

# 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 Policies & Public Economics

## ASIA/PACIFIC

### NEW CHINA REGULATIONS LAY OUT REFORM PLAN FOR SOEs

Consisting of 69 articles in 12 parts, a new notice released by the State Council provides explicit stipulations on the reform of large and medium-size state-owned enterprises (SOEs), including their personnel and distribution systems. A trial version of the "Basic Standard for Large and Medium-Size State-Owned Enterprises to Establish the Modern Enterprise System and Strengthen Management" was announced by Sheng Huaren, minister of the State Economic and Trade Commission ([SETC](#)), at a news briefing on Oct. 27, the *Renmin Ribao* ([People's Daily](#)) reported. The stipulations concerning enterprise reform include the following:

**Separating government function from enterprise operation:** The relationship of administrative subordination between government and enterprise should be changed into a relationship based on property rights, with the administrative rank of enterprises abolished.

**Practicing authorized operation of state-owned assets:** Qualified large and medium-size SOEs or enterprise groups should be authorized to exercise ownership functions over state-owned assets in enterprises in which they have full, controlling or minority shares. Localities are permitted and encouraged to explore methods concerning the management of state-owned assets by other enterprises.

**Reforming through shareholding:** Except for enterprises that require monopolized operation by the state, large and medium-size SOEs should gradually be reformed into limited liability companies or companies with a pluralistic shareholding structure.

**Establishing standard structures of governance by legal authorities:** The board of directors decides major issues and appoints managers. The positions of director and manager should be kept separate as much as possible, and the chairman and president may not be the same person.

**Strengthening the function of the board of supervisors:** In state-controlled enterprises, at least half of the representatives for state-owned shareholders in the board of supervisors should hold no post within the company. In order to reform the labor system, the standard requires SOEs to introduce the practice of assigning jobs through competition. Enterprises can legally terminate employees who have received training but failed the competition. In order to reform the personnel system, the "Standard" aims to eliminate differences between "cadres" and "workers." Managers at all levels must be selected through public competition, and only those who are competent can be appointed manager within a stated term. Those who turn out to be incompetent must step down from their managerial post. In order to reform the distribution system, the wage system should be widely adopted. The wage should accord with the position and change along with the position. The wage should be linked with the enterprise's economic returns, which means that wage standards should be adjusted down if economic returns decline.

*From China Online, 31 October 2000*

### KOREA MDP URGES CORPORATE REFORM BY YEAR END

The ruling Millennium Democratic Party (MDP) yesterday reiterated its position that the second stage of economic restructuring has to be completed by the year's end. A series of economic troubles such as the default of Hyundai Engineering Construction Co. and creditors' decision not to extend credit to Dong-Ah Construction Co. came as an inevitable pain in the process of financial and corporate restructuring, it said. "The Government will continue to press for the completion of restructuring within this year," said MDP chief policymaker Lee Hae-chan, saying the Hyundai's failure to meet the loan maturity should serve as a wakeup call. Lee stressed the importance of self-rescue plans of the businesses, alluding that Hyundai had failed to present any self-rescue plans. "The Government had prodded the firm to make self-rescue efforts, but its resistance brought about the default. Other troubled businesses will have to present substantial self-rescue plans if they want to run their businesses" said Lee. Lee also said the MDP would explore avenues to alleviate the public pains such as unemployment as soon as the restructuring is completed. In the meantime, the opposition Grand National Party (GNP) called on the government to take immediate actions on the economic troubles while blasting its lukewarm responses to them. Secretary general Kim Ki-bae called for the dissolution of the Financial Supervisory Service, saying that its role in supervising financial institutions was compromised by the government. Chief policymaker Mok Yo-sang also weighed in, saying that public distrust to the FSS made it harder for the agency to play its proper role.

*From Korea Times by Kim Kwang-tae Staff Reporter, 31 October 2000*

### MALAYSIA URGES G-15 MEMBERS TO SPEAK OUT ON FINANCIAL REFORMS

Malaysia believes that it is necessary for more G-15 members to speak out towards enhancing their collaboration on issues related to reforms of the international financial architecture, said Foreign Minister Datuk Seri Syed Hamid Albar. Speaking at a meeting of G-15 foreign ministers in Mexico City Tuesday, he said Kuala Lumpur had continued to articulate on the need to reform the international financial architecture at various forums. "However, Malaysia has not received the necessary backing and support from some developing countries," he said. The text of his statement was made available to the media here by Wisma Putra. G-15, the 19-member grouping of developing nations, comprises Algeria, Argentina, Brazil, Chile, Egypt, India, Indonesia, Jamaica, Kenya, Mexico, Malaysia, Nigeria, Peru, Senegal, Sri Lanka, Iran, Venezuela, Zimbabwe and Colombia. In urging more members to voice out their support for such reforms, Syed Hamid said merely putting words in a communique or declaration would not be sufficient.

He said: "For the international financial architecture to move forward, there is a need to adopt a more practical rather than ideological objective for the new international financial system." In this regard, he said the developed countries needed to first accept that globalisation should not have adverse outcomes and some "management" of globalisation was required to maximise its benefits. "We should work together in ensuring that developing countries become full participants in international economic decision-making and in shaping and influencing the rules and laws of the globalised world," he said. The minister also spoke about Malaysia's experience in dealing with the 1997 East Asian financial crisis and how it successfully turned the economy around with a forecast growth of 7.5 per cent for this year. In addition, Syed Hamid said Malaysia was hopeful that G-15 countries which were members of the G-20 could participate actively to promote the interest of other developing countries. The G-20 is a mix of seven wealthiest nations of G-7, 11 emerging market economies and two institutional representatives that play a significant role in world economy.

*From Malaysian National News Agency, 31 October 2000*

## **THAILAND: 'PEOPLE ARE TIRED OF THIS IMF MANTRA OF REFORM'**

Though the country has pulled out of its financial tailspin, many citizens are still suffering—and blame the Prime Minister. No one has been better than Pasuk Phongpaichit and Chris Baker at explaining how Thailand transformed itself from a sleepy backwater to the world's fastest growing economy -- and subsequently ignited the Asian meltdown. A husband-and-wife team, Baker has taught Asian history, sociology and politics at Cambridge University and authored four books on India, while Pasuk is a professor of economics at Chulalongkorn University in Bangkok. Together they have written "Thailand, Economy and Politics" (Oxford University Press 1995), "Thailand's Boom" (Silkworm Books 1996) and "Thailand's Boom and Bust" (Silkworm Books 1998). Their latest effort, "Thailand's Crisis" (Silkworm Books September 2000), analyzes the causes of the meltdown, efforts by the International Monetary Fund and the Thai Government to rescue the country, and the impact it had on business, politics and society. The book is highly critical of the IMF, saying the agency "applied an off-the-shelf macroeconomic solution which was spectacularly ill-suited to Thailand and other Asian economies." The result was a needlessly severe recession that compounded the problems with which Thailand is still struggling. "When a crisis happens, the first priority for a country such as Thailand should be to stay clear of the IMF (in its present form)," they write. Pasuk and Baker met with reporter Robert Horn recently and they discussed the economy, reform efforts and upcoming national elections. Edited excerpts: **TIME:** When Prime Minister Chuan Leekpai came to power three years ago, the economy was contracting by 10%, millions of people were unemployed, and the banking system was near collapse. Three years later, the economy is growing again, exports are up, unemployment is down and the banking system is working, although not very well. But the public seems to have turned against Chuan, and we're hearing that he and his Democrat Party will probably lose the national election coming up in a few months. What went wrong? **Pasuk:** Well, to start, the banking system is not working. It's basically in seizure. The feeling among the people is that we've adhered to the International Monetary Fund (IMF) reforms too strictly. [Finance Minister] Tarrin Nimmanahaeminda has refused to relax new rules and regulations for banks, which are finding them difficult to meet. The bankers have been trying to bargain with Tarrin to relax, not eliminate, some of these rules, but he won't change his view. He says the reform program is already underway, and that foreign investor confidence would decline if it stopped. But the confidence of the investors is no longer there, anyway. The international financial people love Tarrin, but the local people don't. He firmly believes that our future is tied up with foreign investors and globalization, but many Thais feel globalization has hurt them. A key question for this election is whether or not the Democrats will push Tarrin out. **Baker:** Local businessmen are saying that Malaysia and Korea - two other countries that suffered during the crisis but adopted different solutions -- are pulling ahead. Tarrin keeps saying that foreign investor confidence will come back, and that's the answer [to the country's problems]. But he's been promising that for three years, and it hasn't. Thailand was left with a serious debt problem. Lenders got all their money out [during the crisis]. So all the problems were left with the locals. We had a capital outflow equivalent of one-sixth of gross domestic product over two years. How can you revive the economy when you've localized the problem and stopped the economy dead in its tracks? **Pasuk:** Korea's debt was bigger than ours in the beginning, but the Koreans were powerful enough to negotiate rollovers and reschedule payments with bankers in the United States. Nothing like that happened here. **Baker:** It was also Korea's third time [in an economic crisis] and so they knew what to do. **TIME:** So what should Thailand do about its debt problem? **Baker:** Supachai [Panitchpakdi, Thailand's Commerce Minister] said almost from the beginning that the government should buy up nonperforming loans. Instead, they threw the problem back to the banks and the debtors. Some way has to be found to take the dead loans out of the system. Whatever they decide, the costs, including political costs, will be very high. Some people have said that if the privatization of state enterprises goes through, it would help [by using the money from the sales to pay off the bad debts], but politically that won't happen, and Tarrin has to accept that. **TIME:** How much of the problem is the result of misguided policies of the IMF, and how much is the fault of the government? **Baker:** The IMF predictions were very indicative. At the beginning they said Thailand would suffer a mild recession, and have 3.5% growth in 1998. (Thailand's economy contracted by 10% that year.) They badly misunderstood the nature of the situation. By the time the Democrats took over most of the bad decisions had already been made [by the IMF and the previous government]. And it took more than six months before they got on top of it. It wasn't until mid-1998 when [U.S. Treasury Secretary Robert] Rubin came to Bangkok, that we started seeing statements from the Democrats about changing the IMF program. That was when the Government started to undo the high interest rate policy. **Pasuk:** The Democrats also believed the IMF. They said the money [foreign investment] would come back and start flowing in. It took about a year before they started to change what the IMF was doing. **Baker:** The Government said the crisis would be over in six months. There was a definite failure of leadership on the part of Chuan. There was a failure of communication throughout. He should have tried to incorporate the people into understanding the severity of the situation. **TIME:** On the whole, though, the country is in much better shape than it was when Chuan took office. So why does support seem to be increasing for his rival, Thaksin Shinawatra, and his

Thai Rak Thai party? **Baker:** The Democrats are associated with a certain point of view. It's the IMF point of view that says, 'Open up your country completely, remove all forms of impediments to foreign capital, let us do what we want in your country, and eliminate all forms of support you give to local capital.' It's inevitable that there will be some reaction to that. Thaksin says we will return to backing local capital and businesses with some form of state support. You can dispute quite rightly the way he translates those two ideas into policies -- or just who he really is -- but the debate he's raised is important. **Pasuk:** People are tired of this IMF mantra of reform and opening up the economy. We do want reform. The question is, how quickly. If it's forced on a country too quickly, it could undermine the political system and cause more harm than good. People around the region feel this way. Having suffered so much over the past few years, they are tired of constant pressure from the United States to open everything up quickly and completely. They are saying, 'Look, our economy is booming and so you have to do it our way.' People view this as U.S. hegemony and are saying enough is enough. **TIME:** So is Thaksin the answer? **Pasuk:** A lot of people are fooled by the glamour of his success in business. A lot of people feel there is no place else [for the country to go], so it may be better to support a successful businessman. Little do they know what kind of business he's in, or how he makes profits from monopolies and his connections...But the glamour of his business success in this time of crisis seems to have raised his position in the eyes of the people. It's very superficial, but it works. A lot of people in Thailand believe in money. I'm very surprised that many of my colleagues think he will be a good Prime Minister. He came to talk to us [academics] three years ago. All my colleagues said, 'Why not give him a chance? At least he has a lot of money. And if you have a lot of money, you can move things.' I said, 'What's his ideology?' They said, 'It doesn't matter. In Thai politics you need money.' A lot of people can't make the distinction between running a business and running a country. In a business you can dictate, but in a country you just can't, especially in a country like Thailand where social divisions are great. If you want to judge Thaksin on his past work in politics and government, it's a complete failure. But people have conveniently forgotten that, already. It's very dangerous to let Thaksin succeed, on many counts, especially 'money politics.' He's spending so much money, more than anybody else...Can you imagine how much the next election will cost? **Baker:** Thaksin is a logical extension of what has happened to Thai politics since Chatchai Choonhavan, [who was elected Prime Minister in 1988 and who was ousted in a military coup in 1991. His government was regarded as corrupt], when it became a business preserve. Banharn [Silpa-Archa, Prime Minister between 1995 and 1996] was the continuation of that. Chavalit [Yonchaiyudh, Prime Minister between 1996 and 1997] was a throwback to a prior era [when military men controlled politics]. **TIME:** Some economists have raised fears that if times are still tough a year or two from now, people might lose faith in political reform and the way will be paved for a return to a more authoritarian leader. Is that a realistic danger? **Pasuk:** There will always be that suggestion in the wings. The right wing, conservative, military element is always there to provide that alternative, but is it practical in this era? A lot of people in that camp still think wishfully because it was not that long ago that they were in control. But they are no longer the majority. **TIME:** For people who don't live in Thailand, why is it important whether or not Thailand recovers, and how it achieves that recovery? **Pasuk:** Countries that have not liberalized yet will look to Thailand and try to learn from it. The question is how to achieve change without also disrupting democratic trends.

*From Time-Asia by Robert Horn, 31 October 2000*

## **SOUTH KOREA PRESIDENT CONFIRMS HIS RESOLVE TO CARRY OUT COMPREHENSIVE REFORMS IN POLICY ADDRESS**

President Kim Dae-jung yesterday reiterated his full commitment to implementing fundamental economic and social reforms, stressing that his government would complete financial and corporate reforms by the end of the year. In a policy speech on state affairs delivered by Prime Minister Lee Han-dong at the National Assembly, Kim said he would also tackle reforms of public and labor sectors by next February. "By eliminating structural impediments like debt-ridden business and ailing banks that have drastically destabilized the national economy, the government will resolidify the foundation for another take-off," he said. In drawing up next year's budget, Kim said, the government has placed its first priority on raising people's living standards and sharpening industrial competitiveness. He noted the 101 trillion-won (\$92 billion) budget for fiscal 2001 was designed to give more money to flow into education, culture and the economy. He added the government would pay particular attention to building up know-how in the information technology (IT) sector, natural and applied sciences areas and small-and medium size business, which he said would ensure Korea's overall competitiveness in the new century. Despite some problems, Kim went on to say, next year's economy was expected to grow by 5 to 6 percent with inflation remaining below 3 percent. He also estimated that Korea would be able to maintain its trade surplus in 2001, while pledging to work to reduce tax burdens on businesses. Touching on inter-Korean relations, he recalled a considerable progress had been made in reducing tension between South and North Korea after the historic June summit meeting in Pyongyang. Based on the trust and confidence built up by the two countries in the past few months, the government will firm up a foundation to enhance economic cooperation and reduce military tensions on the Korean Peninsula next year. The president, apparently conscious of some criticism that Seoul had given too much to Pyongyang, added that future cooperation would be conducted in a more "calm and systematic" ways with emphasis placed on strengthening the North's economic capabilities instead of giving them simple aids like foods and fertilizers. Kim also promised that he would pay more attention to winning the consensus of the people in dealing with North Korea. Noting that people are increasingly disillusioned with the way politicians and their way of handling state affairs, the President asked that both the ruling and opposition party learn to work together to restore trust and confidence so that the country could become a first class international player. In response, the opposition Grand National Party (GNP) said that they were disappointed in the way the president saw the reason for the existing national confusion, while just continuing to paint a rosy future for the country when the overall outlook is still quite bleak.

*From Korea Herald, by Lee Joon-seung Staff reporter, 9 November 2000*

## CHINA ISSUES RULES GOVERNING INTERNET-BASED NEWS PROVIDERS

On Nov. 7 (Nov. 6 in the United States), the Chinese government issued rules governing Internet-based news providers, according to *Xinhuashe* (Xinhua News Agency). The regulations, jointly drafted by the Information Office of the State Council and the Ministry of Information Industry specify that the Information Office will be in charge of the management of all Web sites engaged in news dissemination in China. Internet sites run by media organizations at the central government and provincial government levels may publish news, but only after obtaining approval from the Information Office. Other media organizations may not set up independent news sites, but they may, upon approval, set up news pages at the Web sites run by the above-mentioned approved media organizations, the story said. If commercial portal sites run by non-news organizations wish to carry news, they may do so only after obtaining permission. After gaining approval, they may only publish news provided by officially approved news organizations, according to the story. The rules stipulate that such commercial portals may not carry any news items based on their own interviews or from other sources. Other commercial sites run by non-news organizations are not allowed to carry news of any kind. The regulations further stipulate that no China-based Web sites will be allowed to link to overseas news Web sites or carry news from overseas news media or Web sites, without separate approval by the State Council Information Office. Commercial Web sites that wish to carry news must first sign cooperative agreements with authorized news outlets. A copy of these agreements must be filed with the Information Office.

*From China Online, 7 November 2000*

## CHINA ISSUES REGULATIONS ON MANAGING INTERNET INFORMATION-RELEASE SERVICES

Regulations on managing Internet information-release services were issued by the Ministry of Information Industry ([MI](#)) on Nov. 7. A July 2000 China Internet Network Information Center (CNNIC) report claimed that there were 16.9 million Internet users in China. However, a second Internet authority, International Data Corp., estimates that the number of Internet users would not exceed 9 million by the end of 2000. The regulation, adopted at the ministry's fourth session Oct. 6 was signed by MII minister [Wu Jichuan](#) in a decree. The regulations came into effect upon their promulgation. Following is the full text of the regulations, reported in the *Renmin Ribao* ([People's Daily](#)) on Nov. 7. Regulations governing the management of Internet public information-release services:

**Article 1:** In order to strengthen the management of Internet public information-release services on the Internet (herein after referred to as Internet information services), regulate activities related to Internet information services, preserve national security and social stability, safeguard the legitimate rights and interests of citizens, legal persons and other organizations, the following regulations are established on the basis of "Regulations governing Internet information services management." **Article 2:** Internet information services and information release via the Internet within the borders of the People's Republic of China fall under these regulations. The Internet information services described in the regulations refer to activities that provide users with the ability to release information in bulletin board systems, white boards, Internet forums, chat rooms, message boards or other interactive forms. **Article 3:** Internet information release providers shall abide by law and regulations, strengthen self-regulation in the profession, accept supervision and inspection conducted according to law by the MII, administrative telecommunications departments of provinces, autonomous regions and municipalities or other relevant authorities. **Article 4:** Users of Internet information services shall abide by laws and regulations and be responsible for the information they release. **Article 5:** Those engaged in Internet information services or those that plan to provide Internet information services must submit applications or reports specifically for this purpose to the telecommunications administration departments of provinces, autonomous regions and municipalities or to the MII when they apply for business-oriented licenses for Internet information services, or report their applications to the authorities for records of nonbusiness Internet information services. Telecommunications administration departments or the MII must approve the applications along with applications for Internet information services or put them on the record within the prescribed time limit if the applicants are considered qualified upon examination, and state clearly as such in their business license or records. If an applicant is considered unqualified, no approval shall be granted and no record made. The applicant shall be notified, in written form, of the decision and the reasons for it. **Article 6:** Those who intend to provide Internet information-release services must, in addition to meeting the requirements prescribed in "Regulations governing Internet information-service management," meet the following qualifications: Establish definite categories and channels for Internet information-release services; Formulate comprehensive rules and regulations for Internet information-release services; Adopt measures for the security of Internet information-release services, including procedures for user registration, regulations on users' information security and measures for technological backup; and Employ professional managerial and technological personnel who are capable of effective administration of Internet information-release services. **Article 7:** Those who have already been granted business licenses for Internet information services, or have completed the report for record procedures but plan to offer Internet information-release services, shall apply to the original examination and approval or registration authorities or submit a report for the record specifically for this purpose. Telecommunications administration departments of the provinces, autonomous regions and municipalities or the MII shall complete the examination and approval process within 60 days of receiving the specific applications or reports. Applications considered qualified upon examination shall be approved and a document shall be entered for the record, and specific indication shall be made in business licenses or records. No approval shall be granted nor record made for applications considered unqualified. Written notices shall be issued to inform the applicants of the rejection and explain why. **Article 8:** No organizations or individual shall carry out Internet information-release services without obtaining prior approval or completing the formalities to report the application for the records. **Article 9:** No one is allowed to release, via Internet information services, information with any of the following content: Opposing the fundamental principles of the constitution; Harming state security, leaking state secrets, subverting state power and sabotaging national unity; Impairing the image and interests of the nation; Inciting hatred or discrimination among ethnic groups and

harming their unity; Undermining the state's policies on religion and advocating cults and feudal superstitions; Spreading rumors, disrupting social order and jeopardizing social stability; Promoting obscenities, pornography, gambling, violence, murder, horror, or instigating crimes; Insulting or slandering others and encroaching on their lawful rights and interests; and, Containing other information that is prohibited by law and administrative regulations. **Article 10:** Internet information-release service providers shall carry prominently in their service systems the serial numbers of their business license or record files and service regulations, and shall remind users of the legal responsibilities they bear for the information they release. **Article 11:** Internet information service providers shall offer services in accordance with the approved or registered categories and channels, and any attempts to offer services that go beyond the approved categories or to set up other channels are not allowed. **Article 12:** Internet information service providers shall keep secret the personal information of their users, and not disclose any of this information to others without users' consent unless otherwise stipulated by law. **Article 13:** If Internet information-release service providers find any information that clearly fits the provisions in Article 9 of these regulations, they shall delete the information immediately and keep a record of the incident and report it to the relevant state authorities. **Article 14:** Internet information service providers shall keep a record of the information released via their services, the time of release, and the IP addresses or domain names of the information disseminators. Internet information release service providers shall keep a backup copy of the record for 60 days and provide the record to the relevant state authorities for inquiry conducted according to law. **Article 15:** Internet information service providers shall keep track of the time their users get on the Web, the Internet accounts, Internet addresses and telephone numbers of their users. They shall keep a backup copy of the record for 60 days and provide the record to the relevant state authorities for inquiry conducted according to law. **Article 16:** Those who are engaged in Internet information services without prior approval, or offer services that go beyond the approved or registered categories in violation of the provisions in Article 8 and Article 11 of the regulations, shall be punished according to the provisions in Article 19 of "Regulations governing the management of Internet information services." **Article 17:** Those who release information that fits the provisions in Article 9 of the regulations shall be punished according to the provisions in Article 20 of "Regulations governing the management of Internet information service." **Article 18:** Failure to carry in the service systems the serial numbers of the business license or record files, failure to make public service regulations and remind users of their legal responsibilities for the information they release in violation of the provisions in Article 10 of the regulations shall be punished according to the provisions in Article 22 of "Regulations governing the management of Internet information service." **Article 19:** Illegal disclosure of the personal information of users without their consent in violation of the provisions in Article 12 of these regulations shall be issued a warning by the telecommunication administration departments of the provinces, autonomous regions and municipalities, and offenders shall bear the legal responsibilities according to law if they have caused harm and losses to users. **Article 20:** Failure to fulfill the responsibilities prescribed in Article 13, Article 14 and Article 15 of the regulations shall be punished according to the provisions of Article 21, Article 23 of "Regulations governing the management of Internet information service." **Article 21:** Those who have started Internet information release-services before these regulations go into effect shall, in accordance with the provisions of these regulations, submit applications or go through the formalities of reporting the issue to relevant authorities for the record within 60 days when these regulations go into effect. **Article 22:** These regulations go into effect on the day of promulgation.

