legal regulations depends not so much on what is regulated as on what can be enforced. If enforcement infrastructure is missing, legal regulations are of little assurance. Market economies provide several mechanisms for coping with problems of corporate governance. Corporate laws and regulations that define the role and responsibilities of those charged with conducting corporate business. Product markets, which discipline managerial behaviour by threatening to wipe inefficient companies, also serve as control mechanisms. As financial markets allow dissatisfied owners to liquidate their holdings the threat of mass exit of providers of corporate capital puts considerable pressure on managers, as it would make it difficult for the company to raise additional capital. Financial markets provide effective controls on managerial performance only when it is relatively easy for the unsatisfied investors to divest their holdings, and this usually requires well developed financial markets. The foremost responsibility of the board of directors is to ensure management is accountable for the company's performance and results. To run a business enterprise management must be accorded ample power to manage, but to run it effectively it must be held accountable for the use of its power. Without such accountability there is a danger that professional management will neither perform nor last. The oversight function of corporate boards requires presence of directors drawn from ranks of people who are free from any business or other relationship with the company. Only such directors can pass a truly disinterested and independent judgement on those who manage the company's business. But the same function also requires an intimate knowledge of the company and its business and such knowledge can be provided only by the executive officers of the company. The way the interaction between these two groups of directors is organized and the way their respective authority and responsibilities are defined, determine the way corporations conduct and govern their business. Provision should be made in company law where a government retains shares in a partially privatized company. The holdings which are retained by the state should be stripped of voting rights while they remain in government hands. This will alleviate fears of investors that the continued shareholding of the state will affect corporate policy. This method is useful where the capital markets are not very developed to handle all government shares in one tranch. However some investors may feel some advantages of government retaining a shareholding in privatized companies as it is perceived to reduce the risk the company will be affected by adverse government policy. Company law should also cover joint ventures between the government and private investors. Private shareholders in this context will seek protection so that they may be entitled under company law and the company's articles to approve all share transfers to non-shareholders if the government chooses to divest itself of its holdings. In addition they may also have pre-emptive rights so the government may wish to consult the other shareholders first to explore the available options for restructuring or privatization. The legal basis on which a public enterprise was created determines the legal changes needed for privatization. Hence enterprises set up under private law will be easier to privatize as they have a corporate legal structure and legal characteristics of other commercial enterprises. Changes in legal structure will affect the supervisory organs as representatives of the relevant ministry or department will be replaced by a board of directors. Commercial accountants will be used instead of government auditors. Privatization will entail a change in the internal structure set out either in the law establishing the enterprise or in its by-laws. Hence for privatization of public enterprises created under public law reform or repeal of relevant legal instruments may be necessary to align them with private sector enterprises. Investors whether foreign or local usually require the existence of intellectual

property laws capable of enforcement before they make investments. There should be effective laws in the country of investment dealing with patents, trademarks, copyright, trade secrets, know-how, and licenses. In privatization transactions investors may seek supplementary protection which may not be consistent with the competition laws of the country of investment. Many countries are burdened by many regulations governing the conduct of economic activities. These regulations are an impediment to foreign investment and may affect the privatization process as they are time consuming. Accounting law is also an important aspect of the legal environment. The law should allow investors to choose its own auditors to audit a company it is interested in rather than a public agency tied to the government. In addition potential investors will place little faith in official accounts of an SOE because the country is presumed to lack adequate accounting regulations, potential buyers are not familiar with accounting standards, or the SOEs records and accounting practises are unsatisfactory. This proposition is likely to be changed where countries introduce accounting rules consistent with generally accepted international accounting principles and this in turn will increase buyers' confidence due to increased transparency and predictability. Where there is a public flotation investors lack the opportunity and means to examine a company's operations and account's personally. They need to rely on financial statements audited and certified by reputable independent auditors. Such auditing is usually a prerequisite for listing of the company's shares on a stock exchange. Effective liquidation and bankruptcy laws are necessary if they are to be used as a method for privatization. The former generally tends not to pose problems but for effective bankruptcy proceedings to be instituted it usually requires establishment of a well functioning legal system which is not always available in developing and transition countries. These countries also sometimes lack properly trained bankruptcy receivers to whom the courts may entrust the management of companies during bankruptcy proceedings. Hence developing countries and countries in transition should aim to establish a properly functioning judicial system. Effective bankruptcy legislation may be a way of encouraging enterprises in the public and private sector to perform to a higher standard. It is important that where bankruptcy laws are introduced they are not applied to strictly so as to avoid overloading the court system as was experienced in Hungary. There a law on bankruptcy proceedings, and liquidation procedures introduced in 1991 required managers to initiate bankruptcy proceedings as soon as an enterprise fell more than 90 days in arrears in payment of its debts. The law provided for two alternative procedures reorganization and liquidation. Reorganization gave a debtor 60 days to prepare a plan for regaining solvency. This plan had to be accepted unanimously by all creditors and if not the liquidation procedure would automatically apply. The number of cases soared from 528 in 1991 to 14, 300 in 1992. The lack of qualified bankruptcy judges and receivers, as eight judges were responsible for 4000 cases in Budapest in mid 1992 led to substantial delays in handling the cases. Though the bankruptcy laws were relaxed in 1993 this example demonstrates the importance of a system that does not overload the court system and gives enterprises a genuine chance to try and save themselves during bankruptcy proceedings. It also indicates the importance of having a trained and adequate number of legally trained staff Labor law is another important area to be dealt with when creating a legal framework. If overstaffing is severe potential investors may require the government or the SOE lay off redundant employees before privatization. However there are some countries where the labor laws do not allow for dismissal of employees very easily. Some sort of compromise must be reached In Germany for example the labor restricts acceptable grounds for dismissal. In response to the need for flexibility parliament has granted buyers of privatized enterprises temporary exemptions from such restrictions to facilitate implementation of privatization programs. But on the other hand the Treuhander(the body that was responsible for privatization in Germany) inserted a binding undertaking in many privatization contracts by which the buyer guarantees to keep or create a specified number of jobs in the privatized company, subject to penalties in the event default. Employee participation in the privatization programme is also a way to appease those workers opposed to privatization, as the employees own a share of the company to be privatized. This also has an effect of increasing efficiency in the company as profits are linked to performance. There needs to be clarity in relation to environmental legislation as can be seen from the experience of the German privatization programme. The environmental legislation in Germany had to be amended to allow regional governments to release investors from liability for environmental damage caused by SOEs before they were privatized. The law should state the precise extent of liability for environmental damage of the potential buyers of SOEs, or violations of environmental legislation committed by former SOEs and the extent if at all the potential buyers are liable for this violation. The solution introduced will need to take into account the ease or difficulty in assessing damage and the method of privatization used. If the investor is to be exempted from the acts of the SOE to be privatized, while leaving this liability with the state, this method will be most useful where the pollution caused by the SOE are difficult to quantify. An alternative solution is to introduce an amount of negotiation into the amount the investor will be liable for, by stating that the investor is liable for pollution caused by an SOE to a certain amount and if going above a specified cap the government will assume liability. The problem with this is that as it involves a degree of negotiation as to apportionment of responsibilities it does not encourage transactional efficiency and speed. This approach would not be suited to privatization by public flotation. PRIVATIZATION STRATEGIES AND THE EFFECT ON THE VIABILITY OF THE PRIVATIZED ENTERPRISE The Polish Bank: The privatization of bank Slaski(BSK) a Polish bank was complicated by the Polish government's desire to achieve inconsistent objectives. Among the objectives was to attract strategic foreign investors, raising budget revenues from the sale of banks, advancing enterprise restructuring, protecting a fledgling stock market, and promoting a strong domestic presence in the banking sector. In attempting to raise revenues for the state budget the government tried not to sell the shares of the banks cheaply. The government also split the shares being offered into two tranches, 15% in a small investor tranche and 45% in a large investor tranche. 30% of the shares were to be retained by the treasury. The large investor tranche was structured as a tender offer for both institutional investors and strategic investors. The tender was structured to attract foreign investors as the minimum purchase price of \$11. 50 per share, the smallest allowable bid in the tender would have required an expenditure of \$2. 1 million, which many argued was too large for any Polish buyer to bid in the large investor tranche. However no strategic foreign investor was attracted and added to this there was political pressure concerning foreign participation in ownership of BSK and this led to the Ministry of Finance cancelling the tender in October of 1993. In a surprise move in December 15 1993 representatives of the Ministry of Finance, BSK and ING(a Dutch bank) signed an agreement according to which ING would purchase 2. 4 million shares, for a 25. 92% stake in BSK. The public were displeased by this move as it was felt the negotiations that led to the sale to

