

GOVERNANCE WORLD WATCH

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

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Public Policies & Public Economics

AFRICA

AFRICA HAS MADE 'GREAT PROGRESS'

It is unfair for some First World countries to write off Africa as many countries on the continent have made "great" progress towards democracy, former president FW de Klerk said on Monday. Speaking at the "People in Need" conference in Prague, he said he did not agree with the generalisation that sub-Saharan Africa did not have a future. De Klerk, who is visiting Prague to participate in the Forum 2000 Conference, was addressing the conference on whether there was a future for sub-Saharan Africa. De Klerk said in his speech that many of the countries in the region had made good progress economically, socially and constitutionally. Although there were some states that were lagging behind - this was not because they were African but because they were "desperately poor", he said. "What Africa needs is a fair break from the rest of the world, a fair break with its crippling debt and a fair break with access to first world markets and first world investment." He said eight countries were regarded by the United States human rights organisation - Freedom House - as being "free". Twenty-two were "partly free" and 17 were "not free". This was a better record than that of African countries north of the Sahara where four countries were regarded as not free and one as partly free. De Klerk said that 14 sub-Saharan countries had posted economic growth rates of more than four percent per annum between 1990 and 1998. "(There are) too many countries that continue to conform to the African stereotype of poverty, conflict and tyranny. "Such states conform to the stereotype not because they are African, but because poverty, tyranny and conflict go hand in hand throughout the world and throughout history and not just in Africa," De Klerk said. He said there was an undeniable link between poverty and conflict and between democratisation and relative prosperity. "The problem accordingly is poverty - not Africa," he said. He said the continent's problems could be solved by encouraging African states to adopt policies that would promote stability and economic growth. The developed world could also assist Africa by addressing the problem of its crippling debt burden, by assuring freer access to their markets for African exports and by ensuring that Africa received a fairer share of international investment.

From S. Africa-News24, 16 October 2000

ASIA/PACIFIC

CHINA ISSUES RESTRICTIVE INTERNET EDICT

China has issued a new list of rules for Internet use, ordering access providers to guard against online political activity and reinforcing limits on foreign investment. The rules, part of broad regulations on the telecommunications industry, add little to how China already regulates the Web. But the announcement could cause a chill in a field dependent on foreign financing. Companies had hoped for a more liberal climate after China's planned entry into the World Trade Organization. The announcement Sunday by state media also affirms Beijing's resolve to keep the Web from being used to spread opposition to communist rule. "This is a reality check that China is a heavily regulated market and will remain that way for some time," said Nicholas Spratt, who follows the industry for Lehman Brothers Asia in Hong Kong. In one of the few explicit new requirements, Internet Service Providers are required to keep records on users and the material they post online. If they discover prohibited content — ranging from pornography or seditious comments to material in favor of independence for Taiwan or Tibet — providers are required to remove it and turn over their records to the authorities. Those who posted the prohibited material could be prosecuted. The regulations say content providers must have approval from the Ministry of Information Industry to receive investment or collaboration from abroad. Chinese companies already operate under such a requirement. But announcing the prohibition could be a warning of impending enforcement by the ministry against dozens of companies with unauthorized foreign owners, investors or partners. The ministry tried last year to ban all foreign Web investment. China later agreed to let foreigners own 49 percent of a Web company once it joins the World Trade Organization, and 50 percent after two years. But there is no firm date yet on China's WTO entry. Beijing also appears to be trying to jar service providers into helping to police security-related content restrictions. Regulators in August shut down a Web site run by pro-democracy activists on a Beijing service provider. The company said it hadn't looked at the site's content until alerted by police. Spratt, of Lehman Brothers, said he expected the subversion rule to be "watered down" but noted that Web companies already are playing an enforcement role. "Portals are all conscious that if they have anything subversive from users, they immediately have to take it down," he said. "Now, incidents have to be reported."

From Court TV, 3 October 2000

CPC CENTRAL COMMITTEE HOLDS PLENUM TO OK DEVELOPMENT PLAN

The Fifth Plenary Session of the 15th Central Committee of the Communist Party of China (CPC) was held in Beijing from October 9 to 11. A total of 183 members and 144 alternate members of the central committee attended the plenum, with members of the Standing Committee of the Central Commission for Discipline Inspection and leading officials of relevant departments as non-voting participants. The plenum was presided over by the Political Bureau of the CPC Central Committee. Jiang Zemin, general secretary

of the central committee, made an important speech at the plenum. The plenum examined and approved the Proposal of the Central Committee of the Communist Party of China for Formulating the 10th Five-Year Plan (2001-2005) for National Economic and Social Development. Premier Zhu Rongji made an explanation of the draft of the proposal.

From China Daily, 11 October 2000

NATIONAL PARTY CRITICIZES GOVERNMENT TO BUSINESS FORUM

The National Party is trying to discredit a Government-business forum in Auckland by releasing papers showing that the host, the law firm Buddle Findlay, has done nearly \$1 million of work for the Government this year. "Guests should expect caviar and champagne if the Government is consistent in its largess," said National's finance spokesman, Bill English. "Little wonder the law firm is happy to host the Government's business forum." The Government has invited 85 business people to the invitation-only Government-to-Business forum on Tuesday, October 24. Written questions to ministers from Mr. English's colleague, Murray McCully, show that Buddle Findlay has done just over \$933,887 of work this year. Education Minister Trevor Mallard refused to give the value of work the firm did on 24 matters for Learning Media. But the biggest bill was \$312,724 to Housing New Zealand, the bulk of which was for a hearing over the termination of a maintenance contract. Other big bills include \$123,749 to the Treasury for seven separate jobs; \$67,469 to the police for two jobs; and \$39,281 to the Ministry of Foreign Affairs and Trade for advice on its new accommodation. "With that sort of money flowing in, the lawyers themselves ought to be running around with trays and canapes and making sure no one's glass is empty," said Mr. English. Business Roundtable executive director Roger Kerr is annoyed that no one from his organisation has been invited to the forum. But Prime Minister Helen Clark hit back at both men. "If [Mr. English] is suggesting in any way that Buddle Findlay has been shown any favouritism, that is virtually a defamatory allegation." Referring to Mr. Kerr's being left off the invitation list, she said: "I would have thought the behaviour of Mr. Kerr last week would have been adequate reason for that," referring to the row between the two over the "lost generation" brain-drain advertising campaign.

From New Zealand Herald, 9 October 2000

CHINA INTERNET STOCKS SLIDE AS INVESTORS REACT TO NEW REGULATIONS

China Internet stocks took a beating this week on Wall Street after Beijing released new regulations governing Web firms. Since Oct. 1, when the regulations went into effect, Sohu's stock price has fallen 16 percent, Netease's has skidded 13 percent, and Sina's has plummeted 36 percent (as of the close of trading on Oct. 5). Among the provisions of the new regulations is the requirement that Internet content providers (ICPs) and Internet service providers maintain records of all users for 60 days and submit them to the government on demand. The rules also stipulate that ICPs must practice self-censorship and ensure that published content does not criticize the government, endanger social stability, reveal state secrets or threaten China's national security. Internet companies that do not comply with the regulations face stiff fines or closure. As onerous as these regulations may seem, they were not unexpected. In fact, China Internet experts feel investors may have overreacted. The stock slide is based on "perception more than anything else," Aditya Puri, Asia-Pacific analyst with The Yankee Group, told ChinaOnline. This is because listed China Internet firms already comply with most of the new regulations. "They had to conform to a lot of these rules as part of their listing process," Puri said. Some analysts actually view the new regulations as a positive development for the sector. "I think it is curious the market is taking these as negative," Matei Mihalca of Merrill Lynch Asia Pacific told WordlyInvestor.com. "[China's action] gives some certainty," he said. Puri attributes the drop mostly to the recent sensitivity of the market after a string of bad news for the sector. Apple Computer announced last week, for example, that its profits would not be in line with expectations, for example, causing the stock price to drop almost 50 percent on Sept. 29. "The moment people see something that is less than positive, they pull out," Puri said.

From China Online, 5 October 2000

REGULATIONS COMING SOON FOR FOREIGN-FUNDED CHINA TELECOMS

Wu Jichuan of the Ministry of Information Industry has reaffirmed that China will release the long-anticipated regulations on the management of foreign-invested telecommunications operations before its accession to the World Trade Organization. When asked why the regulations were so long in coming, he said it was mainly because solving some types of problems involved coordinating several departments. Wu made the remarks after attending the opening ceremony of the Second China International New and High Technology Trade Fair in Shenzhen on Oct. 12. Wu said China's intent to examine the qualifications of foreign businesses before their entry into the sector is in line with international practice. He said there would be no prejudice against foreign businesses in terms of market access, according to the Oct. 13 Hong Kong Ming Pao. At a press conference at the end of last month, Wu revealed that foreign businesses are allowed to enter the Chinese market if they can provide long-term services. The new regulations will outline the necessary rules that foreign investors must follow after China opens its market. Reportedly, there will be a total of 81 articles. Regarding the applications of domestic telecom companies such as China Telecom and China Netcom for licenses to provide mobile phone service, Wu said that the MII does not yet plan to grant a third license. Currently, only China Mobile and China Unicom have licenses to provide mobile phone service.

From China Online, 13 October 2000

NGOs CLAIM ASEM DRIVEN BY GLOBALIZATION

In the early 1990s, "globalization" was the keyword for various sectors of Korean society and became synonymous with the pioneer spirit and market expansion enriching the country. Most Koreans believed the spread of globalization would help their country become an advanced nation. This perception changed toward the end of the decade, particularly when Korea was hit by its worst-ever financial crisis. Many citizens and nongovernmental organizations began to view globalization as a negative phenomenon, claiming that it endangered laborers' rights and accelerated the polarization of wealth. "Globalization calls for the removal of trade barriers so that capital and goods can move freely. But it only helps giant multinational corporations trade without limits," said Park Jum-kyu, a labor activist at the Korean Confederation of Trade Unions, a militant umbrella labor group. "Behind the seemingly benign face of globalization is corporate greed, which makes the poor poorer and the rich richer." To protest the ills of globalization, some 130 NGOs plan to stage a massive rally this Friday when the third Asia Europe Meeting (ASEM) opens. The demonstration is in line with the international wave of anti-globalization that hit Seattle late last year and Prague last month, where meetings of the three biggest "globalization promoters" - the World Trade Organization (WTO), the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) - were held. Some 50,000 activists foiled the WTO's attempt to establish a millennium round of trade terms during the Seattle meeting. The IMF/IBRD meeting in Prague ended one day earlier than originally scheduled due to protests by about 40,000 anti-globalization activists. Local NGOs have named Oct. 20 "the ASEM 2000 Seoul Day of Action Against Neo-Liberal Globalization." Some refer to the planned Seoul rally with the codename "O20" (Oct. 20). The Seattle and Prague rallies were also codenamed "N30" and "S26," respectively, after the dates and months when they took place. "At least 20,000 people, including 7,000 to 8,000 KCTU members, will gather at Olympic Park and march to the Chamshil Olympic Stadium to raise a cry of protest against U.S.-centered globalization," said Park, the KCTU official. Noting that activists are uniting to target U.S.-centered globalization, however, government officials say they see no reason for a protest against the ASEM, which was born to check the growing power of the United States. They also say that the ASEM differs from economic entities such as the IMF and the WTO. Activists contend, however, that the ASEM represents European capitalism, an imitation of the U.S. variant. "The ASEM superficially opposes the United States as shown in its origin," said So Hee-ju, an official at the Korean Farmers' League. "However, for powerless Asian countries, it (ASEM) boils down to European capitalist imperialism, which will eventually pave the way for U.S. capitalism." Activists also take issue with the agenda that the 26 world leaders are slated to discuss in the ASEM summit. In a 1999 report, the Asia-Europe Vision Group recommended that ASEM partners work toward the eventual goal of complete free trade by the year 2025 by adopting a strategic framework for the progressive liberalization of trade in goods and services among themselves. NGOs say that such economic issues will dominate this year's ASEM. "The vision group report clearly demonstrates that the ASEM is another advocate of globalization. Social and cultural affairs are secondary issues for the ASEM," said Lee (Continued on Page 12) Chang-geun, an official of the Korean People's Action Against Investment Treaties and the WTO (KoPA). The Asia-Europe Vision Group was launched on the initiative of South Korea at the closing ceremony of the second ASEM held in London. It aims to provide a medium to long-term vision for the ASEM process as well as to assess the achievements of ASEM and make recommendations to further strengthen the international body. Many anti-free trade activists believe that the unrestricted flow of speculative capital caused the 1997 Asian financial meltdown and created the current "casino-like" local stock market. They also charge that neo-liberalism, which promotes free trade and minimum government intervention, will bring about not only pay cuts and violation of workers' rights, but reductions to public expenditure in the name of minimizing the government's role, as well as the privatization of state-owned corporations in the name of greater efficiency. All of these factors, they claim, will lead to the concentration of wealth. To publicize the negative aspects of globalization and create alternatives, the ASEM 2000 Private Forum, a temporary group of NGOs from ASEM member countries, will hold 26 workshops at Konkuk University in Seoul. About 200 foreign NGO members will participate in the workshops to produce a "People's Vision" that will be delivered to the official ASEM, organizers said. "Most foreign activists attending the workshops are expected to join the Seoul rally," said Park, the KCTU official. Some newspapers have reported that the rally will almost certainly turn violent as the demonstrations did in Seattle and Prague, saying that many of the Seattle and Prague activists will gather here. Police are also bracing themselves for possible violence at the planned rally. But Park claimed the reports were exaggerated. "I don't think the rally will turn violent. No other foreign activists are expected to fly here other than the 200 attending the workshops," he said. "Whether or not the rally turns violent is not an issue. Instead of dismissing our protests as just another nuisance to their summit, I hope that the ASEM leaders will try to find out what our demonstrations are for." A labor expert also called for the ASEM leaders to focus their discussions on social issues with the target of protecting more vulnerable members of society such as laborers and farmers. "Globalization is a natural phenomenon," said Park Seok-woon, head of the Institute for Workers' Rights. "But globalization that infringes upon the rights of ordinary people cannot be tolerated."

From Korea Herald, 18 October 2000

CHINA TO FURTHER MEDICARE REFORM

China plans to further medicare reform in the near future, reducing the price of medicine and protecting people's health. Central official departments and local authorities must quickly establish the medical insurance procedure for urban employees, which were outlined by the State Council. Li Jian'ge, vice director of the Office for Restructuring the Economy of the State Council, said in the People's Daily Monday. The state's health administrations, including the Ministry of Health, will oversee nationwide hospitals instead of running them, Li said. Meanwhile, the administrative authorities will stimulate competition among hospitals and other organizations providing health service throughout the country. Li also urged the hospitals to restructure and provide better service to patients. In addition, the country has started to separate hospitals and pharmacies and shift pharmacies into individual drug

retailers. The State Drug Administration (SDA) will further implement the Good Manufacture Practice (GMP) and Good Sales Practice (GSP) in the market, ensuring consumers buy quality and effective drugs, the newspaper said.

From China Daily, 16 October 2000

CHINA: SHENZHEN ISSUES FIRST VENTURE CAPITAL REGULATIONS

To make sure that venture capitalists invest their money with the utmost propriety, one Chinese city government has decided to outline a few guidelines. On Oct. 14, the [Shenzhen](#) municipal government released a set of rules known as the "Interim Regulations on Venture Capital Investment in High-tech Industries," reports the Oct. 16 *Zhongguo Zhengquan Bao* ([China Securities](#)). These rules are the country's first to specifically govern venture capital. The self-policing Shenzhen Association of Venture Capital Investors will oversee the project. The new regulations actually lower entry requirements for foreign investors wishing to start up venture-capital companies in Shenzhen. They also specify more clearly the requirements and procedures required for domestic investors to act as venture capitalists. According to the regulations, venture capitals must incorporate as limited liability companies or as joint-stock companies. Registered capital shall be no less than 30 million renminbi (US\$3.6 million) for a limited liability company and no less than Rmb 50 million (US\$6.04 million) for a joint stock company. In line with international practice, the regulations allow entrusted management of venture capital investment by a venture capital management company. The minimum registered capital to establish a venture capital management company is Rmb 1 million (US\$120,773), the article noted. According to the regulations, venture-capital investments in Shenzhen's high-tech industries that exceed 70 percent of a fledgling company's total investments gain the same preferential treatment granted to high-tech enterprises. In addition, the regulations ban venture capital from the banking business and also require that an association be established to oversee discipline. The oversight group, the Shenzhen Association of Venture Capital Investors, was created the same day the new regulations were announced. Among its 55 members, 12 are individual members. Kan Zhidong, of the Shenzhen Venture Capital Investment Co., serves as chairman. According to a preliminary investigation, Shenzhen is now home to more than 30 venture capital investors who command Rmb 3 billion (US\$362 million) of capital. Foreign investors in high-tech projects account for some Rmb 800 million (US\$96.6 million) of this figure, the article said.

From China Online, 18 October 2000

JAPAN'S LOWER HOUSE PANEL DEBATES POLL REFORM

A House of Representatives committee began deliberations Monday on a controversial electoral reform bill that was the center of an 18-day opposition Diet boycott. The Lower House committee on political ethics and the Public Office Election Law began the deliberations in the afternoon, with both ruling and opposition members present. The ruling coalition -- the Liberal Democratic Party, New Komeito and the New Conservative Party -- plans to enact the bill, which would revise the House of Councilors electoral system, as early as today in a vote at a Lower House plenary session. But the opposition bloc -- the Democratic Party of Japan, the Japanese Communist Party, the Social Democratic Party and the Liberal Party -- plans to seek thorough deliberations. In addition, the DPJ plans to submit its own electoral reform plan, DPJ officials said. The opposition bloc abandoned its boycott on Friday, a day after the ruling coalition railroaded the bill through the Upper House. The bill would revise the proportional representation segment of the Upper House's electoral system so that ballots can be cast either for individual candidates on party lists or for the parties themselves. The current system allows votes only for parties. The new system would allocate votes for a particular candidate to benefit other candidates on a party's proportional representation list. The bill would also cut 10 of the 252 Upper House seats. The opposition parties charge that the ruling bloc is seeking the changes merely to boost its chances in the next Upper House election -- by fielding big-name candidates, for example -- and that the changes would make election campaigns more costly.

From The Japan Times, 24 October 2000

TRIPARTITE MEETING TO DISCUSS SOUTH KOREA'S HEALTH REFORM

Medical doctors, pharmacists and government representatives will meet today to discuss the government-proposed medical reform program, which has left the country's health care system paralyzed for nearly four months. The meeting follows a late-night agreement Monday between the medical community and the government on several key contentious issues related to the introduction of a new system, under which clinics and hospitals were banned from selling medicines to outpatients from Aug. 1. The agreement stated that representatives from medical circles will attend the tripartite consultative meeting, proposed by the government to discuss improvements in the medical system. The Ministry of Health and Welfare said the government will give more state subsidies to village medical insurance cooperatives covering non-wage earners, in compliance with demands by doctors, who have been staging protests against the medical reform program. They have claimed that it severely reduces their revenues. During the late-night discussion, doctors and the government reportedly narrowed their differences on how to revise the Pharmaceutical Affairs Law, but details on the revision were not disclosed due to the pharmacists' protests. However, analysts painted a bleak picture for the prospects of the tripartite meeting, alleging that there are wide gaps between physicians and pharmacists on alternative and arbitrary prescriptions and the classification of medicines, all crucial components related to the revision of the law. In fact, the government's ambitious dream to separate prescriptions and dispensing of drugs hit a major snag, as the government bowed to the doctors' demand that the elderly be excluded from such a plan. In the meantime, eight out of 10 interns and residents decided to reject this year's qualification test for medical specialization, in protest of the government's medical reform initiative. Out of 13,652 interns and residents, 11,092 cast ballots and 82 percent of them were in favor of rejecting the test. South Korea's health

care system, particularly general hospitals, has remained crippled for months, as doctors have been on strike to express their opposition to the reforms. Only emergency care is being provided at general hospitals, since interns and residents have refused to return to work. Patients have fallen victim to the doctors' walkout, as some of them failed to receive adequate medical services.

From Korea Times, 24 October 2000

CHINA DRAFTS LAW ON INTERNET BASED CRIMES

The State Council has drafted the "Decision on Safeguarding Internet Safety and Information Security" as part of the Chinese Government's efforts to enhance the security and management of the Internet. The draft, which stipulates specific penalties for Internet-related crimes and other illegal activities, was submitted for review on Oct. 23 to the Standing Committee of the National People's Congress (NPC), China's highest legislature. Explaining the draft to an NPC Standing Committee session, Yang Jingyu, director of the Legal Affairs Office under the State Council, described typical Internet-related crimes, the Oct. 24 Hong Kong Ming Pao reported. While the Chinese criminal law has provisions on these crimes, the draft takes into account the characteristics of Internet crimes and further clarifies the issue of applying the penalty code, Yang said. According to the draft, offenders must be investigated and held responsible in accordance with relevant provisions of the criminal law. The draft also clarifies stipulations on the punishment of unlawful activities that do not constitute crimes. Under the draft, "illegal activities conducted via the Internet that violate the regulations for social security but do not constitute crimes should be punished by the public security departments in accordance with 'Security Administration Punishment Act.'" Activities that violate other laws or administrative regulations should be punished according to the law. Administrative or disciplinary actions should be taken against the leading officials in charge and others held directly responsible, the article said. In addition to provisions on the duties of judicial apparatus and relevant government institutions, the draft sets rules for Internet companies and other Web practitioners. It makes a clear provision that "organizations engaged in Internet businesses should provide good services and conduct business in accordance with laws." The draft also calls for measures to be taken to prevent the spread of harmful information and for all companies to immediately report the detection of any illegal activities, crimes or harmful information on the Internet. Specific Internet crimes - According to the Oct. 24 *Guangming Ribao* (Guangming Daily), the draft specifies 15 Internet activities that may constitute crimes, depending on how serious the violations are; as such, the perpetrators will be held accountable according to the "Criminal Law": 1. Violating relevant state laws and invading computer information systems containing information about state affairs, state defense and the most advanced science and technology of the state; 2. Producing and spreading computer viruses and establishing devastating programs to attack computer systems or communications networks, thus causing damage to such systems or networks; 3. Violating relevant state laws, arbitrarily stopping the operation of computer networks or communications services, thereby interrupting normal operations of such networks or services; 4. Spreading rumors, slander or other information via the Internet for the purpose of overthrowing the state government, overthrowing the socialist system, or breaking up the country and destroying the country's unity; 5. Stealing or leaking state-classified information or military secrets via the Internet; 6. Igniting racial, ethnic hatred and discrimination, and destroying racial and ethnic unity via the Internet; 7. Organizing cults or contacting cult members via the Internet to destroy the implementation of state laws and administrative regulations; 8. Engaging in swindles and burglary via the Internet; 9. Selling defective products or making false claims on commodities and services via the Internet; 10. Concocting and spreading false information via the Internet to influence securities trading and futures trading; 11. Establishing pornographic Web sites, Web pages, or providing links to pornographic sites on the Internet to spread such information, including those from books and magazines, motion pictures, video and audio products, and still images; 12. Insulting other people or fabricating stories to slander others via the Internet; 13. Illegally intercepting, changing, or deleting other people's e-mail or other data information, thus infringing upon other people's freedom of communication; 14. Infringing upon other people's rights to intellectual property via the Internet; 15. Damaging other people's business reputation and product reputation via the Internet.

From China Online, 24 October 2000

EUROPE

POLISH PRESIDENT SLAMS GOVERNMENT REFORMS

At an election meeting in Radom on 30 September, Aleksander Kwasniewski sharply criticized the Solidarity-led government for the way it introduced reforms in the administration, health service, education, and social insurance sectors, PAP reported. According to Kwasniewski, these "justified and necessary" reforms were introduced by the government "in an incompetent and arrogant way." The president added that the reforms must be corrected by a new parliament and cabinet following next year's parliamentary elections.

From Free Radio Europe, 3 October 2000

BLAIR UNVEILS INTERNET PLANS

The cost of internet training is being cut by 80%. The UK will become the best country in the world for e-commerce, the prime minister has promised. Tony Blair was setting out a raft of measures to boost internet use in the UK, including a £1bn drive to get all government services online by 2005 and £15m to help businesses make the most of the web. The prime minister also announced the first raft of 600 online centres to give hi-tech access to poorer communities. Mr. Blair said the government's initiative, called UK

Online, was aimed at ensuring the country's economy did not fall into two – old and new. "There is no new economy. There is one economy, all of it being transformed by information technology," he said. "What is happening is no dot.com fad that will come and go - it is a profound economic revolution." The economy was all one and what mattered was whether companies mastered the information technology change, he told his audience in Loughborough. The Government drive had three aims: to make sure the UK was the best place to do e-commerce, to ensure universal net access for all and to ensure all government services were available on the net. He said ministers were putting in place training measures, such as: 600 online centres to give hi-tech access to poorer communities piloting internet access in post offices offering discounts of 80% to all adults for online courses, bringing a £200 course down to £40. "This, we believe, is the most comprehensive and affordable IT training programme in the world," he said. The extra £15m given to businesses would be used to provide advice face-to-face or by telephone, he said. And he underlined his determination that by 2005, all government services should be online. From next year, for example, the unemployed would be able to search job vacancies from home or in a JobCentre kiosk. "The whole shape of our economy will be changed by this new technology, that's why UK Online is so vital. If we live up to the challenge of the knowledge economy, we can reverse the decades of decline we suffered in the 20th Century and become one of the world's most successful economies in the 21st Century." The prime minister said Britain now had the best off-peak rates for connection to the internet in the world. The new community-based computer centres are aimed at helping the homeless and jobless rejoin society. Pilot projects have been running up and down the country since January, but critics say care will have to be taken to ensure that the help the centres give is properly targeted and delivers the benefits to the right people.

From Bloomberg, 11 October 2000

EU REFORM DEADLOCKED AFTER SMALL STATES REVOLT

A battle between Europe's large and small states has left attempts to streamline the workings of the European Union in the balance after a two-day summit ended in deadlock on two central issues. Despite agreement on the need to allow the emergence of a multi-speed Europe and to scrap the national veto in new areas of decision-making, talks were deadlocked on some of the most fundamental problems facing EU leaders. After a dinner in Biarritz on Friday hosted by the French President, Jacques Chirac, leaders of Europe's small countries strained to contain their anger at what was seen as an attempt by the EU's big member states to gang up on them. "The dinner was marked by very firm, very lively and sometimes passionate exchanges," said the Luxembourg Prime Minister, Jean-Claude Juncker, whose attempt to put a positive gloss on the row was that countries had "learnt to talk with a lot of frankness". At the heart of the dispute was a claim by Mr. Chirac that the determination of small countries to keep their level of influence in the European Commission could be holding up enlargement to the east. The summit was the last big staging post before EU leaders are due to amend Europe's treaty at a gathering in Nice in December. Decision-making in the 15-member bloc is sclerotic and there is consensus on the need for reform before Europe starts to admit as many as 12 or 13 new members. Each country has a right to nominate one person to the European Commission, while big member-states send two. With 20 commissioners at present, the EU's executive body is already unwieldy and includes several portfolios where the workload is light and the commissioner has little power. But attempts to cap the number of commissioners has opened a hornet's nest. Two scenarios are envisaged. The first, and most likely, is for the big countries to give up the right to send one of their commissioners, in exchange for greater voting power in the Council of Ministers. At present there are big imbalances and Germany, which has a population of more than 80 million, has 10 votes in the council, while Luxembourg, which has just over 400,000 nationals, has two votes. Big countries such as Italy want sweeping changes and a system where voting strengths range from three and 33, reflecting population size. With more decisions destined to be taken by majority voting, nations' voting power is ever more important. But France infuriated small countries by suggesting a more radical step, under which the number of commissioners would be capped, probably at 12. Under this scheme, countries would have a representative on the commission only on a rotation system. Led by the Netherlands and Belgium, the smaller countries rebelled in Biarritz. The Belgian Prime Minister, Guy Verhofstadt, argued for the need "to keep one commissioner per country, so that everyone is represented". As the mood soured, Portugal's Prime Minister, Antonio Guterres, added that "among the important balances in the EU is that between big and small states". Diplomats recalled that similar problems arose during the last treaty negotiation in Amsterdam in 1997 and were too difficult to resolve. With less than two months to the Nice summit, the gulf is as big as ever.

From UK-Independent, 16 October 2000

POLISH GOVERNMENT WANTS TO LIFT CURBS ON MEDIA OWNERSHIP

Poland's government said over the weekend it wants to lift all limits on the foreign ownership of local media outlets, which now block non-domestic companies from owning more than a third of radio and television stations. The proposed amendment to the media law, which will now go to parliament, would bring Polish regulations in line with European Union statute, the government said in a statement. The elimination of curbs on media ownership would have an especially profound effect on Poland's booming television market, with this year's advertisements estimated to be worth more than EUR 1.2 billion (USD 1.01 billion). Currently only pan-European media group SBS Broadcasting has a foothold in the Polish terrestrial TV market, holding a 33 percent stake in the country's second biggest private station TVN. The firm has declared it would increase its stake to 50 percent when Poland lifts its curbs on foreign ownership. Analysts have said that media giant News Corp has been eyeing Poland for potential acquisitions, possibly buying a stake in the leading private station Polsat. The modifications to the media law are just some of the proposed changes the government has unveiled on the eve of the meetings with the visiting EU enlargement commissioner Gunter

Verheugen, who will meet with Polish officials on Monday. Poland also signaled it would set up a two-stage process of loosen the tough limits on land ownership by foreign entities.

From Poland Today, 23 October 2000

RUSSIAN GOVERNMENT PROMISES TO TURN TO STRUCTURAL REFORMS

Federation Council Budget Committee Deputy Chairman Aleksandr Surikov said on 19 October that the upper legislative house currently has no objections to the budget, implying that the bill will pass the council after the four readings in the Duma. Minister for Economic Development and Trade German Gref told reporters on 19 October that once the State Duma passes next year's budget, the "government's next tasks will be structural and tax reform, the adoption of a new customs code, fine-tuning the payments and banking systems, and the reform of natural monopolies." He said that the government will also pay great attention to the energy sector, noting that energy supplies to industry are "lagging behind the economic growth rate." Most alarming is the decline in gas production, he noted.

From Radio Free Europe, 20 October 2000

THE AMERICAS

DID GORE INVENT THE INTERNET?