*From China Online, 13 November 2000*

## **IT INDUSTRY MISSING THE POINT, SAYS EDS CHIEF**

EDS chairman and chief executive Dick Brown on Wednesday challenged the information technology industry to look beyond the "E" hype and get back to basics with building sustainable businesses. "I believe our industry has been so consumed with chasing the e-space, we've lost sight of the basic business fundamentals - the big picture," Mr. Brown said what was in the first keynote speech by an information technology services leader at Comdex. As an industry, "we had the glitz but missed the guts", he said. Mr. Brown was referring to the recent rise and fall of start-up companies which relied on a business model that focused on building their idea of what electronic commerce should be, but totally missed out on establishing a relationship with their target clients and so failed to create sustainable profitability. "It is now time to move beyond 'E'," he said. "As a pure-play global services company, EDS is putting its money where its mouth is ... EDS is building a foundation for sustainable, long-term, profitable growth. Our global infrastructure, broad intellectual capital and ability to provide innovative end-to-end solutions put us at the centre of the digital economy. We are focused on bringing value to our clients and to our shareholders." EDS provides strategy, implementation and hosting for the mission-critical operations of large organisations. In Hong Kong, the company is involved in establishing key information services for the international airport at Chek Lap Kok. The company recently signed a US\$6.9 billion outsourcing contract with the United States Navy and Marine Corp – the largest IT deal ever with US Government, Mr. Brown said. "As we move beyond 'E', we're also committed to help our clients do business in today's digital economy by helping them eliminate boundaries, collaborate in new ways, establish their customers' trust and continuously seek improvement," Mr. Brown said. He said those goals were imperative to making enterprises work in the digital economy. "They are simply stated, but increasingly complex to deliver," he said. "At EDS, we believe so strongly in these imperatives, we're basing our future on them. You must re-invent and replace not only your own but your customers' business models and processes ... and you must do it on the fly." To stress that point, the EDS chief unveiled his company's latest television commercial advertisement titled "Airplane". It showed a group of construction workers in hard hats building a visibly incomplete aircraft - bare roof, with crew of pilots and stewardesses and their passengers – in flight. David Lubars, president and executive creative director at branding company Fallon Minneapolis, said the commercial focused on EDS' ability to build and upgrade client businesses for the digital economy while they're up and running – or as the commercial suggests, "building an airplane on the fly". The commercial also seeks to stress the increasing importance of the services industry to the Comdex audience, sending a signal that hardware and software innovation alone are not enough to help

businesses to compete effectively, according to Jason Chudnofsky, president and chief executive of Comdex organizer Key3Media Events. As evidence of this change, Comdex enlisted EDS as the project lead on a high-speed fibre-optic network that connects more than 2,200 exhibitors and the five conference venues. "The system is the world's largest temporary metropolitan area network," Mr. Chudnofsky said. To enable its client enterprises and governments to meet the needs of their target audience, EDS has analysed the trends driving global markets – including convergence, privatisation, voice-over IP (Internet protocol), broadband and intelligent agents - and examined consumer needs, Mr. Brown said. He said EDS aimed to deliver the right content and applications with the right portal and the right devices – whether wired or wireless - "combined with a high level of security, the right interface and network and integrated with the user's vital business processes". Businesses, he said, "must see the big picture, work to improve everything you touch and be there when you are needed. Better yet, [you must] anticipate what consumers want and be there before you're needed"

*From South China Morning Post, 16 November 2000*

## **BIGGER SYSTEM, CITIZEN ROLE URGED – JAPANESE PANEL RELEASES JUDICIAL REFORM REPORT**

A government council on judicial reforms unveiled an interim report Monday that proposes drastic legal changes -- such as boosting the number of judicial personnel and allowing regular citizens to play a more pivotal role in trials. But while the paper, presented to officials at the Prime Minister's Official Residence later in the day, sorted out the basic ideals and pointed the direction reforms should take, thorny issues such as whether the jury system should be reinstated were left for the final report, expected out in June 2001. The Judicial Reform Council pointed to the need to start preparing legislative measures to increase human resources in the legal profession and improve the Commercial Code and the Civil Code before it presents a final report. Calling judicial reform the ultimate keystone to effectively implement the nation's ongoing structural reforms encompassing the realms of politics, administration, decentralization and economic structural reforms such as deregulation, the 66-page report focused on three pillars: \* the expansion of judicial personnel; \* the improvement of legal systems; \* the establishment of public participation in the judicial system. To this end, the report stressed the need for increasing the number of judicial personnel, lawyers, prosecutors, judges, and Justice Ministry officials. This is in stark contrast to other structural reforms aiming to whittle down the size of the bureaucracy. Specifically, the report calls for the establishment of law schools nationwide and the introduction of a new test to replace the existing national bar examination, aiming to ensure that roughly 3,000 people enter the judicial profession every year. Currently, there are about 20,000 lawyers in Japan, or one per 6,300 citizens. In comparison, in the United States there are 941,000 attorneys, or one for every 290 people. In Britain, the barrister population is 83,000, translating into one for every 710 citizens; in Germany, there are 111,000, or one for every 740 citizens; and in France, there are 36,000 -- one for every 1,640 people. The council also called for employing more judges from among lawyers and public prosecutors to bring more variety among judges. In addition, Monday's report points to the growing demand for judicial personnel to tackle such emerging issues as globalization of economic activities, worldwide problems concerning environment, cross-border crime, intellectual property rights, malpractice and labor matters. As a means to improve the nation's legal framework, the state should consider making arrangements for citizens to easily access information on judicial issues such as trials and alternative dispute resolution methods, the council said. To boost the quality of services offered, the council suggested that a system be created under which lawyers and law firms may undertake broader activities. It also said quality could be enhanced if lawyers could work in cooperation with colleagues qualified to handle legal affairs in foreign countries as well as professionals engaged in technical legal matters, such as patent attorneys. To win public support for the judicial system, a greater part of the public needs to join forces with judges through frameworks such as a jury system or through joint consultation with judges, the report says. The council will study relevant established systems in the U.S. and Europe to determine the most suitable framework for Japanese citizens to take part in trials, chiefly criminal cases. The Judicial Reform Council was established in July last year to serve a two-year term and consists of 13 representatives from the judiciary, academia, consumers groups, labor and business circles.

*From The Japan Times, 21 November 2000*

## **CHINA REGULATIONS ON ASSET MANAGEMENT COMPANIES RELEASED**

The days when securities companies monopolized the stock underwriting market are gone. According to the Regulations on Financial Asset-Management Companies released Nov. 19 by the State Council, financial asset-management companies may also enter the stock underwriting business. China currently has four major financial asset-management companies—Huarong, Xinda, Dongfang and Great Wall. According to the Nov. 20 *Shanghai Zhengquan Bao* ([Shanghai Securities News](#)), Huarong and Xinda had previously obtained approval to enter the stock underwriting business, but this is the first time that formal regulations have ever confirmed the qualifications of all four financial asset-management companies for stock underwriting. According to the regulations, financial asset-management companies may undertake listing sponsorship as well as bond and stock underwriting for companies within the scope of their asset-management. They may also enter other areas, if approved by the [People's Bank of China](#) and the [China Securities Regulatory Commission](#). Insiders say that this indicates a full entry into the stock underwriting business by financial asset-management companies. The regulations allow financial asset-management companies to lease, transfer or reorganize assets formed by bad loans they have purchased. Financial asset-management companies may transfer enterprise equities in their holding to domestic and overseas investors according to related regulations, or have the equities repurchased by firms whose debts have changed into equities according to law. After financial asset-management companies transform financial claims into equities, they may dispatch personnel to the firm's board of directors and board of supervisors to exercise their rights as shareholders. If the

financial claims cannot be paid off because of the bankruptcy of the debtor, matters should be settled according to the related regulations of the State Council, the article said.

*From China Online, 21 November 2000*

## EUROPE

### GREEK JUSTICE REFORMS APPROVED

A series of measures designed to accelerate and improve court procedures was approved in yesterday's Cabinet session under Prime Minister Costas Simitis. "Our basic target is to make the rendition of justice more effective, both from the aspect of speed and the aspect of substance," Justice Minister Michalis Stathopoulos said. He added that 46 misdemeanors - including disturbing the peace, causing traffic mayhem, polluting the environment and breaching the building code - will hence be treated as offenses under administrative law that will be punished with standard fines. Furthermore, Stathopoulos said, procedures to build eight new prison complexes within the next two and a half years will be accelerated, in order to address overcrowding and the problem of prisons functioning inside residential areas. According to government spokesman Dimitris Reppas, Athens's Korydallos prison will be relocated by 2004.

*From Greece-Kathimerini, 17 November 2000*

### PUTIN PLEDGES MORE REFORMS AT APEC MEETING

[\(Reuters\)](#) Russian President Vladimir Putin promised to keep his country on the path of economic reforms and liberalization on Wednesday as he attended a meeting of other nations on the Asian-Pacific rim. Putin, attending the Asia-Pacific Economic Cooperation (APEC) forum, told an audience of businessmen and government officials Russia was a fit partner for them as it had achieved stability after years of hectic post-Soviet change. "The main direction of our activity will be liberalization in all areas," he said, adding that Russia intended to cut import tariffs sharply, lessen restrictions from non-tariff barriers and carry out further structural reforms. He stressed that Russia, as a "Euro-Asiatic nation" was intent on furthering its economic links with Asia as a whole and urged businessmen to get involved in the exploitation of the country's huge mineral wealth in the vast Siberian expanse. Putin, who won a March election after becoming acting Russian leader on New Year's Eve following the shock resignation of Boris Yeltsin, said his government's main success had been in ending political uncertainty. "Our main achievements in the recent past have been stability, which was so lacking in Russia," he said. Reiterating one of his key themes of boosting the effectiveness of government, he said the state's main job in Russia now was to make sure the country's legal system worked and end state interference in areas where it was not needed. Putin noted his country was heading for strong growth this year, predicting a rise in gross domestic product (GDP) of seven percent, which would be the highest in Russia's post-Soviet history after a 3.2 percent gain in 1999. Putin also addressed the issue of globalization, one of the key matters being discussed at the APEC gathering, and said it had downsides and upsides. Among the upsides he cited the speeding up of communications and financial transfers although the downside was the potential for the spread of crime. "The illegal transfer of money...money laundering, narcotics...and as a consequence, terrorism," he said. The Kremlin leader also said entry into the global trade body the World Trade Organization was a priority for Russia. "We are actively holding bilateral talks with WTO countries," Putin said. Russian Economy Minister German Gref told reporters his country expected to complete WTO talks next year in order to gain entry to the body in 2002 or 2003. Putin is to hold a series of meetings on the sidelines of the summit. He earlier met U.S. President Bill Clinton and was due to hold talks with Chinese leader Jiang Zemin. APEC groups Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Russia, Singapore, Taiwan, Thailand, the United States and Vietnam.

*From Russia Today, 15 November 2000*

### ATTEMPTS TO REFORM RUSSIA'S FLAWED COURT SYSTEM ARE FAILING

Her worst mistake was to scream, "You can't take all that money!" That was Jan. 13, 1996, after the police stopped the 24-year-old Nigerian student on the street for a document check. She had left her passport in her dorm room, and when the cops searched her at the station house, they found \$400—her tuition money. "They said they take it for the fine," she recalls. That is when she screamed and when her troubles really began. First, they pulled her cap down over her eyes. "I was blindfolded," she says. "They cuffed my hands behind my back. They took my scarf and pulled it like this." She pantomimes being strangled. "I almost gave up on life." She felt fingers inside her boots, and then the cap was removed. "The policemen said, 'Look, she has narcotics.' One opened up my right boot—and four little things, something wrapped in foil, fell out." A year and a half later, a local court sentenced her to eight years in prison for selling heroin. The lead prosecution witness was a young man who said he had bought heroin from a black woman the day she was detained. Two years later, the city appellate court decided his testimony was unreliable and halved her sentence. She was released January 19, after four years and six days behind bars. What price freedom? Today, she has lost contact with her family. Jail authorities would not allow her to write letters in English, and she says her parents in Nigeria cannot believe that she was wrongly imprisoned for all this time. She has also lost her identity: Her passport, left in her dorm room, has vanished. A convicted criminal and an undocumented alien, she now lives in hiding. Members of Moscow's small community of liberal law experts say the woman's case is typical of the Russian court system, where judges work together with corrupt police and

incompetent prosecutors to convict anyone who comes before them. The frightening experience of the young African student demonstrates just how far hopes have fallen for a drastic overhaul of the Russian criminal justice system. In 1991, driven by the understanding that legal reform is a prerequisite for freedom, democracy, and foreign investment, the Russian parliament approved an ambitious program that would have restructured the investigative process, introduced jury trials, and spelled the end of an unjust police and court system. Nine years later, these ideals are withering. Russia has the world's second-highest proportion of its population behind bars, a jury-trial experiment has been halted, and the architects of legal reform say justice is no more attainable than it was in Soviet times. The reform attempts began in 1994 when nine of Russia's 89 regions introduced jury trials. Early results were startling as jurors asserted their independence. Shoddy evidence routinely accepted by professional judges did not pass muster, and verdicts were carefully considered by the panels. "Some feared that our people are cruel and the juries would hand down unusually harsh sentences," recalls Mara Polyakova, chairwoman of the Independent Council of Legal Expertise. Instead, the juries returned acquittals in half the cases. Reaction from the legal establishment, intent on preserving the status quo, was swift. In Moscow, the prosecutor's office and the Interior Ministry successfully lobbied against introducing jury trials elsewhere. A recent survey of Moscow courts by the International Commission of Jurists, a group of legal experts who monitor trials, flatly condemned jurisprudence in the capital. "Not a single court conducted itself in accordance with the law," says Moscow chapter head Karina Moska-lenko. The biggest problem is the lack of adversarial procedure. "You'd think it would be easy for a judge to sit back and let them fight it out, then rule," she adds. "But it is the prosecutor who gets to relax. He has nothing to prove." One reason lies in Russian law, which makes the judge, not the prosecutor, ultimately responsible for ensuring that all of the evidence comes out. Says Polyakova: "The judge closes his eyes to the prosecutor's violations because he believes this is his contribution to fighting crime." Appellate courts then review trial transcripts submitted by judges who reportedly doctor them to conceal procedural violations. "The appellate court covers for the lower court, which covers for the prosecution, and all of them gang up against the defendant," concludes the ICJ's Moskalkenko. Judicial disregard of due process isn't the only problem. Last month, Russia's human-rights ombudsman, Oleg Miro-nov, issued a report on the use of torture in law enforcement. "This is an outrageous evil that has become entrenched in our society," says Mironov, a Communist Party member who has generally been reluctant to make trouble. His findings reflect those of the international activist group Human Rights Watch. Its book-length report published last year called *Confessions at Any Cost* concluded that police torture in Russia is rampant. "Torture has become a universal technique," agrees former Judge Sergey Pashin, author of the 1994 jury trial initiative and several other legal-reform measures. "Police even use the same terms around the country. An 'elephant' is when the accused has to put on a gas mask and breathe tear gas. A 'crucifixion' is when he is cuffed to a metal bed with electrical current coursing through it." Few acquittals. In this star-chamber legal system, virtually everyone is convicted. Last year, fewer than 1 percent of nonjury trials ended in acquittals—and half of those verdicts were reversed. "Appellate courts have about 15 minutes per case," explains Pashin. "That means the documents are filtered by a secretary, who knows that acquittals generally need to be overturned and convictions do not." Legal expertise is also in short supply on the Russian bench. Most new judges are court clerks who are permitted to try cases after completing a correspondence course at the master's degree level. A 1996 study by the World Bank concluded that many Russian judges were woefully undertrained. Since then, say critics, things have gotten worse, and judicial rulings usually read as though they were written by a semilliterate person. Judge Pashin, who has a Ph.D. in law, was thrown off the bench last month by a judges' board for allegedly giving out his office telephone number during a radio interview. His supporters interpret the firing from his \$178-a-month job as a signal that judicial reform in Russia has officially ended. "We can try to reform the laws and the system, but we can't change the people," states Sergey Vitsin, vice chairman of the Presidential Council on Judicial and Legal Reform. "Our jurists have the concept of justice upside down." Says Pashin: "How sad that it was all over so soon."

*From U.S. News Online, by Masha Gessen, 15 November 2000*

## **EU INCHES TOWARD DECISIVE REFORM**

The mandate agreed by European Union leaders at their Helsinki summit last December was clear: the goal of this year's intergovernmental conference (IGC) was to reform the EU's decision making capabilities so it could handle the challenge of enlargement. With next month's decisive Nice summit only 15 days away, there is growing confidence among diplomats in Brussels that the IGC will end in agreement, albeit after one or even two marathon negotiating sessions into the early hours. The litmus test will be how far the leaders agree to extend qualified majority voting (QMV) into areas of decision-making where unanimity now rules. An EU foreign ministers' conclave in Brussels last Sunday yielded little sign of a breakthrough. The ministers, meeting for the first time in a month, focused on the issues of power politics in preference to points which should determine whether the EU can survive legislative gridlock as it expands to 27 or more states. The "pecking order" questions of the future size of the Commission and the re-weighting of votes in the council of ministers took precedence over the main "efficiency" issue of extending QMV to areas of EU policy which currently must be decided unanimously. As 80 per cent of EU decisions are already taken by QMV, it is a moot point whether member states should expend much political capital striving for more. But the European Commission, backed by some smaller member states, has declared throughout the IGC that QMV "must be a general rule" to avoid paralysis as the union expands. It was therefore a somewhat sheepish Pierre Moscovici, France's minister for Europe, who admitted on Sunday that the QMV negotiations were "rather worrying". His cautious message was: "We all know QMV is the key to an ambitious treaty but we have reached a point beyond which it is difficult to go." The reason is simple. All EU member states face the same problem over the issue: giving up the national veto involves the sacrifice of sovereignty over often highly sensitive issues. France and Germany, which pride themselves on their pro-EU credentials, are among the opponents of scrapping the national veto for certain measures, alongside such traditional EU sceptics as Britain and Denmark. Thus, Germany and the UK oppose QMV on social security measures to aid freedom of movement of workers. Britain, Ireland, Luxembourg and to a large extent Sweden oppose QMV on tax

issues. Germany has political, and France constitutional, problems extending QMV to asylum and immigration policies. France also opposes QMV for trade policy decisions on services and intellectual property, partly to safeguard its cultural heritage from the encroachments of American Anglo-phone popular culture, but also because it wants a voice in international trade negotiations. Wearing its presidency hat, France has tried to overcome blockages by subdividing difficult articles into areas where unanimity remains and QMV would apply. But instead of yielding progress, this has prompted fears among pro-integration member states of a series of lowest common denominator agreements for the EU. Blocking countries are also not prepared to accept diluted proposals. Britain, for example, remains firm in opposition to all QMV on tax and has mustered allies, such as Ireland. Bertie Ahern, the Irish prime minister, recently spelled out his objections to the presidency's modest proposal for QMV to apply only to the technical updating of EU tax rules and the fight against tax fraud and evasion. In quantitative terms, the leaders will still announce progress on QMV at Nice. Of the 70 articles of the EU's treaty where unanimity applies, France has identified around 50 as candidates for QMV. According to Gunter Pleuger, Germany's IGC negotiator, the leaders could possibly agree QMV for as many as 40. But most articles are trivial. Applying QMV for appointments to the EU's economic and social committee or the statute of members of the European Parliament will hardly boost the effectiveness of an enlarged EU. Recent negotiations have been a far cry from the rhetoric that followed last month's informal EU summit in Biarritz. There, President Jacques Chirac of France hailed "real progress" towards restricting the use of national vetoes in the EU's council of ministers and Michel Barnier, the EU commissioner responsible for the IGC, spoke warmly of the "Biarritz spirit". Even in the absence of a breakthrough on the tough QMV issues at Nice, the EU will continue to take most of its decisions by majority voting, as at present. Continuing decision-making by unanimity may be inconvenient. But it probably reflects the will of Europe's peoples more accurately than a further pooling of sovereignty through QMV. Aside from the arguments over qualified majority voting (QMV) at next month's Nice summit, EU leaders are expected to facilitate the introduction of "enhanced co-operation", by which relatively small numbers of member states will be allowed to forge ahead with projects for greater integration. When the Intergovernmental Conference (IGC) began in February, enhanced co-operation was not on the agenda. The procedure, agreed at the 1997 Amsterdam summit, has so far not been used. But IGC negotiators have agreed to facilitate the launch of enhanced co-operation while specifying that projects must operate within the rules of the EU, not damage the single market, and be open to latecomers. Once confirmed at Nice, these rules should permit integration at different speeds while banishing the spectre of first, second or third class member states. It is unclear how enhanced co-operation will work in practice or whether countries will embrace it enthusiastically. To many, the enthusiasm for enhanced co-operation looks like a fig leaf to cover the lack of progress on QMV.

*From Financial Times, by Peter Norman in Brussels, 22 November 2000*

## THE AMERICAS

### WHITE HOUSE IS DIVIDED OVER MEASURE TO TIGHTEN SECURITY ON GOVERNMENT INFORMATION

A bill that would greatly tighten the lid of secrecy on government information has been sent to President Clinton, and administration officials said today that there was sharp division over whether he should sign or veto it. The provision, a few paragraphs in a multipage spending bill that finances the intelligence agencies, would sentence an official convicted of disclosing any classified information to three years in prison. The "antileak" legislation was requested by the Central Intelligence Agency, which said it has lost agents and sophisticated surveillance methods because of newspaper articles based on leaks of classified information, and was drafted with help from the Justice Department. Justice Department officials said today that the bill was narrowly drafted and was needed to fill gaps in disclosure laws. But many journalists and First Amendment lawyers oppose the bill and even some of its supporters said the legislation was overly broad. Though White House officials signed off on the legislation initially, criticism of it after it passed began to give more administration officials pause. There is now strong opposition to the bill inside and outside the White House, an administration official said. The president has until Nov. 4 to act on the bill. Representative Porter J. Goss, Republican of Florida and chairman of the House intelligence committee, said leaks of classified information were "not just a trickle, they've become a waterfall" and had caused serious damage to the United States. Mr. Goss, a former central intelligence officer, said he would have preferred more carefully drafted legislation to deal with leaks but thought this provision was better than nothing. The law should have been limited to "the most egregious cases, where there is serious damage to national security," Mr. Goss said, and it should be clear that it does not apply to "dinner table slips." The antileak provision was inserted into the Intelligence Authorization Act by the Senate intelligence committee after closed hearings. It was adopted without public hearings with testimony from intelligence agency officials. The House intelligence committee also approved the spending measure with the provision. Mr. Goss said that the House and Senate committees had been troubled by instances in which newspapers had published information that came from electronic surveillance and that these had exposed methods and sources. Mr. Goss said he could not provide details about those cases because in doing so he would be disclosing classified information in violation of the legislation. He said that in spite of his reservations about aspects of the bill, he would urge the president to sign it, and that his committee would hold hearings next year with a view toward fixing the bill if necessary. The measure called for criminal penalties for anyone who "knowingly and willfully discloses, or attempts to disclose, any classified information acquired as a result of such person's authorized access to classified information to a person who is not authorized access to such classified information, knowing that the person is not authorized access to such classified information." Some Pentagon and White House officials agreed that the language is too sweeping, a view shared by many in Congress, conservatives and liberals, as well as by news media, which said that the bill will seriously impede the flow of information to the public. "It's potentially disastrous for a government spokesman," Kenneth H. Bacon,

assistant secretary of defense for public information, said today. "It's disastrous for journalists. It's disastrous for any official who deals with the press in national security, whether at State, the N.S.C. or the Pentagon." In answering even a simple question, a spokesman runs the risk of violating the law because he will be relying on information that has been given to him, some of it classified, Mr. Bacon said. As an example, he cited being asked about the movement of Iraqi troops, a frequent question. To answer it, he said, he must necessarily rely on classified information. Mr. Bacon has made his concerns known to the White House, where many officials agreed with him. Representatives from The New York Times, The Washington Post and CNN have urged Mr. Clinton to veto the bill. The American Society of Newspaper Editors is planning to send a letter to the White House on Tuesday urging President Clinton to veto the bill, and the Newspaper Association of America, a publishers' trade group, is urging its members to contact the White House. In Congress, conservatives and liberals have expressed concern about the bill. Last week, Representative Henry J. Hyde, Republican of Illinois and one of the more conservative members of Congress, and Representative John Conyers Jr., Democrat of Michigan and one of the more liberal members, wrote the chairman of a House Appropriations subcommittee, Representative Harold Rogers, Republican of Kentucky, asking that a provision to delay the antileak measure be included in one of his committee's bills. Mr. Goss said he had no objection to such a delay but worried that there would be an avalanche of secrets disclosed in the meantime. A spokesman for Mr. Rogers, Daniel DuBray, said today that the request from Mr. Hyde and Mr. Conyers was pending. Laura Handman, a First Amendment lawyer in Washington, said several things about the law concerned her. The law punishes the official who leaks the information and not the media outlet that publishes it, but Ms. Handman said journalists would face more subpoenas as prosecutors sought to identify the leakers. More troubling, she said, the law "broadens the scope of what would be punishable and, given the casual manner that things are classified, that's a very broad scope." Current law makes it a crime to disclose classified information if it aids a foreign government, exposes intelligence agents or relates to the national defense. "The government has a compelling interest in protecting confidentiality in those cases," Ms. Handman said. The new law goes beyond those categories, she said, "It opens the floodgates." Just how broad the new legislation is remains a matter of disagreement, with some lawyers saying it now covers virtually all classified information, and the Justice Department countering that it includes only disclosure of information that harms national security. But it is precisely this ambiguity that critics of the bill said would have a chilling effect. The 13 federal agencies that operate under the national security classification system include the intelligence agencies — C.I.A., Defense Intelligence Agency, National Security Agency — as well as the Departments of Energy, State and Treasury, the Federal Bureau of Investigation and Drug Enforcement Administration. Mr. Goss and Senator Richard C. Shelby, Republican of Alabama and chairman of the Senate committee on intelligence, cited its support by the Justice Department. "Do the people in Justice, do they understand that there are no rules about classification?" asked Senator Daniel Patrick Moynihan, Democrat of New York, who has been a leading voice against overclassification by government agencies. "Do you know what it takes to classify something 'Top Secret'?" he continued. "You go down to the stationary store and buy a stamp that says 'Top Secret.'" The military services eager to gain public support for their programs are also likely to find the law troubling. Reporters are routinely taken on Navy ships, for example, but told that certain things they see are classified and cannot be reported. A reporter might honor the restriction, but the officers who allows him to see the classified information could be in violation of the law.

*From New York (NY) Times-National by Raymond Bonner, 31 October 2000*

## **U.S. GOVERNMENT RAISING HIGH-TECH PAY**

The Government is raising salaries by as much as 33 percent for thousands of technology workers in an effort to better compete with private companies for employees. The raises, which take effect Jan. 1, are targeted at hiring and retaining younger information technology workers and are tailored to pay competitively in the nation's high-tech corridors. For example, workers in San Francisco would make between \$3,000 and \$7,000 more than their counterparts in St. Louis or Pittsburgh. Currently, the government's starting salaries technology workers are about \$12,000 less than in private companies, OPM spokesman Joseph Cowart said Saturday. In more specialized jobs, the gap can be as much as \$20,000. The raises affect 33,000 federal employees and range from 7 percent to 33 percent. The increase stems from a decision by the Office of Personnel Management to create a special pay schedule for computer specialists, computer engineers and computer scientists. Entry-level workers now making \$35,000 to \$46,000 could see their annual salaries jump \$8,000 to \$10,000. All raises include a 3.7 percent annual raise most federal employees will receive next year. OPM Director Janice R. Lachance, in a statement, said the pay increase was "a shot of adrenaline" that ensures the government "can attract high-quality, high-tech individuals who will have an immediate and lasting impact." A key government concern, according to the OPM, was that employees under 35 accounted for just 10 percent of the high-tech work force in March, while 55 percent were 45 or older. OPM found the greatest discrepancies in public and private sector pay at lower pay grades. Federal agencies told OPM that if they were unable to pay more at those levels, they would not be able to recruit entry-level workers to replace retiring IT employees. An OPM release said the raises are expected to encourage younger employees to join the federal government. "I am very excited about our prospects for competing with other employers for top graduates in computer science," Lachance said. "I think we'll even be able to entice some current, nonfederal employees to give public service a try."