ING were too secretive and swift. The lesson learnt from the sale of BSK is the importance of a foreign financial investor taking an active role in the development of bank strategy to bring about fundamental changes. BSK made significant strides in upgrading its technical capabilities and increasing its aggressiveness in areas such as new lending, marketing, product innovation and management information systems as a result of the expertise and support of ING. Pure IPOs and voucher programs do not lead immediately to such a partnership. There is little alternative to a properly motivated highly knowledgeable financial investor in initiating and carrying through fundamental change in a privatized entity. The method of privatizing BSK and political outcries over attracting foreign strategic partners delayed the process of disengagement of state from the governance and operations of the bank. The government stake remained substantial and above that of ING after privatization. This enabled the Ministry of Finance to play an active role in bank governance during this time, until ING's purchase of a majority stake in BSK. It is also important that the transfer of control to private interests should be rapid. Though under certain circumstances swift progress may lead to bank failure and sector instability. The BSK experience suggests long delays have distracted both government officials responsible for privatization and bank managers awaiting privatization from more important goals of transforming banks into viable and dynamic entities. The BSK experience indicates the importance of committing to the goal of a private banking sector and developing a credible and consistent strategy to reach this objective. The most important change attributable to privatization has been a reorientation of management and staff attitudes at BSK. BSK's management fostered a shift toward customer oriented business practises. Evidence of this new attitude are found in rapid expansion of BSK's branch network, extensive employee recruiting and training and adoption of an aggressive business strategy designed to penetrate new commercial and retail markets. Hence attracting a strategic foreign investor to provide new banking expertise took an added importance in its privatization strategy. The Russian Bank: Zhilsotsbank was one of five specialized banks that functioned in the Soviet system. Mosbusinessbank, a large commercial bank was created from 26 Zhilsotsbank branches. The privatization of Zhilsotsbank started informally in August 1990, at a time the newly formed Central Bank of Russia (CBR) began to establish the independence of the Russian banking system from the Soviet government by pressing for the transformation of the Russian branches of the specialized banks into independent banks. Victor Bukato chairman of Zhilsotsbank with the prompting of the CBR called a meeting of the managers of the targeted regional branches and invited them to join with the Moscow city branches of Zhilsotsbank in the creation of a new joint-stock company. The regional branches were to seek agreement with the representatives of its local government and the CBR to ensure smooth assimilation into the new bank. Each bank was to discuss the merger with its branch clients to ensure retention of a viable asset base and also raise new capital. No detailed plan for determining the ownership structure of the privatized banks was ever articulated by the Soviet or Russian governments. Mosbusinessbank management played a significant role in deciding which enterprises and organizations would be offered ownership. The ownership structure of Mosbusinessbank changed significantly in the five years following its founding as a result of voucher privatization of state enterprises that owned the majority of the shares in the banks. A law in 1993 mandated the divestiture of the remaining portion of shares by central, regional and local government bodies, as government bodies at that time were cash poor they were willing to sell their shares in the banks. There were further transfers of ownership to private hands following a series of new equity issues to private shareholders. Management played a major role in privatizing Zhilsotsbank. This was essential to speedy privatization and bank reform. The advantage of this approach was a good deal of the franchise value of Zhilsotsbank was embodied in the incumbent managers. Management relations with branch clients provided both a well established revenue base and a source of new capital. Management was able to ensure low levels of ownership concentration of shares through the governance structure it devised. Clauses in Mosbusinessbank prospectus gave top management veto power over the purchase of large blocks of shares. This enabled management to tighten its grip on bank control rights by issuing new equity without meeting serious resistance from existing shareholders. Although the bank's loan portfolio has changed since privatization, some important pre-existing relationships with Zhilsotsbank clients were continued and augmented after creation of Mosbusinessbank. Some old clients became owners of the bank and were granted large loans. See page 57 for Lessons learnt from Polish Bank Privatization and the bottom of page 44 and top of page 46 for a discussion on BSK after Privatization in the Journal of Comparative Economics, volume 25, 1997 See Journal of Comparative Economics, volume 25, 1997 at page 70 and 71 for a discussion on the creation of Mosbusinessbank. Also see pages 72-75 for a discussion on distribution of shares in Mosbusinessbank, and follow on transactions leading to change of ownership. Pages 76-78 for results of Privatization and a discussion of Management led privatization. Also pages 79-86 for an assessment of the performance of Mosbusinessbank and 87-90 for a discussion on the Continuing impact of Old Business Relationships on the new bank. As lending is a relationship based activity, management may find it difficult to sever ties with clients who had been with the bank prior to privatization. The problem is exacerbated by the continued existence of several cross-holding and cross-governance relationships in both the bank's ownership structure and investment portfolio. Till 1995 the government was still engaged in funnelling directed credits to troubled enterprises through banks, including Mosbusinessbank using central bank loans for leverage. As government revenue shortfalls led to imposition of hard budget constraints on many troubled enterprises, these loans turned into losses for the banks. Although managers were responsible for creating franchise value in the initial stages of privatization, the tendencies of incumbent managers to engage in non-market driven transactions, to respond slowly to new opportunities and make restructuring decisions on the basis of criteria other than profit maximization suggests the franchise value of the bank will decline in an increasingly competitive market. It appears the value of the incumbent management may be at its maximum in the period before and immediately after privatization. The declining value added by the incumbent management in the long term is of concern given that the method of privatizing the bank pre-empted the attraction of a strategic investor. Russia's method of privatization precluded involvement of strategic foreign investors and government policies restrict foreign ownership of Russian banks. One of the most effective ways to modernize bank operations, the infusion of new expertise through an active foreign bank was never a possibility for Mosbusinessbank. Despite attempts to improve banking expertise in certain areas of the bank, it is clear some gaps will remain and bureaucratic obstacles are likely to be present, slowing the transfer of expertise. The success of bank privatization also rests on whether control of the privatized bank rests ultimately in the hands of its new private owners. In the case of Mosbusinessbank though there was transfer of

property rights to private owners it was equally ineffective in transferring effective control rights to these owners. This demonstrates the problem that occurs in the absence of effective corporate governance, monitoring and effective voting rights mechanisms with no institutional mechanisms available to ensure managers are accountable to or will act in the best interest of the owners. State Enterprises in the former Soviet Union and Central and Eastern Europe: The transition in the Soviet Union (fsu) from the exploitation of power and access to goods and special perks to unchecked appropriation of wealth for private use was facilitated by the previous regime's philosophical insistence that capitalism and the free market were lawless and corrupt at their core. Being thrust into the free market as inadvertent capitalists many bureaucrats and citizens felt no cultural imperative to discourage pursuit of wealth by any means. It was against this background the issue of privatization arose. Corruption during the privatization process is an impediment to the achievement of the goals of the process. As politicians and bureaucrats engage in rent seeking during the privatization process this will reduce the potential gains to be made from the enterprise to be privatized. In this context it is worth considering what privatization strategies may present the lowest opportunity for corruption and increase the likelihood of the viability of the enterprise privatized. An issue that affects the viability of enterprises privatized is that of the residual ownership of government in partially privatized companies. As privatization programs sometimes target less than 100% of an enterprise's shares for privatization in 1st round transactions. For example in Poland, Slovenia and the Czech republic shares that could not be sold on capital markets remain in state hands. Maintaining a partial ownership link with the government sustains the government official's direct control rights, with the opportunities for rent seeking this implies and hence hindering development of the enterprise. Where the government retains exceptional governance powers, such as through use of golden shares the risk for corruption increases. Another issue is that many of the privatization structures involve post privatization covenants by the purchaser to maintain certain levels of employment or to make certain investments in the privatized enterprise. The German Treuhand program made use of such covenants in place of a portion of the cash purchase price. From the governments perspective this makes political sense, where the goals of the privatization are to stimulate investment and preserve employment. But the disadvantage is if involving government intimately in the future business of the enterprise, it may give politicians and bureaucrats additional control rights that may be open to abuse. By their nature voucher-based mass privatization tend to be completed more quickly than other types of transactions. The volume of transactions processed requires detailed rules and procedures that precludes much administrative discretion being applied to those individual enterprises going through the auction processes. Voucher based mass privatization programs are always administered by independent specialized agencies. The typical voucher based mass privatization program has more natural features to limit the ability of politicians and bureaucrats to exercise control rights during implementation. Voucher style privatization is a poor vehicle for imposition of long-term post privatization obligations for the state. A disadvantage is that the government may hold back residual equity interests for later sale. Liquidation procedures can be relatively quick in the absence of any need for corporatization, valuation, due diligence or the preparation of an enterprise level privatization or business plan. Given creation of a whole class of new asset owners, without historical corrupt relationships to call on, the speed involved hinders efforts of corrupt bureaucrats to exercise preexisting control rights. Though there are administrative decisions to be made principally in the up-front decision to liquidate and in the negotiation of price for business and other bundled assets, these are much less significant than the complex decisions needed to negotiate a trade sale. Most sales are made in efficient and transparent cash auctions, where information on the process is rudimentary and ought to be available. The process of liquidation takes place outside the historic government ownership structure, either through the courts or in a specially created government agency and hence the issue of control rights is largely moot. With liquidation retention of residual equity interests by the government is not possible, nor is the imposition of post-privatization investment or employment covenants. Initial public offerings are expensive and the expertise needed has limited the use of capital markets to a small number of the highest quality enterprises. There is always the question of determining which enterprises will become subject to the process, which is almost non-transparent and involves virtually unchecked administrative discretion. However the administration of public stock offerings is out of the hands of former government owners given the expertise required for these transactions. Like the voucher based transactions the IPOs are poor vehicles for imposition of long-term post privatization obligations for the state. Tender and trade sales are not rapid methods of privatization unless either the number of enterprises involved is small or the resources deployed are enormous. Specific transactions are negotiated individually which not only takes time but maximizes the administrative discretion involved. But due to technical expertise needed, they are often administered by a specialized agency that had no prior contact with the enterprises being sold. The tender process requires information to be made public about the process itself and enterprises on offer. Where public tenders are not involved access to information is restricted, providing an opportunity for corrupt sales. Loan for share schemes where state banks give loans to troubled enterprises in exchange for shares in the enterprise is clearly a problem. Where natural monopolies or access to valuable natural resources are being sold, tremendous pressures may be generated to distort an otherwise transparent process and perpetuate monopolistic structures. But on the other hand participation by foreign investors with experience may be expected to bring more transparency to the process. Tender and trade sales involve residual obligations to the state relating to future investments, maintaining employment levels and even maintaining specific lines of business. Management and employee buy-outs present many factors potentially conducive to highly corrupt implementation. They are slow and highly dependent on government discretion. There is little public information available about the process of fixing buy-out terms or the terms themselves and so control rights of the government in these transactions are thus maximized. Finally it is worth pointing out that even the most honest privatization program that creates new motivated private owners will not itself guarantee success of the enterprise or an enduring reduction in licensing and public finance related government control rights. This is because the pressures from the new constituency for liberalization and related reforms cannot induce change without a parallel commitment from the political leadership to implement such reforms.