Actually, the vice president never claimed to have done so -- but he did help the Net along. Some people would rather forget that. That Al Gore once claimed to have "invented the Internet" is now part of electoral folklore -- one item in a litany of Gore "exaggerations" or "lies" that his opponents trot out to discredit him. At Tuesday's debate the line became the basis for a flatfooted one-liner George W. Bush lobbed to deflect Gore's onslaught of statistics: "This is a man who has great numbers -- I'm beginning to think not only did he invent the Internet, he invented the calculator." The sheer cheek of Gore's purported claim invites Mockery. Everybody knows the Internet is an extraordinarily complex piece of engineering that only incredibly smart scientists could have "invented." Politicians need not apply. But things that "everybody knows" are always worth examining for defects. And the "Gore claims he invented the Net" trope is so full of holes that it makes you wish there were product recalls for bad information. Gore never claimed to have "invented" the Internet. What he said was: "During my service in the United States Congress I took the initiative in creating the Internet." As my colleague Jake Tapper carefully reported here last year, at worst that statement is a minor exaggeration of Gore's legislative record -- and miles away from the "I built it from scratch!" lie into which it has been twisted. The life trajectory of the "I invented the Internet" Gore meme has been well traced by Phil Agre back to the original coverage of Gore's comment by Wired News' Declan McCullagh. McCullagh's first report, while never using the word "invent," interpreted Gore's statement as an outrageously false boast, and supported that view with one quotation from a conservative foundation spokesman. (That quote - "Gore played no positive role in the decisions that led to the creation of the Internet as it now exists -- that is, in the opening of the Internet to commercial traffic" -- offers its own wildly distorted view of Internet history, narrowing its focus to "the opening of the Internet to commercial traffic" as the only significant milestone to shape today's Net.) From McCullagh, the tidbit got picked up by the TV pundits and became the butt of late-night political jokes. The word "invent" practically leaped into Gore's mouth. News outlets across the board -- including Salon -- have now burned the distortion of the vice president's words into the public mind. If that were the end of the tale, we could just dismiss it as one more round of election-year spin and counter-spin in which the lies won out over the truth. But this particular snow job springs from a deeper ideological well, and that makes it more interesting.

From Salon, 5 October 2000

U.S. BILL TO BOLSTER INTERNET FRAUD PROTECTIONS APPROVED

Legislation aimed at enhancing fraud and other protections on the Internet, including the creation of an \$80 million Federal Bureau of Investigation cyber crime center, was approved Oct. 5 by the Senate Judiciary Committee. The committee voted 15-1 to report out the "Internet Integrity and Critical Infrastructure Protection Act of 2000" (S. 2448), which adds regulations to battle cyber-hacking and computer fraud while bolstering privacy and confidentiality protections. "Computer security and privacy are important issues for e-commerce and for our national security," said Sen. Patrick Leahy (D-Vt.), committee ranking member, in a statement. "This is twin-track progress against computer crime: more tools are the federal level and more resources for local computer crime law enforcement."

From Bureau of National Affairs, 9 October 2000

U.S. CONGRESS WEIGHING INTERNET FILTERING FOR SCHOOLS, LIBRARIES

Four Republicans are promoting legislation that would force schools and libraries to use Internet filtering software or lose federal dollars intended to help buy Web access. The effort is alienating civil liberties groups, conservatives and industry executives. The proposal would be a boon to companies such as NetNanny and SurfControl, whose popular filtering software schools and libraries would have to buy. No money is provided to buy the software. Introduced in the Senate by Sens. John McCain, R-Ariz., and Rick Santorum, R-Pa., the plan is attached to an appropriations bill that could get a final vote this week. Reps. Ernest Istook, R-Okla.,

and Charles Pickering, R-Miss., are behind the effort in the House. "This is insuring that the government is not paying for access to pornography through libraries," said Istook's chief of staff, John Albaugh. "We have received tremendous support from the public on this. It just seems like it's a no-brainer to the average Joe." Under the proposal, any school or library that did not install software to filter out pornography would lose its federal dollars intended to help buy Internet access. An odd collection of groups, including state chapters of the Christian Coalition and American Family Association, the American Civil Liberties Union and Internet industry trade organizations, is opposing the initiative. They say it is a bad way to stop youngsters from viewing online pornography at school. The proposal "fails to prepare our children to act responsibly as Internet citizens," the ACLU's Marvin Johnson wrote lawmakers. "Responsibility implies choice, but blocking removes all choice." "The filtering mandate sets a troubling precedent for federal regulation of Internet use and Internet access," according to a letter signed by the Computer & Communications Industry Association and Information Technology Association of America, groups that represent the high-tech industry. Teacher associations and the American Library Association also oppose the effort. Mandatory filtering opponents say the filters are imperfect and frequently fail to block pornography. Sometimes, they say, the filters reflect a political view. At various times, filters have blocked sites that cater to gays and lesbians as well as conservative sites that contain language hostile to homosexuals. Only one filtering company will release its list of blocked sites so parents and teachers can review them. Internet filtering has been a priority of many conservative groups, including Focus on the Family, the Christian Coalition and the American Family Association. "Children do not have a constitutional right to access and view Internet pornography in our local libraries," the AFA says on its World Wide Web site. The groups have tried to mandate filters at some individual school districts and libraries. Most of the efforts failed through legal challenge or at the voting booth. Sen. Patrick Leahy, D-Vt., is among the few legislators who have spoken against mandatory filters. His alternative proposal would require only that Internet providers distribute filtering software for free or at cost. The Clinton administration opposes mandatory Internet filters. But the filters are included in the annual spending bill to finance operations of the departments of Labor, Education, and Health and Human Services, and it is unclear if President Clinton would veto the huge spending bill because of his objection to a small part.

From CNN, 15 October 2000

STUDY TACKLES INTERNET'S IMPACT ON SOCIETY

The Associated Press Concerns that the Internet revolution has dehumanized America may be unfounded. Nearly two-thirds of all Americans have ventured online, and the majority of them deny the Internet creates social isolation, according to a study released today by the University of California in Los Angeles. For instance, more than 75 percent said they do not feel as if they're being ignored by relatives and friends as a result of chat-room activity. In fact, the majority of Internet users said e-mail, Web sites and chat rooms have a "modestly positive impact" on their abilities to make new friends and communicate more with family. But the Internet has only been a popular communication tool for the past five years, cautions UCLA researcher Jeffrey Cole. Cole, the lead researcher of "Surveying the Digital Future," believes the Web will have profound long-term effects that most users can't yet detect. "The Internet changes everything from our values to communication patterns and consumer behavior," Cole said. Spending long hours surfing the Web "can even change how many neighbors we recognize by their faces," he added. The study focused on the opinions and online habits of 2,096 respondents -- both Internet users and nonusers -- who mirror the nation's ethnic, economic and geographic makeup. More than 70 percent said children's grades are neither helped nor hurt by Internet activity. Nearly two-thirds said they now buy less from traditional, as opposed to online, retailers. Lack of privacy was the greatest concern of those surveyed. About two-thirds of Internet users agreed that people who go online put their privacy at risk, the study showed. "What we've found is that almost no one is afraid of the government monitoring us," Cole said. "They're afraid corporations are watching what they do." Cole said he hopes to continue the study over the next 10 to 20 years in an effort to address more issues relating to the technology. Lee Rainie, director of the Pew Internet and American Life Project, said the report supports his own findings that the Internet is a tool that unites more people than it isolates. "There is some evidence that people make and sustain long distance friendships online," Rainie said. The UCLA study was funded by the National Science Foundation as well as America Online Inc., Microsoft Corp., the Walt Disney Co. and Sony, but Cole said no questions were influenced by the sponsors. Researchers said the survey had a margin of error of 2 percentage points.

From Chicago (IL) Tribune by Anthony Breznican, 25 October 2000

Governance Systems and Institutions

AFRICA

SOUTH AFRICA: ONLY 24% OF WOMEN IN SENIOR POSITIONS

According to the Employment Equity Act (EEA) report only 24% of women in South Africa hold senior positions in corporate companies, an indicator that there has not been a change in the status quo since 1998. The report, released in Pretoria on Monday, also shows that 7.8% of the 24% are black women. Presenting the report, Labour Minister Membathisi Mdladlana lashed out at companies for not taking the Act seriously. He has since threatened those companies which did not comply with legal action. The Act was established in 1998 with the objective of eradicating discrimination in the workplace and promoting affirmative action. The EEA required large companies employing more than 150 workers to report to the department of labour on progress made in terms of their employment equity plans. The first reports by large companies was due by June 1. Small companies employing fewer than 150 employees will submit their reports December 1. 42% of companies identified reasons for the dominance of males in their workplace as training and development barriers to affirmative action, while 38% cited recruitment procedures, and 22% blamed corporate culture. The report also shows that at management level 31.63% were black people, 0.72% were employees with disabilities, while at the skilled level 55.52% were blacks, 44.02% were female, and 0.53% were the disabled. Organisations with 500 or more employees had the highest representation of blacks with 35%, and with 31% female employees at management level. The smaller organisations with less than 200 employees had the lowest representation (21%) of Black employees at management level. Employees with disabilities (1.5%) were best represented at management level in organisations with less than 200 employees, the report showed. According to the labour ministry's UIF database, "more than 1 700 large employers did not report June 1", the deadline as set out in the Act. These companies "have been informed of their compliance status and will be dealt with according to the ministry's enforcement policies", Mdladlana said. He threatened companies which did not meet the deadline with fines ranging from R500 000 to R900 000. Mdladlana said that while it was difficult to provide an accurate compliance figure at this stage, indications were that about 60% of the designated employers reported as required by the Employment Equity Act. A total of 3 083 companies were recorded on the department's labour's registry. Of these 2 170 (70.3%) reported in the correct format and in time to be included in the public registry for employment equity. A further 447 (14.5%) employers requested an extension to the reporting deadline. 466 (15.2%) could not be included for a variety of reasons ranging from reporting in the wrong format to those that were still busy capturing data. The report also made an analysis on the distribution of representation of employee colours by provinces. The Northern Province had the highest representation of Black employees at management level, whilst the North West province had the lowest. The Northern Province also had by far the highest representation of Female employees. The Eastern Cape had the lowest representation of Female employees at management level. Disabled employees were best represented in the Northern Cape and least represented in the Northern Province. Mdladlana said that the most frequently reported employment equity barriers cited by the companies were training and development recruitment, selection processes, succession and experience, planning performance and evaluation systems, job classification, and grading corporate culture.

From allAfrica.com, 3 October 2000

SOUTH AFRICA: BAQWA CALLS FOR INTERNATIONAL CORRUPTION UNITS

African countries must forge cross-border institutions and legislative measures to fight corruption and maladministration, South African Public Protector Advocate Selby Baqwa said on Monday. Addressing the opening plenary of a Commonwealth Association for Public Administration and Management (Capam) conference in Somerset West in the Western Cape, he said corruption tore at the very fabric of society. With new technology increasingly expanding business across international borders, corruption and maladministration were becoming more complex and difficult to identify. "We need regional, sub-regional and international strategies to fight corruption," he said. Baqwa called for harmonised legislation and the establishment of international corruption units to fight the spread of this scourge. Government could no longer be expected to fight corruption alone. "We cannot expect governments to be the only players to fight against corruption ... private individuals often say nothing and do nothing." African Governments must institute codes of conduct for all public officials, politicians and the executive. They also needed to pay reasonable salaries to public sector employees to help reduce the temptation for those officials to use their positions to extract additional money. The Governments had to be transparent and have in place strong and well-resourced oversight institutions. "Without political will, corruption and maladministration are sure to flourish ... that is where it all starts," he said. Once this was in place, the countries would over time develop the political maturity to effectively act against those identified as corrupt. Nick Manning, a senior public sector management specialist at the World Bank painted a "worrying" picture of the extent of corruption in developing nations. He acknowledged though that maladministration and corruption were not limited to the Third World, and there needed to be a closer investigation into where this corruption originated. Manning was criticised by a number of delegates for the World Bank's strategy of ranking countries according to levels of corruption, without offering any solutions to the problems those

countries faced. The three-day conference - which was officially opened by President Thabo Mbeki on Sunday - is being attended by more than 250 delegates from about 40 countries.

From S. Africa-News24, 16 October 2000

SOUTH AFRICA CORRUPTION EPIDEMIC

Johannesburg - Business and political leaders on Wednesday unanimously expressed concern that corruption in South Africa had reached epidemic proportions necessitating more hard-hitting laws and a more ethical environment. They were addressing a two-day Anti-Corruption Conference for national and provincial Public Works Department officials which opened on Wednesday in Johannesburg. "The urgency of addressing the problem of corruption and creating mechanisms to combat it cannot be underestimated," said Bulelani Ngcuka, said National Director of Public Prosecutions. "The problem has reached epidemic proportions ... it is an immediate problem and we cannot wait for societal values to change," said Advocate Petrus Marais, national managing partner of KPMG. "Corruption has a debilitating and widespread effect on development and business ethics. Corruption and fraud subvert the natural order - decisions are no longer qualitative." Business Against Crime national director Allan McKenzie said: "Business Against Crime, in supporting the implementation and formulation of a number of government projects, has had cause for concern that in the administration of a number of government departments corruption by and between individuals in the public and private sectors has the potential to undermine good governance and wealth creation." Ending corruption formed part of the long-term process to transform government and South Africa's leaders were intent on running an honest and clean administration, Public Works Minister Stella Sigcau told delegates. Public office bearers had to create an environment in which any person can report corruption and extortion without fear of victimisation, she said. Ngcuka said amendments to make corruption laws affecting government officials more hard-hitting were recently tabled with the justice portfolio committee in Parliament. "South Africa's legislation needs to be reviewed. We are in favour of the Hong Kong law - the Prevention of Bribery Ordinance," he said. In terms of the Hong Kong law, public officials in Hong Kong who exhibit a lifestyle above their official means are prosecuted unless they can prove they possessed this wealth legitimately. Hong Kong public officials convicted under this ordinance are jailed for three years and have to pay a fine to the value of their ill-gotten profits. Ngcuka said the Public Works Department was the most corrupt in government. Several measures had been taken to effect this, according to Sigcau. The new Public Finance Management Act would place accountability for financial management with the directors-general in the Public Works Departments, national and provincial. Internal audit units had also been established. "They not only identify... areas with a high potential for fraud and corruption, but also provide guidance, training and improved systems design." The Department had also set up a special unit to network with the Health unit and the Directorate for Serious Economic Offences. Marais warned that a corrupt government and business environment became self-perpetuating, as honest participants finding themselves excluded from the game adopted the "if you can't beat them, join them" maxim. There must be effective mechanisms to show "you can beat them and you don't have to join them" he said. This meant the practice of paying government officials suspended on suspicion of corruption for two years had to be stopped and that corrupt officials should not be judged at internal hearings held by their immediate superiors. "It must be made known that dishonesty is always serious ... that there is zero tolerance." There had to be a clean break with the past, simultaneously with the implementation of new anti-corruption mechanisms. "The challenge is to show them (criminals) they can be caught, they will be and they will be punished." McKenzie noted that a recent survey had found that 79 percent of civil servants in South Africa felt the civil service was corrupt and only 30 percent thought enough was being done about it. He said continued public private sector corruption could derail the commendable efforts of national government to create wealth. He pointed to the danger that the needs of those affected by the Aids epidemic could cause an upward spiral in levels of corruption very soon. But the upgrading of the criminal justice system under way already should within five years be considerably more able to make an impact on crime at all levels. The conference aims to create improved ethics among Public Works Department officials. - Sapa

From S. Africa-News24, 26 October 2000

ASIA/PACIFIC

CHINA: ANGER AT DAM CORRUPTION GROWING

Organised resistance among peasants protesting against corruption by government officials in charge of China's Three Gorges Dam resettlement project is increasing and residents have repeatedly clashed with police in recent months, peasant representatives say. Their reports of growing tension and violence contradict official statements that the first stages of the scheme, which aims to resettle between 1.5 million and 1.9 million people by 2009, is proceeding smoothly. Last week, 300 peasants from Gaoyang township, in Yunyang, attacked officials in charge of the county resettlement bureau, injuring at least one. The peasants accused the officials of embezzling funds set aside for their resettlement at Tao Fu state farm, Hubei province. Their original homes have already been pulled down and they are homeless. Three weeks ago about 1,000 peasants marched on government headquarters in Kai county, Wanxian district, demanding to meet government leaders. They hurled missiles that injured some officials, including the deputy party chief, who was hit with a brick, and tried to cut telephone wires. Officials summoned troops to quell the violence. "To defend themselves, the peasants placed the old and young in the front so the troops could do nothing," one source said. Officials in Kai county confirmed that the incident happened but denied telephone lines were cut or that the deputy party chief had been injured. On February 22, more than 1,000 peasants staged a march in Gaoyang township, where about 10,000 peasants are to be relocated. The police stopped the marchers, who then staged a 24-hour sit-in and demanded a meeting with county leaders. In

both cases, local officials refused to negotiate with the peasants or their representatives. In many areas, peasants have selected their own unofficial representatives to negotiate the best compensation deals possible. Many families have contributed money to finance the independent pressure groups. During the February protest, peasants demanded to see official policy documents because they believed they were being cheated by local authorities, who they accuse of pilfering resettlement funds set aside by Beijing. Peasants have signed dozens of petitions, often with their thumbprints, which have been delivered to the State Council and the Three Gorges Corporation, asking higher authorities to investigate corruption. One petition signed last month by peasants in the counties of Dazhou and Xiaozhou, in the Wanzhou district, complained that their representatives had been detained and threatened by local officials. Another petition claimed that a peasant representative had been knifed by local gangsters on the orders of a local official.

From South China Morning Post, 29 September 2000

PAKISTAN GOVERNMENT RECOUNTS ACHIEVEMENTS IN PERFORMANCE REPORT

The Government on Thursday released a performance report on the completion of its first year in office, listing six thematic achievements and reiterating its pledge to hold general election according to the time-frame given by the Supreme Court. The 79-page Report to the Nation was released at a news conference. Terming it a "factual, analytical and forward-looking report," Information and Media Development Minister Javed Jabbar said the report had taken stock of government's one-year performance. Expressing satisfaction over the performance, he said that unlike other military coups, which were well planned, the Oct 12 military takeover was sudden and without any planning. It took the government only a few days to give a seven-point agenda and assemble a team to run federal and provincial governments, he stated. He pointed out that unlike the past, the size of federal and provincial cabinets was kept minimum and called it "self-discipline". Similarly, he added, the government kept itself away from political parties and did not forge any alliance with any one. "If you look at the canvas of 12 months, in my humble opinion, the single focus point on which we concentrated was that we tried to practise and restore the values, the values that had disappeared." The minister elaborated that illegal perks of public office holders had become an accepted value but the present government reversed the wheel and restored the values by conducting itself in a transparent and upright manner. "The Government had been up-front. We spoke the truth and restored the credibility." He said that unprecedented freedom of expression had been granted by the government to the Press, adding that even the presidents of All Pakistan Newspapers Society and Council of Pakistan Newspapers Editors had acknowledged that the freedom enjoyed by the Press in Pakistan today was unprecedented. Asked why this freedom of expression had not been allowed to Kulsoom Nawaz who had been detained and stopped by the authorities on Wednesday night from making a public speech, the minister said that she was free to say whatever she wanted but within the four walls. "We have not debarred any one from speaking and there is no restriction. But she chose to violate the law." The minister described the accountability process as most successful. "I would respectfully disagree with the chief executive that the accountability process is slow," he said, adding, "in 50 weeks we had 42 convictions or one conviction every 10th day. I would like to see a judicial system with this outcome." He agreed that the National Accountability Bureau law was "tough" but hastened to add that courts had been "very fair". Accountability, Mr. Jabbar said, was being conducted across the board and applied to civilian and army officials alike. However, he explained, the army people had their "own system of accountability" and thus they could not be tried in civil courts. So far, he stated, there was no deviation from the course that had been chalked out by the Government on Oct 12, 1999. Another major achievement of the government, he said, was that it had showed "optimal respect" for civil laws. "We had to issue PCO (provisional constitutional order) but otherwise the courts are functioning (under normal laws)," he said. The minister did not agree with a questioner that the country had suffered economically due to the military intervention and referred to agricultural growth to justify his viewpoint.

He claimed that there had also been increased production in textile sector, which had spent \$500 million on modernizing plants. He stated that the government had taken "practical and purposeful" action on human rights by issuing juvenile ordinance, reserving 33 per cent seats for women in elected institutions, setting up a permanent commission on the status of women and releasing more than 42,000 people, who were languishing in jails after being convicted on petty charges. When his attention was drawn to a report by an international human rights organization that had criticized Pakistan's human rights record, the minister said: "There are deficiencies in our system but international organizations must be respectful of every country's sovereignty." He assured that the Government would strictly abide by the three-year tenure given by the Supreme Court for holding general election. "We have no intention to extend the tenure." The Government had not backed out on the Kalabagh dam issue but had "respected the sentiments of Sindh and NWFP governments," he said. Asked whether the Government was envisaging any permanent role for the army in the future political setup, the minister said that whatever steps would be taken by the Government would be well within the parameters defined by the Supreme Court. He stated that the Government had allocated Rs20 billion for the poverty reduction programme and more than 5,000 projects had been launched to generate employment. Besides the food support programme, he pointed out, the amount given to the needy and deserving from the Zakat Fund had also been increased from Rs350 to Rs500 a month. He admitted that political parties were essential for any democratic setup but asserted that they needed to practise democracy within their parties as well. The minister, indirectly refuting Begum Kulsoom's claim, said that the army had conducted its internal evaluation of the Kargil episode and added that no specific civilian body had been set up to examine the issue. After the military takeover, said Mr. Jabbar, India started violating the Line of Control and stepped up efforts to malign Pakistan in the cross-border terrorism. The Indians, he said, even staged a plane hijacking drama but failed to implicate Pakistan in that. Pakistan, he stated, exposed Indian charges of cross-border terrorism by asking India to depute international observers on the LoC, which it refused because of fear of being exposed. On the contrary, he said, Pakistan launched a peace offensive. "Our strategy was effective," he claimed, adding that despite its peace offensive Pakistan maintained a strong posture on the LoC. Pakistan, he said, withdrew its

troops from the international borders, offered mutual arms reduction to India, signed a no-war pact and cut its defense budget by Rs7 billion.

From Pakistan-Dawn, 12 October 2000

CORRUPTION NOT NEW IN PAKISTAN

People should not judge the performance of the National Accountability Bureau from the conviction and arrest of corrupt elements, but from the general disapproval of corruption and corrupt practices witnessed among the masses during the last one year. This was stated by NAB prosecutor-general Farouk Adam while speaking at a seminar held under the auspices of an NGO, Azadi, on Sunday. The seminar was also addressed by former caretaker prime minister Malik Meraj Khalid and Azadi Chief Muhammad Ali Durrani. Mr. Adam said the masses had reacted positively to the government initiative on accountability, but the major political parties were reluctant to accept the change. It was very disturbing that those convicted by courts on corruption charges were holding top offices in two major political parties. He advised the people to differentiate between fact and folklore about corruption as any confusion between the two resulted in disruption in society. Referring to the general perception about corruption in the army and the judiciary, he said there could be a few 'rotten eggs' in both the institutions, but it was unfair to give a blanket statement in this regard. Mr. Adam said corruption was not a new phenomenon, but was a legacy from the earlier period of our national history. He said there were three types of corruption prevalent in society. The first, he said, was transactional corruption which could be defined as a practice to get a genuine thing done swiftly in exchange of a small amount. The practice to get the course of justice changed in one's favour constitute the second kind called variance corruption. The third was the purchase of civil servants. He said the two earlier forms were bearable, while the third one was very dangerous for society. The prosecutor-general said the government was aware of the demand being made by certain quarters that it should hang corrupt elements publicly, but it was unable to do so due to its international commitments. It was possible for a government in Pakistan to act in disregard of international opinion about 20 or 25 years ago, but it was no practicable right now. "We do not need political martyrs," he said. Mr. Meraj Khalid said the government had been demanding disqualification of the ruling class. But the Government did not take the masses along and ignored the public demand. He said the armed forces were pro status quo and reluctant to take drastic steps.

From Pakistan-Dawn, 15 October 2000

EUROPE

LATVIAN GOVERNMENT, FOREIGN INVESTORS DISCUSS CORRUPTION

Prime Minister Andris Berzins and the Foreign Investors Council met on 3 October to discuss corruption in Latvia. Prime Minister Berzins challenged the group to name those involved in corruption, saying "if we want to eliminate this evil, we have to start talking openly." "Let us start with who those [people] are and have them take responsibility," BNS reported. No specific cases of corruption were mentioned, however, although the problem of a 400 percent real estate tax imposed on foreign investors in the town of Broceni was raised. Council member Jukka Harmala said that Latvia is "not that corrupt at all and that the government has been taking into account council proposals." At the same time, he noted that 19 of 54 recommendations made by the council have not been adhered to, LETA added.

From Radio Free Europe, 4 October 2000

POLICIES STEERING RUSSIA TO CORRUPTION

Rep. Christopher Cox, California Republican and chairman of the House Policy Committee, and members of the Speaker's Advisory Group on Russia have just published a most devastating report on Russia's road to corruption, in which the Clinton-Gore administration is found guilty of failing the Russian people and exporting government instead of free enterprise to Russia. They strengthened the central government with inappropriate and misunderstood policies toward a post-Cold War Russia. Despite the fact it is a Republican partisan report, all of the indictment can be found in the American press and media over the past eight years, as the footnotes to the report demonstrate. The report also had the benefit of an advisory group that includes Democrats, Republicans, Russian and American diplomats, scholars and experts. It is impeccable scholarly and policy analysis of the Clinton-Gore foreign policy toward Russia. The major indictees are Vice President Al Gore, Deputy Secretary of State Strobe Talbott, and then Deputy Treasury Secretary Lawrence Summers. Under this troika, according to the report, "By focusing on strengthening the finances of the Russian government and on transforming state-owned monopolies into private monopolies, instead of building the fundamentals of a free enterprise system, the Clinton administration ensured that billions in Western economic assistance to Russia would amount to mere temporizing." The main culprit, of course, is President Clinton, who was unwilling to involve himself in foreign policy generally, and in critical issues of the U.S. policy toward Russia specifically. This administration forfeited a monumental historical opportunity to design an American post-Cold War policy that could usher Russia into the democratic Western world and into free enterprise. Compare this with Harry Truman, who succeeded in helping design a policy that moved Germany from its Nazi ignominiousness into a Western democratic society and restored Germany as a part of European and Western civilization. Mr. Clinton did not have the vision to do for Russia what Truman did for Germany. Truman did not leave the German-European Cold War policy to his vice president. Truman and his most senior advisers were responsible, as a commander-in-chief should be, for dealing with the most significant event after the utter defeat of Nazism. For 50 years we waged a Cold War to bring an end to the

Soviet Union. When the end came, President Clinton had no historical or intellectual understanding of the significance of turning Russia away from central government and authoritarianism. He delegated his leadership responsibility in this area to the vice president, which meant it actually went to chief Russian adviser, Strobe Talbott. "The structure of the policy-making troika left the rest of the government either unwilling or unable to critically assess the direction of the Clinton administration policy." The Cox report lists other fundamental flaws of the Clinton administration Russian policy: A strong preference for strengthening Russia's central government; a close personal association with a few Russian officials who were among the main culprits of the corruption, especially with the corrupt former Prime Minister of Russia Viktor Chernomyrdin, who amassed more than \$5 billion during the manipulation of privatization of energy after the collapse of the Soviet Union; a narrow focus on the Russian executive branch at the expense of the emerging democratic forces outside the Kremlin; "an arrogance toward Russia's nascent democratic constituencies that led to attempts at democratic ends through decidedly non-democratic means"; and, above all, in light of increasing corruption and mounting evidence of the failure of their policies, the troika was unwilling to recognize their monumental errors and continued to support a failing policy. Mr. Clinton effectively delegated the management of U.S.-Russian relations to Mr. Gore in April 1993 with the establishment of the Gore-Chernomyrdin Commission, the function and structure of which "offered a perfect blueprint for the eventual failure of the entire Clinton administration policy toward Russia. By superseding normal policy-making and well-established intra- and intergovernmental channels of communication, the Gore-Chernomyrdin Commission would come to impede the information flow to decision-makers in Washington distracted Russian government officials from what should have been their main focus: constructing the essential elements of a free enterprise." The most critical indictment, next to the absence of the president, is the report's finding that the Gore-Chernomyrdin Commission "contributed to a deliberately uninformed U.S. policy toward Russia." The report faults the administration for failure to establish basic legal elements of free enterprise that would have replaced communism and could have prevented the conditions that helped organized crime to flourish. "Privatization" of government entities in Russia should have taken place under an independent legal system, not connected with the Kremlin. Courts, business law, the enforcement of property rights, should have been part of a system independent of central authority. This would have brought an end to the oligarchical economy, and to the corrupt financial moguls that were part of the Yeltsin court, which was supported by the troika. According to the report, President Clinton compared Mr. Yeltsin to Abraham Lincoln. What an oxymoron. The administration encouraged disregard for the legislative branch of the Yeltsin administration, and thus played a part in undermining the growth of pluralistic, democratic government in Russia. In the area of weapons proliferation, the failure of the Clinton administration's economic strategy for Russia was found to have a profound effect on America's national security interests. The one industry in which Russia enjoyed a true comparative advantage in the global market, according to the report, "was its military hardware, weaponry, and related technology." This critical non-privatized industry became a source for corruption and for selling weapons to rogue states like Iran, Iraq, Korea and elsewhere. It could have generated hard currency and put hundreds of thousands of unemployed Russians back to work. Instead, it became involved in organized crime. The Cox committee's recommendations include: "A stable, secure, democratic and prosperous Russia is a vital American interest"; a legal foundation for a free enterprise economy. They recommend rethinking the economic strategies the Clinton administration adopted. An end must come to "unconditional subsidies to the Russian central government", and an end to concealing failures in U.S.-Russian relations, which have been "a hallmark of U.S.- Russia policy during the 1990s." Stop misleading the American people on U.S.-Russia policy. "President Clinton failed to make the reconstruction of Russia at the end of the Cold War his priority. The president must lead."

