GOVERNANCE WORLD WATCH

Division for Public Economics and Public Administration
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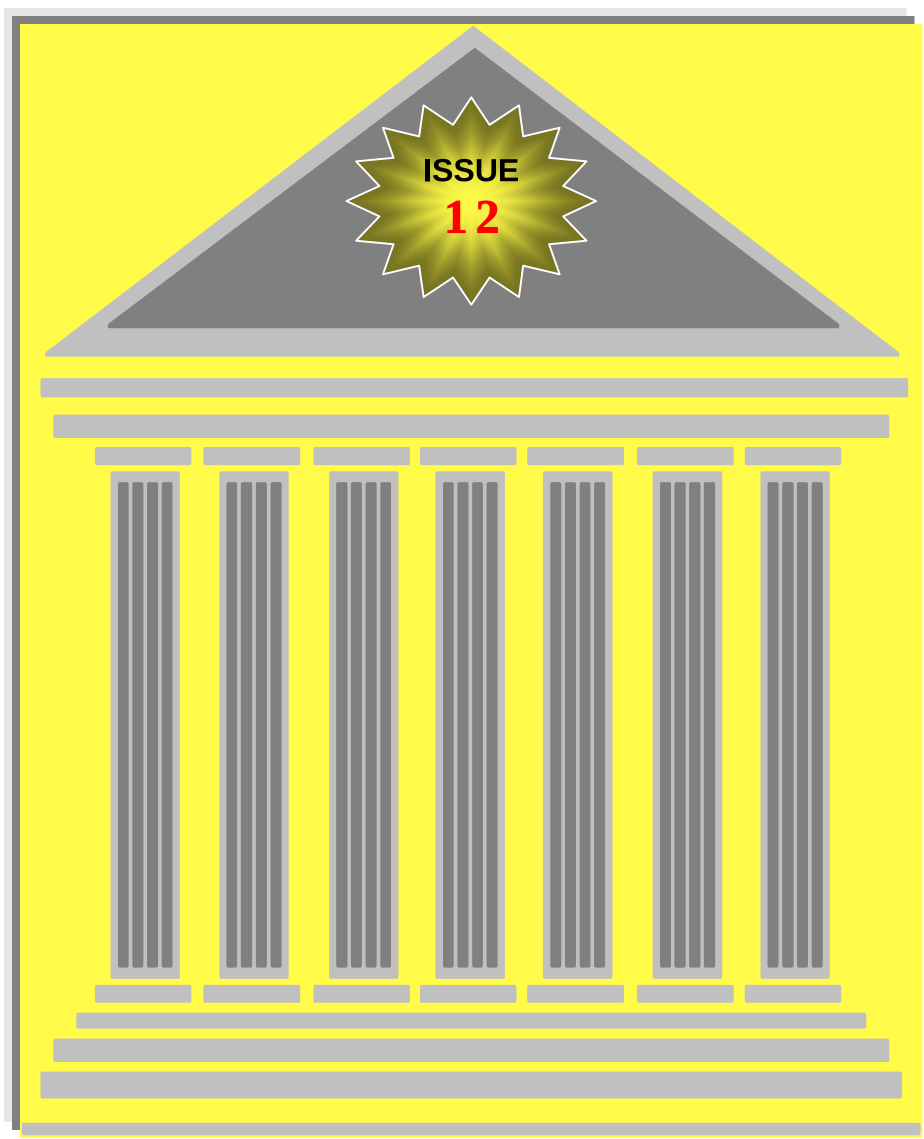

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Private Sector Development

AFRICA

BRITISH MINISTER PUSHES NIGERIA TO CONTINUE REFORM

British Foreign Office minister Peter Hain said on Monday he had encouraged Nigeria to continue its reforms on the way to becoming an "African superpower." At the start of a West African tour, Hain said he would also push for stronger ties between Britain and Africa's most populous nation. Hain made the comments after meeting President Olusegun Obasanjo, who took office last year to end 15 years of crippling military rule in the oil-producing former British colony. "I encouraged the Nigerian government to continue with its courageous economic, political and social reforms. This is make or break time for Nigeria," Hain said. "I look forward to Nigeria becoming the African superpower that it should be and taking its place in the African renaissance," he added. Optimism about the future of Nigeria's new democracy has been clouded by a resurgence of ethnic violence and crime in which more than 1,000 have died since the end of military rule. Promised economic reforms in the country of more than 108 million people have been slow to get underway, against a backdrop of opposition from unions and within the elected parliament. Hain said Britain was keen to help Nigeria resolve the issue of foreign debt it says it is unable to pay back, adding that a delegation from the British Treasury (finance ministry) was due in Abuja for talks on debt on Tuesday. Hain, who was born in Kenya, vowed to raise the profile of Africa on the international stage when he was made a minister last year. He is also due to visit Ghana and Sierra Leone his West African tour. He proposed that British and Nigerian Governments get together formally at least once a year at senior ministerial level to discuss foreign policy, conflict prevention, defense, industry, trade and health. "I see this as a partnership of equals," Hain said. Until Obansajo took power, Nigeria was ruled by the military for all but 10 years after independence from Britain in 1960. Since taking office on May 29 as elected president, Obasanjo has purged the army of scores of officers tainted by political power, seized properties illegally acquired by top military officers and embarked on a probe of abuses from the 1960s.

From ABC World News, 10 January 2000

AFRICANS PLEDGE TO BATTLE

African leaders closed a two-day IMF-backed summit in Gabon on Wednesday with a pledge to reduce poverty, fight Aids and work with international partners to better the lot of the world's poorest continent. “Despite the recent economic recovery in many countries, much more needs to be done to reduce poverty,” said a declaration from more than 20 African heads of state. “Unemployment remains at a distressingly high level, illiteracy continues to be high (and) in particular the spread of Aids and malaria are having a devastating impact on the continent,” it said. Heads of state also endorsed the International Monetary Fund's new lending initiative, the Poverty Reduction and Growth Facility, which seeks to place more of the burden for designing an economic restructuring programme on the loan recipient. But they asked that the new tool not result in more conditions, such as budget deficit and growth targets, as well as market reforms, on funding. Outgoing IMF Managing Director Michel Camdessus called the Libreville declaration 'historic' and said it was a document that would guide international donors in the future. “It is a document that will be the very Bible of the IMF and World Bank in the years to come... It will constitute the heart of the guidelines I will pass on to my successor in a few weeks time," he said. Camdessus, who has led the IMF for an unprecedented 12-1/2 years, hopes to step down by mid-February. While the IMF's new lending programme is designed to shift more responsibility on the recipient countries to come up with solutions, half the 19 articles in the declaration called on international partners to provide more assistance. One paragraph began by acknowledging that poverty reduction was a challenge African countries must address themselves, but went to say in the next sentence: “Leaders therefore expressed their determination to move ahead in confronting this challenge head-on with the support of their development partners.'' Jean-Louis Sarbib, vice-president of he World Bank, said the Bretton oods institutions were always ready o help if asked and expressed confidence that the declaration recognized that development initiatives should come from within. “We cannot help those who don't help themselves,” he said at a news conference after the announcement of the document. As part of a commitment to tighter monitoring of their development track record, leaders resolved to set up a six-member monitoring body, chaired by Gabon's President Omar Bongo, which will report to G7 countries every three years. In the fight against HIV/Aids, which infects more than 23 million people on the continent and has created 10 million orphans, leaders resolved to lift public awareness, lobby drug companies to cut the cost of anti-retroviral medicines and ask the international community for more assistance. More help was also requested to help resolve conflicts on the continent which currently involve 15 countries and asked for lenders to consider giving money even to countries at war. Several Latin American and African nations have already received funding under the new poverty-reduction programme, with several more African states expected to move onto the new standard in the coming months. IMF first deputy managing director Stanley Fischer said on Tuesday he expected 36-41 of the world's poorest countries to be participating at some stage of the Poverty Reduction and Growth Facility by the end of the year.

From Reuters, 23 January 2000

SOUTH AFRICAN PARLIAMENT PASSES "BIG BROTHER" LAW

South Africa passed a law on Tuesday handing the state sweeping powers of access to personal information, prompting opposition parties to dub it the "Big Brother Bill." The Promotion of Access to Information Bill, hailed by the Government as increasing transparency, gives individuals access to private information that might affect their rights. The bone of contention for its opponents is a clause added to the bill less than two weeks ago that also gives the state equal rights to demand access to private files, prompting comparisons with the authoritarian state in George Orwell's novel "1984." But Justice Minister Penuell Maduna said: "The purpose of the bill is to foster a culture of transparency and accountability in public and private bodies by giving effect to the right of access to information. With this bill we are turning on the light to bring to an end the secrecy and silence that characterized the decades of apartheid rule and administration," Maduna told parliament. The Democratic Party, the New National Party, the Freedom Front, the United Christian Democratic Party and the African Christian Democratic Party all voted against the bill, formerly known as the Open Democracy Bill, because of the new clause. The bill is one of four key pieces of legislation that must, under the constitution, be signed into law by February 4, three years to the day after the constitution took effect. The four laws, also covering transparency in government and promotion of businesses owned by non-whites, are designed to give muscle to a Bill of Rights and put the finishing touches to the end of apartheid. It was the second of the four to pass through the National Assembly after the Public Procurement Bill was passed on Friday. The Promotion of Administrative Justice Bill will be passed on Tuesday and the Promotion of Equality and Prevention of Unfair Discrimination Bill is set to go through on Wednesday.

From Reuters, 26 January 2000

ASIA/PACIFIC

SERVING WHOLE SITUATION OF REFORM AND STABILITY

This article by Our Commentator is written on the occasion of the fifth anniversary of the enforcement of the Labor Law. The commentary reads in full as follows: The 2000 New Year's Day is the joyful festival of the hundreds of millions of people, it is also the fifth anniversary of the implementation of the Labor Law of the People's Republic of China. Enforcement of the Labor Law has played an important role in safeguarding workers' interests, guaranteeing their livelihood, maintaining social stability and promoting enterprise reform and development. In the process of establishing a socialist market economic structure, it is necessary to correctly handle the relations between reform, stability and development and guarantee reform and development through stability. Guaranteeing people's rights and interests and improving their living standards are the basic requirements of the socialist system. In deepening the reform, protecting the legal rights and interests of laborers and establishing a stable and harmonious labor relationship are an important aspect of guaranteeing social stability, the purpose of making the Labor Law and an important aspect of exhibiting the superiority of the socialist system. The Labor Law comprehensively stipulates the various rights and duties enjoyed and undertaken by the employing units and laborers, thereby promoting the establishment of labor insurance systems, such as labor employment, vocational training, social insurance, minimal wage and labor safety and health, the handling of labor dispute and labor supervision. Through the carrying out of the Labor Law, China has basically set up the old-age insurance and unemployment insurance systems that cover various types of enterprises in cities and towns, the basic medical insurance system is also being established, the Labor Law has played an important role in the establishment and perfection of these systems. In the past two years, in particular, the governments at all levels have conscientiously done a good job in the "two guaranteeing" work (guaranteeing the basic living standards for laid-off workers and guaranteeing timely issuance of full pensions to retirees), worked hard to strengthen the establishment of a social security system and have thus ensured the basic livelihood of the overwhelming majority of retired personnel and laid-off workers, and effectively safeguarded the rights and interests of laborers and social stability. The promulgation and implementation of the Labor Law has created favorable conditions for enterprises to strengthen management and improve efficiency. The Labor Law clearly stipulates that in establishing labor relationship, a labor contract must be concluded, both the employing unit and laborer must carry out the contract according to law, this provides a legal basis for the establishment of a modern enterprise employment system, has thus changed the past situation in which people could hardly be transferred to other jobs and the first assignment of job determined one's lifelong post" and accelerated the process of reform of the enterprise labor employment system. At present, thoroughly implementing the Labor Law and earnestly guaranteeing the lawful rights and interests of laborers remains a very arduous task. We have noticed that cases of infringing upon the legal rights and interests of workers have still occurred from time to time in some localities and enterprises, the work of guaranteeing the basic life of workers has not been completely put in place in some places, a lot of basic work remains to be done. The Fourth Plenary Session of the 15th Central Committee of the Communist Party of China clearly set the goal and orientation for the reform and development of State-owned enterprises (SOEs), stressed the need to do a good job in downsizing the staff and increasing benefits and the re-employment of laid-off workers, and speeding up establishment of a social security system. A further implementation of the Labor Law should be closely connected with the whole situation in regard to SOE reform and development and social stability. In the future, it is necessary to comprehensively establish a social security system independent of the enterprise, enlarge the covering scope of social insurance, so that laborers can enjoy old-age, unemployment, medical and other social insurance treatments according to law, and to set up a safety network guaranteeing social stability; it is also necessary to further do a good job in the work of guaranteeing the basic life of SOE laid-off workers, speed up the formation of a market-oriented employment mechanism and gradually establish an income distribution system in conformity with the modern enterprise system; it is also necessary to strengthen labor protection supervision work, urge the employing unit to carry out labor protection laws and regulations, establish and perfect the labor contractual system according to law and safeguard the laborer's legal rights and interests; do a good job in the work of legislation and popularization of law on labor protection and legal publicity, thereby creating a good legal environment. Enforcement of the Labor Law is of vital importance to the overall situation regarding reform, development and stability, and involves many aspects of work. We believe that this law designed to safeguard the rights and interests of the hundreds of millions of laborers will definitely play a still greater role in promoting future reform, development and stability so long as leaders of all levels and concerned departments pay a high degree of attention to it, work in close coordination, fulfill their respective responsibilities according to law and implement it in a down-to-earth manner.

From China People's Daily, 3 January 1999

JAPAN'S DIET CONVENES; OBUCHI AIMS TO SPUR ECONOMY WITH RECORD BUDGET

Japanese Prime Minister Keizo Obuchi will preside at today's opening of parliament with one clear aim -- to win the support of voters at this year's general election. His pitch is simple: Delay unpopular reforms, and pour more money into reviving the economy. He'll face little opposition in the Diet, Japan's parliament, where his Liberal Democratic Party led coalition controls a majority in both houses. Convincing voters may be tougher. To do so, the Government has put together a record 85 trillion yen ($810 billion) budget for the 12 months starting April 1, on top of another 18 billion yen of pump-priming measures unveiled in November last year. “Obuchi, anticipating an election, has shelved many economic reform proposals which may hurt his popularity,” said Tomoko Fujii, senior economist at Nikko Salomon Smith Barney Ltd. “He'll probably avoid presenting any concrete timeframes to cut the budget deficit before an election.” Trimming the deficit would mean cutting spending, or raising taxes, at a time when the government has been stalling on reform. In the past month it has postponed the introduction of a 10 million yen cap on government guarantees for deposits at failed banks, shelved plans to allow companies to use losses at affiliates to reduce taxable income and postponed plans to deregulate agent fees in the casualty insurance industry that could have reduced policy payments for consumers. Obuchi has also indefinitely frozen a mandatory deficit- reduction law. The Finance Ministry plans to submit the budget plan to parliament on Jan. 28. Obuchi, Miyazawa and two other ministers will give policy speeches on the same day. Each party will question Obuchi about his policy from Jan. 31 to Feb. 2. The five- month session could be the last parliamentary sitting before the election, to be held before Oct. 19. Winning approval for legislation isn't a problem. The LDP- led coalition with the Liberal Party and New Komeito Party holds a clear majority in both houses of parliament. To pay for its big-spending ways, the government will sell a record 86 trillion yen in debt in the 12 months starting April 1, including 33 trillion yen in new bonds. Japan's budget deficit will bloat to 9.4 percent of gross domestic product in the next fiscal year, up from 9.2 percent this year, according to government estimates. Obuchi may be reluctant to wind in government spending. His approval rating fell to 27 percent in December from 48 percent in October, which was the highest since he became prime minister in July 1998, according to the Maininchi newspaper's opinion poll. He might also be wary of weaning the economy from state spending soon. GDP fell 1 percent in the July to September quarter last year, when government spending fell for the first time in a year. “There's a chance that the government will compile one more economic stimulus plan this year, although the size of any extra budget can't be enormous,” said Kazutaka Kirishima, chief economist at Sumitomo Mutual Life Research Institute. The Government has forecast the economy will expand 0.6 percent in the 12 months to March 31, and 1 percent the following year. Doing any better would be a tall order, Obuchi said last week. “Thanks to our spending plans, the economy has been set on a recovery path. If anyone can expand the economy by 3 percent or 5 percent while halving spending, I would hand over my position to that person,” he said. Obuchi's critics say it's now time to tackle the deficit. Japan's combined deficit at the central and local governments will reach 608 trillion yen in March, equal to 123 percent of GDP. Investors are also watching Obuchi's fiscal reform moves to gauge when the Bank of Japan will raise interest rates. The bank has kept interest rates near zero since March last year. If not for that, bond yields would have soared, analysts said. “With its zero-rate policy, the BOJ has helped to prevent a jump in bond yields that should have resulted from Japan's large debt sales,” said Noboru Iwamatsu, chief economist at DKB Securities Ltd. The benchmark 10-year No. 219 bond yields 1.75 percent. “Unless lawmakers shows some timetable of fiscal reforms and alleviate investors' concern, it's impossible for the BOJ to abandon its current policy,” Iwamatsu said.

From Bloomberg, 20 January 2000

SUMMERS URGES JAPAN TO OPEN ECONOMY AHEAD OF G-7 MEETING

U.S. Treasury Secretary Lawrence Summers today urged Japan to further open its economy to promote stable growth, a Japanese finance official said. While welcoming Japan's efforts to pull out of its deepest slump in decades, Summers said he believes the world's second-largest economy has yet to achieve its potential, according to Zembei Mizoguchi, head of the Finance Ministry's international bureau. Summers, who is in Japan for a weekend gathering of finance officials from the Group of Seven industrial nations, made the remarks in a meeting with Prime Minister Keizo Obuchi. The two sides reportedly said nothing about the subject on the minds of many global investors and currency traders: the strong yen. Japanese officials worry that the yen's 10 percent rise against the dollar ove the last year threatens Japan's economic recovery by hurting its mainstay export industries. In his meeting with Obuchi, Summers urged Japan to continue to deregulate its economy, including the telecommunications sector, to attract foreign investment and stimulate growth, Mizoguchi said.

From Fox News, 21 January 2000

EUROPE

SLOVAK PRESIDENT SAYS DIFFICULTIES STILL AHEAD IN 2000

Rudolf Schuster on 31 December said in his New Year's address that the year 2000 is likely to be a year of economic hardship and called on citizens to "give the Government a chance" to fulfill its promise that this will be the country's last difficult year, CTK reported. Schuster said "Slovaks and the ethnic minorities living among us in this country" have managed in the past to overcome "more difficult and more demanding situations." He proposed that the year 2000 be one of "national reconciliation." Schuster said all Slovaks should support the country's EU accession bid, adding that the EU membership preparations should not be viewed as "a matter for just the government and the parliament." Schuster said he will promote "a systemic flow of information about the advantages and the risks implied in EU membership."

From Radio Free Europe, 01 January 2000

RUSSIA: YELTSIN RESIGNS, PUTIN VOWS TO FOCUS ON ECONOMY

Russian President Boris Yeltsin says he resigned today after nine years in office because of Russia's overall problems and not because of his personal health problems. Yeltsin -- who made the dramatic announcement in a nationally televised address – made Prime Minister Vladimir Putin acting president until new elections in March. Yeltsin asked Russians to forgive him for his mistakes and for failing to realize their dreams after the fall of the Soviet Union. Yeltsin's attempts to build a market economy were flawed by corruption, and the standard of living has decreased while crime has increased. In his first comments as acting president, Putin said his government will focus on improving the economy and people's lives. Putin also said Russia's foreign and defense policies will remain unchanged. The popularity of the former head of the domestic security service (FSB) has soared because of the way he has handled the military campaign in Chechnya. Putin met with Russia's Security Council shortly after taking power. The RIA news agency says Putin asked the top Russian officials to stay in their positions and work calmly. In a later New Year's address, Putin said any actions which violate Russian laws or the country's constitution will be dealt with decisively. He said basic elements of civilized society such as freedom of speech, of conscience, of the media and human rights will be defended by the government. Putin said branches of the military and security services were not placed on heightened alert. The new Russian leader said Yeltsin's decision to step down was in accordance with the country's constitution. He praised Yeltsin for staying on the course toward democracy and economic reform. Putin also signed a decree on social and security guarantees for Yeltsin and his family. Russian media say the text of the document will be made available later today. World leaders have responded to the news of the resignation with praise for Yeltsin and expressions of hope for his country. U.S. President Bill Clinton said that Yeltsin had a historic tenure as Russia's first democratically elected president. Clinton said he looks forward to working with acting President Putin. Polish Foreign Minister Bronislav Geremek praised Yeltsin's contribution to Russia's democratization. Geremek said he hopes for peace in Chechnya. Czech President Vaclav Havel said he is confident that Russia will continue on the path to democracy. Havel called Yeltsin "a politician of historic importance." In Sofia, Bulgarian President Petar Stoyanov said he hopes that Yeltsin's resignation will not affect Russian progress toward democracy nor its relationship of trust with Bulgaria. Ukrainian Vice Prime Minister Mykola Zhulynsky said this: "We in Ukraine must be ready for a tough dialog." Zhulynsky said the important thing for Ukraine is good relations with the Russian Federation, no matter who is president of Russia. In Russia itself, Yeltsin opponents expressed joy at his resignation. Moscow Mayor Yuri Luzhkov called the decision good but too late. Communist Party head Gennady Zyuganov said the resignation was a result of 10 years of efforts by, in Zyuganov's phrase, "Communists and patriots."

From Radio Free Europe, 31 December 1999

PUTIN WANTS ECONOMIC REFORMS, BUT NO WELFARE CUTS

Russian Acting President Vladimir Putin on Thursday ordered reforms to keep the economy growing but told his cabinet that social spending was sacred despite budgetary pressure, local news agencies reported. "One has to face up to what is happening in the country and act energetically in carrying out reforms. But reforms should be carried out under strict control and with the government's active participation," Itar-Tass quoted him as saying at the weekly cabinet meeting. Putin, the favorite in a presidential election scheduled for March 26, has not spelled out his economic program or carried out any major reforms. But he said the tight $27 billion 2000 budget was realistic and categorically ruled out social welfare cuts. Russia is having trouble getting foreign lenders to come up with nearly $6 billion in expected support, most of which is an International Monetary Fund program that has stalled. Putin lauded last year's economic performance, which saw industry grow at its fastest clip in the post-Soviet period - 8.1 percent after a fall of 5.2 percent the previous year.

From Russia Today, 20 January 2000

RUSSIA LOOKING FOR ASSURANCES – ECONOMY, YEN AND IMF SUCCESSOR TO TOP G7'S AGENDA

Following is a summary of the issues expected to dominate Saturday's meeting in Tokyo of finance ministers and central bank governors of the Group of Seven leading industrial nations plus Russia. Japanese Finance Minister Kiichi Miyazawa said on Friday that the outlook for the global economy was bright. But U.S. Treasury Secretary Lawrence Summers says he wants both Japan and Europe to raise their growth sights by redoubling their commitment to boost domestic demand and push through deep-seated reforms. This is because the United States is growing too fast for comfort, resulting in a huge trade deficit and an even bigger private-sector financial deficit. Capital inflows, attracted by the soaring stock market and America's technology-driven productivity boom, have so far enabled America to live beyond its means. But policy-makers and markets fret that a Wall Street crash could bring the U.S. economy down to earth with a bump. Tokyo is pressing hard for G7 help to prevent a further rise in the yen as this would hobble the export sector, one of the few sources of growth in Japan's still-fragile economy. The G7 will probably comply, but economists are sceptical that a simple statement would set the yen back. Yet currency market intervention by Japan's partners is considered a remote possibility, at least as long as the dollar remains above Japan's pain threshold of 100 yen. On Friday it stood around 105. Washington would like the G7 to call for a recovery in the bedraggled euro. European officials, confident the currency will recover on its own, oppose drawing attention to its weakness. Ministers are sure to discuss a successor to IMF Managing Director Michel Camdessus, who steps down next month. The job is traditionally held by a European and Germany is lobbying hard for its deputy finance minister, Caio Koch-Weser. But France and the United States are luke-warm in their support, vastly reducing Koch-Weser's chances. Andrew Crockett, a Briton who runs the Bank for International Settlements, and Italian Treasury Director Mario Draghi want the job, but are probably too technocratic for a post that also demands a deft political touch. Camdessus's deputy, Stanley Fischer, could be asked to take the helm in the interim. The G7 can breathe more easily now that Asia especially is recovering strongly from its financial crisis. But ministers, worried that complacency might set in, are likely to urge governments to seize the opportunity of solid growth to push through corporate and financial restructuring and other reforms. The G7 will be looking for reassurances from Russian First Deputy Prime Minister Mikhail Kasyanov, who will attend part of Saturday's talks, that Moscow will plough ahead with economic reforms under acting President Vladimir Putin. The fate of a delayed $640 million IMF loan installment to Moscow will also be on the agenda, with sections of international opinion opposed to a quick disbursement because of the rising civilian death toll in Moscow's war against Islamic rebels in Chechnya. Ukraine might also be discussed. Cash-strapped Kiev is seeking to restructure its $2 billion in foreign debt to unfreeze a $2.6 billion IMF aid package.

From Russia Today, 24 January 2000

MIDDLE EAST

IRAN RULING IS A BLOW TO REFORMISTS

Candidates who failed to attend pro-clergy rallies will be disqualified from the parliamentary election next month, a hard-line council has ruled in an apparent attempt to undercut a growing challenge from reformists, newspapers reported Wednesday. The fate of the candidates will be in the hands of two "trusted supervisors" who will decide whether they took part in the recent rallies in support of the ruling Islamic establishment, the reformist Fath newspaper reported. The paper said the new vetting procedure was ordered by the Guardian Council, a conservative clerical body responsible for approving the list of candidates. The development suggests that hard-liners are becoming increasingly worried by the popularity of reformists who back the efforts of Mohammed Khatami, the moderate president, to loosen two decades of clergy-imposed political and social controls. Mr. Khatami's campaign could receive a boost if moderate candidates win a majority in the Feb. 18 elections for the 270-seat Parliament. In most cases the reformists are powerless to overturn the rulings against them. Only the president has the power to intervene in decisions taken by the Guardian Council, and it is not clear whether Mr. Khatami would be willing to risk a head-on confrontation with the hard-liners over the issue. The Guardian Council is backed by Ayatollah Sayed Ali Khamenei, the hard-line supreme leader. In previous elections, the council has tested the Islamic credentials of candidates and disqualified nearly everyone who did not staunchly support the ruling establishment.