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## ASIAPACIFIC

### FINANCIAL INSTITUTIONS' PRIVATIZATION TO BE FLEXIBLE

The government is to take various measures to speed up the privatization of state-run financial institutions with an official at the Ministry of Finance and Economy saying Sunday that Seoul will utilize several market friendly methods for privatization to minimize the potential negative impact on the financial market. He said the government's options are sales in installments, issuing foreign currency-denominated depository receipts and exchangeable bonds, or sell-offs to strategic investors. The official also announced special attention would be paid on selling Seoul Bank and KoreaLife Insurance Company to foreign investors at appropriate values and the government will not dump them at rock bottom prices to speed up the sales. The ministry acknowledged privatization is vital for the speedy recovery of public funds and establishing reliable management. The government plans to begin the process as soon as possible but the time frame will be flexible to accommodate the most appropriate values he said. Seoul pledged to recover the public funds that were used to inject more than W137 trillion into financial institutions in the wake of the 1997 financial crisis.

From [Digital Chosun](#), 4 September 2001

### PRIVATIZATION COULD LURE FOREIGN CASH

Investors watch with interest as the government pushes plans to put state-affiliated bodies like airports on the block. Foreign investors have shown a "high" degree of interest in buying Japan's busiest domestic and international airports, which may face privatization under government reform plans, Nobuteru Ishihara, state minister in charge of administrative reform, said Friday. Speaking at the Foreign Correspondents Club of Japan in Tokyo, the reform-minded Ishihara said a decision on the fate of 163 government-backed corporations, which are a major drain on the public purse, would be made by December "based on the assumption that they will be abolished or privatized." He acknowledged, however, that transformation into an independent administrative agency may be an option for some corporations. The sale of Tokyo International Airport at Haneda, which handles mostly domestic traffic, and New Tokyo International Airport at Narita, a hub for overseas flights, could add almost 2 trillion yen to government coffers, he said. "Haneda airport, which is run by the government, has an estimated value of 1 trillion to 1.5 trillion yen," he said. For Narita airport, "which is run by a special public corporation, it is hard to say definitively, but it has a value of maybe 300 billion to 400 billion yen, according to estimates." The estimates come from domestic and overseas think tanks, he said. A transport analyst at a research institute in Tokyo said that Narita would be an attractive investment target. "Narita is now in the red, but once it opens its new runway (next year) it will definitely make a profit," the analyst said. However, he added that "Japanese sentiment" would likely make the sale of the airport infrastructure to foreign investors politically unfeasible. A Civil Aviation Bureau official at the Land, Infrastructure and Transport Ministry said he was unaware of any foreign interest in Haneda airport, which made a 65 billion yen profit on fees for the use of its facilities in fiscal 1999 but has debts of more than 1 trillion yen. Ishihara stressed that privatizing special public corporations like road operators should be seen in a positive economic light, as doing so will save taxpayers money and lead to better services for the consumer. He cited the privatization of Japanese National Railways in 1987 as a success that belied predictions that "fares would go up and services worsen." Koizumi has ordered that funding for public corporations be reduced by 1 trillion yen in fiscal 2002. The entities were allotted 5.3 trillion yen in the fiscal 2001 budget and 24.4 trillion yen from the fiscal investment loan program. Savings could go toward socially useful facilities such as "day-care facilities and facilities for the elderly, of which there is a shortage, particularly in large urban areas," Ishihara said. The minister acknowledged that there is "powerful resistance" to privatization from within the bureaucracy and the Liberal Democratic Party, but said that Koizumi deals

"sternly" with opponents of privatization. Shigenori Okazaki, veteran political analyst at UBS Warburg (Japan) Ltd., said the process of privatization would be slower than reformers expect. Referring to long-established corporations, he said, "How can you scrap a structure which was established and developed over half a century? Privatization will take years." Okazaki also warned that opposition from within the ministries may defeat Ishihara. "The bureaucrats can outsmart Ishihara," he said. Ishihara will visit Britain and other European countries next week to study privatization programs.

*From [Asahi.com](#), By PAUL MURPHY, 4 September 2001*

## **BUREAUCRATS SEEK TO KEEP GRIP ON PUBLIC CORPORATIONS**

Bureaucrats are opposed to a large portion of Prime Minister Junichiro Koizumi's plans to privatize or abolish public corporations, according to government reports recently submitted to the Cabinet Office. Each ministry and agency submitted its own ideas for reforming and streamlining 153 of the government's public corporations, one of the key issues that will sway the fate of the Koizumi plan to structurally reform the government. Although the details of their ideas have not been officially announced, the bureaucrats apparently sought to keep the status quo and maintain their grip on public firms, government sources said. The Health, Labor and Welfare Ministry said that its Labor Welfare Corp. is too difficult to abolish or privatize, while the Education, Culture, Sports, Science and Technology Ministry said that one of its affiliated firms, which promotes education through private schools, "does not fit privatization." The Land, Infrastructure, Transport Ministry meanwhile said that the 25 firms under its control "cannot be privatized." The ministry, which controls six of the most controversial firms in the privatization debate, including debt-ridden Japan Highway Public Corp. and the Housing Loan Corp., maintained that the six "cannot be abolished" and that it is still discussing whether they can be privatized. The transport ministry's final answer is expected to come around Sept. 20. Koizumi has strongly urged transport minister Chikage Ogi to privatize the six firms as a symbol of his ongoing reforms. On a positive note, the education ministry said that the Japan Scholarship Foundation is suitable for privatization. A task force at the Cabinet Office led by Administrative Reform Minister Nobuteru Ishihara will conduct hearings for each government ministry and agency and present a blueprint of how their public firms will be streamlined by the end of this month.

*The Japan Times, 4 September 2001*

## **MINISTER WANTS AIRPORTS PRIVATIZED**

London (Kyodo) Nobuteru Ishihara, state minister for administrative reform and deregulation, said Friday that Narita and Haneda airports, the two main gateways for the Tokyo metropolitan area, should be privatized and merged into one company. "It would be desirable to turn Haneda and Narita into one company and privatize them," Ishihara said at a press conference in London. The minister, who is currently touring several European capitals to study how public corporations are run in other countries, made the comment while speaking about the government's proposed reform agenda. Ishihara is expected to unveil a blueprint by the end of September for a reform plan covering all Japanese public corporations. The plan is to be adopted at the end of this year. Ishihara pointed to the British examples of Heathrow and Gatwick airports, both of which serve the London area, and other airport operations in capital cities that are run by the same enterprise. "With one company operating several airports, the airports can be used more efficiently and to their full potential," Ishihara said. In addition, he pointed out that privatization would make the airports more convenient for passengers and business operators, as well as increasing the value of the managing company's shares. After touring Heathrow airport and meeting officials of its operator, the British Airport Authority, Ishihara praised the innovative design of the terminals, noting in particular the placement of the airport shops. Ishihara argued for the need to reform Japan's airport management system, which he said is "rigid" and facing "serious problems." Having examined public corporations in France, Italy and Britain, Ishihara said he is certain that Japan's government-affiliated public highway corporations could be completely privatized. In addition, he said there is no need to run the housing loan corporation as a public corporation. The minister also proposed that the practice of appointing senior bureaucrats to top positions at public corporations should be banned completely and he would look into the matter after the trip. Ishihara also took the opportunity to attack what he called Japan's "dual structure" bureaucracy -- in which some make it to the top as "career" officials and some do not -- linking it to a series of recent embezzlement scandals that have rocked the Foreign Ministry. "These incidents would, in the private sector, be seen as fraud. Such unhappy occurrences are not without connection to the distortions in the 'career' system," Ishihara said. Comparing the Japanese bureaucracy to what he observed in European countries, Ishihara pointed to the need to promote exchanges between public officials and the private sector.

*From The Japan Times, 9 September 2001*

## **CHINA TO ALLOW FOREIGN PURCHASE OF SMALL AND MEDIUM SIZED CHINESE ENTERPRISES**

China is now working out regulations to allow foreign investors to buy the country's small and medium-sized enterprises, a senior official from the State Economic and Trade Commission (SETC) told an ongoing forum Sunday in Xiamen. Xu Ming, vice director of SETC's Department of Foreign Economic Coordination, said that the new regulations will give foreign investors access to holding shares of, control or even buy out Chinese small and medium-sized enterprises, except for those in certain industries. Xu said at a

forum on investment cooperation between Chinese and European enterprises that Chinese small and medium-sized enterprises lack the competitive edge of their counterparts in developed countries. It is now especially important for the Chinese government to invigorate these enterprises in face of the global trend of mergers and acquisitions. The official also said that the Chinese government will take measures to support foreign enterprises to participate in China's reform of these small and medium-sized firms. Officials from the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) said here that China's impending entry into the [World Trade Organization](#) (WTO) will help to broaden the scope of Chinese businesses open to overseas investment and allow overseas investors unprecedented opportunities to enter the Chinese market. Xu Ming said that the Chinese government will try to attract foreign investors to China's small and medium-sized enterprises, by establishing a sound credit system, expanding credit lines to the businesses, and allowing them to go public on domestic and overseas stock markets. The Chinese government also encourages foreign venture capital to be directed toward China's efforts of upgrading its small and medium-sized enterprises and vows to better regulate China's market system so as to safeguard the legal rights of foreign investors. China now has some 8 million small and medium-sized enterprises, which play a key role in the national economy. The gross industrial output, tax contribution and export of these enterprises account for 60, 40 and 60 percent of the national total respectively.