From Amos Perlmutter (Prof. of political science and sociology), 27 September 2000

FIGHTING CORRUPTION IN RUSSIA

Corruption in Eastern Europe and the post-Soviet states is "reaching new heights and posing new challenges" both to the countries of that region and to international institutions which seek to help them, according to a World Bank report issued in advance of that organization's annual meeting this week in Prague. The challenges to the countries of this region are obvious: If they do not move quickly and effectively to fight corruption, the 250-page report says, the costs to them will be "extremely high" in the form of lower economic growth, less foreign investment, and greater domestic cynicism about moves toward a free market. Even worse, the authors of the report say, corruption having become institutionalized in these states now hits new companies there far harder than it does state-owned enterprises or already privatized enterprises, a pattern that strikes at the most dynamic part of the economy and thus casts a shadow over the economic future of these states. The extent of the problem was signaled earlier this month when Transparency International released its annual Corruption Perceptions Index ranking 90 countries according to surveys of business people and the public in those states. Only two of the former communist countries -- Estonia and Slovenia -- were in the top third of the ranking as among the least corrupt -- and even they were 27th and 28th, respectively. Most former communist countries were in the middle third. But some of the largest -- including the Russian Federation, Ukraine, Kazakhstan, Uzbekistan, Azerbaijan, and Yugoslavia -- were in the bottom third, among the most corrupt. Indeed, Russia ranked 81st out of 90, and Yugoslavia was 89th, exceeded in corruption only by Nigeria. The World Bank report says that even those countries which have launched anti-corruption campaigns often have failed to follow through. Or what has been still worse, it continues, they have conducted these campaigns for the political benefit of one part of the elite rather than for the goal of instituting "key structural reforms." But the challenges that corruption in these countries pose to international institutions may be equally great, the report entitled "The Quality of Growth" suggests. Over the last decade, the World Bank and many other Western institutions and governments have viewed privatization, liberalization, and macrostabilization as both a necessary and sufficient means to overcome the legacy of the communist past. The continuing growth of corruption, the authors of this report argue, indicates that these institutions, just like the countries in this region themselves, must devote more attention to the development of effective legal systems, greater political participation, and the social welfare infrastructure that largely collapsed along with the old communist regime. And at the same time, these Western countries

have seen corruption from the post-communist countries spread into their own countries as those who have received such illegal gains seek to launder them through Western banks. The World Bank report appears to represent a potentially significant shift in the way the bank does business with this region. Some critics of the bank insist that its loans, made on the basis of the old paradigm of how to promote economic change, have only added to the problem. But bank officials, including the authors of this report, insist that they have already begun to factor in its conclusions as they make decisions about new loans. To the extent that this document does become a turning point at the World Bank, its basic argument would suggest that that international financial institution may now invest more in social and political infrastructure, helping to build better court systems and other programs as a means to promoting economic change. That would mark a major departure from the bank's past approach. Moreover, such recommendations could put it at odds with some of the preferences expressed by some of the governments who are its largest shareholders who likely will continue to press for money to go to strictly economic projects. But even if that happens, this report is likely to play an important role in sparking a new debate in the West over just what it will take to help the formerly communist countries of this region make the transition and thus contribute to a better understanding of both the possibilities these countries have and the difficulties they and the West continue to face.

From Radio Free Europe, 27 September 2000

CORRUPTION IS OBSTACLE TO CZECH EU ENTRY

The Czech Republic has speeded up the process of taking over European legislation, but its weak and corrupted public service is an obstacle to the country's entry into the EU, it follows up from an EU enlargement analysis by the EU's Union of the Industries (UNICE). In its latest analysis the UNICE supports the entry of all 13 candidate countries into the EU. Nevertheless, it points to problems noticed by European and domestic companies in individual candidate countries, and assesses the countries' progress from the business point of view. The UNICE, a confederation of big employers, says the Czech Republic meets the Copenhagen political criteria and can be viewed as a functioning market economy, which is able to cope with competition within the EU, though there are widespread expectations of illegal payments in the country, both inside and outside the government, the UNICE says. Besides the Czech Republic, it criticizes Romania, Latvia and Lithuania for swelling corruption, and to a lesser extent also Poland and Estonia. The UNICE calls on the Czech Republic to continue the restructuring and privatization of its economy. It calls for a more effective state administration, mainly the customs system. It says that the system of commercial courts is undeveloped in the Czech Republic, and improvements are necessary in legislation covering banking, investment funds and bankruptcies. Liberalization of prices must continue, and discrimination against foreign companies, mainly pharmaceuticals ones, must stop, the document says. The telecommunications market should be liberalized as well, and its operator should be independent and capable of enforcing law. The UNICE, together with the European Union Confederation and the European Commission, is one of the three main protagonists of social dialogue on the EU level.

From Czech Today, 13 October 2000

CONFERENCE ON RUSSIA HIGHLIGHTS CONCERN OVER CORRUPTION

Concerns about corruption, taxes and investment in the energy sector dominated the last day of a conference on Russia held at Harvard University in the United States. The Itera Group of gas companies faced questions about its ownership, and Anatoly Chubais, the head of the EES energy systems utility, again tried to dispel allegations of corruption made by a U.S. congressional committee. Our correspondent attended the gathering and filed this report: The president of Itera Group, the fastest-growing energy company in Russia, was hammered with questions about the firm's ownership Saturday (Oct. 7), the last day of a Harvard University conference on Russian investment. Itera, which has taken over a series of Russian gas deals and developments, has been at the center of concerns about Gazprom, the Russian monopoly which is the world's biggest gas company. Since its first experience with the gas business in Turkmenistan in 1994, Itera has expanded its operations to include 120 subsidiaries in 24 countries. Most frequently, it has been known as the marketing partner of Gazprom, handling sales and transport of Russian gas to other CIS countries. But Western analysts and Russian reformers have repeatedly questioned whether that growth has been the result of asset transfers from Gazprom to hide profits. The issue is critical because Gazprom, which generated 8 percent of Russia's gross national product in 1998, is 38 percent owned by the state. This month, the Audit Chamber of the Russian State Duma launched a full-scale review of Gazprom's finances, but previous probes involving Itera have so far been unable to get at the facts. Western analysts have also been stymied in their efforts to find out who owns Itera and why Gazprom has apparently turned over so much of its business to the company, which has corporate offices in the U.S. southern state of Florida. Stephen O'Sullivan, the head of research for the United Financial Group of Moscow, spoke at a panel at the Harvard conference. He told the group that Itera had come from nowhere to be a major player among the world's most closed gas markets. O'Sullivan says that while Gazprom's production has fallen, Itera's has risen. He says that while Gazprom may deny that there are links between the two companies, investors don't believe them. Those doubts were echoed in audience questions from analysts of the investment firm Troika Dialog, who asked about Itera's ownership. Valery Otchertsov, the president of Itera Holding Limited, also appeared on the panel. He told participants that Itera is 100 percent privately owned, meaning that the Russian government does not have a stake in the company. He also said that Gazprom does not have a stake in Itera or in any of the 120 companies that comprise it. The friction between Itera's management and investment firms marked one of the few moments of open discord during the three days of the U.S.-Russia Investment Symposium, organized by Harvard's John F. Kennedy School of Government in conjunction with the British newspaper The Financial Times. But the issues of what are called Russia's "natural monopolies" and legal reform in the country came up often in remarks by participants. On Friday, the international financier and philanthropist George Soros was asked

by RFE/RL whether monopolies like Gazprom, the EES electricity system, and the Transneft pipeline network should remain under state control. Soros said, "not necessarily." He said he thinks the Russian Government needs a large share to preserve the national interest, but that the rest should be broken up or privatized and sold to investors. On Saturday, Mikhail Khodorkovsky, the chief executive of Russia's giant Yukos Oil Company, made a plea for further reform of the tax system in conjunction with the government's efforts to crack down on transfer pricing schemes. The schemes involve selling products at low prices from one company to another in order to avoid high taxes. Also speaking Saturday, by video link, EES chief executive Anatoly Chubais, promoted his restructuring program for the electricity system. Unless it is implemented, he says that EES will not be able to attract over \$5 billion in investment that is needed for 10 projects to modernize power generation. He says the result will be that Russia will become an electricity importer by 2005. At the meeting, a Chubais aide also made a point of distributing hundreds of copies of a letter to U.S. congressman Christopher Cox, who recently released a report claiming the CIA has information on corruption among top officials including Chubais, a former first deputy prime minister. In his letter, Chubais said he has "never been involved in any corrupt act," adding that he is prepared to meet those responsible for the allegations "in a court of law."

From Radio Free Europe, 10 October 2000

MIDDLE EAST

IRAN LEADER REVIEWS REFORMS WITH HEADS OF THREE GOVERNMENT BRANCHES

Tehran Heads of the three government branches called on the Leader of the Islamic Revolution, Ayatollah Ali Khamenei, Monday night in which meeting the need for implementation of reforms in the society within the Constitution was stressed. The meeting also emphasized that elimination of poverty, corruption and discrimination should top the agenda of reforms. It was noted that the Judiciary and executive branches should make joint efforts to remove corruption and discrimination in all government-run apparatuses and nongovernment-run entities. The visitors also reiterated Iran's effort in its capacity as the chairman of the Organization of Islamic Conference (OIC) to support a holy war (jihad) against the Israeli atrocities which have so far claimed over 100 Palestinian lives. The same group of officials along with head of the Expediency Council (EC) had a primary meeting on the same subject in August. President Seyed Mohammad Khatami, Majlis Speaker Mahdi Karrubi and Judiciary Chief Ayatollah Seyed Mahmoud Hashemi Shahrودي along with Expediency Council Head Akbar Hashemi Rafsanjani met to define what reform means in the Islamic society." Various political factions and personalities have given different definitions of reform which is frequently mentioned by President Seyed Mohammad Khatami after his 1997 election. Many believe that the culmination of the Islamic Revolution in 1979 was itself a political, social and cultural reform based on Islamic principles. In July, the Leader commented on the issue of reforms. He said reforms mean the removal of poverty, discrimination and corruption and most of the people of Iran supported what he said while touring Ardebil Province. The controversy about what reform is still continues. Some people say that the government has nothing to do with the reforms and the people are responsible for that. Others say the people have nothing to do with the reform and the Government should do everything. At the time of the primary meeting President Khatami explaining the controversy underlined the fact and said, "I believe that the government is responsible for the reforms, for it has authority." Islamic Iranian Participation Front Chief Mohammadreza Khatami, brother of the president who is top vote-getter in the Sixth Majlis elections, then said it's not the duty of the government to define the reforms, people themselves should define it. Observers, however, believe that the forthcoming meeting of the heads of the three branches of the government can clean the slate.

From Iran-Tehran Times, 18 October 2000

Civil Services & Ethics in Public Sector

AFRICA

'UGANDA GOVERNMENT ORGANS ARE CORRUPT'

The Inspector General of Police, John Kiseembo has said the majority of Uganda Government organs are corrupt. Kiseembo was opening a two-day workshop for Police officers and civic leaders of Rakai district in Lyantonde Town Council Hall on Thursday. "No organ in the Government is free from corruption." Kiseembo said it was rare to recruit an honest Police officer because most of them come from an already corrupt society. Kiseembo decried the failure of Government to put up enough houses to accommodate Police officers. He said the tendency of referring to the Police as a public enemy started during colonial days when the Government had to suppress people. "We are about 14,000, but only 7000 of us have good accommodation. The Government should look into the problem," he said. "Now we want to mould the Police into a proper force that will foster peace and maintain law and order by involving the community in crime prevention," he said. He warned the participants to avoid bribes and immoral behaviour that tarnishes the image of the Government. Kiseembo said the Police officers were waiting for the uniports that the President had promised.

From allAfrica.com, 3 October 2000

PUBLIC SERVICE UNIONS SIGN WAGE AGREEMENT

Seven of twelve public sector unions signed a wage agreement with the government, accepting its six-and-a-half percent wage increase, the Public Service Co-ordinating Bargaining Chamber said on Friday morning. Chairman Edwin Molahlehi told Sapa the deal was signed at 2am on Friday morning. Conciliation proceedings with three other unions would continue this morning. Molahlehi said the seven unions were the Cosatu-affiliated South African Democratic Teachers' Union (Sadtu), the National Public Teachers' Organisation of South Africa (Naptosa), the National Public Sector Workers' Union (NPSWU), the Public and Allied Workers Union of South Africa (Pawusa), the Public Servants' Association (PSA), the South African Police Union (Sapu), and the Suid Afrikaanse Onderwysers Unie (SAOU). Molahlehi said he would be meeting the National Educational, Health and Allied Workers Union (Nehawu), the Police and Prisons Civil Rights Union (Popcru) and the National union of Public Service Workers (Nupsaw) on Friday morning. Nehawu and Popcru are also affiliated to the Congress of SA Trade Unions. Two unions, the Hospital Personnel Trade Union of South Africa (Hospersa) and the Democratic Nursing Association of South Africa (Denosa), declined the government offer.

From S. Africa-News24, 29 September 2000

NO SACRED COWS IN NIGERIA ANTI-CORRUPTION DRIVE, SAYS OBASANJO

The Federal Government is not inclined to either shield or spare any elected public office holder facing allegations of criminal conduct, President Olusegun Obasanjo declared yesterday in what appeared as government's position on the raging controversy over immunity for elected officers. Obasanjo who again handed down an emphatic no to advocates of state police, stressed that the mandate given to public office holders by the electorate did not in any way place them above the law. He spoke yesterday at the commissioning of 1,000 *Toyota Prado* jeeps donated to the police and other security agencies by the Association of Local Governments of Nigeria (ALGON) in Abuja. Noting that it is necessary for public officers to exhibit exemplary leadership by virtue of their offices, Obasanjo pointed out that they were the authentic custodians of laws. He said: "Your mandate does not place you above the laws. If anything, your mandate makes it imperative for you to obey the laws of the Federation. You must show good example to the followership. "Nobody, nobody, I repeat, nobody, nobody is above the law. If you commit any criminal offence, I will not arrest you, the Inspector-General of Police will do that". The president, therefore, advised council chairmen against violating any Federal law in their pursuit of autonomy. He praised them for their contributions to government's efforts at combating crime instead of pursuing a private police force. "Instead of trying to establish a private police force in your local government, you have come together to strengthen the Nigeria Police Force", he told members of ALGON. For advocates of state police, Obasanjo had a task for them: Redirect your energies toward making the force perform its constitutional responsibilities. The president also remarked that as grassroots leaders, local council chairmen were in a better position to gauge their people's mood, and urged them to always strive to deliver democratic dividends through well-planned projects. Earlier, ALGON's National President Joseph Jella said the security support scheme was evolved at a national executive council meeting in Yola, Adamawa State, last February. Tella said government's programmes would come to nought without enhanced security system and called on governors to also assist the Federal Government in combating crime through the involvement of an air surveillance system. On the vexed issue of the relationship between local councils and states, he contended that autonomy and sovereignty of each sphere must be respected to make democracy thrive in the country. He said: "It is also wise to emphasize, at this point, that respect for our sovereignty and for the autonomy of each sphere of government, must be considered an imperative, if this democracy is to last". He argued that the relationship between both tiers of government should be based on genuine partnership and complementary in the interest of the masses. "The relationship between the various spheres of government should therefore be complementary and based on genuine

partnership in the interest of the masses that we govern. Democracy, your excellency, starts and ends with the grassroots (the voters). That was why the transition to democratic governance started with the most keenly contested elections, and which experienced the highest turnout of voters i.e. the local government elections", Jella stated. Police Inspector-General, Musiliu Smith, assured that Nigerians would soon be treated to quick responses to distress calls with the implementation of a presidential directive to recruit 40,000 personnel yearly. He asked ALGON to assist the police with spare parts for the jeeps valued at N4.1 billion and training of police mechanics.

From Nigeria-Guardian, 18 October 2000

SOUTH AFRICA 'S CIVIL SERVICE 'ROTTEN TO THE CORE'

Corruption in South Africa has reached "epidemic" proportions, demanding hard-hitting laws and a more ethical environment, say business and political leaders. Addressing a two-day Anti-Corruption Conference for national and provincial Public Works Department officials, National Director of Public Prosecutions Bulelani Ngcuka said the urgency of addressing the problem and creating mechanisms to combat it "could not be underestimated". "Corruption has a debilitating and widespread effect on development and business ethics. Corruption and fraud subvert the natural order - decisions are no longer qualitative," said Advocate Petrus Marais, national managing partner of KPMG. Business Against Crime national director Allan McKenzie said: "Corruption by and between individuals in the public and private sectors has the potential to undermine good governance and wealth creation." Ending corruption formed part of the long-term process to transform government and South Africa's leaders were intent on running an honest and clean administration, Public Works Minister Stella Sigcau told delegates. Public office bearers had to create an environment in which any person can report corruption and extortion without fear of victimisation, she said. Ngcuka said amendments to make corruption laws affecting government officials more hard-hitting were recently tabled with the justice portfolio committee in Parliament. "South Africa's legislation needs to be reviewed. We are in favour of the Hong Kong law - the Prevention of Bribery Ordinance," he said. In terms of the Hong Kong law, public officials in Hong Kong who exhibit a lifestyle above their official means are prosecuted unless they can prove they possessed this wealth legitimately. Ngcuka said the Public Works Department was the most corrupt in government, but several measures had been taken to change this. Marais warned that a corrupt government and business environment became self-perpetuating, as honest participants finding themselves excluded from the game adopted the "if you can't beat them, join them" maxim. McKenzie noted a recent survey had found that 79% of civil servants in South Africa felt the civil service was corrupt and only 30% thought enough was being done about it. He said continued public private sector corruption could derail the commendable efforts of national government to create wealth.

From S. Africa-Daily Mail & Guardian own correspondents, Johannesburg, 26 October 2000

ASIA/PACIFIC

SINGAPORE CIVIL SERVANTS CAN TAKE PAID TIME OFF

Civil servants who need to take time off from work to care for their kids can take unrecorded leave while childcare centres remain closed. The Public Service Division has urged all ministries and departments to grant paid time-off and flexible working arrangements for staff who cannot make alternative childcare plans -- so long as their work is not essential. It said this was necessary as the precautionary measure to shut day centres for children under five, to prevent the spread of hand, foot and mouth disease, could cause inconvenience to working parents. The Manpower Ministry, in consultation with the NTUC and Singapore National Employers Federation, yesterday also issued a call for employers to adopt an "enlightened approach" and exercise flexibility in granting leave -- be it annual leave, unrecorded leave, no-pay leave or other arrangements -- to staff to help them cope with the childcare centre closures. If employers were unable to grant leave, then they should provide support to their employees so that alternative arrangements could be made, the ministry added. Several private companies have done just that. Managers from Internet group Silkroute Holdings called all 250 members of its staff on Sunday and told them they could take paid time-off to sort out alternative care for their children without having to use vacation leave. Singapore Cable Vision, which has a 750-strong workforce, is another company that is granting all affected employees paid leave. But other employers have different arrangements. Singapore Press Holdings and F&N Coca-Cola (Singapore) are two of many organisations that are allowing staff to take time-off at short notice, but are counting it as annual leave. The human-resource department at Changi General Hospital has so far received few calls from employees who are having problems making alternative childcare arrangements. But a spokesman said that precautionary measures have been put in place to prevent a shortfall of staff should the situation get worse. These include recalling nurses from training. Singapore Airlines is one of the few companies which do not need to respond with special measures to the current situation. It already has a childcare leave scheme of up to 14 days a year for mothers who need to take time off to look after their sick children who are under six years old. Staff are using this allowance during the closure.

From Singapore Straits Times, 3 October 2000

HONG KONG: NO RIFT WITH CIVIL SERVANTS

Hong Kong Chief Executive Tung Chee Hwa downplayed reports of a rift with his senior advisers, saying differences of opinion were a good sign. "In a government, just like in your home, there are bound to be different opinions. That is a good sign and I welcome it," he told reporters while attending a government banquet to mark the Chinese National Day celebrations on Wednesday night.

"After a decision is made on policies, I can tell you that all civil servants fully support and implement them," he said, according to an official transcript. Mr. Tung's remarks came after Chief Secretary Anson Chan was told by Chinese Vice-Premier Qian Qichen on Tuesday to support him better. Mr. Qian's remarks fuelled persisting reports of discord between the Hongkong leader and Mrs. Chan, who heads the 190,000-strong civil service, on a range of issues. The Chief Executive said the Chinese leader's remarks were not an interference in Hongkong's affairs. "Mr. Qian just wanted to encourage the civil servants, because they are facing a lot of pressure and challenges," he said, apparently referring to his plan to reform the bureaucracy, which is opposed by many civil servants. Mrs. Chan, who attended the banquet after returning from a three-day visit to China, also dismissed talk of a rift with Mr. Tung. Such reports, she said, "are colourful and they are imaginative but they don't seem to bear much resemblance to what actually went on during my discussion with the Vice-Premier for over an hour". It is entirely appropriate and very natural that he should at the same time encourage the civil service to continue to assist the Chief Executive in the successful implementation of "one country, two systems". She was referring to the policy for Hongkong to have a high degree of autonomy for 50 years after the 1997 handover. "I can say that I did not have the slightest impression that the Vice-Premier was either giving me a reprimand or in any way interfering in the affairs of the SAR government," she said. SAR refers to the Special Administrative Region of Hongkong. "It is very appropriate that he should be concerned about what goes on in Hongkong," she added.

From Singapore Straits Times-Asia, 29 September 2000

FORMER INDIAN PREMIER JAILED FOR CORRUPTION

A former prime minister of India and one of his senior cabinet colleagues were sentenced yesterday to three years in jail for corruption, after being convicted of bribing opposition MPs in a crucial confidence vote in 1993. P V Narasimha Rao, 79, the former Congress party premier, is the first Indian prime minister to be convicted of criminal charges. He paid 16.8m rupees (about £340,000 in 1993) to four MPs to secure their support in parliament. His conviction, with that of Buta Singh, came late last month, almost exactly four years after the investigation began into the allegations of vote rigging. Nine others accused in the case were acquitted because of insufficient evidence. The Congress party had already begun to distance itself from Rao after the investigation was opened and Sonia Gandhi became leader of the party, but the jail sentence will do little to enhance the opposition party's flagging fortunes. Both men were given two three-year sentences, which are to run concurrently, and they were fined Rs100,000 (£1,500) for their part in winning a crucial no-confidence vote in July 1993. During the five-year reign of the shaky Congress coalition, Rao and Singh paid off the four MPs from the opposition regional party Jharkhad Mukti Morcha to ensure the government's survival. The charges laid against Singh said that he had been instrumental in transferring the sums of Rs4.2m to each of the four MPs. One of the four, Shalindra Mahato, later turned state witness and became the mainstay of the case for the prosecution. The judge at yesterday's hearing set bail of Rs200,000 for Rao and Singh to allow them to appeal against the sentence before 8 November. The former prime minister's lawyers had appealed for the judge to show leniency in view of Rao's long history of public service, his age and his heart condition. The three-year sentence was widely seen by observers as a compromise between six months and seven years, the limits for such a conviction. Rao took office in 1991 after the assassination of Rajiv Gandhi at the hands of Tamil Tiger suicide bombers out to avenge the Indian government's involvement in the Sri Lankan conflict. The Congress government moved forward quickly to liberalise and reform the Indian economy, a process that inevitably ran into stormy political opposition, which threatened the minority administration's future. However, Rao, who had also held the post of party president, quit after Congress's humiliating defeat in the 1996 general election. Rao was earlier cleared in another bribery case, but still faces other charges of cheating a pickle baron, Lakhubhai Pathak, out of £66,000 after promising to arrange pulp-paper supply contracts for India that never materialised.

From UK-Independent, 13 October 2000

SOUTH KOREAN CIVIL SERVANTS' PENSION PREMIUMS TO INCREASE

Monthly pension premiums for civic servants will be raised by 1.5 percentage points from the current 7.5 percent to 9 percent from next year as part of the Republic of Korea's efforts to keep the pension fund afloat. Despite the planned hike in premiums, retired civil servants are predicted to receive one percent less in pension benefits than the current amount. The Government has decided to make the adjustments in a desperate bid to tackle the rapidly draining pension fund and a surging number of early retirees following civil service reform. Believing the hike is not enough for the stable operation of the pension fund, the government also plans to mobilize annually an estimated 900 billion won in taxpayers' money. The additional money is equivalent to 5-6 percent of civil servants' monthly wages. The Ministry of Government Administration and Home Affairs yesterday announced a revision draft of the civil servants pension law designed to implement the premium hike. The ministry plans to submit the bill to the National Assembly by the end of this month. The new pension premiums will be imposed from January next year if the bill gets parliamentary approval as scheduled. Civil servants immediately protested the envisaged jump in pension premiums, criticizing the government for trying to force its employees to shoulder more burdens for the pension fund. They claimed that the government has mismanaged the pension fund due to its misguided policy. Civic groups also opposed the injection of taxpayers' money into the pension fund for civil servants, saying that the government is plotting to redistribute wealth to retired civil servants at the sacrifice of ordinary citizens. Civil servants are currently required to pay 7.5 percent of their monthly salaries for the pension scheme, while the Government injects another 7.5 percent into the fund. Under the revised law draft, the pension premiums will be increased to 9 percent for both the government and its employees in order to raise an additional sum of 1 to 1.3 trillion won a year. An accumulated volume of the pension fund amounted to 6.2 trillion won in 1997. The sum declined to 1.2 trillion won at the end of June because many government officials retired under the civil service reform following the 1997 financial and economic turmoil.

The Government predicted that the pension fund may record a deficit of 1.6 trillion won next year and 10 trillion won until 2005 if the pension premiums are not raised. The number of pension beneficiaries soared to 140,000 as of June 30 this year from 1,800 in 1980. The explosive increase was attributed to the aging society and the restructuring of government organizations. The Government is also pushing for the introduction of a minimum age limit for eligible pension beneficiaries. The age limit will be set at 50 next year and expanded gradually to 60 over the next 10 years. According to the present regulations, civil servants serving 20 years or longer can receive pension payments immediately after their retirement regardless of their age. The amount of monthly pension benefits will be determined in accordance with an average of last three months' wages for a retiree, different from the current last month's wage. The change will help the pension fund to save 42 billion won per year, while retirees are expected to get one percent less benefits than the present sum. The Government also plans to adopt the consumer price index as a yardstick to adjust pension payments according to the inflationary pressure, not by way of the current wage increase rate. The use of the price index will enable the pension fund to save money because the price is predicted to grow an annual average of 3.5 percent over the next 10 years, while wages are set to grow 5 percent. A joint group representing civil servants and teachers called for the withdrawal of the new pension regulations. "The Government should take responsibility over the ill-management of the pension fund. It is just trying to pass the buck to civil servants," said Park Chae-bom, secretary general of the group. The Citizens' Coalition for Economic Justice (CCEJ) also urged the Government to take more fundamental measures to reform the pension scheme to solve its structural problems. The CCEJ slammed that the proposed injection of taxpayers' money will inevitably increase the burden of the people.

From Korea Times, 9 October 2000

HONG KONG TO CONTINUE IMPROVING CIVIL SERVICE

The Government of the Hong Kong Special Administrative Region will hold extensive consultations and communicate with the staff side in a thorough, open and transparent manner before any new measures are introduced. Secretary for the Civil Service Joseph W P Wong made the remarks in Hong Kong Monday when briefing the Legislative Council's Public Service Panel on the new initiatives and major tasks of the Civil Service Bureau (CSB) in the coming year. Wong stressed that the Bureau's main duty was to build up mutual trust and unity among the staff sides, departmental management and civil servants at all levels through strengthening communications. Wong said the CSB planned to start a pilot scheme on team-based performance rewards in selected departments next year. "Our initial idea is that staff in the top performing teams in participating departments should receive a reward set at about half of the officer's substantive monthly salary, to be financed with departmental savings arising from the Enhanced Productivity Program," he said. Wong also highlighted a three-year training and development program to be launched from 2001/02 to 2003/04 to improve the quality of the civil service through training, for which 50 million HK dollars (US\$64 million) will be sought from the Finance Committee. Wong noted that a Quality Service Enhancement Award has been launched this year to further promote the concept of customer service in the civil service. "Teams showing significant improvement in customer service in the past three years will be awarded. There will be 20 awards with the champion receiving an award of 80,000 HK dollars (US\$1,025)," he said.

From China Daily, 16 October 2000

CHINA CUTS NOTARIES FROM GOVERNMENT PAYROLL

Starting this month, China will push forward a nationwide reform to cut 18,000 its notaries from the government payroll, senior legislator Jiang Chunyun said in Beijing on Wednesday. "But that by no means that authority, seriousness, fairness and accuracy of notary papers shall be compromised," warned Jiang, vice-chairman of the National People's Congress Standing Committee. According to a State Council document, notary offices shall be affiliated with the government as a public undertaking, and authorized by the government to issue notary papers that represent the authority of the state. However, they will be independent economic entities having full authority for management and responsibility for profits and losses. "Such practices are in line with the norm of conducts recognized by the international community," Jiang told the meeting on the implementation of the State Council plan, adding that the reform will better facilitate the profession to adapt to situations after China joins the World Trade Organization. Minister of Justice Gao Changli said today that the reform will be a gradual process and the government will work to ensure its success. China began reforming its notary system in 1993, and in 1994, a national conference decided to transform the country's notary system from a governmental one to a institutional one. Currently, some 20 percent of China's notary offices have been turned into professional institutions. Meanwhile, quality examination of China's public notaries will be opened to the public. In the coming national notaries examination in September, more than three-fourths of the applicants are from outside the notarial service system. According to the reform plan, a notary compensation system will also be instituted, so as to promote notary agencies to become real institutional legal bodies, which can independently conduct business, bear liability, and carry out the functions of notarization following market rules and the operation of self-regulation. China now boasts some 3,200 public notary offices. Created in the early 1950s, China's public notary system was abolished in 1957 and then resumed in 1978. In 1982, the State Council promulgated China's first public notary regulation, the Interim Regulation on Public Notary of the People's Republic of China.

From China Daily, 19 October 2000

AUSTRALIA PUBLIC SERVICE REVAMP

Canberra drivers are the most reckless, lead-footed drivers in the nation, according to a new survey by insurance giant AAMI. However, we are also the most tolerant of slow older drivers, and the least likely to engage in road rage. The sixth annual "Crash Index" survey, conducted by Sweeney Research, surveyed about 770 drivers across Australia. It found the attitude of Canberra drivers to be the worst in the country, with speeding, ignoring red lights, drink-driving and general complacency some of the main offences. "Despite the introduction of speed cameras in the ACT, Canberra drivers still have a cavalier attitude to speeding," AAMI ACT Manager John Crommie said. This may be attributed to the fact that most drivers knew where to expect the cameras, recognised the white van, and slowed down accordingly, he said. It did not take them long to return to their previous speed. "The same applies to drink-driving," he said. Twelve per cent of motorists believed it was okay to drive after a few drinks if they "felt capable". The same number admitted they would risk driving that 1km home, even if they had drunk too much. While lenient court sentences might be influencing this attitude, there were other factors at play, including a general disregard for society's rules. "Unless we accept the fact that we need to modify our behaviour, we are going to continue to have unacceptably high vehicle accident and fatality rates." The survey revealed those convicted of drink-driving were more accepting of such behaviour, suggesting they were likely to re-offend. Drink-drivers were also the most tolerant of those who drove under the influence of drugs. Canberra motorists differed from the national average, however, when it came to tolerating older drivers. Nationally, 50 per cent of those surveyed believed older drivers should have to apply for licence renewal annually, and 75 per cent believed older drivers caused more accidents because they drove too slowly. The ACT, however, proved to be the most accepting of older drivers. AAMI statistics showed older drivers were the least likely to crash, with only 7.8 claims per 100 policy-holders, for the 51-64 year age group. Those drivers aged 65 and older only made 7.2 claims per 100 policy holders. In contrast, ACT men aged under 25 recorded 18.5 claims per 100, and women the same age recorded 13.7. The ACT was also recognised as the least likely place to encounter road rage, with Sydney recorded as the worst. The survey comes after new trial red-light cameras snapped 86 offending drivers in eight hours in Civic, as reported by the Sunday Times. The three-month trial of red-light cameras will end next month, after which offenders will start receiving traffic infringement notices.