From Associate Press, 06 January 2000

THE AMERICAS

U.S. ATTORNEYS GENERAL CONSIDER NEW LAWS TO ADDRESS INTERNET CRIME

Attorney General Janet Reno wants authorities to form a global, round-the-clock anti-cybercrime network to stop Internet lawbreakers. "I envision a network that extends from local detectives to the FBI to investigators abroad," Reno said Monday. Reno rolled out details of the so-called LawNet to several hundred members of the National Association of Attorneys General gathered at Stanford University. The program would include teams of highly skilled computer crime prosecutors and investigators, regional forensic computer laboratories and technology sharing, Reno said. She also proposed a new interstate compact to ensure enforcement of out-of-state subpoenas and warrants stemming from Internet investigations. "The Internet is indeed a splendid tool of wonder, but there is a dark side of hacking, crashing networks and viruses that we absolutely must address," she said. The growth in ecommerce is creating opportunities for cybercrime. An FBI survey of Fortune 500 companies found 62 percent reported computer security breaches during the past year, she said. The LawNet proposal partially addresses a directive President Clinton issued last year to encourage law enforcement and crucial industries in the country to set up information-sharing networks. Prosecutors at the conference responded to the LawNet proposal with a standing ovation, saying they need new law enforcement tools. "The unfortunate side effect of the Internet's tremendous growth has been that it provides criminals with a new opportunity to reach a mass of potential victims," said Christopher Painter, a federal prosecutor focused on computer crime. Reno said a significant part of LawNet would be to address questions of jurisdiction, a challenge prosecutors said they face when fighting Internet crime. "There are a lot of questions about which law applies, and even who is going to enforce that law," said California Attorney General Bill Lockyer. "I'm very enthusiastic about this plan to get us all together." Reno said LawNet would also need to focus on privacy issues, protecting consumers from invasions like the CD Universe extortion case. There, a hacker stole credit card numbers from the Internet music retailer and posted them on a Web site after CD Universe refused to pay a $100,000 ransom. "It is perhaps not Big Brother we should be worried about, but big browser," said New York Attorney General Eliot Spitzer. "We need to be fearful that the aggregation of information, if it is misused, is very terrifying."

From Capital Watch, 11 January 2000

OPPONENTS OF FOR PROFIT HEALTH CARE LAUNCH CAMPAIGN TO ATTACK GOVERNMENT PLANS TO CONTRACT OUT MEDICAL SERVICES

Lobby groups fighting the expansion of for-profit health care in Alberta fired the first shots this week in what's shaping up as a public relations war. The latest salvo came Wednesday with the release of a poll by the Friends of Medicare lobby group that suggested a slim majority of Albertans do not support new provincial proposals to expand for-profit surgeries to include more complex surgical procedures such as hip replacements. "The Government does not have the confidence of voters on the issue of private health care," said coalition spokeswoman Christine Burdett. The medicare survey suggested that 52 per cent of the 600 Albertans polled either opposed or strongly opposed for-profit operators carrying out surgeries now done only in public hospitals. Another 38 per cent supported the plan while 10 per cent didn't know or refused to answer. The poll, conducted between December 15 and 19, is considered accurate within four percentage points 19 times out of 20. The Government responded in turn with its own poll, touting majority support for the proposal and accusing its opponents of misleading the public and fear-mongering. The Environics poll, which surveyed 1,000 people between Dec. 6 and 23, suggested that 59 per cent of Albertans strongly or somewhat support the plan while 34 per cent oppose it. Five per cent were undecided. It's unclear where the remaining two per cent was allocated, said David Bray, Alberta Health spokesman. It's considered accurate within three percentage points 19 times out of 20. Alberta Health Minister Halvar Jonson acknowledged the criticism but insisted the plan has "good support. "We recognize there are some people who don't support the plan. We also recognize, however, from our information, that there is interest." The polls came on the heels of a sensational TV ad - sponsored by the Alberta wing of the Canadian Union of Public Employees - slamming Klein's initiative. It was the third time the union - which has 475,000 members across Canada - has launched a major campaign aimed at defeating private health-care initiatives in Alberta. The $13,000 ad shows the 1998 demolition of Calgary's Bow Valley hospital, one of three Calgary hospitals closed as a result of provincial budget cuts. "We want this (issue) put to bed once and for all," said union spokesman Terry Mutton. Union officials have held meetings recently with federal Health Minister Allan Rock urging him to intervene. And Mutton said the union has set aside $100,000 as part as of nationwide campaign to cripple Klein's proposed policy. The union also has the backing of the Alberta Federation of Labour – an umbrella group for the province's labour organizations. President Audrey Cormack said the AFL is on side morally and financially but expressed regret that the matter has been reduced to a public relations war. "Albertans deserve more than a public relations campaign where whoever has the most money wins." It's estimated that the Alberta Government has spent thousands of dollars promoting the initiative through newspaper ads, mailouts and a TV address by Klein. Alberta's new health policy, expected to become law during the spring session of the legislature, is touted by the government as an effective way to reduce waiting lists and improve efficiency. Opponents have lambasted Klein for not providing any studies or statistics to substantiate the government's claims. They've also warned that the policy will create for-profit hospitals and two-tiered American-style medicine. But Klein has insisted only insured services will be privatized, that patients won't have out-of-pocket expenses and that nobody will jump the queue by paying more. The statements Albertans were asked to respond to in polls commissioned by the Friends of Medicare and the Alberta government: Government: The Alberta Government recently made an announcement about contracting out more health services to privately owned surgical clinics. The stated goal of the government for doing this is to reduce waiting lists and increase overall efficiency. Under this plan, Alberta Health will pay for all insured services performed at private institutions and these private institutions will not be able to charge fees to Albertans who receive these services. Friends of Medicare: The Alberta government plans to introduce a law that would allow private, for-profit hospitals to carry out surgery which is now done only in public hospitals.

From Vancouver Sun-National, 13 January 2000

UN WILL CONTINUE TO FOCUS ON DEVLEOPMENT, ANNAN SAYS

The United Nations will continue to focus on the issue of development in the years ahead after its efforts over past years to make the issue a central work of the world body. Annan made the statement at ceremonial meeting to mark the formal turnover of the chairmanship of the Group of 77 (G-77) from Guyana to Nigeria. "Development -- and especially international cooperation for development -- continues to occupy a central place in our work," he said. "In the year to come, as in the year or two that have just passed, much of that work will no doubt focus on the impact and implications of globalization." First, the 10th session of the UN

Conference on Trade and Development (UNCTAD X), to be held just four weeks from now, offers a major opportunity to strengthen and advance the position of developing countries in the area of trade, Annan said. "After the imbroglio in Seattle, it is vital that we pick up the pieces and explore ways of making trade work better for the poor." Secondly, the General Assembly will be discussing the organizational and substantive details of the international event on financing for development, which it has agreed to hold in 2001,Annan said. "The UN and the Bretton Woods Institutions attach great importance to this process, but only with the help of a united G-77 can we hope for a successful outcome," he said. Thirdly, this year's high-level segment of the UN Economic and Social Council (ECOSOC) will address the issue of information technology and its role as the backbone of today's knowledge-based economy, he said. "Beyond these three areas, the year will also feature vital follow-up meetings to the Beijing and Copenhagen conferences," he said. "And all of this activity will culminate, in the Autumn, with the Millennium Assembly and Millennium Summit," which will be convened in September this year.

From Xinghua News, 14 January 2000

GLOBAL

INTERNET BOOSTS ECONOMY AND SAVES ENERGY

That the Internet is revolutionizing business practices around the world comes as no surprise. But a new report says the great global network is also making a positive impact on the environment. Prepared by researchers at the Center for Energy and Climate Solutions, "The Internet Economy and Global Warming: A Scenario of the Impact of E-Commerce on Energy and the Environment" notes that the Internet has spurred startling new economic development and spared the environment in the process. From 1997 to 1998, the American economy grew by about 8 percent. During the same period, energy consumption in the U.S. increased only 1 percent, a significant departure from previous periods. Furthermore, U.S. "energy intensity," or the amount of energy consumed for every dollar of economic output, declined by more than 3 percent during the same period. The decrease in energy use is doubly surprising because it came at a time when energy costs were low, a condition that usually triggers greater consumption. "Nothing like this has ever happened before," said Joseph Romm, executive director of the Center for Energy and lead author of the study. "This is potentially very important because the vast majority of air pollution in this country comes from the production and use of energy," the report notes. Other conditions might have contributed to the downturn in energy use, Romm said. The winters of 1997 and 1998 were slightly warmer than usual and consumers used less energy to heat their homes. Asia's mercurial economy during the same period cut into U.S. export of manufactured goods such as steel, which requires a great deal of energy to produce. But the more Romm and his colleagues considered the Internet, the more they realized the magnitude of the global network's impact, he said. "The Internet can turn buildings into Web sites and replace warehouses with supply-chain software," he said. "It can turn paper and CDs into electrons and replace trucks with fiber-optic cable. That means significant energy savings." "This is just the tip of the iceberg in the replacement of electricity for paper," he added. "The Internet could kill catalogs and newspapers." Catalog outlets and newspaper enterprises are the two biggest users of paper in the U.S. As cash registers move online, businesses are better able to streamline their operations with direct access to essential information. With special software programs, companies can gather sales information in real time, crunch these numbers to forecast their needs and avoid shipping, stocking, heating, cooling and lighting items that don't sell. "Nothing wastes more energy than something nobody buys," said Romm. Other businesses are bypassing retail space in favor of electronic online stores, and the saved energy is exponential. The online bookstore Amazon.com, for example, has no retail space, only a web site and warehouses filled with product. Shopping online also requires less energy in shipping. Sending a 10-pound package by overnight air uses 40 percent less fuel than driving round-trip to the local mall. Shipping by railroad is even more efficient. The report cites other examples of energy savings through the Internet: More companies are allowing employees to work at home, saving fuel and office energy. Web sites such as e-steel.com and PaperExchange.com provide companies with the means to purchase online a variety of commodities such as steel and paper. These e-commerce web sites greatly reduce overproduction. The Internet itself is not a major energy user because it draws heavily on the existing communications infrastructure. The average personal computer and monitor uses just 150 watts of power. More and more users are able to download software over the Internet, avoiding more energy costs. The National Transportation Exchange web site provides an online market place for buyers and sellers of ground transportation. If, for example, a trucking company based in New Jersey has just dropped off a load in California and has no return load, it can sell its services on this exchange to ensure that the truck does not come back empty. The researchers caution that "the Internet is growing so quickly, and data on it remain so inadequate, that it is certainly not possible to draw more than tentative conclusions at this point. That is why we have labeled this analysis a scenario, and not a prediction." If the current decline in energy consumption is indeed a trend, the researchers predict: A 1.5 billion-square-foot reduction in retail space, a 1 billion-square-foot reduction in warehouse space and possibly a 2 billion-square-foot reduction in commercial office space. An energy savings from operations and maintenance alone of 53 billion kilowatt hours per year — the equivalent output of more than 21 average power plants — and 67 trillion BTUs of natural gas. A savings, by the year 2003, of 2.7 million tons of paper annually, resulting in an annual decrease in global-warming pollution of 10 million tons of carbon dioxide.

From Environment News Network, 19 January 2000

AFRICA

SOUTH AFRICA 'IS DOING ENOUGH' TO FIGHT CORRUPTION

A majority of South Africans believe the Government is doing enough to root out corruption, according to a survey conducted by the Human Sciences Research Council (HSRC). Fifty one percent of the people interviewed in the November survey felt enough was being done to counter corruption, compared with 42% in 1998, the HSRC said in a statement on Wednesday. "South Africans' confidence in the government's commitment to clean and honest government is increasing," the HSRC said. The survey, which targeted a representative sample of 2 672 adults, also revealed a corresponding decline in the number of people who felt the Government was placing too low a priority on corruption - with the 1998 figure of 44% dropping to 30%. HSRC research specialist Gregory Houston said a possible reason for the trend was the manner in which the government had recently dealt with senior public officials implicated in corruption. "The well-publicized resignations of a number of these officials may well have influenced people's perceptions," he said. The HSRC said the rating of the Government's performance in this area varied greatly between different race groups. "The November 1999 survey revealed that most coloureds, Indians and whites believe that the government does not give a high enough priority to dealing with corruption," it said. "This is particularly the case with white respondents, of whom 72% feel this way." Only 20% of blacks questioned said the government was not doing enough in this field. "On the other end of the spectrum, however, 20% of black respondents believe that the Government is placing too high a priority on dealing with corruption," the HSRC said. "Similar proportions of coloured (10%) and Indian (11%) respondents feel that government rates the need to deal with corruption too highly, while only 5% of whites feel this way."

From S. Africa-News 24, 27 January 2000

EUROPE

EU COMMISSION DRAWS A BLUEPRINT FOR REFORM

Almost a year after the corruption crisis that led to the resignation of most members of the European Commission, the new commission will issue a blueprint for reform this month aimed at making itself more efficient, open and accountable. "My object is to make it more difficult to represent the European bureaucracy as something alien and malign," said Neil Kinnock, the commission's vice president in charge of reform. "I want to get to the point where even those who are against the whole concept of Europe have to acknowledge that the ogre is at least very well run." Mr. Kinnock, who is one of four survivors from the former 20-member commission, said he wanted to turn the European Union's executive arm into a byword for public service and equip it for the addition of as many as 13 more countries to the 15-member EU in the next few years. "There are two challenges," Mr. Kinnock, the former leader of Britain's Labour Party, said in an interview. "One is to catch up with the changes that have taken place so that we become an efficiently managed administration that is accountable and that does have standards of service. But secondly, we have to enable the institution to cope with change permanently, so that change is welcomed as an ally instead of feared as a devastating tidal wave every generation." The resignation of the old commission shook the foundations of Europe and resulted in a shift of power away from the executive and toward the European Parliament. Governments moved quickly to mend the damage by appointing Romano Prodi of Italy as commission president and giving him their support for making profound changes. The bulk of the former commission was forced to resign not because it was itself corrupt - none of its members was found to have been personally enriched - but because an independent investigating committee said it had lost control of events and lacked a sense of responsibility. "I am very deliberately and obviously seeking to ensure that the institution learns from that experience and adapts to change," Mr. Kinnock said. In the future, he has promised, each staff member will be expected to assume greater responsibility for his actions. On Jan. 18, Mr. Kinnock will publish a provisional official report, known as a white paper, on reform efforts. After consultation with Governments and staff and the European Parliament, the commission will publish its definitive reform strategy in March aimed at bringing about a "fundamental change of culture, behavior and attitudes." That would be fast work for an institution known for adapting at a glacial pace. When it was observed that turning around the commission must be like changing a supertanker's course, Mr. Kinnock replied, "At least the tanker has got the advantage of being afloat and moving." He also said he was determined to root out "stultifying, stratified and inherited arrangements." The white paper will propose a root-and-branch shakeup of financial management, creating an independent auditing unit to avoid the annual embarrassment of the commission being roasted by the EU's court of auditors for mismanagement and misuse of public funds. While commission staff have been promised that they will not lose pay or suffer a worsening of their work conditions, Mr. Kinnock has told thousands of employees in face-to-face meetings that there will be radical changes in the way staff members are recruited, trained and managed. There will, he promises, be real appraisals based on merit and better disciplinary procedures. Keeping that promise would mean breaking the stranglehold that Governments have traditionally held over some key jobs. The commission regarded it as a triumph recently when France allowed a Spanish national take over the post of director-general of agriculture that had been in French hands for four decades - a big concession in view of the fact that this department controls more than of all EU spending. Each member country is to be guaranteed at least one of the 33 director-general positions in the future, but beyond that, all appointments will depend on merit, Mr. Kinnock promises. He also wants to increase the number of women holding senior posts in the commission. The white paper will propose creating a system aimed at matching resources to political priorities. One of the reasons the last commission was said to have lost control was that it kept taking on new commitments without cash or staffing to handle them. Mr. Kinnock will propose to set up external agencies to manage some commission tasks more efficiently. Several changes have been introduced since the new commission took office four months ago, including a code of conduct and the removal of tax-free privileges for commissioners. The commission also has published a so-called whistleblowers charter and a code of conduct for its staff. Mr. Kinnock also said he was determined to simplify labor negotiations at the commission by dealing only with the largest and most representative trade unions. While the commission is in the midst of a turbulent period of change, it has so far not proved very successful at communicating its ideas and strategies to the public. Mr. Kinnock conceded that the commission had an image problem "because a favorite bête noire of any newspaper writer is the bureaucrat" and that "petty nationalism" made EU bureaucrats even more vulnerable to attack than most.

From International Herald Tribune, 10 January 2000

IRELAND TO TIGHTEN UP ANTI-CORRUPTION LAWS

Ireland, beset by a string of political, fraud and tax evasion scandals, plans to introduce tough new laws aimed at cracking down on corruption among politicians, the Justice Ministry said on Tuesday. The ministry said the Prevention of Corruption Bill would be presented next week to parliament. Officials declined to comment on the bill but Government sources told Reuters it would impose higher penalties for corruption and widen existing legislation to include all public servants. In addition, the bill would create a new offence of "corruption in office" which would make it illegal for an elected politician or public servant to made a decision benefiting him or herself or relatives, sources said. Ireland has been swept by a wave of scandals involving the country's elite, shaking confidence in the political system and exposing the darker side of the country's return to prosperity. There are several major corruption investigations under way, most exploring tax fraud but also one probing alleged payments for political and property development favours. A recent poll showed almost half the Irish population, exposed almost daily to revelations of fraud from the various investigative tribunals, believed the Government was corrupt. The law will also close a loophole in existing anti-corruption laws, which excluded members of parliament, senators and judges. Previously, only government ministers and other civil servants were covered. The new legislation is expected to include acts of corruption by Irish people holding office abroad and will also allow Ireland to apply its anti-corruption laws to European Commissioners and members of the European Parliament. The law will cover direct corruption but also "indirect" corruption -- the bribing of a relative of a public servant. Sources said they expected the maximum jail sentence for corruption to be raised to 10 years from seven while the existing 50,000 Irish pound ($65,190) limit on fines would be scrapped. Ireland has moved this year to intensify the fight against corruption. A parliamentary committee opened the country's biggest-ever investigation into what it eventually concluded was endemic tax fraud in the banking system until the late 1990s. The Government is considering the committee's report and is likely to make a series of moves to tighten up the country's financial and supervisory systems. In a separate probe, Deputy Prime Minister Mary Harney is looking into the illegal use of offshore banking accounts to evade tax. Up to 120 people from the country's upper echelons could be called to public account if Harney's probe manages to bust open what Irish media call Ireland's biggest tax scam.

From Reuters, 4 January 2000

UKRAINE'S NEW CABINET COMBINES OLD FACES WITH NEW

Ukrainian President Leonid Kuchma on 30 December nominated three deputy prime ministers and 11 ministers in Prime Minister Viktor Yushchenko's cabinet, Interfax reported. The three deputy prime ministers -- Yuriy Yekhanurov, Yuliya Tymoshenko, and Mykola Zhulynskyy -- are new faces in the government. The other new cabinet members are Education and Science Minister Vasyl Kremin and Culture Minister Bohdan Stupka. Eight politicians have retained their portfolios. They are Fuel and Power Engineering Minister Serhiy Tulub, Interior Minister Yuriy Kravchenko, Foreign Minister Borys Tarasyuk, Defense Minister Oleksandr Kuzmuk, Labor and Social Policy Minister Ivan Sakhan, Finance Minister Ihor Mityukov, Transportation Minister Leonid Kostyuchenko, and Justice Minister Syuzanna Stanyk. Former Deputy Prime Minister Serhiy Tyhypko has been nominated to the post of economy minister.

From Radio Free Europe, 30 December 1999

CZECH PRESIDENT CRITICIZES GLOBALIZATION

Never before in history have human beings been "more united and more threatened," Vaclav Havel said in his 1 January New Year's address broadcast on Czech Television. He said globalization is leading to the "reckless destruction of the planet" and to the spread of a "civilization based on pseudo-values, the swelling of organized crime and terrorism, and a short- sighted form of market economy that abuses poorer countries," CTK reported. Havel said it cannot be right "when the total value of assets in the hands of the three richest persons in the world exceeds the GDP of developing countries with a total population of 600 million."

From Radio Free Europe, 30 December 1999

CZECH PREMIER SAYS ANTI-CORRUPTION DRIVE WILL CONTINUE

Prime Minister Milos Zeman on 1 January solemnly promised all Czechs that his government's "clean hands" campaign will continue and that all officials guilty of corruption will be put behind bars, CTK reported, citing a 1 January TV Nova broadcast. Zeman said 2,200 potential criminal cases are being examined as part of the drive. He added that the pace of the campaign has been slow "because a lot of people oppose it."

From Radio Free Europe, 01 January 2000

NEW LEADER FIRES YELTSIN'S DAUGHTER

Acting Russian President Vladimir Putin fired the daughter of former president Boris Yeltsin from her post as a senior Kremlin adviser today, apparently seeking to distance himself from the previous first family and its coterie of sometimes controversial associates. The Kremlin gave no explanation for the removal of Tatyana Dyachenko, who wielded enormous power in the past 3½ years, almost entirely from behind the scenes. She is under investigation along with her husband for possible financial irregularities. In separate decrees, Putin named two other top Yeltsin aides to different Kremlin jobs and dismissed a third. Putin owes Dyachenko much: Many analysts credit her with helping to engineer his rise and with persuading her father to resign six months early to help elect him. But to be publicly linked to her now is a liability for Putin. Dyachenko was the head of a tiny, closed circle of Kremlin aides and businessmen dubbed "the Family" that often seemed more in control of the country than did the president. Interviews with voters over the past few days showed that while they like Putin's decisiveness and energy, some fear he is this group's creation, and will do their bidding once elected. Putin's decision to jettison Dyachenko helps counter that perception. But Andrei Piontkovsky, a political analyst, said in an interview that Dyachenko has lost only her official title. "Putin is a creature of the presidential entourage," he said. "How can he break off from these people? He is completely dependent on them – at least until after the election." In another development, a judicial official hinted that presidential elections may take place sooner than March 26, the date now scheduled. That would be a clear plus for Putin, whose poll ratings have soared with his so far successful prosecution of the war in separatist Chechnya. After meeting with Putin, the chairman of the Russian Constitutional Court said Putin can ask the upper house of parliament to schedule elections "any time during the next three months." Marat Baglai said "it is unclear" whether they should take place on March 26 or earlier, according to the Interfax news agency. Although he has said he wants to govern, not campaign, Putin has at his disposal all the political resources of the Kremlin. He also has some of the baggage, including the fact that without people like Tatyana Dyachenko the Russian public would never have heard of him. Dyachenko, 39, has been the subject of increasing public criticism in recent months as questions have arisen over her and her husband Leonid's finances. Both of them figure in criminal investigations by foreign authorities. U.S. authorities are investigating the source of more than $2 million that bank officials said Leonid Dyachenko kept in offshore accounts at the Bank of New York. In Switzerland, investigators alleged that Mabetex Project Engineering, a Kremlin contractor, paid tens of thousands of dollars in credit card bills for Tatyana Dyachenko, her older sister Elena Okulova and Yeltsin. Former Russian prosecutor Yuri Skuratov has also charged that Tatyana Dyachenko improperly speculated in government bonds and that his inquiry into that and other alleged Kremlin misdeeds led Yeltsin to fire him last spring. The Kremlin has said Yeltsin and his family have not accumulated any wealth illegally. A lawyer for Belka Trading Corp., the company that employs Leonid Dyachenko, said the money in Dyachenko's offshore accounts belongs to Belka, and comes from legitimate business deals. So far, Russian prosecutors have provided little help to the foreign investigators, and few analysts expect them to become more aggressive while Putin is acting president. One of Putin's first acts after Yeltsin's resignation was to sign a decree giving him immunity from prosecution. While that immunity does not appear to extend to members of Yeltsin's family, the wording is somewhat ambiguous.

Tatyana Dyachenko's role in boosting Putin was typical of her time at the Kremlin; no one spoke openly of the extent of her participation, but every political analyst concluded it was major. Her power has grown steadily since her political debut as an adviser in her father's 1996 reelection campaign. She edited Yeltsin's speeches, accompanied him on his official trips abroad and advised him on whom to nominate as prime minister. Sergei Zverev, who worked briefly in the office of presidential administration last summer, said recently in an interview that "not a single serious decision" was taken without her input. Tatyana Dyachenko's critics, some of them former Yeltsin aides, said she ignored the potential dangers of associating too closely with tycoons such as Boris Berezovsky and Roman Abramovich, who stood to benefit from government favors. Alexander Korzhakov, whom Yeltsin fired as security chief during the 1996 campaign, recently said Berezovsky is influential because Tatyana Dyachenko "effectively has been, is and probably will be supported by him." The spotlight turned this fall on her husband Leonid with the disclosure that he had more than $2 million in accounts with the Bank of New York's branch in the Cayman Islands. Interviews with Leonid Dyachenko's business associates show that his income rose greatly in the Yeltsin years, but an attorney for the firm that has employed him since 1995 said he earned it all legitimately. Dyachenko was making less than $50 a month as an engineer at a state lab when Yeltsin was first elected. He prospered under the wing of Viktor Khrolenko, whom Yeltsin hired in 1994 as the literary agent for his autobiography. Khrolenko first set up Leonid Dyachenko as director of an enterprise that sells wood panels for steel doors. Although the firm sold no more than a few hundred dollars' worth of merchandise each month in its first year, Dyachenko was able to deposit a $100,000 certificate of deposit at a Chase Manhattan Bank branch in the United States. He went on to sell oil products and negotiate investments for Belka, according to Belka's lawyer, Anton Drel. One deal in which he participated – minimally, according to Drel – caught the attention of Yuri Schekochikhin, a member of parliament's anti-corruption committee. Schekochikhin said he was investigating whether a major shareholder in a small Russian oil firm was being illegally forced to sell off his shares when he got a call from a representative of the buyer, Urals-ARA, Belka's trading and investment partner. "Regards to Yuri Petrovich [Schekochikhin] from Belka," said the caller. "He knows who Belka is." Schekochikhin said the meaning of the call was clear to him: Don't meddle in the Yeltsin family's business. The caller has denied mentioning Belka, but the shareholder refused to cooperate further, and Schekochikhin's inquiry died.