*From [Peoples Daily Online](#), 10 September 2001*

## **FKI SPEAKS OUT ON CORPORATE ETHICS**

The Federation of Korean Industries (FKI), a chaebol lobby group, has launched a committee to establish a corporate ethical code. In a meeting last week, FKI Chairman Kim Kak-choong, who is also honorary chairman of Kyungbang, pledged to establish a self-regulatory system to strengthen transparent management and to concrete fair trade practices on the basis of consensus of the committee, not on government regulations. He said ethical management is essential to survive and is not an option. Ronald Berenbeim, a professor at New York University, stressed that local companies need to set up their own business ethics code to resist corruption. He said profits are the first imperative in running a business but some business activities tend to be judged within the context of their social impact. According to a survey of 779 multinational executives last year, 33 percent had deep skepticism regarding anti-corruption efforts, saying corruption is increasing in their country of residence," the professor said in an FKI presentation. He noted that an ethical decision-making environment is essential to business. Companies have to set up a compliant culture in their offices, he stressed. Senior management must protect individuals, who make good faith disclosures concerning what are perhaps difficult, loss making issues, he pointed out. jyseo@koreatimes.co.kr

*From [Korea Times](#), by Seo Jee-yeon, 17 September 2001*

## **GOVERNMENT CONSIDERING NEW PLANT PRIVATIZATION TACK**

The government mulls the individual sale of some of the state-run National Power Corp.'s (Napocor) power plants to make their sale more attractive to prospective buyers. Energy Secretary Vicente Perez Jr. said last week that the manner of privatization of Napocor's generating assets would be finalized by the middle of next month. Perez, however, said the working plan was to sell some power plants in clusters or "generation companies" (gencos) and the others as stand-alone plants. Perez added that another option being considered was to group the power plants according to type of fuel rather than the location, saying that prospective buyers reportedly preferred such groupings. "We have yet to act on this but (grouping by fuel type might be) part of the privatization plan because we obviously need to revise the current groupings," he said. Earlier, Perez said the gencos up for sale would have aggregate capacities of between 250 megawatts and 1,500 mw. He also said that investors wanted the capacity ceiling lowered. "Lowering the 1,500-mw limit would create more gencos, which in turn would give local investors more chances to have a crack at the planned biddings," Perez explained. Psalm Corp. is fast-tracking Napocor's privatization, with the sale of the power firm's assets seen to kick off in the fourth quarter. The final draft of its privatization plan was expected to be presented for Malacañang's approval by November. Psalm is a government-owned and -controlled corporation that was created to take over the assets and liabilities of the debt-strapped firm by the Electricity Industry Reform Act. According to a document furnished the INQUIRER, Psalm Corp. planned to start the sale as early as October, as soon as the draft of the privatization plan was completed. In the same month, the implementing rules of the power law would have been submitted to the Joint Power Commission. In early December, Psalm would embark on an international roadshow to promote the sale of the assets.

*From [Philippine Daily Inquirer](#), by Ronnel W. Domingo, 16 September 2001*

## **FIRMS URGED TO REVAMP STRUCTURE**

We have all heard about how a listed company in China falsified its profit record to improve its share performance, how a company's major shareholders diverted billions of yuan of funds for their own use, and how a company has illegally taken over the enormous debt of its parent company at the expense of shareholders... Enough of that. Now the market watchdog has figured out that the underlying reason was the lack of an efficient corporate governance system, and are striving to rectify the situation. "The lack of corporate governance has become a serious problem with China's securities market," Zhou Xiaochuan, chairman of the China Securities Regulatory Commission (CSRC), said on Monday at a conference attended by officials from regulators and major investment banks that want the issue addressed. He was echoed by Eric Burget, director with the centre for co-operation with non-member economies of the Organization for Economic Co-operation and Development (OECD), who said that the big strides of China's securities market in the past decade had created tremendous risks, which needed to be solved by improving the corporate governance system. Chinese Characteristics - Zhou pointed out that China's lack of a corporate governance system have unique

features due to its economic, legal and commercial systems and traditions. The first problem is that most of China's listed stocks have the majority of their shares controlled by the State as well as their representatives, which may easily lead to management and operation problems. The second is that many large-scale State-owned enterprises, after getting listed, do not have a clear distinction between owners and managers. In many cases, the managers themselves became the actual holders of the companies. Thirdly, listed companies have not formed the conception that they should try to maximize their shareholders' benefits. Fourth, there is no tradition in China of respecting the middle- and small-scaled investors' interests. Fifth, as a tradition of the planned economy, Chinese companies usually do not want to provide timely, accurate and complete information about themselves. Sixth, many State-owned companies have separated part of their profitable businesses and listed them, but they cannot properly deal with the relationship between the parent company, the listed, and the unlisted parts. "Flaws will keep existing with China's corporate governance systems as long as this problem remains unsettled," said Zhou. Seventh, how to make the State holders play an active role in setting an effective corporate governance also remains a major question. Corporate governance - During the conference, officials and experts have suggested a number of ways for establishing a sound corporate governance system in China, including developing institutional investors, independent board members, standardized accounting systems, and a civil compensation mechanism. Rodney Ward, chairman with UBS Warburg Asia, said at the meeting that institutional investors would play an important role in establishing the corporate governance system because as powerful investors "they will require sophisticated analysis, a timely and in-depth disclosure of information and regular face-to-face meetings with management, thereby providing a better system of checks and balances." Li Jiange, vice-minister with the State Council's office of economic system reform, noted that the securities authorities should consider introducing pension funds as major institutional investors to facilitate the capital market development and optimize its structure. Talking about better protection for investors' interests, Zhu Congjiu, president with the Shanghai Stock Exchange, said that they would set up a listed company civil compensation system to give a heavy blow to price rigging, insider-trading, and false information. Experts also suggest that the CSRC should urge better implementation of the independent director system to spur on the healthy performance of the market. On August 16 this year, the CSRC issued a circular asking listed companies to install independent directors on the board of directors. Javed Hamid, director of the World Bank's East Asia and Pacific Department, said at the meeting that they hoped to set up some independent director institute in China to train qualified directors for the country, as many independent directors are not qualified. The significance - CSRC Vice-Chairman Laura Cha said at the conference that only those Chinese companies which have set up an effective corporate governance system can secure a footing in face of global competition. She was echoed by UBS Warburg's Rodney Ward. "The simple answer to why corporate governance matters so much in China is that survey after survey has shown that investors are willing to pay more for the shares of companies with good governance practices," he said. "So the bottom line is clear - if you are going to rely on international capital, it pays to have good governing practices."

*From China Daily, by Wang Ying 17 September 2001*

## **NATIONAL POWER PRIVATIZATION PLAN READY BY NEXT MONTH**

A five-billion-dollar plan to privatize the Philippines' debt-ridden state power producer should be ready for signing by President Gloria Macapagal-Arroyo next month, Energy Secretary Vince Perez said Wednesday. "This is the largest privatization in the entire country to date," he told reporters. The privatization of National Power Corp. is part of reforms by Ms Macapagal to overhaul the crisis-hit power sector after the passage of the landmark Electricity Industry Reform Act in June. The law aims to draw more foreign investors into the power sector and spare the country from the prospect of lengthy daily power cuts such as those that crippled the economy almost a decade ago. The privatization plan lays out the details of asset disposition. "We are submitting the privatization plan on October 31 for approval by the President and hopefully by December we'll start roadshows in Europe, the United States and Asia," Perez said. The first batch of sales in the first quarter of 2002 would involve the transmission assets, he said, adding that "so far the feedback has been positive." Several Asian and European companies had expressed interest, Perez said, who declined to name them, citing "market sensitivity". "By selling the transco (transmission company) first, it will give some comfort to those who are buying the generating companies as to who is running the transco," he said. Perez said Singapore and South Korea are also selling some of their power generating companies. They are not expected to pose any competition to the Philippines "but we are watching the progress of Singapore and Korea and we are managing our timetable vis-a-vis the other two countries," he said. The Philippines has the highest power charges in Asia after Japan and South Korea and lacks funds to install new power plants to serve rising demand. A government study showed only 49 percent or about 4,816 megawatts of "anticipated electricity demand requirements for the next 10 years" could be met by installed capacity. It said the country needs about 9,844 megawatts of electricity to power the economy for that period, resulting to a shortfall of about 5,028 megawatts. This would translate to "massive (outages) again by 2005" unless new investments are pumped into the power sector, the report said.