*From Capitol Hill Blue, 6 November 2000*

## **UN NAMES COSTA RICAN TO NEW TECHNOLOGY POST**

UN Secretary-General Kofi Annan on Monday appointed the former president of Costa Rica, Jose Maria Figueres, to lead its effort in bringing the latest communications technologies to the undeveloped world. Figueres, who promoted the use of digital

technologies to help develop his country, will head the Information and Communication Technologies (ICT) Advisory Group, made up of technology experts from both the public and private sector. The advisory group, created in response to the growing "digital divide" between rich and poor nations, will work through the beginning of 2001 to map out areas where the public and private sectors can introduce the latest communications technologies to the undeveloped world. From an economic standpoint, Figueres said the undeveloped communications markets were vastly greater than those in the developed world, about an 80 percent to 20 percent split, and that the private sector would be making "an upfront investment in developing markets of the future." "It is a tremendous opportunity for a win-win situation between the public and private sector," Figueres said via a video teleconference from Geneva to reporters in New York. Figueres, mindful that introducing the new technology could be construed as globalization run amok, said the purpose was to extract value out of the technology rather than simply extract value out of the people that use it. Public sector participants hail from Brazil, China, Estonia, Russia, Spain, and the United States, among others.

*From Reuters, 13 November 2000*

## **U.S. FEDERAL AGENCY CALLS FOR SELF-REGULATION OF ENTERTAINMENT INDUSTRY**

First Amendment protections restrict the ability of the government to go after entertainment companies that peddle inappropriate music, films and video games to children, federal regulators are telling Congress. With these constitutional guarantees binding its hands, the Federal Trade Commission says a better solution would be for the entertainment industry to step up self-regulation efforts and for lawmakers to keep a watchful eye. If entertainment companies fail to stop marketing adult material to children, then Congress should consider narrowly tailored legislative remedies, the commission said. Vice President Al Gore and his running mate, Joseph Lieberman, have already said they would favor federal action if the industry fails to police itself. Lawmakers had asked the FTC to examine whether the agency could use its existing authority to take action against movie houses, video game makers and music producers that market inappropriate products to underage audiences. That came after a scathing commission report which found that industry executives aggressively and routinely target adult-rated material at children. The FTC has jurisdiction to enforce regulations that prohibit "unfair" or "deceptive" marketing. But extending this authority to the marketing practices of the entertainment industry raises "a number of significant legal limitations, including substantial and unsettled constitutional questions," wrote FTC Chairman Robert Pitofsky in a letter to Senate Commerce Committee Chairman John McCain, R-Ariz. For example, to prove deceptive marketing of an R-rated movie under one legal theory, the FTC said it would have to show that advertising or other promotional material indicated the film was appropriate for audiences under age 17. At the same time, the agency said, it would also have to show that the film was in fact not suitable for audiences under age 17. While many R-rated movies are inappropriate for younger viewers because of violent or graphic content, parents may not have objections to their children seeing certain R films. "People might have different views about the propriety of unaccompanied children under 17 seeing a film like 'Saving Private Ryan' versus one like 'I Know What You Did Last Summer,'" the commission wrote. That could put federal regulators in the thorny position of determining which movies are appropriate for young audiences, raising First Amendment concerns, the agency said. Some experts say deceptive advertising may not be at the root of what parents and federal officials find objectionable about the industry's marketing practices. "The real objection to some of the marketing directed at children is not that it is untrue or misleading, but that it is too true in inviting children to see movies they might like but which we think are bad for them," First Amendment lawyer Floyd Abrams said. He added that the distinction between the marketing of constitutionally protected content and the content itself is not clear-cut. The commission also said it might also have a hard time demonstrating that a marketing practice of an entertainment company causes substantial injury to consumers and is therefore unfair. The FTC concluded the industry should bolster its efforts at self-regulation. Entertainment executives have said they are taking steps in this direction already. The movie industry, for example, devised voluntary guidelines after the release of the report to curtail the practice of marketing inappropriate R-rated films to children. But some critics, including Lieberman, have argued that the industry is not doing enough.

*From Nando Times, by Kalpana Srinivasan, Associated Press, 22 November 2000*

## **GLOBAL**

### **APEC TO DISCUSS GLOBALIZATION, WITHOUT PROTESTS**

Leaders from Asia and the Pacific rim have plenty of worries at a trade summit this week — high oil prices, political and currency troubles, and opposition to globalization. But unlike recent meetings, there aren't likely to be crowds of activists tearing up the streets over the issues being debated. At the same time, Asia-Pacific Economic Cooperation leaders don't anticipate any major deals to be struck. President Clinton will be in Brunei, but the lame-duck leader of the world's biggest economy will not seek any major trade deals. The 21 economies that make up APEC are expected to push for a new round of talks by the World Trade Organization — the Geneva-based body that sets global trade rules. And they will generally try to promote freer trade and economic growth in the Asia-Pacific region. "The main issue is to have APEC keep on course and get the best from globalization," said George Troup, New Zealand's top APEC official. "We want to free up trade and investment, and to simplify customs controls, access, standards and paperwork." The United States will press to launch fresh WTO talks but also plans to emphasize lesser goals, such as cooperation on using e-commerce to promote trade, said C. Lawrence Greenwood, the State Department official preparing the U.S. agenda for APEC. U.S. and Chinese negotiators are expected to discuss clearing the final hurdles to admitting China as a member of the WTO — a goal that seems imminent, but not quite in hand, after years of negotiations. The WTO failed

last year in Seattle to begin a new series of trade talks, with violent protests stealing the spotlight outside the conference and ministers failing to agree with one another on the inside. Since then, trade ministers have been unable to agree on formally starting new negotiations. The APEC has set the goal of free trade among the region's developed nations by 2010 and among the developing nations by 2020. But critics say that, unlike the European Union, APEC lacks the teeth to reach any big deals. The diverse members of APEC, established in 1989, range from the United States, China and Japan to Peru, Vietnam and Papua New Guinea.

*From Fox News-World-Wire, by Dirk Beveridge, Associated Press, 8 November 2000*

# Governance Systems and Institutions

## AFRICA

### CORRUPTION WORRIES BAQWA

Public Protector Selby Baqwa on Friday said the level of corruption in South Africa was worrying, but he was confident that mechanisms and structures implemented to fight the scourge would be successful. Baqwa was speaking to Sapa at the end of the four-day international ombudsman conference in Durban. "South Africa, by the grace of God, is not a banana republic. We do not have corruption from the cradle to the grave. There are worrying proportions of corruption, but we have created the capacity to get on top of it. We are not there yet, but we are getting there." Baqwa, who was elected vice president of the International Ombudsman Institution at the conference said the creation of structures such as the Assets Forfeiture Unit, the Office for Serious Economic Offences and the elite Scorpions unit were contributing to the capacity of government to crack down on corruption. Earlier this year Baqwa said corruption figures could be brought down in the next five years. Since he took up office six years ago, Baqwa has had to deal with a number of controversial issues, the latest being his investigation into allegations of irregularities in South Africa's R30 billion arms deal. He was also involved in the investigation of Justice Minister Penuell Maduna when he was still mineral and energy affairs minister and falsely accused the auditor-general of covering up losses of R170 million in the Strategic Fuel Fund. The allegations led to an investigation, which cost the taxpayer millions of rands. Baqwa found that Maduna had no basis for the allegations and recommended that punitive action be taken against Maduna. Baqwa was also involved in investigating large scale fraud in the Gauteng housing department. On Thursday he said that while he had no statutory powers, government implemented about 90 percent of the recommendations made by his office. This indicated a will to root out corruption. "I have never had a phone call from the president to try and influence me," Baqwa said. "I feel that the independence of my office is genuine." He added that the Office of the Public Protector was becoming more accessible to the people of South Africa and by the end of next year Public Protector offices would have been established in all nine provinces. First in line were KwaZulu-Natal, the Western Cape and Mpumalanga. Government was looking at financial problems experienced by his office. While issues such as housing and job creation took precedence when it came to budget allocations, the issue of good governance should not be trivialised. Both President Thabo Mbeki and former president Nelson Mandela this week emphasised the importance of the role of the Public Protector in keeping South Africa's young democracy and the Bill of Rights alive. - Sapa

*From S. Africa-News24, 3 November 2000*

### MULUZI SACKS MINISTERS AMID FRAUD, CORRUPTION SCANDAL

Under heavy criticism over his inaction in the face of reports of high fraud and corruption in his government, Malawi President Bakili Muluzi has finally sacked his cabinet. In a brief statement on national radio and television Wednesday night, Muluzi did not explain why he decided to dismiss the ministers. As a result of this move, he added, his office will now handle all government duties until a new cabinet is put in place. The belated move, however, has surprised no Malawian for this is only the latest episode in a farce that has come to symbolise Muluzi's scandal-ridden government. Since the parliamentary Public Accounts Committee published a report detailing high corruption and fraud in government, Muluzi has been under pressure to sack the yet unnamed ministers said to be implicated in the two-million-dollar theft at the education ministry. Using lame excuses easily dismissed by diplomats and observers alike, Muluzi had maintained that he could not sack the ministers implicated in the fraud unless he had hard evidence. That evidence seems to have come finally on Tuesday. An indication that something big was going to happen came Tuesday night when, on his arrival from a COMESA summit in Lusaka, the president told a news conference that he has finally received a report from the Anti-Corruption Bureau on the corruption and fraud scandal. But observers are urging caution, based from past experience. When faced with similar problems, Muluzi had merely switched the culprits from one portfolio to the other, they noted. That notwithstanding, the next few days will be tense, for implicated ministers dropped from the cabinet could face arrests. This has not happened because the Malawi police are on record as saying that they could not handcuff serving ministers unless sanctioned by the justice ministry and the attorney general's office. State House sources told PANA a new government should be appointed by Saturday.

*From allAfrica.com-Southern Africa BY Raphael Tenthani Blantyre, 2 November 2000*

### SOUTH AFRICA PARLIAMENT THROWS OUT LOCAL GOVERNMENT BILL

The controversial Municipal Structures Second Amendment Bill was withdrawn on Friday because of fears by MPs that the measure was unconstitutional. The bill was to have been fast-tracked in parliament ahead of the December 5 municipal poll, ostensibly to accommodate the concerns of traditional leaders. MPs were due to return to parliament on Monday to adopt the bill. At a meeting of parliament's local government committees on Friday, the assembly's committee chair, Yunus Carrim, said the bill tabled differed fundamentally from the one published in the Government Gazette. It had also been gazetted as a section 75 bill, but the version before Parliament was a section 76 bill, which would require all nine provinces to reconvene to approve the measure. Carrim said

the bill was unconstitutional and that a new version would have to be gazetted. MPs will now deal with the bill in January next year and it is hoped it will be adopted later in February.

*From S. Africa-IOL by Sapa, 17 November 2000*

## **BOTSWANA GOVERNMENT TO SET UP ANTI-CORRUPTION BODY**

[Panafrican News Agency](#) Although regarded as one of the least corrupt countries in the world, Botswana, is reportedly in the process of setting up its first ever anti-graft watchdog. According to the Botswana Gazette, plans are at an advanced stage to form a Botswana chapter of Transparency International to combat rising corruption in the diamond-rich southern African country. The paper wrote that prominent business people and top ranking former civil servants in the country are behind the move. It is understood that recently a former Bank of Botswana governor Quill Hermans, now an economic consultant, convened a meeting to finalise plans for launching the local transparency chapter. Former permanent secretaries and now businessmen Gobe Matenge and Charles Tibone and corporate executives Sam Mpuchane are among the personalities said to be in the anti-graft body's founding committee. Others are lawyer Francis Phumaphi husband to health minister Joy Phumaphi, ex-deputy director of Bank of Botswana Derek Hudson, head of the law society of Botswana Sanji Monageng. Attempts to form Transparency International in Botswana fell through a few years ago because of lack of interest. But with rising high level corruption and the government's seeming inability to combat the vice, there have been persistent calls for the formation of a local watchdog to combat graft. The Berlin-based Transparency International still regards Botswana as being among the least corrupt countries in the world. Last year, it was 23rd among 100 nations surveyed. In Africa, it was only second to Mauritius in the rankings. Despite this, rising levels of corruption and a perceived government reluctance to deal firmly with the suspects, could undermine the country's reputation.

*From allAfrica.com-Southern Africa, by Wene Owino Gaborone, Botswana, 29 November 2000*

## **TANZANIANS DESPONDENT OVER ANTI-CORRUPTION CRUSADE**

[Panafrican News Agency](#) After several years of a much-hyped anti-corruption crusade, there is not a tiny bit less despondency amongst Tanzanians over the government's "successes" in eradicating the social vice from their midst. The vice continues to be an issue in the dialogue between the government and the donor community, which disburses over one billion US dollars in aid annually to the country, despite being uppermost in President Benjamin Mkapa's agenda for the past five years. The vice has taken many forms such as tolerance of smuggling, issuance of tax exemptions, misappropriation of aid money and, in more recent years, handling of the privatisation process. Civil rights organisations are reopening past wounds seeing ineffectual action from the government, they are taking it upon themselves to sensitize citizens to rise up against the vice. "A lot is said by politicians and the media about the fight to curb corruption in Tanzania but little is said about what kind of corruption adversely affects the country's economy and how it is being dealt with," Alphonse Mutaboyerwa, executive director of one such organisation, told PANA. People are despondent, according to the Civil Society Club 2000, a child rights organisation, which has recently run a successful campaign to solicit public views on the progress of the anti-corruption crusade. The general feeling, according to the club, is that many citizens did not know much about grand corruption nor were they aware of the policies and laws that prohibit the corruption vice in its entirety. Respondents complained about petty corruption because they experienced it whenever they expect free delivery of services, and that the government was only paying lip service to the fight against corruption. Many respondents did not believe corruption could be stamped out because it had become part and parcel of society. "We feel that as a child rights organisation, corruption is a domestic issue that has been ignored but swallows up the social fabric that would otherwise facilitate children to grow up into active, independent and capable children with proper health services, good quality education, etc. There is a necessity to disseminate the information and bring awareness to the public," Mutaboyerwa said. One of the main issues the club highlighted during its recent campaign was the relationship between the crimes of corruption in relation to budget allocation within the social services, which affect children. "We cannot claim to have experience because the project is fairly new. We do not have an organisational position yet on the issue nor have we implemented some strategies. A more constructive plan is envisaged for next year," Mutaboyerwa added. As a way forward, the club recommends that the Anti-Corruption Act of 1971 be amended. "The types of corruption are not defined clearly. Also, the penalties are not realistic," Mutaboyerwa said. The country's Anti-Corruption policy suggests possible solutions to curbing corruption in terms of ensuring the rule of law, observation of financial discipline and management, streamlining procurement practices, public awareness and sensitisation of rights, public service reform, deepening of whistle blowing, use of media and the protection of witnesses who name graft barons. This year, the Germany-based anti-corruption watchdog Transparency International ranked Tanzania alongside Armenia and Vietnam as the 13th most corrupt nation in a survey of 90 countries across the globe. A 1995 Presidential Probe Report on Corruption, kept under wraps for successive years, named graft barons and recommended that lawful action be taken against suspects. The officials have never been prosecuted and Mutaboyerwa said it was high time they were brought to book. "Those officials named in the report must be prosecuted and their names made public. The National Assembly's Public Accounts Committee should ensure that the issue is tabled in Parliament and is discussed by MPs," he said. Mohamed Enterprises is one of the Tanzanian companies highlighted by anti-graft bodies as engaging in grand corruption. The company has threatened to take the Civil Societies Club 2000 to court after the NGO mentioned its name in a newspaper advert as an example of corrupt companies. "Perhaps that tells us something. However, the examples given are not our own but come from the National Integrity System Report," Mutaboyerwa said. The report was a result of research and a workshop organised by Transparency International and funded by the World Bank and other donors. "We were therefore just informing the public what has already been published. Those were not fresh allegations we can prove," Mutaboyerwa added.

*From allAfrica.com-East Africa, by Nicodemus Odhiambo, 22 November 2000*

## ASIA/PACIFIC

### LAWMAKERS UNITED IN BASHING KOREA GOVERNMENT OVER UNEMPLOYMENT, CORRUPTION

In the National Assembly's interpellation of social and cultural policies yesterday, lawmakers from rival political camps unanimously criticized the government's poor handling of unemployment, corruption and environmental problems. The opposition Grand National Party (GNP) noted that various social reforms launched by the government have fallen far short of public expectation, and said that frequent and arbitrary changes and delays in health care and education policies deepened a sense of frustration among the people. Rep. Lee Sang-bae of the GNP demanded to know how the government would guarantee the basic livelihood of more than a million jobless people following a rash of corporate failures. "The incumbent administration is blaming its predecessor for all the economic crises, but it should realize that unrelenting corruption and incompetence among high-level officials are behind the present social and economic troubles," Lee said. Other GNP lawmakers said the government is deceiving the people of their financial burdens under the new health care system. They also said the level of corruption by officials was reaching dangerous levels, citing a report published by Transparency International which pulled down Korea's transparency ranking from 27th place in 1996 to 50th last year. They said the government should strive to provide relief to the 170,000 undernourished children in South Korea as well as countless numbers of farmers who were losing their livelihood because of failed agricultural policies. The ruling Millennium Democratic Party (MDP) also said the government's unemployment policies might not be able to cope with rising unemployment and that the relevant ministries should coordinate their efforts to ensure people in need were offered help. They said there were concerns of unfairness in the selection process of those eligible for assistance and feared that the government's unemployment policies might turn into another "money-consuming vacuum" that will burden taxpayers. Rep. Kim Tae-hong said the government should consider an overhaul of the social safety net if it failed to operate properly. He also said the government should devise measures that would effectively distribute wealth to the haves and have-nots. He also said that though the doctor's strike had caused problems, the effort to separate the roles of doctors and pharmacists should be continued. Other lawmakers said that recent discoveries of bribe-taking by officials necessitated the passing of anticorruption and reform bills as soon as possible. They also added the government should continue to open opportunities for women, and raise the level of the educational budget to 6 percent. MDP lawmakers said that issues on the environment should be dealt with carefully and take into account local concerns. The MDP, however, claimed that corrupt, conservative elements in society were trying to disrupt change and that the opposition's accusation of "rampant" corruption by ruling officials were unfounded. The two sides meanwhile clashed over the impeachment of the country's two top prosecutors, with the MDP stressing that the entire motion lacked legal justification, while the GNP claimed that the measure was the only way to ensure the "independence" of the Public Prosecutor's Office. The GNP filed the impeachment motion against the prosecutor general and the deputy prosecutor general for allegedly conducting biased investigations into Election Law violations following the April 13 parliamentary race.

*From Korea Herald, by Lee Joon-seung Staff reporter, 18 November 2000*

### KOREAN GOVERNMENT TO TAKE SWEEPING ACTION AGAINST CORRUPT OFFICIALS

Criticized by the public and the President for rampant corruption, the government is set to carry out an unprecedented crackdown on irregularities by ranking officials and other leading figures in society. At a meeting presided over by Prime Minister Lee Han-dong, the participants agreed to launch an interagency inspection team; operate a situation room for daily checkups and briefings; conduct joint probes into problematic agencies; strengthen internal audits of inspection agencies; and speed up the revision of anticorruption laws and regulations, officials said. "Without rooting out corruption and re-establishing officials' work ethics, the government will not be able to attain its goal of reforming four major sectors," Prime Minister Lee said. Stressing the government should carry out a strong, "omni-directional" audit and inspection, Lee added, "The success of the upcoming campaign would affect the future of this government." The unprecedented strong rhetoric and a policy package came after a seemingly never-ending series of corruption scandals are rocking the foundation of the Kim Dae-jung administration, forcing the President to order a massive anti-corruption crusade, saying it would be his "final battle." According to sources, meanwhile, the audit and inspection authorities have uncovered corruption and other irregularities by several ranking officials and would unveil their lists and wrongdoings soon. Included in the latest auditory net were a number of "big fishes" like ranking officials at provincial governments who received bribes; executives at state-run companies and financial watchdogs who overlooked unsound public projects; and lawyers and medical doctors and other social dignitaries involved in one kind of wrongdoing or another, the sources said. "The impending crackdown will be different from previous ones, for no other purpose than to show this is not a lame duck government," said a government official.

*From Korea Herald, by Kil Byung-ok Staff reporter, 21 November 2000*

## EUROPE

### KOK ASKS FOR THE IMPLEMENTATION OF EU REFORMS

Dutch Prime Minister Wim Kok asked Prime Minister Bulent Ecevit to implement the reforms needed for EU membership both in terms of legislation and implementation, but declines to give any date for Turkey's full membership in the club. Dutch Prime Minister Wim Kok, who is on a four-day official visit to Turkey, has pressed forward with Turkish authorities to give momentum to European

Union reforms for membership, stressing the importance of implementation. Kok's visit comes on the brink of the EU Accession Partnership Accord to be announced on Nov. 8. Kok has stated that Turkey should enact reforms needed for EU membership and should make sure such legislation is implemented. Speaking at a joint news conference with Prime Minister Ecevit, Kok indicated that Turkish intentions for reform should "not only be expressed, but translated into laws and ... implemented into the day-to-day practices of Turkey's real life." Kok met with Prime Minister Ecevit and the Parliamentary Speaker Omer Izgi. He was also received by the President Ahmet Necdet Sezer. Government sources told the Turkish Daily News that Ecevit has told Kok about the latest developments with Greece and Cyprus along with the reforms in Turkey for EU membership. Sources said Ecevit has asked for Holland's support in the wording of the Accession Partnership Accord, in an effort not to include the disputes over the Aegean Sea and Cyprus. Kok has only listened to Ecevit and has made no comments, government sources said. It has been learned that Ecevit has told his Dutch counterpart that the outlawed Kurdistan Workers' Party (PKK) has not stopped its activities in Holland, and conveyed Turkey's disturbance over the subject. Holland, unlike Germany and France, did not ban PKK activities in its country. Both prime ministers seemed to be quite pleased over the meeting they had. While Ecevit said Kok has made remarkable contributions to both Turkish-Dutch and Turkish-EU relations during his tenure in office, Kok indicated that he had an extremely friendly and open discussion with Ecevit. Thanking Kok for Holland's contributions to Turkey after the disastrous earthquake of August 17, Ecevit said he informed the Dutch prime minister about the social and economic developments in Turkey. Responding to Ecevit's comments, Kok voiced his pleasure over the level of bilateral relations between his country and Turkey. He said the main message of his trip was to show how pleased they were over the excellent relations enjoyed by the two countries. Giving figures on trade, Kok said Holland was the third-biggest country that has investments in Turkey and that Holland was the sixth-largest importer of Turkish goods. Kok spared most of his time in the press meeting to answer questions about Turkey-EU relations. Making it clear that suggesting a date for Turkey's membership would be misleading, Kok said: "When the necessary conditions are met, it would be meaningless to wait more." Calling the Helsinki decisions on Turkey 'very important and historical,' Kok said the Dutch Government hoped Turkey would be able to join the club in the shortest possible time by fulfilling the Copenhagen criteria. "Intentions should be reflected in laws and laws should be reflected in daily life," said Kok. He stressed that it was up to Turkey to decide on the date of membership. Kok also thanked Ecevit for his open exchange of views on Turkey's reform program and its achievements so far. Responding many questions on Turkey-EU relations, Kok said: "We should be realistic. Being realistic means taking each other's views seriously." Commenting on Turco-Greek relations, Kok said they were happy to see that the two countries have started a rapprochement. "The decision taken at Helsinki was an indicator of the improved relations between Turkey and Greece. Otherwise everything would be much more difficult," said Kok. Stressing that there were many more things to be done, Kok said there was a considerable achievement in bilateral relations despite the recent crisis over the NATO exercises. He added that they supported the proximity talks between the Turkish and Greek Cypriots under the auspices of the United Nations, but added that it was too early to comment as the process was still going on.