From Australia-Canberra Times, 23 October 2000

EUROPE

CORRUPTION SPREADS TO ROMANIAN UNIVERSITIES

Education Minister Andrei Marga has suspended the rectors of the private Bucharest Ecological University and the state Iasi Medicine and Pharmacology University, following evidence that the two institutes sold diplomas to foreign students, RFE/RL's Bucharest bureau reported. The Iasi university's Senate, however, rejected the minister's decision. A report presented by the U.S.-based Transparency International organization at this week's IMF/World Bank meeting in Prague places Romania among the post-communist states with the highest level of corruption (of those states, only Russia and Yugoslavia fared worse). The report asks whether "in view of the massive level of corruption at every possible level of government in these countries, should the World Bank continue to lend to these countries," an RFE/RL correspondent reported.

From Radio Free Europe, 29 September 2000

CIVIL SERVANTS AT FINNISH PARLIAMENT DUMP NATIONAL AIRLINE

A decision made in August by the Chancellery of the Finnish Parliament on a discount flight agreement with Scandinavian Airlines (SAS) and the German carrier Lufthansa from the beginning of October has sparked a good deal of controversy among Finnish Members of Parliament. The agreement, involving a total of five airlines, SAS, Lufthansa, Air Botnia, Air Baltic Corporation, SIA, and Skyways Holding, is for the purchase of tickets for official travel. Until now, the Finnish Parliament has been a major customer of the Finnish national carrier Finnair. The new agreement, aimed at securing tickets at as low a cost as possible, is expected to lead to a sharp decline in the use of Finnair for Parliamentary travel. The agreement was signed on August 7, but it was not until September, when the autumn session of Parliament began, that Finnish MPs got wind of what the civil servants had done. The issue came up when Finnair approached Parliament to ask about a new contract. Many Finnish politicians, especially those with positions on Finnair administrative bodies, have criticised the move. The largely state-owned Finnair, meanwhile, has warned that the decision by Parliament would affect its cooperation with other branches of government as well. The Parliamentary civil servants who signed the agreement with SAS point to the monetary benefits. Under the agreement, SAS will grant a ten percent bulk discount to Parliament if it buys flight tickets worth FIM seven million or more. Questions have also been raised about the decision to change travel agencies. The Finnair subsidiary, Area Travel Agency, has served Parliament for more than 20 years, with a small office inside the Parliamentary building itself. In late August, the Parliament's Chancellery Committee decided to drop Area in favour of another travel agency, MatkaKaleva. The action of the Parliament's civil servants is not a completely unprecedented turnaround in Nordic airline loyalties: just two years ago when Stockholm held the title of European Cultural Capital, the official airline of the theme year was Finnair. There has been no indication that any of the changes would affect Finnair's status as the "Official Airline of Santa Claus".

From Finland-Helsingin Sanomat, 29 September 2000

BOSNIA MEDIATOR SACKS DEMINING COMMISSIONERS FOR ALLEGED CORRUPTION

The top international mediator in Bosnia, Wolfgang Petritsch, sacked three Bosnian officials of the demining commission Thursday after they were linked to alleged corruption, Petritsch's office announced Thursday. There was "an extensive investigation into the conduct of demining operations in Bosnia-Herzegovina, which exposed misuse of offices and funds for mine clearing operations donated by the international community", the statement said. The spokesman for the office, Oleg Milisic, did not give further details on the results of the operations on the grounds that a criminal investigation was underway. "The consequence of such misuse is that Bosnia is still today a country where mines remain at higher levels than projected and constitute a serious threat to the lives of innocent civilians, in particular children," the statement said. The dismissal of the officials was an "action to restore confidence of donors," it added. According to estimations, there are still over one million landmines in Bosnia, left over from the 1992-1995 war. Approximately 10 people are injured or killed every month in Bosnia by the weapons.

From Bosnia Today, 13 October 2000

EXPERTS FEAR LOW PAY RISE IN TURKEY MAY FUEL CORRUPTION

Kamu-Sen chairman: The main reason for corruption is the low pay rise policy implemented for public workers. Due to inappropriate policies, public workers are forced to become involved in corruption. It is feared by many that the government's decision to give a pay rise of only 10 percent to public workers for the first six months of 2001 may fuel corruption, theft and other social ills. Turkey, in the midst of its intense struggle to end corruption at all levels, is giving its public workers a pay rise which is less than the inflation rate. Resul Akay, chairman of the Turkish Public Workers' Labor Union (Kamu-Sen), told the Turkish Daily News that this pay rise would harm citizens and the state as well. "Social ills are a major problem in Turkey. There are a number of operations being conducted by the Interior Ministry in an effort to fight corruption. The source of that corruption is the state itself. Public workers are involved in these activities. Our public order is one which legitimizes corruption and theft. The main reason for this is the low pay rise policy implemented for public workers. Due to inappropriate policies, public workers are forced to become involved in corruption," Akay said in an exclusive interview with the TDN. Turkish Government officials, especially in the Interior Ministry, have been increasing their efforts against corruption, efforts which are already intense. Interior Minister Sadettin Tantan has said corruption and the social problems which result are the main obstacles to a better society in Turkey. Many consider the second-biggest problem to be the growing wealth gap between classes. Analysts argue that these two problems are closely related. Akay argued that the recent pay rise can be perceived as a way of collapsing the state. "The state has the major role in the country's social life, and the public workers are the people who operate the state machine. All other countries employ well-educated and highly qualified people in governmental jobs, and they try to give their best to these public workers in an effort to prevent the outbreak of social problems," he said. In Turkey, however, public workers serving in the health, education, revenue, security and judicial sectors are getting a monthly salary of only TL 197 million on average. Their salaries keep the majority of public workers somewhere between poverty and hunger. According to a study conducted by Kamu-Sen, a family of four should have a monthly income of at least TL 567 million in order to live above the poverty line in Turkey. The study also says that a monthly income of TL 182 million is needed for a person not to live in hunger. The hunger and poverty thresholds are expected to continue rising until July, but there will be no additional increases in the salaries of public workers for the first six months of the year. The gap between classes will widen accordingly. "Every new government demolishes its predecessor's programs and plans," Akay told the TDN, adding that: "There is only one policy that never changes. It has to do with public workers. All the former governments as well as the present 57th coalition government have given low pay rises to public workers -- while at the same time naming the public workers as the reason for high inflation." The Government has decided on the low pay rise as part of a disinflation plan backed by the International Monetary Fund (IMF). Turkey has previously made 17 standby agreements with the IMF in an effort to solve economic problems. Akay summarized the present predicament: "Every new government claims that it will overcome economic difficulties and not let its public workers be harmed by inflation. They have all failed. How can we be sure that this time they will be successful?"

From Turkish Daily News, 18 October 2000

AUTO SALE SCANDAL LEADS TO CONVICTION OF TWO ESTONIAN CIVIL SERVANTS

Former Finance Ministry Chancellor Agu Lellep and former Deputy Chancellor Peep Lass were both convicted on 17 October in a Tallinn City Court for corruption in a shady auto sale deal. Lellep was given a one-year suspended sentence for corruption, while Lass was fined 24,600 kroons (\$1,343), BNS reported. The case came about with the acquisition of a car by Lellep under public procurement, but the car was in turn sold to Lass at an advantageous price. Lellep claims that the car in question was not state property, as it was not in the state properties register. Both individuals have 10 days to appeal the verdicts.

From Radio Free Europe, 18 October 2000

UN INVESTIGATING FRAUD ALLEGATIONS IN KOSOVO'S UN-RUN ADMINISTRATION

The United Nations has sent a team to Kosovo to investigate numerous allegations of fraud and mismanagement in its mission in the province, the organization said Wednesday. The internal investigation unit was sent following a request to U.N. headquarters in New York by the mission in Kosovo, which is known by its acronym UNMIK, said spokeswoman Susan Manuel. The request was made because of the large volume of allegations of fraud, Manuel said. "This was not something imposed on us, we asked for it."

The team's mandate is to investigate allegations of fraud, mismanagement, waste of resources and abuse of authority, Manuel explained. Both local Kosovo staff and international workers are employed in UNMIK. There have been "probably several dozen allegations" which the squad is investigating, Manuel said. At least 27 cases of alleged fraud, bribery and misappropriation of funds are being actively investigated by the team, which arrived in Kosovo about two months ago, said a source close to UNMIK, who asked not to be named. In one case, an African man working in Pristina's U.N.-led municipal administration was suspended from his position six weeks ago for allegedly receiving bribes, sources in the municipality said. They would not reveal his name or nationality. He was arrested by U.N.-led police, and his case is being investigated by an international prosecutor in Kosovo, Manuel said. But he has been transferred from his position to another one and is still working for UNMIK. "He has not been found guilty yet," Manuel said. Although still officially part of Yugoslavia, Kosovo has been run by a U.N.-led administration and NATO peacekeepers since the end of NATO's bombing campaign last year. UNMIK is funded by donations from UN member states. The United Nations has sent a team to Kosovo to investigate numerous allegations of fraud and mismanagement in its mission in the province, the organization said Wednesday. The internal investigation unit was sent following a request to U.N. headquarters in New York by the mission in Kosovo, which is known by its acronym UNMIK, said spokeswoman Susan Manuel. The request was made because of the large volume of allegations of fraud, Manuel said. "This was not something imposed on us, we asked for it." The team's mandate is to investigate allegations of fraud, mismanagement, waste of resources and abuse of authority, Manuel explained. Both local Kosovo staff and international workers are employed in UNMIK. There have been "probably several dozen allegations" which the squad is investigating, Manuel said. At least 27 cases of alleged fraud, bribery and misappropriation of funds are being actively investigated by the team, which arrived in Kosovo about two months ago, said a source close to UNMIK, who asked not to be named. In one case, a man working in Pristina's U.N.-led municipal administration was suspended from his position six weeks ago for allegedly receiving bribes, sources in the municipality said. They would not reveal his name or nationality. He was arrested by U.N.-led police, and his case is being investigated by an international prosecutor in Kosovo, Manuel said. But he has been transferred from his position to another one and is still working for UNMIK. "He has not been found guilty yet," Manuel said. Although still officially part of Yugoslavia, Kosovo has been run by a U.N.-led administration and NATO peacekeepers since the end of NATO's bombing campaign last year.

From Associated Press, 11 October 2000

EX-MINISTER CHARGED WITH CORRUPTION IN BULGARIA

Former Bulgarian transport minister Wilhelm Kraus has been charged with corruption over the privatization of a bus company from which he allegedly personally profited, prosecutors and reports said Thursday. Kraus, who quit office in a government reshuffle in December 1999, faces up to three years in prison and a fine of BGL 3 million (EUR 1.5 million) if convicted of abuse of ministerial powers. He is specifically accused of having privatized a bus company in the Bulgarian capital Sofia for his own profit, under the cover of other people, the newspaper 24 tchassa reported. Kraus flatly rejects the charges. "The prosecution case is absurd. I am not worried and I am counting on the objectivity of the judicial system," he said, cited by the BTA news agency. Nine senior officials and politicians have quit over the case, including Sofia's main negotiator on its EU membership application, Alexandar Bozhkov, as well a former deputy industry minister and a former deputy defense minister.

From Agence France Presse, 19 October 2000

CROATIA TO SET UP OFFICE FOR FIGHT AGAINST CORRUPTION, ORGANIZED CRIME

Croatia's Justice Minister Stjepan Ivanisevic announced Friday an initiative establishing an office to battle against widespread corruption and organized crime in the country. The justice ministry "suggested to the government a project of an office for the fight against corruption and organized crime," which would follow the example of Italy, Ivanisevic told a press conference. He said existing institutions had failed to tackle the problems, which he admitted also extended to the legal system and hampered the country's reforms. Croatia featured 39th on a list of the world's most corrupt countries drawn up by the anti-corruption watchdog Transparency International.

From Agence France Presse, 19 October 2000

SCATHING BSE REPORT BLAMES CIVIL SERVANTS [Special report: what's wrong with our food?](#)

The brunt of the blame for the BSE fiasco will be placed on civil servants in the long-awaited report into the crisis which is published tomorrow - despite criticisms of some former ministers. Institutional failures within the Whitehall culture, including an inability to trust the public with information, turf wars between departments and a tendency to try to second-guess what ministers might want to hear are all cited in the 16-volume verdict, which was compiled after more than two years of public hearings. However, people hoping to find scapegoats from previous Tory administrations will be disappointed. Senior Whitehall sources have suggested that the inquiry team headed by Lord Phillips of Worth Matravers had made "no searing indictments" of individuals, although officials and ministers whose behaviour is thought to have fallen outside a range of "reasonable" responses are listed. Despite speculation to the contrary, John Gummer, an agriculture minister during the crisis, does not get slapped down for the infamous publicity stunt in which he fed a burger to his daughter Cordelia to demonstrate the safety of beef, although it is believed he faces other criticisms. There is already acute embarrassment within the government at the report's chronicling of the way civil servants and other advisers apparently sought to put the best possible spin on the scientific evidence available, failing to change their outlook as the scientific community's concerns about the risks of BSE transferring to humans increased. The political climate of the Thatcher and Major years, the

clamour for deregulation, an apparent demand to produce success stories rather than admit problems, and the experience of the salmonella-in-eggs affair in 1988 emerge as factors in Whitehall attitudes. The report alleges that civil servants were focused on day-to-day governance rather than contingency planning for any worst case scenario. The health department, which has largely avoided the opprobrium heaped on agriculture officials during the 1990s, will share criticism for failing to recognise the shift in scientific opinion on the potentially disastrous consequences of the disease. It was reluctant to support an offal ban in 1989, now seen as the most important anti-BSE safeguard, because such an action went beyond the advice of eminent scientists. The then agriculture minister, John MacGregor, justified the offal ban on the grounds that huge numbers of cows with "hidden BSE" were entering the food chain before clinical signs were evident, on emerging evidence that some offals could potentially be infective, and because it was a "belt and braces" precautionary measure. Douglas Hogg, the beleaguered agriculture minister at the height of the crisis, will emerge with more credit than might have been expected. He felt new scientific information establishing a strong circumstantial link between exposure to infected meat and the death of several young people from a new incurable disease - new variant CJD - justified further tough measures to protect food, but he was over-ruled by cabinet colleagues. They felt let down by previous scientific advice which they saw as "defective" because it had emphasised the remote risk of BSE's transmission to humans. They saw no reason to rely on new advice and rejected any consideration of compensation for the victims, arguing that the government had followed the latest scientific advice throughout the epidemic. The inquiry team is understood to criticise the way officials and ministers chose to "cherry pick" good news from the first inquiry report into BSE, headed by the Oxford professor Richard Southwood and published in 1989, which concluded that "it was most unlikely that BSE will have any implications for human health". Thus for years, even as scientific uncertainty about the potential threat to the public was continuing, policy was based on the Southwood conclusion. The report will say the government did not take adequate note of the Southwood inquiry's caveats, including a warning that if its assessment were proved wrong, the implications would be "extremely serious". Any warning of potential risk from outside the government was also played down. Whitehall sources say there will be greater scepticism about scientific advice in future. They promise greater government honesty over risks to public health. But the revelations just last week that vaccines using material from British cows were banned from use only on Friday has further damaged credibility. There is a feeling in some parts of Whitehall that the inquiry has not got to the heart of how government works, depending too much on the written record of memos, minutes and briefing papers from civil servants. No ministerial private secretaries were asked to appear before the inquiry, despite their inside knowledge. Lord Phillips's recommendation for a centrally funded care package for the victims of the human form of BSE - 84 so far - has been accepted in principle by ministers. There is still debate over how compensation should be awarded, either leaving a new trust to determine individual sums or a tariff of payments reflecting broad bands of family circumstances.

From UK-Guardian Unlimited by James Meikle, 25 October 2000

UNICEF LEADER CHARGED WITH CORRUPTION

Norway's economic crime division has charged Haavald Heide Schjerven with using his position in UNICEF from 1990-96 to arrange and pocket bribes worth NOK 5 million (US\$ 525,000). Schjerven was the head of UNICEF's Water and Sanitation Section (Watsan) in Copenhagen and had responsibility for the purchase of equipment to various projects. He is charged with receiving payments and other favors in return for awarding contracts.

From Norway-Aftenposten, 25 October 2000

WORLD BANK REPORT SHOWS CORRUPTION GROWING IN ESTONIA

A World Bank report shows that alongside a rapidly growing economy, corruption is also increasing in Estonia. In a survey of 132 companies, the report found that companies spend 1.6 per cent of their annual turnover on bribes. "This is a good result for a transitional economy," said Joel Hellman, one of the report's authors, noting that the figure in Lithuania is "two times that," ETA reported. However, Hellman said that since average profitability of Estonian companies is 16 percent, bribes are equal to 10 percent of that sum. Seventeen percent of companies have made unofficial payments to political parties for favors, while 14 percent have paid such monies directly to parliamentary deputies and 8 percent to the central bank and the courts.

From Radio Free Europe, 25 October 2000

THE AMERICAS

LAPD AGREES TO LIST OF REFORMS; U.S. WILL BE WATCHING

This week, the Los Angeles Police Department is expected to make a confession to the public: Corruption is widespread, and the department can't handle the problem by itself. The admission will come in the form of a consent decree, a legally binding agreement with the Justice Department that calls for reforms in the nation's second-largest police force. The department has been under federal investigation since 1996 for allegations that officers shot, beat, and planted evidence on innocent people. Officials hope the decree marks a new beginning for a department that hasn't shaken its dirty-cop image since the 1991 beating of Rodney King. The decree would be the fourth that the Justice Department has negotiated with police agencies nationwide. Similar agreements were reached with police in Pittsburgh and Steubenville, Ohio, and with the New Jersey State Police. The Justice Department is investigating misconduct at seven police departments, including New York City, New Orleans and Prince George's County, Md.,

near Washington. Under the agreement, a federal judge can hold officials in contempt if they do not comply with reforms, which include: Installing a computer system to track complaints and disciplinary actions against police officers; collecting data on the racial makeup of citizens pulled over for traffic violations. Los Angeles police, along with departments across the country, are under intense criticism that officers single out minorities for traffic stops and harassment. Creating a police unit to investigate shootings and beatings to determine whether proper force was used. "Police reform has been an unfinished item on the Los Angeles agenda for almost a decade," says Bill Lann Lee, head of the Justice Department's Civil Rights Division. "This time, reform must be at the top of the agenda for as long as it takes to get the job done." "We'll vigorously implement every reform," says Los Angeles police Lt. Horace Frank. More than 100 convictions have been thrown out and 20 officers have left active duty as a result of the so-called Rampart scandal, named for the tough Los Angeles neighborhood and police station where many of the abuses were alleged. Four Rampart officers face charges of conspiring to frame innocent people.

From USA Today, 3 October 2000

CANADA PUBLIC SERVICE COSTS HIGHER SINCE 1995 DOWNSIZING

The federal public service costs Canadian taxpayers more today than it did before the Liberals' downsizing five years ago that eliminated 60,000 jobs. Last year, the Chrétien government's annual salary bill was \$19.8-billion, \$1.5-billion higher than in 1995 when it introduced a four-year plan to shrink the government. Over the same period, there was also an increase in the so-called "shadow" public service, workers the government hires on contract. The amount spent on contract work grew by \$1.3-billion. The Public Accounts reveal that more than \$5.6-billion a year was spent on contracts for "professional services" - the equivalent of keeping nearly 90,000 full-time public servants on the payroll at an average salary of \$50,000, plus benefits. Treasury Board attributes the higher salary bill to wage increases, a large pay-equity settlement, hiring staff for new programs and taking on more highly educated, and more expensive, talent. Pay-equity payments, coupled with the first raises in seven years, accounted for about half of last year's payroll increase, said Edison Stewart, Treasury Board spokesman. Most of the \$5-billion pay-equity settlement involved 13 years of back pay, which the government has already set aside in a contingency fund, so annual payroll costs would not be affected. Mr. Stewart said the remainder covered extra or new staffing costs for various programs, including massive Y2K repairs, raises for the military and the hiring of more prison guards for federal penitentiaries. Treasury Board, which wants to avoid perceptions that the public service is growing all over again, maintains the government is not replacing workers let go during the downsizing, nor will its latest recruitment drives restore the bureaucracy to its earlier levels. Clearly, the occupational mix of the public service has changed dramatically since the first pink slips were handed out five years ago. The new recruits will reflect the growing "professionalization" of government, shedding lower-skilled blue- and pink-collar jobs for more knowledgeable workers and skilled professionals. About 50% of public service jobs require a university degree, compared with 30% about 15 years ago. In fact, the biggest challenge for the federal government is attracting the calibre of worker it seeks. The Government expects to hire up to 12,000 people a year over the next decade, largely to replace retiring Baby Boomers. The public service, struggling with its image as an ageing, old-economy employer, is competing for talent with the private sector. This means the government's contract workforce will grow faster than its full-time workforce, predicts Steve Hindle, president of The Professional Institute of the Public Service. Unable to compete with the higher salaries of the private sector, especially in the high-tech industry, the government hires workers on contract for the going market rate. That infuriates public servants who work alongside the contract workers for less money, Mr. Hindle says. "They continue to spend a whole lot of money on people who are not in the public service and pay them more than if they worked for the public service and yet they can't even provide an accounting of how many there are," said Mr. Hindle. The shadow public service has been an issue for years. Treasury Board does not keep accurate records of how many people it hires on contract over the year. It collects data about contracting, largely to ensure that departments are following the rules for competitive bidding. Several parliamentary committees have tried to get a handle on contracting, especially the growing number of "sole-source contracts" -- those awarded without seeking bids -- for professional services. The biggest demand for contractors is in engineering and architectural services, which cost federal departments \$768-million last year, followed by health and welfare services, which cost \$558-million, and information technology workers and other "informatics" contracts, which cost \$475-million. Departments' reliance on service contracts also varies. The big spenders are the Department of National Defense and Public Works and Government Services. Each spend about \$1-billion on consultants. Consultants are typically paid more than public servants because the government is not covering their pensions and benefits, or overhead costs, such as offices and supplies, bureaucrats say. Like many companies, the Government uses them "because once they've done the work, they go away. There's no pension, no severance and you don't need miles of documentation if you have to fire them," said one bureaucrat, who requested anonymity. Unions, which collect more dues if jobs remain in-house, argue that hiring contract workers costs more in the long run because the government is paying top market prices and not developing skills internally.

From Canada-National Post, 10 October 2000

U.S. ETHICS PANEL CRITICIZES SHUSTER'S TIES TO LOBBYIST

In a highly unusual public rebuke, the House ethics committee yesterday cited -- but stopped short of punishing -- House Transportation Committee Chairman Bud Shuster for bringing "discredit to the House" by accepting gifts, favoring a lobbyist, and committing possible campaign-spending violations. The powerful Shuster, in a negotiated settlement that averted a House trial, admitted misconduct and received only a sternly worded "letter of reproof" from the Committee on Standards of Official Conduct. He was clearly unrepentant, and his lawyer, Reid Weingarten, termed the letter a "mild admonition" that did not even rise to a "slap on the wrist." Gary Ruskin, head of the Congressional Accountability Project, the Ralph Nader group that filed the original 1996

complaint against Shuster, called it inadequate and "outrageous." Shuster, 68, who is unopposed for reelection to the central Pennsylvania House seat he has held since 1973, was less than apologetic in his formal response to the committee's finding, which he called "overkill" based on "misguided public perceptions." Shuster said he agreed to the letter only to spare his family and the House the "ordeal of adjudicatory proceedings." Had he decided to go ahead with hearings, he said, he was confident "the allegations would be seen as misunderstandings and misapprehensions." The ethics panel was not happy with those comments. "The committee is disturbed not only by the content of your response but by its tone," it said. "It is one of blame-shifting about and trivializing of misconduct. You committed substantial violations." Its letter cited "numerous allegations of misconduct" and told the congressman: "By your actions you have brought discredit to the House of Representatives." Ruskin called it "outrageous that the ethics committee recommends no punishment of Representative Shuster. They call it serious official misconduct and yet they won't punish. This is liberal permissiveness, it's coddling of wrongdoers, and it's absolutely wrong." The committee found misconduct by Shuster in five areas: He engaged in a "pattern and practice" of allowing his longtime chief of staff, Ann Eppard, to communicate with him in his capacity as Transportation Committee chairman after she resigned and became a highly paid transportation-industry lobbyist. That, the committee said, "created the appearance that your official decisions might have been improperly affected." He violated House gift rules by accepting a corporate-paid trip to Puerto Rico with his family in late 1995. The committee rejected Shuster's assertion that the trip was permissible because he paid for his family and declared it on his financial disclosure statement. It noted that his sponsors paid not for a single room for Shuster but for a villa that could accommodate his whole family, and that he had paid for only a small portion of their expenses. He improperly accepted services from Eppard for 18 months after she had resigned from his office in late 1994 and become a lobbyist. The committee said that "18 months is not a transitional period." (Eppard in November 1999 was fined \$5,000 after pleading guilty to having accepted improper payments from a lobbyist while she was Shuster's chief of staff.) Shuster staffers also worked on his campaign "to the apparent detriment" of their congressional jobs. Eppard, for example, had served as both chief of staff and a paid campaign consultant and fund-raiser. Campaign expenditures billed by Shuster for "political meetings" between 1993 and 1998, including meals at posh Washington restaurants, and for chartered planes, "may not have been attributable to bona fide campaign or political purposes." Weingarten defended such expenditures by Shuster of campaign money as "common throughout the Hill" and the use of a former staff to help out in the congressional office as "the most common thing in the world." For years, Shuster has been well-known in Washington as an incumbent who raises and spends millions in campaign money despite the absence of a serious opponent - or, in many cases, of any opponent at all. And he has made no secret of his propensity for spending campaign funds on lavish meals with associates and trips to the liquor store. Shuster has sought to justify much of the spending under the rubric of "political meetings," an allowable expense under campaign-finance rules. The ethics committee, which issued 150 subpoenas and interviewed 75 witnesses in its investigation, said Shuster failed to keep adequate records "to verify the legitimacy of an extraordinarily high number and dollar amount of expenditures." In an analysis of Shuster's campaign spending between 1985 and 1996, *The Inquirer* reported in 1998 that Shuster spent more on hotels (\$529,000) than on media, more on food and drink (at least \$279,000) than on campaign literature, and more at liquor stores (\$60,000) than at the post office. There was also \$55,000 paid directly to Shuster as expenses reimbursement and \$350,000 for airfare, much of it for chartered flights. In one holiday trip to New York City, with all bills dated Dec. 29, 1995, Shuster's campaign had expenses of \$9,300 for his hotel, \$540 for tickets to two plays, \$1,100 for restaurants and nightclubs, and \$147 for a limousine. All except the limousine were billed as "political meetings." At other times, Shuster's campaign expensed tabs for as little as \$7.25 at a local eatery in his district and \$23.90 at a supermarket, all billed, again, as "political meetings." As head of the influential 73-member Transportation Committee, Shuster has the ability to raise campaign contributions even if he does not need them. In 1998, with no general-election opponent and only a token primary challenge, he spent \$1.5 million. Through June of this year, again with no November opponent, he had raised \$1.1 million.

From Philadelphia (PA) Inquirer, 6 October 2000

THE RAMPART SCANDAL: HOW ONE L.A. POLICE OFFICER EXPOSED A WEB OF CORRUPTION

When officers from the Los Angeles Police Department's Internal Affairs bureau began shadowing Rafael Perez, watching their fellow cop steal massive amounts of cocaine from evidence lockers in order to sell it on the street, investigators thought they had a major misconduct case on their hands. They didn't know the half of it. What began in March, 1999, as an investigation of one corrupt cop has turned into arguably the biggest police misconduct scandal in American history - the story of an entire squadron of maverick cops adopting the very behavior of the gang members they were supposed to bring down, from swaggering walks and tattooed forearms to a lack of respect for the law and a propensity to kill in cold blood. On Friday, four officers will walk into a Los Angeles courtroom, as they had many times before. On this occasion, however, they won't be putting any bad guys in jail - they will stand trial in the first of what may be many criminal cases against officers implicated by Perez. It is difficult to fathom that a scandal so large, with grand implications not only for the LAPD but for urban law enforcement in general, was ignited by one man's attempt to save his own skin. Back in 1999, confronted by the evidence Internal Affairs had against him, the officer sought to cut a deal. In exchange for a sweetheart sentence and immunity against further prosecution, he would tell them about misconduct at the force's Rampart division. Perez talked for more than 50 hours, telling the investigators not only about police pushing drugs, but also about officers routinely beating up civilians, framing suspects, and killing alleged gang members without provocation. If the severity of the misconduct was not shocking enough, Perez also claimed that such behavior was commonplace in his entire division - the Rampart station unit of an elite anti-gang program called CRASH. For the last year, prosecutors have been building their case against officers fingered by Perez. Over 70 cops, both within Rampart CRASH and others, are under investigation. More than 100 convictions have been overturned. The fall-out from the scandal, however, has extended way beyond those directly involved. The

Los Angeles city council, faced with a Justice Department threat to wrest control of the LAPD because of massive civil rights violations, has essentially been forced to agree to oversight of future LAPD reforms by a federal judge.

From Court TV, 13 October 2000

A NEW LAW IN USA IS TYING PROSECUTORS IN KNOTS

Two Octobers ago, Congress passed a funny little law. It was named after its sponsor, Pennsylvania Republican Joseph McDade, but for the congressman, there was nothing funny about it. The Justice Department had spent eight years investigating McDade on racketeering charges. He was finally acquitted by a jury in 1996, but by then McDade's health and spirits were broken. The McDade bill was his payback to Justice. It simply requires federal prosecutors to comply with state ethics laws. No big deal? Not quite. In August, the Oregon Supreme Court forbade all lawyers in the state to lie, or encourage others to lie, cheat, or misrepresent themselves. Under McDade, the ruling now applies to Oregon's federal prosecutors. "We've handcuffed the agents," says senior FBI official David Knowlton, "not the criminals." The U.S. attorney for the Oregon district, Kristine Olson, has informed the FBI and other federal investigative agencies that she cannot OK agents or informants to assume false identities, wear body wires, or engage in undercover activities. "In effect," says David Szady, special agent in charge of the FBI's Portland office, "we now have to go to a drug dealer and say, 'FBI! Would you sell us some drugs, please?'" The FBI, Szady says, has had to suspend 50 investigations, including probes of Internet child pornographers, a Russian organized-crime group, and a massive check-fraud ring. Federal prosecutors despise the McDade law. David Margolis, a senior Justice Department official and a veteran organized-crime prosecutor, says McDade has had a major chilling effect. "Even I wouldn't go out on a limb," he says. Justice officials are trying to gut the law before Congress goes out of session this week. The department warned lawmakers in 1998 that prosecutors would be lost in a morass of quirky state ethics laws—especially during complicated multistate investigations. But defense lawyers won the day. "Why should prosecutors be exempt from rules that apply to all other lawyers in that state?" says Mark Holscher, lawyer for former Los Alamos scientist Wen Ho Lee. So far, no court has dismissed a case or excluded evidence on the basis of McDade. "These are crocodile tears," says veteran defense lawyer Irv Nathan. The biggest headache for prosecutors is the American Bar Association's controversial Model Rule 4.2, adopted by many states. It prohibits prosecutors from contacting people represented by lawyers without first talking to the attorneys. Remember when Kenneth Starr's prosecutors ignored Monica Lewinsky's tearful entreaties to call her lawyer? They got away with it because, since 1989, Justice has defied Rule 4.2. No more. Prosecutors now say adhering to 4.2 has hurt white-collar probes, where securing the cooperation of informers is often vital. In an investigation of Alaska Airlines last year, company lawyers barred federal agents from questioning employees. Sen. Patrick Leahy of Vermont says, "The pendulum has swung too far in the other direction." But House Judiciary Committee Chairman Henry Hyde of Illinois says he's not inclined to repeal McDade. "That doesn't mean I'm for crooks," Hyde says. "I'm for ethical behavior both by law enforcement and by defense counsel." Watching the fight from the sidelines is Joe McDade, now 69. "I didn't read about it. I lived it," he says, of prosecutorial zealotry. "The effort is not justice. The effort is to break a citizen."