*From [Philippine Daily Inquirer](#), by Agence France-Presse, 20 September 2001*

## **PLAN TO PRIVATIZE 3 INTERNATIONAL AIRPORTS UNVEILED**

Tokyo - Transport minister Chikage Ogi announced Friday a revised proposal on privatizing the public corporations in charge of Narita, Kansai and Central Japan international airports. The new proposal calls for handing over control and management of the airport facilities to a special private company to be established for each of the three airports. Land, Infrastructure and Transport Minister Ogi told a press conference. The ministry also wants a single public entity for all three airports, with support from the

government and local authorities, that would handle other operations, such as maintenance of runways and noise measures. Based on the proposal, the ministry will make arrangements with the government's administration reform promotion secretariat to reflect it in a realignment program on special public corporations to be finalized in December, government sources said. The arrangements are expected to focus on how much accumulated debt the companies that will manage each airport's facilities will be burdened with and when the privatization will occur, the sources said. On Sept 3, the ministry submitted a report to the government's administrative reform promotion headquarters on a plan to conditionally privatize the New Tokyo International Airport Authority, which manages Narita airport, and to completely privatize Kansai International Airport Co. Nobuteru Ishihara, minister in charge of administrative reforms, has proposed privatizing Narita and Haneda airports under a single company. The ministry earlier said Narita airport cannot be privatized unless it completes a planned 2,500-meter second runway. Narita airport, some 60 kilometers east of Tokyo, has a single 4,000-meter runway. The second, shorter runway is designed to handle short-haul international services. Central Japan International Airport Co aims to open its airport in Aichi Prefecture in fiscal 2005. (Kyodo News)

From [Japan Today](#), 21 September 2001

## EUROPE/CIS

### COMMITTEE CONSIDERS PRIVATIZATION OF GARBAGE PICKUP

Hamburg - Members of the Solid Waste Committee of the Ashley County Quorum Court considered several options during a lengthy discussion here on Thursday. After listing several options available to them, members of the court, at the urging of Justice John Rader, decided to listen to proposals from at least two private trash-hauling firms. The committee members also agreed to consider placing 1-cent sales tax proposal back on the ballot again within a few months. June 19, voters turned down by 38 votes a 1-cent sales tax to finance county solid waste operations. Rader said several firms had interest in serving Ashley County. He agreed to contact those firms and arrange for appearances before members of the Solid Waste Committee. Rader presented letters and e-mail correspondence from several counties in Arkansas concerning whether they use private firms for garbage service for homes. Former Ashley County Judge Don Hartley, present to offer information about the Ashley County Recycling Plant, said the county should be able to provide cheaper service than a private contractor. "You can do it cheaper than individuals can, because you buy everything at a better price," Hartley said. He listed items such as cheaper fuel as important. "If you can't operate it cheaper than a private contractor, something is wrong." County Judge Larry Kinnaird said elderly residents of the county, living on fixed retirement incomes, could not afford rapidly-rising trash collection prices. Rader read from a contract he said covers Drew County. That contract called for minimal increases of 25 cents per month each year for five years. The starting rate was \$8.73 per month per household, Rader said. Several members of the group had reservations about private haulers. Some felt a hauler might offer a very low rate to get the county contract, and then raise the rates rapidly. Nathaniel "Beby" Reed recalled when Crosssett considered private companies picking up trash. He said the proposals featured rapidly-increasing rates, more than 7 percent per year. Kinnaird said some county governments reported private companies charged per address, no matter if someone lives at the house. Justices also had concerns about both the recycling plant and the landfill. Hartley defended the recycling center. He said the center idea was not to make money for the county but rather to extend the life of the landfill. "The plant does that. You save space at the landfill because of so much recycled materials," Hartley said. Kinnaird said he would like to offer the 1-cent sales tax proposal to voters with a sunset clause. He said he thought some people voted against the issue two months ago because the tax lasted forever. "If we cut out the cost of rural garbage and do a good job for three years, I think people would like it and agree to extending the tax," Kinnaird said. Justice Sam Arnold agreed that voters would approve the tax proposal with a sunset clause. Reed said several people approached him about putting the issue on the ballot again. He, too agreed that a sunset clause might help. Hartley agreed that if voters approved the tax with a sunset clause and thought it was working, they might renew it later. Bill Gilbert said initial numbers for the 2002 budget indicate county garbage fees, sale of recyclable fuel and other materials from the recycling plant and other items will generate about \$949,000 during the year. The costs for the landfill, recycling plant and pickup operation are about \$1.7 million. Panel members agreed to meet again as soon as Rader can schedule presentations from private firms.

From [Ashley News Observer](#), by JJ Johnson, 4 September 2001

### EUROTEL LINK DELAYS TELECOM PRIVATIZATION

Unclear relations between Czech Telecom and its subsidiary Eurotel are delaying the privatization of Czech Telecom, planned for this year, says Finance Minister Jiri Rusnok. It would be very optimistic to expect privatization revenues this year, adds Rusnok. According to MfD, the Industry and Finance Ministries and the National Property Fund (FNM) are still discussing whether to complete the purchase of the remaining 49% stake at Eurotel from consortium Atlantic West for Kc 60 bln. Telecom says it is negotiating with Atlantic West on details of the purchase contract.

From [Prague Business Journal](#), 3 September 2001

### BLAIR TO STAND FIRM OVER ROLE OF PRIVATE SECTOR

Tony Blair will deliver an uncompromising message to the unions tomorrow that the private sector stands to take a bigger role in schools, hospitals and other key public services - whether they like it or not. The Prime Minister will face the TUC conference in Brighton amid threats of strike action and a big rift in the Labour movement. Downing Street said today, however, that he will tell the unions that - after his election manifesto gave a direct pledge - he has a clear mandate for reform. And he will warn the unions that

their real "enemy" is not reform but leaving the health service and schools to flounder on unchanged. Mr. Blair will praise the commitment of teachers, nurses and others. And he will assure the unions that his Government has a "cast iron commitment" to the public services. But he will maintain that, where the private sector can bring in expertise or efficiency, ministers will not hesitate to use it. Ministers, from the Prime Minister down, accept that the union challenge is the first big test of the Government's second term in power. But, behind the scenes, Mr. Blair will also move to avoid, if possible, an open clash. The relationship between Labour and the Liberal Democrats took a sharp downturn today as Lord Ashdown suggested that people view Tony Blair as "a smarmy git". The former Lib-Dem leader painted a picture of a weak and indecisive Prime Minister overreliant on poor advisers.

*From [Evening Standard](#), by Charles Reiss, 10 September 2001*

## **ITERA WEIGHS IN AHEAD OF LITHUANIAN GAS PRIVATIZATION**

Itera, a major supplier of natural gas to the CIS and Baltic countries, has made its presence felt in Lithuania ahead of tenders to privatize the state-owned gas distribution company Lietuvos Dujos. In a high-profile visit to Lithuania on Sept. 7, Itera President Igor Makarov said his company, which is registered in the United States but operates mostly in and from Russia, would like to buy a significant stake in Lietuvos Dujos. Makarov stressed that much would depend on the tender conditions that the Lithuanian government ultimately fixes. He said Itera disliked some of the terms now being considered. However, it had made specific proposals to the Lithuanian government and was keeping all options open. "We are ready to apply in Lithuania the experience we have gained from our gas sector investments in Georgia and Armenia, in several parts of Russia, and in Estonia and Latvia," Makarov told journalists. Itera controls 24 percent of the Latvian gas company Latvijas Gaze through a Latvian subsidiary, Itera Latvija. It also owns 9.5 percent of Estonia's Eesti Gaas. As a multinational company with huge and diverse gas resources, Itera "sees no obstacles" in bidding for the 25 percent stake that the government is set to offer a gas producer, or even for the 34 percent stake earmarked for a Western strategic investor, Makarov told journalists. It might even settle for a smaller stake, as long as that gave it sufficient influence in the company. Itera would prefer to invest through its Lithuanian subsidiary, Itera Lietuva, which presently supplies about 20 percent of the natural gas consumed in Lithuania. Itera says that in fact it only owns 45 percent of Itera Lietuva. The remaining shares of the intermediary company are held by the managers of the Western Lithuanian Industry and Finance Corporation, a local conglomerate. Lithuanian Prime Minister Algirdas Brazauskas welcomed Makarov's visit as a sign there would be healthy competition in the gas company sell-off. He and other top officials had previously predicted Russian gas giant Gazprom might be the only gas producer intending to bid, though several Western companies were expected to bid for the strategic 34 percent stake. "But we do not want to position ourselves as a competitor to Gazprom, which is more of a partner for us," an Itera spokesman told *The Baltic Times*. He explained that Itera used the gas giant's pipeline system to deliver its own gas, and that Lietuvos Dujos already has a long-term supply agreement with Gazprom, which must be respected. Analysts say the two suppliers of Russian natural gas have been working together in Latvia to gain control of Latvijas Gaze and its unique natural gas storage facility. After recent share purchases by Itera Latvija, it and Gazprom together now own a controlling 49 percent stake in the Latvian gas utility. The Lithuanian government is now finalizing terms of two parallel Lietuvos Dujos privatization tenders. Officials said that while Itera would be very welcome to bid for shares offered to gas suppliers, it would probably not be eligible to bid as a strategic investor.