*From Turkish Daily News, 31 October 2000*

## **CORRUPTION IN CENTRAL AND EASTERN EUROPE**

The three policemen barked "straf, straf" in unison. It was a Russianized version of the German word for "fine" and a euphemism for bribe. I and my fiancée were stranded in an empty ally at the heart of Moscow, physically encircled by these young bullies, an ominous propinquity. They held my passport ransom and began to drag me to a police station nearby. We paid. To do the fashionable thing and to hold the moral high ground is rare. Yet, denouncing corruption and fighting it satisfies both conditions. Such hectoring is usually the preserve of well-heeled bureaucrats, driving sports utility vehicles and banging away at laptops. The General Manager of the IMF makes USD 400,000 a year, tax-free, and perks. This is the equivalent of 2300 monthly salaries of a civil servant in Macedonia—or 7000 monthly salaries of a teacher or a doctor in Yugoslavia, Moldova, Belarus or Albania. He only flies first class and each one of his air tickets is worth the bi-annual income of a Macedonian factory worker. His shareholders—among them poor and developing countries—are forced to cough up these exorbitant fees and to finance the luxurious lifestyle of the likes of Kohler and Wolfensohn. And then they are made to listen to the IMF lecture them on belt-tightening and how uncompetitive their economies are due to their expensive labor force. To me, such a double standard is the epitome of corruption. Organizations such as the IMF and World Bank will never be possessed of a shred of moral authority in these parts of the world unless and until they forgo their conspicuous consumption. What is corruption? Yet, corruption is not a monolithic practice. Nor are its outcomes universally deplorable or damaging. One would do best to adopt a utilitarian and discerning approach to it. The advent of moral relativism has taught us that "right" and "wrong" are flexible, context-dependent and culture-sensitive yardsticks. What amounts to venality in one culture (Slovenia) is considered no more than gregariousness or hospitality in another (Macedonia). Thus, we are better off asking "qui bono?" rather than "is this the right thing to do?" Phenomenologically, "corruption" is a common—and misleading—label for a group of behaviors. One of the following criteria must apply: (a) There is a withholding of a service (which might include also information or goods) that, by law, and by right, should have been provided or divulged. To have a phone installed in Russia one must openly bribe the installer (according to a rather rigid tariff). In many of the former republics of Yugoslavia, it is impossible to obtain statistics or other data (the salaries of senior public officeholders, for instance) without resorting to kickbacks. (b) There is provision of a service that, by law, and by rights, should not have been provided or divulged. Tenders in the Czech Republic are often won through bribery. The botched privatization all over the former Eastern bloc constitute a massive transfer of wealth to select members of a nomenklatura. Licenses and concessions are often granted in Bulgaria and the rest of the Balkans as means of securing political allegiance or paying off old political "debts." (c) The withholding or the provision of a service is one person's power and the withholding or the provision of the aforementioned service constitutes an integral and substantial part of the authority or the function of the withholder or provider. The post-Communist countries in transition are a dichotomous lot. On

the one hand, they are intensely and stiflingly bureaucratic. On the other hand, none of the institutions function properly or lawfully. While these countries are legalistic—they are never lawful. This fuzziness allows officials in all ranks to usurp authority, to trade favors, to forge illegal consensus and to dodge criticism and accountability. There is a direct line between lack of transparency and venality. Eran Fraenkel of Search for Common Ground in Macedonia has coined the phrase "ambient corruption" to capture this complex of features. (d) A service is provided or divulged against a benefit or the promise of a benefit from the recipient, and as a result of the receipt of this specific benefit or the promise to receive such benefit. It is wrong to assume that corruption is necessarily, or even mostly, monetary or pecuniary. Corruption is built on mutual expectations. The reasonable expectation of a future benefit is, in itself, a benefit. Access, influence peddling, property rights, exclusivity, licenses, permits, a job, a recommendation—all constitute benefits. (e) A service is withheld because no benefit was provided or promised by the recipient. Even then, in CEE, we can distinguish between a few types of corrupt and venal behaviors in accordance with their outcomes (utilities): (a) Income supplement - This group encompasses corrupt actions whose sole outcome is the supplementing of the provider's income without affecting the "real world" in any manner. Though the perception of corruption itself is a negative outcome, it is so only when corruption does not constitute an acceptable and normative part of the playing field. When corruption becomes institutionalized, it also becomes predictable and is easily and seamlessly incorporated into decision making processes of all economic players and moral agents. They develop "by-passes" and "techniques" which allow them to restore an efficient market equilibrium. In a way, all-pervasive corruption is transparent and, thus, a form of taxation. This is the most common form of corruption exercised by low and mid-ranking civil servants, party hacks and municipal politicians throughout the CEE. More than avarice, the motivating force here is sheer survival. The acts of corruption are repetitive, structured and in strict accordance with an unwritten tariff and code of conduct. (b) Acceleration fees - This includes corrupt practices whose sole outcome is to accelerate decision-making, the provision of goods and services or the divulging of information. None of the outcomes or the utility functions are altered. Only the speed of the economic dynamics is altered. This kind of corruption is actually economically beneficial. It is a limited transfer of wealth (or tax) which increases efficiency. This is not to say that bureaucracies and venal officialdoms, over-regulation and intrusive political involvement in the workings of the marketplace are good (efficient) things. They are not. But if the choice is between a slow, obstructive and passive-aggressive civil service and a more forthcoming and accommodating one (the result of bribery), the latter is preferable. Acceleration fees are collected mostly by mid-ranking bureaucrats and middle-rung decision makers in both the political echelons and the civil service. (c) Decision-altering fees - This is where the line is crossed from the point of view of aggregate utility. When bribes and promises of bribes actually alter outcomes in the real world, a less than optimal allocation of resources and distribution of means of production is obtained. The result is a fall in the general level of production. The many is hurt by the few. The economy is skewed and economic outcomes are distorted. This kind of corruption should be uprooted on utilitarian grounds as well as on moral ones. (d) Subversive outcomes - Some corrupt collusion lead to the subversion of the flow of information within a society or an economic unit. Wrong information often leads to disastrous outcomes. Consider a medical doctor or a civil engineer who bribed their way into obtaining a professional diploma. Human lives are at stake. The wrong information, in this case, is the professional validity of the diplomas granted and the scholarship (knowledge) that such certificates stand for. But the outcomes are lost lives. This kind of corruption, of course, is by far the most damaging. Unfortunately, it is widespread in CEE. It is proof of the collapse of the social treaty, of social solidarity and of the fraying of the social fabric. No Western country accepts CEE diplomas without further accreditation, studies and examinations. Many "medical doctors" and "engineers" who emigrated to Israel from Russia and the former republics of the USSR, were suspiciously deficient professionally. Israel was forced to re-educate them prior to granting them a license to practice locally. (e) Reallocation fees - These are benefits paid (mainly to politicians and political decision makers) in order to affect the allocation of economic resources and material wealth or the rights thereto. Concessions, licenses, permits, assets privatized, tenders awarded are all subject to reallocation fees. Here the damage is materially enormous (and visible), but, because it is widespread, it is "diluted" in individual terms. Still, it is often irreversible (like when a sold asset is purposefully under-valued) and pernicious. A factory sold to avaricious and criminally minded managers is likely to collapse and leave its workers unemployed. Corruption pervades daily life even in the prim and often hectoring countries of the West. It is a win-win game (as far as game theory goes)—hence its attraction. We are all corrupt to varying degrees. But it is wrong and wasteful—really, counterproductive—to fight corruption in CEE on a wide front and indiscriminately. It is the kind of corruption whose evil outcomes outweigh its benefits that should be fought. This fine (and blurred) distinction is too often lost on decision makers and law enforcement agencies in both East and West. The author is General Manager of Capital Markets Institute Ltd., a consultancy firm with operations in Macedonia and Russia. He is an Economic Advisor to the Government of Macedonia.

*From Hungary Today by Sam Vaknin, 3 November 2000*

## **BULGARIAN PREMIER SAYS SOFIA WINNING ANTI-CORRUPTION FIGHT**

Ivan Kostov told the Bulgarian parliament on 27 October that there have been fewer cases of official misconduct and bribe-taking in 2000 than in 1999 and that a larger number of such cases have been solved, BTA reported. In other comments, Kostov complained that the EU is treating Bulgaria unfairly, lumping it together with other countries that have not done as well as it has, AP reported. But European Commission officials noted that Bulgaria has made enormous progress and said that visa restrictions against Bulgarians must be lifted, BTA reported.

*From Radio Free Europe, 31 October 2000*

## **CORRUPTION SOURS DAY-TO-DAY LIFE IN BULGARIA**

Corruption in Bulgaria, a target for criticism in a Brussels report on the country, is taking its toll on everyday life here and slowing down the pace of economic reform. Bribery is a regular part of life for those who don't want to be hassled, often without due cause, by the police or by customs officials, and even by those who just want to receive proper medical treatment at their local hospital. In any year, 29 percent of Bulgarians are asked for a bribe by customs officials, 19.5 percent by the police and 18.6 percent by doctors in the public sector, according to a recent survey carried out by the Vitosha Research institute. And even teachers are not above pressuring their students for certain favors, according to the survey. "Corruption remains a very serious problem and an anti-corruption strategy" needs to be developed by the government and the parliament, the European Commission judged Wednesday in a report on Bulgaria, part of series on the progress of EU candidate states in their preparations to join. The Bulgarian people already have a sharp perception of the problem. Over three quarters believe that their customs officials are corrupt, and over half think the same of their government ministers and their magistrates. Charges of corruption at the government level abound, particularly in relation to the privatization's undertaken by the government since the fall of communism. The government had to suspend steps towards further privatization's last week until laws regulating sell-offs were put into force with the aim of securing greater transparency during the deals. A number of sell-offs have been suspect. The former transport minister Wilhem Kraus was recently accused of stoking up his own bank account and those of some close colleagues with the privatization of a bus company in Sofia. Alexander Bojkov, deputy prime minister and industry minister from 1997 to 1999 charged with the program of privatization, was sacked from his position as the principal negotiator between Bulgaria and the EU in June after charges of corruption were leveled against him. He is under investigation. Seven other high-ranking officials have left their posts since the start of the year in connection with inquiries over corruption. "In the eyes of the people, privatization is a type of corruption," said Ivan Krastev, political scientist at the Center for liberal strategies in Sofia. Since the fall of communism "certain people have become rich in a matter of weeks, while others have been struck down by poverty in a matter of months." This view of privatization as a process corrupt in itself is behind the general readiness of many to succumb to the habit, according to Krastev. The problem is certainly visible to the naked eye. At the border control point Kalotina between Bulgaria and Greece, an AFP correspondent recently saw cartons of cigarettes and fistfuls of dollars handed over to customs officials from the drivers of buses and cars crossing the border.

*From Bulgaria Today, 10 November 2000*

## **TURKEY: PUBLIC DRIVE AGAINST CORRUPTION**

The New York Times has published an article praising Turkey's new anti-corruption drive and citing both Interior Minister Sadettin Tantan and Banks Watchdog Committee Chairman Zekeriya Temizel as heroes in this fight, the Anatolia news agency reported yesterday. New York Times reporters interviewed the chairman of the Turkish Economic and Social Research Foundation, Can Peker, who said that the corrupt economy not only financed dirty politics and the Kurdistan Workers' Party (PKK) separatist terrorist organization and similar groups, but also resulted in prices in Turkey being 20 times higher than they should be. The paper mentioned that Minister Tantan had declared war on corrupt businessmen and bribe-taking bureaucrats. Speaking at a meeting held by the Motherland Party (ANAP) Kagithane district organization in Istanbul, Interior Minister Tantan spoke of the undeniable service his party had provided in getting the country developed and providing a secure environment for everyone and said the government of which ANAP is a part has shown the highest level of resolve in overcoming the country's problems. Tantan spoke of his party's unceasing work to provide a better life for future generations and further praised the will and support of the people. "If these efforts continue this way and if this level of public will continues unbroken, I believe there is nothing that cannot be overcome," he said. Tantan called on the public to have a heightened sense of patriotism in order to offer political bodies the support and strength they need. Tantan asked how a secure environment could be attained while all this was going on and answered his own question: "We have constantly criticized our leaders saying, 'Why is it the state institutions are too weak to combat corruption and organized crime rings?' We have to do away with the shortcomings in our legal system. This Parliament is committed on this point and has passed many great laws." He went on to say that laws waiting to be legislated, once passed, will provide greater means for those tasked with fighting corruption to carry out their job more effectively and cited the anti-organized crime bill as an example of empowering the State Security Court (DGM) prosecutors. Tantan said the government had supported every bill put before it, with the exception of the Local Administrations Law, and added that his party was struggling to get the bill seen in Parliament and expressed his hope that it would be within the next few days. He said the ministry's door was always open and he thanked those deputies and members of the media who had helped the ministry in its work.

*From Turkish Daily News, 14 November 2000*

## **CROATIAN CONSTITUTION CHANGES STABILIZE GOVERNMENT**

Pushing through landmark constitutional amendments after months of political wrangling should clear Croatia's government to tackle the thorny economic issues considered its greatest challenge, analysts said. The new constitution, adopted in the Sabor last week, was considered a victory for the center-left coalition government, and, above all, Prime Minister Ivica Racan. It shifts the balance of power from President Stipe Mesic to the parliament and government. Analysts said the changes delineate powers wielded by Mesic and Racan in a much clearer way, minimizing the potential for friction and conflict over procedural matters, such as who will appoint bosses of secret services or ambassadors abroad. "Passing of the amendments undoubtedly strengthened the government and will have a positive effect on the stability of the ruling coalition," Zagreb University professor and political commentator Nenad Zakosek said. He also noted that the fact that the nationalist HDZ - the party founded by Croatia's first president, late Franjo Tujman -

remained isolated in opposition to the changes, will further limit its potential to stir up trouble and block the government. Despite earlier efforts to preserve his influence in key areas such as foreign policy, the military and intelligence, Mesic said he was happy with the changes. "We've got what I promised the electorate in the campaign," he told daily Jutarnji list, referring to the promise he made in his January election campaign that Croatia's presidential system would be abandoned in favor of parliamentary democracy. With the threat of a constitutional crisis behind it, the government can focus on tax reform and other measures aimed at kick-starting the dormant economy out of recession. Croatian unemployment is at 21.4 percent and rising, dozens more bankruptcies are on the horizon and its growth is projected at just three percent this year. "One of the key factors for economic recovery is securing efficient and transparent functioning of state institutions, and this (passing the amendments) was certainly a big step in that direction," Zakosek told Reuters. Hans Flickenschild, head of mission for the International Monetary Fund, left Croatia last week after failing to secure a stand-by arrangement while the government was entangled in other matters. "Generally, I would think, with the successful completion of the discussion and vote on the amendment to the constitution, the government is first of all strengthened and second, able to focus more on economic policy issues in the period ahead," Flickenschild told reporters. A Western diplomat based in Zagreb took a similar view, although setting somewhat different priorities. "Amendments are an improvement in the Croatian constitutional system, as they represent a democratization of its political system," the diplomat said. "Now that they have been made, we expect that the government can finally take decisive action to fulfil its outstanding international commitments - including legislative reforms in the field of minority rights, property, media and the judiciary." Zakosek said tackling a deeply corrupt and inefficient judicial system, and making changes in tax and investment regulations will present Croatia's reformist government with a new set of challenges. The battleground has already been set. The business has taken a tough line on proposed tax changes, saying their net effect will increase the tax burden on the economy, the opposite of the easing that was intended.

*From Croatia Today, 14 November 2000*

## **ROMANIA LEADER WARNS ON CORRUPTION, GRAFT**

[\(Reuters\)](#) Outgoing Romanian President Emil Constantinescu on Friday defended his centrist administration's record in fighting crime and corruption but acknowledged they still plagued the ex-communist country. "Laws are not observed here and that's the fundamental problem confronting Romania today," Constantinescu said in a speech broadcast by state radio, marking four years since he defeated former president Ion Iliescu in elections in 1996. Iliescu is front runner for the presidential elections being held on November 26. Constantinescu announced early this year that he would not stand for a second term. "If we continue to break laws and if theft, crime and lies continue to proliferate, then any investments or support through international programs are in vain," Constantinescu added. In his first public broadcast since July, when he announced he would not seek a second term, the president complained about resistance to his drive to stamp out corruption in the Balkan country. "In 1996, I promised to turn Romania into a state of law...but resistance was extremely powerful. It's not easy to investigate serious cases of corruption involving state institutions," Constantinescu said. Corruption and graft have spread in post-communist Romania, with almost no corner of daily life left untouched, with bribery ranging from clerks to senior officials. The underground economy in Romania, one of Eastern Europe's economic laggards, is estimated to account for between 25 and 40 percent of gross domestic product. Constantinescu said over 3,500 major cases of corruption and organized crime had been investigated over the past four years, with 1,000 culprits sentenced to various jail terms. He cited illegal shipments of some 30,000 tons of fuel to Yugoslavia over 1994-1995, in breach of an international oil embargo imposed on Belgrade during the Bosnia war - during the previous administration of the leftists, who are poised to oust the ruling centrists at general elections also being held on November 26. "Tens of thousands of tons of fuel had been shipped to Yugoslavia in 1994-95, with the help of border police, the transport ministry and the Romanian Intelligence Service," Constantinescu added. He cited widespread smuggling of cigarettes and coffee, and embezzlement of public funds in successive scandals which led to the collapse of several banks. "The rule of law must come to Romania," Constantinescu added. "Otherwise, dictatorship or chaos might lurk."

*From Romania Today, 18 November 2000*

## **HUNGARIAN MEMBERS OF PARLIAMENT TRADE RECRIMINATIONS OVER CORRUPTION CASES**

[Presenter] The confidence crisis surrounding the parliamentary deputies has generated fierce debate in parliament. The contributors were of the opinion that specific governments, parliamentary floor groups and deputies had not contributed in the same way to the proliferation of material assets and to the shrinking of moral capital. For this reason, they looked elsewhere in search of those who were responsible. [Reporter] Ildiko Lendvai, deputy head of the Socialists' [HSP] parliamentary floor group, was fiercest in what she said. In her view the ruling parties used public money to strengthen their own power or - she referred here to the Smallholders - spend it on themselves, and this deepened the crisis. [Lendvai] Those who use up the country's moral capital are playing with the most important national asset. This moral capital, this national asset, is the property of 10m small shareholders, 10m Hungarian citizens. They amassed it. They entrusted us only with handling it. Please let us save at least what remains for them. [Reporter] [Justice Minister] Ibolya David, who replied on behalf of the government, did not gloss over the cases of abuse, but she was of the opinion that those who were guilty had ended up in court in the previous and current term. The current cases of corruption, however, did not cast the earlier cases into insignificance. [David] This affair is at a very early stage in comparison with the affair which became known worldwide as the Tocsik-Boldvai scandal [under the previous government between 1994-1998]. There was a hearing in the second instance in that affair today, and if it is possible to time such a remark badly and if anyone does not have the grounds to speak out on this affair at present, it is the Hungarian Socialist Party. [Reporter] The justice minister added

that although there would still be such affairs, efforts were under way in the legislative and judicial spheres to create a public life which is free of corruption.

*From Hungary Today, 27 November 2000*

## THE AMERICAS

### TEENS LEARN ABOUT LOCAL CORRUPTION, TALK ABOUT EFFECT OF CITY POLICE INQUIRY

As current events go, the topic in Mary Jo Antone's class at Andrew Jackson High School last week was about as complex and controversial as they come for young folks. The group of 20 juniors and seniors debated the impact of possible police corruption on a community and its officers, an issue brought about by the publicity of a federal grand jury investigation into allegations of wrongdoing by Jacksonville police. They heard from their own school resource officer and a legal adviser to Sheriff Nat Glover while doing research on the grand jury process and police ethics. The students' opinions were mixed, ranging from fingerpointing at the news media as sensationalizing the case to anger at rogue cops for staining the good officers. What made the topic so important was that the class is part of a public service magnet school program for students preparing for careers in criminal justice, as well as firefighting. Some of the students committed to being police officers said they had no plans to change their career paths, corruption investigation or not. "Being a police officer used to be a respectable profession," said Josh McLeod, 18. "But corruption can cause people to look down upon me and the profession I've chosen. Now I'm going to be labeled, just like the umpteen hundred other officers of the Jacksonville Sheriff's Office. But I'm still going for it, without a doubt." Others said their decision to stick with law, not policing, was the right thing to do. "I always wanted to be an attorney because there's [police] corruption just like with the LAPD," said Willie Johnson, 17. "There's just so many who've done bad things." The program, in its ninth year, includes regular interaction between students and police, such as rides with officers, and can earn students college credits in criminal justice. Some students involved in the police department's Explorer program occasionally come in wearing uniforms equipped with name tags, lapel pins, handcuffs, police vests and scanners. Antone said addressing issues such as police misconduct can be sensitive. "What's puzzling to them, as with any child, would be that these are the people we're supposed to look up to as role models, and how can this happen?" Antone said. "I try to relate it to school. I say, 'In all your years in school, you haven't always had the best teachers. That doesn't mean that all the teachers are bad.' " Among the most vocal students Friday were McLeod and fellow Explorers David McCullers and West Kennedy. McCullers, 16, said he had grown tired of the police getting negative publicity. "The news has made it too big," McCullers said. "It's only three or four [officers] and they're just blowing it way out of proportion. It's affecting the way everybody treats officers out there now." The sheriff has stripped five officers of their duties during the probe, but no charges have been filed. Kennedy, whose father is a retired Jacksonville cop, said he despises police misconduct and has been hurt by the allegations made against Jacksonville officers. But Kennedy added that the recent events have the danger of creating an unnecessary paranoia. "The news media has made it sound like you need to watch your back when an officer comes to you," Kennedy said. "You start thinking, 'Is he one of the officers that's corrupt? Can I trust this officer to help me?' " McLeod, spokesman for a group of classmates who held a roundtable discussion about the issues, said any kind of local police misconduct is unwanted. "We as a group feel that corruption in the Jacksonville Sheriff's Office is immoral," McLeod said. "We're appalled by the fact that someone would put on a badge representing integrity and honesty and take an oath and betray it." Johnson said police wrongdoing sends the wrong message to young people. "It has a negative effect on kids who perceive Officer Friendly as a role model," Johnson said. "It causes them to ask questions such as, 'How can you dare me to stay off drugs when you're selling them out of the back of your [police] car?'"

*From Florida Times-Union by Jim Schoettler, Times-Union staff writer, 30 October 2000*

### FIRST ETHICS PROBE LIMITED TO CANADIAN PM's AIDE

After admitting last week that he lobbied the president of the Business Development Bank of Canada (BDC) to grant a mortgage loan to a constituent who bought his money-losing inn, Jean Chrétien, the Prime Minister, contends his actions do not need to be investigated. Mr. Chrétien argued over the weekend that the Ethics Counsellor has already cleared him of any conflict of interest in connection with the \$615,000 mortgage loan the BDC granted to the Grand-Mère Inn in his Saint-Maurice riding. Howard Wilson, the Ethics Counsellor, indeed dismissed complaints that the federal conflict of interest code was breached in the case of the Grand-Mère Inn. However, the case scrutinized the actions of Denise Tremblay, the Prime Minister's special representative in his Saint-Maurice riding office, not those of Mr. Chrétien himself. When his examination was conducted in April, 1999, neither the public nor the Ethics Counsellor knew Mr. Chrétien had personally intervened to lobby the head of the BDC to grant mortgage loans to Yvon Duhaime after his application had been refused. Mr. Wilson's 1999 examination of the Grand-Mère Inn affair was triggered by Lorne Nystrom, a New Democratic Party MP. On March 19, 1999, he sent a letter asking the Ethics Counsellor to examine how the Grand-Mère Inn secured federal grants. Mr. Nystrom complained specifically about the presence of Ms. Tremblay, Mr. Chrétien's senior aide, at meetings during which Mr. Duhaime, the Grand-Mère Inn owner, discussed his grant application with Human Resources Development Canada officials. The Saskatchewan New Democrat MP filed his complaint following a National Post story, based on internal HRDC documents obtained under the Access to Information Act, which revealed Ms. Tremblay had been present at the meetings with HRDC officials. Mr. Duhaime acquired the Grand-Mère Inn from Mr. Chrétien and three other business partners for \$225,000 in 1993. Mr. Wilson reviewed only the facts of the case that were provided to his office and copies of the documents that were disclosed to the National Post. His office, which reports directly to Mr. Chrétien, has no investigative powers and his office has

no investigators to make any official inquiries. At no time during the review of the Grand-Mère Inn case did Mr. Chrétien inform Mr. Wilson he had made telephone calls to the president of the BDC, documents show. Mr. Wilson completed his review of the matter by May 6 and sent a letter to Mr. Nystrom outlining his findings. He concluded the conflict of interest code was not breached. He noted the 1994 federal conflict of interest code requires "all public office holders shall not step out of their official roles to assist private entities or persons in their dealings with the government where this would result in preferential treatment to any person". He added the code requires a public office holder "shall take care to avoid being placed or the appearance of being placed under an obligation to any person or organization, or the representative of a person or organization, that might profit from special consideration on the part of the office holder." Mr. Wilson said that while these provisions of the federal ethics code were important, "I am not of the view that these apply in a situation where a Minister is acting in the interest of a constituent." Joe Clark, leader of the Conservative party, yesterday said it is wrong and misleading for Mr. Chrétien to argue he has already been cleared, when the existence of his telephone calls to the head of the Crown corporation was not known in 1999 and the previous ethics review focused not on his activities, but on those of his aide. "This is not about a constituency assistant. This is about the Prime Minister himself and it involves a completely different set of facts," Mr. Clark said. "This is about a Prime Minister pressuring a person he appoints as president of the federal bank to approve a mortgage loan to one of his friends. This is unacceptable to Canadians."

*From Canada-National Post, by Andrew McIntosh, National Post, 20 November 2000*

# Civil Services & Ethics in Public Sector

## AFRICA

### NIGERIA OBE PLEDGES TO IMPROVE PUBLIC SERVICE

Not just public administrators, but also civil servants will enjoy positive transformation soon going by plans of heads of civil service in the country. Speaking at their second bi-annual meeting yesterday in Lagos, Head of the Civil Service of the Federation, Mr. Abu Obe pledged the commitment of the Federal Civil Service to ensure that "civil servants were within the framework of an improved, motivated, coherent and harmonised system, entitled to fair remuneration that is commensurate with their responsibilities and performance which enables them to be in dignity." According to Obe, the aims of the regular consultation between the heads of service was to create a civil service that was responsive to the socio-economic and political dynamics of Nigeria in order to place the country among those with the best public administration in the world. In a goodwill message to them, President Olusegun Obasanjo commended them: "Your initiative in having this type of consultation is highly commendable and should be encouraged by any person that wishes this country well. To hold consultations at your level is indeed, a good omen for our civil service because your appointment is based on merit and wealth of experience acquired over the years and which would be useful in turning things around in the civil service, he said." Obe listed the aims of the meeting among others to include facilitating the emergence of a civil service that is responsive to the socio-economic and political dynamics characteristics of governance in Nigeria; facilitate the development of a reservoir of adequately trained manpower within the service that will maintain the continuity of the traditional role of the civil service as the machinery for initiating, formulating and implementing government policies and programmes, technologies and generally modernising its administrative structures. He stated that some steps were being taken in the federal civil service to enhance their capability to carry out massive training programmes adding that preparations were on for an effective take-over by January 2001 of the Nigerian Public Service Academy which establishment will be designed to concretise and sustain the gains of the effort which the present administration has made to re-engineer and re-focus the public service. In a cheering message to civil servants, Obe disclosed that the government was committed to ensuring that "civil servants are within the framework of an improved, motivated, coherent and harmonised system, entitled to fair remuneration that is commensurate with their responsibilities and performance which enables them to live in dignity." He pledged that members of the forum would continue to strive jointly to bequeath to the country, a civil service that is professional, competent, loyal and patriotic. He urged the state government to strive and give their heads of service the support they need to realise their dream of putting Nigeria in the comity of nations with credible and sustainable public administration. In his own address, the executive Governor of Lagos State Bola Ahmed Tinubu recommended a public policy that would settle once and for all a wage system in the public service which would be adequate to attract the best brains and retain those already employed.