From Washington Post, 04 January 2000

RUSSIA TRADE UNIONS FACE SKEPTICAL PUBLIC

While Russia faces daunting economic problems, many Russians don't see trade unions as part of the solution. RFE/RL correspondent Tuck Wesolowsky, in Moscow recently, writes that for union leaders, the task remains to convince the general public that unions still have an important role to play. Tanya's face draws a blank when she is asked her opinion of trade unions. The 20-year-old receptionist at a posh hotel in Moscow mulls the question a few moments during one of the breaks in her hectic work. "Unions? I really haven't given them much thought. But I guess they could do some good." Volodya, a 47-year-old driver in the Russian capital, is convinced unions mean just one thing -- paying dues. As such comments suggest, for many Russians trade unions are a curiosity at best and an irritant at worst. With membership down, trade unions in Russia are struggling to regain the faith of the rank and file (ordinary workers). A 1996 poll showed only 7 percent of Russians trusted labor unions. Much of the Russian public has grown weary and lost hope following 10 years of mostly unsuccessful economic reforms. Millions of people go without pay for months on end. Millions more are unemployed. Just how many is unclear because tens of thousands have been ordered to take unpaid administrative leave, swelling the ranks of the "hidden unemployed." Others work part-time at crumbling industries. Many Russians interviewed on the streets of Moscow say they feel a sense of utter hopelessness, and few put any faith in organizations, such as unions, that promise to make things better. That sense of hopelessness extends to many union members themselves. Workers are leaving unions in growing numbers. Russia's Federation of Independent Trade Unions (FNPR) boasted of representing 60 of the 73 million Russian workers in 1992. Credible figures put the number now at below 40 million, and independent studies confirm a decline of some 25 percent. Russia is not alone in seeing a decline in union membership. Membership figures are down worldwide as the economy moves away from the industrial sector -- a traditional union stronghold -- to the service sector. Some of the biggest declines have taken place in Eastern Europe, where unions are still tainted by their association to the former Communist regimes. The number of workers in labor unions in Eastern Europe has fallen by around 36 percent in recent years. A report by the International Labor Organization (ILO) says much of the decline can be attributed to the fact that union membership in many countries is no longer seen as practically obligatory. But even if more employees wanted to join unions, it's not clear that employers would be keen to allow them. According to a 1998 report on worldwide labor rights by the Brussels-based International Confederation of Free Trade Unions (ICFTU), employers typically obstruct unionization, especially in newly created commercial organizations. In Yekaterinburg, Russia, the 250 workers at the Coca-Cola bottling plant voted last June to form a union. But their victory was fleeting.

Just months after creating the union, the same employees withdrew their support. The workers say they backed down after the multinational soft-drink manufacturer made it clear they must quit the union or lose their jobs. The company even barred their elected shop steward from the shop floor, according to the Moscow bureau of the Geneva-based International Union of Food and Allied Workers' Association (IUF), with which the Coca-Cola bottlers were affiliated. The workers complained to the local prosecutor's office, which, following an investigation, backed their charges that Coca-Cola management had violated their rights by pressuring them to abandon the union. The case took on international scope when the IUF's Geneva leadership sent an official complaint to Coca-Cola. Despite these efforts, the union has not been reinstated. Workers are not the only ones being intimidated. Union activists trying to organize their colleagues routinely face being sacked, demoted, or even killed, according to the ICFTU report. Last January, Gennady Borisov, the leader of Moscow's Vnukovo Airlines Technical and Ground Personnel Union, was found murdered in the entrance to his apartment. He was the second union leader at Vnukovo to be killed in less than five years. To many Russian labor specialists, the country's current labor woes are rooted in the Soviet past. Back then, unions, under the all-encompassing All-Union Central Council of Trade Unions (TVsSPS), formed a "troika" with management and party apparatchiks to ensure fulfillment of the five-year economic plan. As American academic Linda Cook of Brown University notes in her book "Labor and Liberalization: Trade Unions in the New Russia," the major responsibility of trade unions in Soviet times was to mobilize workers for production, not to defend their interests against management. But even in the old days, trade unions had relatively few levers to motivate workers to produce better or more, according to Frank Hoffer, the ILO workers activities senior specialist in Moscow. Hoffer says in his paper, "Traditional Trade Unions During Transition and Economic Reform in Russia," that working harder and better rarely meant higher wages, which were tightly controlled by plan requirements. On the other hand, poor work performance, with few exceptions, did not result in an employee's being sacked. And the death of Stalin in 1953 meant plant managers could no longer threaten workers with exile to the gulag for failing to fulfill production quotas. Hoffer says that as a result, payment in kind and paternalism became a plant manager's "carrots" to encourage better labor productivity. The unions' main role was to oversee and dispense the carrots -- valued goods and services – to employees at the workplace. Unions determined and paid pensions, controlled benefits from social insurance funds (for sickness, disability, maternity, etc.), and established eligibility for state welfare benefits. Unions dispensed passes to union-managed health facilities, vacation resorts, and children's summer camps. In 1975, unions oversaw 11,000 Pioneer camps. They also had a hand in managing company-owned housing, child care, and the distribution of scarce consumer goods and even food. Moreover, unions looked to management for cooperation, not for conflict. Strikes were unheard of. Brown University's Cook says the image of a cozy union-management relationship lingers till this day. But, she says, some newly created independent unions (not tied to the main federation of trade unions) have succeeded in attracting some new members. Cook notes independents have done well among workers who have demonstrated solidarity and militancy in the past -- like the coal miners. The independents have also had some success in industries that employ well-educated workers or which produce goods that are vitally necessary for the economy. In the end, the unions' fortunes may mirror those of the Russian economy if and when it rebounds. It is difficult to define and defend workers' rights in an overstaffed, inefficient and collapsing economy.

From Bloomberg, 13 January 2000

FRENCH JUDGES THWART JUDICIAL REFORM

A rebellion by judges and the Gaullist party is about to torpedo a sweeping reform of France's creaking system of criminal justice and inflict heavy political damage on both the Government of Lionel Jospin and President Chirac. Elisabeth Guigou, the Justice Minister, was said yesterday to be giving up hope of saving the grand Socialist attempt to end political interference over prosecutions and also to curb the inquisitorial powers of examining magistrates. Under fire from the opposition and judges' unions, the legislation is expected to collapse at a special parliamentary session to revise the Constitution in ten days' time. The need for the shake-up in the Napoleonic penal system has been glaringly demonstrated by scandals in which investigators were called off the trail of corrupt politicians. While judges have been given a freer hand during the past few years, prosecuting hundreds of politicians around the country, interference continued until the Jospin Government took office in 1997. Examining judges are also under fire for abusing a system that tends to assume guilt even before charges are brought, while the need for a revamp in the criminal system has been highlighted by a series of bungled investigations, including murders with British victims. The long-awaited reform seems doomed because the Gaullist party, under a pugnacious new leader, Michele Alliot-Marie, has reversed party policy and vowed to block the required constitutional change to the High Council of the Magistrature. Failure of one of the Government's flagship projects will not embarrass only M Jospin. M Chirac also risks humiliation because he ordered the reform. Mme Guigou has effectively staked her career on the reform, which is designed to enshrine in law the Government policy of non-interference in prosecution decisions. France must find a way to ensure greater rights for suspects without adopting the Anglo-American "accusatory system", she said.

From London Times, 14 January 2000

REFORM URGED FOR HOUSE OF LORDS

The UK's House of Lords, or upper house, should undergo radical changes, according to a government-appointed commission. The Wakeham Commission on Lords Reform said the chamber, previously dominated by hereditary peers, should represent every sector of society, and that some members should be elected, although the majority would still be appointed. The commission also said that the prime minister should no longer have a role in appointing the members, and that not all should have to be made Lords. The report has gone to Tony Blair, prime minister, for consideration.

From The Financial Times, 20 January 2000

MIDDLE EAST

IRANIAN ELECTION COUNCIL BARRS REFORMISTS FROM STANDING

Reports from Iran say an election council which monitors election candidates has disqualified 83 candidates from next month's parliamentary poll. At least 69 of them are believed to be reformists from the Teheran area. Newspapers say the guardian council, consisting of six clerics and six legal experts, rejected the hopefuls by stating they were lacking commitment to Islam and the Islamic establishment. Over 6,000 candidates will battle for 290 seats in parliament.

From Swiss Radio International, 10 January 2000

THE AMERICAS

FOR-PROFIT WEB SITES GIVE NEW MEANING TO CAMPAIGN FINANCING

Back in October, when Voter.com was pressing the two Democratic presidential campaigns to pay for space on its new for-profit Web site, the sales staff sent campaign aides e-mail messages saying the other camp was about to sign contracts with the site. The tactic, according to campaign officials, prompted an unusual exchange: a campaign aide for Vice President Al Gore called the office of Bill Bradley to ask if the former New Jersey senator's campaign was really about to sign. The Bradley campaign had no such plans. Now, neither organization plans to do business with Voter.com. Voter.com's 25-year-old chief executive, Justin Dangel, said his sales staff was truthful at all times and that the campaigns had merely wavered in their decisions. But the bottom line is that the contracts were crucial for the Web site because, in Dangel's words, "it's important for the whole project to have campaigns provide content." Voter.com, which is based in Boston, is among a handful of Internet start-ups hoping to make money in campaign politics, a world traditionally dominated by nonprofit and volunteer groups. But as these commercial political sites strive to cash in on campaign advertising in a major election year, they are finding it harder to earn credibility with candidates and the public than to raise millions of dollars in venture capital. The sites' founders predict they will attract millions of users this year because an increasing number of Americans have Internet access and the elections will bring attention to political sites. "It's a great time to get involved with the process," said Joshua King, spokesman for a new company, SpeakOut.com. The company's business strategy is to offer users a conduit to write to their elected representatives, then sell the data about the users' political views in aggregate form to campaigns and corporations. A recent survey of likely voters who use the Internet showed that about a quarter of respondents had searched for information about political candidates. The research, a random telephone survey of 1,200 adults, was conducted by George Washington University in October. The findings also showed, however, that the respondents were highly selective about which sources of online political information they trusted, placing the most trust in church groups and state election boards, and the least trust in online service providers, political parties and campaigns. As new players compete for this group's attention, Voter.com plans to spend $70 million advertising its site this year. Dangel said the company had already raised part of that amount. Another start-up, GoVote.com, was established to be "the leading destination for politics on the Web," said Paul Hrabal, the company's president, a 33-year-old former executive at Dell Computer. Backers of these sites say the public needs a politics portal that will provide voters with information about all candidates in one visit. That feature -- along with the ability to sell sharply aimed advertising to candidates and lobbying groups -- could make the business model work, these investors say. "The people who will pay for it will be the people who spend money trying to reach audiences," said Chris Gabrieli, a general partner in Bessemer Venture Partners in Boston, an investor in Voter.com. "I believe there will be one clear winner here." Many venture capitalists in Silicon Valley are skeptical, however. For example, Draper Fisher Jurvetson, a venture firm in Redwood City, Calif., says it routinely rejects business plans describing catch-all political sites because the firm is concerned about the short business cycle, which ends when the election is over, and because it doubts any single site will dominate the market. "I don't think there's going to be one first-to-market site that's going to make it," said Barry Hutchison, a spokesman for the firm. "There's not going to be a panacea for the industry. Those first-to-market sites that are trying to be catchalls are going to weed themselves out." The key for many of these companies is to collect individuals' political opinions, then direct advertising from political groups at them or sell aggregate information on political opinions to outside parties. Dangel said that if a user on Voter.com indicated an interest in the environment, then an environmental group that was a paying client would be given the opportunity to send e-mail messages to her about the group's positions on evolving issues.

Among those who question this application of electronic commerce to politics is a privacy advocate who says that databases of individuals' political beliefs are tempting targets for subpoenas. "They would be creating some particularly sensitive databases that they would have no control over," said David Sobel, general counsel for the Electronic Privacy Information Center, a nonprofit research group in Washington. In an environment of fear about terrorism, he said, police agencies would be likely to serve subpoenas on companies that hold information about individuals who express extreme views. That threat could jeopardize the companies' business models. "I would assume that users, when they understand the potential ramifications, would be very apprehensive about providing this information," Sobel said. "If the value that these sites intend to collect is information on political preferences of individuals, they're going to have a hard time." Representatives of Internet companies said they were careful to keep the data they collected separate from information that would identify individuals. "We're trying to do it the right way," Dangel said. "If we find out we're not, we'll change it." The advent of the profit-seeking sites has also, in part, influenced the Markle Foundation's decision to devote $100 million to public-interest uses of the Internet. Andrew Blau, program director for the foundation, said nonprofit groups should not fold their tents just yet. Their advantage, he said, is that they carry the most credibility. The profit-seeking companies have the advantage of access to capital, however. "On the content side, certainly the dot-orgs have nothing to be afraid of," Blau said, alluding to the .org suffix in the Internet addresses of nonprofit groups. But they may need to move faster to compete, he said, adding, "Their ability to be responsive is going to be tested by these new players." Without question, many of the new players know their weakness and are gunning for credibility. Richard Kimball, director of Project Vote Smart, an award-winning nonprofit group that has provided exhaustive candidate information online since 1996, says that in recent months he has constantly battled new companies that steal the nonprofit site's data, logo and name to gain credibility. The project has developed a threatening legal letter for those cases. Though Kimball says the situation is troubling, he said that the attempts to tap into his group's credibility was "actually flattering, in a nasty way."

From The New York Times, 10 January 2000

MEXICO'S PRI CANDIDATE PLEDGES WAR ON CORRUPTION

Mexico's ruling party candidate on Monday vowed to wage war on corruption should he win the July 2 presidential election, taking aim at the system of graft and impunity that has helped keep his party in power for 70 years. Francisco Labastida, 57, a former state governor and three-time cabinet minister, also singled out corruption from drug trafficking and money laundering as perhaps Mexico's gravest threat. Labastida won the Institutional Revolutionary Party (PRI) nomination in the PRI's first-ever primary election on Nov. 7. Polls show him with an advantage over his main challenger, Vicente Fox of the conservative National Action Party (PAN), and well ahead of Cuauhtemoc Cardenas of the leftist Party of the Democratic Revolution (PRD). "I can't avoid seeing and recognizing that we still suffer from grave violations of the law and corruption," Labastida said upon presenting his campaign platform. "I am convinced that Mexico needs us to adopt and put in practice a code of ethics in which justice can prevail." Labastida's political patron, current President Ernesto Zedillo, has cracked down on corruption and democratized the political system since coming to office in December 1994 by ordering the jailing of crooked public officials and reforming electoral laws to give opposition parties a more even footing. Zedillo also scrapped his presidential prerogative of handpicking his successor as PRI candidate by calling for the nationwide primary election. Labastida was widely seen as his preferred candidate but still had to win a hard-fought primary campaign. Still, the roots of what has essentially been a one-party system are deep in this country of 98 million people. Famed Peruvian author Mario Vargas Llosa once called the PRI's grip on power “the perfect dictatorship.” Among Labastida's proposals to counter that image is that the PRI only accept candidates who are willing to publicly declare their net worth. “In sum, corruption is one of the defects representing the greatest threat to modern societies,” Labastida said.

From Reuters, 3 January 2000

LEGISLATIVE PANEL STUDIES STATE PRIVATE COMPETITION

A legislative interim committee is surveying government agencies and private businesses to determine if a competition problem exists between the two. The interim study was the result of legislation introduced in the 1999 session that sought to prevent nonprofit entities and governmental agencies from being in direct competition with services provided by the private sector. Even if the problem is only one of perception, the issue must be addressed, a committee member said Monday. "We sure do (have to address the problem)," Rep. Roy Brown, R-Billings, said. "Whether it is reality or perception. We have decided to send out a survey and determine whether this is a problem and what can be done to rectify it," he said. There are six legislative interim committees that will consider 20 separate subjects before the 2001 Legislature. The Business, Labor and Agriculture Interim Committee has the competition study. The panel has eight members, four from each political party. The Legislature appropriated $25,000 for each panel. Brown said his committee would probably spend about $19,000 to complete its work. Brown said that in a recent Billings election, the Heights pool bond project was perceived as setting up future competition with private health clubs. The bonding issue failed. Pool supporters and the city both denied that there was any intent for the Heights pool to become a health club competing with private enterprises. Two surveys are being distributed. One is going to all government agencies for their input. The other is directed at private enterprises for their side of the debate. Among the areas of potential conflict are state laboratories; city-county waste disposal; university bookstores, supplies and Internet and telecommunications services; state workers' compensation insurance funds; government road projects; and government GIS mapping services vs. the private sector providers of those services. Brown said many companies that are in direct competition with the state for their livelihood are reluctant to confront the state if the state also certifies their existence. The survey may be submitted anonymously if necessary, Brown said. Anyone wishing to take part in the survey can call the committee's staff member, Gordon Higgins, at (406) 444-3064 or e-mail him at gohiggins@state.mt.us Brown can be reached at (406) 252-5554 or by e-mail at rlbres@wtp.net The committee will meet at 9 a.m. Friday in Helena at the Federal Building, 301 South Park St., Room B-7. The public is welcome. Jim Gransbery can be reached at (406) 657-1288.

From Billings Gazette, 12 January 2000

LATIN AMERICA: LAND OF CORRUPTION, DESPAIR

Ezequiel Gachuz Cabanas, a security guard in a Mexico City subdivision, is occasionally reduced to borrowing a few pesos from friendly residents. Gachuz is a 28-year-old newlywed and, like millions of other workers throughout Latin America, can't seem to catch a break. A few days before the new year, for example, a government group charged with setting Mexico's daily minimum wage determined that workers should get a 10 percent raise. Not bad, if you are earning U.S. wages. But when you consider that salaries are low to begin with, about $3.70 a day, and that consumer prices soared by as much as 22 percent on Jan. 1, it's not hard to see that millions of workers began 2000 in the hole. While Americans grow wealthier, Mexicans and other workers throughout Latin America can't seem to get ahead. Venture up the road from tony Acapulco and you find families with hardly anything to eat, living in mud shacks with dirt floors. Travel through the southern state of Chiapas and you see men, women and children, often barefoot, trudging up winding mountain roads with bundles of wood on their backs for cooking and heating. At busy, exhaust-choked intersections, whether in Mexico City or Managua, Nicaragua, children no older than 5 or 6 bang on car windows in search of a handout. The Government insists that the quality of life in Mexico, in terms of education and health, has improved over the years. It is true that - other than in Colombia - the region is at peace. But for the average family, the future holds little promise. In Mexico, the same political party has governed the nation since 1929, and, as a result, only its cronies seem to have prospered. True, the nation is beginning to flirt with democracy, and the North American Free Trade Agreement has helped fuel the economy. But the gap between rich and poor was wide to begin with, and Latin America is no land of opportunity. Here, you pretty much play the hand you were dealt. Decades of autocratic governments, closed economies, environmental abuse, corruption, war, natural disasters, racism and a dwindling interest in Latin America by the United States since the end of the Cold War have taken their toll. In a testament to challenges Latin America faces, consider that in many government buildings, even in Mexico City, clerks still peck away on bulky typewriters, not nimble computers. Some days, the air in Mexico City is so polluted that you can hardly see the traffic light up the block. Preliminary results of a recent study suggest that the bad air is stunting lung growth in children. It's easy to imagine an eventually uninhabitable city. The Government says its biggest environmental challenge during the next several years is providing enough water for a nation of almost 100 million people. Analysts warn that Central America is a powder keg because the problems that fostered leftist insurgencies in the first place, including poverty and social inequality, remain. And in late 1998, the century's most powerful storm, Hurricane Mitch, devastated the region, setting it back 50 years, by some estimates. Who's to blame for the political and economic mess? Depending on whom you ask, it is the fault of ill-advised economic policies of the ruling party, politics, nepotism, natural disasters, religion, racism, war or, of course, corruption. In Mexico, it is assumed that government officials first will pilfer a program intended for the poor before disbursing any funds. U.S. drug enforcement agents routinely complain that Mexico's drug barons are able to run multibillion-dollar operations with impunity because they have corrupt high-level government officials on the payroll. While critics blame the drug trade on America's demand for narcotics, the fact is that drug use and drug-related street crime are on the rise in Mexico. In Colombia, Latin America's oldest democracy, U.S. officials say leftist insurgents finance a guerrilla war against the Government by charging drug barons a tax to protect drug operations - as much as $600 million a year. It also is widely believed that as in Mexico, the drug lords in Colombia have legislators in their pockets. One positive sign is that democracy is getting a chance in the region, although many people gladly will tell you they would rather have food on the table. The wild card seems to be Colombia, strategically important to the United States because of neighboring Venezuela's rich oil reserves and because of its proximity to the Panama Canal. Peace negotiations are under way, but nobody really believes the rebels want peace. After all, they are a wealthy fighting force and control half the territory. President Clinton last week announced a $1.2 billion emergency aid package to help Colombia in the drug war. Because the guerrillas are involved in the drug trade, the White House acknowledges it's tough to tell the rebels and the traffickers apart. You have to wonder where's the hope. Gachuz, the security guard, wants out. He yearns to go to the United States. Why not? When you discover that a busboy in the United States earns double the salary of a police officer in Mexico City, you begin to understand.

From Arizona Daily Star, 17 January 2000

HELMS LECTURES UN TO STAY WITHIN ITS BOUNDS, CALLS FOR REFORM

U.S. Sen. Jesse Helms of North Carolina, one of the UN's harshest critics, lectured the Security Council on Thursday, warning the United Nations not to overstep its bounds. "If the United Nations is to survive into the 21st century, it must recognize its limitations," said Helms, the Republican chairman of the Senate Foreign Relations Committee. "A United Nations that focuses on helping sovereign states work together is worth keeping. A United Nations that insists on trying to impose a utopian vision on America and the world will collapse of its own weight," said Helms. "A United Nations that seeks to impose its presumed authority on the American people without their consent begs for confrontation, and, I want to be candid, eventual U.S. withdrawal." Helms, who the UN said is the first U.S. senator to speak to the Security Council, was invited by U.S. Ambassador to the UN Richard Holbrooke. Helms said the American people want the United Nations "to serve the purpose for which it was designed: They want it to help sovereign states coordinate collection action by 'coalitions of the willing'-- where the political (will) for such action exists." Helms said as matters stand now, "many Americans sense that the UN has greater ambitions than simply being an efficient deliverer of humanitarian aid, a more effective peacekeeper, a better weapons inspector, and a more effective tool of great power diplomacy. "They see the UN aspiring to establish itself as the central authority of a new international order of global laws and global governance. This is an international order the American people will not countenance." Many Americans, said Helms, do not feel the United Nations gives it the respect and appreciation it deserves, and he said they "expect a reformed UN that works more efficiently, and which respects the sovereignty of the United States." Helms said the U.S. Congress has moved to pay its back dues to the United Nations but those payments are not coming without a price. "Congress has written a check to the United Nations for $926 million, payable upon the implementation of previously agreed-upon common-sense reforms," said Helms. "Now the choice is up to the UN I suggest that if the UN were to reject this compromise, it would mark the beginning of the end of U.S. support for the United Nations. I don't want that to happen." Helms said he did not intend for his frank remarks to be offensive. He noted that the Senate Foreign Relations Committee that he chairs will hold "field hearings" at the United Nations to discuss reform and improved relations. He also invited UN officials to Washington to be guests of the Senate and his committee.

From CNN, 21 January 2000

ECUADORAN LEADER VOWS TO FIGHT CORRUPTION

Noboa baecame president of this small South American country Saturday after Jamil Mahuad was ousted following week-long protests by thousands of Indians that culminated in their taking ove rthe Congress and Supreme court buildings on Friday. After the takeovers, a three-man junta was formed, only to fall apart when the army general on the team dissolved it, following pressrue from the United States and other countries. Congress then quickly voted Vice President Noboa into the presidency, leaving him to try to calm a population that is bowed under the country's worst economic crisis in decades and is profoundly cynical about government's ability to do anything aabout it. In brief comments to reporters today, Noboa said his top priority was to establish a governent "with great transparency and honesty. Everyone should know that I will fight corruption." He filled several cabinet posts, including the ministers of education, health and tourism, but left some crucial positions open, including defense and foreign affairs. Along with purging corruption, Noboa also must quickly find ways to unshackle the country from 60 percent inflation and high unemployment. Seven million of Ecuador's 12.4 million people, including a large number of Indians, live in poverty. But new Interior Minister Francisco Huerta, whom Noboa designated as his spokesman for today, said the Government intends to push ahead with an unpopular plan to replace Ecuador's currency, the sucre, with the U.S. dollar in an effort to dmapen inflation and garner confidence among international investors. Ecuadorans have resisted the "dollarization plan, saying it would make their savings worthless and deepen their suffering. The plan, announced earlier this month, was one of the reasons for the Indian protests. "The most important issue is inflation," Huerta said, adding that the Government nonetheless "has to be aware of the social situation. We cannot deny that dollarization waill have a terrible effect on the people."" Some analysts have speculated that Noboa, a former academic and provincial governor with close ties to the industrial sector, would have an easier time of selling dollarization to the public than Mahuad. But that might not be the case. "I don't understand how we are going to live," said laundry worker Olga Troya, 54. "What are we going to be able to buy? We can't accept this." Indigenous leaders refused to accept Noboa's elevation to the presidency. Huerta said the Government feels enormous pressure to act quickly because of rumors that protests could begin anew in coming weeks if Ecuadorans do not see Noboa trying to end the conomic crisis. Last week's protests, which drew thousands of Indians into the capital from the highlands, remained peaceful until Friday, when demonstrators invaded the Congress building and shortly thereafter took over the Supreme Court building acress the street. Soldiers guarding the buildings did not resist the protesters, immediately sparking speculation that the military was involved. That became clearer when a military officer was named a member of a three-man junta. Gen. Carlos Mendoza, who replaced Col. Lucio Gutierrez, later abandoned the team, saying pressure from the United States had convinced him that this was the right thing to do. Gutierrez and at least one other army officer who participated in the coup have been detained, although Huerta suggested that the Government plans to be lenient toward those involved. He did not elaborate. Ecuadorans have thus far greeted Noboa with a weary skepticism, born of a series of economic and political crises that have battered the country. "This country is very rich," said Bibiana Beranal, 26, who works ina factory that make sunglass frames. "We have oil, we have great fields for cultivation. But we've never had a government that worked. The Government has always worked only for the rich, never for the poor." Ecuador, whose economic foundations are petroleum and other exports such as bananas and shrimp, has long been considered an economic underachiever. But ill-conceived policies and entrenched corruption have caused the current economic instabilitiy, analysts said.