*From [The Baltic Times](#), by Bryan Bradley, 14 September 2001*

## **THREE FOREIGN BANKS SHOW INTEREST IN LITHUANIA'S LAST STATE BANK**

At least three Western banks have shown interest in the privatization of Zemes Ukio Bankas, Lithuania's last state-owned bank. According to unconfirmed reports, Austria's Raiffeisen Zentralbank Oesterreich, Germany's Nord/LB and the Nordic bank Nordea acquired sets of the bank's privatization documents as of Sept. 7. The blocks of documents cost 5,000 litas (\$1,250) each. Neither the Lithuanian State Property Fund, the Ministry of Finance, nor the bank agreed to announce the number of the blocks of documents sold. "More than one but less than 10 blocks of documents have been sold," said Jonas Dieninis, chairman of LZUB's board. "I have higher expectations now than before the privatization process had been started. I hope the third time will be lucky," he said. This is the government's third attempt to sell 76.01 percent of shares in LZUB, valued at 78.173 million litas. The government wants to sell the last state-owned bank to a solid foreign bank or other financial institution with high credit ratings and shareholder equity of at least \$150 million. Documents from potential buyers will be accepted from Sept. 13 to Oct. 3, the date when bids are to be opened. The State Property Fund hopes to sign a sale agreement by the end of this year so that the deal can be closed in the first quarter of 2002. Nord/LB and Nordea representatives in Vilnius confirmed that they had acquired the sets of documents, but refused to comment on whether either would bid for a majority stake in LZUB. "We need more time to evaluate the available information," said Petri Loikkanen, head of the Vilnius branch of Merita Bank Plc. (Nordea). The Ministry of Finance reported that the Austrian banks are also interested in the privatization of the Lithuanian bank. Susanne Riess-Passer, Austria's deputy chancellor and federal minister for public affairs and sports, confirmed this to Lithuanian Finance Minister Dalia Grybauskaitė in a meeting on Sept. 6. Andreas Ecker, a spokesman for Raiffeisen Zentralbank Oesterreich confirmed the bank's strategic long-term interests in the Baltic states, including Lithuania. "Lithuania might be one of those countries where we will expand our operations in the future," he said.

*From [The Baltic Times](#), 14 September 2001*

## **FALLING PROFITS DRAG ECONOMY DOWN**

The first-half results of Lithuania's top 100 private companies do not show a recovery of the country's industrial giants. On the contrary, a downward trend prevailed as the companies' aggregate sales grew by 14.4 percent to 8.66 billion litas (\$2.16 billion) but their aggregate net profit fell by 21.3 percent to 217.2 million litas, according to a list drawn up by the Lithuanian Central Securities Depository and announced in Vartai, the daily Lietuvos Rytas supplement. The power utility Lietuvos Energija was ranked first among the country's most profitable companies. Lietuvos Energija replaced the fixed-line telephone monopoly Lietuvos Telekomas, which enjoyed the leader's position for three years. The oil company Mazeikiu Nafta continued to be the biggest loss maker, but it was ranked first in terms of turnover. The Lithuanian construction companies continued a downward trend as their aggregate turnover fell by 20.3 percent. The companies' aggregate sales grew by 14.4 percent, largely due to an increased turnover of Mazeikiu Nafta. Excluding the oil concern, the sales of Lithuania's top 100 private companies rose by just 1.6 percent in the first half of this year. The aggregate first-half sales of the energy sector amounted to 8.6 billion litas and accounted for 50 percent of the companies' total sales. Lietuvos Energija posted a net profit of 95.49 million litas in the first half of 2001, up by 87.6 percent over the same time last year. Gitanas Nauseda, adviser to the chairman of Vilniaus Bankas' board, said the textile industry is losing its position in the economy. The industry has been declining for the second straight year and it suffered the greatest losses in the first half of 2001 - the textile companies sales dropped by 6 percent. "It is possible that the Lithuanian textile companies may become unattractive to foreign investors and the investments may go further to the East, (for example) to Belarus," Nauseda told the daily. The grain and dairy processing industries bucked the downward trend in the first half of this year. The managers of grain and dairy processors attributed the sector's growth to less interference by the state. The grain processors reported a 25.8 percent increase and dairy processors a 17 percent year-on-year rise in first-half sales. The grain processors' first-half profits grew by nearly 30 percent and dairy processors' profits rose as much as nine-fold. The furniture sector posted fairly good results for the first half of 2001, while the Lithuanian brewers' results were rather poor. The TV-tube manufacturer Ekranas and electronic component maker Vilniaus Vingis, the former gems of the Lithuanian economy, reported only satisfactory first-half results, Nauseda said.

*From The Baltic Times, 14 September 2001*

## **FRANCHISING: AN UNDERESTIMATED WAY TO SUCCESS**

Franchising may appeal to entrepreneurs because of the seeming lack of risk, but there are several important issues to be considered before one rushes to buy the rights to a brand name - particularly in Latvia, where the procedure is in its infancy. The first serious franchised companies started to appear here in 1991, soon after independence. McDonalds' was among the most famous, although its Latvia franchise is held by a Polish company. According to Marina Krupnikova, business development director for the international auditing company Deloitte & Touche, obtaining a franchise is not easy for all. "Many business people were turned down with the argument that the market is too small, too underdeveloped and that people here don't have the necessary experience," she said. There have been a couple of Latvian success stories though. One is the arrival of the U.S. ice-cream giant Baskin-Robbins, whose network of ice-cream parlors spans the world. Eight years ago the company's Latvian director, Vladimirs Bakalo, stopped by an ice-cream parlor in Moscow and was immediately hooked. He decided to start a Baskin-Robbins branch back home in Latvia and applied for a franchise. "The company sent a few of their experts and after the evaluation I was given permission to start selling the brand," Bakalo said. As of 1995 he has been director of Baskin-Robbins Latvia, a chain which now extends to more than 10 parlors in Riga alone. There is one big Baskin-Robbins parlor in the sea-side resort of Jurmala, 20 kilometers from Riga, but soon, Bakalo hopes, the business will expand even further. "The problem is that this ice cream is very expensive and not an every day purchase," he explained. One problem international companies could face in Latvia is poor quality local products, said Bakalo. Baskin-Robbins does not produce its ice cream in Latvia because the company believes local milk products are below its standards. "We went around and asked dairies if they could do certain things for us to improve their quality, but they said they couldn't," he said. Baskin-Robbins turnover in Latvia last year was around \$190,000, according to the information available at the Latvian Enterprise Register. There are also tax issues to think of before signing up with a major corporation. Krupnikova said it helped to have business experience in Latvia before throwing oneself into a new venture. "Mainly, there are certain differences regarding taxation," she said. Any franchise will have its own structure, own ways of operating and its own ways of settling payments with the franchise owners. But one thing all owners have in common is they expect to be paid for allowing people to use their name. Pauls Gusts, marketing manager for Lufthansa City Center, thinks franchising is an under used form of business in Latvia. "Franchising as a business option is overlooked," he said. One of Lufthansa City Center's biggest tasks in its early years was accommodating delegates at the European Bank for Reconstruction and Development's meeting in Riga last year. Gusts is enthusiastic about the advantages of holding a franchise. One is that customers visiting his company's office in Riga will find the same service and appearance as they would in any of the company's offices in the world. Lufthansa City Center's Latvian turnover reached \$7.5 million last year. But sometimes it is necessary for franchise holders to alter standard practices to suit local conditions. "There are small differences in how we operate in different countries," said Andris Ribaks, technical manager for U.S.-franchising-car-rental company AVIS. "In England we drive on the left hand side for instance," he said. AVIS in Latvia has an approximate turnover of \$800,000 annually.

*From The Baltic Times, by Jorgen Johansson, 14 September 2001*

## **SUCCESSFUL ENTREPRENEURS ARE ASSERTIVE**

Harvey's small business failed to click. Like his former career it was going nowhere. He either said yes - to keep the peace with his customers and employees or, losing his patience, he lashed out and created ill will. Harv did not understand the importance of being assertive. Successful entrepreneurs for the most part are assertive. They do not have a problem in asking for what they want, or

saying no to demands by others that are not in their best interest. They feel secure in their actions and are willing to accept the risk of confrontation. They have the courage of their convictions. They know the price of leadership is sometimes standing alone. What does it mean to be assertive? It is the emotional ability to assert your rights, to express yourself, and to stand up for yourself and what you believe in. It is to be able to declare who you are, what you feel and think. It involves openness, honesty, and firmness. It is an active approach to the problems of life as opposed to an unsuccessful passive approach. People who are not assertive tend to be passive, inhibited, and submissive. Not admirable qualities for an entrepreneur. Assertiveness is acting in your own best interest. It is the ability to function at ease in a variety of personal relationships. It is the ability to function as a leader and manager. Assertiveness is setting limits on time and energy. It is having the inner strength to withstand criticism, put downs, or anger. It is expressing honest feelings in a comfortable manner. It means the ability to disagree, to show anger, to show affection, to admit fears, and to be spontaneous- all with self-confidence. Assertiveness is the ability, to demand your personal rights, to be able to express your opinions, and to have the courage to cause change. Assertive people rarely play the role of victim. Assertive behavior is a positive attitude and a self-affirmation that places value on the other people in your life. It will help you to a happier and more fulfilling life. The most important benefit is freedom from anxiety. With the amount of stress you will have from your business, anything that lessens tension and anxious feelings will be beneficial. Developing assertiveness tends to reduce the anxieties you may feel in relationships with others. Worrying too much, about what you are going to say and do in handling any particular situation will make you anxious. Learning appropriate assertive responses will reduce those anxious feelings. Another important benefit is emotional freedom. When we feel restricted and limited in our freedom to respond to others, we are limiting our personal freedom. People who "walk on eggs" with others are not spontaneous. No one should be subject to the domination, whim, and aggression of others. If you are unable to be assertive, you are not free. Becoming assertive is not easy. If you have a passive personality, and wish to be more assertive, you can do so, as many have proved. However, it will take effort, and a sustained desire to do so. If you feel you have problems in communicating or feeling confident enough to be open and honest with others, you may need some training. If you have the time and money, the easiest way is to see a psychologist specializing in such behavior therapy. However, as you probably need every dollar for your business, you may have to rely on your ability and determination to learn to become assertive. You may wish to check with your local community college. If you cannot locate or attend a course, visit your library or local bookstore. You will find a variety of titles on the subject. A few suggestions: 1. To begin with, you must have a sincere desire to change your behavior. 2. To change your reaction to people you must be willing to assume emotional risk. 3. Be prepared to surprise those who know you, as they will not be expecting your responses. 4. Start gradually. Assume small risks at first, which allow you to develop confidence in your ability to handle the challenge. 5. Be easy on yourself. Accept the fact there is no perfect response to every situation. 6. Practice being fair and honest in dealings with others. 7. Do not use gimmicks or pat answers to solve problems. 8. Place a value on yourself. 9. Do not be upset if not everyone likes you. Do you like everyone? If you do try to change, learning new behavior skills will require effort and practice, it will not be easy: I know from experience. However, a major benefit will be more direct and open communication with all you deal with. Dr Paul E. Adams is Professor Emeritus of Business Administration at Ramapo College, New Jersey. E-mail: [xpaul@pikeonline.net](mailto:xpaul@pikeonline.net)