*From Nigeria-Guardian, by Onyedika Nkechi, 17 November 2000*

### NIGERIAN GOVERNMENT SET TO SACK 4,000 DOCTORS

[Vanguard Daily](#) (Lagos)-Uncertainty, which has enveloped the nation's health sector since doctors under the aegis of the National Association of Resident Doctors of Nigeria (NARD) in federal teaching and specialist hospitals, embarked on an indefinite strike 10 weeks ago, escalated as the Federal Government remained committed to its threat to sack all the striking doctors *en masse* this week. To this effect, letters terminating appointments of over 4,000 doctors who failed to report for work before close of work last Thursday (in compliance with a government directive), are expected to be issued to defaulters through their respective Chief Medical Directors as from tomorrow, sources close to the embattled association confirmed to Vanguard. In a pre-emptive move to stall the sack threat, all state branches of NARD went to court late last week to secure injunctions and restraining orders against government. However, as at news time, only the Ilorin, Benin and Lagos branches were said to have made reasonable progress in this direction. In a swift reaction to the impending purge, the Nigerian Medical Association (NMA) warned that the complete collapse of existing clinical services across the nation is imminent if the threat is eventually carried out and the crisis is not urgently resolved. Rising from an emergency meeting of its national executive council held to specifically address the on-going strike action by the resident doctors, the body, umbrella for all medical associations nationwide, declared that it had not seen anything substantial from the Federal Ministry of Health and the Federal Government to warrant the level of prevailing on resident doctors to call off the on-going strike action. Describing the sack threat as "undemocratic, uncalled for and, therefore, rejected," NMA President, Dr. Dominic Osaghae and Secretary-General, Dr. Bayo Aderiye, said: "NMA demands that no doctors in the public or private sectors be victimised or punished on account of the on-going strike action but hopes that government will do all that is possible to meet their demands and end this strike." In a signed statement, they noted that "NMA appreciates the skeletal services being provided by the consultants in order to save lives and reduce suffering. However, we cannot guarantee the continuity of such services if this matter is not resolved very soon." Referring to the Federal Ministry of Health's proposal on remunerations of medical professionals, the duo said it was unacceptable and, therefore, also rejected because, as they explained, chief executives of the health institutions who accepted the document on behalf of doctors had no mandate whatsoever to do so since, from the onset, they were not part of the negotiations of the interministerial committee. "NMA notes that all the demands of the doctors were not addressed in the

proposal and therefore demands that the arrears of increases in call duty and clinical supplementation allowances be paid immediately." According to the NMA statement, 3 per cent of basic salary per unit call as proposed is unacceptable because prior to May 2000, doctors call duty allowance had been equivalent to between five and seven per cent of basic salary per unit call. "The NMA is surprised that Government unilaterally decided to reduce the percentage to 3 per cent. This is tantamount to income reduction which is against normal civil service procedures." On the controversy surrounding the computed total financial estimates of the demands by doctors, Drs. Osaghae and Aderiye reflected: "NMA rejects the computed financial estimates for the execution of the proposed remuneration by government. This is predicated on the higher step (Step 8) awarded to public sector doctors. There is no doctor on HAPSS 10 - 15 Step 8. Therefore, calculating basic salaries based on this step is illusory and an outright misrepresentation of facts. "The NMA is also suspicious that the number of doctors used in computing these figures is on the excessive side leading to an overestimation. NMA is surprised by the reversal to the Circular 1, 1991 position when this had been overtaken by Circular 1, 1996. We therefore insist that the 1996 position as amended and agreed upon by the inter-ministerial committee should remain." On the clinical duty allowance, they alleged: NMA is opposed to the change of nomenclature from clinical supplementation to clinical duty allowance. However, if the name is to be changed, it must be to clinical consultation allowance. "The 30% of basic salary of clinical duty proposal is not acceptable and NMA insists that it should be reviewed upwards. NMA also opposes the unwarranted award of clinical supplementation to health workers undeserving of such awards. This defeats the purpose for which this allowance was instituted."

*From allAfrica.com-West Africa, 22 November 2000*

## ASIA/PACIFIC

### CHINESE OFFICIALS SENTENCED TO DEATH IN CORRUPTION CASE

Two prominent local Chinese officials, including the mayor of a port city, were sentenced to death Wednesday for helping a multibillion-dollar smuggling ring. The two officials were among the scores of people were convicted in the biggest corruption scandal of China's communist era. Lower-ranking officials also were sentenced to death in the case centered on the southeastern port of Xiamen, said a court spokeswoman. She said more than 40 people were convicted in Xiamen, one of five cities in Fujian province where trials were held over the past eight weeks amid intense secrecy. Deputy Mayor Lan Pu of Xiamen and the city's Customs chief, Yang Qianxian, both were sentenced to die, said the spokeswoman, who would not give her name. She did not say how many lower-ranking officials received death sentences. In another city, Putian, an official said the court there imposed jail time but no death sentences. The official, who would not give his name, had no identities of defendants or their cases. Court officials in the other cities - Fuzhou, Quanzhou and Zhangzhou - all declined comment. A total of 84 people are on trial in the five cities, according to the state-run Xinhua news agency. The case comes amid stepped-up government efforts to combat pervasive graft that has damaged public acceptance of communist rule. Thousands of officials have been punished in the years-long anti-corruption campaign. This year, courts have put to death a deputy provincial governor and a deputy chairman of China's legislature - the highest-level officials ever executed for corruption since the party came to power 51 years ago. "The government is dead serious about tackling corruption, and it's not just window dressing," said Daniel Gay, an economist for the Singapore-based business research firm Strategic Intelligence. However, the Communist Party's refusal to permit independent law enforcement will make it nearly impossible to end a system where graft is "part of the culture" for low-paid officials who don't answer to the public, Gay said. "It's going to be years if not decades before China can stamp out corruption," he said. Courts have released little information about the Xiamen case since trials began Sept. 13. Officials are accused of helping a conglomerate based there, the Yuanhua Group, smuggle cars, oil, cigarettes and other goods reportedly worth up to \$10 billion. China is especially worried about smuggling, which costs its treasury heavily in lost taxes. The high rank of some officials implicated in the Xiamen case is said to have created rifts within ruling circles. President Jiang Zemin is said to have quashed an investigation into the wife of one of his proteges.

*From Nando Times-Global, by Joe McDonald, Associated Press, 8 November 2000*

### MALAYSIA GOVERNMENT NOT VINDICTIVE TOWARDS CIVIL SERVANTS, SAYS DPM

Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi Tuesday assured civil servants that the government has not been and will not be vindictive towards them or indulge in only fault-finding. Being so would be negative and improper for the government as it would only discourage sincere views for improving the civil service further, he said. "Being vindictive is not the government's way be it in the past, now and forever," he said when launching the Home Ministry's quality day here today. Abdullah is also Home Minister. He was elaborating on his speech in Kelantan yesterday that government officers and employees still staunchly anti-federal government should resign rather than undermine implementation of policies meant to help the people. "When we do our review, there are bound to be views which may sound critical. If these are absent, the civil service may not be able to give its best in serving the people," he said. Abdullah said only civil servants who are blatantly and openly anti-establishment would be asked to step down or face expulsion. He referred to such people as those who turned up at the office only for the pay cheque and could not be bothered about doing any work or contributing ideas for betterment of the civil service. From his meetings with government officers and lower rung employees during his tour of the states, Abdullah said the number of such civil servants was small. "In fact the civil service is still largely with the government of the day. The majority is with us. There are a few odd people out and only God knows the number. Perhaps there may be something with the persons themselves that need rectifying," he said. Abdullah said that

given this reality, he was convinced that the civil service was well-placed to implement government policies and programmes meant for the good of the nation.

*From Malaysian National News Agency, 14 November 2000*

## **CHINESE SENTENCE 14 TO DEATH FOR CORRUPTION**

China sentenced 14 people to death yesterday in the first verdicts of a multi-billion-pound smuggling scandal that is thought to be the biggest corruption case of the Communist era. According to the official Xinhua news agency, those sentenced included Xiamen's former customs chief, Yang Qianxian; its former vice-mayor, Lan Pu; the former Fujian deputy police chief, Zhuang Rushun; and Ye Jichen, head of the Industrial and Commercial Bank of China in Xiamen. But Lai Changxing, a businessman who masterminded the smuggling scam, fled overseas after a police tip-off. State media had expected a large "haul" of executions from the secretive trials, underscoring President Jiang Zemin's vow to stamp out rampant official corruption. Dozens of officials, among at least 200 people implicated in the scandal, began going on trial in September at courts in five Fujian cities. Lai's Yuanhua Group smuggled more than £4bn of cars, luxury goods and raw materials in the early 1990s, paying off officials to facilitate evasion, the news agency said. The courts passed sentence on an initial batch of 84 people, handing death sentences to 14 but granting three of those a two-year reprieve. Reprieved death sentences are usually commuted to life sentences in prison in China.

*From UK-Independent, by Jeremy Page in Beijing, 9 November 2000*

## **TAIWAN CORRUPTION WAR**

A magistrate in a central Taiwan county has been charged with embezzling funds meant for victims of last year's killer earthquake. Nantou County Magistrate Pang Pai-hsien was detained in custody yesterday after being grilled overnight by a prosecutor. He denied the charges. Chief prosecutor Hsu Sung-kui said he suspected Pang, a respected parliamentarian before his election to his current post in 1997, had embezzled some of the money donated to the county. The full force of the strongest earthquake to hit Taiwan in a century was felt in the county. Nearly 2,500 people were killed and 100,000 left temporarily homeless across Taiwan. In Nantou alone, 922 people were killed and 57,000 housing units were damaged or destroyed. The alleged graft case surfaced when the prosecutor raided Pang's residence and his office on Monday and seized documents and computer discs. "We have found that some financial donations from the public to the government relief funds went to two private foundations chaired by Commissioner Pang," the Nantou District Prosecutors' Office said at a press conference on Monday. Prosecutors suspect that there have been funds flowing between the accounts of the county government and the foundations, Taipei Times reported yesterday. The paper quoted Mr. Hsu as saying that the destination of the relief funds remained mysterious and that the foundations had failed to provide complete information concerning the use of the money. Pang's deputy, Mr. Lai Ying-fang, said that while he would respect the legal procedure, he suspected the raid had been politically motivated. "We regretted the involvement of political force," he said, without giving further details. Pang is a former member of the Democratic Progressive Party (DPP), to which President Chen Shui-bian belongs. He quit the party after failing to secure the nomination to stand for his current post and went on to beat the DPP candidate in the election. He further enraged his old colleagues by publicly backing Mr. Chen's main rival in the March presidential election, Mr. Lien Chan of the former ruling party, the Kuomintang. But Justice Minister Chen Ting-nan, dubbed "Mr. Clean" for his efforts to crack down on corruption in public life, denied Pang was the victim of a witch-hunt. He said other officials from other parties had also been indicted in other cases.

*From Singapore Straits Times, 15 November 2000*

## **CORRUPTION ROBBS NORTH KOREANS OF AID**

Grain and crude oil donated by the West is regularly stolen en route to famine-struck areas. Restrictions on aid workers' movements mean they are unable to effectively monitor food distribution to ensure it reaches the needy, not the army or political leaders. Foreign aid workers who speak out about the Government's extortion tactics are subject to life-threatening sabotage, which they believe is aimed at forcing them to shut up or leave. Australia is North Korea's fifth-largest donor, delivering \$23.4 million in aid since 1996. But Australian officials have refused to confirm whether all the aid reaches its intended destination. During his visit to Pyongyang last week, Foreign Minister Alexander Downer announced that Australia would this month deliver 12,000 tonnes of wheat. Several international charities have pulled out of North Korea in the past year, citing government obstruction of food and medicine distribution. Projects to improve water quality and health services have also been hindered. In March, France's Action Against Hunger joined Nobel peace prize-winning Doctors Without Borders and the British charity Oxfam in quitting Pyongyang. AAH said it had overwhelming evidence that the Pyongyang regime was siphoning off food donated by the US to feed starving children. A plan to open a soup kitchen for starving street children dumped by their hungry parents was blocked, it said. Workers for the dozen or so aid organisations remaining rarely speak about the loss of food and fuel, or even about the appalling conditions facing most of the country's 22 million people. Those who do, such as Norbert Vollertsen, of German Emergency Doctors, and his colleagues, nurse Lucia Gunkel and technician Jan Erlebach, are vilified. In the past two weeks, the brake lines of their cars have been cut and their tyres slashed in what they believe is retaliation for talking to international media about the tragedy of North Korea's man-made famine and government corruption. GED computers have been sabotaged and the three aid workers confined to the capital, unable to continue their work distributing medicines, equipment, coal and food to five hospitals and orphanages outside Pyongyang. "Western officials visit places and they look clean and bright, but it is like a theatre just for the day. There are so many incidents in which thousands and thousands of tonnes of rice and grain and oil have disappeared from the ports," Dr Vollertsen said.

"It is in the Government's interest to keep us here because international aid has helped maintain a level of stability by averting a catastrophic famine – and that stability would not last without us. I believe in the power of the mass media – only by speaking out can you force things to change and now is the time because North Korea wants and needs to open up." Dr. Vollertsen secretly filmed starving babies for German television, securing footage showing children in conditions that were compared to war-time concentration camps. He has also taken reporters to a hospital where they saw old beer bottles being used for intravenous drips, and told of operations performed without anaesthetic because there simply isn't any. Speaking to *The Australian* in Pyongyang at the weekend, he told of a recent incident when he pulled over, defying the protests of a government minder, to help a man lying in the middle of a road, apparently after being run over. "He was already dead, but we saw other things," he said. "The man, wearing military uniform, was so emaciated that his wrists were like those of an eight-year-old boy. "And also he had injuries that were not caused by any car accident," he said.

*From Australia-The Australian, by Lynne O'Donnell, Pyongyang, 20 November 2000*

## EUROPE

### GREEK MINISTER VOWS CRACKDOWN ON CIVIL SERVICE CORRUPTION

Employees in Greece's sprawling civil service have been ordered to submit income details after inspectors allegedly found widespread instances of bribery and serious mismanagement, officials said. Kickbacks are common at tax offices and public agencies issuing driving licences and building permits, according to a highly critical report presented on Tuesday by interior ministry inspectors. "We are determined to clamp down on this phenomenon of corruption," said Interior Minister Vasso Papandreou. About 400,000 civil servants will have to provide full details on the source of their income by December 15, she said. The inspectors' report appeared to support the popular perception that Greek bureaucracy is oversized and inefficient. Examples cited include the alleged payment of a 600,000-drachma (\$1,500) bribe to receive a driver's licence and a six-month delay in providing services that should take one day. Civil service union leaders were critical of the report, arguing that politicians are avoiding responsibility for state inefficiency and preparing the public for an aggressive privatisation programme.

*From Greece-Athens News, 17 November 2000*

### GREEK CIVIL SERVICE FOUND TO BE BOTH UNCIVIL AND OF LITTLE SERVICE

A special Interior Ministry task force called to investigate problems in Greece's bloated civil service has come up with the discovery that almost every citizen could have informed it of at the start: That the bureaucracy destroys every initiative taken to improve services offered to citizens and that corruption is rife. The Immediate Intervention Group headed by Alekos Sideridis yesterday announced the results of its investigation into the tax offices, Social Security Foundation (IKA), town planning departments and the Transport Ministry's vehicle inspection centers (KTEO). Among its findings, the price of "buying" a driver's license has climbed to 600,000 drachmas and, despite the introduction of an appointment service at IKA (just phone 180), coffee shops next to clinics are still doing a roaring trade selling pensioners coupons that will give them a head start in the queue. At a news conference with Interior Minister Vasso Papandreou, Sideridis said that civil services do not function as units that promote government policy but instead hinder every measure aimed at providing better service to the public. The Kafkaesque labyrinth that citizens face in their paper chase is worsened further by the lack of equipment and unjustifiable delays in fulfilling citizen requests. "We found a department with two employees who were on separate floors, and employees sitting on three-legged chairs," Sideridis said. Photocopiers were broken, there was a shortage of fax machines and public reception areas were unacceptable, the task force found. Often, the problem was due to the lack of initiative of the civil servants themselves. For example, offices dealing with people with disabilities were often difficult to access. "When someone can't walk, you don't make him climb up and down to the third floor," Sideridis said. "You don't need the central administration to intervene to deal with such problems," he added. At the KTEO offices, where 850,000 vehicles are tested annually, it takes less than 15 minutes for a car to be checked. But before that, its owner has to spend between 30 minutes and 2.5 hours shuffling from the office where he has to pay a special duty to the one where he has to hand over all the necessary documents, instead of having one employee to deal with. Interior Minister Papandreou yesterday gave civil service departments up to December 15 to inform the ministry of civil servants who have acquired property and assets in criminal ways.

*From Greece-Kathimerini, 16 November 2000*

### ANTI-CORRUPTION DRIVE PRAISED BY DEPUTIES

The Parliament Planning and Budget Commission debated the year 2001 fiscal year budget of the Interior Ministry and had much praise for Minister Saadetin Tantan and his security department which has been spearheading the drive against corruption. It is interesting that every deputy irrespective of their political affiliation applauded Tantan's anti-corruption drive and said the ministry's funds should be increased to help it effectively fight against corruption and irregularities, which the minister himself has said is the leading threat against the country. The deputies praised the minister for his string of successes as the security department successfully probed and detained many businessmen who had managed to plunder the funds of banks which have recently been bailed out by the state. This is the first time we are seeing the deputies join forces and back a minister in this fashion. Usually the deputies speak according to their position as opposition members or their affiliations to the government and never cross party lines.

So it seems once again we see that the deputies and the leaders of the coalition partnership are miles apart. It is clear that the coalition leadership does not favor a comprehensive struggle against corruption, while the deputies who spoke at the Interior Ministry budget debate all said the security department should follow the leads and prosecute whoever has committed a crime, which may include politicians and bureaucrats. The coalition leaders fell at odds with their deputies when they wanted to extend the term of office of former President Suleyman Demirel. The deputies rejected such a move and dealt a blow to their own leaders when the balloting was held in secret. Thus the leaders could not influence the outcome for a change. But when it is open balloting, the party leaders can use their dictatorial powers in their respective parties and thus force the deputies to vote as they like. Now we see that while the deputies speak out in favor of the struggle against corruption, they were the same people who voted last week against the opening of parliamentary debate on corruption and the banking scandals. So it is clear they feared the wrath of the coalition leaders and voted against the debate while deep in their hearts they actually wanted it. The applause for Tantan simply displayed the crookedness of our party leadership system. The deputies, like the majority of the Turkish people, wholeheartedly support the anti-corruption drive but they also feel pressures from their leaders not to act. Let us see whose wishes will prevail, the coalition leaders or the people?

*From Turkish Daily News, editorial by Ilnur Cevik, [ilnur.cevik@tdn1.com](mailto:ilnur.cevik@tdn1.com), 21 November 2000*

## MIDDLE EAST

### BILL TO BOOST ARABS IN CIVIL SERVICE

The Knesset Constitution, Law and Justice Committee will tomorrow discuss a bill to guarantee more fitting representation for Arabs, Druze and Circassians in public employment, in preparation for its second and third readings in the plenum. Under the proposed law, the Civil Service Commissioner may actively promote employment of Arab citizens in government ministries and companies. Only 5 percent of civil servants come from the Arab, Druze or Circassian sectors of the population - communities that make up around 20 percent of the population. The bill gives the government the right to designate positions for suitable Arab applicants. It also proposes each ministry will have to submit a report on the implementation of these provisions to the Civil Service Commissioner once a year. The commissioner will report back to the government and the Knesset committee on the steps taken to improve the representation of these populations. Provisions regarding fitting representation will also apply to people with disabilities. MKs Salah Tarif (One Israel) and Azmi Bishara (Balad - National Democratic Alliance) have submitted private members' bills on the issue and these will be also discussed by the Knesset committee in preparation for their first reading. In his bill, MK Tarif points out that out of the 57,000 civil servants in the country, only 2,818 are from minorities and only 253 of them are Druze - less than 0.5 percent. MK Bishara notes that out of the 2,400 senior employees in the civil service, only 25 are Arabs - one percent. On the issue of representation for minorities on the boards of government companies, Attorney General Elyakim Rubinstein said the term "fitting representation" did not mean the fixing of quotas. The rate of representation must be determined based on the nature, purposes and requirements of each government corporation and a breakdown of the suitable, available candidates for the positions. Rubinstein stressed that the individuals responsible for appointing directors of government companies, including ministers, must make efforts to locate Arab candidates for these positions, adding that prior to the approval of boards of directors, the government must examine whether reasonable steps to find suitable Arab candidates were taken. The attorney general added that these provisions should be viewed as part of the effort to increase equality for the Arab population in the various aspects of life in the country. These instructions were prepared prior to the recent violent incidents in the Arab sector, Rubinstein said. "Just as we have to fight uncompromisingly against trends that want to remove the Jewish label from the state and undermine its foundations, so must we struggle with the same breath to achieve equality," he said.

*From Israel-Ha'aretz by Gideon Alon Ha'aretz Legal Correspondent, 6 November 2000*

# Management Innovation & Trends

## AFRICA

### NOUVEAU PROGRAMME INTERNET IN TUNISIE

Un programme destiné à initier et familiariser les jeunes des zones rurales aux nouvelles technologies de communication, essentiellement les services fournis à travers le réseau Internet, a été lancé, jeudi, dans un quartier populaire près de Carthage, banlieue Nord de Tunis. Le lancement officiel du nouveau programme, dénommé "bus 7 novembre de l'Internet", fabriqué et conçu par des tunisiens, a été effectué en présence du ministre sénégalais de la culture et de la communication, M. Mamadou diop Decroix, et de plusieurs membres du gouvernement tunisien. Le ministre tunisien des communications, M. Ahmed Friaa, a affirmé que le "bus 7 novembre de l'Internet", était doté d'équipements informatiques sophistiqués. "Ce bus, unique au monde, offre des prestations dans divers domaines (règlement de factures à distance, dédouanement en un temps record des opérations d'import-export...)", a-t-il expliqué. Au cours d'une démonstration faite par des experts à bord du bus, cinq nouveaux services virtuels, créés par les ministères tunisiens du commerce et des communications à travers le réseau Internet, ont été présentés aux personnalités et aux journalistes présents. Ces services permettent au public d'accéder instantanément aux serveurs prestataires par le biais d'Internet et de régler leurs affaires à distance en recourant au mode de paiement par E- dinar (dinar électronique) pour ce qui est des services payants. Ils font bénéficier les usagers d'un gain de temps précieux et réduisent les coûts, en plus d'éviter les déplacements et l'encombrement occasionnés par les procédures classiques en vigueur jusqu'ici, a expliqué M. Friaa. Les prestations offertes par l'agence virtuelle de communications permettent de prendre connaissance en détail des factures de communications et d'effectuer le règlement de ces factures à distance en utilisant le E-dinar. Un autre site a retenu l'attention des observateurs, celui réalisé par le du ministère tunisien du commerce, dénommé site de "la liasse unique de l'import-export". Il s'agit d'un guichet virtuel unifié permettant aux exportateurs et importateurs tunisiens d'effectuer les diverses formalités relatives aux opérations du commerce extérieur dans des délais particulièrement réduits. C'est ainsi qu'une opération qui nécessitait auparavant 15 jours peut être ramenée à seulement trois jours grâce à ce service électronique. "C'est une expérience fascinante qui peut être extrêmement importante pour des pays comme les nôtres au Sud du Sahara", a confié à la PANA le ministre sénégalais, arrivé mercredi à Tunis pour une visite de travail de cinq jours en Tunisie. "Elle permet à des zones rurales qui ne sont pas pourvues d'électricité d'être connectées à l'Internet, sans parler des services qui sont offerts dans d'autres domaines", a-t-il dit. Selon M. Diop, le gouvernement de l'alternance du président Abdoulaye Wade et du premier ministre Moustapha Niasse a déjà de grands chantiers, dont celui visant à faire entrer le Sénégal dans la société de l'information. Le président Wade "s'est engagé personnellement à s'occuper de cette question", lors du premier conseil des ministres tenu la semaine dernière, consacré à l'entrée du Sénégal dans la société de l'information, a-t-il souligné. Il a révélé que sur instructions du chef de l'Etat sénégalais, un conseil interministériel se tiendra prochainement pour se pencher sur ce sujet. Au cours de la réunion, "beaucoup de mesures seront prises qui vont probablement affecter tous les aspects de la société", a-t-il ajouté, s'abstenant de donner des précisions sur ces mesures. Le ministre sénégalais s'est déclaré persuadé que la coopération entre la Tunisie et le Sénégal "va se développer de manière très forte" dans ce domaine, d'autant, a-t-il dit, que "j'ai appris que le président tunisien Zine El Abidine Ben Ali est un passionné d'Internet et de la société de l'information et qu'il y a convergence en la matière entre lui et le président Wade".