From Washington Post, 23 Jan. 2000

CARDOSO IS LATIN AMERICA'S DEMOCRATIC MODEL

Brazilian President Fernando Henrique Cardoso is far and away Latin America's idea of a politician who has done the most to advance democracy, according to a Reuters/Zogby poll of regional opinion leaders. In a region plagued by military dictatorships just 15 years ago, morethan 84 percent of those polled in the five top Latin American economies said Cardoso had made a positive impact on consolidating democracy. Former Argentine President Carlos Menem was the runner-up, with a positive rating of 58 percent. Populist leaders Alberto Fujimori of Peru and Hugo Chavez of Venezuela, together with Cuba's communist stalwart, Fidel Castro, all received negative grades as democrats from more than 60 percent of those surveyed. The Reuters/Zogby Opinion Leader Forecast for Latin America will be published on Thursday. Interviews with 101 top political, business, academic, media, religious and labour figures were carried out between November and January by Zogby International. Cardoso easily leads the field as a model of democratic leadership, with 60 percent choosing the 68-year-old sociologist, compared with 10 percent who prefer Menem. The Brazilian leader is singled out for his efforts to modernize the huge nation of 165 million in his five years in office without steamrolling the rules of democracy. "He is trying to modernize a very complex nation. He has not resorted to nondemocratic tools for government," one Chilean respondent from the academic world said. Among Cardoso's top feats, according to respondents, was his 1994 economic stabilization plan, which cut inflation to zero from more than 2,000 percent per year, restored purchasing power, and put items like cars and refrigerators in the hands of low-wage earners. Ironically, Cardoso's high ratings from elite opinion makers coincide with his dismal, although improving, performance in local opinion polls. Despite their country's quick recovery from a crippling currency crisis one year ago, Brazilians blame Cardoso for rising unemployment and low wages in the wake of devaluation. For John Zogby, president of U.S.-based Zogby International, the dichotomy between the elite and the general public is normal. "The elite understand that all these dramatic changes cannot take place all at once but that there has been a steady hand here," Zogby said. One respondent in Brazil saw Cardoso as a poor administrator. Another said he was "far from ideal." But few questioned his commitment to democratic institutions -- a likely legacy of his academic past, they said. Like Cardoso, Menem also garnered praise for making big changes in the economy during his 10 years in office while respecting democratic institutions. "He implemented deep economic reform that was pro-market, with a profound respect for the public liberties and within the normal functioning of the democratic institutions," one Argentine business leader said. Menem may have left power in December with a bruised image, amid accusations of graft in his administration, but those polled saluted his capacity to guide Argentina in its transition from military rule to democracy. "Argentina a short time ago was a place where people 'disappeared.' It was undemocratic and dictatorial, representing the worst of Latin American tradition," Zogby said. "Menem brought it back onto the world scene." The Peronist leader spent his first month out of office in retirement but is now said to be ready to mount a campaign to return to the presidency in 2003. Peru's Fujimori did not fare well among opinion leaders, as opposition parties at home accuse him of amassing dictatorial authority to stay in power after a decade in office. But 28 percent still said he had a positive impact on democracy, and Venezuelan respondents gave him a high 63 percent approval rating. "They recognize in Fujimori someone who has attempted to govern with stability," Zogby said. "But the jury is still out on Chavez -- he is still too new." Chavez, a former paratroop commander who led a failed coup in 1992, has public approval for Venezuela's new constitution and for his "peaceful revolution" against widespread corruption and poverty after one year in office.

From Reuters, 26 January 2000

GLOBAL

GOVERNANCE IN THE DIGITAL ECONOMY

What kind of governments do citizens need in the twenty-first century? Indeed, what kind of governance do people want in the next millennium? These are perhaps among the most fundamental questions, and now is an appropriate time to pose them. But not just because we are on the cusp of a special date in the calendar, as memorable as this New Year's Eve is bound to be. No, the reason we ask them now is because we recognize that we are living through one of the most exciting periods of change in history. Virtually everything we do in our daily lives, in our work, and, yes, throughout our governance structures, is experiencing-or will soon experience-fundamental transformation. This transformation is called the digital revolution. And although many people are more comfortable with a pace of change that is incremental rather than supersonic, the reality today is different. Internetworked technologies, of which the Internet is the most publicly visible form, are turning the world upside down as they achieve critical mass in societies around the world. Increasingly, as networks take hold, they are reshaping the way people live, communicate, and work. Those same technological changes that are transforming the business world and civil society will also revolutionize the way government does its business and the very nature of public life. In its wake, the digital revolution will remake the two distinct yet intertwined relationships between people and their governments: the one between the government and the citizen as customer or consumer of public services, and the other between the government and the citizen as owner or shareholder. In the digital era, no less than a radical rethinking of the nature and functioning of the organization called government is required; no less than a dramatic transformation of the citizen-government and business-government relationships will result. To understand why and how the institutions of our system of governance will be so profoundly affected, it is useful first to examine the enormous impact of the digital economy on business. Far from being simply another round of reorganization or the adoption of the latest wave of business theory, internetworked technologies are spawning new business models that are sounding the death knell for the industrial-age corporation-the basic operating structure that has served the marketplace for decades. Around the globe, commercial enterprises are scrambling to avoid not only being left in the dust of the upstarts but also being made irrelevant as suppliers and customers alike embrace new ways of doing business. Many years ago, the economist Ronald Coase, in a famous article ("The Nature of the Firm," Economica, Vol. 4 (November 1937), pp. 386-405), asked a simple but penetrating question: why does the firm exist? In a rational world, based on classic economic theory, why don't workers, suppliers, and customers wake up every morning, shop the market, and make a deal? Why have these huge infrastructures and fixed plants when in a perfect world-or at least in a theoretical world-the laws of supply and demand would dictate pricing, and before breakfast was cold, we would see the world unfolding as it should? Coase's answer was common sense. The economy was too complex, and, more important, the cost (in both time and money) of transacting all those arrangements was far too high to proceed with anything other than a highly organized, semipermanent structure called the firm. But fast forward to today, and some of those same barriers to much more fluid arrangements among suppliers, infrastructure partners, and even labor (now brains, not brawn) are falling. The virtue of internetworked communications is that the transaction costs of such activity fall to nearly zero as the reach and speed of communications technologies increase exponentially and as the tools become more robust. E-commerce is only the tip of the iceberg: the new economy is about a much deeper phenomenon that is remaking the rules of business. Several key trends are emerging, brief descriptions of which may be instructive as we think about the coming changes in governance. Companies are being transformed on a massive scale. Established businesses are undergoing a massive overhaul in strategy, structure, and process to meet the imperatives of the digital economy. The marketplace is learning how to exercise power. With the vast increase in information available to consumers and their improved ability to share knowledge, they are empowered as never before. The marketplace is becoming smarter and more demanding. Consumers expect - even demand - customization of goods and services to meet their individual needs, and they want it now. Business is moving at warp speed.

More than ever before, agility and flexibility drive competitive advantage in business. Stovepipe bureaucracies, command-and-control management structures, and stultifying decision-making processes - whether found in large or small businesses - are all guarantees of a shortened lifespan in the digital economy. Knowledge is the key asset. Economic activity founded on the extraction and transformation of scarce resources is giving way to an economy of abundance-abundance of information and the means of communication. The leverage of knowledge through innovation becomes critical. Transparency and openness are becoming key market enablers. Increasingly, customers and markets demand openness (as opposed to, for example, secrecy and a strong emphasis on turf protection in individual work units and firms) in company culture and transparency in company information. As corporations move into the digital era, they discover a competitive advantage in making information and knowledge available to their networked partners. The emerging business models are founded on the notion of community: success will be achieved by those who involve their suppliers, their infrastructure providers, and-perhaps most important-their customers in a network where they can build value together. Networks that enable trading, sharing, and enhancing knowledge to build value for mutual benefit are essential. The idea of partnership goes beyond rhetoric to meaning something very real in the new digital environment. And achieving true partnership is, as much as adapting to anything else in the new world of e-business, a struggle for the people and their organizations that have been founded on an ethos that is, at the same time, both hierarchical and insular. For governments - and for governance structures in general - at least four separate sources of pressure for change have converged. All are urgent; all are real. Any one by itself would demand significant reform of our governance structures. Together, moving at breakneck velocity, they are the reason we believe we are heading for a major overhaul of the institutions that make up our public life. Today, governments and public institutions are facing several important challenges as they attempt to improve their delivery of services: Fiscal and performance issues: Governments around the world face continued pressure to reduce their operating costs and control public debt and deficits. Citizens want improved public service: not simply better service but service delivered with increasing flexibility and efficiency, and without their having to pay a premium for it. These issues intersect with technology because, increasingly, taxpayers and service users know that many governments lag private firms badly when it comes to providing convenience, accessibility, and efficiency. The rising tide of digital citizens: Those performance issues are felt keenly by the growing number of digital citizens-those with the skills and access necessary to use digital technologies. It is not just the Net generation kids, who have grown up bathed in bits, who view the Internet-and networked communications and technology in general-as standard equipment. Computer access is now an everyday reality for millions of people worldwide, and the reach of digital technologies grows each day. Even more challenging, new expectations of involvement are being created as digital consumers discover what it is possible to do online. This is not simply a matter of communication or information, as important as these are. The new technologies are collaborative, immediate, involving, and empowering not words always associated with government consultations or policy development exercises. New technologies creating new networks. As technologies converge, as bandwidth opens up, as "anything is possible" moves from hyperbole to reality, governments are stretched in their efforts to be considered nimble followers, let alone leaders, in new ways of doing business. Even if they could overcome the structural, regulatory, and cultural difficulties involved in rapid adoption of new technologies, most governments would still face an even bigger hurdle: their lack of the resources required to acquire and implement complex and sturdy technologies. Globalization has created new competition. The effects of globalization are sweeping through all governments, whether national, subnational, or local. Global competition for investment and revenue has spawned a new point of comparison: jurisdictions are now measured for their compatibility with companies seeking success in the digital economy. Citizens are now awash in information that allows them to measure their government against any other in the world on virtually any score. At a more basic level, issues such as regulation and taxation have become enormously complex in a networked world. Taken together, these four factors create irresistible imperatives for change. Governments' traditional monopolies are being challenged by shifts in both the physical and the virtual worlds. The power of taxation, the policy process, access to communication tools, and the control of information-areas in which government could once exert virtually unchallenged authority-are being whittled away by an internetworked world-by digital citizens and corporations that no longer have to check in with government first. he digital age is a time of great shifts, unsettling and unprecedented. As the old structures break down, and the existing laws and norms erode, they are replaced. If e-business teaches us anything, it is that the digital age abhors a vacuum. The industrial-age structure, in which the world of public life encompassed the three principal spheres of government, marketplace, and civil society, is undergoing a fundamental shift as networked technologies take hold. And even in these early days of digital governance, the impacts are being felt as the new technologies knit government, the market, and civil society closer together, blurring the lines of what were once quite separate spheres. Technology-driven global integration of markets accelerates the influence of market forces on national governments. The growth of mass media and the development of the Internet make governments more accountable to the public and give citizens greater voice. The Internet reduces the role of traditional intermediaries in market transactions and increases the number of citizen-to-citizen transactions. While all these changes represent a significant challenge to the established order, forward-thinking politicians and public officials perceive that engaging the citizenry in a fundamentally different way would be a truly exciting breakthrough. The Internet, in particular, creates an opening for new forms of interaction with the citizen that allow real-time participation in the governmental and democratic process. But as with e-business, once the opening is created and the tools are at hand, it is not so much a matter of choice as a matter of time. Customers and citizens expect governments to get with it; if they do not, they risk becoming irrelevant. In the digital era, participatory models of government must offer more than a trip to the polling booth every four years. Citizens will insist on moving from being passive consumers of campaign literature and mass media-intermediated coverage to becoming active partners in the governance process. These changes, in turn, will alter the face of politics. Representative democracy is moving from broadcast, mass politics to electronically enabled one-to-one relationships between citizens and politicians. Even the form of the state will change. We are used to national and-in many countries-monocultural models. The digital era is accelerating the challenges of globalization, virtualization, and, interestingly, a revitalization of local communities. Governments will need to find new ways of working, new ways of interacting with the public, new ways of organizing their responsibilities, and new forms of value that they can provide to the public. In the coming years, early in the new millennium, we think there will be widespread adoption of a more community based model of governance that, while appropriate to the culture of each government and society, will have several characteristics:

• The new networking technologies will eliminate the boundaries between branches of government, and among governments, as service delivery gets organized around the needs of end users (citizens), not of the historical, political,, or public service structures.
• New networks of government, civil society, and the marketplace will redefine the nature of public services as boundaries collapse and the focus becomes who can best add and build value.
• Service delivery reforms will be followed by fundamental shifts in government-even in constitutional arrangements - as citizens look for more rational structures in government for service delivery.
• Citizen-centered government will create new roles for citizens and new prominence for citizen engagement as governance systems reengage the citizenry, moving beyond "broadcast" democracy to a more intimate and immediate model.
• In policy development and service delivery, citizens will be engaged directly and broadly in decision making and value creation, replacing the top-down process that characterizes too many governments.

For governments, partnership must become a customary mode of operation. That's tougher than it sounds: privatization, outsourcing, and downloading are straightforward by comparison. Genuinely sharing power, decision making, and responsibility are much scarier propositions because they are so innately countercultural to many government organizations. There is also clearly a need for a real shift in traditional notions of accountability and governance. If part of what the digital era offers are new ways of innovating and creating value, can we tolerate more risk taking and less certainty, and even celebrate failures, in the search for better governance? Governments today are given little room for maneuvering; they will require more in the future. There is much to be optimistic about as we count down the days to the new millennium. New technologies and the changes that are resulting from their widespread application will provide twenty-first-century governments the opportunity not just to do better but also, and most important, to reengage the citizenry in the important work of governing. That would be a welcome development in a world where in many countries participation in the democratic process is in decline and people increasingly question the relevance of public institutions. But we should not ignore the perils as well. Serious issues remain unresolved. Around the globe, people are rightfully wary of the power of the new technologies to erode their privacy. Even in countries with the highest levels of technology penetration, unacceptable gaps between digital haves and have-nots are growing, challenging both governments and businesses to address the international and domestic digital divide with substantive and meaningful solutions. These issues are not beyond our creativity to resolve, but they need to be addressed urgently. A reinvigorated, digital-era government is at hand. When governments, citizens, and private sector partners redefine and reengage their roles, better government-better governance-will be the result.

From Finance & Development, December 1999

Civil Services & Ethics in Public Sector

AFRICA

ZIMBABWE TO RAISE WORKERS' WAGES BUT SACK 20,000

Zimbabwe's cash-strapped Government has awarded civil servants salary hikes of up to 90 percent from January but will also slash 20,000 jobs to cut expenditure, acting Public Service and Social Welfare Minister John Nkomo said on Thursday night. Public sector workers, struggling to cope with a rising cost of living, had threatened to strike from the middle of next month after rejecting the Government's initial offer of 40 percent. They demanded a rise at least matching inflation of 61.2 percent in the year to November. "It is hoped that the increases will significantly improve the conditions of service in the Zimbabwe public service as a whole," Nkomo said of the 69 to 90 percent rises awarded. But he added the Government would cut the 171,000 strong civil service by 20,000 over four months from January 1, saving Z$3 billion ($79.2 million) a year in its wage bill. The workers had argued President Robert Mugabe's Government could meet their demands if it could afford the 200 percent pay rise backdated to July recently awarded cabinet ministers. Mugabe, 75 and in power since the former British colony gained independence in 1980, denies charges his Government has mismanaged the economy, resulting in record inflation, prohibitive lending rates, unemployment above 50 percent and a frail currency.

From Reuters, 31 December 1999

ASIA/PACIFIC

COMPLAINTS AGAINST GOVERNMENT SERVICES FALL

Complaints to the Ombudsman against government services have fallen by more than 10 per cent in the past six months. Principal executive officer Isabella Wong Fung Pui-han said the Ombudsman's office received a total of 1,581 complaints against government departments, down 11.7 per cent from a three-year average of 1,791. The Housing Department topped the list with 183 complaints, followed by the Correctional Services (147) and Immigration (75) departments.

From South China Morning Post-Hong Kong, 13 January 2000

CODE OF ETHICS TO SANCTION UNPLUGGING OF LIFE SUPPORT IN CERTAIN CASES

The sanctioning of passive euthanasia under strict controls is to be written into the doctors' code of conduct for the first time. Medical Council Ethics Committee chairman Professor Leung Ping-chung said the move could be acceptable for patients with no chance of recovery. The new guidelines, to be issued in the next two months, will say the decision can be made only if the patients' family, doctors and hospital administrators agree. Professor Leung said individual hospital ethics committees must also prove the patient has no chance of recovery before doctors could unplug a life-support system. He admitted saving resources was one consideration taken into account in the controversial debate. Some patients spend years in a coma at huge expense. He said the Hospital Authority was drafting internal guidelines on approval for passive euthanasia and he expected private hospitals to follow suit. "We support passive euthanasia because it is ethically acceptable to most people. Resources are one of our considerations. You can use the resources to save other patients. "We expect that there will be several such applications each year." Professor Leung said the council continued to oppose active euthanasia - the active termination of life with good reason. He said there were already occasions when some doctors performed passive euthanasia and the new code would spell out more clearly what doctors could and could not do. Last month, a City University survey of more than 1,000 doctors found six out of 10 supported some form of euthanasia.

From South China Morning Post, 14 January 2000

CHINA TO STEP UP CRACKDOWN ON CORRUPTION

China will turn up the heat in its crackdown on corruption this year with a strict set of new rules on the use of public funds and official privileges, the China Daily reported on Thursday. Senior officials would be forbidden to accept gifts or money, the newspaper said, quoting Wei Jianxing, Secretary of the Communist Party's Central Commission for Discipline Inspection. The new anti-graft rules would also include a bar on family members of senior officials running businesses or taking positions within the administrative scope of their parents or spouses, he said. Chinese authorities punished 132,447 corrupt officials last year, including 17 at ministerial level, Wei said. It also shut down nearly 20,000 companies run by the People's Liberation Army, the police and legal departments, and placed a further 6,494 in the hands of local governments. “Despite this success, rampant corruption has not been effectively curbed and the situation remains severe,” Wei said. The official Xinhua news agency said under new regulations this year, officials are not allowed to take part in tourist activities arranged by subordinates using public funds, or to use public money for private computers or Internet access. Graft busters would pay particular attention to corruption in finance, real estate and medicine, and would crack down on smuggling and tax evasion, it said. Xinhua said China had punished several senior officials for bribery or embezzling public funds in 1999. Those punished included former Party secretary of Ningbo city Xu Yunhong, former deputy governor of Jiangxi province Hu Changqing, and deputy chairman of the China International Trust and Investment Corporation Jin Deqin, it said. Corruption, virtually eliminated in the years after the puritan communists came to power in 1949, has staged a comeback during two decades of economic reforms which have eroded socialist ethics. Jiang has declared war on corruption, calling the ancient scourge a tumour that threatened the party's grip on power. He ordered the PLA, police and legal departments to give up their sprawling network of businesses, worth billions of dollars, in 1998. Last year, Beijing's disgraced mayor Chen Xitong was sentenced to 16 years in prison, the most senior Communist Party official jailed for corruption since 1949. Official sources say Chen, ousted from the party's powerful 20-member Politburo in 1995, has been released on medical parole.

From Reuters, 13 January 2000

CIVIL SERVANTS PESSIMISTIC ABOUT PAY

Major civil service unions expect pay to be frozen again this year, as the Government kicks off the survey that helps decide the annual adjustment. The Pay Trend Survey Committee launches the annual exercise involving 82 companies and public utilities this month. Despite the recent pick-up in the economy, the 110,000-strong Chinese Civil Servants' Association said salaries might continue to be frozen in light of the Government's budget deficits. "Apart from the survey, the Government also considers its financial strength and social sentiment. This is also an election year. We are not optimistic at all," association deputy secretary general Li Kwai-yin said. She said members would accept a freeze again if private sector adjustments were less than one per cent. "But we would oppose it if the Financial Secretary does the same in the budget this year," she said. Financial Secretary Donald Tsang Yam-kuen imposed a pay freeze for all civil servants in last year's budget, although a subsequent survey showed adjustments in the private sector ranged from minus 0.54 to 0.84 per cent. Senior Non-Expatriate Officers' Association chairman Leung Chi-chiu would not say if his senior colleagues would accept a pay freeze. But he admitted he had no high hopes. "The variations this year are particularly great. The first half of last year has seen a rapid slump. It's still unsure how the latter half of the year will fare," Dr. Leung said. The association, whose members were affected by a pay freeze for senior staff in 1998, plans to demand compensation from the Government when the economy fully recovers. Chan Kui of the junior staff council said he was confident the Government would adhere to the pay trend mechanism this year. The Government has given no indication whether it would extend the pay freeze. The survey gives firms until April 2 to submit their pay adjustment figures from last April and March this year. These details will be compiled into separate indices for the top, middle and lower salary band in May. The Civil Service Bureau will decide whether to recommend an adjustment after considering the financial implications in June. "Obviously all workers hope the boss will not slash or freeze wages," said a staff member of the Consultative Council. The Financial Secretary's Office would not comment if a pay freeze would be imposed again in the budget.

From South China Morning Post, 24 January 2000

DOOR OPENS TO CIVIL SERVICE PAY CUT

Civil service pay can be cut by about six per cent without breaching Basic Law guarantees on salaries, officials believe. The Government, under pressure to bring wages in line with the private sector, previously said there was little room for manoeuvre. Article 100 of the mini-constitution says civil service pay and conditions must be no less favourable than before the handover. However, a government source said yesterday that almost all civil servants had received a wage rise since the handover and removing that would not breach the Basic Law. The only exception would be about 330 senior officials - earning between $116,800 and $216,650 a month in 1998 - whose pay has been frozen since the handover. The rise for government staff in 1998 was 6.03 per cent for the upper band and 5.79 per cent for the middle and lower bands. Last year, pay was frozen. That would mean a cut of 5.79 per cent to 6.03 per cent would be possible. "It would be difficult for them to sue the Government as long as their pay after the cut is not lower than before the handover," the source said. A Civil Service Bureau spokesman refused to say if it was possible to cut salaries. "It is a very complicated issue. We are still seeking legal advice." On Wednesday, Secretary for Civil Service Lam Woon-kwong promised to start a discussion of whether to review pay for serving staff following legislators' approval of a cut for recruits. However, he did not commit to launching the review, saying there would be little room under the Basic Law restrictions and there could be legal problems. Staff of government-subsidized organizations could also be affected because their pay is linked to that of civil servants. Professor Lau Siu-kai, associate director of the Hong Kong Institute of Asia-Pacific Studies of the Chinese University, agreed the restrictions were debatable. "[The Basic Law] only says pay should not be less favourable than before. Taking into account deflation, the salary could still be cut as long as the standard of living was kept." Unions were divided on the possibility of a pay cut. Leung Chi-chiu, chairman of the Senior Non-expatriate Officers Association, said the Government should not only consider what the Basic Law said. "They should also consider relations between the staff and Government. It would definitely make them more tense," he said. Cecilia So Chui-kuen, president of the Chinese Civil Servants' Association, said she would not oppose a review. "However, we would hope it would be a comprehensive review including policy and principles. "For example, is it necessary to peg it at the same level as the private sector? Financial Secretary Donald Tsang Yam-kuen's salary is much lower than that of Joseph Yam Chi-kwong, chief executive of the Monetary Authority," she said. Mr Tsang earns about $2.4 million a year and Mr Yam about $9 million. Legislator Emily Lau Wai-hing of The Frontier said she was not demanding a cut. "I only urge that it be comparable to the private sector." Democrat Cheung Man-kwong opposed a reduction. "Mr. Lam has promised reforms will only affect new recruits, not serving staff. "Savings should be achieved by raising staff productivity," he said.

From CNN. 28 January 2000

EUROPE

ATHENS COPS FACE CORRUPTION CHARGES

In the biggest crackdown against police corruption in the past 25 years, 14 Greek law enforcement officials have been charged with a variety of crimes including blackmail, forgery and accepting bribes, the public order ministry said Tuesday. Ten of the police workers from the Aharnon precinct, located in western Athens, face felony charges, while the other four have been charged with misdemeanors following a two-month long investigation, the ministry said. At least 40 civilians, including 29 foreign dancers, have also been charged. Of the 14 police employees, half were identified as officers. They were the largest group of police to be charged in at least 25 years, and it was the first such crackdown by the Greek police department's internal affairs division. The division was set up in October and is based on those in New York City and London. Charges in the case include illegally issuing or forging work permits for foreign women employed as dancers in bars; extorting protection money from clubs operating banned gambling machines, and accepting bribes to not prosecute illegal construction. Another charge involves the theft of $430 from a suspect who had turned in his money for safekeeping.

From Associate Press, 28 December 1999

MIDDLE EAST

SAUDI SAYS TO PRIVATIZE MUNICIPAL FEE COLLECTION

Saudi Arabia plans to privatize the collection of municipal fees as part of the kingdom's drive to give the private sector a bigger role in the economy, a Saudi-owned newspaper reported on Wednesday. The London-based al-Hayat newspaper quoted Municipal and Rural Affairs Minister Mohammad bin Ibrahim al-Jarallah as telling a news conference in Riyadh that the government policy was to “privatize as many municipal activities as possible.” “There are a number of decisions in this regard...including privatization of the collection of municipal fees,” the minister was quoted as saying. He said municipal fees reached 1.17 billion riyals ($312 million) in 1999 and were expected to increase this year due to an expected rise in business activities in the kingdom. He said the ministry was considering increasing municipal fees, adding that a study on the subject had been transferred to the cabinet for approval. Saudi Arabia has been pressing ahead with privatization as part of its plans to reduce state spending and increase the private sector's role in the economy to help the kingdom diversify away from oil.

From Reuters, 26 January 2000

THE AMERICAS

LOS ANGELES TIMES PROMOTES TWO IN WAKE OF ETHICS INCIDENT

The Los Angeles Times has promoted newsroom veteran Leo Wolinsky to executive editor and created a new position to monitor the relationship between the editorial and business departments. Wolinsky, one of four managing editors, was promoted to the new position. Ardith Hilliard, editor of the paper's San Fernando Valley edition, was named associate editor with responsibility for implementing new ethical guidelines. Both will report to editor Michael Parks. The new guidelines were adopted by the paper in response to a much-criticized revenue-sharing deal with the city's Staples Center arena. "The Staples Center incident and the subsequent analysis helped clarify the need for these positions," Parks wrote Friday in a staff memo. Many journalists criticized the deal involving the Oct. 10 edition of Los Angeles Times Magazine as a violation of the journalistic principle that reporters and editors must avoid financial dealing with the people and institutions they write about. The paper said reporters and editors who worked on the magazine were unaware of the revenue deal. The paper printed a front-page apology to readers Dec. 19 for failing to disclose the arrangement; the next day, it ran an unprecedented 14-page section examining the deal. That report criticized Parks, Publisher Kathryn M. Downing and the policies of Mark Willes, a former General Mills executive who was Downing's predecessor as publisher and now is chairman and CEO of the newspaper's parent Times Mirror Co. Willes has ordered closer cooperation between the paper's advertising and news staffs. With the apology, the Times published a newly formulated statement of journalistic principles that included remaining "free of associations or activities that might compromise our integrity or damage our credibility." In announcing the promotions at a newsroom meeting, Parks began by saying he would not resign. Staffers cheered when he announced the promotion of Wolinsky, who led the effort to draw up the paper's new principles and guidelines. Wolinsky will oversee metro, business, photos and Los Angeles Times-Washington Post News Service staffs. Times managing editors for regional editions, projects and features will report to Wolinsky, who joined the Times in 1977 as a staff writer. Hilliard, who joined the Times in 1989, became editor of the San Fernando Valley edition in 1997. No replacement was named for her.