*From The Baltic Times, 14 September 2001*

## **WSiP PRIVATIZATION – PUBLISHING GIANT SOLD**

Hardly a month before the Sept. 23 parliamentary elections, the government decided to go ahead with the privatization of Wydawnictwa Szkolne i Pedagogiczne (WSiP), the leader on the Polish textbook market. The continuing bearish trends on the Warsaw Stock Exchange are hardly conducive to public sell-offs, helping to explain why Treasury Minister Aldona Kamela-Sowińska may have difficulties meeting the government's privatization plan for 2001, under which it is expected to earn zł.16 billion from the sale of state assets. This money is badly needed, as the government is struggling with a huge budget deficit. WSiP's began its wait for a decision on privatization in September 1998, after the former state-owned company was transformed into a joint-stock company wholly owned by the state. Konsorcjum Polskie Towarzystwo Edukacyjne (KPTE) and Nasza Księgarnia publishing house bought 85 percent of WSiP from the Ministry of the Treasury for zł.334.7 million. On the basis of a sale contract signed Sept. 3, KPTE will acquire 26,562,500 WSiP shares, accounting for 75 percent of the company's initial capital. Nasza Księgarnia, which publishes books for children, will acquire 10 percent. The transaction has yet to be approved by the Competition and Consumer Protection Office (UOKiK). The new owner promised to invest at least zł.100 million in the development of the company over the next five years, and increase its capital by zł.30 million over 18 months. It will keep its WSiP shares for at least four years. The privatization agreement states that the publishing house will primarily take advantage of the output of Polish authors. WSiP is the copyright owner of numerous books that may be used on television or the Internet in the future. Who are the new investors entering WSiP? KPTE was established by Uniprom SA, which is seeking to establish a publishing group in the education sector. The main shareholders in Uniprom are Wioletta Sikorska, holding 70 percent of the stock, PZU Życie with 20 percent and Pekao SA bank with 10 percent. Nasza Księgarnia is a management and employee owned company that was created by the privatization of a state-owned publishing house operating under the same name, established in 1921. At the moment, Nasza Księgarnia publishes books for children up to 15 years of age, in addition to the Świerszczyk bi-weekly, well-known to several generations of Polish children. Several years ago, Nasza Księgarnia began to publish textbooks for schoolchildren as well. In 2000, it recorded zł.9.6 million in sales, with a zł.250,000 net profit. WSiP is Poland's largest book publisher, and its share in the educational book market is estimated at 33 percent this year, up from 32 percent in 2000. Even though in 1996 its share stood at 60 percent, guaranteeing it unrivaled leadership in the textbook sector, since then the number of competitors has grown. The main buyers of WSiP's publications are school students-6.6 million students started the new school year in Poland this September-and teachers. Foreign publishing houses, including France's Hachette and Pearson Education, were also interested in buying WSiP stock. Comments appeared at the time that if a strong foreign publishing house won the tender, it might add its own textbooks to WSiP's range, and

eventually crowd out books by Polish authors. WSiP executives hope their company will now begin to regain its former position on the increasingly difficult educational market. In 2000, WSiP sold 18 million textbooks, up from 16.6 million in 2000. Financial Director Pawel Witaszek said that this year was the first year in a decade that WSiP had sold more books than the previous year. Sales in 2001 are expected to increase to 19 million copies. In 2000, WSiP recorded a z1.22-million net profit, with z1.215 million sales. Witaszek expects a similar profit in 2001. He said the publishing house attained 10-percent net profitability last year, which makes it stand out among Polish businesses, as many firms boast a profitability level of less than 1 percent. Under the law on the privatization of state-owned enterprises, WSiP employees will receive 15 percent of the stock for free. The investor promised to maintain employment at an unchanged level for at least five years. For disclosing details of the transaction to the media three days before the agreement was actually signed-without permission from the Ministry of the Treasury and the buyers-Rafal Grupiński, president of WSiP, was removed by a general stockholders' meeting and replaced by Vice President Krzysztof Murawski. Both Murawski and Witaszek said they were unfamiliar with the details of the privatization agreement and declined to speak about investors' plans for the company. Wojciech Bagan, president of Uniprom and a representative of KPTE, said investments will be earmarked to reorganize WSiP's textbook distribution system and expand its publishing range to include school syllabus books and teaching aids.

*From [Warsaw Voice](#), by Wanda Jelonkiewicz, 16 September 2001*

## **MACEK'S CONSULTANCY CASE LIFTS THE COVER ON PRIVATIZATION 'FEES'**

Last Tuesday the Czech daily Mlada Fronta Dnes revealed that ODS vice chairman Miroslav Macek had received the juicy sum of Kc 10 million in the form of fees for consultancy work connected with the privatization purchase of Ceska Sportelna by Austria's Erste Bank. The privatization was concluded at the end of January 2000. Macek's services were contracted by Austrian consultancy firm CEBOC, which was employed by Erste during 1999. CEBOC's role was to smooth the way for Erste's acquisition of Ceska Sportelna. Macek didn't deny the accusation (he couldn't deny it because the daily published a copy of the contract) and immediately resigned all his party functions. Macek's case is of major importance, even though it has disappeared from the front pages following the tragic news from the U.S. The case reveals something, which is not simply about Macek alone, as the conclusions of other media suggest. It reveals the shady practices connected with the privatization of national property in this country over recent years. It illustrates that privatization practices came close to racketeering and has unveiled the depth of cynicism in local political culture. Rumors about such practices, supported by indirect evidence, have circulated for a long time. Macek's case is among the first which gives solid proof. Official version - Let's look at the official versions of those involved. Macek points out that he was "only" a party vice chairman; he emphasized that he is not an MP or a senator. He says that he had a consultancy business for a long time and, therefore, there was no conflict of interest and, obviously, nothing illegal about his activities. He emphasized that the whole business was between him and the tax authorities. Furthermore, he resigned. To top it off, Macek says that he does not feel guilty at all. Dr. Ernst-Gideon Loudon of CEBOC says he has been in touch with Macek for a long time. He says he approached Macek as "a business partner, not as a politician." He said Macek was: "delivering information about CS and mediating contacts with people, who had something to do with privatization." Erste says it trusts Loudon and knows he would never do anything illegal. The ODS says (and Macek confirms) that it was not informed by Macek about his activities. Party boss Vaclav Klaus did not criticize Macek's activities and said he resigned instantly with no hesitation and faced the situation like "a real man." (How boringly typical of Klaus. And how easy to be a hero with a stuffed wallet and juicy bank account.) Former finance minister Pavel Mertlik says he didn't care where Erste (CEBOC) was getting its advice. Journalists usually conclude that the Opposition Agreement between CSSD and ODS gives the latter the right to preferential information about privatization. That's probably what Macek was selling then. Back to 1999 - How should we analyze this news? To understand the background we must go back to September 1999 when Zeman's government declared there would be no public tender for the privatization of Ceska Sportelna. From then on the government chose the only partner for privatization — and it was Erste. Then-CSSD finance minister Pavel Mertlik, whose office was in charge of preparing this privatization, announced that Erste was the only partner that had declared serious interest in the acquisition of Ceska Sportelna. The major argument for not organizing a tender was time. Time is money. Ceska Sportelna was in a terrible state and desperately needed a foreign, experienced, strategic partner. The reason we can trust Mertlik is that no foreign competitors were loudly complaining about the government's decision at the time. Usually, if someone with a serious interest in a Czech company is pushed out of a contest, he screams, throws mud around or at least tries to deliver the mud to journalists. The losers are always loud — and even louder if they lose unfairly. The reason for the rush was that CS was loaded with losses and a portfolio of bad loans. It had been repeatedly saved by taxpayers. But for Erste the whole thing would not have ended so well if it had only the government on its side. The government was a minority one, held in power by ODS. During the fall of 1999, ODS was loudly complaining about the government's decision to negotiate exclusively with Erste. It was literally screaming against it on all fronts. It was clear that the most powerful ODS bosses were pushing the idea of combining Ceska Sportelna and IPB. Suddenly, at the end of December 1999, ODS went silent. It had stopped opposing the deal. Everyone had a notion that it had been arranged "somehow." Nobody knew exactly how. It is now clear that Macek had helped to arrange ODS's silent approval. Our sources say that the main thing Macek helped to do was arrange a meeting between ODS chief Klaus and top Erste people (including its Austrian boss Andreas Treichl) in December 1999 in the Austrian Alps. After that meeting the ODS fell silent. But maybe there were more people to convince. Among other things, it is interesting to note that Klaus's wife, Lyvia, was a member of the CS supervisory board at the time. Lessons for the future - Both Macek and Baron Loudon from CEBOC (for Czech readers, by the way, he belongs to the family of General Loudon, of the well-known Czech folk song) were smart. Loudon picked a politician with a consultancy company so as to avoid bribe accusations. He picked someone both cynical enough (and Macek has been notorious for 10 years) and influential enough to do the job. Macek is also smart (he loves to boast about his high IQ). He has not been a senator or deputy, but opened his wallet wide when carrying out his legal business activities. He can sound convincing (to his party buddies,