*From allAfrica.com-North Africa, by Bouazza Ben Bouazza, Tunis, Tunisie, 10 November 2000*

## ASIA/PACIFIC

### ANTI-MAHATHIR VIRUS HITS FINANCE MINISTRY WEBSITE

A computer virus which can overwrite Microsoft Word documents with lines of text criticising Prime Minister Mahathir Mohamad has infected the website of Malaysia's finance ministry. "I believe this is the first politically motivated virus to have been created in Malaysia," Mr Looi Hoong Thoong, creator of the V-Buster anti-virus program, told the Associated Press yesterday. He said the "Hampehs" macro-virus had infected the online English text of the Budget speech which Finance Minister Daim Zainuddin presented in Parliament on Oct 27. The speech was posted on the ministry's website that same day, but it was unclear when the virus infected the file. A ministry spokesman could not be reached immediately to say how many people had downloaded the document. It was also unclear if the ministry was aware of the problem or if any steps were being taken to track down its creator. Mr. Looi claimed that the author of the virus was "not very good at it" and that the infected file would affect most, but not all, Internet users who downloaded the document. "Hampehs" is the colloquial pronunciation of a Malay word which means "dregs". Mr. Looi said that US-based anti-virus programs would not detect the virus, which he described as "a nuisance but not dangerous". It would not cause computer systems to crash or affect non-Microsoft Word files. According to him, a code within the infected document would direct users to the website of the virus' creator, who calls himself "Mr. DingDang". On his website, he claimed he "does not mean to bring about disturbances" but created the virus "as a challenge" for himself. "Hampehs was formed from my dissatisfaction with the existing governmental system," he said in Bahasa Melayu on the site. He also indicated that he supported the Malaysian nci

reformasi mtr movement, which rose after the sacking of former deputy Prime Minister Anwar Ibrahim in September 1998. Anwar is now serving jail terms totalling 15 years for corruption and sodomy. Since his sacking, supporters have launched dozens of pro-reform websites, claiming that the government had deprived them of a voice in the mainstream press. --AP

*From Singapore Straits Times, 7 November 2000*

## **INTERNET PAPER TO DISTRIBUTE TOK-DO MODELS TO SCHOOLS**

The Internet newspaper Tok-do Korea said yesterday it will distribute models of Korea's eastern island for free to schools nationwide. The biweekly paper reports all items related with Tokdo islet and will disperse 5,000 models to schools by late next month in the first stage of a public awareness campaign. The model is on a 1:4,500 scale and depicts the two islets comprising Tokdo. It is 18 cm wide, 12 cm long and 7 cm high. Tok-do Korea will first issue the models to schools for the disabled. "If other educational institutions request the models, we will make additional models for them," an official at the newspaper said. Schools and educational institutions can apply for the models by calling 055-275-1511 or get more information on the campaign by visiting the company's Web site (<http://TokdoKorea.co.kr>). The nation has a position that Tok-do is, by history, geography and international law, clearly its sovereign territory.

*From Korea Times, 14 November 2000*

## **PAKISTAN EXTENDS INTERNET FACILITY TO 296 TOWNS**

Pakistan, aiming to catch-up with the worldwide Internet revolution, said on Friday that 296 of its cities and small towns were now hooked up to the net. Minister for Science and Technology, Atta-ur-Rehman, was quoted by the state-run Pakistan Television as saying 296 towns now had Internet access compared with 29 three months ago. The government, working rapidly on an action plan to overcome past neglect of the information technology (IT) sector, plans to bring 400 towns online before the year-end. The official APP news agency said many of the small towns with access to the Internet are in remote regions of the country including parts of the southwestern Baluchistan province and the mountainous northern areas. Pakistan has more than 50 Internet Service Providers with a subscriber base of about 200,000 people, but industry executives say the number of users are growing rapidly. The military-led government of Pervez Musharraf has made information technology a key priority of development and plans to spend up to five billion rupees (\$87 million) in the fiscal year that ends in June on IT. (US\$ - 57 rupees)

*From ABC News-World-Wire, 17 November 2000*

## **CHINA NETCOM OPENS FIBRE-OPTIC NETWORK**

China Netcom launched a fibre-optic network linking 17 cities on Thursday that will drive down the high cost of Internet access while improving speed dramatically. Chief executive Edward Tian confirmed reports the state-owned company planned to take in US\$300 million (HK\$2.3 billion) from foreign investors, although he said the deal had not been finalised. China's youngest telecommunications carrier is now ready to sign up customers for its 8,500-kilometre CNCnet backbone. The network establishes Netcom as a major player in a sector that until last year was a virtual monopoly of state giant China Telecom. CNCnet, which Mr Tian said cost 5.3 billion yuan (HK\$4.8 billion), positions Netcom as both a supplier and competitor to telecoms players, also including China Unicom, China Mobile and Jitong Communications Corp. The company will lease out bandwidth while providing data communications and Internet service to corporations. It also provides Web hosting services and sells Internet telephone cards. Mr. Tian gave no details of the foreign investors, but media reports have named them as Michael Dell, founder of Dell Computer, Goldman Sachs, News Corporation, Kerry Group's Robert Kuok, Sun Hung Kai Properties' Kwok brothers, Lee Shau-kee of Henderson Land, the Construction Bank of China and an investment company under the Bank of China. "It hasn't been closed yet," Mr. Tian said ahead of a news conference announcing completion of the backbone. Mr. Tian also confirmed that Netcom had been valued at roughly US\$2.0 billion, which would put the US\$300 million foreign stake at about 15 per cent of the company. China has allowed two state-owned phone companies, China Mobile (Hong Kong) and China Unicom, to sell shares abroad in public listings. Last month, it allowed the first private foreign equity stake in a telecoms firm. China Mobile was given approval to sell a 2 per cent stake to world number one 1 mobile firm Vodafone Group for US\$2.5 billion. The Netcom financing would mark the second such deal. China has promised to allow minority foreign stakes in telecoms firms after it joins the World Trade Organisation, which Chinese officials expect in the next few months.

*From Reuters, 16 November 2000*

## **'PEOPLE WANT TO USE THE INTERNET ANYWHERE, ANYTIME'**

Japan's once-mighty business community has taken it on the chin during the last decade. Management models once admired and copied have been relegated to the trash bin. The Internet revolution that has transformed the U.S. has so far left out Japan. The major technological advances of the last decade have come not from Tokyo, but from Silicon Valley. The days when Americans fretted that Japan was going to take over the world through its economic might now seem like ancient history. Shining amidst all this gloom and doom is the one bright corporate star with a funny name: DoCoMo. The acronym, a stretch, stands for "Do Communication Over the Mobile Network." Originally a division of NTT, the telephone monopoly, DoCoMo is now worth more than its corporate parent, and it single-handedly put Japan on the map in the world of mobile phone technology. DoCoMo has gone to great pains to present itself as a modern company for the 21st century with its franchise, the world's first Web-connected mobile

phone service, i-mode. The service allows customers to use their phones to exchange e-mails, do their banking, make airline reservations and use other Internet services.] Its offices are located in a sleek new 44-story office building in downtown Tokyo, where a phalanx of seven young women, all dressed in identical pink, rise in unison from behind desks that look like spaceship command posts to welcome visitors in the vast, high-ceilinged reception area. It was here that Time Tokyo Bureau Chief Tim Larimer talked to DoCoMo's CEO, 61-year-old Keiji Tachikawa. Here are the edited excerpts: TIME: What's the secret to DoCoMo's success? Tachikawa: We were founded only eight years ago, and had less than one million customers. Then Japanese consumers came to understand that mobile phones were very useful. Since 1994, the number of customers has doubled every year. Now we have more than 60 million customers. And demand is still strong. TIME: Didn't demands from the U.S. that Japan deregulate its phone industry have a lot to do with an increase in competition and declining connection rates that spurred the growth of the industry? Tachikawa: American people misunderstand Japan. The mobile communication industry in Japan, by 1998, was open to everybody. It was not closed as American people thought. TIME: But the start of deregulation happened in the early 1990s, so wasn't that really what created a competitive environment? Tachikawa: No. In 1994 there were some newcomers; there were six groups competing with each other. We lost market share. In 1996, we had only 48% of the market. But my predecessor took strong measures to recover market share -- which now stands at 58%. TIME: How much did DoCoMo's affiliation with NTT help you gain that market share? Tachikawa: The Japan mobile phone market has been open, and there has been fair competition. There are now three groups competing against each other: NTT DoCoMo, J-Phone and KDDI. But the U.S. is still applying pressure, and we don't understand why. TIME: What is the relationship between DoCoMo and the telephone handset manufacturers? Tachikawa: The manufacturers are competing against each other to see who can develop good products. At the same time they are trying to reach good economies of scale. TIME: How does DoCoMo work with manufacturers in terms of research and development? Tachikawa: We have our own research and development capability, with more than 700 engineers. They are developing the technology and functions to be provided to our customers. TIME: Is i-mode a triumph of technology or marketing? Tachikawa: Both. We introduced a new technology, the packet switching system, which nobody else had done. The technology existed -- and people were using it in "wired" networks -- but we were the first to use it with mobile technology. So customers can enjoy Internet access anytime. Our product helps people feel connected all the time. TIME: Why was that so important in winning over Japanese consumers? Tachikawa: People didn't want to spend time getting connected. With i-mode you don't need to wait; you just hit a key two or three times and you are on the Web. Using a PC at home takes time and it is slow. TIME: But the technology doesn't seem that revolutionary. It seems like the marketing behind i-mode -- the way customers are billed, all the content that is offered -- is the real key to its success. Do you think so? Tachikawa: People criticize us over the fact that a small display screen can only provide a small amount of information. But when you are on the move, do you really need or want so much information? People only want enough information to use while they are waiting, before going onto something else. You can fit about 200 letters or characters on a screen, and we think that's enough. The marketing of the product has helped. TIME: NTT doesn't have a reputation for innovation and creativity. How did DoCoMo manage to break away from a traditional corporate culture and create something like i-mode? Tachikawa: We hired people from outside [the company], plus a few young people from within. It was a good team. In the wired world, progress is very slow. But in the Internet and mobile world, a new idea appears every day and we need to be flexible. TIME: Was it hard to get people to sign onto DoCoMo in the beginning? I mean, nobody knew that it would be so successful. Tachikawa: There was no hope at first. Nobody could see the future; nobody dreamed it would be where it is today. At the beginning we hired about 50 people a year. Now we hire 500 to 600 people each year. If we were a college, you could say we have a lot of freshmen. Whereas the average age of staff at NTT is 45, the average age at DoCoMo is 35. TIME: Why is it so important to have young people? Tachikawa: Internet-related services should be targeted to young people, so we need young people to figure out what we should be doing. TIME: What's next for DoCoMo? Tachikawa: We want to promote the idea of wideband CDMA [short for code-division multiple access, a digital cellular technology], to help us with our goal of compatibility among different countries. That would establish our dream: that you can have one terminal that can be used throughout the world. Customers want that. TIME: Can you be as successful globally as you have been in Japan? After all, the markets and tastes are very different. Tachikawa: We need to perform everywhere. Our strategy is not to provide everything everywhere, but we have experience in Japan that we can share with others. TIME: What is DoCoMo getting out of its alliances overseas? It seems like DoCoMo is investing money and offering technology, but not getting much back? Tachikawa: Sometimes you don't need money in return, particularly in a good partnership. In the case of Hutchison [in Hong Kong], they need our money. But DoCoMo will get its return, through capital gains, dividends, royalties... TIME: Isn't the deal really about helping DoCoMo enter the huge China market? Tachikawa: Yes, that too. TIME: Do you use i-mode? Tachikawa: Yes, of course. I can watch the price of NTT DoCoMo stock any time of the day. TIME: Presumably you wouldn't need i-mode to do that! What else do you use it for? Tachikawa: E-mail. TIME: Really? I find it difficult because you can't write very long messages. Tachikawa: It's good for business. I can send a message that says "O.K." or "No." And I can receive e-mails anytime, anywhere. TIME: A government advisory group has announced plans to further deregulate telecommunications, by introducing a new regulatory body that is something like the FCC [Federal Communications Commission] in the U.S., and also by splitting up NTT. Is this a good idea? Tachikawa: We have a long history in Japan of modernizing our telecommunications industry. Since the 1980s we have tried various things. Key among them was the privatization of NTT. This advisory group has now asked the Japanese government to separate the policy-making and regulatory activities of the Ministry of Post and Telecommunications, but it hasn't occurred yet. TIME: Why not? Tachikawa: We are slow, but we are clever. We don't want the same revolution that occurred in the U.S. Look at what happened there. In the 1980s they split up companies like AT&T and then some time later the companies joined again. So why is the U.S. trying to break up NTT? TIME: Wouldn't DoCoMo be better off separated from NTT? Tachikawa: Why should we split up when you consider the U.S. experience? Our services need to be integrated. Mobile technology is progressing rapidly, and wired services are still growing, but slowly. In the next decade we don't know which will be growing faster. We need to think about the direction we should be heading. People want to use the Internet at

home, in their car, while they are walking...they don't care if it is wired or wireless. They just want the freedom to use it wherever they are.

*From Time-Asia, by Tim Larimer, 20 November 2000*

## **MAKE INTERNET AFFORDABLE TO ALL**

Malaysia, in its effort to make information technology available at all levels, wants service providers to make Internet access more affordable to the people. Science, Technology and Environment Minister Datuk Law Hieng Ding said capabilities now possessed by large and powerful nations or organisations should be made available to the people. "The global revolution to an information-based economy is redefining the way businesses are transacted. "But not all countries have the privilege to fully benefit from this transition," he said after launching the "United Nations/Malaysia Workshop on Bridging the Digital Divide: Space Technology Solutions" here yesterday. Law said the majority of economic activities related to information and communications technology (ICT) were concentrated in developed nations, while developing countries formed only a small fraction of the global digital economy. "Internet usage by North Americans and Europeans is rated at 70% but it is less than 16% for Asians," he said. He added that the Government was using the Asean-wide Universal Service Programme (USP) to help narrow the digital gap within the region's premier political and economic organisations based on the basic principles of availability, accessibility and affordability. Director of the United Nations' office for Outer Space Affairs, Prof. Datuk Dr Mazlan Othman, said the greatest demand for Internet access via satellite would be in Asia because of its greater potential for economic growth. "Internet transmission services in this region are expected to grow rapidly to serve the more than four billion population, with estimates of about 90 million people online in Asia today," she said. Prof. Dr. Mazlan said, however, many Asia-Pacific countries still had less than one telephone per hundred people, let alone computers and other equipment and services needed to provide Internet access.

*From Malaysia-The Star, by K. Saithuruka, 21 November 2000*

## **AUSTRALIAN INTERNET PLAN FOR POOR**

AUSTRALIA is about to embark on what could become its greatest contribution to global development since the Colombo Plan of the 1950s and 1960s. At a conference in Washington next week, the World Bank will announce Australia's commitment to a radical new internet-based plan to help the world's poorest nations build up their governing capacity. The first step is a six-month feasibility study to see if Australia has the ability to lead the project. The Howard Government and a group of Australian companies and universities co-ordinated by the Melbourne-based Global Foundation will join the bank in funding the \$1 million study. If the plan goes ahead, it could ultimately involve virtually every Australian university and training institute and be a \$500 million long-term project, according to the Global Foundation's Steve Howard. The internet-based project was first raised by World Bank president James Wolfensohn on September 18, when he visited Sydney for the Olympic Games. He likened the concept to a "global Colombo Plan" which would see Australia use its science, technology, migrant language base and distance learning skills to help desperately poor countries build up their capacity to govern and educate themselves. Under the Colombo Plan scholarships of the 1950s and 60s, many of Asia's present generation of academic, administrative, political, social and technical leaders studied in Australia. Wolfensohn said that if Australia seized the initiative to turn itself into a capacity-building centre, it would win enormous influence. He called it an opportunity for "Australia to take a fantastic leadership role". He later raised the idea with federal Treasurer Peter Costello during a World Bank function in New York last month, then followed up by dispatching the bank's managing director, Dr. Mamphela Ramphele, to Australia this month to secure commitments from the federal Government, the private sector and universities. She described her mission as pressing Australia to be a "more serious global player" in bridging the digital divide by using its money, teaching experience and technological expertise to help poor countries build up their governments and social institutions. Ramphele, a student activist in South Africa in the 1970s and lover of murdered anti-apartheid leader Steve Biko, met Costello and Foreign Minister Alexander Downer in Canberra on November 7 and received enthusiastic support from them for the bank's proposal. Her timing was right. Ramphele alluded to Australia's budget surplus, and the larger than expected numbers have given Costello a painless entree to what could become a big new industry for Australia. She also met representatives of several universities and two of Australia's largest companies, AMP and Telstra. Both are expected to be part of the private sector team backing the feasibility study. The universities likely to be involved include Sydney, NSW, Melbourne, Monash, ANU and Western Australia. The make-up of the team will be unveiled in Washington at the Asia-Pacific Roundtable on November 28-29, organised by the Global Foundation and Georgetown University. Ramphele would play a major role in the round table, Steve Howard said. Initially the project would involve five or six universities, two or three corporates, the foundation and the World Bank. "Ten partners is about enough to be manageable at first, though eventually it could extend to cover every educational and training institute in the country." Ramphele went into her meeting with Costello without a specific dollar amount on her agenda but said she "wouldn't say no to \$100 million, \$50 million or whatever. We want Australia to play the leading role, if not the major role in this". She said the bank hoped the concept could be realised within a year. It wanted Australia to look beyond its engagement with the Asia-Pacific to a "wider vista" that included sub-Saharan Africa and Latin America, where the human development problems of poor countries were acute. "Too many people are lost to famine and preventable diseases in Africa," Ramphele said. The bank's goal was to use technology such as the internet to push for education and human development, which enhanced good governance and fought against corruption. Ramphele said Australia's involvement in the plan should not be seen as charity, but an investment in creating a better world with a better quality of life. Calling the sub-Saharan market a huge opportunity, she warned that if Australia chose not to get involved, it "had better start examining the opportunity costs of limiting itself to the Asia-Pacific rim". "It's important for Australia to be visible and audible in those countries (of Africa and Latin America)." Ramphele, who was appointed managing

director of the World Bank last May by Wolfensohn, said that globalisation did not tolerate marginal economies. But information technology allowed the people of poor countries to leapfrog into the modern world and gave them a chance for a better life.

*From The Australian, by Geoff Hiscock, 23 November 2000*

## **PAKISTAN INTERNET BANDWIDTH RATES REDUCED**

Federal Minister for Science and Technology Prof Atta-ur-Rehman Tuesday announced further reduction in Internet bandwidth rates up to 50 per cent for the software companies, IT firms and Internet Service Providers (ISPs). Addressing a crowded press conference at PID Press Centre here the minister said that government has reduced the bandwidth rate from \$32,000/Mb to \$3,600/Mb. He said that about six months ago the government had reduced the Internet bandwidth rates by 53 per cent. The minister said that the present reduction is linked with improvement of quality of services by ISPs. He said the bandwidth rate for educational institutions, IT and software firms will be \$3,600/Mb while for ISP it will be \$9,000/Mb. He said the present reduction has been made possible due to bulk purchase by PTCL without undermining its financial viability. The Minister said that for public sector universities free bandwidth and infrastructure of 256Kb/s will be provided for four years, which can be further extended for the same period. The private sector educational institutions, he said will also benefit from low bandwidth rate at the rate of \$3,600.-APP

*From Pakistan-Dawn, 21 November 2000*

## **EUROPE**

### **NORWAY: DOCTORS' REPORTS AND PRESCRIPTIONS VIA THE INTERNET**

In a couple of years it may be possible for patients to receive prescriptions and doctors' reports via the Internet if The Norwegian Board of Health gives permission. Many are tired of waiting for hours in doctors' waiting rooms to pay for advice they can get for free via the Internet. The Norwegian Board of Health may during the next few years allow doctors to write out prescriptions and supply doctors' reports, like sick leave, via e-mail. - Using the Internet to prescribe simple treatments and to write doctors' reports, is a tool we hope to start to make use of, said Frode Forland, acting CMO at The Norwegian Board of Health. According to Froland, when using the Internet for such purposes there are two issues that need to be addressed. - The security of each patient needs to be ensured. It must not be possible for confidential patient information to be accessed via the Internet. We will also need to be sure that a legitimate patient is being treated. First contact between patient and doctor will therefore not occur via the Internet, he says.

*From Norway Post, 16 November 2000*

### **INTERNET USE CLIMBS 10 PERCENT IN EU HOMES**

Internet penetration in European households has surged this year, prompted by cheaper connection costs, according to a report for the European Union Commission. The report, to be officially released Thursday, found that the percentage of households using the Internet rose in the 15-nation bloc from 18 percent in March to 28 percent in October. In three countries - Denmark, Sweden and the Netherlands - the rate topped 50 percent, topping the U.S. level of about 40 percent. The surge was helped by increased competition among Internet-service providers like Deutsche Telekom AG and AOL Europe this year, pushing down traditionally high telephone charges for connecting to the Web and encouraging more Europeans to log on. Small-and-medium-sized businesses in Europe were also getting wired at a rapid pace, with around 70 percent connected to the Internet and 40 percent boasting their own Web site, the report found. "These figures are really very encouraging," said Erkki Liikanen, the EU commissioner responsible for information-technology issues. However, he noted that challenges such as better security for information systems - as highlighted by recent hacker attacks on corporate Web sites worldwide - remained to be addressed. The report is to be submitted next week to a summit of EU leaders, who adopted a so-called "e-Europe Action Plan" last June to help Europe catch up to the United States in information technology.

*From The Associated Press, 29 November 2000*

## **MIDDLE EAST**

### **DIGITAL DESERT: DUBAI BIDS TO BECOME TECH-OASIS**

Oil put Dubai in the center of world commerce, and the nation is looking to technology to keep it there. Dubai, one of the seven members of the United Arab Emirates, has launched an intensive industrial campaign to become a center for e-commerce, software development and hardware in the Middle East. The project is largely being driven by Sheikh Mohammed bin Rashid Al Maktoum, the nation's crown prince, and is being fueled by the immense wealth garnered through oil. The nation hopes to imitate the technology-fueled economic boom in Ireland, where numerous multinational companies have based their European operations to take advantage of inexpensive labor and real estate. "Similar to what Ireland has done for Europe, Dubai has done for the Middle East," Wadi Ahmed, marketing manager for the crown prince, said in an interview at the Comdex trade show. The crown prince "is the primary reason for the technological effort." Dubai's efforts are far from unique: Government officials from Tennessee to Malaysia have sought to make their regions attractive for technology companies. Whether Dubai will be any more successful than

these other efforts is yet to be seen. Tax breaks are one of Dubai's chief selling points. Companies with offices in Dubai Internet City, an industrial park, don't have to pay corporate taxes for 50 years. Employees at the park, like all residents of Dubai, don't have to pay income tax. Tech companies that have set up offices in Dubai Internet City include Microsoft, Oracle, Hewlett-Packard, IBM and Siemens, Ahmed said. Microsoft CEO Steve Ballmer delivered a speech, via satellite, to a meeting at Internet City a few weeks ago. "We've got a queue of about 250 companies waiting for more buildings to be built," said Ahmed. "The IT world is looking at Dubai. Dubai is not a desert anymore." Another project is the Jebel-Ali industrial park, a free-trade zone with minimal taxes for hardware manufacturers. The crown prince also has created the Dubai Ideas Oasis, an incubator that provides funding and tax breaks. Modernization has drastically altered the country's demographics. Currently, expatriates constitute 90 percent of the population.

*From CNET News.com, by Michael Kanellos, Staff Writer, 16 November 2000*

## THE AMERICAS

### U.S. SOCIAL SECURITY TO SIGN UP SENIORS THROUGH INTERNET

You are now able to go through a major rite of passage in the comfort of your own home. Those who qualify can apply for first-time Social Security benefits online through the Social Security Administration's Web site, cutting out that lengthy visit to the local Social Security office. And, if they flounder, they can call a toll-free number for tech support -- or just surrender and apply over the telephone. "The great thing is that you'll never have to come in if you don't want to," said William Halter, deputy commissioner of Social Security, who announced the new program Thursday in Washington. "You transmit the application to our system, we process it, and then begin direct deposit to the bank you chose." There is one bit of old-fashioned paperwork left; along with e-applying, applicants must print a copy of their application, sign it, and mail it in along with their original birth certificate or certified copy. Halter thinks as security measures and technology become more sophisticated, that step might go electronic, too. "We think people are becoming more comfortable with using these systems. The use of technology is exploding among all age groups," he said. The Social Security Web site, which includes a program for calculating projected retirement benefits, had 26,000 visitors during its first year in 1994. Now it has 16 million annually. The cyber efforts are aimed at keeping staffing costs under control along with providing more convenience. About 2 million people apply for Social Security benefits each year at one of the agency's 1,300 offices nationwide, which employs 65,000 workers. And the administration expects its workload will more than double when the 77 million baby boomers start retiring in 10 years. Americans can file for reduced Social Security benefits at 62 or full benefits at 65 to 67, depending on their birth year. About 3 million Floridians draw \$27 billion in benefits annually. John Rother, director of public policy for AARP in Washington, thinks e-applying will quickly catch fire with boomers. "As more people reach retirement who are used to doing business this way, it will become very accepted," he said. Rother and Frank Desko, who coordinates a SeniorNet computer learning center for Nova Southeastern University in North Miami Beach, agree today's seniors might be a little more cautious. When Social Security looked for eligible guinea pigs to test the system earlier this year, about 7 percent chose the option. "Registering for Social Security is a very detailed thing," said Desko, 67, who had to do his own application on the telephone because he was overseas. "A larger percentage of seniors still aren't too computer literate. The majority are just doing e-mail."