From U.S. News Online, 16 October 2000

MIAMI NEWSPAPER'S BUSINESS DEAL SPARKS AN ETHICS DEBATE

Should a newspaper cut a business deal with a government agency it covers? Miami Herald Publishing Co., a unit of Knight Ridder Inc., told its readers on Saturday it had reached a tentative deal with the Broward County convention center to rename the facility the "Herald Center at Greater Fort Lauderdale" after the Herald, its paper that serves that county. Under the deal, the county would provide the Herald's charities with a cut of some ticket proceeds. While final details of the deal are being worked out, the paper said it tentatively agreed to pay Broward County \$12 million in cash and advertising credits over 15 years. The county commission will vote on the deal, although no meeting date has been set. Miami Herald Publishing says it sees no conflict of interest in the arrangement. And articles in the Herald and its sister publication, the Miami Herald, said the deal would "bind the county's tourism department and the media company in a symbiotic relationship of mutual promotion." But some critics see it as a different kind of bind, as more newspapers come under fire for pushing ethical lines to boost their bottom lines. "I keep hoping that something will force corporate media and people who care about media in this country to look seriously at how journalism is prostituting itself to a variety of interests," says Deni Elliott, director of the Practical Ethics Center at the University of Montana. "This is one more drop in that bucket." The Los Angeles Times' decision to share profit from its Sunday magazine with its local convention center, the Staples Center, was a publishing scandal last fall. The Times, then owned by Times Mirror Co., devoted an entire issue of its Sunday magazine to the Staples Center without disclosing its financial interest. The furor called into question whether the walls between the advertising and news sides of Times Mirror's flagship newspaper were breaking down, and when Tribune Co. later bought Times Mirror, it replaced the Times' publisher and editor. But even papers that are upfront about their financial interests aren't exempt from ethical scrutiny. In Minneapolis, the Star Tribune, a McClatchy Co. paper, has come under fire for editorializing in favor of a light-rail deal that critics say benefits the paper financially. The proposed light-rail line cuts through the Star Tribune's parking lot. The city is trying to arrange a land swap, trading the paper's parking lot for a nearby block -- one that happens to be listed as a site for a proposed baseball park. Though the paper reported those facts, a taxpayer watchdog group still has spent thousands on a radio campaign criticizing the newspaper. Frank Parisi, a Star Tribune spokesman, says the paper needs to replace its parking lot and does not benefit at all from the deal. "They're adding up two and two and coming up with nine," Mr. Parisi says. Bobby Calder, research director at Northwestern University's Media Management Center, says it's wrong to draw a rigid ethical line. Regarding the Florida case, he says as long as the Herald keeps a firewall between its business and news sides, sponsoring a civic building can be a good way for a newspaper to promote itself in the community. "You're trying to get the most out of your good corporate brand

image that you can," Prof. Calder says. The Herald wasn't the only newspaper interested in making a naming-rights deal with the county. The Herald's primary competitor in Broward County, Tribune Co.'s South Florida Sun-Sentinel, seriously considered a deal but backed out because the price wasn't right. "We reached a point in the negotiations where it didn't make business sense," says Susan Hunt, general manager of the South Florida Sun-Sentinel. It all began in May 1999, when the Greater Fort Lauderdale Convention and Visitors Bureau, looking for new marketing revenue, hired a consultant to pursue a naming-rights deal. "We've worked over the past 10 years to get out from under a 'spring break' image," says Nicki E. Grossman, president of the convention and visitors bureau. "When you're rehabilitating an image, it's costly." The county's consultant approached businesses in South Florida, including the Sun-Sentinel and Miami Herald Publishing Co. and eventually negotiated exclusively with the Herald, Ms. Grossman says. If the deal passes, the Herald will become the convention center's "largest contributor," Ms. Grossman says. Like the Herald, the county doesn't believe the arrangement is a conflict of interest. "You can have a marketing relationship with a paper and watch them blow your head off in an editorial column if they think you've made a mistake," she says. The Herald and the Sun-Sentinel are locked in a heated newspaper war over south Broward county. The Sun-Sentinel last week added the words "South Florida" to its nameplate. The Herald recently opened a new office in Broward County. Both newspapers cost less in south Broward county than they do in other areas. Paul Anger, the publisher of the Herald in Broward county, referred questions about the convention-center proposal to Miami Herald Publishing general counsel Robert Beatty. Mr. Beatty, who stresses that the agreement was still being negotiated, says the naming-rights deal shows the Herald is a "good corporate citizen" and won't affect the way the newspaper covers the county. A spokesman for Knight Ridder, which is based in San Jose, Calif., declined to comment on the issue. "This is nothing more than advertising, just like it occurs in every newspaper in America," Mr. Beatty says. But journalism-ethics experts say putting a newspaper's name on a government building is very different than the typical way a newspaper promotes itself. "This is not a Herald banner that appears inside the convention center," says Bob Steele, director of the ethics program at the Poynter Institute for Media Studies. "What they have done is create a deep and broad business relationship." What if there is ever a controversy, a labor dispute, say, at the convention center? asks Richard Schwarzlose, a Northwestern University journalism professor. In covering the story, he says, "the writing may be perfectly professional, but there is an appearance of impropriety." Beyond journalistic ethics, some county commissioners already are criticizing the charitable side of the deal. Under the Herald's proposal, a \$1 surcharge would be added to the tickets for three of the center's biggest events, and that revenue -- estimated at \$400,000 annually -- would go to Herald Charities. "If the public wants to give toward Herald Charities, let's have a collection box," says Suzanne Gunzburger, chairwoman of the Broward County Commission. Mr. Beatty says a charitable component is key to the paper and that the deal is up in the air because of it. "We will not go forward with this if we determine the community will not benefit," he says.

From Wall Street Journal, 18 October 2000

CANADIAN GOVERNMENT ABUSE OF PUBLIC FUNDS 'WIDESPREAD': AUDITOR

Just days before the Prime Minister is expected to call an election, Denis Desautels, the federal Auditor-General, has found "longstanding and widespread" mismanagement by Jean Chrétien's Liberal government of \$1-billion worth of job creation grants. Yesterday, in an 80-page report on job creation grants and contributions by Human Resources Development Canada, Mr. Desautels gave the first official confirmation that Ottawa's showcase job creation programs were badly managed and taxpayers did not get value for their money. Mr. Desautels did not mince words, saying mismanagement at HRDC was "serious" and much more than "just sloppy paperwork," which is how the government dismissed the problem in the early days of the scandal. "The problems ... are very serious. We found widespread problems in all key areas and in all the programs we examined," Mr. Desautels said. "It was more than just sloppy paperwork. We found that controls had broken down, putting public funds at unacceptable risk." Some grant payments were made improperly by HRDC, there was very limited monitoring of projects and the activities and finances of grant recipients, and some grants were awarded "not based on established procedures," his report found. Mr. Desautels went further, saying the government's claim that its \$400-million Transitional Job Fund and Canada Jobs Funds created 30,000 jobs across Canada could not be confirmed and the number of jobs created was "overestimated." He concluded: "We could not confirm the program's effectiveness." Jane Stewart, the Human Resources Minister who had previously trumpeted the 30,000 figure as proof of the fund's success, backed down in the face of the auditor's findings. "We didn't document appropriately the data that would support the numbers employed," she acknowledged in the Commons. The Opposition seized on the report as proof the HRDC affair was a major black mark on the government's financial record. "The Auditor-General confirmed the HRDC Minister has been grossly exaggerating, even fabricating the jobs supposedly created from their free-spending ways," said Diane Ablonczy, a Canadian Alliance MP. "Why does the Minister insult Canadians with pretend numbers, when she knows she can't back them up with facts?" The Liberals countered that Mr. Desautels said their handling of the HRDC crisis deserved top marks. The auditor did credit the government for responding quickly to problems with the grants after they were identified in its own internal audit last January by adopting a six-point action plan tabled by Ms. Stewart. But Mr. Desautels urged HRDC to "sustain its efforts" if long-term change is to be achieved. "Beyond the immediate corrective steps it has taken, the department needs to make today's extraordinary effort tomorrow's routine and fundamentally change its day-to-day approach to the delivery of grants and contributions," Mr. Desautels said. In the Commons, Ms. Stewart vowed that she and her department would do just that. "He asked us to sustain our efforts and I will commit to the House that indeed we will." The auditor said HRDC had spent \$23.2-million on tree-planting and silviculture projects in Quebec, Newfoundland and New Brunswick, projects that did not meet the job fund program's eligibility criteria "as no new sustainable jobs were being created." The Auditor-General also called on policy-makers to re-examine the rationale for spending such vast amounts of public funds on job-creation programs, arguing that their effectiveness is questionable and objectives are often "too vague." The Liberal government scrapped the Transitional Jobs/Canada Jobs Fund this summer after the

opposition parties said the fund was grossly mismanaged and had been used as a political slush fund by the government to help it win the 1997 election. In almost all cases of grants studied by auditors, Mr. Desautels said, payments and advances of money to companies carrying out projects under the TJF and CJF programs were mishandled -- 92% of the time for TJF and 86% in CJF cases. Projects were improperly assessed by HRDC officials routinely and, in one-third of the cases, auditors found no evidence that any analysis of proposed projects was done to determine if they would create sustainable employment, as the program stipulated. Auditors looked at 74 TJF projects and quickly identified \$450,000 in payments to companies for "ineligible expenses" Mr. Desautels said. They found another \$9.5-million had been paid out for expenses incurred by grant recipients outside the funding agreement specified in their agreement with HRDC.

From Canada-National Post, 18 October 2000

Management Innovation & Trends

AFRICA

SOUTH AFRICA COMMUNICATIONS DEPARTMENT GETS AWARD

South Africa's Department of Communications has received international recognition from the worldwide IT industry for its innovative Personal Information Terminals (PiT). The World Information Technology and Services Alliance (www.witsa.org) - a consortium of 41 information technology industry associations from around the world - announced 10 winners of its inaugural Information Technology Excellence Awards 2000 at its World Congress on Information Technology held in Taipei earlier this year. The Department - together with the South Africa Post Office (its business partner in the PiT project) - won the award in the category of Digital Opportunity. The awards honour exceptional achievements in the application of information technology around the globe. Department director general, Andile Ngcaba, on Wednesday accepted the award at the Comdex exhibition gala banquet held in Johannesburg. "The Internet has been a goldmine previously available to only the privileged few. PiT now levels the playing field, enabling everyone to be in touch, informed and empowered," he said. "Improvements in communications are vital in the upliftment of living standards and in the empowerment of ordinary people to understand and gain access to all the initiatives and support systems that are available for their benefit," he said. "We see PiT as being everyone's information service, providing instant access to the Internet, e-mail, government services on-line, educational services and e-commerce," he added. WITSA president Harris Miller said experts from around the world handpicked the candidates for the awards. "Each winner demonstrated world-class achievements in their use of the latest IT products and services," he said.

From allAfrica.com-Southern Africa, 5 October 2000

ASIA/PACIFIC

INTERNATIONAL SYMPOSIUM ON REFORM OF SOUTH KOREAN LOCAL GOVERNMENTS

An international symposium will be held on innovation of local governments and their internationalization at the Sejong Center for Performing Arts in downtown Seoul 13 October. The symposium has been organized by the Korea Local Authorities Foundation for International Relations and the German-based Friedrich Naumann Foundation on the occasion of the 5th anniversary of the first election of local government heads. The forum is divided into three sessions and themes: reinventing local government for strengthening international competitiveness, enhancement of local government leadership for the era of internationalization and strategies for international exchange in the 21st century. Presenters are American consultant Peter Plastrik, former chief deputy of the Michigan Department of Commerce; Chris Game, professor at Birmingham University; and Yoshihiro Katayama, governor of Tottori Prefecture of Japan. Songnam Mayor Kim Byung-ryang and Choe Sang-chuel, professor of environmental planning at Seoul National University, will deliver keynote speeches. "The international symposium will offer a good opportunity for local government leaders to deal actively with the rapidly changing environment of local government administration," said one foundation official. The forum will be sponsored by Ministry of Government Administration and Home Affairs, The Korea Times, The Munhwa Ilbo and TV news channel YTN.

From Korea Times, 9 October 2000

INTERNET DAILY ASIA GNX TO TAKE ON JAPAN'S DISTRIBUTION SYSTEM

Donning its virtual armor, California-based GlobalNetXchange is joining with Mycal, Carrefour Japan and Oracle Japan to take on one of the world's most complex distribution systems. The group plans to set up next month an online B2B Japanese-language trading system for consumer goods. It would be similar to operations in the U.S., where Sears, Roebuck (S: news, msgs) and French retailer Carrefour (CRERF: news, msgs) launched GNX in February. Oracle (ORCL: news, msgs) database and exchange software supports the online system for linking retailers with their suppliers. But the Japanese market is not a quest for the faint-hearted, and even an aggressive approach by GNX won't mean jack unless major Japanese wholesalers and retailers come on board to back them up. Take Japan's food industry, valued as the second largest in the world after the U.S. Much of this is due to high retail prices pumped up by middlemen at the distribution level who have not looked kindly on efforts to make them redundant and who won't hesitate to use political connections to stay afloat. Carrefour has already encountered serious problems lining up distributors in time for the December launch of its first store in Chiba prefecture, northeast of Tokyo. Luckily for GNX, Mycal (MYCAF: news, msgs) already has a well-established supply chain in place for their suburban supermarkets, clothing and appliance stores with manufacturing links in Hong Kong and the U.S. Japanese supermarket retailer Seiyu is reportedly sniffing around the edges of a possible tie-up with GNX, as is Daiei (DAIEY: news, msgs). Both companies need to concentrate on their own in-house troubles, but the eventual linkages between GNX Japan and its American parent could prove extremely attractive to Japanese retailers looking to expand and economize product lines with low-priced manufactured goods from abroad. Handspring is taking the

Japanese market very seriously. Jeff Hawkins, the company's founder and chairman, showed up in person for the Tokyo portion of the worldwide launch of the newest handheld products from Handspring (HAND: news, msgs): Visor Platinum and Visor Prism. The Prism is Visor's first color-enabled product with 16-bit color that can display a range of 65,000 hues improving readability for GPS maps, the Internet, video games and digital cameras. Visor Platinum is a pumped up version of its old self - 50 percent faster than the Visor Deluxe, with much sharper imaging in its monochrome package. Both are powered by Motorola's Dragonball VZ 33 MHz processor. Japanese consumers will have to wait until December to get their hands on these models (Americans can buy them online now, with delivery in November), but a sneak preview is possible at the upcoming World PC Expo in Japan's Chiba prefecture. "Today the handheld device business is very small compared to the cellular phone, and to the users on the Internet," said Hawkins. "We think the handheld device manufacturers like Handspring could be a major player in this new era of wireless competition." Of course, Palm (PALM: news, msgs) is saying the same thing - and louder. They have already announced an alliance with NTT's DoCoMo (NTDMY: news, msgs), giving them a strategic leg-up in Japan's wireless world. The two plan to launch wireless service for Palm PDA terminals this spring. Handspring, too, hinted that it would have an announcement in the spring but did not comment further. The only company of any size left for them to ally with is KDDI, formed on October 1 in the merger of DDI, KDD and Ido Corp. The new telecoms group can handle domestic wireless long-distance and international services. Palm is busy convincing Japanese content providers to create Web sites for their devices, and Handspring had better be doing the same. The problem for PDAs in Japan is that Handspring's company mantra, 'Keep it small, simple, affordable and connected,' is already being chanted by Japan's wireless providers and absorbed by the millions of cell phone owners. Handspring is expanding into other Asian markets. On October 3, they launched English versions of Visor and Visor Deluxe in Hong Kong, Singapore and Taiwan. A Chinese-language bundled version for Taiwan will be released later this month. Yahoo China is teaming up with Sinohome for a giant CD giveaway. Sinohome, an outsourcing partner of China Telecom's Home Online Program (C-HOP), says 8 million CDs will be distributed through China Telecom's 4000 service centers. Free Internet hours and a co-branded Sinohome-Yahoo instant messaging service are also part of the promotion. They'll be bundled into the package to let users transmit messages, use voice chat and file transfers, track appointments with an online calendar, and access news, weather, stock quotes and sports scores. Yahoo's (YHOO: news, msgs) China Web site, launched in September of 1999, has not exactly overwhelmed the competition. It placed 6th with a total 1,586, 000 unique users in Iamasia's China Internet report in August (Netease's (NTES: news, msgs) 163.com site ranked first with 3.4 million). Yahoo's showing was respectable but nothing near its domination in Japan. According to Nielsen/NetRatings, Yahoo Japan's homepage in August reached 75 percent of Japan's Internet population. Sinohome estimates it has 500,000 registered users and just over 200,000 unique visitors daily. Another of its online ventures, a discount consumer electronics outfit called 800buy, is reportedly among China's top three revenue-generating sites (<http://www.800buy.com.cn>). But both Yahoo China and Sinohome need this AOL-style CD marketing ploy to bring in more sticky eyeballs and pry some cash from those sticky fingers.

From CBS Marketwatch, 16 October 2000

EUROPE

A BIT OF EVOLUTION WILL WORK WONDERS FOR THE INTERNET

Viruses are common on the Internet, but now it's the turn of bacteria, says British Telecom. But rather than being a menace, the organisms BT has in mind have been designed to help make the Net faster. The idea is to mimic bacterial sex to "evolve" a more efficient network. Ian Marshall at BT's research centre near Martlesham, Suffolk, believes that the volume of Internet traffic is growing at an unsustainable rate. "It's important that the network is able to adapt continuously," he says. BT's solution is to let it manage itself. Rather than having software oversee the entire network, Marshall and his colleague Chris Roadknight designed the junctions of a network so that each could be run by a piece of autonomous software. Like bacteria, they had no central knowledge or overall control, yet Marshall says they were able to run the network very efficiently. Information sent over the Internet is broken up into discrete packets which are stored in a "buffer" memory before being forwarded to the next leg of their journey. Ideally, buffers are long. But the more information the packets hold, the slower they move. "If a packet arrives at the buffer and it is full, then it tends to get thrown away," says Marshall. This means some information will be lost. What is needed is the ability for buffers to know what kind of information they are passing and adapt their length according to the need. To do this using traditional techniques will become impossible as the Internet grows. So BT turned to nature in the form of "genetic algorithms". These are biologically inspired programs commonly used to help design--or evolve--things that people find difficult. GAs mimic natural selection by treating strings of data like genetic material. These strings can be combined and mutated to produce offspring whose fitness is then evaluated. The best are "bred" to produce more offspring. This is repeated until the best design has evolved. The problem BT found was that GAs are too slow for real-time applications, since they require the evaluation to take place over many generations. So Marshall and his colleagues proposed a different biologically inspired solution. Bacteria don't have sex in the traditional sense, they reproduce using a technique known as plasmid migration. "They wander around and bump into each other and say 'hi, do you want some of my genetic material'," explains Inman Harvey, an artificial intelligence researcher at the University of Sussex. By exchanging plasmids (rings of genetic information) through their cell membranes with neighbouring cells, successful genes can pass quickly through a colony and allow it to adapt rapidly to its environment. Random mutations produce new genes, with successful genes flourishing and ineffective ones quickly dying off. In a network these successful genes will enable the buffers to be optimised to carry packets of information as efficiently as possible. According to Harvey, the technique could open up many

opportunities. "With evolution, traditionally you only reap the benefits after many generations, whereas here you have the three aspects of evolution--heredity, variety and selection--but without anyone having to die," he adds.

From New Scientist magazine, 7 October 2000

THE AMERICAS

REACTION MIXED AS MICHIGAN LIBRARY INTERNET POLICY TAKES EFFECT

Tim Jackson does not think Herrick District Library's Internet access policy will affect him much. The 14-year-old even likes the plan to divide the Internet terminals into a set for adults and another for minors. "It's cool," said Jackson, standing on the skateboard he rode to the library. "There won't be so much lines." He is not fazed, either, by the library trustees' decision to install filters on the Internet terminals designated for all patrons 17 and younger. He thinks he still will be able to do research for school assignments and look up sites for video games. But Sean Debois, 14, said he is troubled by the library's policy that requires parents to sign a permission slip at the library before their minors can use the Internet. "I never come here with my parents," said Debois, a student at East Middle School. Both teens said that while they have never accessed inappropriate sites on the library's unfiltered terminals, they know other teens who have. Last week -- after months of pressure to install filters -- library trustees agreed to install the technology to computer terminals that will be designated for minors. For about two weeks, the library's Internet terminals are closed while the area is reconfigured and work sites are set up. A few patrons have traveled to the Holland Township branch to surf the Net. The branch's two terminals for adults are in separate work stations. The screens of three others set aside for minors are in view of the reference librarian. Library officials said they had no choice if they were going to comply with a state law that takes effect this week. It holds libraries responsible for making sure minors do not access pornography or other material considered harmful. Holland library trustees still have to decide on a filter product. They are looking into technology that allows patrons to choose different level of filtering. Until one is in place, all minors must have a signed permission slip to use the library's Internet terminals. There are no plans to add filters to the terminals designated for adults. That decision has come under fire from conservative group that have put pressure on the library to filter its terminals. Both the Family Research Council and the Michigan chapter of the American Family Association want filters on all computers -- legally allowed by state law -- to prevent patrons from accessing pornography. "The library's new policy leaves children and district patrons still unacceptably at risk," said Gary Glenn, president of AFA-Michigan. The library is satisfied with its new policy and is ready to move onto other issues, spokesman Gary Pullano said. "The use of the Internet by children and minors has always been a safe environment at our library and will continue to be so -- even more," Pullano said. Library patron Norma Wendt of Holland Township said she would not mind if all terminals at the library had filters. It is a small price to pay to keep others from looking up pornography at the library, she said. "If people want to do that, let them do it in their home on their own computers."

From Michigan National, 2 October 2000

INTERNET STILL A YOUNG FORCE IN POLITICS

No matter who wins the White House or which party controls Congress after Election Day, the 2000 election may well be remembered as the year the Internet reshaped American politics. The Internet was still a political novelty in the 1996 presidential election and its full range of uses were being explored only by the most cutting-edge campaigns in congressional, state and local races two years later. Web sites - presuming the candidate had one at all - were usually little more than cyber campaign brochures. But with a month left in the 2000 election, an Internet strategy is now integral to the overall strategy of virtually every sophisticated campaign. Although there is still no "killer app" for Internet politics - no single must-have application or use of the Web in a campaign - the degree and rapidity with which the technology is transforming politics "is really staggering," said political consultant Phil Noble of Politics Online. "There is not one narrow aspect where you can say (the Internet) has made a sea change difference," Noble said. "But if you add up all the dozens of ways it has changed politics, its cumulative effect and what it foreshadows is overwhelming - especially when you consider that in 1994, the Internet (as a political tool) didn't exist at all." When the presidential campaign began two years ago, the idea of raising significant campaign dollars over the Internet was an unproved theory. Then Democrat Bill Bradley shocked the political world by breaking the threshold of \$1 million raised online. Weeks later, capitalizing on his surprise victory in the New Hampshire Republican primary in February, Sen. John McCain of Arizona shattered Bradley's record by raising more than \$1 million via the Internet in 24 hours. McCain demonstrated that a presidential candidate who manages to suddenly break out of the pack can now hope to make up for lack of money and organization quickly and cheaply using the Internet. Any candidate who isn't raising campaign cash through a Web site now is considered woefully behind the times. But the Internet's impact on national, state and local politics goes well beyond online fund-raising. Candidates at all levels are using Web sites and e-mail to communicate their political message, organize supporters, and respond to opposing candidates. The full measure of the Internet as a political tool may not be evident until the final week or two of this election when both the Democratic and Republican parties are expected to launch massive get-out-the-vote drives in cyberspace. By e-mailing sympathetic voters and asking them to message other voters, both sides hope to drive up their numbers at the polls. The Republican National Committee has amassed more than 250,000 e-mail addresses and plans to double its database by Election Day. "There are a handful of races that will be won or lost on the Web in the last few weeks of the campaign - races where online fund-raising, online organizing and online communication will make the difference," said Dan Manatt, media director of FreedomChannel.com, a nonpartisan Web site where voters can download video of candidates explaining their positions on various issues. Given that a turnover of only six seats in the

House and four in the Senate could shift control from the GOP to Democrats, every race counts. The new political fascination with the Internet was especially evident at the Democratic and Republican national conventions, where party leaders strove to showcase their high-tech skills. There were 360-degree Web cams 24-hours a day on the floor of both conventions. Speakers at the Democratic National Convention were required to spend 15 minutes answering questions online at the convention Web site when they finished their time on the podium in Los Angeles - a kind of political version of the sports half-time interview. Both conventions had their "Internet Alley" where online journalists covered the action in sometimes unconventional ways. But the results were often disappointing. Public interest in the conventions - where the outcome was never in doubt and everything down to the color of the balloons was carefully orchestrated - was relatively low. People who did listen to the podium speeches overwhelmingly chose television and cable over Internet venues. Most home personal computers don't have the high-speed Internet connections needed to receive broadband video feeds featured on some of the more elaborate political Web sites. The Internet's greatest promise may be in its ability to empower voters. The 2000 election, for example, saw the birth of online voting. Democrats in Arizona were able to cast their primary ballots online. The Reform Party sent 800,000 prospective Reform voters ballots - each with a unique PIN number - before the party's nominating convention in August. Party members were able to mail in the ballot or log on to a Web site and choose a candidate. Surveys show most voters remain suspicious of online voting, but political experts predict concerns over privacy and fear of fraud will diminish as the technology improves. It is only a matter of time before Internet voting becomes a reality in most elections, said Robert Atkinson of the Progressive Policy Institute, a moderate Democratic think tank. "Once we get online voting, it will change the political calculus," said Atkinson, who studies how technology is changing the economy and politics. "When people start going to the Internet to vote, they will also start going there to get information about the candidates, information that can be customized ... making campaigns more issue-driven." The Internet is already making it easier to register to vote. For example, OnlineDemocracy provides voter registration forms for 46 states and the District of Columbia. Visitors to the Web site can either print out and mail in forms or request that forms be mailed to them. The site, now affiliated with ABC News, was developed by a group of political activists who were behind several successful ballot initiatives in Florida. The wealth and variety of political information available on the Internet is seemingly as boundless as the medium itself. Most major candidates and party committees have Web sites. Special interest groups from the League of Conservation Voters to the National Taxpayers Union provide detailed information about candidates' positions. So do a growing array of nonpartisan, non-ideological Web sites designed to educate voters like The Jefferson Project, Project Vote-Smart, Grassroots.com and Voter.com. The Web sites of most television and cable networks and most newspapers offer extensive political news. So do Internet portals like America Online and Yahoo! And online magazines like Salon and Slate. Two out of three voting Americans will likely turn to the Internet to find out more about candidates and issues before they cast their votes, according to a poll conducted by Yankelovich Partners for Yahoo! in July. Still, it will take more than the Internet to remedy voter apathy, said Michael Cornfield, research director of the Democracy Online project at George Washington University. "If you are talking about getting people involved in political affairs, the Internet is not the answer," Cornfield said. "You still have to motivate people. You still have to convince people that this is something important to them. Technology alone won't do that."

From CNN, 2 October 2000

CANADIAN MOUNTIES PROPOSE AGENCY TO FIGHT INTERNET OUTLAWS

The Royal Canadian Mounted Police wants to create a special agency to police the growing number of outlaws on the electronic frontier. The proposed Internet crimes reporting centre would be a national hub for all matters pertaining to illegal activity on the rapidly expanding web of global computer networks. The centre is intended to help the Mounties and other police forces investigate, track and take concerted action against cyber-crimes including fraud, online harassment, offences against children and computer break-ins, said Sergeant Tom Pownall of the RCMP's technological crime section. "We don't really have anything that would serve right now as one location to get a handle on everything that's taking place on the Internet, and I think this would really help us," said Pownall. "I'd really like to see it happen." The RCMP is seeking \$600,000 in startup costs to a new government fund designed to assist online initiatives, he said. Pownall doesn't know whether -- or when -- the submission will be accepted. Initially the centre would have four or five staff. No location has yet been proposed, though it might be based in Ottawa. A March memo by Pownall outlining details of the initiative was obtained under the Access to Information Act. "As the national police service, we should be taking a leadership role in matters pertaining to Internet crime," says the memo to senior RCMP managers. "Within Canada, all individuals, organizations and police agencies would be invited to report upon and provide information on possible criminal activity." The memo says each report would be assessed by center staff to determine the next step, such as referral to the appropriate police force, consultation with the complainant's Internet service provider, or direct contact with the alleged perpetrator "to seek out information or request that they cease" the objectionable activity. Pownall said the centre would enable police to tell whether complaints are isolated reports or part of a countrywide pattern of incidents, something that is difficult to determine. The idea for a new agency was inspired in part by the U.S. Internet Fraud Complaint Center, responsible for helping counter cyberspace scams.