From Nando Times, 10 January 2000

'GIFTS' MAY BE ETHICS VIOLATION: A PANEL WILL DECIDE NEXT MONTH WHETHER TO PROBE TRAVEL EXPENSES OFFERED TO LAWMAKERS

It's one thing for a lobbyist to spend thousands of dollars treating legislators to all-expense-paid trips to Hawaii and Palm Springs. But a lobbyist for the beer and wine industry has spent thousands of dollars on such travel for politicians' spouses as well, possibly violating an Oregon ethics law that limits gifts to public officials' family members to $100 a year. According to expenditure reports filed with the state Government Standards and Practices Commission, lobbyist Paul Romain reported spending $12,944.09 for travel, lodging, food and golf on behalf of seven legislators and their spouses, who attended annual meetings of the Oregon Beer and Wine Distributors Association in Palm Springs, Calif., in 1994 and 1996, and in Hawaii in 1998. Although in some instances he did not break down the amounts spent on legislators' spouses, interviews with Romain and lawmakers indicate that the spouses alone received about $5,500 worth of free food, airfare and lodging. The possible ethics law violations were among thousands of lobbyist expenditure reports reviewed by The Register-Guard. The reports covered a period from 1994 to mid-1999. Romain said he had no intention of breaking the ethics laws, but he said less scrupulous lobbyists avoid such scrutiny by taking advantage of Oregon's lax rules and not filing specific reports. "I know a lot of folks who end up doing this stuff and just don't report it," Romain said. "We report it. We're not trying to hide anything." Oregon's ethics laws were enacted by voters in 1974 to ensure that politicians, government employees and their relatives do not profit in unethical ways from their public positions. These laws, which include limits on what lobbyists can spend and officials can receive, permit lobbyists to spend unlimited amounts on food and beverages if the items are consumed in the lobbyist's presence. The laws also permit lobbyists to pay as much as they like for travel and lodging on behalf of politicians, provided they are appearing in an official capacity. However, lobbyist-furnished travel for spouses would be considered gifts, and would therefore have to be limited to $100 per person, according to the head of the standards and practices commission, which enforces Oregon's ethics laws. "I can tell you right now that our position on this issue has always been of like mind and it's been steadfast. It's OK for the public officials. It's not for the spouses," said Patrick Hearn, executive director of the Government Standards and Practices Commission. Hearn declined to speak specifically about Romain's reported expenditures, saying it would be improper to do so before the commission itself decided whether to pursue them as possible violations. He said he expected the seven-member commission to decide whether to do so when it meets next month. If found in violation, Romain and each legislator could be fined up to $1,000 per violation. The legislators also could be sanctioned for up to twice the value of any financial benefit their relatives improperly received. Romain reported spending more than $100 for each of the seven spouses. The expenditures ranged from $245 for Sen. Gene Timms' spouse, Edna Timms, to travel to Palm Springs in 1996, to $1,565 paid for Sen. Neil Bryant's spouse, Mary Bryant, to accompany him to two beer and wine distributor meetings in Palm Springs in 1994 and 1996 and a meeting in Hawaii in 1998.

Besides Timms, R-Burns, and Bryant, R-Bend, Romain reported that his association treated Sens. Dave Nelson, R-Pendleton, Tom Hartung, R-Portland, Rep. Lane Shetterly, R-Dallas and former Sens. Paul Phillips and Ken Baker, both Republicans, and their spouses to free trips so they could speak at conventions in Palm Springs or Hawaii. Romain also picked up greens fees for four of the legislators, spending between $110 and $250 apiece on golf. He said he never exceeded the $100-per-occasion and $250-per-year limits on what lobbyists can spend for public officials' entertainment. Most of the seven legislators held assignments, in many cases as chairmen, on committees that controlled the flow of bills affecting beer and wine taxes and laws affecting alcohol consumption. After a reporter's inquiries about these gratuities, Romain contacted Hearn, who told the lobbyist that he and the seven legislators may have violated the ethics law by financing the spouses' travel expenses, Romain said. "We thought we were doing everything that was completely kosher. I guess his preliminary opinion is we weren't," Romain said. "We'll find out where it goes." Romain, an attorney who formerly worked for the Legislature and the state Justice Department, said he understood Oregon's Government ethics laws to exempt both public officials and their spouses from the $100 gift limit if lobbyist-furnished travel expenses covered a trip related to an official's job. Although Hearn declined to discuss the legality of the trips Romain paid for on behalf of legislators and their spouses, he cited five advisory opinions by the commission and a ruling by the Oregon Court of Appeals from the past decade that involved similar instances. They all indicated that public officials' spouses don't enjoy the same status as do the officials themselves when it comes to job-related freebies, such as travel, meals and lodging. The advisory opinions asserted that unless a public official's spouse is there to provide a necessary service, it is illegal for the spouse to receive gratuities such as travel and lodging in excess of $100 from lobbyists or other sources with an interest in Government decisions made by the public official. In 1991, for example, the Oregon Court of Appeals upheld a ruling by the Ethics Commission in a case in which a Wall Street financial firm that was underwriting a $250 million bond issue for Klamath Falls paid for seven city officials and their spouses to travel to New York and picked up their food and lodging costs. The court ruled the Ethics Commission was correct in finding that food, lodging and travel given to a public official's spouse constituted a gift - which would mean the bond company should have limited the gratuity to $100 per spouse. Among the current and former lawmakers who participated in the 1994-98 beer and wine industry conferences, most said they thought there was nothing wrong with letting a lobbyist pick up the tab for their wives. "I wouldn't consider that a gift at all, just part of the cost of getting me there," said Hartung, whose spouse, Beverly Hartung, had $415 in travel costs covered by the beer and wine industry for a 1996 trip to Palm Springs. "My spouse gives up a lot for the work I do, so it was a chance to have her join me and be a part of my official capacity is the way I would rationalize it or explain it if I went before the Ethics Commission." Bryant, who in 1993 served on one of the legislative committees that rewrote Oregon's ethics laws, said he and other lawmakers counted on lobbyists to make sure their gratuities didn't put them in potential violation of ethics laws. When asked if he thought it was improper for his spouse's travel to be underwritten by a lobbyist, Bryant replied, "I know Paul (Romain) and all the lobby are very careful in that regard, so I'd check with them. He does it very carefully because I know he doesn't want to get anybody in trouble." One trip participant, however, said it may have been a mistake to let a lobbyist pay for his spouse's travel expenses. "Generally speaking, I would say it is not proper to have somebody pay your spouse's way," said Baker, the former Clackamas senator. In hindsight, Baker said, allowing the beer and wine lobby to spend $435 on behalf of his wife, Barbara, so she could accompany him on a 1996 trip to Palm Springs "is probably approaching the line where that is questionable." Romain said that until the Government Standards and Practices Commission addresses spouse travel, he'll play it safe. His association had invited lawmakers and their spouses to Hawaii this spring for its annual meeting but is now letting them know it may not be legal to pay more than $100 of the spouse's travel costs. Romain said he found it ironic that he may draw the Government Standards and Practices Commission's review for something that he'd fully disclosed, while other lobbyists are able to avoid such scrutiny for similar actions. "I'm not going to burn anybody. But the stuff goes on," he said.

From Eugene Register-Guard, 05 January 2000

ETHICS QUESTIONS FUEL SQUABBLE IN THE SENATE

Both sides of the aisle scrap over how to ensure self-imposed gift ban is honored Senate Republicans and Democrats squared off for the first time this year -- arguing over the best way to make sure senators honor their self-imposed ban on gifts from lobbyists. In the first day of Senate session, Republicans voted in favor of a resolution to ask the Assembly to join the Senate in negotiating standards for conduct that would prohibit legislators from accepting meals and other gifts from lobbyists. Senate Democrats called for a house rule that would bind senators to the terms of their voluntary gift ban, which was part of a Senate bill passed in December. On Monday, the rule failed to pass in a vote, while the resolution succeeded in the Republican-controlled upper house. "We believe the Legislature should abide by sweeping reforms proposed in a bill passed by the Senate last month that would effectively ban gifts from lobbyists," said Senate Majority Leader Joseph Bruno. "The Assembly should follow our lead and make this binding in the Legislature." Assembly Minority Leader Martin Connor, D-Brooklyn, said the Senate doesn't have to wait for the Assembly's response to act independently with a house rule. He charged that Republicans aren't willing to "walk the walk." The rule would bind future senators -- not just those in office now who pledged to turn down gifts from lobbyists, he emphasized. "The rule is important to us in the Senate to eliminate the perception that we can be influenced," said Sen. Neil Breslin, D-Delmar. Assembly Speaker Sheldon Silver's spokeswoman, Patricia Lynch, said the issue of gift bans is last year's issue. In the waning days of 1999, the Assembly induced the Senate to pass a lobbying law extension that didn't meet the Senate's tougher standards. "The real issue is campaign finance," Lynch said, adding that the Assembly will introduce a reform package later this week.

From Reuters, 31 December 1999

TEAMSTERS' HOFFA PROPOSES ANTI-CORRUPTION PLAN

Teamsters President James Hoffa has unveiled a plan to keep his union clean. During a meeting of Teamster regional leaders in Chicago on Tuesday, Hoffa proposed anti-corruption measures including: Developing a code of conduct, establishing a permanent ethics office and removing any remaining organized crime influence in the union. The Teamsters, the nation's largest private sector union with 1.4 million members, has operated under federal supervision since 1988, when union leaders entered into a consent decree with the Justice Department to end a racketeering lawsuit. Since then, dozens of union officers and members have been expelled for alleged mob ties, and the union rank-and-file has directly elected its leaders. Regional leaders endorse plan Hoffa, elected in a special election last year, replaced former Teamster president Ron Carey, who was ousted in a campaign fundraising scandal. "When I ran for office I promised to run a clean union," Hoffa told more than 200 gathered Teamster leaders on Tuesday. "I now call on you to be our partners in fulfilling the commitment," he said. The regional leaders unanamiously endorsed Hoffa's plan, said union spokesman Brett Caldwell. A group of 21 rank-and-file members and local leaders will develop the code of conduct during the next six months. Hoffa's goal is to end federal oversight of the Teamsters and its 550 locals. "The union believes if we prove we can police ourselves there will clearly by no reason for government supervision," Caldwell said. Hoffa has named Edwin Stier, a former U.S. Attorney, to oversee the anticorruption project.

From CNN, 12 January 2000

200 YOUTHS JOIN PUBLIC SERVICE EFFORT

More than 200 young people from the Martin Luther King Jr. Community Center will take part in a citywide community service effort to help improve the lives of the city's residents. Beginning today, youngsters who participate in a number of the center's programs will help with voter registration, census taking, and a food and clothing drive for the homeless, said Dora D. Robinson, the center's executive director. Robinson said this is the first time the center has taken on an initiative like this one. Young people between the ages of 5 and 21 will volunteer their services until Feb. 15, she said. "We expect that through their service, they should impact the quality of life of thousands," Robinson said. Other services to be provided by young people include: helping at the Loaves and Fishes soup kitchen, a penny drive to buy mittens and gloves for children in homeless shelters, dance performances for residents at the Primus Mason nursing home and poetry readings for seniors living at Reed's Landing. Yesterday afternoon, in commemoration of King's birthday which is celebrated today, youngsters put on several demonstrations and performances at the center. A martial-arts presentation and a pep-squad demonstration were just a couple of the programs presented to give parents and members of the community a glimpse of what the center offers young people. The Martin Luther King Jr. Community Center, located on Rutland Street, offers after-school programs, a summer camp, membership in the Girl Scouts and a number of athletic programs, said Earl Brown, program administrator for non-contract services at the center. All programs are either free or available for a sliding fee, Brown said. "We really want to work with people in the community," Brown said of the center's efforts to provide affordable, reliable programming for young people. In April, the center also conducts an annual black college tour. This year, a group of local high school students will visit historically black colleges in Georgia and South Carolina, Brown said. "MLK has always been about exposure for our young people," Brown said.

From US-Springfield Union News, 17 January 2000

DOCUMENT DETAILS CORRUPTION IN UNION OF CIVIL SERVANTS

An internal report outlines widespread corruption within the nation's largest union of government workers, from theft to the use of union credit cards to cover personal expenses, The New York Times reported Friday. The report details problems in the American Federation of State, County and Municipal Employees, which has 1.4 million members. The newspaper said the report was provided by a union official it did not identify. The document is a list of $4.6 million in claims the union made to its insurance company, seeking reimbursement under a policy covering fraud by union officials. It involved claims pending in November. The memo describes corrupt activities by 35 union officials, including $2.2 million allegedly misappropriated by an official at the union's New York City affiliate, District Council 37. More than half the claims arise from the council, in which two dozen officials have been indicted. Other corruption claims involved union locals in Indiana, Massachusetts, Minnesota, Montana, New Jersey, Ohio and Pennsylvania. While acknowledging the accuracy of information in the report, AFSCME officials said the report demonstrated a commitment to uncovering wrongdoing. In many cases, the Times said, union-sponsored audits uncovered the corruption. General counsel Lawrence Weinberg also said problems at a dozen or two locals was not extraordinary given the number of unions represented by the parent -- between 7,000 and 8,000. The report said corruption included $96,000 apparently embezzled by the ousted treasurer of Local 366 in Milwaukee; $51,000 taken by a senior official at District Council 20 in Washington; and $13,500 in union checks stolen by the treasurer of a local in Elkhart, Indiana.

From CNN, 21 January 2000

ARKANSAS SUPREME COURT ORDERS REVIEW OF ETHICS COMPLAINT AGAINST CLINTON

President Clinton could be suspended or banned from practicing law in his home state, depending on the results of an investigation ordered by the Arkansas Supreme Court. The court on Thursday ordered its professional conduct committee to investigate complaints that President Clinton lied and obstructed justice in the Paula Jones sexual harassment case. "We're not commenting on it," White House spokesman Jim Kennedy said. Lawyer L. Lynn Hogue filed a complaint on behalf of the Southeastern Legal Foundation of Atlanta on September 15, 1998, days after Clinton testified before then-Independent Counsel Kenneth Starr's grand jury. The court order was issued after Hogue said he thought his complaint had been ignored for more than a year. A second complaint was filed by U.S. District Judge Susan Webber Wright last April after she found Clinton in contempt of court during the Jones case. Wright said Clinton testified falsely when asked about his relationship with former White House intern Monica Lewinsky. "This is a victory not only for SLF, but also for the nation's legal community and the millions of Americans who still believe that lawyers who lie under oath have forfeited their right to practice law," foundation president Matt Glavin said. James Neal, director for the court's professional conduct committee, did not return calls seeking comment. In the court proceedings, the committee argued that confidentiality prevented release of information about the case. According to committee guidelines, if the committee finds sufficient evidence to support a complaint, a docket number will be assigned and Clinton notified.

From CNN. 28 January 2000

HONDURAS GENERALS INVESTIGATED FOR CORRUPTION

The Honduran Government said Thursday it has begun investigating four generals, believing they may have diverted $100 million from military budgets during a 14-year period. The investigation involves Gens. Humberto Regalado Hernandez, Anulfo Cantarero Lopez, Luis Alonso Discua Elvir and Mario Hung Pacheco, each of whom acted as commander-in-chief of the armed forces at different times between 1985 and 1999. Honduran Controller General Vera Rubi said in a news conference that the results of the investigation should be released soon. The annual budget for the Honduran military is about $55 million. Between 1980 and 1989, however, the armed forces received more than $1 billion from the United States to arm and finance the activities of about 14,000 Nicaraguan "contra" rebels and their families who established camps on the Honduran side of the border. The "contras" were demobilized and repatriated in April 1990. A preliminary investigation has revealed that about $100 million cannot be accounted for during the 14-year period from 1985-99, Rubi said. Regalado Hernandez was chief of the armed forces from 1986 to 1990. He was replaced by Cantarero Lopez, who was in power for only 11 months before being overthrown. Discua Elvir was in charge from 1990 to 1995, when he became an alternate ambassador at the United Nations. Pacheco was the last commander-in-chief, serving from 1995 to 1999, when control of the army was turned over to a civilian president. In January 1999, the Honduran Government ended decades of military dominance by ratifying constitutional reforms that eliminate the position of commander-in-chief of the army and disbanded the Superior Council, the top military body. The current role of the armed forces is to fight drug and arms trafficking, terrorism, illiteracy and destruction of the environment.

From Nando Times, 28 January 2000

AFRICA

COMMUNITY MEDICAL SERVICE NOT SO BAD

Doctors doing compulsory community service in rural hospitals are getting medical skills that would otherwise not have been possible, reports Khadija Magardie. It's nearly 7am on a rainy Monday at Tintswalo hospital in Acornhoek township, Mpumalanga, and despite the bad weather, the trickle of people queuing outside the doors to the outpatients unit is increasing steadily. By mid-morning there are over 200 people waiting for attention. Many are regular patients, and recognize and call out to the resident doctor by name. Heading the outpatients department this week is Dr June Fabian, a medical graduate from Gauteng, who arrived at Tintswalo three weeks ago. She is one of hundreds of newly qualified doctors from around South Africa who will be spending a year in a public health facility performing their compulsory community service. This is the second annual intake of students for the scheme -- one of the most controversial reforms of the health sector introduced by the former minister of health, Nkosazana Zuma. Fabian, together with a colleague, Cape Town graduate Dr Allister Keyser, look relaxed as they do their daily rounds in the 450-bed hospital. The hospital serves a huge population within a 70km to 80km radius in the Bushbuckridge region. The outpatients unit is bristling with activity; two middle-aged women wrapped in traditional blankets wheel in their elderly mother, whose wheezing cough is making it difficult for her to breathe. The nurses move her gently out of the wheelchair on to a vacant bed, and hook her on to an oxygen machine. As she moves from bed to bed, Fabian quietly discusses the condition of each patient with an accompanying nurse, who serves not only as an assistant, but an interpreter. In the adjacent female medical ward, Keyser picks up the chart at the foot of each bed, as he moves with a nurse from patient to patient. An elderly woman with a glowing smile jumps out of bed to greet him. She babbles excitedly to him, and vigorously shakes his hand, before tottering slowly back towards her bed. He explains that the woman, like countless other elderly patients he sees regularly, is suffering from dementia. Keyser says the weather has resulted in fewer patients. On busy days, over 400 people pass through the hospital doors. The patients who come to Tintswalo from day to day have a variety of ailments, ranging from influenza to tuberculosis to malaria. In most cases, say the nurses, the incidence of any particular illness is seasonal. For instance, the hospital, located in the high-risk area around the Kruger National Park, sees thousands of malaria cases, particularly during summer. The hospital has also recently started an HIV/Aids clinic. Tintswalo is relatively well-resourced -- the hospital has a fully operational theatre, X-ray lab, an electro-cardiogram machine, and sonar facilities. It also has a specialist psychiatric ward. Despite staffing pressures in public health facilities around the country, the staff to patient ratio at Tintswalo is reasonably good.

In addition to the doctors doing community service, the hospital is staffed by intern doctors, four senior doctors and three session doctors who do specialist procedures. This ensures that junior doctors always have a senior "on call" to assist. For Fabian, the year at Tintswalo is the perfect opportunity to develop well-rounded medical skills that would otherwise not be possible in an academic teaching hospital such as Johannesburg hospital, where she spent her internship. During their relatively short time at Tintswalo, some of the junior doctors have learned to perform procedures such as minor surgery, Caesarean sections and anaesthesia, which would normally be done by a resident specialist. This type of "learning on the job" medicine, says Fabian, coupled with "getting to make decisions on your own" has been invaluable experience. The community service doctors have had to become multi-skilled in a very short time. This in addition to adapting to less than perfect working conditions that are a far cry from the suburban hospitals in the cities. Last week, a potentially disastrous power failure left the entire hospital without electricity for over a week. Luckily it had no fatal consequences for the running of the facility. Despite the serious nature of the event, Keyser laughs it off as yet another occupational hazard. Another doctor at Tintswalo, who has been there for a longer period, attributes the enthusiasm of the new doctors to "greenness" -- they have only been at the hospital for a short time, and have yet to be hit by the reality of the conditions, such as the permanent lack of hot water. The water pressure is non-existent because the community drill holes into the hospital's water pipes. But these are just some of the countless situations doctors working in rural, underserviced areas of the country have to deal with, and adapt to. Keyser, who lives with his wife in one of the ramshackle housing facilities provided for doctors near the hospital, says he does miss the comforts and luxury of suburban life. There are, he says, also "upsides" to the area. For one, the Kruger National Park and other game reserves are just a stone's throw away. The community service doctors also pay low rental for their homes, and are given a "rural allowance" of approximately R1 000 a month, ostensibly to compensate for their circumstances. Together with Fabian, he admits to countless frustrations, ranging from lack of refrigeration facilities to drunk X-ray machine attendants, but says they have learned to take things in their stride. "You might, however, need a little Prozac to adjust initially," says Fabian. When compulsory community service was introduced, it was heavily criticized with several doctors in their final year of study threatening to pack their bags and move overseas. Junior doctors slammed the proposal as "dictatorial", saying the Ministry of Health had not bothered to consult them. Health officials countered that the measure was necessary to pump much-needed services into under-resourced hospitals, as well as to stem the tide of health professionals leaving to work abroad. Despite the initial teething problems, many doctors completing their community service, as well as those just starting it, are now more enthusiastic. Both Fabian and Keyser say they too were among those vehemently opposed to compulsory service, but say they have since realized the necessity of the ministry's action. They are divided over the issue of whether it should have been compulsory or not. According to Keyser, many doctors would have opted for voluntary service, provided they had been given "incentives" to work in the rural areas. Fabian disagrees, saying that it was necessary for the ministry to be "tough". The lure of specialization and private or overseas practice would have made it impossible for the Department of Health to stock rural hospitals with volunteer doctors, she says. Nearly all doctors, despite their location, experience a combination of frustrating and depressing work days. Tintswalo, say the community service doctors based there, is no different. What makes it unique, they say, is the level of responsibility placed on them, despite their junior status. "Basically the buck stops with you,"says Keyser. The Junior Doctors Association of South Africa (Judasa) has acknowledged that, in the majority of cases, the community service programme has "progressed". According to Judasa chair Dr Anthony Levy, there are significant factors to be taken into account when assessing the successes and failures of the programme, such as the place and conditions the doctors are working under. He said that several pressing issues remain unresolved, such as the allocation criteria for posts, particularly in urban areas, safety of doctors working in remote areas, and the working conditions to which doctors are still subjected. Despite problems in certain provinces, he said the programme was "going forward". He cautioned against over-optimistic declarations on the success of the programme, saying that cases varied from area to area. Levy called on those involved in the implementation of the programme to "improve standards" and remain vigilant to ensure that problems are effectively addressed and resolved.

From The Mail & Guardian, 26 January 2000

ASIA/PACIFIC

SHANGAI TO OFFER INTERNET VIA CABLE

Shanghai is currently upgrading its cable TV infrastructure to allow two-way interactivity, including Internet access, according to the Jan. 5 Tongxin Changye Bao (Communications Industry News). No timetable has been released regarding completion of the upgrade. According to the report, once the upgrade is complete, 300,000 of Shanghai's cable TV subscribers, out of a total of 2.8 million, will have a new way to connect to the Internet. The alternatives are via phone modem (up to 56 kbps), ISDN (up to 128 kbps) and ADSL (up to 8 mbps). Tests in Shanghai have shown that cable modems, via cable TV coaxial conduits, enable connection speeds of up to 500 kbps, depending on the number of users on the same line, the Tongxin Changye Bao said. In addition, users can stay connected 24 hours a day. Cable TV subscribers who do not have a PC or prefer not to use one can still access the Internet via a set top box. The newspaper noted that Shanghai's digital cable broadcasting system, which is still being built, plans to offer an electronic programming guide, video-on-demand and audio-on-demand, among other services. Shanghai is currently the only city in China allowed to offer telephony, Internet and cable TV services jointly through one conduit. On September 17 of last year, the State Council issued a directive prohibiting cable TV companies and telephone companies from entering into each others' business. According to a copy of the directive obtained by ChinaOnline, the text stipulates, "Telecom companies are forbidden to engage in broadcasting and television business. Broadcasting and television companies are forbidden to engage in telecom business. This division must be firmly implemented." Shanghai is exempt from this ban, however. "For the time being, Shanghai is the only city approved for experimentation in the integrated utilization of network resources," the directive reads. The State Council issued the directive to temporarily settle a turf war between the Ministry of Information Industry (MII) and the State Administration for Radio, Film and Television (SARFT). MII regulates everything related to post and telecommunications, while SARFT regulates broadcasting, including TV and cable TV. The one glaring oversight in the directive, however, is that it does not mention the Internet. Thus, cable TV companies – while avoiding offering telephone services – are rushing to provide interactive services via their broadband networks. These include email, video-conferencing, distance learning and distance medical consultation. Once the ban is lifted, cable companies outside of Shanghai will be well placed to offer Internet services as well. Warburg Dillon Read, an investment banking company, predicts that SARFT will lose the turf war with MII and will actually be subsumed under the ministry. In a January 6 Global Equity Research Report on China's cable industry obtained by ChinaOnline, author Joe Zhang writes that SARFT will be reduced to simply overseeing content on the Internet. "MII is now pushing for the separation of cable network operators from cable programming functions. We believe MII's 'hidden agenda' is to win the regulation of the cable networks (the infrastructure) and make SARFT a pure 'content regulator,' or an 'ideological gatekeeper.' "As a trade-off, SARFT will probably gain the Internet content-vetting power from MII. Therefore, we think SARFT will likely become a pure 'content regulator,' either as part of MII, or as and independent agency," the report said. To contact Lester J. Gesteland: P: (312) 335-3022, F: (312) 335-9299, E: lgesteland@chinaonline.com

From China Online, 10 January 2000

CHINA TO EXPAND PUBLIC SERVICE ADVERTISEMENTS

On January 13, the Chinese government called on the media to give more publicity to public service advertisements on environment protection. The Ministry of Publicity and four other bureaus appealed to televisions, broadcast media and newspapers to increase the rate of public service advertisements in outdoor venues such as the busiest parts of cities and along major transportation routes. The theme of this public service advertising campaign is to increase awareness of environment protection. Since China began a nationwide public service advertising campaign in 1996, newspapers, radio stations, television stations, magazines and other advertising media have released 70,000 public service advertisements in four years.