*From TCPalm.com (FL) by Diane C. Lade, 3 November 2000*

### U.S. ELECTION TO TEST VOTING OVER INTERNET

The United States will take a small step toward voting over the Internet when about 200 U.S. military personnel on Tuesday will be allowed to cast their ballots using computers. All counties in South Carolina and some counties in Texas, Florida and Utah have agreed to participate in a pilot program for military personnel living away from their voting districts at an overseas post or in another part of the United States, said Polli Brunelli, director of the Federal Voting Assistance Program. Personnel in those districts will be able to vote either from their home personal computer or computer at work. Voting will commence either when absentee ballots are available or on Election Day, according to Brunelli. Using the Defense Department's public key infrastructure, voters will get a certificate on a floppy disk that when paired with a similar certificate at their participating home county will enable them to log onto the system and vote, Brunelli said. Bill Cowles, elections supervisor for Orange County, Florida, said his county encouraged military participants in the Internet test to also fill out absentee ballots to ensure their votes are counted if transmission problems occur. Dallas County, Texas, also made mail-in absentee ballots available but is hoping the two voters participating in the program from Turkey will cast their ballots over the Internet. Toni Pippins-Poole, the county's assistant elections administrator, said the test should provide valuable feedback and perhaps relieve fears about Internet voting. "I think this is moving in the right direction," she said. So far, voting over the Internet has been restricted to shareholder voting by some U.S. companies and a smattering of mock voting tests by state and local governments using commercially available software. California will be holding its first test of voting over the Internet next week in what is probably the largest government-sanctioned test to date. Voters in the counties of Sacramento, San Diego, Contra Costa and San Mateo will be able to submit a mock ballot over the Internet during Tuesday's election, according to Alfie Charles, a spokesman for Secretary of State Bill Jones. The test, which will allow revoting over computer terminals at polling places, represents the first steps toward Internet voting. Charles said voting software from participating vendors VoteHere.net, Elections Systems & Software, Inc. and Safevote will be evaluated after the test to see if the software could be certified for use by counties in a binding election. The California and federal voting tests will be reviewed with interest by election officials. "We've got to do some tests to find out where our learning curve is," said Doug Lewis, executive director of the Election

Center, an administrative and educational organization for state and local election officials. But Lewis said that even if the testing proves successful, voting over the Internet will not have the green light to proliferate because security concerns and problems with available voting software continue to exist. For example, various technical glitches struck the Arizona Democratic primary in March that allowed Internet voting, including the denial of access to some voters, Lewis said. "Arizona, by public election standards was a disaster," he said, pointing out that election was conducted by the state's Democratic Party and not by government election officials. Lewis said that widespread, government-sanctioned voting using the Internet will take some time. "We can go through all these tests and everything will go extraordinarily well. But that doesn't mean the technology is safe. It's just one more experience under the belt," he said.

*From Fox News-US-Wire, 3 November 2000*

## **HANDS OFF WEB, TECH FIRMS TELL CANADIAN GOVERNMENT**

The technology industry wants the government to get out of its way and let it provide the high-speed Internet access that the federal Liberals have promised for every Canadian by 2004. The industry, which is lobbying to have a say in the Liberals' national Internet strategy, is calling on the government not to use a penny of taxpayers' dollars to build that multibillion-dollar network, except perhaps for the most remote communities. At stake is a pipeline, whether fibre, cable or wireless, that will link the country with high-speed Internet services -- much as the railway did in the previous century -- for a cost that could reach \$10 billion to \$25 billion or even higher, according to industry estimates. "We believe this is what connectivity really means, so this is the type of solution we strongly support, but we don't believe government has a funding role to play. This is like CTV, not CBC," said Gaylen Duncan, president of the Information Association of Canada. "Stay out of our way and we'll find the right technology and financing solutions." He added, however, that the government could help by "giving us the right tax environment and incentives for R&D to make it happen." In his last gesture as industry minister, John Manley announced the creation of a task force to design the strategy that will bring high-speed, broadband Internet services to every business and residence in every town and village, no matter how small. Within days of the announcement, the country was plunged into an election and high-speed Internet access became a critical piece of the Liberal platform to keep fuelling a supercharged new economy. The promise, however, didn't come with a price tag. Since then, the industry, from the cable and telephone giants to the satellite companies, has been angling for seats on the task force, which will be headed by David Johnston, the president of University of Waterloo. The task force, which will deliver its report at the end of March, after the next federal budget, will recommend how the government should be involved in the roll-out. That report will help determine the cost. Sources say Mr. Manley originally asked for about \$1 billion for the project, as part of a \$4-billion wish list he submitted to cabinet -- much of which was rejected to make way for tax cuts instead. With high-speed services, remote and rural communities could get access to online health care, from diagnosis to treatment, as well as online education and e-commerce. Having the same technology available across Canada will bridge the growing "digital divide," between urban and rural Canada and could stop the flow of young and skilled workers to big cities. The technology industry has long been pressing the government for ways to encourage more Internet use, and e-commerce and trade associations like ITAC have been strong supporters of the Liberals' drive to make Canada the most connected nation in the world, linking all its schools, libraries and 10,000 communities. Linking Canada with high-speed Internet services is considered the next generation of the "Connecting Canadians" programs that run out of funding in March. But the industry is not unanimous in its support. Denzil Doyle, a venture capitalist considered one of the founders of Canada's high-technology industry, dismisses policies to make Canada connected as "hobby horses" and misguided. He argues Canada should be encouraging the production of technology rather than its use. "Technology in every school is like saying everyone in Canada should own a car and then we'll build the best super highways in the world, but we won't be in the business of making cars," he said. "You can see where that would get us with an automobile strategy, but that's precisely where we are headed with our preoccupation of using technology but not producing any of it."

*From Canada-Ottawa Citizen, by Kathryn May, 13 November 2000*

## **BILL GATES TAKES STOCK OF PCs IN AGE OF THE INTERNET**

Bill Gates may still lose sleep over the prospect of a breakup of Microsoft Corp. But what really gets the billionaire's goat these days is the notion that personal computing has become irrelevant in the age of the Internet. The idea that office workers can survive on the Web alone, or that Internet-connected cellphones and other simple gadgets will replace powerful PCs and laptops, is simply 'thin-brained,' Microsoft's chairman asserts. 'You're not going to analyze a business plan, do a forecast, do your homework, fill out your tax return, organize the family photo album on a screen this big,' Mr. Gates said, holding his fingers apart a few inches to represent the size of a tiny phone display. In an interview here preceding his annual address at the Comdex computer trade show in Las Vegas, Mr. Gates seemed more adamant than ever about the continued influence of PCs, particularly those running Microsoft's Windows operating systems. And, despite the success of some Microsoft rivals, he has new reason to feel a bit smug this year: a slump in Internet stocks that could herald a more realistic view of the Web's importance and more talk about the coexistence of PCs and other devices. There was certainly 'this hype that drove some of these stock prices, where [people] will say, 'Oh, there'll be more cellphones than PCs in the world,' Mr. Gates said. 'Yes, and there will be more matchsticks, too.' Mr. Gates, of course, has always used his Comdex speech to lay out new visions for the PC. This year was no exception, even though he's had more time to ruminate on the issue lately: In January, he shed the title of chief executive officer for the new role of 'chief software architect.' He did find time to film his traditional Comdex video, which usually pokes a bit of fun at himself. An early version of this year's spot featured the superwealthy Mr. Gates cruising Microsoft's campus on a scooter, passing off coupons in a supermarket and being pushed in a swing by his longtime pal Steve Ballmer, who became Microsoft's CEO this year. Microsoft rivals such as

Sun Microsystems Inc.'s Scott McNealy and Oracle Corp.'s Larry Ellison aren't swayed by Gates' message. They contend that powerful networks and server computers -- which are allowing people to do all sorts of things online without desktop software -- reduce Microsoft's influence in the market and its role in setting software standards. The Internet, indeed, has already forced Microsoft to shift its long-term business strategy. But Mr. Gates believes that recent developments in the technology marketplace, and in Microsoft's own, high-powered research labs, reinforce the need for processing power and data storage in PCs and other 'client' devices. The rise of Napster, for example, suggests that people need big hard drives -- not just connections to a central computer server -- to swap music with each other, he said. The ability to recognize speech, a forthcoming enhancement to Microsoft's workhorse Office suite of software, wouldn't be feasible without exploiting processing power in PCs, Mr. Gates added. That capability is expected to be a hallmark of Microsoft's forthcoming Tablet PC device, a sort of laptop that also recognizes handwriting, which Mr. Gates predicts will substantially change the way office workers and managers do their jobs. The tablet prototype, first demonstrated at a Microsoft event in June and brought out again last night, looks vaguely like a child's Etch-A-Sketch. The three-pound machine isn't expected to be publicly available until at least 2002, but models run a version of Microsoft's Windows 2000 system and allow users to write notes or messages with a stylus, instead of having to type on a keyboard. Microsoft is negotiating with chip makers, computer companies and disk-drive makers to convince them to adopt the design, company officials say. Overall, Microsoft's new pitch is to try to exploit what Mr. Gates calls a 'network software model' that spawns new types of computing services and taps the power of both PCs and servers. 'In fact, we don't think either [clients or servers] can do very well on their own,' he said. The next version of Office, for example, will use a partnership with a legal-research company to allow people to automatically jump from a legal document into a vast law database. A paralegal, for instance, could move with a click or two from a case citation in a brief he or she was writing in Office into the full text of the court decision. Microsoft's research group has also experimented with technology that allows people to film office meetings using a digital camera with a 'fish-eye' lens, which could be set up in the middle of a table, Mr. Gates said. The camera could transfer video and presentation materials up to a central server, allowing anyone at a company to later view all or part of the meeting on their PC at any time. The company's broad strategy to combine the Web with existing and new software products is called 'Microsoft.NET' (pronounced 'dot net'). Microsoft's competitors dismiss the effort as an attempt to find a new way to lock Microsoft's customers into its technology, just as Web technologies are liberating buyers to use multiple technology suppliers. Mr. Gates 'is trying to kind of very subtly use 'dot-net' as the glue to enforce the requirement that if you run a Windows desktop, you must run a Windows server,' said Jonathan Schwartz, a senior vice president at Sun, one of Microsoft's main rivals. He compared Mr. Gates to the Greek mythological character Sisyphus, saying 'he's trying to push the Windows rock up the hill and keep it there.' Other rivals in fields such as makers of hand-held computers and TV set-top boxes chide Microsoft for offering overly complex software that consumers find cumbersome to use. For example, OpenTV Corp. of Mountain View, Calif., has successfully deployed its software in millions of TV add-ons while Microsoft has struggled to deliver its own technology. Mr. Gates, though, isn't impressed. Microsoft has been promoting open Internet standards, he noted, and recently agreed to widely share its new C# computer language. Just Friday, Microsoft released a test version of its new tool kit that helps software developers write applications, based on a popular, open-standard technology called XML. More important, he insisted that some of the simplified set-top boxes and Web services being proposed by rivals just don't get useful work done for businesspeople. Network-focused companies believe 'the whole economy is just going to be people bringing up a browser and clicking on links,' he said derisively. He said it's silly to think that office workers, used to powerful tools like Office, will be happy saying, "I came in today and I went to my browser and I clicked on some links." Instead, he suggested, workers need sophisticated spreadsheet and presentation applications to effectively conduct business. Mr. Gates, who said he's not working any less since he gave up the CEO job, plans to share 'quite a bit of writing' with Microsoft staffers in December, presumably in his trademark style of long memos or white papers. He said a federal court's order to break up Microsoft, now being appealed by the company, is less of a distraction now. 'I mean, I'll look over our filings and comment on them,' Mr. Gates said. But the exercise doesn't compare with the hours he spent trying to work out a compromise with the U.S. Justice Department and many states last spring, when the litigation took up 'way over half my time' for about a month, he said. 'The appeals court will certainly do its job,' Mr. Gates said.

*From The Wall Street Journal, by Rebecca Buckman, 13 November 2000*

## BIG INTERNET CHANGES COMING?

The Internet is an international, not just American, passion. It's also changing. And the users of tomorrow's Internet will not "browse" the Web so much as interact with it.



Microsoft founder Bill Gates delivers his keynote address Sunday before more than 12,000 people at the Comdex show in Las Vegas.

That's the vision that Bill Gates, founder and chairman of the board of Microsoft, who now describes his role in the company as "chief software architect," shared with more than 12,000 people who lined up for tickets to his annual keynote address at Comdex. Comdex is a massive weeklong trade show that is expected to attract 3,000 media types, 200,000-plus attendees and 2,500 exhibitors showing off their latest hardware and software. "We look to the future when innovation will give us time to do the things we really love," he said. In a 90-minute address that was part what's-coming and part Microsoft technology preview, Gates said the Internet model that simply publishes information will give way to a much more personal Internet that will "require a different architectural approach than we have today. The browser model is showing its age." He predicted the key will be "breakthrough" software written to new standards with flexibility, user interface and the ability to bring together information from different sources. Most people connect to the Internet with personal computers, something many industry analysts and manufacturers say will change. While Gates sees more options for connecting to the Internet, he's not ready to bury the PC with

yesterday's technology. Gates sees several things that must happen — and will — as the Internet evolves. For one thing, information can be customized and moved around to where it's needed. Control of both privacy and notification will be a must, as will a "rich user interface" with speech, ink and multimedia. People will be able to customize the Internet to do what they want it to, said Gates, who added that most of the "great Internet applications have yet to be written." Part of the customization will come from sophisticated software that is not purchased outright but rather selected to meet needs and paid for with a monthly user fee, he said, so that people pay for what they use and it's always updated. He said Microsoft is "betting its company" on the concept. People can "get connected to the new and get the version that's appropriate. With what he calls .NET, the software becomes a service and data is available in "rich XML formats." Such innovation is so important, he said, that "we're giving up control of the standards. We want to let everyone work with it." To promote that, Microsoft just released Visual Studio .NET and just shipped the .NET Framework in beta version to 10,000 developers. It's also available for download so that programs can be developed to its standards. Still, what started as a look at the future of technology turned into a tour of Microsoft's innovations. Besides promoting improvements in the next version of Microsoft's Office and demonstrating Visual Studio .NET and how it helps make the Internet interactive and therefore more useful, Gates touted the much-talked-about but not-yet-ready Tablet PC, which he said had become a popular prototype around the office. It's a fully functional PC that resembles a note pad in its size and portability. Besides having the built-in power of a PC, with a USB keyboard, 10 gigabyte hard disk, a mouse, wireless networking, 128 MB of random access memory and audio capability, the company brags that the device "couples the simplicity of paper with the power of the PC." One of the more unique features is its ability to recognize and work with handwriting. What it will cost and when it will be released are details yet to be worked out.

*From Associated Press, by Lois M. Collins, Deseret News staff writer, 14 November 2000*

## ELECTORAL DYSFUNCTION

Would Internet voting have gotten around the chaos that turned last week's US presidential election into a mockery of a travesty of a farce? Few think so—including some who make their living from computers. A confusing voting form in one Florida county is said to have lost Al Gore thousands of votes--so on the face of it, a clear, crisp, well thought-out online voting form looks an attractive alternative to messy old paper. But that risks making the poll about as secure as an Internet bank--and to find out how secure that is, see "How To Hack a Bank" at [www.forbes.com/asap/2000/0403/056.html](http://www.forbes.com/asap/2000/0403/056.html). According to the moderator of the always fascinating RISKS Digest, a newsgroup that catalogues technology-related foul-ups (<http://catless.ncl.ac.uk/Risks/21.11.html>), computers should never be allowed near tasks as important as electing our political leaders. Hit the back button on the RISKS page to see earlier bulletins. "I would not trust a computerised voting system even if I had written it myself, because of the many ways in which such systems can be subverted," writes moderator Peter Neumann. There are different ways to electrify the vote--and the Internet Voting Technology Alliance at [www.ivta.org](http://www.ivta.org) is attempting to thrash out ways to make it happen. Electronic vote counting at polling stations is already happening--though RISKS makes it plain that such vote counters will find it tough to achieve the 100 per cent accuracy claimed by some of their vendors. One contributor worries that bloated reliability claims may push forward the day we have full online voting--for which read insecure and fraud-prone polls. Read about the potential risks at [www.pfir.org/statements/voting](http://www.pfir.org/statements/voting). If online voting ever becomes a reality, engineers designing the networks should bear in mind the immortal words of Dan Quayle, US vice-president from 1989 to 1993: "A low voter turnout is an indication of fewer people going to the polls."

*From New Scientist, 17 November 2000*

## MADERA DEVELOPER OFFERS NOVEL PLAN FOR PUBLIC SERVICES

Developer Richard Gunner has handed Madera County an unusual plan that would give property owners in his proposed 253-acre business park near Valley Children's Hospital control of their public services. Planning Director Leonard Garoupa, in memos to the Board of Supervisors, describes a project in which Gunner suggests a property owners association that would finance and run fire, sewer and water systems. In return, the county would reduce conventional impact fees assessed to pay for fire protection, road construction and other infrastructure. "Richard Gunner is proposing a development agreement that's unlike any other ... that has been proposed in Madera County," Supervisor Frank Bigelow said. "And it's a gutsy move on his part in these turbulent times in Madera County." The proposed development is in Bigelow's supervisorial district. Last week, Bigelow and the board agreed to accept Gunner's offer to pay for a project consultant of the county's choice. The board didn't say how much it would be willing to pay a consultant. Instead, it will wait until each of the three finalists reported by Garoupa submits a bid that will include costs. The bids are expected in December. Describing the proposal to the prospective consultants, Garoupa wrote that the agreement gives business owners "a great deal of control over the construction and maintenance of infrastructure and broad powers to assess themselves." "The applicant is proposing that virtually all municipal services and the development of all required infrastructure will be in the hands of the association. "All county fire and road impact fees are proposed to be waived," Garoupa wrote. "The Owners Association would be responsible for providing all fire improvements, equipment and services and to fund a localized road improvement program." Carol Whiteside, president of the Great Valley Center, a planning think tank, said the Gunner proposal "does raise a lot of questions. But it's not unheard of." Gunner was at the board meeting when his consultant offer was discussed. The board emphasized that accepting Gunner's offer wouldn't mean the county is obligated to approve his project. Later, Gunner limited his comments on the proposal and the board's caution, which is expected to delay a decision until next year. "I think the proposal is self-explanatory," Gunner said. "I would say that the time frame is up to the Board of Supervisors." Garoupa said after the board's decision last week that a study of the proposal would involve a review of Madera County's entire development agreement process. County Administrator Stell Manfredi agreed that whatever is decided could become a model for the county development. Manfredi called Gunner's proposal "a very comprehensive approach." The proposed funding agreement would expire Dec. 31, 2039. Gunner would be the primary developer. His proposal exempts Valley Children's Hospital, the medical building parcels surrounding it and residential areas. Talks about services such as water or sewer would be between the owners association and the county, not individual business owners, Garoupa wrote. The association would have the power to levy on the owners "service fees based on usage, annual assessments for operation and maintenance, special assessments for unanticipated expenses." The proposal provides for payment of infrastructure costs by the developer. But for the next 20 years, the county would be obligated to "build, purchase or lease infrastructure" by returning up to half of the sales, user and room taxes generated by the project. This would reduce the assessments or special taxes on the property owners for municipal infrastructure. The county would also contribute to the area "an undetermined percentage" of taxes generated there. These would pay for county services not supported by the landowners, such as fire department staffing, road and park maintenance, Garoupa wrote. Board chairman John V. Silva, who has been critical of development negotiations along Freeway 41 north of the San Joaquin River, is keeping an open mind with Gunner's proposal. "It's just like a business deal," Silva said. "You have to go out and research before you sign on the dotted line."

*From Fresno (CA) Bee, by Charles McCarthy, 20 November 2000*

## ALABAMA PUBLIC SCHOOLS PLEDGED SPEEDY INTERNET ACCESS - CONNECTION BY 2003

Gov. Don Siegelman on Tuesday vowed that each of Alabama's 1,445 public schools will have access to high-speed Internet service by 2003, which could cost as much as \$90 million in state and federal money. "Every child will have access to the world's knowledge," Siegelman said in a press conference in his office. "If we fail our kids in technology, they will be damaged for the rest of their life." He said more than half of Alabama's schools have either no Internet service or slow, dial-up Internet service connected by regular phone lines. "We're talking about providing the latest and the best cutting-edge technology to every school," Siegelman said. He referred to high-speed, broadband wireless or fiber-optic cable computer connections for Internet service. He said he wants to ensure that students in every school - not just schools in wealthier areas - have high-speed Internet access. "There won't be a digital divide. No kid will be left in the ditch," Siegelman said. Providing high-speed connections could cost as much as \$30 million a year over the next three years, said state Finance Director Henry Mabry. Alabama could get as much as \$22.5 million in federal money for every \$7.5 million in state money spent on the connection program, he said. Mabry said he'll start looking for money for the program in various funds in this year's \$4.3 billion Education Trust Fund "so we can get started now," and then request more money in future education budgets. Providing video cameras and the latest computers for schools that don't have them will cost even more, he said. So will training teachers to use the new equipment. Siegelman said he wants Mabry to give him a plan to submit to the Legislature that would make Alabama one of the top 10 states in school technology by 2006. Mabry said he wasn't sure how much that would cost on top of the \$90 million for high speed Internet connections. State school Superintendent Ed Richardson said high-speed Internet service would let students read books and journals from libraries worldwide. Combined with video cameras, it also could let students attend distance-learning classes taught by expert teachers hundreds of miles away. "(With) a dynamite teacher in Spanish in Hoover who delivers instruction in Monroe County, you're going to see those students in Monroe County benefit," Richardson said. "It's already going on in the state. We just need to have the capacity to make it available to everybody, and not just a select few." Mabry said he will use a survey of each public school's computer equipment, recently completed by Trillion Digital Communications in Bessemer, to develop spending plans for Internet connections and computer

purchases through 2006. Siegelman awarded Trillion an unbid \$780,000 contract to produce the survey. State Sen. Roger Bedford, D-Russellville, a Siegelman ally, has done hourly legal work for the company.

*From Birmingham (AL) News, by David White, 29 November 2000*

## GLOBAL

### INTERNET SERVICE PROVIDERS FORGE ALLIANCE TO EXPAND GLOBAL ACCESS

Internet-service providers in markets ranging from Asia to the Americas have agreed to launch a global Internet alliance to help the companies expand into new markets. The alliance expands a series of individual agreements reached earlier this year between Japan's leading fixed-line ISP, Nifty Corp., and the six other participants. These ISPs, which have a total of more than 20 million subscribers, will collaborate in key areas such as roaming services, Web content and electronic commerce. In addition to Nifty and its parent, Fujitsu Ltd., participating ISPs include Hong Kong's Pacific Century CyberWorks Ltd.'s Netvigator high-speed Internet service; EarthLink Inc. (ELNK), the second-largest ISP in the U.S.; Singapore's SingNet PTE Ltd.; Germany's T-Online International AG, a subsidiary of Deutsche Telekom AG; South Korea's Unitel Co. and Samsung Corp., which jointly operate an Internet service under the Unitel name; and Brazil's Universo Online, or UOL. One of the alliance's chief goals is to open up more opportunities for content providers and business partners on a global basis, and enable users of participating ISPs to access the partners' services as well. In addition, the alliance plans to develop new services and technologies that may lead to the creation of international Internet standards. The alliance partners plan to meet periodically to exchange the latest information about local markets, marketing strategies and technology.

*From Dow Jones Business News, 31 October 2000*

# Public Finance

## AFRICA

### AFRICAN FINANCE MINISTERS MEET TO ADDRESS DEVELOPMENT

African ministers from several African countries are meeting Wednesday in Addis Ababa with their Organization for Economic Co-operation and Development (OECD) counterparts for informal consultations aimed at facilitating the exchange of views on selected development themes of importance to Africa. A statement from the organizers said the first "Big Table", an initiative of the Economic Commission for Africa (ECA), is a one-day meeting, with a formal agenda designed to allow maximum interactive dialogue on three broad clusters of issues related to national poverty reduction strategies, Pro-Poor Growth Policies and the International Development Goals, the Poverty Reduction Strategy Paper (PRSP) Process, What we have learned to date, and Emerging Capacity Building Needs. African participants include ministerial representatives from Ethiopia, Guinea, Kenya, Nigeria, Rwanda, South Africa, Sudan, Uganda, Zambia and Zimbabwe. From the OECD, participants include the Ministers of development cooperation and senior representatives of Canada, France, Germany, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom and the United States of America. Senior representatives of the World Bank, International Monetary Fund (IMF), African Development Bank (ADB) and Development Assistance Committee of the OECD will also take part. – Inet Bridge.

*From S. Africa-Sunday Times , 22 November 2000*

## ASIA/PACIFIC

### NEW TESTIMONY BACKS SUSPICIONS OF CORRUPTION IN KOREA FINANCIAL WATCHDOG

Prosecutors said yesterday that they strongly suspect some inspectors at the Financial Supervisory Service (FSS) accepted bribes from a businessman and decided not to turn him over to the prosecution for his financial wrongdoings. Prosecutors said they would call in several FSS officials for questioning on their decision to issue only a warning to Chang Song-hwan, 39, head of a semiconductor firm, Yuil Semicon. This was a reversal of their original decision to refer him to the prosecution for further probes. Chang was arrested Sunday on breach-of-trust charges. His company allegedly incurred financial losses of about 7.5 billion won due to Chang issuing 150,000 bonds with warrant (BW) at a very low price. About 90 percent of the BWs went into his own pockets, prosecutors said. Requesting a warrant for Chang's arrest, prosecutors said that he is strongly suspected of giving about 1 billion won in bribes to FSS officials when inspectors were about to request prosecution probes into alleged irregularities in the issuance of the BWs. Prosecutors also secured testimony backing the bribery suspicions from an arrested venture businessman, Chung Hyun-joon, 32, who was charged with obtaining about 55 billion won in illegal loans. Chung told prosecutors that Chang gave him about 1 billion won worth of BWs, asking him to deliver them to FSS officials as kickbacks for reversing the inspectors' decision to bring his case to the prosecution. Chung also told prosecutors that he later asked his financier, Lee Kyung-ja, to give the BWs to FSS officials that Lee was connected to. Lee, who was arrested for colluding with Chung in obtaining the illegal loans, denied any involvement in the scandal. Prosecutors are also looking into suspicions that FSS officials overlooked an illegal loan by Daeshin Mutual Savings and Finance after receiving bribes from the firm's president, Lee Soo-won, 44. Prosecutors said they secured testimony from Chung, who was Daeshin's largest shareholder, that the Daeshin president gave FSS officials some 30,000 shares of a venture firm at about a fifth of the market price in return for their overlooking the illegal loan. The Daeshin president offered the shares at 8,000 won each while their market price was 34,000 won apiece. Prosecutors said that they would soon seek an arrest warrant for Daeshin president Lee.