From Canada-Vancouver Sun, 9 October 2000

THE FUTURE OF THE INTERNET

Hang tough, surfers: Here come adventures unimagined, dangers undreamed of, and a towering wave of chaos to test your nerve. Who's Who on the Panel: BRAN FERREN was until recently the president of research and development for the Walt Disney Company. He left to cofound a new company called Applied Minds, with partners Danny Hillis and Doug Carlston. Their focus is to invent new concepts and technologies that will make our world a better place. FRANCINE GEMPERLE directs the Interaction

Design Studio at Carnegie Mellon University's Institute for Complex Engineered Systems, where she focuses on finding intuitive ways for people to work with technology. She conducts research in mobile and wearable computing and human-computer interaction. MARTIN GREENBERGER holds the IBM chair in technology at the Anderson School of the University of California at Los Angeles. He is also senior fellow at the Milken Institute and president of the Council for Technology and the Individual, a nonprofit foundation addressing the human dimensions of technology. TED HANSS is director of applications development for Internet2, an effort by more than 170 universities to develop and deploy advanced network applications and technologies. He is on loan to Internet2 from the University of Michigan, where he is in the information technology division. JEFF HARROW is a senior consulting engineer with Compaq's technology and corporate development division. He holds patents for technologies in network management and user interfaces and is the author and editor of *The Rapidly Changing Face of Computing*, a weekly newsletter that explores computing trends. ROBERT LUCKY is corporate vice president of applied research at Telcordia Technologies. Early in his career at Bell Labs he invented the adaptive equalizer, a key part of high-speed modems. He has led government and military science advisory boards. MARVIN MINSKY is Toshiba Professor of Media Arts and Sciences at MIT, where he works in the AI Lab and the Media Lab. He has often been called the father of artificial intelligence and is the author of several books, including *The Society of Mind*. S. JOY MOUNTFORD has been working in interface design more than 20 years. She was in charge of the Human Interface Group at Apple Computer, then led projects on interactive musical development for Interval Research Corporation in Seattle. She recently formed her own interaction design company, Idbias. A decade ago few people could have imagined the Internet of 2000— almost limitless information on a unique medium shared with anyone who can get there. But this remarkably disruptive technology has only begun to flex its power, and the big question so far in this millennium is clear: What's next for the Internet? To find out, *Discover* magazine and the Disney Institute convened a panel of creative, influential techies whose careers have proven they're pretty good at predicting the future. Read and prepare. BRAN FERREN: One thing I'm wondering about these days is what sort of world the Internet is going to create. I look around and see free dialogues taking place between people everywhere. Will that lead us to one connected world? Will national boundaries collapse? Will new sorts of boundaries emerge as people form new and vital associations through their experiences on the Net? ROBERT LUCKY: As an old telephone person, what amazes me is that in the past, when I called you on the phone, I had to know you and look up your number. But the Internet enables associations to form spontaneously. It might be people with whom I share a hobby or a particular belief, but it's there, ready to combust at any time, and there are thousands upon thousands of communities like that out there right now. JEFF HARROW: What fascinates me is how the Internet has completely broken down geography. When I was a kid, you never even conceived of talking to people in another country. My son was playing an interactive game online a couple of nights ago, and he mentioned to me that his opponents were in France. He truly didn't give it a second thought. If we look forward to real-time machine translation, we'll see people actually conversing in different languages, further opening up our world. BRAN FERREN: Still, we've just started. This Internet is just coming up to speed. So tell us, Ted, why we need Internet2. TED HANSS: Imagine it's 1995, and you're a professor who has been using the Internet for several years. You send e-mail, you make your first Web page, and you want to start experimenting with audio and video across the Internet. You come to work Monday morning and find that another 50 million people have also discovered the Internet, and they're all sending e-mail and transferring files. What we need in higher education is a place to take bright ideas and see whether they're viable, to explore new modes of instruction, new ways of collaborating around the arts and performance. Internet2 is structured to allow people to connect with one another without loss of nuance, whether it is the raised eyebrow or the fidelity of the musical piece you're playing. BRAN FERREN: So there's more to it than bandwidth? TED HANSS: Much more than bandwidth. For instance, we're working on high-fidelity audio and video. To me, video is the killer app for the future of the Internet, but first we have to make video as easy to use as word processing is today. Astronomers come to me and say they want to be able to get access to a telescope on top of Mauna Kea in Hawaii without climbing to 14,000 feet. The way to do that is to bring the video to the individual. How do you help them publish their results and share them with other astronomers? How do you help them show images from those telescopes on Mauna Kea in the classroom in a way that is digestible? ROBERT LUCKY: I'm going to take this down to the techie level. The biggest problem has been getting bandwidth to the end user, and I don't think Internet2 has solved that yet. You want to get a gigabit— that's the real aim of Internet2— to the end user and see what they can do with it. I'm a great believer in the *Field of Dreams* approach. If we build it, they will come. If you put the bandwidth there, great things will happen. JEFF HARROW: I think the important thing about Internet2 is having it there for purposes we can't yet even guess. To me, that's one of the magic pieces of Internet1, that someone in a garage in a country you've never heard of might tonight finish up a project, publish it as shareware on the Internet, and cause a dozen businesses around the globe to change their business model in the morning. BRAN FERREN: The triumph of the Internet was that the authors were smart enough to work only on the lowest level protocols rather than anticipate things higher up the food chain, which permitted interoperability to an extent that no one ever expected. MARVIN MINSKY: It's true. This thing developed in a wonderful, spontaneous, low-level way that resulted in much more flexibility than anything that could ever have been designed into it. The network is a miracle of unregulated enterprise, but it's also in great danger. You have to watch politicians who are saying, "We shouldn't give kids access to half the knowledge in the world in the library because they might see some porn." BRAN FERREN: That is a fundamental issue. This technology is going to become more pervasive in our lives. It will appear on things we wear, on things we see, in cars we drive. And it brings with it both good and bad. You cannot go a week without reading about some new virus that is taking down systems, wiping out hard drives, and costing us millions of dollars. Because weapons systems have computers embedded in them, cyber-terrorists could cripple an advanced armed force in milliseconds. How do you enable a social structure to emerge so that, on balance, individuals, communities, and countries are safe but freedoms aren't abridged? ROBERT LUCKY: The problem is that the technology is running faster than our mores and our ethical senses can catch up. And what's ethical behavior? It's like the wild Wild West out there. But I agree with Marvin. There are going to be a lot of politicians who want to step in and regulate things, and I'm very scared by that prospect. BRAN FERREN: What do you do about the fact that the Internet provides a type of anonymity that encourages bad

behavior? JEFF HARROW: Old laws are being reinterpreted to work in the new world of cyberspace, and new laws are being enacted. As in the Old West, the marshal has come to town. Since an increasing number of people who are breaking society's rules in cyberspace are getting caught, it's working. ROBERT LUCKY: I think the way to handle it is not regulation but handling exceptions after the fact. MARVIN MINSKY: Right. For instance, we'll have to become much more severe about people who start viruses. ROBERT LUCKY: Exactly. You go in and get a few of those people and discourage it. JOY MOUNTFORD: But our legal and political systems are not set up to handle these situations. And you have to remember there are nut cases out there. TED HANSS: I say protect the Bill of Rights. I don't want to see anything that erodes it, and some of this is on a slippery slope. I think law enforcement is already putting the Bill of Rights under attack, because they're getting access to things like positioning information. We've got to be vigilant about that sort of activity. On the other hand, I also believe that people who copy music with Napster are stealing. But there are copyright laws already. We don't have to shut down the Internet to address that. BRAN FERREN: Are we going to need a personal identity on the Internet that cannot be concealed? ROBERT LUCKY: I think in some contexts you will be required to verify yourself. You already have to prove your identity in financial matters. BRAN FERREN: Does anyone disagree? JEFF HARROW: If I go to make a phone call, I have an option, in most cases, to block the caller ID display. However, law enforcement can still trace that call if they need to. But if I want to, I can make a purely anonymous call by putting coins in a pay phone. I think identification on the Internet will evolve similarly, that in most cases your identity will be findable, yet anonymity will still be possible. ROBERT LUCKY: You can think of a lot of historical cases where people have been persecuted because their identities were made known. So it's important that there be ways you can be anonymous. JOY MOUNTFORD: The most important thing is for human beings to retain a measure of control, at least to know when they're being identified. BRAN FERREN: Joy, could you talk for a moment about the question of the haves and the have-nots? The majority of the planet is not on the Net. In fact, a significant percentage of people on the planet cannot even read or write. The interesting thing about the Internet, of course, is that eventually you won't need to read or write in order to communicate richly with people over long distances. But is the Internet going to bring us closer together, or is it going to divide us? JOY MOUNTFORD: Well, I suspect this is no different from any other major technology that has been introduced in a civilized country. Why is there still world hunger when we all throw food away? It's the same sort of thing. I think you'll see incremental ways of getting access to the Internet— booths at street corners, with cards that allow you to check in for a couple of minutes. JEFF HARROW: The Internet has enabled some countries that otherwise might not have been able to more easily participate in the global economy. India, for example, is now a large producer of software that the rest of the world consumes. So you can see there's quite a bit of good that comes from the Internet breaking down geographic barriers. ROBERT LUCKY: I think a very small percentage of people in India are actually empowered in this way. BRAN FERREN: A poll of the panel: When do you think 50 percent of the population on the planet will be connected by the Internet? ROBERT LUCKY: Well, you actually could sort of work this out mathematically. The Internet is growing at a rate of 60 percent annually, and there are half a billion users now. So you could project that, unless something changes, it will be six years. I just made that number up, by the way. You'd have to work it out, but that would be my algorithm. JEFF HARROW: There is so much of the planet that is currently not even using the telephone - it's going to take time. BRAN FERREN: Precisely. On the other hand, technologies tend to leapfrog. If you imagine an electronic book that is solar-powered, connects via satellite, simultaneously translates, initially badly and then better, that type of device ought to cost \$100 or less in five years. MARTIN GREENBERGER: The number of people, the number of households, with access to the Internet has increased a hundredfold in the last five years. Most of the use is here in this country, but that's going to change. TED HANSS: I'd say 15 years because of alternative devices, handheld devices, and so forth that will blow past PCs. BRAN FERREN: I have another question for you. Are we, because of the Internet, on the verge of information overload? TED HANSS: Right now the Internet is the great disintermediator— the pump-your-own-gas of getting access to information, and we are overwhelmed by the sources out there. What that tells me is that we're not going to do away with editors and librarians; in fact, they have become more important to help us get the information we need. Eventually, though, we will get good intermediation back in this environment. BRAN FERREN: So you don't think it's a big problem? TED HANSS: I think it's an ephemeral problem. ROBERT LUCKY: I think it's a terrible problem. There are a billion Web pages, and knowledge itself may be growing geometrically. I have a sense that the amount I have to know is growing faster than my ability to know it. What happens in science is you have to become more specialized. Your only hope of swimming through this river of information is to swim in such a narrow stream you're able to keep up with it. MARVIN MINSKY: It's a terrible problem for everybody. However, it is not so bad in science. Before we understand basic principles, we have millions of partial descriptions of things. But after we get better theories, we don't need most of that stuff anymore, so we can throw out the million papers. In short, I think that the amount of junk knowledge grows very rapidly, but who cares? BRAN FERREN: I guess one reason why one cares is that, as a scientist looking at a deteriorating signal-to-noise ratio, I think it may become harder to find the good stuff when it's overwhelmed by the stuff that isn't. MARVIN MINSKY: Well, right now the way we have to do information retrieval is dumb because computers cannot yet understand text, except by using statistical tricks. Fifty years from now or maybe 400, there will be computers that can read the stuff, understand what it means, and find the good thing— then everything will change. ROBERT LUCKY: I'm not sure if machines will ever be able to find what's good. That's the problem. Who determines what's the good stuff out there? JOY MOUNTFORD: Another important question is, Are we losing our ability to generate the good stuff? Frank Thomas, a friend of mine, was one of the original Disney animators who created Bambi and Lady and the Tramp, among others. He's used a computer, too, and says that the problem is that often they're too quick. In the old days, to create the dwarf in *Snow White*, you lived with this character for a long time and thought through all the nuances. With computers you can generate all sorts of Snow Whites and the Seven Dwarfs instantly, but they may lack the level of refinement and the detail and the craft. I wonder if we're actually teaching people to truly understand and think about things. BRAN FERREN: It has been argued that social interaction between people is being damaged because so many people spend all their time cruising the Net. Is the Internet hurting quality of life at the same time that it's enhancing it? FRANCINE GEMPERLE: It's changing the quality of life, but I don't think it's hurting it. If I decide that I want to

sit in my office and play on the Internet for the entire weekend, that's my choice. If I'm unsatisfied with my socialization over that weekend, I can spend the entire next weekend talking to people in person. MARTIN GREENBERGER: Many people find their circle is expanding because of associations made or reinforced through the Internet. Entries in their address books are growing, and so are their professional and social calendars. BRAN FERREN: Let's move on to the wireless explosion. Will it fundamentally transform the way we use the Internet? ROBERT LUCKY: Definitely. TED HANSS: Competition in wireless means that we're seeing many different options, from room-based to metropolitan-based. So the ability to be connected all the time, if you choose, will give you the ability to have information when and where you want it, as a consumer or as a publisher. FRANCINE GEMPERLE: On the other hand, we have a wireless network at Carnegie-Mellon University so that, on the entire campus, by using a WAVE LAN card in any device, you can be connected. Last semester we gave wireless handheld computer devices to the students in two classrooms, and I did an anonymous survey. All the students admitted to wasting a lot of time, not paying attention to the lecture, gossiping, browsing the Internet. Then the question was: At the university level, is that appropriate? BRAN FERREN: And wireless enabled that clearly because they didn't have to stretch a cord to the corner of the room. FRANCINE GEMPERLE: Right. BRAN FERREN: I wonder if what's going on today in the business of the Internet, broadband, and wireless is making it more accessible to everybody? Or will there be gatekeepers who control who gets on, what they get to, what it costs? MARTIN GREENBERGER: Broadband, of course, is associated with cable, and the cable industry is not under the same injunctions that the telephone carriers are to make access available to everyone. BRAN FERREN: So you think there is a clear and present danger that the forces of business can work against the Internet in its ability to help people and enter their lives in a way that benefits them? MARTIN GREENBERGER: Not only can, but will— unless we are very careful. The end-to-end design of the Internet was specifically intended to allow everyone to have access, to spur innovation. It was remarkably successful. We've got to find a way to preserve that. ROBERT LUCKY: The truly exciting thing is that we haven't even begun to explore the Internet, let alone its limitations. BRAN FERREN: I don't think enough of us spend enough time thinking about that. The entire computer revolution, including the Internet, hasn't begun yet. We're not in the middle of it— we're at the dawn of it. It's like trying to comprehend the magnitude of the oceans if all you've done is stand on the beach watching the waves breaking.

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ONLINE AD JITTERS OVERBLOWN, AS INCREASED SPENDING OFFSETS INTERNET SHAKEOUT

Fears of an Internet-advertising slowdown seized the media sector this week, contributing to deep declines in shares of companies like Yahoo and America Online. And News Corp. chief Rupert Murdoch didn't do much to brighten the outlook when he referred to himself on Wednesday as a "bear on all that pure dot-com business." But the news isn't all bad for online content sites. A closer look at the numbers suggests that while many pure-play Internet companies have slashed their ad budgets -- or closed up shop completely -- overall ad spending on the Internet continues to grow at an impressive pace. After ad expenditures dipped in August, the first time in 2000 that research firm AdZone Interactive had tracked such a decline, they zoomed back by 13.2 percent in September, reaching a year-high of \$1.6 billion. Taking up much of the slack are traditional offline advertisers like General Motors and Target, whose seasonal spending patterns may have resulted in a misleading impression of sluggishness this summer, according to some media executives. These executives also observe that an Internet shakeout could have a Darwinian upside, helping to kill off the hundreds of competing Web sites that have led to bruising price wars. "The raw number of dollars is increasing nicely," says John Corcoran, Internet/New Media Digital Analyst for CIBC. "Roughly \$4.6 billion was spent in online advertising last year. This year, we're expecting \$8 billion to \$10 billion." Those beefy numbers shouldn't come as a surprise, despite the digital death march following the Nasdaq crash in April. More Fortune 500 companies are coming around to the power of online advertising, according to Corcoran, and they're bringing their big budgets and promotional savvy to the nascent medium. Sears.com, the online counterpart to the retail giant, led all Internet advertisers in September, according to AdZone Interactive, spending some \$27.8 million on U.S. Web sites; in August, the company ranked ninth. These new ad dollars come with a catch, however. Larry Kramer, CEO of online financial news company MarketWatch.com, says the changing advertiser mix helped create an unnerving lull in his summer ad revenue which was followed by an unusually frothy fall. "We were getting orders five months in advance," says Kramer, "and the answer seemed to be that the car manufacturers and airlines and those guys are used to advertising seasonally. We weren't ready for that. We were not prepared for the seasonality -- we had never seen it before online." Old-economy advertisers are also pickier than the Internet variety. Many refuse to buy traditional banner ads, whose effectiveness has fallen to a dismal 0.2 to 0.4 percent click-through rate, according to Corcoran. (In the mid-1990s, those rates climbed as high as 6 percent.) Instead, the General Motors and Tiffanys of the world are going for opt-in e-mail campaigns (sent only to people who have requested the information), sponsorships or interstitials. They are also spreading their campaigns across all media, combining television, print and the Web in a more holistic marketing strategy. "Anything that's not a banner," says Corcoran of CIBC. Tom Sebastian, chief financial officer at online ad agency L90.com, echoes the same theme. "General Motors spends 2 percent of its ad budget online," he says. "And it will increase very rapidly. It's the dot-com guys who are going through a period of adjustment." (A GM spokesperson was tight-lipped about the company's advertising strategy, citing competitive reasons for the reticence. The most recent numbers, however, show that if GM does increase its presence online, its potential to pour money into the medium is enormous. The auto manufacturer spent \$1.58 billion in total advertising from January to July this year, according to Competitive Media Reporting. Of that total, \$32.2 million was spent online, or 2.03 percent.) As an example of the more sophisticated advertising approaches being used online, Sebastian points to L90's campaign for Fox Television, which employed opt-in mass e-mails to promote Fox's two new series, *Dark Angel* and *Freakylinks*. Fox sent e-mails to people who had signed up at its Web site to get information about new shows. Within the e-mails were video clips of the shows as well as information about the schedules. The recipients were encouraged to forward the e-mails to five of their friends, who would then be directed back to the Web site

where they could sign up for e-mails of their own. L90 backed up the e-mail campaign with a more traditional print and television component that drew readers and viewers back to the Web site. MarketWatch.com's Kramer expects that as more content sites lose funding and drop out of sight -- HyperMedia Communications, which produced the Web publication NewMedia.com, being the latest -- those left standing will inhabit a much happier space. "The inventory grew so fast on the Web that everyone started putting up sites," says Kramer. "And that grew faster than the advertising did. So even though the advertising is growing and growing at the rate it's projected to, you have a billion sites you're competing against, and you're competing against stupid money -- guys you know have no business model at all and they're charging a \$3 CPM (cost per thousand) for advertising you should have. And when they go out of business, you know you're going to get it all back." Both Marketwatch and Slate have started targeting a decidedly not-com kind of advertiser: cars and airlines for the former, and liquor and car companies for the latter. And they've also adopted a trick from the traditional ad-selling business: a category manager. MSN, Microsoft's Web portal, recently hired its own ad executive to cover the automotive sector for all Microsoft-owned sites, including Slate, according to Slate publisher Scott Moore. Jason Young, vice president of ad sales for financial-news Web site TheStreet.com, says his company is pursuing advertisers like Jaguar and Lexus in the fourth quarter, as well as technology companies like Microsoft and Compaq and online brokerages like DLJdirect and Datek Online. Even before the carnage in the Web site sector -- as companies from Pseudo Programs to DEN imploded -- content sites have been reducing their reliance on Internet-only advertisers. Of the 95 companies that have advertised on Tribune-owned latimes.com, just 16 are completely Internet-based, says Donna Stokely, director of online advertising for Tribune Interactive. "You still have strong spending from Internet-only companies," Stokely says. "Although when you look at who we had on board last year, a lot of those companies are no longer in business." Three such companies have gone out of business, Stokely says, including Reel.com and E-Mattress.com, while others have reined in their budgets. But she expects that increased spending from the site's more traditional advertisers, like Microsoft, Nordstrom and Saturn, will more than pick up the slack. Meanwhile, the third-quarter financials released so far by public media companies are --on the whole -- encouraging. Real Networks did warn analysts that reduced spending by some longtime advertisers will chop at least \$3 million out of fourth-quarter revenues. But America Online's revenue from advertising and e-commerce rose 80 percent in the third quarter, to \$649 million, and company president Bob Pittman told journalists at a lunch Wednesday that the online ad fallout is just so much hooey. (For Inside's report on the lunch with Pittman and Time Warner chairman Gerald Levin, click [here](#).) Sportsline.com also saw its ad revenue increase to a record \$20.9 million in the third quarter, a 168 percent increase over the \$7.8 million it generated for the third quarter of 1999. And New York Times Digital, the Internet unit of the New York Times Co., took in \$10.2 million in ad revenue during the three months ending in September; the corresponding number in 1999 was \$5.7 million. Most of this year's total comes from blue-chip offline advertisers like Saks Fifth Avenue, Lancome and SAP. "At our three largest sites (NYTimes.com, Boston.com and newyorktoday.com), revenues from dot-com advertising represented less than one-third of our total advertising revenue," a company spokeswoman said via e-mail.

From Inside-Media, 19 October 2000

GLOBAL

INTERNET ELECTION BRINGS NEW PRESSURE FOR CHANGE

Five internet citizens of the world, elected last week to the board that governs the global network, could give noncommercial users more influence over the Net's development. Karl Auerbach of California and Andy Mueller-Maguhn of Germany will join the 19-member board of the Internet Corporation for Assigned Names and Numbers, along with Nii Quaynor of Ghana to represent Africa, Masanobu Katoh of Japan for the Asia-Pacific region and the Brazilian Ivan Moura Campos for Latin America. Their two-year terms start next month. But change won't come easily. "It's sort of like a river eating away at a granite boulder," said Mr. Auerbach, 50, an engineer at Cisco Systems Inc. "People better not expect instantaneous results." ICANN's decisions on such technical but commercially charged issues as domain names will influence the Internet's use and growth. The organization, created in 1998 to take over naming duties from the U.S. Government, is often accused of favoring vested business interests over individuals. Mr. Auerbach, who ran on an anti-ICANN platform, described his victory as a statement of "dissatisfaction with ICANN's processes, procedures and techniques." Mr. Mueller-Maguhn, a 28-year-old journalist and student at the Free University of Berlin, is spokesman for Chaos Computer Club, a group of hackers who have exposed and publicized security flaws for years. Mr. Mueller-Maguhn advocates the "unlimited freedom and flow of information without censorship." Some 76,000 registered ICANN members were called on to vote but only a little more than 34,000, or 45 percent, took part, according to Election.com, which supervised the vote. Mike Roberts, ICANN's chief executive, said declaring a mandate may be premature. The winners ranged from "vocal critics to people quite supportive," he said. "There's lots of room for vigorous discussions. If you're looking for both experience and diversity you couldn't ask for a better outcome." Harris Miller, an unsuccessful candidate who opposes Mr. Auerbach on most issues, said the ultimate effect will be longer discussions, not necessarily changes in decisions. "I don't have a sense that the vast majority of members think ICANN needs to be ripped up and destroyed as he does," said Mr. Miller, president of the Information Technology Association of America.

From International Herald Tribune, 16 October 2000

COMING TO YOUR PHONE: THE TALKING INTERNET

Her task seems simple enough: Find a flight from New York to San Antonio, using an automated telephone system that responds to

the human voice. The caller, however, quickly confronts a ticket of misunderstanding. "I think you said 11 o'clock, is that correct?" a recorded voice asks. "Say yes or no." When the caller responds with "correct," deviating from the instructions, the voice says, "Sorry, I didn't understand." And when the system twice fails to grasp the caller's Boston-accented rendering of "New York" and asks her to spell it, she pulls the receiver from her ear and glares at it as if it has said something disgusting. "N-E-W," she says loudly, as if addressing an imbecile. "I don't like this. I'd rather talk to a real person." No one ever said teaching a computer network to talk and listen would be easy. Yet here inside a windowless observation booth, that's essentially what a new crop of software developers and system engineers is trying to do. The middle-aged caller is part of the first live test of a new AirTran Airways reservation system, built by SpeechWorks International. Though the reservation system simply pulls information from AirTran's private database, Boston-based SpeechWorks is one of a number of companies with its sights on a far broader landscape: the now text-centered global computer network. At a time when the global computer system seems to penetrate every crevice of human life, new services are proliferating to make Internet-navigation more like conversation, with voice commands taking the place of mouse-clicking and typing. In recent months, Web sites reached by phone and navigated by voice commands have sprouted around the world. In place of text, the sites offer content in the form of recorded voices. Most provide information such as restaurant reviews, traffic reports, stock quotes and sports scores via toll-free numbers. Those advocating "voice recognition" say it could bridge the digital divide, bringing Internet information to anyone with a telephone. It also could extend the reach of the Internet to mobile telephones and hand-held computers, providing an alternative to reading text from tiny screens. But the false starts and confusion highlight the considerable gap between the vision of voice as the thing that will tame the Internet and its realization. "Sorry, I can't understand you," the caller says, imitating the recorded voice, as she complains to an engineer from SpeechWorks. "It was annoying as hell." But is it the future? The new telephone Web sites, "voice portals," as they are called, are betting on it. BeVocal bills itself as the premier source for driving directions. Audiopont allows users to customize their content - first, the local traffic report, then the weather - creating a sort of personalized radio broadcast. Tellme Networks claims distinction as a taxi finder, connecting callers to local dispatchers. WITH VISIONS of the voice portals as a key engine for the wireless Internet, Cahners In-Stat Group, a Boston-based research firm, forecasts that they will capture \$1.6 billion in revenue by 2005, mostly from advertising. But analysts also view the portals as a phenomenon that could dramatically broaden the reach of the Internet. Nearly everyone is accustomed to getting telephone numbers, for example, from an automated information line. In essence, that's what voice portals are. "This is the beginnings of the Internet behind the scenes," said Mike McCue, chief executive of Tellme. "People just want to get a pizza, they want a taxi. They don't care that it's the Internet." Services that allow people to hear their e-mail and compose responses by phone are also taking root. SpeechWorks, founded six years ago, is one of a group of companies producing the building blocks for the voice boom. Using a "voice recognition engine" that breaks words into digital bits and matches them with words in a database, it already has launched automated services for several major companies, including United Airlines and Federal Express. But SpeechWorks is increasingly focused on the broader mission of infusing the Internet with voice. The company is developing a set of voice-based services for America Online, the U.S.'s most traveled Internet gateway. SpeechWorks also is developing a voice-commanded Internet browser. Nuance Communications, a Silicon Valley company that stands as SpeechWorks's primary competitor, is close to releasing its own voice-browser, Voyager. In the Nuance world view, telecommunications is moving toward something it calls "voice dial tone" - when the Internet and the telephone network fuse into one. We would pick up our phones and hear, in place of the anachronistic hum, a voice that says, "How may I help you?" We would say, "Call Mom," or "sports" or "weather." Then we would speak with our mother, or ask for a baseball score or the chance of rain. A voice would respond. But if voice on the Internet is fashionable, it has its share of skeptics. "That promise has been out there for 20 years," said Thomas Trinneer, vice president of data product development at AT&T Wireless, one of the U.S.'s largest mobile telephone carriers. "If you have a high voice, a low voice, if you have an accent, if you have a lot of ambient noise, voice recognition doesn't work." There is also the question of who might overhear. "When I'm sitting in an airport, there's no way I'm going to say, 'Don't you dare acquire that company for \$700 million,'" said Ben Linder, vice president of marketing at Phone.com, which makes text-based Web browsers for mobile telephones.

From International Herald Tribune, 17 October 2000

INTERNET BECOMES THE NEW FAMILY HEARTH

By Paul Van Slambrouck (paulvan@ix.netcom.com) Staff writer of The Christian Science Monitor

Contrary to popular belief, Net doesn't alienate families. It brings them together. The internet, as it is turning out, is pretty family-friendly. Security and privacy issues still worry a lot of Americans, as do issues of pornography and other offensive content. But accumulating evidence about what is becoming the most pervasive technology change of the past century shows the Net maintains or even extends family togetherness, and helps create and strengthen friendships, and doesn't harm children's performance in school. The Net's full social impact probably will not be known for decades. But early fears that it would atomize families by creating technologic cocoons are slowly subsiding. Americans, in fact, are pretty bullish about life online, says Jeffrey Cole of the UCLA Center for Communications Policy, author of a broad new study released today on the impact of the Internet on American society. "You see this growing optimism that the Internet is really, by and large, a positive force," says Mr. Cole. That finding is consistent with research by the Pew Internet & American Life Project, whose director, Lee Rainie, says, "The judgment of users is that it increases communication and improves social connections." Social scientists are eager to track the Net's impact because it is regarded by most as a significant new social force on par with or greater than the advent of the printing press and the television. Further, there is a sense that had as much attention been paid to the consequences of television from the beginning, its role in society today would be better understood - and possibly different. One thing is clear: The Internet is washing through society at a rate that dwarfs the spread of any previous technology. For instance, it took nearly 50 years for electricity to show up in one-third of

American homes; nearly 40 for the telephone to appear in that many households, and 17 years for television to do the same. It took the Net just 7 years to spread as far. Concerns remain that the Internet is not equally accessible to all. This "digital divide" is in some respects worsening, according to new findings from the Department of Commerce. "Minority groups have made impressive gains with Internet access, but there is still a considerable gap" between them and whites, noted Commerce Secretary Norman Mineta earlier this month. The gap, however, is narrowing when it comes to income and gender. Women now make up half the online population. But while the demographics of Internet use are important, increasingly social scientists are looking at how the Net is used, to evaluate its influence on values and behavior. The UCLA report finds that Americans who go online do so without carving into family time. The vast majority of Net users say that since connecting at home, members of the household spend the same, or more, time together. In fact, it appears that when folks go online, the activity that most falls by the wayside is watching television. Users and nonusers talk on the phone, read books and newspapers at about equal rates. But those online watch about five fewer hours of TV per week, according to the UCLA survey. As one barometer of how prevalent the Internet now is in the household routine, the Net has even become a common feature in parents' repertoire of punishments for children. Bad behavior? No Net time. Common household behavior is changing in other ways, too. Mr. Rainie of Pew says that children are increasingly gatekeepers to the Net for their parents, a reversal of the way parents have traditionally been the conduits of knowledge in the family. "The young are teaching the old to use this technology," he says. Somewhat surprisingly, the Internet is also becoming a group activity in homes. Family members and friends regularly spend time together online, according to UCLA, whether in pursuit of information, entertainment, or just communicating. While the Net is a powerful commercial tool, it has truly revolutionized communication. Over the past several decades, historians have noted that the art of letter writing has dwindled with most Americans writing no more than two letters per year. Now, however, use of e-mail has exploded, generating more communication between families and friends, and helping establish relationships that did not exist previously. These new relationships often extend beyond individuals. "We know the Internet facilitates the creating of communities, the types of communities that we have not seen previously," says Rainie. These range from hobbyists staying in touch online to support networks that offer advice and camaraderie. The most prevalent concern that Americans have about the Internet is whether their privacy is being compromised. Americans have always jealously guarded their privacy, says Cole. But through the years, the focal point of concern has been the government. Now, privacy concerns are increasingly directed at corporations and marketers, who are seen as eager to use the Net to find out more about Americans than individuals want known. While this concern may act as a brake on some commercial activities over the Internet, it does not seem to deter the rush online. In the United States alone, there are 2,000 new Internet users per hour. An Internet population of 19 million in 1997 has mushroomed to well over 100 million today. And two-thirds of users and nearly half of nonusers believe that the Net is making the world a better place, an indicator that its growth is far from over.