From China People's Daily, 14 January 2000

FLORIDA'S SOCIAL SERVICES LOCALIZED

It's another big overhaul of a state welfare agency, the latest attempt to fix an overloaded system long criticized for inadequately protecting children in Florida. Last week, 3 the state Department of Children and Families mapped out on its Web site its plan to revamp its organization - to create a leaner, more efficient agency that functions mainly as a watchdog over a network of private contractors. The plan dismantles the department's 15 districts and rebuilds them into seven sprawling regions with fewer employees and more-localized menus of social services provided by those contractors. Under the new strategy, Hillsborough and Manatee counties, now considered DCF District 6, would be linked with Pasco, Pinellas, Sarasota and DeSoto counties. "The department's role will be much more administrative, which is an appropriate role for the state to play," said Chris Card, who helped draft the plan and who leads the community group that already runs child welfare services in Sarasota and Manatee counties. Card said the department will shrink dramatically in just a few years, losing half or more of its 27,000 employees. The payoff - although it doesn't appear to be promised in writing anywhere - is that the money saved will go directly into underfunded family services, he says. "If I've got a breath in my body, that's the plan," Card said. People such as Linda Briggs, a foster parent for a dozen years in Hillsborough County, understood the money issue long before talk of the latest change. After nearly a decade as a stay- at-home mom, Briggs recently returned to her job as a school bus driver for the county. "I did it so I could [afford to] do more things with the kids, to keep them occupied and out of trouble," said Briggs, who figures the state pays her about $436 a month per child, an average of less than $16 a day. With a little extra cash in their pockets, Briggs and her husband, Bob, are able to take the children to an inexpensive buffet restaurant or to an occasional movie, "like a real family." "What I want legislators to understand," Briggs said, "is that what we really need to make things work is more money." But chances are, the changes Briggs notices first will be rooted in her routine dealings with the department. Because of the Legislature's order to privatize child-welfare services in Florida by 2003, most programs - including the caseworkers who interact with Briggs' foster children - will be handled at the county level by subcontractors under a lead organization. In Hillsborough, that's expected to be Hillsborough Kids Inc., a new nonprofit group that grew out of community meetings led by the Tampa Metropolitan Area YMCA. With the deadline still three years away, not all of the changes are expected immediately. But a pilot project in one of the newly mapped regions could begin as soon as July 1 as "a way of changing the tires while the car is still running," Card said. The Tampa region is said to have been selected as the pilot, but department officials have not confirmed that. The reorganization, requiring legislative approval before it can begin, has the strong backing of DCF Secretary Kathleen Kearney and Gov. Jeb Bush, said Don Winstead, a DCF official who led a task force that designed the process. Supporters express confidence that bigger administrative regions won't mean less attention on the front lines. The plan still envisions private services in each county, except for a few rural areas that may double up because they've had trouble attracting a lead agency. Caseworkers in Tampa, then, still would report to a local supervisor no matter where the department puts its regional hub, said District 6 Administrator Don Dixon. "In the end, it will not have an effect on people in the field," Dixon said. "It will only make things more streamlined."

From Tampa Tribune, 10 January 2000

APPLE'S CEO UNVEILS INTERNET SERVICES AND NEW OPERATING SYSTEM

Apple Computer Inc.'s chief executive Steve Jobs revealed new Internet services and the next generation of his company's operating system today as he announced he is dropping the "interim" from the title he has held since 1997. In a keynote speech at the semiannual MacWorld show, Jobs said Apple would partner with EarthLink Network Inc., an Internet service provider, to deliver new Internet services to Apple computer users in the United States. Apple will invest $200 million in EarthLink and get a seat on its board. Jobs also introduced the Macintosh OS X operating system, the next version of the software that runs the company's computers, saying it will be available later this year. The system is designed to make it easier to organize and work with computer programs and files, Jobs said. Apple calls its new Internet services iTools. They include KidSafe, a service that reviews Web sites for their suitability for children. Also included are a new e-mail service for Macintosh users called mac.com, new ways to store, transfer and share files over the Web and a feature allowing users to set up personal Web sites. Apple also will provide a Web site review guide and a Web greeting card service. With its hot-selling iMac, iBook and G4 computers drawing kudos from customers and envy from competitors, Apple has been reaping the benefits of a remarkable financial turnaround under Jobs. Observers were looking to today's keynote speech for clues to how the company will maintain its success. Since returning to Apple in September 1997, Jobs – paradoxically intense in his management style yet laid back in his jeans, sandals and -shirts -- has pulled the company he co-founded out of a slump that saw it lose $1.04 billion in the fiscal year ended September 1997. The company ended its 1999 fiscal year with profits of $601 million. Shares hit an all-time high at $118 in 1999, and were at $105 this afternoon, up $2.50 from Tuesday. Jobs' narrowed Apple's product line from a burgeoning 15 scattered hardware and software products to just a few -- primarily the chic iMac desktop and iBook laptop for consumers, and the PowerBook laptop and G-line of desktop models for business. In addition, Apple has already upgraded its operating system and rolled out easy-to-use software that allows non-techie users to play video and surf the Internet with ease. All of this success has come despite Jobs' "interim" status as CEO. He is also chairman and CEO of Pixar Animation Studios -- which produced top-selling films including Toy Story and Toy Story 2. Jobs, who was born and raised in the apricot orchards that would become the Silicon Valley, founded Apple in a garage with pal Steve Wozniak in 1976. Apple is widely credited for igniting the personal computer revolution, starting in the 1970s with the Apple II and later with the Macintosh. The innovations brought the company a hardcore legion of devotees, but a slump in the mid- 1980s saw

Jobs' ouster in 1985. While good times returned for several years, the 1990s brought another crisis that prompted the company to run through three chief executives in less than a decade and saw Jobs' return. Throughout this time, many users have remained loyal. With business customers in mind, Apple today introduced AppleWorks 6, the latest version of a program that includes word processing, spreadsheet, database and presentation applications.

From Salt Lake Tribune, 06 January 2000

ATLANTIC HEALTH SYSTEM PLANNING MANAGEMENT SHIFT

Hospitals 11 Atlantic planning management shift Atlantic Health System, facing the same precarious future as other North Jersey hospital groups, is moving toward a new system of management that will replace all hospital presidents with regional managers. The new management plan will centralize authority in the system, which includes Morristown Memorial Hospital, Overlook Hospital in Summit, The Mountainside Hospital in Montclair, and The General Hospital Center at Passaic. The plan will eliminate a third of senior management posts, according to the retiring corporate head, Richard P. Oths. Hospitals in New Jersey already encounter intense competition and reduced payments from managed care plans and the federal government. The management changes at Atlantic are a step toward streamling clinical services at the hospitals. One regional manager will oversee Morristown and Overlook; another will oversee Mountainside and Passaic General. "When you reduce variation in how things are done, you improve quality," said Oths. "We're organizing around markets, instead of hospital sites, per se." Oths, 66, is retiring in September. Ultimately, the hospitals may simply be run from the corporation's Florham Park headquarters, he said. "What we're doing will be seamless to the patient," said Oths. Joseph Trunfio, who headed Saint Clare's Health Services before Atlantic hired him in March as executive vice president, is in charge of the restructuring and will take over for Oths. Each hospital will retain a chief medical officer and a chief administrative officer, Oths said. Changes in how the hospitals operate, which began 18 months ago, are designed to promote collaboration among physicians, particularly specialists, said Oths. The goal is to have doctors less tied to a particular hospital, increasingly providing privileges to more than one of the system hospitals. Pediatric specialists in the system began meeting regularly in late 1998 to discuss how best to treat illnesses, he said. The change actually added the specialty of perinatology at Mountainside. And the neonatology programs at Overlook and Morristown became streamlined. No programs will be cut under the restructuring, and the only reduction in staff will be between seven and 10 of the 23 senior management positions, including the hospital presidents. Combined, the four hospital presidents were paid more than $1 million in 1998, according to the IRS 990 forms. Oths earned $353,426 that year. Oths said the four presidents have been offered work in the corporation, "and each is weighing this opportunity." Overlook President David Freed , who was paid $243,740 in 1998, said he would not discuss the restructuring because "it transcends just me." Morristown Memorial President Jean McMahon, General Hospital Center President Marie Cassese and Mountainside President Robert Silver did not return calls yesterday. McMahon made $305,047 in 1998, Cassese made $230,587 and Silver made $265,455, according to the 1998 IRS non-profit reports. Like 60 percent of New Jersey Hospitals, the Atlantic Health System operated in the red in 1998, reporting operating losses of $32 million. Oths would not release figures for 1999, but said the financial picture had greatly improved. "This is not a quick fix," said Oths, noting the change in operations could take up to 10 years to fully implement. "Whether the administrative changes will enable the system to integrate clinical services is a question for the future," said Donald Malafronte, director of the Urban Health Institute, which advises hospitals about future planning. Many systems try to weave together clinical programs, perhaps having one director oversee heart programs at several hospitals, for instance. Some systems may merge all heart programs into one hospital. The aim is to save money and stop duplicating medical services. But many hospital systems have been unsuccessful at truly merging clinical programs, as hospitals cling to their medical services, and local communities object to changes. The Saint Clare's board of trustees last year adopted a plan to restructure its three facilities in Morris County, which would eliminate 140 jobs in the process. The most controversial aspect of the plan, which still requires state approval, is the elimination of acute-care services at the Dover facility. In the Atlantic system, having one director to oversee both Morristown Memorial and Overlook may force these two long-time competitors to strengthen their ties. In addition, the regionalization of The General Hospital Center at Passaic with Mountainside could bring the Passaic hospital into the Atlantic fold. The Passaic hospital, which became part of the system in 1997, is the only urban institution in Atlantic Health. The financial rating of the Atlantic system is now under review by Standard & Poor's. Susan Hill, a director in the healthcare group of the bond rating agency, said ratings are periodically reviewed. The system is now reviewed at A-plus, a relatively good rating for a health care system. "Certainly, there is a lot of competition (among hospitals) in northern New Jersey and the fact that Atlantic has had (financial) losses is problematic," she said. Atlantic Health System, which includes the four hospitals, plus its affiliates, Newton Memorial Hospital and Bayonne Hospital has 2,115 beds and serves nearly 5 million people annually, according to the hospital. Martin Arrick, also with Standard & Poor's, said the management changes appear to make sense. He last analyzed the system in 1997. "And all the hospital managers came from within each hospital," he said. He said an outside person can often focus on the entire system instead of an individual hospital. "You get rid of old management and bring in people who are not aligned to any one hospital," Arrick said. "This can be one of the key things to improve a financial profile through system coordination and consolidation," he said. Oths and Trunfio will meet Jan. 26 with Atlantic Health System's board of trustees to outline the specifics in the restructuring plan.

From Newark Ledge Star, 04 January 2000

STATE SOCIAL SERVICES AGENCY AIMS TO STREAMLINE BUREAUCRACY

The state's social services department on Monday released the second half of its massive reorganization plan, fleshing out its design to reduce 15 service districts to seven regions. In the plan, the Department of Children & Families streamlined its management structure to make it more controllable. For instance, the state's child care program, which has seen its budget swell to more than $400 million, is still managed by the state's overburdened child welfare program. Under the new plan, child care should be its own program, the plan states. A big chunk of the plan, however, focuses on how the department will make the transition to community-based care, in which local agencies take on the brunt of social service responsibilities while the state acts as overseer. To keep employees who may be tempted to jump ship during the transition to privatization, the plan outlines incentives such as lump-sum payments to stay, money to change jobs and generous severance packages. But the best incentive, said Phyllis Scott, Broward County's DCF district administrator, is for the department to continue to be financed sufficiently so employees don't feel overworked and overwhelmed. "The one thing for sure is we do need to come up with a plan that will help us to retain staff as we move to community-based care," Scott said. "Our goal is to make sure we pass off to a community a program that's viable." The department's plan emphasizes the need for lead agencies in seven regions to establish a system of care based on a community's needs -- rather than the department's former one-size-fits-all approach. The department has been charged by the Legislature with privatizing its beleaguered child welfare system by 2003. Already, four counties, including Broward, have started by handing child abuse investigations to local sheriff's offices. Communities are wrestling with the issue of which agencies will become their lead agencies and how they will improve the haphazard, often dangerous foster care system. The state's plan notes that the lead agency may be a branch of local government or an area nonprofit organization. As communities take more control, the department will step back from providing direct services and instead offer leadership and advocacy.

From Sun-Sentinel, 3 January 1999

INTERNET PLUS CONTENT EQUALS POWERHOUSE

The megamerger of America Online Inc. and Time Warner Inc. will create a marketing and E-commerce powerhouse the likes of which consumers have never experienced. The deal combines AOL's approximately 20 million Internet customers with Time Warner's media jewels, which include Time, Fortune and Sports Illustrated magazines and a plethora of movies and music. It sets the stage for a new era in on-line household entertainment that will allow consumers to do such things as surf the net, download and purchase music and videos and read magazine articles -- all from a single box. "The merger highlights the fact that the Internet, the new economy, is not a joke," said Keith Kocho, founder of Extendmedia Inc., a multimedia content creator in Toronto. "TV will increasingly be used as a marketing vehicle." Duncan McKie, a senior vice-president of Pollara Inc., a strategic public-opinion and market-research company in Toronto, said Time Warner has a treasure trove of archived material that it will now be able to remarket to a vastly expanded audience. Mr. McKie said half of the total $627-million in on-line sales during the Christmas period in Canada consisted of books and music, Time Warner's bread and butter. "This deal gives Time Warner the potential to be one of the largest sellers of this type of on-line materials in the world," he said, adding it also gives the giant a pipeline to the coveted 18-to-34 age group, "who have probably never seen, for instance, a lot of the company's older films, cartoons and TV shows." Analysts said the AOL-Time Warner deal is significant because it ensures that the pace of technological change will accelerate and it clears the playing field for a new breed of media company that combines high-quality content with high-speed access and E-commerce. "We begin to see with this merger the differentiation of the Internet as a utility and the Internet as a content medium," Mr. Kocho said. Mr. Kocho said the biggest single impact on the consumer is not so much new services, but easier access to a variety of entertainment products over one bandwidth. "It's a branding strategy called AOL Everywhere. Whenever you have a media experience, they want you to have it with them." Broadcast and cable programmers have been experimenting with various forms of convergence for a few years.

National Football League games on ESPN, for instance, offer viewers interactive games on the cable channel's Web site tied to Sunday NFL play. There are on-line versions of Sony Entertainment's popular Jeopardy and Wheel of Fortune syndicated game shows for viewers who subscribe to the WebTV Internet service. And Disney's ABC hopes to unveil an interactive enhancement for its hit show, Who Wants to Be a Millionaire. On NBC's new http://www.nb.com/21 Web site, for example, viewers of game show Twenty One can log on and participate in an on-line sweepstakes and a trivia challenge that runs independent of the television show. Not too far in the future, industry pundits also predict viewers will be able to tailor-make the ending of their favourite TV show or movie: happy, sad or somewhere in between. And advertising will also be interactive: a change that has broadcasters scratching their heads over the role they will play in that uncharted environment. "We're at a very interesting crossroads and there are big changes coming," said Tom Strike, chief operating officer of CanWest Global Communications Corp., in Winnipeg. "The challenge for us as a broadcaster is to maintain our position in the chain," Mr. Strike said. "In a wide universe of choices it's incumbent on us to ensure we are one of the destinations for people." A recent article in Business Week predicted that the competition with satellites will accelerate cable's rush to offer digital services, including Internet access and ever-larger selections of cable channels. By the end of the year, the article estimated, more than 80 per cent of cable subscribers will be able to get some version of two-way interactive service, compared with 45 per cent in 1999. It added that with computer prices dropping to less than $600 (U.S.) in the United States, nearly two-thirds of U.S. consumers will have on-line access in 2000. Ken Goldstein, president of Communications Management Inc. in Ottawa, said the media business is in the midst of restructuring itself around the idea that companies can no longer restrict themselves to one medium or one method of delivery. "This merger has made us all rethink the notion of what media companies will be in the future, both in terms of their structure and their size," he said.

From Canada-Global and Mail, 11 January 2000

Public Finance

ASIA/PACIFIC

CHINA-HONG KONG FINANCE CHIEF PREPARES TO ANNOUNCE SALES TAX

A sales tax is set to be announced in the March Budget as a long-term measure to help avoid chronic deficits. Despite fierce opposition from major political parties, officials are determined to impose the tax "in one shot" in the 2000-01 Budget, to be delivered by Financial Secretary Donald Tsang Yam-kuen on March 8. Officials suggest the rate will initially be low, with no exemptions. A cut in profits and salaries tax could be introduced as part of the package. Senior finance officials say a more broadly based and fairer tax based on consumption is the long-term solution to entrenched deficits. A source said the Government would "need to introduce a sales tax" if an examination of statistics due out this month confirmed fears of systemic deficits. Officials are said to be worried by shrinking revenue this financial year, brought about by falls in land and land-related revenue such as land premiums and stamp duty. They say salaries tax revenue is unlikely to grow in the medium term and fear the growing globalization of businesses will lead to "leakage" of profits tax, which is levied on a territorial basis. Officials have concluded all direct taxes are under threat and "all signs are that deficits will become systemic". There was a $32 billion deficit last year and a $36.5 billion deficit is forecast for this year, although officials have said it may be lower because of increased revenue from stock transactions. A $5.6 billion deficit has been forecast for 2000-01. Officials are alarmed that, since 1998, government recurrent spending has exceeded recurrent revenue. They fear recurrent deficits could reach "double-digit billions of dollars" if there is no new source of revenue. Economists have estimated a one per cent sales tax would generate revenue of $7 billion. Some have expressed support for a sales tax and indicated at recent meetings with the Financial Secretary that two basic conditions - low inflation and stable economic growth - are possible in the next financial year. Officials believe they will miss the boat if they do not bring in the tax soon. It is understood finance officials have reviewed studies on sales tax conducted in 1998 and are confident of formulating an early detailed scheme if the community gives consent. Although the deficits can be covered by reserves, further drawings from them would hurt the ability to defend the Hong Kong dollar. And officials fear legal challenges over whether "systemic deficits" are in line with the budgetary guidelines in the Basic Law. Recurrent public expenditure is expected to grow 6.4 per cent this financial year. Officials expect to cap its growth at 3.5 per cent or below in the March Budget and 2.5 per cent in the 2001-02 financial year. Non-affiliated legislator Eric Li Ka-cheung, representing accountants, doubted whether political parties "can talk reason in an election year", indicating Mr Tsang will find it hard to push the tax through. It was common overseas for two or three years' preparation before a sales tax was introduced, said Mr Li, who agreed it was a viable option. "He [Mr Tsang] will have done a good job if he is able to put forward a detailed proposal as the basis for consultation in March," he said. "You have got to have full and wide consultation under the present political system."

From South China Morning Post, 11 January 2000

TAXATION - STRONGER ECONOMY DELIVERS WINDFALL IN CHINA

China tax revenues rose sharply last year, growing at twice the rate of the economy, helped by improved economic performance and Beijing's crackdown on smuggling, according to the top tax official. Jin Renqing, director-general of the State Administration of Taxation, said membership of the World Trade Organization would pose a big challenge but foreign investors would lose preferential tax rates after WTO entry. The state collected a record 1.03 trillion yuan (about HK$963 billion) in taxes last year, an increase of 13.4 per cent, against growth in gross domestic product of 7.1 per cent. It was the first time the figure exceeded one trillion yuan. Mr. Jin attributed the strong performance to government measures to stimulate the economy, improved efficiency of state companies, a new tax on interest from bank deposits, a crackdown on smuggling and more efficient methods of collection. The share of revenue provided by state companies fell to about half of the total, with foreign-invested firms next with about 16 per cent, collectives with 14 per cent, shareholding companies with 12 per cent, and private firms 8.5 per cent. Value-added tax accounted for half the total, with consumption tax topping 101.3 billion yuan, an increase of 82.17 per cent. An anti-smuggling campaign helped to boost tariff income to 57.6 billion yuan, up 78.5 per cent, and an active stock market pushed up stamp duty on share trading by 19.4 per cent to 24.5 billion yuan. Improved enforcement resulted in the collection of 20 billion yuan of the 50 billion yuan in unpaid taxes but at a heavy price to the collectors. Since 1993 about 20 have been killed and several hundred injured in the line of duty, mainly in rural areas. To boost exports, Beijing last year increased the level of rebates paid to exporters, with the amount rising 43.6 per cent to 62.8 billion yuan. A form of subsidy, the rebate is paid to exporters of selected goods as partial or full compensation for the VAT they pay when they manufacture the products. Asked about the impact of mainland entry to the WTO, Mr. Jin said: "This is irreversible. It will bring new problems and difficulties. Import tariffs should fall to 10 per cent by the year 2005 from the current 17 per cent and we should extend national treatment to foreign firms, who will pay the same tax levels as Chinese firms." Mainland companies pay income tax of 33 per cent, compared with only 15 per cent paid by foreign firms. Mr. Jin declined to say what level the unified rate would be.

From the South China Morning Post, 12 January 2000

HONG KONG SALES TAX WOULD KILL OFF RECOVERY, RETAILERS PREDICT

A tax on shoppers would cripple the economy by killing consumer confidence and putting off tourists, angry retailers said yesterday. They said a sales tax - which at two per cent could add 22 cents to an MTR ticket and more than $20,000 to the price of a luxury car - would deal a severe blow to tourism and retailing at a time when they were just showing signs of recovery. "Whether it's two or three or seven per cent, it will definitely have a psychological effect," said Victor Doone, executive manager of the 1,100-member Association of Better Business and Tourism Services. "People bargain very hard nowadays - even for a 10 per cent discount they'll fight very hard to get it - and now you're adding to the price. "People will say that since the price has gone up, maybe these are things they don't really need and they'll hang on to their money. "The economy is just beginning to revive itself; if you introduce it now, it will definitely dampen the speed of recovery." Selina Chow Liang Shuk-yee, Liberal Party legislator for the wholesale and retail sector, said blossoming consumer confidence was fragile and neighbouring cities were already more competitive than the SAR. "People are going out of Hong Kong to spend, and the introduction of a sales tax would only send the wrong signal and deal a further blow to consumer confidence," she said. "The domestic market is already suffering enough." Wellcome marketing director Doug Brown said shoppers would accept a one per cent sales tax as a minor irritation, but if the rate was much higher it would have a "huge impact". "The ability of people to accept a [flat tax on goods] I guess depends on their ability to afford it, and right now clearly it would be unwise. It would be coming at a very bad time," he said. "Hong Kong consumers have already tightened their purses a lot over the past year or two. This would just be one other reason for them not to buy." Mr. Brown said another problem would be that retailers would become "unpaid tax collectors", bearing a significant workload that could cost them extra and eventually lead to even higher prices on the shelves. "There's a huge amount of administration that goes into this, and we don't need to tell the Government that one of the major reasons why Hong Kong is so competitive is that it's reduced administration to a minimum and allows businesses to focus on business," he said. Ms Chow said a sales tax would "certainly damage Hong Kong's reputation as a shoppers' paradise" for tourists and could undermine the recently signed Disneyland deal. Mr. Doone said: "All the tourists might be able to claim a refund as they're not Hong Kong residents, but you have to go to a lot of trouble and there will be a psychological barrier." Hong Kong Hotels Association executive director James Lu Shien-hwai said getting tax rebates could be a "nightmare" for tourists. He urged the Government to consult the community before imposing a new tax. "We understand the logic behind it, but I think now it's a bit dangerous," he said. "It has to be considered in light of the tourism industry, which has just started to recover." Consumer Council spokesman Kenneth So Wai-sang said it had not been consulted by the Government about a sales tax and it did not have a position on it yet.

From the South China Morning Post, 12 January 2000

CHINA'S DEBT EXPANDING TOO QUICKLY

Lou Jiwei, China's vice-minister of finance, says that the national debt, while not large, is expanding too fast, the December 30 Renmin Zhengxie Bao (The Chinese People's Political Consultative Conference Newspaper) reported. China's current national debt is estimated to be RMB 800 bln (US$96.74 bln), or about 10% of GDP, the paper cited Lo as saying. The reason for the expanding debt, he said, was China's expansionary fiscal policy, which include government bonds issued at a rate of RMB 400 bln (US$48.37 bln) per year. China's expansionary fiscal policy was put in place to counteract a deflationary trend that has lasted two years. Last year, Beijing spent RMB 200 billion (US$24.15 bln) in state debt on infrastructure development projects, which Beijing estimates added two percentage points to economic growth. State media reported in December that China will issue an additional RMB 100 bln (US$12 bln) in treasury bonds in 2000 to fund a number of infrastructure projects. Among them are development projects in the relatively underdeveloped western provinces, an express railway between Shanghai and Beijing and a major project to divert water from the south to the north. Particularly worrisome are China's social security system and banking system, Lo said. If things continue to worsen, it is likely that the government will have to shell out trillions of renminbi to bail them out, the paper cited him as saying. Social Security, Banking Burdens China's social security system is burdened by an ever increasing number of layoffs resulting from the nation's drive to restructure and shut down hundreds of troubled state-owned enterprises. Social welfare services currently meet only 5% of social demands, the January 11 Hua Sheng Bao quoted a Ministry of Civil Affairs official as saying. The nation's banking system, meanwhile, is burdened by huge amounts of bad loans given to the state-owed enterprises over a number of years. Last year China set up four asset management companies to take over the bad debt of China's four big commercial banks, but many are predicting extremely low rates of recovery and huge write-offs. The eventual write-offs, in addition to the interest payments on the bonds, could reach RMB 1 trillion (US$121 billion), a sum equal to the entirety of the government's fiscal revenues in 1998, according to Moody's. The article ended on a note of optimism, citing Lou as saying that China's active fiscal policy will only last as long deflation. When deflation begins to fade and prices rise in the range of 3-5%, the government will immediately begin cutting the deficit, he said.