*From Korea Herald by Chang Jae-soon Staff reporter, 30 October 2000*

### MODES OF ISLAMIC FINANCE IDENTIFIED

The Commission on Transformation of Financial System (CTFS) has identified the choicest few modes of Islamic finance best suited in current economic conditions but recommended that banking and financial institutions should have the option to select from a list of Shariat-compliant modes. In an interim report, submitted to the government in mid-October, sources said the commission had adopted a cautious approach that makes the transition to interest-free system least painful. The recommendations exclude interest-bearing foreign loans and credits. The CTFS has focussed on two financial instruments which have been used by Jeddah-based IDB for investments. These are Morahaba and Ijara. Sources said that the commission had defined Ijara (leasing) as "operating lease", distinct from the "financial lease", practiced in Pakistan. The return on bank deposits are calculated on profit and loss and conform to Shariat. Sources in the CTFS said Shariat experts considered profit and loss sharing as the purest form of Islamic mode of investment whose application in the current environment was the most difficult and could prove a disaster. The banks, which adopted profit and loss system, were badly hurt because either the profit was under-stated or only losses were posted in the balance-sheet. Yet the commission has not totally ruled out sharing of profit and loss if some banks found it feasible in very

selected cases. Headed by a former State Bank governor I.A. Hanfi, the 11-member commission includes leading bankers, corporate, legal and religious experts. The commission was set up in January this year. The experts have gone into designing of "Morahaba" and "Ijara" so as to make existing practice conform to Shariat. Under the Shariat the lessor has the responsibility of maintaining the machines for which he can charge rentals. The maintenance insurance and other such costs may be built in rentals. Contracts can be concluded separately for maintenance and repairs. The leasing companies can buy at their own risk machines and operate through agents. Similarly, under "Morahaba" the risk of buying and selling is that of the investor and the agent can be authorized to enter into transaction on behalf of the bank. The merchandize, say cotton, can be purchased by a textile mill on behalf of the investor-bank with its attendant's risk which can be sold to the miller at a fixed profit for a specified period on a deferred payment. Under the Shariat, no penalty, on mark up, can be imposed for late payment nor can any discount offered for early payment. The commission has, therefore, recommended that laws and procedures had to be totally reshaped to ensure most speedy disposal of default cases. Banks and financial institutions would suffer badly because they would not be able to charge any additional amount. The commission has left the banks and DFIs the option to use other financial instruments like Musharikhah and Modaraba.

*From Pakistan-Dawn, by Jawaid Bokhari, 14 November 2000*

## **KOREAN BANKS TO SUBMIT REFORM PLANS WEDNESDAY**

Four South Korean banks are due to submit fresh rehabilitation plans to regulators on Wednesday before they are bundled into a state-run holding company under a plan that has attracted scepticism from the IMF. The Financial Supervisory Commission is expected to hand down a final verdict on the fate of the ailing lenders next week. Earlier this month, regulators said the four would be grouped under the holding company to give them a chance to survive but the IMF has urged caution, saying putting four small and weak banks under one roof would just create one big weak one. "I think our basic position is that the Fund is somewhat sceptical and has been for some time about using a financial holding company as a vehicle for dealing with troubled banks," David Coe, the senior International Monetary Fund representative in Seoul, told Reuters earlier this month. The IMF arranged a record \$58.35 billion rescue package for South Korea in December 1997 when the country teetered on the brink of financial ruin during the Asian financial crisis. The package focused on bolstering the financial system. The government plans to fold one of Korea's biggest lenders, Hanvit Bank -- which is 75 percent owned by the government and is itself the result of a 1998 bank merger -- and three provincial banks into a state-run holding company. The three smaller institutions are Cheju Bank, Kwanju Bank and Peace Bank. The Government decided to combine the four after concluding that their self-rehabilitation plans were inadequate. Coe said the IMF understood that the government was operating within some constraints, particularly in dealing with militant bank unions fearful of mass layoffs. In July, regulators ended a week-long bank strike by assuring unions that no mass layoffs would result from restructuring. An FSC official said he expected the banks to ask for more public money because they've had to provision for more loan losses after a recent wave of bankruptcies. According to plans submitted at the end of September, the lenders had asked for about 4.4 trillion won in taxpayer money. Under revised plans, the banks now need about 5.96 trillion. A Hanvit spokesman said the bank would ask for about five trillion won in funds, up from the original 3.7 trillion. Local media reported on Monday that Kwanju planned to ask for 500 billion won while Cheju would request 200 billion. However, a Peace Bank spokesman said the bank would now need only about 260 billion won, down from an original 450 billion, after reaching an agreement to sell its credit card division. "It (further fund injection) can not be a complete solution to curing the weak financial system," said Baek Jong-il, a banking analyst at Hyundai Securities. "An economic downturn would expose weaker lenders to a greater risk of increased potential losses as a growing number of troubled companies would emerge to take more of a toll on their balance sheets," Baek said. State-run Korea Deposit Insurance Corp has conducted due diligence on assets and liabilities of the four, Baek said. "If a bank's debt exceeds its assets, the FSC would declare the institution non-viable and it will have to write down its capital before getting any public funds," the FSC official said. The Government has yet to obtain parliamentary approval to raise another 40 trillion won in public money to help recapitalize the financial system. It has spent 110 trillion won to prop up the sector since the country plunged into crisis. The legislation has been delayed because of an opposition party boycott of the National Assembly. Of the 40 trillion won, about 7.1 trillion has been allocated for Seoul Bank and the four ailing banks to clean up their balance sheets, the FSC official said. "(The delay) would only force banks to require more taxpayer money and create more instability in financial markets," Baek said. Authorities have advocated mergers, acquisitions and sell-offs in the overcrowded and unprofitable banking sector as key elements of the financial reform drive since the crisis. Financial reforms were also the major requirements of the IMF bail-out.

*From ABC News-World-Wire, 21 November 2000*

## **EUROPE**

### **PROLONGED BUDGET TALKS DELAY NORWAY FINANCE COMMITTEE'S WORK**

Parliament's Finance Committee has been granted more time than first planned, in order to deal with next year's National Budget. The committee was to have presented its recommendation on Monday. However, the ruling minority Labour Government and the former Centrist coalition have not yet completed their negotiations, aimed at reaching an agreement on a budget proposal. The talks went on into the early hours of Friday morning, and resumed at Friday noon. One of the main issues has been Labour's proposal for an extra tax on profits from shares, to be implemented from next year. It became clear on Thursday that the Centrist parties gave in on this point, even though they had wanted to postpone it, and introduce it as part of a reformed taxation system, introduced by

2002. Their main argument was that it should not be less attractive to put savings into shares than the bank or property, pointing to industry's need for fresh capital. It now seems that the surplus tax will be introduced next year, but with lower rates than proposed by Labour, NRK reports. The two sides had originally set Friday as a final deadline for reaching an agreement on a budget proposal for 2001. Parliament will decide next week, how much longer the Finance Committee will be given before it has to present its recommendation. The debate in Parliament of the proposed budget was planned for November 27th and 28th.

*From Norway Post, 17 November 2000*

## **UK PUBLIC FINANCES REMAIN STRONG**

The public finances showed a £7.4 billion cash surplus last month, according to official figures published today. However, the surplus on the public sector net cash requirement was £1.7 billion down on the figure for October last year, when the accounts were £9.1 billion in the black, according to the figures from the Office for National Statistics (ONS). October is traditionally an important month for the public finances as many large companies make their annual corporation tax returns. But the ONS said the introduction of quarterly payments this year meant that October was less significant this time. As a result, October corporation tax returns were down from £11.4 billion last year to £9.5 billion. The Government's preferred measurement of the public finances, public sector net borrowing, also showed a smaller surplus this year of £5.9 billion, compared to £7.2 billion in October 1999. Chancellor Gordon Brown forecast in his Pre-Budget Report earlier this month that the public finances were on course to show a £10 billion surplus for the financial year as a whole.

*From UK-London Times-Britain, 20 November 2000*

## **MIDDLE EAST**

### **ISRAEL: SHAS DELAYS NO CONFIDENCE VOTE ON TAX REFORM**

A vote on the tax reform bill in the first reading will not take place this week. Shas said the vote has been postponed until next week because Prime Minister Ehud Barak is abroad. Shas had planned to submit a no-confidence bill over Shochat's tax reform package for a first reading in the Knesset on Monday evening. The support of Shas, which last month came to the Barak government's rescue with a "safety net" against parliamentary challenges during the current crisis, is vital for the minority ruling coalition. The Knesset Finance Committee on Monday approved the Finance Ministry's request to transfer NIS 8.6 million to Shas's educational network. But following a demand made by MK Joseph Paritzky (Shinui), a second vote will be held tomorrow (Tuesday). Eleven of the committee's members, including representatives from One Israel and Meretz, supported the request. Shas said there was no connection between this transfer of funds and Shas's position on the no-confidence vote. Education Ministry Director-General Shlomit Amichai explained to the committee that the increase in the Ma'ayan Hahinuch Hatorani funding was due to adjustments made to the recovery agreement and for paying for safety precautions and renovations in the network's schools.

*From Israel-Ha'aretz, by Zvi Zrahiya, Ha'aretz Correspondent, 13 November 2000*

# Private Sector Development

## AFRICA

### GOVERNMENTS AGREE TO SMALL, MEDIUM ENTERPRISE COOPERATION

Morocco and Gabon Monday signed three agreements aimed at improving bilateral co-operation in the promotion of small and medium enterprises as well as to strengthen bilateral trade. The first agreement states that the two countries would undertake joint market prospecting, promotional actions, training programmes and exchange experts. Under the second, Morocco is expected to help Gabon in making sectoral assessment studies in the identification of private investment opportunities. The third agreement is related to the preparation of an integrated funding system for Gabonese micro and small scale enterprises. The current volume of trade between Morocco and Gabon is estimated at 30 million US dollars.

*From allAfrica.com, 14 November 2000*

## ASIA/PACIFIC

### PRESIDENT PLEDGES COMMITMENT TO DAEWOO REFORM

President Kim Dae-jung yesterday pledged to push forward the stepped-up restructuring of the bankrupt Daewoo Motor. "Daewoo Motor should be reborn as a money-making business entity," President Kim said during his tour of Incheon City Hall. "In order to realize that, far-reaching restructuring is indispensable." Daewoo Motor's main plant in Pupyong, which is a key employer in Incheon, has been out of operation for days due to the lack of car part supplies, as vendors are demanding cash payments following Daewoo Motor's bankruptcy. The Korean automaker was declared bankrupt by creditors when the unionized workers rejected their demand for massive layoffs. "Samsung operates a factory in Germany with an 800-member crew," Kim said. "The same factory employed 9,000 in the communist era." He pointed out that economic side effects were severe in the cases of Kia Motors and Samsung Motors, the two Korean car makers which went into bankruptcy before operations were normalized under new owners. "When I visited the Renault Samsung Motors factory in Pusan, it was up and running, producing over 100,000 units" he said. In a press briefing, Lee Ki-ho, senior presidential secretary for economic affairs, who accompanied the President on his Incheon trip, warned, "Should Daewoo fail to restructure itself and prove it can be viable again, the court might not grant its protection."

*From Korea Times, by Oh Young-jin Staff Reporter, 20 November 2000*

### ELECTRICITY WORKERS LAUNCH STRIKE AGAINST KOREA'S KEPCO PRIVATIZATION

More than 20,000 workers from Korea Electric Power Corp. (KEPCO) will go on a general strike as scheduled today with the government refusing to back down from its plan to privatize the state-run enterprise. The strike will be the first of its kind in the power industry, raising fears about potential power outages in households, offices and industrial facilities. "We have decided to stage the walkout beginning at 8 a.m. Thursday if the government refuses to work out compromise proposals to soften the privatization and restructuring plan," a KEPCO union representative said yesterday. He said the union had alerted its 24,000 member workers to stand by for a final call to go on strike overnight, adding that they are expected to down tools according to instructions to be issued by its leadership. But the trade union promised to allow about 300 operators at nuclear power stations and several hundred other technicians to keep working for the first 48 hours of the strike to avoid blackouts. The Federation of Korean Trade Unions (FKTU), to which the KEPCO union belongs, repeatedly threatened to call a nationwide general strike on Dec. 8 unless the government gave up the privatization plan. Thousands of construction workers from another umbrella labor group, the Korean Confederation of Trade Unions (KCTU), staged a warning strike yesterday to put pressure on the government. The 1 million-strong FKTU and the KCTU, which has a membership of 530,000 workers, have also pledged to wage a joint struggle against the government to protect workers' rights and ensure job security. The KEPCO workers had threatened to stage a general strike last Friday in protest against the privatization and restructuring plan, which is feared to bring about massive layoffs. However, they put off the strike until today, agreeing to hold further talks over the restructuring. The delay was secured through the mediation of the Central Labor Commission. "The government has shown no sign of compromise over the drastic reform of the power industry by privatizing KEPCO. We can no longer be sacrificed to unilateral restructuring," said the union representative. Labor Minister Kim Ho-jin met with union leaders to narrow their differences at an arbitration session at the Labor Commission Wednesday afternoon. But both sides were reported to have failed to make any progress. A government official said policymakers had made every effort to persuade the unionists not to launch the work stoppage, stressing that the restructuring was designed to sharpen the competitive edge of the nation's power industry as well as to initiate reforms of bloated state enterprises. He said that if the union went on strike, the government would mobilize the police to protect the power-generating facilities, adding that all participating unionists will be punished harshly on charges of violating labor laws. KEPCO management has said it plans to mobilize about 9,600 substitute workers and 60,000 non-unionists in a bid to maintain normal operations. The main opposition Grand National Party (GNP) gave

the go-ahead with the privatization plan for KEPCO, which is intended to divide the company into six power-generating entities, including one for nuclear and hydraulic power. Some of the spin-off firms are expected to be sold to foreign investors some time next year. The GNP's support paved the way for the National Assembly to pass the government-initiated restructuring package by the end of this year. Officials seemed to believe the restructuring package would lose steam and be doomed to failure if the administration of President Kim Dae-jung cannot secure the passage of the bill by year-end. The labor union claimed it was premature to privatize the power sector, given that Korea is not able to embrace the reform plan because of its economic development stage. The protesting unionists are extremely worried about large-scale job cuts that might result from the restructuring package if the government implements it as scheduled.

*From Korea Times, by Park Yoon-bae, 29 November 2000*

## **EUROPE**

### **ROMANIAN PRESIDENTIAL HOPEFUL SAYS PRIVATIZATION SHOULD STOP DURING CAMPAIGN**

"The privatization process should be stopped during the whole election campaign", Adrian Nastase, first vice-president of the PDSR [Social Democracy Party of Romania] (main in opposition and favorite in the election race, due on 26th November), said when on an electioneering visit in Braila County (southeastern Romania). In PDSR opinion, the privatization in Romania has meant, so far, nothing else but "selling the nation's wealth, mainly to foreigners, in exchange for some poor commissions paid by efficient enterprises, which have ruined a large part of Romania's revival capacity". "The privatization here was a manner of generating unemployment and destroying the county's economy," Nastase said, referring to serious economic state the Braila County lays in. According to the latest data supplied by the National Agency for Employment and Professional Training, the unemployment rate was of 10.1 per cent, and Braila ranked third, by 15 laid-off for every 100 employed persons in Romania, late in August.

*From Romania Today, 30 October 2000*

### **ROMANIAN OPPOSITION PARTY SEEKING TO STOP PRIVATIZATION "FRAUD"**

The Social Democracy Party of Romania (PDSR) will submit to the parliament a non-confidence motion against the government regarding privatization. Referring to this, PDSR president Ion Iliescu said that it was not about a desire to change the government on the last lap, in the period of the electoral campaign. It was about preventing the government from continuing the series of fraudulent privatization via the State Ownership Fund (FPS), privatization which rob the public patrimony. Iliescu reaffirmed that PDSR was not against the privatization process which in fact was launched in its previous governing and unfolded in the pace allowed by the lack in domestic capital. However, PDSR does not admit the parties on the eve of leaving from the power to sell at undervalued prices and commissions which go in the pockets of the privatizers. "The privatization is not a purpose in itself, an enrichment means for some. It is a recapitalization method of commercial companies and retooling of companies for the increase of the economic efficiency," PDSR leader added. PDSR hopes to obtain in the parliament the decision regarding the stopping of privatization projects and signing of contracts until 1st January 2001.

*From Romania Today, 2 November 2000*

### **OSLO LABOUR PARTY CONVENTION: PARTIAL PRIVATIZATION OF STATOIL – STATE RUN HOSPITALS – JAGLAND CONTINUES AS PARTY CHAIRMAN**

The Labour Party National Convention meeting in Oslo, on Sunday voted to adopt a partial privatization of the national oil company Statoil, in accord with the proposal from the party leadership. The Convention also voted to turn the responsibility for running the nation's hospitals over to the state. Today, hospitals are run by the county administrations. The Minister for Health, Tore Toenne, will start work on preparing for a state takeover of hospitals right away. He thinks the state will be running the hospitals within two years, according to NRK. The Minister for Oil and Energy, Olav Akselsen, will now put a proposal for a partial privatization of Statoil before Parliament sometime before Christmas. The debate on the question of EU membership ended in a compromise, which will mean that Norway will not send a new application for membership for at least another 5-6 years. The National Convention re-elected Thorbjørn Jagland to the office of party chairman, while Prime Minister Jens Stoltenberg is to continue as one of the two vice chairpersons.

*From Norway Post, 12 November 2000*

### **CONFLICT IN YATAGAN OVER PRIVATIZATION OF POWER STATION**

Tension has escalated in Mugla's Yatagan district over privatization of the Yatagan thermal power station, which was put out to tender. Workers at the station are opposed to the privatization and have prevented officials from the consortium companies, Bayindir Holding, Park Holding and British National Power, from entering the station. Tes-Is Yatagan branch secretary, Dincer Yildiz, and 14 union members were taken into custody on Wednesday morning. Mehmet Dal, a member of the Tes-Is Yatagan branch, said that the workers at the power station do not want the station to be privatized and for that reason they have prevented officials from the consortium from entering. He said: "Officials from the consortium came to the power station and the staff prevented them from entering. The gendarmerie intervened because the staff had not obtained permission from the proper

authorities for this protest. For this reason the 14 members of Tes-Is and the Yatagan branch secretary, Dincer Yildirim, were taken into custody." He went on to say that energy production is continuing at the power station. Yatagan Municipal Mayor Hasmet Isik confirmed that the staff do not want the Yatagan power station to be privatized. "They do not want the station to be privatized, and they do not want to lose their jobs," commented the mayor. "The staff decided to prevent the company officials from entering the station to visit or for any other reason." The three company officials left Yatagan after the protest, but the protesters are still in custody.

*From Turkish Daily News, 16 November 2000*

## **ROMANIAN SENATE WANTS GOVERNMENT TO STOP PRIVATIZATION**

The upper house of the parliament has approved a motion proposed by the main opposition Party of Social Democracy in Romania (PDSR) asking the government to stop all privatization efforts until the new government is formed after the 26 November elections, Romanian media reported on 14 November. The motion was also supported by senators from the coalition member Democratic Party, while most of the senators from the other coalition member, the National Liberal Party, abstained. Premier Mugur Isarescu considered the motion "wrong" and "useless." State Property Fund chairman Radu Sarbu warned that the motion could harm the country's relations with the World Bank and contradicts Romania's medium-term strategy for joining the EU. The European Commission's annual report on candidate countries' performances released earlier this month called on the government to speed up economic reform and the privatization process.

*From [RFE/RL](#), 16 November 2000*

## **THE AMERICAS**

### **SYDNEY STEEL WORKERS RATIFY AGREEMENT THAT WILL LEAD TO MILL'S PRIVATIZATION**

Workers at Sydney Steel turned another page in the company's troubled history Monday, ratifying a collective agreement with the plant's new owners. After a weekend of consideration, 85 per cent of the membership of the United Steelworkers accepted a five-year contract that will allow Duferco Steel Corp. to take over the provincially owned corporation. "I'm certainly glad the membership accepted the recommendation of the union and they stuck by us," said union leader Bill McNeil. "Now we've got to get on with Duferco getting out there, getting the jobs, getting the 200 people in place and hopefully we'll have a new beginning here at Sydney Steel." About 550 of the 780 workers eligible to vote cast ballots during the day-long polling session at the Steelworkers Hall. The century-old operation, known locally as Sysco, will become Duferco Sydney Corp. under the Swiss-based company. The contract calls for the workers to get an hourly wage increase of \$1.70 over the life of the deal, as well as greater job security. Union leader Bill McNeil was optimistic about the future of a Sysco, saying Duferco officials have indicated \$25 million will be spent modernizing the plant's furnace and caster. Duferco plans to employ about 200 workers to produce 750,000 tonnes of slab steel annually for a plant it owns in Farrell, Pa. McNeil said the workforce could double to 400 if the company expands into new products. "If they do that, I think we've got a good future here for Sydney Steel and a good future for young people to start out in new jobs." The province and Duferco are expected to send letters to each steelworker, asking if they intend to accept a severance package or apply for a position in the plant. Premier John Hamm is expected to move quickly to introduce legislation to privatize the steel mill and end the province's 33-year ownership.

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### **WOULD SOCIAL SECURITY PRIVATIZATION HELP THE ECONOMY?**

One thing that voters are unlikely to miss when the campaign is over is what passes for a debate between Al Gore and George W. Bush over how to fix Social Security. The discussion has been long on hyperbole, but short on detail. But on Wall Street, the outcome of the debate is of vital interest. While Gore wants to keep the current system intact and perhaps add to it, Bush's plan calls for privatizing Social Security by letting taxpayers invest some of the Social Security payroll taxes in financial markets. Privatization, not surprisingly, has won many fans in the financial services business. That's because such a plan could add trillions of dollars to financial markets. That not only has the obvious benefit of generating new fee income, but it could also boost the economy by increasing the pool of investment capital, thus stimulating economic growth, Bush supporters say. Harvard economist Martin Feldstein, an adviser to Bush and Chairman of the Council of Economic Advisers under President Reagan, is one such booster. According to his estimates, privatizing Social Security could boost gross domestic product by 5% each year as long as the system lasts. That could potentially pump \$10 trillion to \$20 trillion into the economy over time. Ned Riley, chief investment strategist for State Street Global Advisers, which manages \$730 billion, agrees that the market and economic impact could be big. In this case, enormous may not be an exaggeration: At the end of 2000, the Social Security program is expected to have about \$1.1 trillion in assets, according to the 2000 trustees report. That covers about 45 million people through the Old-Age and Survivors Insurance, 6.5 million through Disability Insurance and 39 million through Medicare. The reform might even help people who are counting on Social Security. The basic argument is this: The annual rate of return for the stock market over the past 75 years is 7.7%. Social Security funds, invested in Treasury bills, earn a paltry 2.2% a year. Feldstein argues that not only does the current system provide paltry returns, it also acts as a drag on economic growth because it reduces national savings and investments. "Privatization would certainly be a good thing for the economy," says Mike Tanner, director of the Project for Social Security

Privatization at libertarian think-tank the Cato Institute. "Long term it should have a very beneficial effect." But, Riley and other market watchers say that changing Social Security from a government run, old-age insurance program-as it was conceived-into a giant 401(k) is also fraught with challenges and uncertainties. Among the biggest, the Gore camp points out, is whether there will be enough money in the old system when Baby Boomers retire if some payroll taxes are being diverted from the existing system. Some economists predict that the system will wind up short by \$1 trillion if just *one-sixth* of the current Social Security tax were diverted to individual accounts. While Bush has been fuzzy on how much of the payroll tax he'd like to put in private accounts, that money would have to come from somewhere, most likely from higher taxes. "The effect on the economy over the long run is probably very positive, depending on how it's fashioned, but you could muck it up pretty easily too," says Bill Rhodes, chief investment strategist at Williams Capital Group. "We have to be careful that we solve it correctly, reasonably and in good faith. If you do it right, the benefits will go on for generations, but if you do it wrong, not only our grandchildren will be hurt from it, but our grandchildren's grandchildren will be hurt as well." Another big uncertainty is who would be in control of investment decisions. If it's left up to individuals that could create big problems for people who, say, jump on the bandwagon for the latest, greatest tech stock and get burned when the shares blow up. Or, someone could put all their money in one stock and lose it all and thus lose their nest egg. Who would be responsible for educating people about the risks of investing or bailing them out when they crash? "It's like asking someone to take their own appendix out," Riley says. "People spend years going to school to learn things like that. You can't expect people who spend their whole lives learning other endeavors to" have the knowledge and skills to invest their own money. Why not let the government hire professional money managers--which is another option being bandied about. Even if the managers are the best in the land, Uncle Sam would then technically be the nation's biggest shareholder. That could create a dangerous world of intertwined business and politics that is likely to make many business executives, politicians and the investing public very uncomfortable. For instance, would the government invest in tobacco funds while the Department of Justice is suing the tobacco industry? Would a federal government that holds a huge stake in a company such as Microsoft Corp. [{MSFT}](#) able to bring antitrust actions that could harm the shares? Can the government play both regulator and investor? "If it's done through the government, it's a plan rife with mischief," Rhodes says. Says Diane Swonk, chief economist at Bank One Corp.: "The conflict-of-interest issues are still so huge," she says. Still, some polls show the public likes the idea of privatization. A Time/CNN poll last month conducted by Yankelovich Partners found that 53% of those polled favor investing a portion of their Social Security taxes in the stock market. The poll showed 39% oppose it. Of course, ultimately, the devil is in the details. And even those economists and money managers who like the concept on paper are wary of how it could actually play out. "We do need Social Security reform, but the underlying issues and the ramifications require a tremendous amount of research and due diligence," Riley says. "The structure would have to be extremely tight."

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