From Christian Science Monitor, 26 October 2000

Public Finance

AFRICA

NAMIBIA GOVERNMENT GAVE ILLEGAL LOANS

Details about illegal loans that Cabinet ordered the Development Fund of Namibia (DFN) to pay out to Fishcor, other State companies and the Namundjebo family emerged yesterday. The National Assembly's Standing Committee on Public Accounts heard that then ministers of finance, Gert Hanekom and Helmut Angula, acted outside the law when they "instructed" the Development Fund to give money to the companies. The two ministers were acting on decisions of Cabinet in the early and mid-1990s, Permanent Secretary in the Ministry of Finance, Usutuaije Maamberua, told the parliamentary committee. The Committee had summoned Maamberua to explain the circumstances surrounding the N\$25 million given to Fishcor by the Development Bank which had not been paid back. For the past few years the Auditor General has been questioning the status of the money without success. Fishcor is a wholly owned Government company involved in the fishing industry. The Development Fund of Namibia's objectives are to technically and financially assist formerly economically disadvantaged entrepreneurs who would like to set up manufacturing, service or tourism businesses in previously neglected areas. Deputy Chair of the Committee, Dr Kaire Mbuende, said they had called for Maamberua to explain the payment because "there has been no clarity on the status of this [N\$25 million] in the auditor's report on the Development Fund". "Our concern here is money for the Development Fund, because we need money in the Fund for development," said Mbuende. Maamberua told the committee Cabinet had instructed the Development Fund to "put money into Fishcor", but "after some years" the Fund told the Finance Ministry that Cabinet had acted beyond its mandate and asked to be refunded. "For some time we have been talking to the Development Fund to see how we could [resolve] the ultra vires [without legal authority] transfer," said Maamberua. The Finance Permanent Secretary said Government and the Development Fund have agreed the money should be repaid in instalments the State can afford. He said N\$43,5 million had been paid to the Development Fund since 1998. This led to more queries. Maamberua said: "The N\$25 million was not the only ultra vires transfer." "He said more than N\$76 million was paid to various businesses "on the instructions of the Ministry of Finance". Of this N\$38 million went to the Namibia Development Corporation (NDC), N\$25 million to Fishcor, N\$10 million to the National Housing Enterprise, N\$2 million to Afrixambank and N\$1,6 million to the Namundjebo family. Except for the Namundjebo business, Government had financial interests in the companies. The Committee did not go into the details of the other loans as they were only questioning the N\$25 million given to Fishcor. But The Namibian has learnt that the loan to the Namundjebo family was issued at the insistence of President Sam Nujoma and Trade and Industry Minister Hidipo Hamutenya after the courts began proceedings to sell the assets from their estate to pay creditors. The loan was issued to prevent the estate of the late Eliakim Namundjebo being liquidated in order to pay creditors. The Auditor General indicated in his report of 1998 that the Namundjebo loan was being redeemed. Until then no repayments had been made since 1994 or 1995 when the loan was issued. A Cabinet insider said the decision to bail out the Namundjebo family was "so that the wealth of a black businessman remained in the family". The Development Fund is not supposed to give loans to people engaged in the retail trade, in which the Namundjebo family was involved. Cabinet apparently acted without the proper legal authority when it forced the Development Fund to give loans to its chosen beneficiaries until 1996. Since then the Fund's Control Board has assumed the function of approving applications for loans. The Public Accounts committee said Government should put on paper its commitment to repay the Fishcor loan.

From allAfrica.com-Southern Africa, 20 October 2000

ZIMBABWE GOVERNMENT PLANS TO IMPOSE PRICE CONTROLS

In the aftermath of this week's food riots which left a trail of destruction and human rights abuses by the security forces, government is planning to impose price controls on basic commodities to avoid more disturbances. The issue came up during cabinet deliberations this week and was still under consideration, official sources said. The riots have provided a pretext for the faltering regime to retreat to price curbs - a relic of the command economy which has been opposed by newly appointed ministers. Critics say the move is incongruent with a market economy and likely to reverse the economic clock. President Mugabe and old-guard ministers are behind the move, sources told the Zimbabwe Independent. Presidential spokesman George Charamba was not available yesterday to shed light on the issue. Although the violent demonstrations subsided yesterday, police continued arresting people implicated in the riots. Zimbabwe Republic Police spokesman Wayne Bvudzijena said 117 people had been arrested so far. However, the public spotlight has shifted to the role played by the army in quelling the riots as part of the National Reaction Force. Civic spokesmen and political analysts said this week's events proved beyond doubt that the army was now Mugabe's last line of defence against an increasingly rebellious population. They said that explained the government's propensity for knee-jerk military reactions to civil protest. Sources said the government had for a long time been equipping the army in preparation for the military's role in crowd control. Military sources said some of the armoured vehicles used by the army this week were specifically designed for crowd control. The army denied earlier this year that it had secured Acmat trucks from France to use in crowd control. Bvudzijena yesterday said the reaction force had always been in place and was only activated in times of need. However, the troops do not have training in crowd control hence the heavy-handed-ness in dealing with unarmed civilians. Senior officers

interviewed this week said the security forces on the ground did not receive instructions to assault civilians. The attacks on members of the public were in part the product of gross indiscipline they said. But the assaults revealed a government determined to punish its critics by unleashing the riot police and army to act as they wished. The Zimbabwe Human Rights NGO Forum, an amalgamation of rights and legal groups, while condemning the riots, criticised the deployment of the army to suppress the demonstrations. "We condemn the gross excessive use of force used by the army and some elements of the police in containing this civic unrest," the group said in statement yesterday. "While the law enforcement agents have a duty to keep the peace, this does not equate with the use of excessive force," it said. The group added: "This force has included numerous random and arbitrary beatings, the indiscriminate use of teargas and the destruction of the citizens' property - often with an element of retribution and the settling of political scores." University of Zimbabwe politics lecturer, Admore Kambudzi, said the events provided an insight to the extent to which the political situation had deteriorated in the country. Mugabe's legitimacy was shrinking at an alarming rate, he said. It had become manifestly shallow and narrow. "Each time there are riots, police have been overpowered," Kambudzi said. "This shows that the political situation has got out of control. Government can no longer use conventional means of crowd management because of the magnitude of people's anger and frustration." The human rights group argued there was no justification in the use of the military in civil matters, especially when the demonstrations were not widespread and not really beyond police control. The army was deployed on the streets on Tuesday in six townships. It clashed with rioters leaving behind serious damage. On Tuesday evening and Wednesday morning the army paid visits to unsuspecting residents, kicking down doors and beating people at random. Some people were made to roll on the tarmac while other were asked to lie down and caned with rubber truncheons. Kambudzi said the effect of the riots on the political situation was unpredictable. But he warned they could be huge, despite military repression. "It all depends on whether there will be a change in the political situation after this," he said.

From allAfrica.com-Southern Africa, 20 October 2000

ASIA/PACIFIC

SINDH NAMES TWO FORMER BUREAUCRATS FOR PAKISTAN'S NFC

Pakistan's Sindh Government has proposed the names of two retired civil servants for representing the province as a non-statutory member on the sixth National Finance Commission (NFC) under the 1973 Constitution. The retired civil servants are Mr. A.K. Lodhi, who had been the chief secretary of Sindh and Mr. Abdullah J. Memon who held charges of the home and finance departments, besides other assignments before seeking premature retirement. Well placed sources said that the Sindh government approached at least three leading practicing economists of the province for this task. All of them are reported to have regretted to accept the responsibility but all of them have promised to provide the back-up support of their respective organisations in pleading Sindh's case. According to the practice, the federal government will now choose one of these two to represent Sindh on the NFC. Earlier, the NWFP and Balochistan have also proposed the names of two retired bureaucrats and only Punjab has now to propose the name of its nominees. The NFC is constituted under Article 160 of the 1973 Constitution to work out distribution of resources among the provinces. The federal finance minister is the chairman of the NFC in which finance ministers of the four provinces are ex-officio members while one non-statutory member from each province is also there. The bureaucratic set up of the federal finance ministry and provincial finance departments provides the back up support for working out the resource distribution formula between the federation and the provinces and between the provinces. There is no explicit constitutional provision of any requirement of federal government's consent for the nomination of non-statutory member from the provinces. But since 1974 when the first NFC was constituted the practice has been submission of two names from all the provinces from which Islamabad selects one name from each province. According to the notification the sixth NFC has the same terms of reference as was for the fifth NFC formed in December 1996. In this NFC, headed by caretaker Finance Minister Shahid Javed Burki, the concept of 'federal fiscalism' was introduced for the first time. Resource distribution award was worked out after drawing a National Resource Picture. The NFC award announced in February 1997 emphasised that the overall fiscal deficit target should gradually be reduced to 3 per cent of the GDP by the year 2001-2002. Accordingly, the 1996 NFC projected total federal tax revenues of Rs 829.7 billion for 2001-2002, Rs 701.7 billion for 2000-2001 (current fiscal year) and Rs 594.2 billion for 1999-2000. Eventually, all these projections proved to be hollow and the federal government is now looking for a total collection of Rs 436 billion tax revenue in the current fiscal year which is almost 80 per cent less than projected by Shahid Javed Burki's team. Under 1997 NFC award the federal government was allowed 5 per cent collection charges of all the taxes. Out of the remaining amount the federal government's share was fixed at 62.5 per cent and those for provinces at 37.5 per cent. The provinces then received shares from the divisible pool on the basis of their population which was then on the basis of 1981 census.

From Pakistan-Dawn, 1 October 2000

PAKISTAN GOVERNMENT EXPECTS Rs72 BILLION MORE TAXES THIS YEAR

The Government will receive a windfall gain of Rs72 billion in tax collection due to rupee-dollar exchange rate and the rise in petroleum prices in the international market this year. The Government has increased the tax revenue target for the current financial year from Rs436.5 billion to Rs508.5 billion. The Rs72 billion increase has been envisaged in the tax estimates as part of the three-year plan ready for presentation to the National Finance Commission. The Government has projected Rs1.752 trillion tax collection for the next three years under the new fiscal plan which is to be implemented shortly under the 9th Five-Year Plan. The tax receipt for 2002-2003 has been estimated at Rs662.6 billion. The direct taxes for 2000-2001 have been estimated at Rs145.8

billion, for 2001-2002 at Rs162.5 billion, and for 2002-2003 at Rs183.8 billion. For the three financial years (2000-2003) the total direct taxes have been projected at Rs492.1 billion. The sales tax estimates for the current year have been retained at Rs172.6 billion, for 2001-2002 at Rs201.2 billion, and for 2002-2003 at Rs235.1 billion. The import duty estimates have been reset for the current financial year at Rs73 billion, for 2001-2002 at Rs85.1 billion, and for 2002-2003 at Rs94 billion. The central excise duty estimates have been reset for the current financial year at Rs54.1 billion, for 2001-2002 at Rs58.1 billion, and for 2002-2003 at Rs64.1 billion. The estimates for the collection of surcharges have also been reset for the current financial year at Rs38 billion, for 2001-2002 at Rs46.4 billion, and for 2002-2003 at Rs51.3 billion. The petroleum surcharge receipts for the current financial year have been retained at Rs23bn, for 2001-2002 at Rs31bn, and for 2002-2003 at Rs34.2bn. The natural gas surcharges receipts for the current financial year are being reset at Rs15bn, for 2001-2002 at Rs15.5bn, and for 2002-2003 at Rs17.1 billion. Other indirect taxes receipts have been re-estimated for the current financial year at Rs25 billion, for 2001-2002 at Rs27.1 billion, and for 2002-2003 at Rs34.2 billion.

From Pakistan-Dawn, 9 October 2000

CHINESE MINISTRY OF FINANCE TO BOOST ENTERPRISE'S FINANCIAL, ASSET MANAGEMENT

According to China's finance minister, Xiang Huaicheng, the Ministry of Finance (MOF) will experiment with radical new measures for financial and asset management in state-owned enterprises (SOEs) to enhance the competitiveness of strong enterprises and deepen property rights reform. Xiang discussed the new measures at a recent national conference on the management of SOE assets and finance. He disclosed that finance and tax policies would be adjusted, and that stock options would be introduced in some high-tech enterprises, according to the Oct. 12 Zhongguo Zhengquan Bao (China Securities). Xiang stressed that state-owned capital should be optimized and concentrated to amplify its functions through the reorganization, public listing, merger and acquisition of strong enterprises. Loss-making enterprises should go bankrupt or be closed, sold or auctioned. Some enterprises should reduce or cash in their state-held shares to establish a social security fund, the article said. He said that eventually, state budgetary funds would no longer be used to support enterprises in competitive fields, operational development, applied research, or undertakings that can be pursued using nongovernment funds, the article said. With respect to income distribution, a motivation system for enterprise managers should be gradually established by introducing incentives such as annual salary reviews and stock options. Li Chunman, deputy director of the Enterprise Department of the MOF, said at the conference that stock options would stimulate the enthusiasm of managers and technicians. As the mechanism changes not only the remuneration system for enterprise managers but also the property rights structure of enterprises, it can be regarded as an in-depth reform of the enterprise property rights system. The MOF has chosen China Unicom, which is publicly listed, as the first company to experiment with the new measures. Eight enterprises, including Legend in Beijing's Zhongguancun, known as China's Silicon Valley, will try out the stock options, the article reported.

From China Online, 13 October 2000

INDIA TO CONTINUE WITH REFORMS DESPITE ECONOMIC SLOWDOWN

Indian Finance Minister Yashwant Sinha indicated Monday New Delhi will go ahead with its reform process despite various sectors of the economy slowing down. Opening a three-day newspaper economic editor's conference in Delhi, he said "Reforms were being carried out neither in the ivory tower or operation theater, but in the din and bustle of democracy". Listing out the progress made over the year, Sinha said the government had opened up the insurance sector for private participation and the same was done last month in the telecom sector. The Government now proposes to give the economic reforms impetus by introducing a bill in Parliament on fiscal responsibility, banking and sick companies. The first license for the private sector in the insurance sector is to be handed out on October 26, when India celebrates Diwali, the "Festival of Lights". The insurance and telecommunication sector is now state-owned. Sinha said India's economic growth rate for the current fiscal year that ends in March next year will stay at 7 percent despite several areas of concern. The Central Reserve Bank of India and several international credit rating agencies predicted last week that India's gross domestic product (GDP) or growth rate this year will be around 5 to 6 percent as against targeted 7 percent. The areas of concern include a slowdown in industrial growth to 5.6 percent during the period April to September this year as against 12.2 percent during the same period last year. Inflation now stood at 7.6 percent as against 3 percent last year. There has been shortfall in some sectors like electrical machinery, power generation, paper and paper products. Sinha said there may be a shortfall of one million tons in the production of foodgrains this year, mainly due to insufficient monsoon rains in many areas in India.

From Iran-Tehran Times, 17 October 2000

FINANCIAL REFORM TO BE AGENDA AT ASEM

Malaysia, keen for a reform of destructive hedge funds in global finance, may have its day after all at the third Asia-Europe Meeting (Asem) beginning here Friday. This is because one of the nine major recommendations to be forwarded at the Asem summit would be the reform of the international financial architecture (IFA), which it has unrelentingly been pushing for since the 1997 financial crisis. In 1997, unbridled hedging activity led to speculators mercilessly attacking regional currencies starting with the Thai Baht in July and which precipitated an Asian meltdown, the likes of which were unprecedented. Regional economies crashed, forcing economies like Indonesia, Thailand and South Korea to plead for billions of dollars in bail-out money from the International Monetary Fund (IMF), but Malaysia funded its own recovery. Since then, Malaysia has been propagating for reforms to the IFA to control

speculative hedge funds at numerous fora, but has met with much criticism and opposition although many recognise these funds as being destructive. The recommendations for a reform of the IFA under the Asia-Europe Vision Group Report are contained in a document entitled "Outline of Asem III" released by the Office of the third Asem here on Wednesday. In an immediate reaction, Malaysian officials said the recommendation on the reform of the IFA signalled the willingness of the European nations to see the urgent need for reform from the perspective of developing nations. "This is good because it is being brought up at the right place and at the right time," said one Malaysian diplomat, while admitting that the matter was only initially discussed at the 1998 London Asem. It is the right place because Britain, France, Germany, Italy and Japan, which are member states of the Group of Eight (G8) industrialised nations, are also members of Asem. And it is the right time because most of the Asian countries affected by the currency turmoil have recovered or are on their way to recovery and also since both the International Monetary Fund (IMF) and the World Bank have admitted that it is about time the IFA is reformed. Prime Minister Datuk Seri Dr Mahathir Mohamad, who is scheduled to arrive here later tomorrow to attend the two-day Asem, has been calling for a reform of the IFA, saying Asian currencies and equity markets would otherwise continue to be vulnerable and be at the mercy of attacks by hedge funds. When Malaysia and several other Asian nations were hit by the financial crisis in mid-1997 following the devaluation of their currencies through unscrupulous speculative activity, there was little they could do to stop rogue currency traders. Realising the harm IMF recovery measures had on some Asian nations, Malaysia imposed capital controls on Sept 1, 1998 including pegging the ringgit at RM3.80 to the US dollar and imposing an exit levy on portfolio funds in efforts to insulate the economy. Though described as unorthodox and drastic, the measures paid off with the Malaysian economy now having recovered from negative growth at end-1998 to an astounding 8.8 per cent in the second quarter of this year. The other major recommendations include "eventual goal of free trade in goods and services by 2025," closer macroeconomic policy coordination, the establishment of Asia-Europe Business Advisory Councils and the setting up of the Asem Information Technology Council. The Asem process, which is based on informality, brings together 26 countries -- 16 from the European Union and 10 from Asia -- to strengthen relations between the two continents to reflect the importance of Asia on the world stage and to move towards more balanced relations built on equal partnership. The Asem summit in Seoul comes after the inaugural summit in Bangkok in 1996 and a second meeting in London two years ago. The fourth summit will be held in Denmark in 2002.

From Malaysian National News Agency, 18 October 2000

JAPAN TO DELAY TAX REFORM

The Japanese Government will announce on Thursday an indefinite delay to its planned reform of the capital gains tax system, because of concerns about the sharp decline in the stock market. In particular, government officials fear that introducing the reform, intended to bring Japan into line with global standards, would trigger a new sell-off in the markets. The move comes as the Nikkei 225 stock market benchmark on Wednesday fell below the psychologically important 15,000 mark for the first time in 19 months. It closed at 14,872.48 - 26 per cent down on the peak of six months ago. The decline reflects recent weakness in US stocks, concerns about the Japanese economy and investor unease about the planned sale of 1.3m shares in NTT, the dominant telecoms group, by the government next week. But shares have also been hit by a round of political in-fighting. Hidenao Nakagawa, the chief cabinet secretary, was on Wednesday forced to deny rumours that he might resign due to a scandal. And the opposition parties continued a two-week boycott of parliament, prompting the symbolic resignation of the speaker of the Upper House of parliament. Kiichi Miyazawa, Japan's finance minister, denied that this share price decline had triggered panic in the government, and pointed out that the underlying economy remained healthy. However, officials privately admit that the stock market slump has caused deep unease in the ruling LDP. For with the economic upturn still relatively fragile, some politicians and officials fear that a sharp downturn in share prices could damage corporate and consumer confidence at a critical juncture. It could also hurt companies such as banks, which hold a large share portfolios. Politicians will try to offset this sense of malaise on Thursday by announcing another stimulus package. This will be worth around ¥11,000bn (\$102bn), in headline terms, Shizuka Kamei, LDP policy chief indicated. However, the actual proportion of new spending measures will be far smaller, almost ¥4,000bn. This package will also include an implicit commitment to delay the introduction of capital gains tax reform. For though this measure was approved two years ago, politicians in Japan's ruling Liberal Democratic Party fear that this reform could hurt share prices by imposing a heavier tax burden on investors who trade in equity markets. Under the current tax system investors are allowed to pay tax equivalent to 1.05 per cent of the share transaction, irrespective of what size of profit they make. This is highly attractive for investors who make large profits. The ministry wants to change this system to ensure that all investors pay a uniform 26 per cent on taxes, and insists that this would make the tax system fairer to all investors, and bring it more into line with global standards.

From Financial Times, 18 October 2000

PRESIDENT SPEAKS ON GROWING VENTURE FIRM FINANCE FIASCO

President Kim Dae-jung yesterday broke his silence on the snowballing financial scandal involving a young venture businessman and mutual savings and finance companies. "It is deplorable that there were some irregularities in the venture business, which the government has been trying to develop as a strategic industry," Kim said during a visit to the Kunsan City Hall. Chong Wa Dae spokesman Park Joon-young also issued a similar statement prior to the President's visit to Kunsan, a city in North Cholla Province, which coincided with the start of the construction of the Kunsan Free Trade Zone. Kim, however, did not touch on allegations that the businessman, Chung Hyun-joon, and Lee Kyung-ja, an executive of a mutual savings and finance company, had close links to and attempted to bribe government supervisors and politicians. Opposition lawmakers said they suspect Chung, 34, and Lee, 56, bribed financial supervisors and politicians to obtain a huge sum of loans from mutual savings banks and to engage in fraudulent

stock dealings. Reports said a senior official of the powerful Financial Supervisory Service (FSS), Chang Rae-chan, was part of a suspicious stock trading deal with Chung. Chang is the husband of a niece of Park, the chief presidential spokesman. Suspicion over Chung's ties to the Kim government have also grown because it was disclosed that Chung's Internet firm, Korea Digital Line, managed Chong Wa Dae's web site, from October 1998 to February last year. Chong Wa Dae spokesman Park said that he had nothing to do with the scandal. Park said he did not have a close relationship with Chang, the FSS official, and did not know where he worked until recently. Officials also said Chung's Korea Digital Line managed the presidential office's Internet home page only after it took over an Internet firm that had a contract with the government since back in June 1997. The contract between Chung's firm and the government concluded in February last year, and now a different firm is managing Chong Wa Dae's homepage, they said. Despite these explanations, the opposition, taking advantage of the current legislative audit of the executive branch, has been stepping up its political offensive against the Kim government. An opposition lawmaker also alleged that ruling party members who are close to the President were involved in the scandal. The ruling party denied the allegations and threatened to file a libel suit. President Kim, without touching on the political disputes, mentioned the scandal during his visit to the Kunsan City Hall, where he received a report from North Cholla Gov. You Jong-keun. "It is deplorable that a 34-year-old man earned an immense fortune in a short period through corrupt means," Kim said. The case revealed all the corrupt sides of a venture businessman, who, instead of working hard to develop new technologies, followed the chaebol's practice of engaging in mergers and acquisitions and buying out firms, he said. The President said, however, that the scandal will not affect his resolve to develop the information and bioengineering industries as well as venture businesses. "The government will not change its policy only because some venture businessmen committed a wrongdoing," Kim said.

From Korea Herald by Chon Shi-yong Staff reporter , 27 October 2000

EUROPE

GERMAN FINANCE MINISTER SAYS EU ENLARGEMENT PROCESS SHOULD BE SPED UP

German Foreign Minister Joschka Fischer said here Monday that enlargement of the European Union should be accelerated to calm fears of the candidate nations. "Too much time has already been lost," Fischer told a meeting in the Polish capital of the Greens party group of the German parliament. But he added that while there was no other alternative to enlargement, it should be preceded by an internal reform of the EU institutions. Fischer added that he believed Poland would be among the first countries admitted to the European Union, which now has 15 members. He suggested no specific timetable for enlargement. The Polish Government is committed to preparing the country to be ready to join the EU by the end of 2002, but Warsaw still has considerable work ahead to adjust its legislation. Poland, the Czech Republic, Cyprus, Estonia, Hungary, and Slovenia began membership talks with the EU in 1998. Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia began membership negotiations earlier this year.

From Agence France Presse, 3 October 2000

POLISH OPPOSITION WANTS TO INDICT PREMIER AND FINANCE MINISTER

The Sejm [lower house of parliament] constitutional accountability committee has received an initial motion of the [opposition] Democratic Left Alliance (SLD) for bringing Prime Minister Jerzy Buzek and Minister of Finance Jerzy Bauc before the Tribunal of State for failing to meet the 30th September constitutional deadline for sending a draft budget to parliament. The motion, signed by 120 SLD deputies, was lodged with the Sejm Speaker on 2nd October. Under the constitution, the draft budget can be put forward later in only exceptional cases. A week before the motion was lodged, Buzek sent a letter to Sejm Speaker Maciej Plazynski explaining that the six-week delay was caused by the deputies' rejection of a draft amendment to the VAT law. Committee chairman Jerzy Gwizdz, of [ruling] Solidarity Electoral Action (AWS), said the committee presidium will examine the motion "in the near future". The committee may recommend that the Sejm should either drop the proceeding or bring both politicians before the Tribunal of State. The Sejm needs a three-fifths majority to bring a government member before the Tribunal of State.

From Poland Today, 12 October 2000

TAX POLICE SEEK TO BECOME A MINISTRY

Leonid Kuznetsov, the chief of the tax police's legal department, told Interfax on 5 October that the federal tax police service plans to transform itself into a financial police force and a ministry. The tax police have prepared a draft bill on the subject, he said, and the reaction of relevant institutions has been favorable. He added that the tax police believe the new legislation will reduce the number of organizations with the right to inspect financial and economic activities from 30 to 10, a reduction that he said would have a positive effect on the economy.

From Russia Today, 9 October 2000

FINLAND GOVERNMENT CONSIDERS MAJOR OVERHAUL OF FINANCE SECTOR

The Finnish Government is to hold a "serious discussion" on a possible major overhaul of the supervision of the banking and insurance businesses and the drafting of legislation. Finland's second Minister of Finance Suvi-Anne Siimes (Left Alliance) says that the government needs to consider whether or not the supervision of banking and insurance can be dealt with by the same

authorities. Preparations have begun at the Ministry of Finance. Siimes feels that it is not enough to consider the mere combining of banking and insurance investigation activities. She says that a real overhaul is needed, involving the combination of the operations of four separate units. One of these could comprise the Financial Supervision Authority (FSA), the Insurance Supervision Authority, the financial market section of the Ministry of Finance, and the insurance section of the Ministry of Health and Social Welfare. The reason for such a move is the formation of new kinds of financial groupings. "The arrangements which transcend the boundaries between the insurance side and the traditional financial side have increased," Siimes notes. She points out that in many European countries, the regulation of finance, and insurance is in the hands of the same authorities. Siimes notes that in Finland, the preparation of legislation and enforcement are in two different ministries. "One can assume that this will cause problems sooner or later". The Second Finance Minister feels that the issue should be discussed now, while things are still going well. Another reason why the issue is topical right now is that the financial markets' section of the Ministry of Finance is currently considering whether or not to give the FSA more extensive authority. The FSA would like to have the opportunity to impose punitive fines. It also wants more extensive possibilities to set norms as it monitors the solidity, and risk taking policy of financial institutions. Siimes says that no decisions can be made on this before the government has taken a stand on the new proposals. Siimes is concerned about the question of even-handedness. She feels that it would not be sensible if a company that it placed under the authority of the FSA would be under the jurisdiction of different authorities than if the company were defined as an insurance company. Siimes also feels that legally mandated pension insurance should be kept separate from the rest, if there is a merger of the monitors and those who prepare legislation. She feels that there is a difference between legally mandated pension insurance and voluntary insurance savings. The idea of combining the supervision of the financial and insurance markets was promoted by evaluator Björn Wahlroos about three years ago. The financial supervision authority mapped out by Wahlroos was never established. Instead, part of the insurance section of the Ministry of Health and Social Welfare was made into a separate authority. The idea of a merger of supervision activities has come up several times recently. The Finnish Bankers' Association proposed a merging of financial supervision when it gave its comments on proposed insurance legislation early this month. The Bankers' Association wants equal supervision for banks and insurance companies. Markku Vesterinen, the Director General of the Insurance Supervision Authority, and Kaarlo Jännäri, the head of the Financial Supervision Authority do not see any reason for combining financial supervision.

From Finland-Helsingin Sanomat, 24 October 2000

THE AMERICAS

PARAGUAY FINANCE MINISTER, BANK HEAD TO QUIT GOVERNMENT

Paraguay's finance minister and Central Bank chief, criticised by the private sector for failing to slash the nation's fiscal deficit, were both set to leave their posts on Monday, a government spokesman said. Finance Minister Federico Zayas was asked by President Luis Gonzalez Macchi to leave office and Central Bank head Washington as well has offered his resignation, the spokesman told reporters. Zayas has occupied his post, which includes the function of economy minister, since April 1999, shortly after Macchi came to power amid political chaos in the landlocked country of 5.4 million people. The spokesman gave no reason for Zayas' resignation. Zayas has been unpopular within the business community for his alleged inability to control government spending. Paraguay's deficit totalled \$223 million in 1999, or 2.47 percent of gross domestic product. Analysts expect a slightly smaller deficit this year. The spokesman said James Spalding, an official in the Industry and Commerce Ministry, was among several candidates being considered for the finance minister post. Macchi rose to the presidency of South America's weakest democracy in March 1999 when former President Raul Cubas fled to Brazil amid suspicion he had participated in the assassination of the then-vice president Luis Maria Argana, his political rival. Paraguay's opposition party won the vice presidency in a special August election, breaking the ruling Colorado Party's 53-year grip on top elective offices.

From ABC News, 2 October 2000

NEW YORK RANKS 10th FOR TAXES COLLECTED

Five years after the Pataki administration began pushing a series of tax cuts through the state Legislature, New Yorkers still spend more of their money paying state taxes than do people in all but nine other states - and they are paying more every year, U.S. Census Bureau figures that will be released today indicate. According to the Census statistics, New Yorkers paid an average \$2,127 to Albany last year. Five years ago, when Gov. George Pataki first introduced his broad agenda of tax cuts, they paid an average of less than \$1,800. In all, New York collected \$38.7 billion in tax money in 1999, which represents a 12 percent increase from the \$34.3 billion it raised when Pataki took office in 1995. Across the United States, state tax receipts rose an average of 25 percent during the same period of time, the Census numbers show. Pataki spokesman Joe Conway said the Census Bureau's numbers are misleading because they do not show how many people pay taxes in New York. Because the number of people in the state who have jobs has risen during the last five years, more people are filing state tax returns, meaning most New Yorkers now pay a smaller percent of their income to Albany than they had previously. "The bottom line is that the state now takes a smaller share of its citizens' income," he said on Tuesday. "Far more people are working and far more people are earning more in New York today." According to the Census Bureau statistics, people in Connecticut paid the highest per-capita state taxes, which totaled more than \$2,900 in 1999. New Hampshire's rate was the lowest, charging people an average of only about \$891. During the past five years, the Pataki administration has made paring the state's tax rates one of its most pressing legislative priorities, seeking

dozens of cuts that administration officials estimate total more than \$40 billion over the last five years. Conway said Pataki will seek to make additional tax cuts in his budget proposal for the state's next fiscal year, which will be unveiled early next year. Democrats in the state Assembly, who have scaled back many of the tax cuts Pataki had sought in the past, said they are skeptical about the need to make even deeper cuts next year. That could once again set the stage for a budget battle in Albany over whether the state should trim its tax rates or provide more money for schools, highways and other programs. "At this point, I know that we're still sitting on the possibility of running a deficit because there are tax cuts that haven't really been implemented yet," Assembly Ways and Means Chairman Herman D. Farrell, D-Manhattan, said. "We're going to have to put the new tax cuts up against the need for more spending on education."