From China Online, 12 January 2000

KOREA NAMES LEE HUN JAI AS FINANCE MINISTER IN PRE-ELECTION RESHUFFLE

Lee Hun Jai, South Korea's tough-talking financial regulator, was named Finance and Economy Minister, as President Kim Dae Jung replaced half of his 19- member Cabinet ahead of the nation's April general election. Lee, 56, who led the nation's corporate and financial reforms during his 21-month stint as chairman of the Financial Supervisory Commission, replaced Kang Bong Kyun, who has decided to run in the elections for National Assembly members. The changes come as Kim moves to give fresh impetus to reforms as the Government grapples with creditors over tottering Daewoo Group, which could derail Korea's faster-than-expected economic recovery. In winning the job, Lee edged out 60-year-old Jin Nyum, the current planning minister who has also served stints as labor minister and vice minister of finance. "Both people have played quite an important role in Korea's economy and their influence will remain strong," said Lee Namuh, research head at Samsung Securities Co. "But for the investment community, Lee will be a much more suitable person." The partial Cabinet reshuffle came after legislators approved Park Tae Joon as the new Prime Minister, replacing Kim Jong Pil, who stepped down Jan. 11. Park, 73, is founder of Pohang Iron & Steel Co., the world's biggest steelmaker, and president of the ruling United Liberal Democrat Party. Granted, analysts see few changes in Korea's economic policies after today's reshuffle, as new members of the Cabinet were more or less involved in policy making under Kim's administration. "I don't expect the Cabinet reshuffle to result in any significant change in government policy," said Eden Wong, an analyst at Banque Paribas SA. "This latest development is not going to have a major impact on market sentiment over the near term." Reflecting the government's drive to keep on top of corporate and economic reforms, Lee Yong Keun, vice chairman of the Financial Supervisory Commission, was promoted as head of the watchdog agency. "Essentially the FSC was carrying out the role of the finance minister. Really it's just formalizing Lee as the senior most person at the ministry," said Robin How, a managing director at APC Asset Management (Hong Kong) Ltd. Other major appointments today include Kim Young Ho, an economics professor at Kyongbuk University, who replaced Chung Duck Koo as Commerce, Industry & Energy Minister, and Lee Joung Binn, head of Korea Foundation and former ambassador to Russia, who was appointed as Minister of Foreign Affairs and Trade. Other replacements included the heads of the Maritime Affairs and Fisheries Ministry, the Construction & Transportation Ministry, the Ministry of Government Administration of Home Affairs, the Ministry of Government Policy Coordination and the Education Ministry. Korea's stock and bond markets were little changed in the run-up to the announcement. The yield premium for South Korea's 10-year global bonds due 2008 is about 165 basis points more than U.S. Treasury bonds of comparable maturity, unchanged from yesterday. The main Kospi index fell 0.4 percent to 951.05 points, extending a 3.3 percent decline during the past two days. Still, the incoming finance minister's job carries many challenges, such as determining the fate of ailing Daewoo Group, whose creditors remain at odds over how to handle the conglomerate's $78 billion debt. Daewoo's collapse could threaten the recovery of the economy, which needed an International Monetary Fund bailout in late 1997 to avert national bankruptcy. Last year, Korea's economy grew more than 10 percent. Depending on how Daewoo is handled, it could make investors uneasy as unemployment and labor protests could increase. The Government has said Daewoo Corp., the group's biggest and most indebted unit, will be placed under receivership, unless its foreign debt problems are resolved. "There's still a lot of risk in the system. In the short- term I would say that risks are rising," said APC's How. "Lee's promotion to finance minister is good news for the capital markets because he is very well versed in market principles and market economies," said Cho Kyu Won, research head at LG Securities Co. " Moreover, he is not like other typical bureaucrats in the past." Lee, who brings an insider's knowledge of both the chaebol and government to the post, was called on by policy-makers during the nation's financial crisis in early 1998 and has so far done what few dared. He shut dozens of troubled lenders, brokerages and trust companies and challenged their biggest customers, the sprawling conglomerates known as the chaebol, winning the reputation of a reformist crusader in the international community. Before heading the FSC, Lee served as a director in the Ministry of Finance's international department as well as an executive of Daewoo Group's trading and electronics units. His career also included a range of positions from being a board member at the stock market supervisory body to the president of Korea's first credit rating company.

From Bloomberg, 13 January 2000

CHINA FIRMS HIRING UNEMPLOYED WORKERS GET TAX EXEMPTION

Companies in China that hire over 60% of their labor force from the nation's pool of unemployed workers will be exempt from business taxes for three years, CCTV (China Central Television) reported on January 18. The initiative is one of a number of preferential policies formulated by the Ministry of Labor Security and State Taxation Bureau aimed at reemploying China's growing ranks of laid-off workers. China's efforts to reform its state sector have resulted in staggering levels of unemployment, and Minister of Labor Security Zhang Zuo Yi said last week that an estimated 12 million more workers will be laid off from state-owned firms this year. Business registrations will be simplified for laid off workers who take on household services jobs [caregiving, cleaning, cooking, etc.], and they will be exempt from business taxes, personal income tax and administrative charges for three years. Applications filed by laid-off workers wishing to start their own businesses or private enterprises will be processed as soon as possible by the Industrial and Commercial Administration or the Urban Planning Department, and administrative charges, etc. will be either exempted or reduced during the first year of business. China's private sector absorbed 1.36 mln laid off workers in the first eleven months of 1999, absorbing an average of 4,000 workers each day, according to statistics from the National Industry and Commerce Administrative Bureau

From China Online, 19 January 2000

CHINESE OFFICIALS URGES TO STUDY FINANCE, TAXATION

People's Daily carries an editorial today, urging officials to become more knowledgeable about finance and taxation so that they can contribute more to economic development and social progress. The editorial, echoing President Jiang Zemin's speech at a national seminar on finance and taxation Wednesday, which was attended by leading officials at provincial and ministerial levels, stresses that a good command of economics, particularly finance and taxation, will help officials better perform their duties, which, in due course, will contribute to sound and sustained economic growth. The editorial stresses the pivotal role of finance and taxation in the growth of the national economy and social development, citing President Jiang as saying that "Financial policy is an important means in macro-economic control and solid financial strength is the foundation of a nation's power, stability and safety." "Taxation is not only the major source of state revenue, but also an important economic lever for the nation to realize macro-economic control," it adds. "All Party officials, especially those in leading positions, should be fully aware of the importance of the finance and taxation work, and should learn hard how to better manage money-related matters for the people," the editorial notes. The Central Government has adopted a series of positive and successful financial policies while achieving breakthroughs in reforms of China's financial systems over the past years, which effectively protected the country from getting mired in the Asian financial crisis in 1998 and 1999. Last year, the nation's total tax revenue hit an all-time high of 1 trillion yuan (about 120 billion US dollars). However, the editorial acknowledges that there still exist some outstanding issues hampering the smooth development of the financial sector. "Both the proportions of revenue in the country's GDP (gross domestic product) and the Central Government revenue in the national coffer are relatively low, and the structure of fiscal expenditure needs to be further rationalized," it says. The editorial blames some wrongdoing in concerned departments, such as rampant fee-charging, saying that they not only "seriously affect the macro-control function of the revenue system" but also "are a hotbed of corruption." "A complete and unified monetary and taxation system should be established in the course of continued reforms," it notes. The editorial says that consistent study of economics, politics, science and technology, laws and regulations, history and literature is a prerequisite for improving the quality of officials at all levels. In an era of knowledge-based economy, globalization and multi-polarization, the pace of scientific and technological advancement and that of knowledge renovation are accelerating. Competition hinges more on a growing contingent of qualified personnel, the editorial says. To do a good job in their posts, the editorial points out that Chinese officials should keep themselves abreast with the latest fruits of scientific and technological advancement, be more knowledgeable about economics, and improve their ability of macro-control. The editorial concludes by calling on officials across the country to study harder in order to scale new heights in the course of China's socialist modernization.

From China People's Daily, 20 January 2000

WOMEN OUTRAGED OVER TAMPON TAX IN AUSTRALIA

The decision to impose a goods and services tax on tampons would create ongoing hostility from women's groups, the Federal Government was warned yesterday. After a nightmare start to the GST's public relations campaign, the federal Treasurer, Mr. Peter Costello, was forced to concede on his return from holidays yesterday that "teething problems" and "price rises" would complicate the tax's introduction. But his comments were overshadowed by those of the Health Minister, Dr. Michael Wooldridge, who outraged women's groups when he declared that tampons were just like shaving cream and should be hit with a GST. Dr Wooldridge dismissed a call by the Women's Electoral Lobby for the Government to drop plans to put a GST on tampons, which at present attract no sales tax. The WEL spokeswoman, Ms. Erica Lewis, said women had no choice but to buy sanitary products and to be slugged with a 10 per cent tax amounted to sexual discrimination. But Dr. Wooldridge said: "I'd like shaving cream exempt but I'm not expecting it to be." He said while condoms, sunscreen, folate pills, and aspirin were exempt because they provided clear medical benefits, menstruation was not an illness. "I wasn't aware that menstruation was an illness shaving cream isn't exempt, soap isn't exempt, toilet paper isn't exempt." Ms. Lewis said once the GST was applied, the cost of tampons could be in excess of $50 a year for menstruating women. "If there's one thing that riles women like no other it's the cost of sanitary products and authorities' apparent inability to get the picture. "Unfortunately, taxation legislation is not covered by the Sex Discrimination Act, so maybe the people who decided to tax tampons thought they were in the clear. But they are very mistaken. This is an issue that isn't going to go away." A national day of protest is planned for 25 February. After a week of bungling by the junior Treasury minister, Mr. Joe Hockey, and the acting Prime Minister, Mr. John Anderson, sent the Government's GST campaign spiralling into disarray, Mr. Costello yesterday declared that the issue of rounding up prices had always been clear. "It's been made entirely clear that with the abolition of wholesale sales tax and the introduction of a goods and services tax at a level of 10 per cent, that prices will not be rising beyond that," Mr. Costello said. But the Business Council of Australia's executive director, Mr. David Buckingham, said talks last year "at the highest level" indicated that the Government would give business freedom to round up prices in some cases, and down in other cases.

From Australia-The Age, 22 January 2000

EUROPE

SLOVAK CENTRAL BANK TO UPHOLD CROWN STABILITY

The head of the Slovak central bank's monetary department, Elena Kohutikova, said on Tuesday the central bank was considering ways of preventing privatization proceeds from destabilizing the Slovak crown. The Slovak Government has an ambitious programme of privatization in 2000 and 2001 including stake sales in major banks, the fixed line telephone monopoly and other utilities. "We are considering various possibilities so that the influx of foreign currency, or foreign currency converted into crowns, would not excessively dent the stability of the money market or the forex market," Kohutikova told Reuters in an interview. Analysts say state sales could complicate central bank efforts to prevent a sharp firming of the crown. Other countries in the region have considered creating special accounts for privatization inflows to keep them from boosting their currencies and thus hurting trade performance. "We are considering various possibilities and we will attempt to find some braking mechanisms so that that influx of foreign exchange or the influx converted into crowns won't cause major problems," she said. One example of the possibilities being considered, she said, would be to deposit privatization income in the central bank. The central bank intervened on Monday at around 42.29 to the euro, in line with several interventions in December which came when the crown firmed over the 42.3 to the euro level. Kohutikova repeated central bank policy that interventions are designed to prevent volatility but not to counter trends. “At the moment it (the 42.300 level) is in our view sort of a sustainable boundary firmer than which the exchange rate should not go too much, although if there was a long term factor like for instance a sustained decline in the trade balance deficit that (boundary) could change,” she said. “At the moment the foreign exchange market is affected by factors that are quite one time in their character,” she added saying current fluctuations had been caused by such factors as end of year position closing and new year position opening.

From Reuters, 4 January 2000

EU's KINNOCK TO UNVEIL REFORM BLUEPRINT

The European Commission prepared on Wednesday to launch proposals to modernize the way it is run and revamp its financial controls in an effort to restore public confidence after a fraud scandal last year. Britain's Neil Kinnock, vice-president of the EU executive in charge of reform, will present a report outlining the planned changes to members of the European Parliament in the French city of Strasbourg. Reforms are vital to EU hopes of reviving public faith. But Kinnock is likely to have to do much more before the Commission wins over the sceptical public, and is likely to hear calls from some parliamentarians for more radical reforms. “We've got a vast majority of people of great ability, but they haven't been properly used and they haven't been managed at the levels you would expect,” Kinnock told BBC radio. “Changing that is going to take time but what we are doing is providing the equipment and the follow-through according to a very strict timetable, in order to achieve the change,” he added. European Commission President Romano Prodi entrusted Kinnock with a key role when the new, 20-member executive was confirmed in office last September, six months after the resignation of the discredited Commission led by Luxembourg's Jacques Santer. Santer's team, in which Kinnock was transport commissioner, was forced to resign after allegations of mismanagement, fraud and cronyism at the heart of EU decision-making. Prodi immediately pledged to make sweeping changes and vowed to react to recommendations by three elder statesmen, or “wise men,” who condemned the Commission's management of public money. The outline of Kinnock's plan is already known but his White Paper will offer guidelines on how the reforms will be carried out. It gives the parliament a chance to express its views before a final plan is issued in February. Kinnock has said the Commission will revamp its recruitment policies and disciplinary procedures and set up a new audit service to keep track of its finances by May at the latest. He wants the management of the Commission modernized so that promotion is determined by merit, and says recruitment should discriminate positively in favour of women. The Commission has already vowed to review the rotation of top civil servants around different departments and to ensure each member state is fairly represented. British Prime Minister Tony Blair's official spokesman said Blair expected Kinnock's report to be “a key Landmark” in the reform process. “The Prime Minister believes Commission reform has to be the top strategic objective fundamental to rebuilding public confidence,” he said, adding: “Neil has proven reform credentials having reformed the Labour Party.”

From Reuters, 19 January 2000

THE AMERICAS

FINANCIAL SERVICE CHIEF EXECUTIVES FORM NEW LOBBYING GROUP IN WASHINGTON

Chief executives of 19 top U.S. banks, insurance companies and investment banks are joining together to form a new lobbying group in Washington, the New York Times reported. The lobbying group, called the Financial Services Forum, will promote issues such as consumer privacy and access to foreign markets. Members include Chase Manhattan Corp., Citigroup Inc., Bank of America Corp., the American Express Co., American International Group Inc., Prudential Insurance Co., Morgan Stanley Dean Witter & Co., Merrill Lynch & Co., and Goldman Sachs Group Inc., the newspaper reported. The campaign finance research group FECInfo said that businesses and their interest groups spent $697 million in the first six months of 1999 trying to influence Congress and the federal government.

From Bloomberg, 06 January 2000

WHITE HOUSE TO PROPOSE TAX PLAN AGAIN

President Clinton will propose a package of tightly targeted tax cuts resembling the five-year, $36 billion plan that congressional Republicans rejected last year, a top aide says. "I think you can expect the president to propose a tax cut in his budget and in his State of the Union" address, White House chief of staff John Podesta said Sunday on CBS News' Face the Nation. "I think that it will be about the size that we proposed last year." Pushing aside Mr. Clinton's relatively modest proposal, the GOP-led Congress passed a 10-year, $792 billion package that included across-the board tax cuts, elimination of the so-called marriage penalty and estate taxes and reduction in capital gains levies. But that package fell victim to a presidential veto. The president contended that the Republican measure would eat into a projected budget surplus without making adequate provisions for preserving Medicare and Social Security. He also argued that it gave too much relief to the wealthy. Podesta said Sunday the fiscal 2001 Administration tax cut proposal would be similar is scope to last year's package. "The reason for that is, as we said over and over again last year, that...we've got an important opportunity now to make investments in Social Security, in Medicare, in modernizing and improving our military, in education, in these other priorities," he said. "But we do think there's room for a tax cut targeted at the middle class, and we'll be putting forward one." While it will be similar to the 1999 package, "I think we may have some new ideas in that regard," Podesta said. "Most of the net tax cut that we put forward last year went to increasing savings, and we're going to continue with a tax relief in that area so that people can save for their retirement along with extending the solvency of Social Security. That's an important goal that we have," he continued. "But I think we may manage to change the package a little bit to invest in some other important priorities, like expanding health insurance coverage and investing and making sure that the people at the bottom end of the income scale get a fair break in the tax code." Podesta declined to give further details or figures, saying Mr. Clinton would lay them out in his State of the Union address later this month. The president's proposals last year consisted of about three dozen measures tightly targeted to benefit specific groups, but no broad overall relief. The various credits totaled $36.2 billion over five years. For example, the president sought a $1,000 tax credit to defray the costs of caring for a disabled or chronically ill relative and another $1,000 credit for disabled workers to offset the extra costs they sometimes face in holding a job. A third middle-class credit proposed last year was aimed at encouraging small employers to provide health insurance for workers. In the end, the only tax bill to be enacted last year was an extension of some relatively small provisions that were set to expire.

From CBS News, 3 January 2000

WHITE HOUSE FINISHES REGULATIONS FOR DEBT BUYBACK

The Clinton administration has completed work on regulations needed to start buying back a portion of the $5.76 trillion national debt, an administration official said today. About $25 billion could be bought back this year, the official said. The official, who spoke on condition of anonymity, said the Treasury Department had completed a review of proposed rules it put out for public comment in August and that Treasury Secretary Lawrence Summers would publicly release the rules later in the day. The official said that while the figures were still being discussed, one plan was to buy back about $25 billion in publicly held debt this year. The debt buybacks would be the first since 1972. The Government is in a position to make the purchases because of the huge projected budget surpluses over the next decade. The surpluses have been the subject of intense debate between the administration and Congress involving such politically charged issues as protecting Social Security and providing tax relief. The total national debt is $5.76 trillion. Of that amount about $3.6 trillion is held by the public in the form of Treasury securities. This is the portion that would be bought back. The rest of the debt, some $2 trillion, is held by the government's large trust funds, most significantly the Social Security trust fund.

From Chicago Tribune, 13 January 2000

U.S. STALLS OVER PRIVATE ROLE IN CRISES

Germany is unhappy over foot-dragging by the sector banks in the management of international financial crises, a senior Finance Ministry official said on Thursday. The official said Germany hoped work on international financial reforms would be completed in time for the Spring meetings of the International Monetary Fund and World Bank. Speaking on condition of anonymity, the official said “We want to push the pace.” Hinting that resistance was coming from the U.S., where campaigning for the presidential election in November is already in full swing, the official added: “Things often look different in an election year.” German officials have said Washington has been reluctant to move ahead on the reform issue, knowing that Wall Street banks would end up shouldering the heaviest burden of any future private sector operations to rescue insolvent government borrowers. The official also expressed reservations over U.S. Treasury Secretary Lawrence Summers' call late last year to modify the role of the IMF away from being a provider of long-term help towards becoming an emergency lender of last resort. He said the IMF should retain its long-term development role and continue to work closely with the World Bank: “We are not just talking about short-term crisis management here,” he added. The remarks, coming ahead of this weekend's meeting of finance ministers from the Group of Seven rich nations in Tokyo, appeared likely to sharpen differences between Germany and the U.S. over who will become the next head of the IMF. Summers has made little secret of his opposition to the candidacy of German Finance Ministry State Secretary Caio Koch-Weser, who has also struggled to rally Europe-wide support. Summers called last week in Washington for a candidate with “stature, expertise, ability to command global support and commitment to a process of ongoing reform” to replace outgoing IMF chief Michel Camdessus. The remarks amounted to indirect criticism of Koch-Weser, who has less than a year's experience in national government at deputy minister level.

From Reuters, 20 January 2000

Private Sector Development

AFRICA

KENYA POSTPONES PRIVATIZATION OF TEA BODY

Kenya's Government has postponed the privatization of the Kenya Tea Development Authority (KTDA) by six months to July, managing director George Kimani said on Thursday. The delay was to allow adequate preparation and consultation with all stakeholders, particularly the smallholder sector, Kimani said in a statement. The privatization of KTDA, which controls over 60 percent of the market, had been scheduled for January 2000. The tea sector, Kenya's largest foreign currency earner, has been rocked by corruption and mismanagement allegations.

From Reuters, 30 December 1999

NIGERIA AIRWAYS PROBE WANTS FASTER PRIVATIZATION

Probing alleged fraud and mismanagement at state-run Nigeria Airways on Thursday recommended accelerated privatization and management changes to revive the moribund national carrier. The panel said Nigeria Airways now had one working aircraft compared to 26 in 1983 despite the fact that over the same period Government had spent more than $720 million on the airline while it earned $3.6 billion in revenues. "The airline is in need of a highly skilled and experienced management with capacity for planning and diligent execution of such plans," said probe panel chairman retired Air Commodore John Jang. "The panel is not unmindful of the current efforts being made on the privatization of the airline. It is our considered opinion that this should be accelerated," he said. Consultants were recently appointed for the sale of the airline, which is heavily indebted but has access to lucrative foreign routes under bilateral air services agreements. The panel is one of several set up by President Olusegun Obasanjo to investigate state corruption and incompetence during 15 years of military rule which ended when he took office in May. Jang said particular areas where fraud appeared to be a problem were insurance premiums, fuel and oil, engineering, maintenance and ticket sales, while $34.5 million paid as insurance for a crashed DC-10 had not been accounted for. He accused some military and civilian chief executives -- of which there were a total of 12 between 1983 and 1999 -- of neglecting basic operations while huge debts were run up. "NAL today has aircraft engines, equipment and spares scattered in all continents of the world except Australia and it is owing virtually every organization it has come in contact with," Jang said.

From Reuters, 30 December 1999

TUNISIA EXTENDS PRIVATIZATION TO TELECOMS

Tunisia plans to grant a license to a private GSM mobile phone service operator in the first privatization in the telecommunications sector, senior officials said on Thursday. "We will seek a GSM phone operator this year. This is an instruction of president Zine al-Abidine Ben Ali as part of our privatization programme," Mohamed Rachid Kechiche, Secretary of State (junior minister) for Privatization told Reuters in an interview. "We will have to seek first a bank to advise us and everything must be completed by the end of 2000," he added. The country's sole telecommunications operator is state-run Tunisie Telecom, which already runs a GSM network. The new private operator would be the country's second mobile phone operator. Kechiche said the move was part of a privatization programme for this year that will be announced within two weeks. "We are to meet this afternoon to discuss the privatization programme for 2000 and the list will be published within two weeks. The publication of the list of firms to be privatized (this year) will be regular as part of the government's policy of transparency to allow would-be buyers enough time to prepare their planning," he said. Among the firms to be privatized this year, Kechiche cited two cement factories, Societe des Ciments de Oum El Kelil (CIOK) and Ciments Artificiels Tunisiens (CAT) for which tenders had already been issued. "The finalization of the sale of these two cement factories is for no later than March (2000)," he said. Tunisia has already privatized three cements plants, two of which in 1998, and one this month with the sale on Thursday of Societe des Ciments de Gabes (SCG) to Portuguese cement maker Semapa's (SEMA.IN) Secil unit for 311 million dinars ($251 million). He said the privatiation programme will also include the sale of shipyard SOCOMENA for which the parliament last month had already issued a law allowing tax advantages for the would-be buyer. Officials earlier said the government's privatization programme for 2000 would include a public offer at the Tunis Stock Exchange of another 20 percent stake in the capital of airliner Tunis Air (TAIR.TN), and of a stake yet to be defined in the country's largest petrol distributor Societe Nationale de Distribution de Petrole (SNDP). The programme would also include the sale of dairy firm Societe Tunisienne d'Industries Laitieres (STIL.TN) and of furnitures maker Skanes Meubles. Tunisia's privatization programme receipts since 1987 and as of October 31, 1999 were 947.9 million dinars for 144 firms sold fully or partly. This included more than 400 million dinars receipts from the sale of the two cement plants in 1998.

From Reuters, 13 January 2000

ZAMBIAN BUDGET SEEN BOOSTING INVESTMENT, EXPORTS AND PRIVATIZATION

Zambia's 2000 state budget is expected to promote export-led and foreign investment-driven growth policies while aggressively pursuing privatization and infrastructure repair, financial analysts said on Wednesday. They said Finance Minister Katele Kalumba, who will present his budget to parliament on Friday, should find ways to bolster competitive advantages -- such as attracting substantial new investment to copper mining, a major employer and leading foreign currency earner. Kalumba would need cash to improve infrastructural capacity and reduce business operating costs through bureaucratic and legal reforms, and investment in education and skills development, said Venkatesh Sashamani, economics professor at the University of Zambia. Kalumba's hand has been strengthened by the sale of the main assets of Zambia Consolidated Copper Mines (ZCCM) (ZCCM.PA). Seventy percent of the assets will go to mining giant Anglo American Plc(AGLJ.J)(AGL.L), while the balance has been snapped up by a consortium comprising Canada's First Quantum Minerals Ltd and Swiss trader Glencore International AG. Last year the Treasury lost $14 million a month in subsidizing the mines, leaving it with nothing to improve hospitals, roads, schools or telecommunications, Kalumba told Reuters in December. But analysts warned the mines sale was just a first step. "ZCCM privatization alone will not turn the Zambian economy around. Copper privatization is necessary, but not a sufficient condition for a return to sustainable growth," said Standard Chartered Bank in a note to investors. "Because so much emphasis has been laid on reviving the copper sector, there is a danger of Zambia failing to learn the lessons of past disappointments," the bank said. Analysts said growth would depend on a rise in productivity, to be achieved by technological advances in agriculture, services and manufacturing and better use of the country's resources – land and people. That meant possible tax breaks and concessions to technology. Kalumba is poised to continue Zambia's ambitious privatization agenda, with a timetable for the sale of minority stakes in retailer Zambia National Commercial Bank and telecommunications utility Zamtel. "The budget will also devise options for divesting from state power utility Zesco, postal company Zampost, the National Savings Bank and Credit Bank," a government official working closely with the budget office said. Kalumba is looking to improve ties with foreign donors for cash to fight AIDS, which has depleted the pool of professionals in this poor southern African country of 10 million people. "Further emphasis is required for use of government resources. There is a perception that government cash is not put to programmes it is designed for, which greatly hampers economic development here," Sashamani warned. Zambia's gross domestic product (GDP) grew by 2.0 percent last year compared to a contraction of 1.97 percent the year before. Inflation dropped sharply to 20.6 percent from 30.6 percent in 1998.