obviously). What is strange, however, is that copies of the incriminating documents made their way to the press. Both parties just needed two copies for themselves and for the tax authorities. Both parties probably had lots of enemies. But why let them get into your safe? Journalists are always happy with revelations, but this one is puzzling. The acquisition successfully proceeded and Macek has now decided to leave his post in "entrepreneurial politics." By the way, for more than a year he has proudly shown off his new Jaguar and elegant villa to reporters. Now we have to decide how much to trust those involved who are still active in politics. This needs further investigation. Maybe, in this case, Macek split his earnings with the party. Maybe not. Maybe others in ODS were also paid. Maybe they weren't. What can we expect - The main conclusion concerns the major upcoming privatizations: CEZ, Cesky Telecom, Unipetrol etc. If ODS starts screaming this can be read two ways: Either it is creating a smokescreen to hide an already finished deal or it is really angry because someone hasn't played by the rules of these secret groupings inside the opposition agreement. Actually, these shadowy groupings have been around for a while, but before they didn't have much power. Some things went against their wishes, like the privatization of Becherovka or dealing with bankrupt IPB. We are probably naive to expect that other privatization deals don't have similar "circumstances" and "connections." Through advisory "fees," both party cashboxes and private accounts are being (and will be) filled. But it is not only privatization. If ODS screams about buying jets and then stops, how should we read it? If ODS doesn't oppose Industry Minister Miroslav Greg'r's plans for privatizing energy and loudly opposes the forced administration of IPB, how should we read it? Paradoxically, through privatizations, corrupted and corruptible circles in the political establishment are being strengthened. These practices are not only about money but also about mutual knowledge of guilt and the chance to use this for (mutual) blackmail. It is a vicious and self-feeding circle. By demanding attention and money, some bureaucrats and politicians are using methods close to racketeering. They foster Third World practices. By delivering "the fees" foreign investors are encouraging corruption here. On the other hand, every revelation of such practices is good news. The most corrupted countries are those with no corruption (visible or revealed) at all.

*From [Prague Business Journal](#), by Jan Machacek, 19 September 2001*

## MIDDLE EAST

### PRIVATIZATION COMMITTEE POSTPONES DISCUSSION OF BEZEQ

The ministerial committee on privatization, which is headed by Prime Minister Ariel Sharon, today postponed a meeting, which was to deal with the sale of Bezeq, after three separate terrorist attacks shook the country. Also on the agenda of the meeting, which was rescheduled for Thursday, was Bezeq's request to acquire Adanet Communications, Xpert, and Britannica.com Israel. The government is scheduled to publish the tender for the core control of Bezeq sometime this month.

*From [Jerusalem Post](#), by Gwen Ackerman, 10 September 2001*

## THE AMERICAS

### PRIVATIZATION MAY CUT 1,000 STATE POSITIONS

Tallahassee - State officials and a Cincinnati company have struck a tentative deal to privatize personnel services for state agencies. The move could cut nearly 1,000 state jobs and ultimately save the state more than \$20 million a year. Convergys Corp. beat out IBM, Computer Sciences Corp. and Epix for the job, which will cost the state \$39.8 million annually. That's about half what government now spends on running payroll, insurance, retirement, attendance-and-leave and other personnel records on its aging system. Avoiding the cost of replacing the obsolete system -- estimated at \$65 million to \$90 million -- was the biggest factor in Gov. Jeb Bush's plan for privatizing state personnel. About a quarter of the 1,200 personnel employees now working in state agencies will be kept by the state when the privatized system is implemented over the next 18 months to two years. Contract details will be worked out over the next few months. After the contract is signed, implementation should take about 15 months. Convergys handles personnel records for AT&T, with 190,000 employees worldwide; General Electric, with 230,000; and Pfizer, with 77,000. The state contract calls for services for 135,316 employees, including part-time workers. That figure will go down, however, under Bush's five-year program of reducing the state workforce -- which he trimmed by 4,200 in the current budget year. The Convergys bid of \$278.6 million for seven years was the lowest of four evaluated.

*From [Miami Herald](#), 7 September 2001*

### STATE MAY PRIVATIZE PERSONNEL OPERATION

Tallahassee -- Gov. Jeb Bush campaigned with a pledge to make state government leaner. Now, the Bush administration is poised to turn over a mammoth state job -- personnel services -- to a private company. For \$40-million a year, Ohio-based Convergys Corp. says it will handle the paperwork associated with the state's 135,000 workers. The lucrative contract, which state officials say will save taxpayers some \$20-million a year, would last for five to seven years. The details are being hammered out, and the contract could prove to be politically contentious. Each of the 30 state agencies still would have a personnel office, and managers there would handle hiring, firing, discipline and pay raises. "We are probably one of the first states to do this to this extent," said Fran Brooks, the state's human resources director. "The final decision on who to hire still rests with the state. They will simply process the applications, screen applicants for qualifications, and then forward those to managers." People who want a job with the state would

be able to apply just once, instead of sending applications to 30 different agencies. The contract has to be approved by Bush, House Speaker Tom Feeney, Senate President John McKay and the heads of the House and Senate appropriations committees: Republican Rep. Carlos Lacasa of Miami and Republican Sen. Lisa Carlton of Osprey. State campaign records show that Convergys gave \$500 each last year to Feeney and to Lacasa, among other legislators. Lacasa said Thursday he has some concerns about the state's move toward privatization. He said he hasn't yet reviewed the Convergys bid. "Even though I do think it could work, and could be more efficient, I am a little concerned about managing that contract if things go wrong," said Lacasa. "If you try to fire a company, they will come in with an army of lobbyists and try to extend the deadlines and change the laws. It's a nightmare." The Bush administration has been privatizing many state functions, from janitorial services to food services and social services. Florida's prison privatization, Lacasa said, hasn't lived up to its promise of saving money. "The privatized prison experience has been somewhat of a disappointment," Lacasa said. "We've transferred wealth from state agencies to the private sector. We're not in the business of transferring wealth. We're in the business of providing services." In January, Bush hired a new "efficiency czar," Ruth Sykes, to help streamline government. She quit the \$95,000-a-year post just three months later, saying she couldn't support Bush's rush to privatize. Among the initiatives on which she and the governor parted ways: turning the state personnel system over to a private company. In all, 11 companies vied for the state personnel contract, and the state signed a letter of intent Wednesday to go with Convergys, a \$2-billion company that handles personnel records for AT&T, General Electric and pharmaceutical giant Pfizer, among others. Convergys has operations in the U.S., Canada, Latin America, Israel and Europe. The company has four Florida offices, and would open a fifth in Tallahassee to handle the state personnel business. Convergys beat out IBM, Computer Sciences Corp. of California, and a Tampa company, Epix Holdings. Bush wants to privatize personnel services instead of spending an estimated \$80-million to replace the state's 20-year-old personnel computer system. Brooks, the state's human resources manager, said state workers won't lose their jobs, even though some 1,200 people currently are doing personnel work around the state. Convergys, she said, has committed to hiring state workers at its new Tallahassee operation. The rest of the workers would be left in individual agency personnel offices. Some would be moved to other jobs in state government. She said the state will be able to cut its yearly personnel budget from today's \$80-million to \$60-million. The \$20-million in savings, she said, could be redirected to other state needs. -- Researcher Cathy Wos contributed to this report.

*From [St. Petersburg Times](#), by Julie Hauserman, 7 September 2001*

## GLOBAL

### FINANCIAL EFFECTS OF PRIVATIZING TELECOMS

Telecommunications firms were state-owned enterprises in most developed countries -- with the notable exception of the United States -- and virtually all developing countries from the beginning of the electronic age. But between October 1981 and November 1998, 31 national telecommunications companies in 25 countries were fully or partially privatized through public share offerings. In most cases, the share offerings were the largest ever in those countries, and the shares often account for 30 percent or more of total capitalization in national stock markets and an even greater share of total trading volume. How have the privatized firms fared financially? A recent study found that the profitability, output, operating efficiency and capital investment spending of the telecoms increased significantly after privatization, while employment and debt declined significantly. Almost all telecoms are subjected to new regulatory regimes around the time they are privatized, and many governments retained a significant stake in the firms. These two factors affected the firms' financial performance significantly -- in addition to listing on U.S. and U.K. exchanges and opening the market to competition from other firms. Competition significantly reduced profitability, employment and, surprisingly, efficiency of the former government monopolies after privatization, while creation of an independent regulatory agency significantly increased output. Mandating third party access to an incumbent network is associated with a significant decrease in the incumbent firm's investment and an increase in employment. But retained government ownership is associated with increased debt and decreased employment, while price controls (regulated prices) significantly increased profitability. Thus the financial effects of privatization on national telecoms depend in large part on structure of the new market: with competition, a level playing field, market price setting and independent regulation adversely affecting the telecoms. However, consumers and the economy may benefit from these developments. Source: Bernardo Bortolotti et al., "Sources of Performance Improvements in Privatized Firms: A Clinical Study of the Global Telecommunications Industry," FEEM Working Paper No. 26-2001, Fondazione Eni Enrico Mattei, April 2001.

*From [National Center For Policy Analysis](#), 1 September 2001*