From Bloomberg, 11 October 2000

US FINANCE RELEASES NEW DRAFT OF SHELTER BILL

A revised discussion draft of a corporate tax shelter bill released Oct. 5 by the Senate Finance Committee would impose strict liability penalties of 40 percent on tax understatements attributable only to a special class of highly abusive tax shelters. "The Finance Committee views abusive tax shelters as an activity that must not be tolerated, and believes that a strict liability penalty is appropriate for this type of pernicious activity," according to a memorandum issued by the committee Oct. 5. The revised draft would define these types of highly abusive shelters as those that lack "economic substance" or a "material non tax business purpose" as defined under established judicial doctrines that have been successfully applied by the courts. The reasonable cause exemption would not apply to this class of penalties.

From Bureau of National Affairs, 9 October 2000

STOPGAP MEASURE KEEPS U.S. GOVERNMENT IN BUSINESS WITH NO BUDGET

Clinton gives Congress another week to come up with spending plan. President Clinton on Friday night signed a measure to keep the Government operating for a week while Congress struggles to pass a new budget. If not for the stopgap legislation, called a "continuing resolution," the Government and its agencies would have run out of money. The fiscal year ended October 1, and the president extended the deadline for a new budget to October 21. In a statement, Clinton said, "Let me serve notice now: If Congress fails to meet this deadline, any further extension must be, at most, for a very few days. Congress needs to finish its work and send me a budget." This is the third short-term continuing resolution signed by the president since the fiscal year began. Congress has yet to pass eight of the 13 spending bills needed to keep the government operating. Senate Majority Leader Trent Lott, R-Mississippi, said he hopes Congress will complete its work next week. While Republicans have labeled Clinton an unbridled spender, he has chided them for loading the budget bills with their own projects, which have bloated the Republicans' original budget plan by tens of billions of dollars. Congress cleared about \$160 billion worth of spending bills on Thursday, but disputes over education, hate crimes, immigration and other issues stood between the Republican majority and Clinton in efforts to complete the rest of the federal budget.

From CNN, 14 October 2000

GLOBAL

DEMONSTRATORS, POLICE CLASH OUTSIDE LOCATION FOR G-20 GLOBALIZATION MEETING

Police in riot gear and on horseback clashed with hundreds of young anti-globalization protesters Monday outside a hotel where financial leaders from around the world are meeting this week. The demonstration began peacefully around 5 p.m. outside the downtown Sheraton Hotel where finance ministers and central bank governors from the so-called Group of 20 countries will gather Tuesday and Wednesday. But tensions quickly mounted as members of the crowd left the hotel site and began running down nearby streets, snaking in and out of rush-hour traffic in the city's corporate and financial district. Pursuing police officers tried to herd protesters back on to sidewalks but it took more than half an hour before they dispersed at around 7:30 p.m. Some protesters lobbed rocks and a glass jar at police but none of the officers appeared to be hurt. Others demonstrators overturned mail boxes and garbage cans. Protesters said some were pepper-sprayed by police. Several were arrested but police did not immediately confirm how many. The protesters, mainly junior college or university students, said they wanted to send a clear message to the second meeting of the G-20. "Globalization profits a certain group and creates a monopoly of financial goods," said 19-year-old student Mathieu Gratton, who came to the rally with several classmates. "There should be a redistribution of goods. It's not fair there are people in misery but the most powerful and industrialized make a common front." Finance Minister Paul Martin, who will be the chairman of the closed-door meeting, suggested the G-20 summit aims to address some of the same concerns raised by the protesters. "A lot of these demonstrators have legitimate complaints," he said. "Globalization is a reality but there's a gap between the rich and poor countries (the gap is) the main reason for our meeting." The meeting



Protesters gather in downtown Montreal on the eve of the G-20 world financial meeting in Montreal, Oct. 23. (CP/Monreal Gazette/Gordon Beck)

will try to promote ways globalization can benefit both large and small economies, Martin added. He made his comments at a ceremony to introduce four Montreal-area Liberal candidates in the federal election. The G-20 was formed in September 1999 to enlarge the scope of the Group of Seven industrialized countries to include emerging economies such as Argentina, Saudi Arabia and Indonesia. But many protesters said world financial leaders are not accountable to ordinary citizens. Others blasted organizations like the International Monetary Fund and the World Bank, which will also be represented at the meeting, for putting debt reduction ahead of health care and education. The crowd was dotted with handmade signs calling for debt relief for developing countries. "I'm against their way of thinking and acting," said Genevieve Lussier, 23. "They're putting money above everything else." At the outset of the protest many people were chanting, dancing and beating drums outside the hotel in an area that had been blocked off to motor vehicles. But as tension mounted some protesters threw small rocks and eggs at police. Some people who had formed a circle in the middle of the road and refused to move were arrested. Later, after protesters had zig-zagged through downtown streets, one woman was slumped on a sidewalk crying out, "My eyes are burning." Officers surrounded her and a few others huddled against the building. Some of them were also arrested and put in a paddy wagon.

From Canada-Vancouver Sun-National, 24 October 2000

FINANCE LEADERS FROM 19 COUNTRIES AGREE ON MEASURES TO PROMOTE GLOBALIZATION

Globalization will have a more human face with measures to ease financial crises and social safety nets to protect the poorest, Finance Minister Paul Martin said Wednesday. Martin was speaking at the end of a meeting of finance ministers and central bank governors from around the world. The participants agreed on a package of measures which they say will lead to more financial stability in the world. "The agreement is the beginning of the process," Martin told a news conference. "There is more work to be done." Martin, chairman of the two-day meeting of the G-20 group, said that if the measures had been in place five years ago, they would have mitigated the effects of the Asian financial crisis that began in 1997. He said the conclusions reached in Montreal will "ensure that globalization will bring the benefits of the greatest economic boom in decades to the greatest number of people." Martin also said the conference broke new ground in that it dealt with non-financial subjects like help for African countries ravaged by AIDS. Among the policies that the conference advanced: - Necessity for the further liberalization of trade that will extend to developing countries; - Reform international institutions like the International Monetary Fund to make them more transparent; - Continue to build international codes and standards for financial institutions in each country to make them less vulnerable. Weak banking systems have been fingered as the main culprit in the Asian crisis. - Provide more aid to poor countries with the proviso that they "are serious about tackling economic reforms and poverty reduction." The participants also agreed to fight financial abuse, tax abuse, money



laundering and corruption. "These measures will not eliminate the risk of future financial crises," Martin said. "Progress in each of these areas will unequivocally make the world less vulnerable to financial crises." Martin said deputy ministers of the various countries will continue to work to implement the agreements. The ministers did not agree on an exchange rate policy, but they will convene a G-20 seminar to look at the question of fixed versus flexible exchange rates. He said the meeting cost about \$2 million, but said it was nothing compared to the jobs and business lost in Canada after the Asian crisis. The G-20 group of 19 countries and international institutions was created last year to help find ways to prevent international financial crises. Several groups including the Council of Canadians have staged protests against the conference's agenda to promote globalization. The groups accuse it of increasing inequalities, environmental destruction and exploitation of workers, and undermining national sovereignty. Demonstrators gathered outside the hotel for each day of the group's closed-door meeting. The atmosphere among protesters Wednesday was relatively calm. Jose Angel Gurría, finance minister for Mexico, one of the so-called emerging countries in the group, believes the best way to help the 40 million poor people in his country of 100 million is freer trade. "We have to open borders before talking about social questions. That could help resolve a lot of problems of developing countries." John Triton, a University of Toronto political scientist who has written extensively on international relations, said it's too early to know if the G-20 will achieve its goal of international financial stability. He said it was born out of the failure of the old institutions - the G-7 countries and the IMF - to prevent the devastating failures in Mexico and Asia. "Clearly the old institutions had not done well in preventing the crisis as opposed to running to the rescue afterwards," he said in an interview at the conference. Triton said the G-20 has succeeded in getting its members to agree to common banking standards and accounting, deemed to be the reason for the failure in Asia. However, it has yet to resolve the sticky issue of who or what will enforce those standards. Part of Canada's contribution is a centre at Toronto's York University to train financial supervisors. Triton said the G-20 is more flexible with a "free and open flow of dialogue" while the IMF is hobbled with "rules, procedures and attitudes." It is also moving beyond questions of finance to issues such as aid for poor countries that have not felt the benefits of globalization. Mexico's Gurría said the latest outbreak of hostilities in the Middle East has put renewed pressure on oil prices by creating uncertainty and encouraging countries to stockpile. The high price of oil was not on the agenda but it forced itself into the discussions. Oil prices have pinched the economies of industrialized nations and led to unrest with demonstrations by truck drivers, among others.

Canadian Finance Minister Paul Martin smiles as he opens the G-20 meeting.
(CP/Tom Hanson)

From Vancouver Sun-National by Allan Swift, 26 October 2000

Private Sector Development

EUROPE

TURKISH GOVERNMENT UP FOR EXPEDITING SELL-OFFS

The Privatization Administration agrees that a 34 percent stake in state-owned fixed line monopoly Turk Telekom may be sold off to a strategic investor along with management rights. The Government will also put up a tender next month for a sell off of Turkish Airlines, with a view to reducing the state's share to below 50 percent. The Government's Privatization Administration (OIB) agreed that it was possible to sell a 34 percent stake in state-owned fixed line monopoly Turk Telekom to a strategic investor along with management rights, a cabinet member announced yesterday. "But the cabinet will make the final decision on the size of the strategic sale," State Minister for Privatization Yuksel Yalova told reporters after the high board meeting chaired by Prime Minister Bulent Ecevit. Earlier a ministerial subcommittee had suggested that 29 percent of the telecom monopoly could be sold off in block plus the initial public offering (IPO) of another 5 percent. The cabinet can authorize a sell off up to 34 percent without requiring a legislative amendment, according to Yalova. Transport Minister Enis Oksuz said earlier this week that a tender would be opened in 2000 for Telekom privatization. An expectation of good news on the privatization front drove Turkish stocks up by an average of 7.7 percent yesterday and the Istanbul Stock Exchange (IMKB) main-100 index closed at 13,009 points on a strong trading volume of above \$1 billion. The stock market cheered particularly over speculation that the government might allow the strategic investor to appoint a general manager to Turk Telekom and that the size of the stake might be raised to above 34 percent. Minister Yalova also said the high board decided to accelerate the privatization process, which has recently stalled due to intra-coalition disagreements. The Government aims to carry out \$7.6 billion in privatizations this year, but the actual figure is estimated to fall shorter at \$5.5-5.8 billion. As part of the process Turkey will put up a tender next month for a sell-off of Turkish Airlines (THY), with a view to reducing the state's share to below 50 percent, Yalova said. The state controls a 98.2 percent share in the airline. Yalova said the THY board would decide on the size of the stake that will be privatized. The company was originally slated for privatization in the third quarter. Another board decision is to hand over iron and steel enterprise Isdemir to steel maker Erdemir and the state will cover the cost of investment that will transform the former into a flat steel producer. Attempts to sell the loss-making enterprise earlier this year had produced no result. "Turkey imports \$1.3 billion worth of flat steel a year because Isdemir produces high output. If it is rearranged into a flat product maker, we could save up to \$750 million a year," Yalova said. The high board will also seek to swiftly pass a bill that gives autonomy to management of state companies such as oil refiner Tupras, petrochemical concern Petkim and THY, that are listed on the stock exchange. The bill has already been sent to the prime ministry, Yalova said, adding this would help accelerate privatization of the companies in question. Yalova added that a legislation giving autonomy to state banks could pass in the first week of November.

From Turkish Daily News, 11 October 2000

SLOVENIAN PRIME MINISTER SAYS PRIVATIZATION A PRIORITY

Speaking in the run-up to the 15 October parliamentary elections, Andrej Bajuk told Reuters in Ljubljana on 4 October that Slovenia is moving forward in its efforts to join the EU and NATO at the first opportunity. "The world is in the process of globalization. Our only choice is to join in this globalization," he stressed. Bajuk, an international banker who spent much of his life in Argentina, argued that previous governments led by former communists have not done enough to privatize important sectors of the economy. "The need for privatization is an urgent problem because too many firms are directly or indirectly owned by the state. This is not acceptable by international standards," he added. Bajuk singled out Telekom, Nova Ljubljanska Banka, and Nova Kreditna Banka Maribor as overdue for privatization. He argued that Slovenia needs long-term investors who can bring know-how to the newly privatized firms.

From Radio Free Europe, 5 October 2000

ROMANIAN SENATE CALLS FOR DISBANDING PRIVATIZATION AGENCY

With a vote of 86 for and 28 against, the Romanian Senate on 17 October passed a resolution calling for disbanding the State Ownership Fund (FPS), which is in charge of the country's privatization. The resolution approved a report of an inquiry commission into the FPS's activity, which accuses the agency of undervaluing companies for the purpose of selling them, of favoring certain buyers, and of breaking bidding laws, AP reported. The report also calls for dismissing FPS head Radu Sarbu and for the government and the Justice Ministry to launch an investigation into the FPS's activities. Addressing the Senate, Sarbu rejected all accusations as unfounded.

From Radio Free Europe, 19 October 2000

CORRUPTION STILL A MAJOR BLOCK TO INVESTMENT IN RUSSIA

Corruption, a ballooning bureaucracy and violations of shareholders' rights have emerged as the triple curse of investing in Russia, according to participants at a recent high-level conference on Russian business. The conference, conducted in Boston by Harvard University's Kennedy School of Government, attracted decision-makers from the U.S. Government and international financial organizations, American business executives, Russian tycoons, Kremlin Cabinet ministers and government officials. Vladimir Kozhin, the top business official for the Russian Government and a former officer with the St. Petersburg branch of the Federal Security Service, the successor agency to the KGB, announced an ambitious plan to attract Western investors as partners of the Kremlin property directorate. The secretive unit presides over a veritable empire of assets that has barely diminished since Soviet times. The Kremlin still owns luxurious palaces, choice resorts, attractive villas, airports, hospitals, and a fleet of luxury aircraft and yachts. It controls millions of acres of some of the best hunting preserves in the world. About 10,000 people are benefiting today from this Kremlin VIP network. Kozhin is not in a hurry to sell off these assets by conducting a garage sale next to the Lenin Mausoleum. Instead, he would like to establish partnerships to build a multibillion-dollar shopping center on Red Square, beside the world-renowned 15th-century St. Basil's Cathedral, or operate some of the Kremlin villas as hotels. However, Russian businessmen attending the Boston conference were unimpressed by the proposal. "Red Square has three huge shopping centers five minutes' walking distance from the Kremlin," one businessman and Moscow insider, who requested anonymity, told United Press International. "It is yet another suspicious affair involving Kremlin asset management." The businessman suggested that Western investors may be taking an intolerably high risk by "getting into bed" with the Russian government. "They will be nice to the Westerners until the money is in the bank account, and then (you) just try to take them to court in Russia or abroad," he said. However, if the Westerners shy away from the new round of the Russian privatization, the Kremlin insider from President Vladimir Putin's entourage may privatize these choice assets into their own hands, the businessman said. Kozhin's predecessor, Pavel Borodin, who was in charge of the Kremlin's business empire in 1996-99, is wanted for questioning by Swiss federal prosecutors in connection with money laundering and bribery investigations involving kickbacks. In fall of last year he was appointed by his former employer in the Kremlin administration, Putin, as executive secretary of the Russia-Belarus Union, which is based in the Belarus' capital, Minsk. Borodin was in charge of Kremlin renovation projects and equipping a presidential airliner in Switzerland. His business partners were Swiss-registered companies -- Mabetex, headed by a Kosovo Albanian named Bejet Pakoli, and Merkata, owned by a Russian, Viktor Stolpovskikh. Both companies and their owners are currently under investigation as well. "Corporate government abuse is impoverishing Russia for the benefit of a few super-rich tycoons and their Western business partners," said James Fenkner, chief equity strategist of Troika Dialog, a prominent Moscow-based investment house. "Capital formation does not occur, and insiders are robbing minority shareholders." "After the loans-for-shares schemes and GKO pyramids, came the time of capital dilution," Fenkner said, referring, respectively, to Russia's controversial schemes to privatize major state enterprises in the mid-1990s and its market in government treasuries, which collapsed a few years later. The analyst said the most pronounced case of hiding assets in offshore companies and minority shareholder abuse is that of Norilsk Nickel, the world's largest producer of nickel, platinum and cobalt. The Russian court system is incapable of dealing with massive financial mismanagement and other "new" matters involving markets. Judges are underpaid and incompetent, analysts at the conference said. In a recent World Bank Institute study, an absolute majority of Russian businessmen said they do not trust and stay away from the local court system, which lacks a credible enforcement mechanism. Many of the businessmen are forced to use organized criminal enterprises, which sell "protection" and take part in dispute resolution, gangland style. These are known as a "roof." At times, security services and police provide a roof to Russian businesses. However, the largest abuses come from the very top of the federal government, said analyst Jim Nail. For example, Prime Minister Mikhail Kasyanov recently suggested that the Kremlin should provide guarantees for industrial lending by private banks. Kasyanov, a former official with the Soviet central planning agency, Gosplan, believes that this is a way to stimulate industrial production. In other words, a lender may provide a line of credit to a factory, but he will not have to worry if the factory goes bust -- the state will pay him back. "This is the way to grand theft," Nail said. A lending manager will be tempted by high-risk, high-return projects, which will have the highest failure rate. Having government backing, the wrong lending decisions will be made, and in the process hundreds of millions will be stolen through fraud. These structural flaws in Russia's less-than-a-decade all business-legal system cast a long shadow over the country's future prospects. These are not as rosy as its current accounts, flush with cash from energy revenues, make them seem. Corruption casts its long shadow.

From UPI-US, 18 October 2000

POLISH PARLIAMENT FAILS TO OVERRIDE VETO ON MASS PRIVATIZATION BILL

The Sejm on 13 October failed to override President Aleksander Kwasniewski's veto on the mass privatization bill. The motion to override the veto was supported by 212 deputies from the Solidarity Electoral Action and the Peasant Party, and opposed by 207 deputies from the Democratic Left Alliance and the Freedom Union; two deputies abstained. The parliament needs a three-fifths majority to override a presidential veto (the required majority in this voting was 253 votes).

From Radio Free Europe, 16 October 2000

MOLDOVA: PRIVATIZATION PROMISES RESUMPTION OF INTERNATIONAL AID

Moldova's parliament recently voted to privatize the important wine and tobacco industries. The move marks a key step toward the country's goal of convincing international financial institutions to resume loans. At first glance, small and impoverished Moldova hardly seems a shining example of successful economic transition in the former Soviet bloc. Sandwiched between much larger

Ukraine and Romania, the country has seen its economy shrink to about a third of its size in 1989. Today's average monthly salary is the equivalent of about \$16. Joblessness stands at 15 percent. Wage and pension arrears stretch back for months. And on top of all that, there is an active separatist movement in the predominantly Russian-speaking area of Transdnestr. But according to Carlos Elbirt, the World Bank representative in Moldova, the future may be brighter because the country has made some good economic decisions. He says a decision to privatize energy was especially positive: "The privatization of the distribution of energy has already started, it's already operational, the companies operating them -- this is an example for the region because not many have done that." Moldova launched a mass privatization drive in 1993. Three years later, some 3 million Moldovans were shareholders in about 2,000 privatized firms. Moldovan officials say that during 1997 and 1998 the sales of several enterprises brought the state some \$57.5 million. Elbirt says the biggest privatization success so far has been the almost total transfer of land to local farmers. But the proposed privatization of the country's important wine and tobacco industries stirred considerable controversy. The two industries -- especially wine -- are considered the crown jewels of what little Moldovan industry actually exists. That's because what Moldova lacks in natural resources, it more than makes up with fertile soil -- some of the richest arable land in the region. In the past, Moldova's wines, fruits, and vegetables were exported throughout the former Soviet Union. Major multilateral lending agencies -- including the International Monetary Fund, or IMF, and the World Bank -- halted loan programs last year after the Moldovan parliament failed to privatize the wine and tobacco industries, as the institutions had recommended. All told, some \$125 million in international loans were put on hold. But last week (Oct 19) the Moldovan parliament finally voted to privatize the two industries. Moldovan President Petru Lucinschi welcomed the result and expressed the hope it would lead to a quick resumption of IMF and World Bank loans. A high IMF official dealing with eastern Europe, John Odling-Smee, says the fund could resume its lending to Moldova if the parliament passes the 2001 budget by December 1. Meanwhile, World Bank Regional Director Roger Grove is due in Chisinau today for talks with the government on resuming his institution's loans. Moldova's communists, who make up some 40 percent of the parliament, opposed the two key state asset sales and walked out in protest the day after the vote. Communist Party Chairman Vladimir Voronin accused the parliament of caving in to pressure from the IMF and World Bank. That accusation is flatly rejected by the World Bank's Elbirt -- with a qualification. "Of course, the country has the right to keep the thing [the winery business]. They have the right, but also we have the right not to lend. This is a bilateral business." Elbirt also says that while Moldovan wine may have done brisk business in the former Soviet world, privatization was the only hope for breaking into Western markets. "If you want to export to Western Europe, particularly you need quality control, you need stability control, you need presentation proper according to the market demand. That was not the case, [and] now has to start to be the case." Elbirt suggests bringing in a Western partner to root out the widespread corruption in Moldova's wine industry. Britain's Economist Intelligence Unit recently pointed out that much of the parliamentary opposition to privatizing both the wine and tobacco industries was partly a result of what it called "vested interests eager to maintain the status quo in these important sectors."

From Radio Free Europe by Tony Wesolowsky, 25 October 2000

THE AMERICAS

'FATHER' OF WATER DISTRICTS WARNS OF PRIVATIZATION

The former state legislator who helped create the system for managing Florida's water supply issued a stern warning Thursday against treating the natural resource like a commodity. Philip D. Lewis, an influential senator when key Florida water laws were passed in the 1970s, called the idea of privatizing the supply "one of the most dangerous concepts I've heard." "The thought of privatization of our water runs chills down my spine," said Lewis, the keynote speaker at the state's 25th annual conference on water management. "The next thing we're going to do is be licensing the air." "Remember: That's the public's water. Don't sell 'em short." Lewis addressed a gathering of board members and staff from Florida's five water management districts, local elected officials, state and federal regulators, private consultants and residents interested in water-resource issues. He was reacting to increasing calls over the past two years to unleash the power of private enterprise to help solve Florida's water-supply problems. Four of the state's water management districts say current supplies won't be enough to meet the anticipated demands of agriculture, industry and a rising population over the next 20 years. In response, state business leaders have pushed for more free-market concepts to be used in the regulatory system controlling Florida's water. Over the past 15 months, the Florida Chamber of Commerce, aware that continued growth hinges on the availability of more water, has sponsored two statewide meetings to promote the idea. One large private company, Azurix, has also offered to help in the proposed \$7.8 billion Everglades replumbing plan in exchange for the chance to privately market water. Critics say such a scheme would shift control of a resource essential to life to companies that could hoard water to drive up the price. Addressing the same audience as Lewis, Florida's top environmental regulator said Gov. Jeb Bush has no plans to transfer ownership of water from public to private hands. But Florida Department of Environmental Protection Secretary David Struhs said the state needs to explore whether there are "new and different approaches" for allocating water. "Water resources have always been a public resource and will always be a public resource," he said. Water law in Florida is different from western states, where landowners have a legal right to own the water on or under their property. In Florida, water is a publicly owned resource that property owners are permitted to use temporarily, provided they can prove a reasonable and beneficial use for it. Lewis, of West Palm Beach, served in the Florida Senate from 1970 to 1980, the last two years as Senate president. During his tenure, the Legislature passed the landmark Water Resources Act and set up the five water management districts to control the use and protection of Florida's water, from wetlands to drinking supplies. Balancing those responsibilities isn't easy, said Lewis, whose legislative work earned him the nickname of "father" of the state's water districts. The challenge is magnified in an environment in which drought conditions can change to flooding overnight, he said. But privatization isn't the answer, either -- not

unless the public agrees to it after a prolonged and open debate, he said. "I'll be gone by then," he joked. Struhs said later that the Bush administration isn't planning an immediate overhaul of the state's water management system. But as competition for water increases, the state needs to consider "creating more market-oriented behavior" with water. That could include allowing water permit holders to sell some of their unused water. Such an approach could create an incentive for users to become more efficient with water, Struhs said.

From Sarasota (FL) Herald-Tribune, 6 October 2000

FLORIDA COUNTY ENDS PRIVATIZATION OF WATER, SEWER; RETURNS OPERATION TO STAFF

After five years of critical audits citing sloppy management, Lee County's water and sewer operations were taken away from private contractors Tuesday and handed over to a county department that's shared blame for some of the problems. In a unanimous vote, commissioners ignored the warnings of private utility executives and accepted the recommendations of their staff to bring operations of county-owned water and sewer systems back under county management. The county's new utilities director, Rick Diaz, recommended the move, promising county employees can do the job for the same \$53.4 million over five years that a private firm wanted. "We are ready to take over and make it shine," Diaz told the board. New Public Works Director Jim Lavender said he also favored ending privatization. The move was a reversal of what board members did in 1995 when they took operations away from the utility department and gave the job to a private contractor, Severn Trent-Avatar Utility Services. At that time, County Manager Don Stilwell and his administrators promised savings of between \$15 and \$20 million by letting the private contractors do the job. Even as auditors kept finding problems with the county's supervision of the contract Stilwell said as recently as July privatization had saved the county \$10 million. Auditors disputed that. They found the savings amounted to about \$4.7 million, and questioned if it was even that much. Auditors also said the county's failure to adequately supervise the contract contributed to ongoing problems. "We didn't meet expectations. Privatization was a failure," Commissioner Doug St. Cerny said. Stilwell said nothing during the meeting until Commission Chairman John Albion asked for his opinion near the end of the discussion. "We asked Rick to come back with the best options and we all are in agreement," Stilwell said. The critical audits began in April after investigations by The News-Press revealed questionable dealings between county officials and a powerful lobbyist in the multimillion-dollar purchases of private utility companies. The audits confirmed the questionable deals and criticized the county and Severn Trent for sloppy management of water and sewer operations. Those audits led to the resignations of the three top county executives responsible for the county's utilities. Public Works Director J.W. French, Environmental Services Director Larry Johnson and Utilities Director Glenn Greer all were forced to resign as a federal task force poked into the bank records of county officials. That investigation is continuing. Severn Trent's contract expired last spring and the firm got into a bidding war with another company, Azurix, for a new contract. Each company accused the other of being sloppy in its work and commissioners were supposed to decide Tuesday which firm would get the new contract. The recommendations to bring the utility back under county operation drew strong protests from executives with the competing utility companies. "The recommendation is reckless, unfair and not in the public interest," Severn Trent attorney Mike Ciccarone said. "Your staff has its own agenda. They had the operations five years ago when they bitterly opposed privatization. This very utility staff couldn't operate it properly and they want it back now." Lavender said the county's problems were the result of poor management by French, Johnson and Greer, not by their employees. "Privatization could have worked if we had had different management. There were management and vendor deficiencies," Lavender said. Other utility company executives disputed that. John Stokes, president of Azurix, said privatization made the county's water and sewer operations much better than they were when the county handled the operations. Severn Trent attorney Charles Basinait said the county was making "a grave mistake," and made a last, desperate offer to shorten the contract time in his firm's bid from five years to one or two years and give the county more time to decide what to do. Commissioners rejected the offer. Lavender and Diaz had different answers when asked if the county could run the utilities for less than the \$53.4 million Severn Trent bid. Lavender said he thinks the county can do the job for less than that amount but he wouldn't say how much less. Diaz said he'd want every bit of that amount for operations and fixing problems that former county officials should have had fixed years ago. "We won't save a penny. The system needs a lot of repairs that were not required in the contract bid," Diaz said. Among other things, he said, the Fort Myers Beach sewer plant isn't meeting state and federal standards for treating sewage and hasn't for years. He said the county has never corrected a dangerous situation with its main sewer line which runs under Estero Bay to Fort Myers Beach. "There is only one force main to the beach. If an anchor or some kind of drilling hits that line you won't know it's leaking until you see the water change color and you smell the stench," he said. "You have to have another force main to that island." St. Cerny, who voted for privatization five years ago, said he's glad sewer and water operations are coming back to the county. "I think the recommendation to do that was a courageous one. They are telling us they think they can fix what's wrong," he said.

From Fort Myers (FL) News-Press, 18 October 2000

PRIVATIZATION BILL STILL HAUNTS N.J. SCHOOL LEADERS

Gov. Christie Whitman vetoed it last year, but a bill that would limit a school district's ability to privatize support services has come back to haunt school leaders just in time for Halloween. The bill, released from the Assembly Education Committee last month, might be posted for a vote in the full Assembly on Oct. 30. In an attempt to drive a stake through the heart of the bill, the New Jersey School Boards Association held a news conference yesterday, calling it a costly measure to protect union jobs. The bill, which also would apply to state and county colleges, is backed by the statewide teachers union, the New Jersey Education Association. Whitman remains opposed, a spokeswoman said. The bill, sponsored by assemblymen John C. Gibson, R-Sea Isle City, and Nicholas Asselta, R-Vineland, would prohibit districts from contracting out transportation, cafeteria, custodial and other

ancillary services during the term of an existing contract with district employees. Even at the end of a contract, it would make the privatization decision the subject of mandatory negotiations with the union representing affected employees. Edwina M. Lee, executive director of the school boards association, said the bill would tie the hands of boards. "These restrictions could force a school district to wait more than three years before it could use subcontracting to address a looming, critical budget crisis," she said. "That makes the subcontracting option no option at all." But New Jersey Education Association spokeswoman Lynn Maher said the key to the bill is a requirement that a district provide 90 days notice to the union before requesting bids to privatize services. "This is really about providing an opportunity for loyal and dedicated employees to hand in a competitive bid to management," Maher said. Lee said a 1999 survey found nearly 250 New Jersey school districts have saved about \$28 million through privatization. Ninety percent of them helped affected workers by assuring job interviews with the new contractor, providing severance packages, hiring private workers only as district workers retired or other means, Lee said. Maher said it is good some districts look out for displaced workers, but it should be ensured by law. The bill is opposed by the New Jersey Association of School Business Officials, the New Jersey Association of School Administrators, the New Jersey Association of County Colleges, the New Jersey League of Municipalities and the New Jersey Business and Industry Association.

From Trenton (NJ) Times, 18 October 2000