From Reuters, 26 January 2000

ASIA/PACIFIC

THAI EGAT WORKERS TO PROTEST AGAINST PRIVATIZATION

Thousands of employees of the state-owned Electricity Generating Authority of Thailand (EGAT) will hold rallies on Wednesday to protest against the planned privatization of the country's biggest power plant. EGAT labour union president Sathaporn Maneerut told Reuters demonstrations would be organized at every EGAT plant nationwide and directed from the agency headquarters in Bangkok. "The Government didn't keep its promise to us," he said. "Therefore January 5 will be the first day of our rallies and they will be carried on." EGAT workers have been at odds with the Government over the planned privatization of the 3,200 MegaWatt southwestern Ratchaburi power plant since last year. The 60-billion-baht, gas-fired plant is due to be ready by 2001. Gas for the plant is due to be piped in from neighbouring Myanmar's offshore Yadana field. Last November, the cabinet approved the sale of 40 percent of the Ratchaburi power plant at 20 baht a share to the general public and 15 percent of the plant to EGAT employees at a par value of 10 baht a share in August 2000. "The privatization must get approval from EGAT employees, and now most EGAT workers oppose the share sale to them," Sathaporn said. The Government had originally planned to sell a large stake to strategic partners to lower EGAT debt and increase its working capital. But the plan drew opposition from nationalistic elements in the Thai parliament and labour unions who fear employment conditions in a privatized company may worsen. The cabinet-approved privatization plan provides for EGAT to set up a holding firm with an initial capital of 300 million baht, EGAT officials said. It plans to sell around 40 percent of its holding in the plant to the public by October 2000, and expects to raise around 18 billion baht.

From Reuters, 04 January 2000

OIL, GAS TO TOP PAKISTAN PRIVATIZATION

Pakistan plans to unveil a new programme next month to privatize its state enterprises, with the oil and gas sector topping the list, the military government's new privatization guru said on Thursday. Privatization Commission Chairman Altaf Saleem told Reuters in an interview that a three-phase programme was in the final stages of preparation and would be announced after approval by military ruler General Pervez Musharraf's cabinet. "There is a list of hundreds of enterprises all over Pakistan. Ultimately we may have to privatize even some of your highways. It's a long list, but we are right now concentrating on oil and gas," Saleem said. Giving priority to oil and gas did not mean privatization plans in sectors such as telecommunications and banking had been relegated to the background, he added. He would not specify which enterprises would be offered for sale first. "When my privatization programme comes out in three phases (it) will have all listings, but we have to first share it with the cabinet and get approval before it goes to the press," he said. "It's now almost in the final stages and awaiting approval," said Saleem, who took up his position last month. He said he expected approval during the first two weeks of February. Pakistan's privatization has been faltering for several years and was interrupted further by the October military coup that toppled Prime Minister Nawaz Sharif and put Musharraf in power. Musharraf pledged in a national broadcast last month to revive the process and to use receipts from it exclusively to retire national debt. Saleem declined to say how much could be raised through the privatization process. “This Government wants to accelerate the pace of the process, and we want to create a situation or environment which is conducive to achieve this objective,” Saleem said. “To create such an environment we are trying to create more investor confidence, we are trying to tell the foreign investors that Pakistan is a good place to invest in, and we will deliver what we promise to deliver.” Saleem said the Government was now putting the necessary regulatory framework in place and referred to a decree issued on Monday to set up a Natural Gas Regulatory Authority that industry analysts said would stimulate the privatization of Pakistan's two gas distribution firms. “We are also looking at a privatization law which will give a legal cover to all the transactions that take place under this,” he said, adding he expected the new law by the middle of February.

From Reuters, 13 January 2000

DIE CAST FOR HBL PRIVATIZATION

Modifying an earlier plan of only partial disposal of the Habib Bank Limited, the Privatization Commission has now decided to completely privatize what undoubtedly is the largest commercial bank of the country. It is understood that the new PC design is the result of pressure from the World Bank which wants Islamabad to expedite the process of privatization of financial institutions in line with the spirit of promoting private sector's role in financial affairs. According to the earlier programme, the commission was thinking of selling out HBL's all branches in Middle East along with some more foreign and local branches. "But now the plan has been changed. The newest plan is to completely privatize the country's largest commercial bank. The spade work has been completed and its format will be presented to competent authorities soon for final approval," sources closely associated with the commission told Dawn on Sunday. The sources anticipate that the much slowed down process of privatization will be expedited by the middle of next month. They say documentation pertaining to the privatization of another mega enterprise - the Pakistan Telecommunication Corporation Limited - is also in the final stage. Legal and financial advisers, the sources say, have already given their approval to the PTCL's sell-off plan. The PTCL privatization will follow selling out of the financial institution. Likewise, they say, the federal government has completed paperwork on auctioning some of the top gas and oil ventures. "The PC may ask for bids any time from the second week of next month as the government wants to earn some money before the next annual budget and also to fulfil its agreements with the World Bank and the IMF about the privatization process before June 2000," the sources add. The commission, they say, is hopeful that to the extent of HBL and other commercial banks as well as the PTCL, some stakes of these public sector ventures will be offered for sale through the three stock exchanges in the country. The federal government, the sources say, wants transparency in the process of auction. Previously, auction of many enterprises like federal lodges, hotels and some other ventures had raised many eyebrows even among officials of the commission itself, besides attracting scathing criticism from general public who found some dubious action in the sell-off process. "The World Bank also has taken note of the complaints and doubts expressed frequently about favoritism and infamous practices like forming cartel for buying expensive public sector enterprises cheaply," the sources quote senior PC officials as saying. Before the restart of the privatization process, the PC chairman and senior officials of the finance department will hold meetings with presidents of all the three stock exchanges to take stock brokers into confidence about the auction process and quoting share values of the enterprises to be sold.

From Pakistan-Dawn, 16 January 2000

PROGRESS MADE IN SOE REFORM

President Jiang Zemin said in Beijing January 19 that great progress has been made toward the goal of lifting state-owned enterprises (SOE) out of the red during the central government's three-year campaign. SOEs stand as the pillar of the country's national economy, and also the economic foundation of China's socialist system, the president said at the closing ceremony of a seminar on finance and revenue attended by high-ranking party and government officials. He encouraged SOEs to record new achievements in deepening reform and increasing profit in this final year for realizing those strategic objectives. Efforts should be made to adapt these enterprises to the market, increase their competitiveness, and expand their ability to fend off risks, he stressed, reaffirming the party and the government's support for the reform and development of SOEs. The president also pointed out that many irrational problems in the country's economic structure, which increasingly affect overall economic and social development, should be adjusted as soon as possible. Decisions should be made to settle such problems as irrational product mix, repetitive construction, and low economic profits, he said. The president also emphasized scientific and technological development, especially in the creation of the country's high-tech sector. When the economic structure becomes rational, the overall economic level will ascend to a new stage, he added.

From China-People's Daily, 19 January 2000

INDIAN POWER STRIKE ENDED, PRIVATIZATION DELAYED A YEAR

A crippling 11-day strike by 95,000 power workers in India’s most populous state ended Wednesday, but unio leaders vowed to continue their battle against privatization of the electricity service. The Government of northern Uttar Pradesh state delayed priatization by a year and agreed to rescind dismissal orders against thousands of striking employees. Officials said no punitive action would be taken against them. The announcement was made by Chief Minister Ram Prakash Gupta, the state’s highest elected official, after hours of talks between the union leaders and officials. However, union leaders said the workers would oppose the privatization efforts, and threatned to strike again in the future. "We all learn from our mistakes. Next time we will have a different and better strategy," said Sahilendra Dubey, secretary-general of the Northern India Power Engineers Federation. The strike had crippled water supply systems, hospitals, government offices and banks in hundreds of towns and villages across the state of 150 million people. The electricity workers had been on strike since Jan. 15, protesting the state's announcement that it would divide the massive operation into three entities, for production, distribution and service. Those entities would then be privatized. The separation into three sectors will go ahead, Gupta said at a news conference, but the privatization would be delayed by one year. Separation of the services is reagarded by analysts as a way to fight corruption, increase profits and make the power company competitive.

From Fox News, 26 January 2000

PAKISTAN TO PUBLISH PRIVATIZATION LAW IN FEBRUARY

Pakistan will publish its new privatization law next month in order to help reactivate the stalled sale of state assets, a top government official said on Saturday. Altaf Saleem, chairman of the state Privatization Commission, told reporters at the Karachi Stock Exchange that the new programme would initially focus on selling state-run units in the financial and oil and gas sectors. "Our effort is to finalise the law by the middle of February," Saleem said. Saleem said the commission plans to offload some shares of fully owned state companies on stock exchanges first, followed by a sale of a majority stake to a strategic investor. But he said unlike previous attempts, the process would begin only once the commission was sure a unit could be sold within a certain time-frame. "We would assess what sort of period it would take for a strategic investor to come here," Saleem said. "We would not like to sell some of the shares to local investors and let them wait forever." Pakistan's privatization plans, including that of partly privatized Pakistan Telecommunication Company, have been stalled for several years. Army chief General Pervez Musharraf, who overthrew prime minister Nawaz Sharif in October, pledged last month to revive the process and to use the receipts exclusively to retire national debt.

From Reuters, 22 January 2000

SRI LANKA TARGETS UP TO $400 MILLION IN TELECOM LISTING

Sri Lanka is hoping to raise up to $400 million through a listing of shares of Sri Lanka Telecom, the island's main phone utility, as part of its privatization plan, a senior government official said on Monday. "We are talking about a fairly large amount of between $300-$400 million," P.B. Jayasundara, secretary of the finance ministry, told Reuters. "The preparation for a major transaction was there so this year we will proceed with the listing of the Sri Lanka Telecom (SLT). The transaction should come to a successful conclusion in the first half of this year," he said. The lead manager for the issue will be picked by mid-February after the eight shortlisted parties submit their final proposals on Monday, another government official said. "We expect the final bids to come in by 4:30 p.m. (1030 GMT) today. Hopefully by the second week of February the manager will be picked," the official of the Public Enterprises Reform Commission (PERC), said. PERC, the government's privatization arm, is seeking a financial adviser and lead manager for the public share issue of SLT -- both locally and overseas, after attempts to sell a 10.5 percent stake to a Singapore-based bidder failed last year. Jayasundera said Sri Lanka was unable to get the required price due to poor market conditions. Officials had earlier said they expected to raise at least $100 million from the sale of the government's 10.5 percent stake. Eight investment banks and other consortiums have been shortlisted by PERC to put in binding financial bids stating their fees. The decision on what percentage of shares to sell and pricing of the issue will be done in consultation with the advisers. "The proposals will be evaluated by the technical evaluation committee this week and will be narrowed down depending on the parties' technical proposals which includes their strategies for the issue and credentials," the PERC official said. "The next stage would be to open their financials," he said. SLT is 35 percent owned and managed by Japan's Nippon Telegraph and Telephone Corp (NTT) The government holds 61.5 percent and the employees the remaining shares. SLT controls some 66 percent of the domestic market and is the only fixed line operator in Sri Lanka. The company also hopes to launch a 1.5 billion rupee debenture issue when it receives the necessary approvals. Norio Asami, chief financial officer of SLT, earlier told Reuters the company had earmarked 30 billion rupees for expanding its network in 1999 and 2000. The local DFCC Bank has been selected as the lead manager for the debenture issue. Duff & Phelps Credit Rating Lanka Ltd has assigned a local rating of AA+ to the unsecured, redeemable debt issue. Asami said SLT had previously met its funding needs through supplier credit and overseas concessional financing. It had also raised 4.1 billion rupees through a syndicate of local banks. The company expects a 37 percent rise in net profit to 2.1 billion rupees and an almost 17 percent rise in operating revenue in 1999. SLT's net profit in 1998 was 1.53 billion rupees.

From Reuters, 24 January 2000

EUROPE

COBHAM TARGETS DEFENSE PRIVATIZATION

British aviation firm Cobham Plc's latest UK defense contract will be a foundation of the company's strategy in military privatization, Chief Executive Gordon Page said on Thursday. The Ministry of Defense had finalized its selection of Cobham unit FR Aviation for a 250 million pound ($412.3 million), 10-year renewable contract to fly electronic-warfare and other training missions for the British military, the company said. That contract and last year's purchase of an Australian aviation firm had positioned Cobham to take over more of the non-combat work currently done by air forces around the world. “They are both part of an overall strategy to be number one in that area,” Page told Reuters in an interview. Defense privatization is one of the strong growth areas in the aerospace sector as more countries, following the example of Britain in the 1980s, decide their armed forces are inefficiently performing tasks that can be contracted out. Cobham's electronic-warfare contract, for example, involves the company flying business jets packed with jamming gear to simulate enemies trying to confuse British military radars. Cobham is a collection of manufacturing and service businesses related to aviation. The new Australian unit, National Jet Systems, which cost Cobham 24.5 million pounds ($40 million), is an aircraft operator that flies contract services. Page saw it as a base for Cobham's push into East Asia. “An operation based in Australia might be a head for various other things in the Far East,” he said, without giving details. National Jet is already responsible for Australia's coastal patrol, Coastwatch, searching the continent's vast oceanic approaches for intruders such as unauthorized fishers. “We are very interested in the potential for National Jet Systems' Coastwatch,” Page said. “The Coastwatch contract I think will expand greatly.” Intruders into Australian waters were becoming more sophisticated, entering at night and using non-metallic boats, and that would demand better surveillance, he said. National Jet is also bidding to provide electronic-warfare training flights for Australia, similar to Cobham's UK work. Cobham unit Flight Refueling virtually invented the idea of transferring fuel between airborne planes in the 1930s, and the world's air forces routinely use its equipment on their tankers. But Cobham now wants to operate those tankers, too, bidding in the Eurotanker consortium with Rolls-Royce Plc and Thomson-CSF to finance, supply and run the UK's fleet. Other consortiums bidding for the work are also offering Flight Refuelling's equipment mounted on various aircraft. “We are specified by every team that is bidding,” said Page. The idea of a private tanker fleet -- flying commercial services in peacetime -- seems likely to spread. Australia, again, was one country that might join the British programme, Page said. The biggest bid in Cobham's history is its participation in the Boeing Co's proposal to supply the United States and Britain with an aircraft called the Joint Strike Fighter (JSF). Cobham, building the fuel system for the plane, would get several hundred thousand dollars of work from each unit built, Page said. About 3,000 JSFs are planned, excluding exports. The company is also supplying fuel-system parts to the rival JSF bid from Lockheed Martin Corp. Page said Cobham's involvement in that bid was worth about $100,000 per plane.

From Reuters, 06 January 2000

PRIVATIZATION OFFICIALS SAY BOURSE SHOULD DEVELOP

Privatization officials said the process of transferring state property would have been easier if the capitals market would be developed in the country, daily Ekonomia said in an article. A top privatization broker said the present Tirana Bourse is not ready yet to accept listings from companies, but it should be encouraged to develop. "The first steps for the development of the bourse should have been taken," said the director of the National Privatization Agency, Qirjako Theodhori. "We should lobby on that from all sides." Tirana Bourse officials agreed, and called on the government to build a strategy on developing the capitals market in the country. Officials at the Ministry of Public Economy and Privatization said a stock market would foster state-owned companies to better manage itself. Theodhori said the existing bourse, which is selling only government bonds from the Ministry of Finance to second-tiered banks, could have listed profitable state-owned companies such as the mobile phone operator AMC and Albtelecom, the fixed telephone monopoly. Only this year did the Bank of Albania, which controls the bourse, and the Government, agree to allow non-banking members to purchase bonds. NAP sells to private companies the state property through tenders, and is presently the only seller of state property. Its role is seen as diminishing if the bourse would be functioning better. But the anger that the collapse of the pyramid schemes caused in 1997 has made the Government be cautious in the development of capital markets here, as speculation with them may cause popular protests. "The completion of the effort for a good definition of the bourse’s role would make the best time for the use of free financial capitals available in the market," said Theodhori. He said Albanian companies are still not prepared to be listed, as the auditing procedures are not exact. "To have a fully functioning bourse, the companies that would be listed there should be clean ones," he said, referring to clarity in their auditing. In the end of last year, Finance Minister Anastas Angjeli threatened the certified professional accountants of the country with the revocation of their licenses if their auditing would not improve. Companies bribe accountants to either improve their balances or show lower profits to evade taxes. Commented Theodhori: "In a debate on the future of the bourse, I would ask participants: ‘Which is the company that has exact auditing?’ ‘Which is the company where the public would gladly invest?’" There are high amounts of money among the Albanians that could be used for investments. Savings Bank of Albania has more than $1bn in savings deposits, but it cannot use them in investment before it is privatized, presumably this year. "But the public should know well how a stock exchange market should function, and brokerage houses should be created before the bourse works."

From Albania-Daily News, 24 January 2000

MIDDLE EAST

EGYPT TP SELL 70 STATE COMPANIES WORTH $3.49 BILLION

Egypt's public enterprise minister said on Wednesday that 70 public sector companies will be offered for sale and 62 ailing firms restructured as part of the ministry's working agenda for 2000, the al-Ahram newspaper said. Mokhtar Khattab was quoted in the daily al-Ahram newspaper as saying the companies' total market value was 12 billion pounds ($3.49 billion), adding that the privatization plan gives priority to companies that produce goods and services. Khattab said the plan to restructure ailing companies depended on implementing early retirement schemes for 46,490 workers at a cost of 4.220 billion pounds and on settling the firms' debts, worth three billion pounds, with Egypt's four largest public sector banks. He said the plan will begin with the restructuring of the spinning and weaving sector. Egypt began an aggressive privatization programme in 1996 with the approval of the International Monetary Fund.

From Reuters, 5 January 2000

EGYPT MINISTER SEES NO HURRY TO PRIVATIZE BANKS

Egypt's economy and foreign trade minister said in remarks published on Wednesday that there was no need to speed up privatization in the banking sector. State-owned al-Akhbar daily quoted Youssef Boutros-Ghali as saying several private sector banks were operating efficiently. "There is no need currently to speed up the privatization of one of the public sector banks," Ghali told a seminar at the American Chamber of Commerce. He said preparing a state bank for a successful privatization required a lot of time, but set no deadline. Egypt's previous government made repeated promises to sell one state-owned bank and one state-owned insurance company, but several target dates came and went without action. Prime Minister Atef Obeid, former privatization chief, has taken steps to sell state companies outside the banking and insurance sectors since he formed his government in October. Egypt's four big state banks are Banque Misr, Banque du Caire, Bank of Alexandria and the National Bank of Egypt. They dominate the local financial market and some own minority stakes in private banks. David Shelby, an economic analyst at EFG-Hermes brokerage, said he was not surprised at the government's apparent willingness to take its time over selling a state bank. "These are institutions that manage around 60 percent of the country's assets, so this is not something you want to rush into," he told Reuters on Wednesday. "They have been functioning as public sector banks for a long time and guiding the economy, so it will take time to see how the economy can function with them playing a completely different role," he added.

From Reuters, 19 January 2000

THE AMERICAS

BRAZIL'S BANESPA PRIVATIZATION SET FOR MAY

The privatization of Banespa , the most coveted of Brazil's state banks, finally has a firm auction date of May 16, nearly two years behind schedule, the Central Bank said on Monday. The bank's sale had been mired in controversy until Sao Paulo state and the federal government closed a debt deal late last year to fully transfer Banespa to federal hands. Banespa had been valued at 5.6 billion reais ($3.3 billion) at the moment of transfer, but the stake in the bank that would be sold was not yet determined. Bankers have said the buyer may have to spend at least two billion reais ($1.1 billion). "Now the Government has a real commitment," said Roberto Dotta Filho, fund manager and head of research at Tudor Asset Management. "The privatization should go ahead according to the published plan, with no surprises." Shares of Banespa, or Banco do Estado de Sao Paulo -- which serves Brazil's industrial heartland of Sao Paulo -- jumped nearly 10 percent to 71 reais by midday on the news. The official statement published by the Central Bank outlined the schedule of bidding for Banespa, whose sale prospectus will be unveiled on April 4. Potential bidders must present documents for qualification for the auction between Jan. 11 and Feb. 8 and initial qualification results will be announced on Feb. 29. At least the country's three top private banks, Bradesco, Itau and Unibanco, have expressed strong interest in buying Banespa. There has also been speculation that a number of international banks are likely to bid for Banespa after the Government said that foreigners can own up to 100 percent of the Brazilian bank. On Monday, a source in Spanish bank Banco Bilbao Vizcaya Argentaria said his bank would study the possibility of bidding. Banco Bilbao Vizcaya, which is due to complete its merger with Argentaria to form Banco Bilbao Vizcaya Argentaria at the end of this month, already owns Banco Excel Economico in Brazil. Analysts said interest in Banespa would depend on its financial results for 1999, which, according to Banespa president Eduardo Guimaraes, should be released sometime in February. They say the results would show whether the bank had really managed to settle its debts and fines. Bank specialists predicted the country's first and second biggest private banks Bradesco and Itau could clash over Banespa's control. Dotta Filho said Bradesco was likely to bid aggressively in order to finally snap up Banespa and preserve its leadership in banking in Latin America's biggest country. "If Bradesco did not manage to buy Banespa, it would find itself in a pretty bad situation. Itau will also fight hard for Banespa, but it would not lose out as much," he said. Analysts and stock traders said the recent drive among Brazilian banks for Internet-based service should not discourage interest in Banespa, which has a big and expensive branch network in Sao Paulo state and across the country. "Banespa has an enormous leverage potential and very strong prospects of expansion in the credit market," Dotta Filho said.

From Reuters, 10 January 2000

PRISON REPORT RAPS POLITICS, FAST MOVE TO PRIVATIZATION

The prison stabbing death of correctional Officer Ralph Garcia can be blamed first and foremost on gang members who planned bloody violence that August night. But the string of events that led up to that death and ensuing prison riot near Santa Rosa on Aug. 31 can be blamed on many others, according to an executive summary of an independent report on New Mexico's prison system. The report has prompted one legislator to predict that a bill to give the state more oversight of privately run prisons will appear on the agenda of the 30-day legislative session, which opens today in Santa Fe. According to the summary, which was released Monday: Politicians traded blame and fanned the fires in prisons while they debated whether to use public or private prisons to house inmates. And the media contributed by reporting every word. Gov. Gary Johnson's administration rushed the state into using private prisons to house some prisoners. Republican Johnson made political decisions based on getting prisons built quickly and trying to save money rather than making solid planning decisions. Legislators micromanaged the prison system by dictating in which counties prisons would be built and by weighing in on decisions that should have been made by administrators. State corrections officials placed dangerous inmates in medium-security prisons. They negotiated confusing contracts with private-prison operators under political pressure. And the decision to threaten to send raucous prisoners out of state, followed by hostile statements from Johnson through the media, "increased tension in the days preceding the riot," the report stated. The private Wackenhut prison in Santa Rosa had design flaws allowing prisoners to hide weapons and wasn't able to deal with signs that a prison gang was planning the impending violence. Now that the report is out, all of the parties identified as having some measure of blame -- Johnson, the Legislature, Corrections Department officials and private-prison operators -- are left to deal with the consequences of the riot and the political fallout that follows. "It's clear that they're saying there's major problems with the private facilities in the state of New Mexico," Sen. Michael Sanchez, a Belen Democrat, said of the five-member Independent Board of Inquiry that crafted the prisons report. Corrections Secretary Rob Perry admitted the administration could have done a better job of making the transition to the use of private prisons. But he said the report proves private prisons and the Corrections Department should not shoulder all of the blame. "There's enough blame to go around between the Legislature, the executive, the Corrections Department and Wackenhut," Perry said. "And I don't think that further politicization, as pointed out in the report, is going to make us have a better system for the taxpayers." But Sanchez, the co-chairman of the legislative advisory group that oversaw the report, was especially critical of Johnson for applying political pressure to use private prisons. "I want to tell you that that pressure came from the administration because they were convinced that private prisons would save money at any cost," Sanchez said. "New Mexico didn't get a good deal out of these contracts." Nevertheless, Sanchez praised the report as a good start for legislators and the administration to work out problems surrounding both private and public prisons. He said the Legislature will start by trying to revive a bill, which Johnson vetoed last year, to give the state more oversight of private prisons. Perry said the administration will be open-minded about a legislative-oversight bill this year. But he said he would rather see legislators line up behind the administration's push for a new supermaximum-security prison for the most dangerous inmates. Perry also said he will be open to renegotiating contracts with private-prison operators -- one of the recommendations by the inquiry board. Attorney General Patricia Madrid, who commissioned the study along with the Legislature and Corrections Department, also was critical of Johnson for entering into the contracts. Madrid has directed her staff to study all of the contracts with private prisons. "I want to be sure all current contracts are valid and being enforced," Madrid said in a statement Monday. "This study appears to raise some serious questions that my office will continue to explore. I urge the Legislature and the governor to do the same. "We should all look at the question of private prisons with an open mind rather than with the preconceived notion that private prisons must be made to work here."

From The Associated Press, 19 January 2000

CHAMBER, UNIONS JOIN TO PUSH FOR PRIVATIZATION OF STEWART

In a small brick office building near the Newburgh Mall, a couple of union representatives sat shoulder to shoulder with business leaders yesterday to announce a joint effort to urge speedy approval of the privatization of Stewart International Airport. "We're going to get our members to write letters, try to speed the process a little," said Sam Fratto, vice president of Orange County Building and Construction Trades Council, a coalition of 15 locals. Fratto and other union leaders met with Chamber of Commerce board members in the morning and held a press conference in the afternoon at the Meadow Avenue headquarters of the Construction Contractors Association of the Hudson Valley. Their joint initiative includes setting up meetings with local elected representatives in Washington to urge the privatization approval. They will meet with state Attorney General Eliot Spitzer, Comptroller H. Carl McCall, and Federal Aviation Administration officials, all of whom must yet sign off on the pending lease agreement. The unions are eager for the hundreds of construction jobs promised by for-profit airport operator National Express Group, a British mass transit company that has been waiting since April 1998 to execute a $35 million 99-year lease of the airport. The company made a 5-year agreement with local trade unions last year to give union labor favored status on airport construction jobs. But NEG has a legal option in the pending lease to walk away from the deal on March 24 if approvals are not handed down by then. And that's what union and business leaders are worried about. "This is an opportunity we don't want to see slip by," said Todd Diorio, vice president of Laborers' Local 17. John Williams, NEG's transition director at Stewart, said yesterday he didn't know if the company would walk away. "I can't tell you that. That's for the board of National Express to decide," he said. The airport terminal was bustling with passengers yesterday as airlines were playing catch-up from storm cancellations. But the number of passengers in and out of Stewart has declined from more than 800,000 a few years ago to just more than 600,000 this year. "It's one of the few airports with declining ridership," said Williams. "I think the community is saying we want an airport that makes sense, that we can fly in and out of and that's what we came to provide," he said. "Stewart is probably the single most important thing in the county right now," said John D'Ambrosio, president of the Chamber of Commerce of Orange County. Lawyers for the state DOT, which owns the airport, were meeting late yesterday afternoon with Spitzer's lawyers to clarify some language in the lease.

From Middletown (NY) Record, 28 January 2000