GOVERNANCE WORLD WATCH

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

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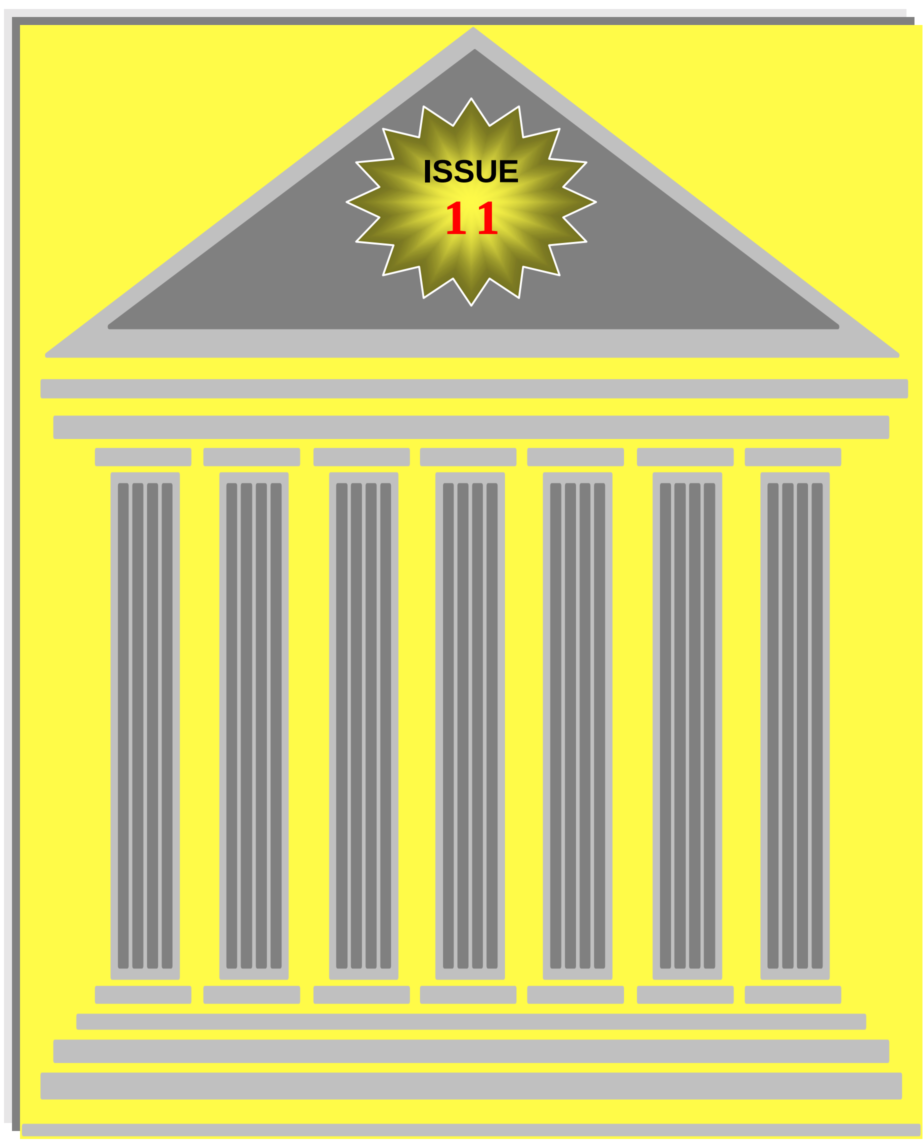

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AFRICA

STARK WARNING FOR ZIMBABWE ECONOMY

The economy is said to be "near implosion". Zimbabwe's foreign exchange reserves have reportedly dwindled to the point that they now cover only a few days' imports. A United Kingdom Government report which was leaked to the Financial Times newspaper says Zimbabwe's substantial debt arrears could worsen significantly if its economic policies are not changed. The report says Zimbabwe registered an outflow of nearly $430m between January and October this year, leading to the desperate shortage of forex. It also notes: Inflation exceeding 70%, in contrast with the year-end target of 30% set by the International Monetary Fund. An expected budget deficit of 10% for this year, as opposed to 5.4% agreed with the IMF. Attempts to fund the deficit by printing banknotes Government and state enterprises in arrears to almost all creditors. In August, the IMF agreed a $193bn stand-by loan for Zimbabwe, which has not been implemented mainly because of the high cost of military spending brought about by Zimbabwean involvement in the war in the Democratic Republic of Congo. The UK report was intended for internal use and is not going to be published. But British officials have expressing growing concern over the state of Zimbabwe's economy. One official told the Financial Times that the Zimbabwean economy was "near implosion". Peter Hain, the UK Foreign Office Minister dealing with Africa, said this week that it was important for the whole of Africa that Zimbabwe should succeed.

From BBC World News, 16 December 1999

ASIA/PACIFIC

LEGAL ASSURANCE FOR STATE ENTERPRISES REFORM

A commentary entitled "offering legal guarantee for the reform and development of state enterprises" calls on leading personnel in state enterprises to improve legal awareness. It urges all state enterprises to strictly implement legal provisions, reinforce construction of regulations and systems in the enterprises and further consummate the legal consulting system in the enterprises in a bid to provide the enterprises with system and organizational guarantee in management according to law and enable the enterprises to yield greater achievements in their reform and development under legal motivation and assurance. It is commenting on a lecture of November 26 on ensuring and advancing the reform and development of state enterprises at which President Jiang Zemin made a speech. It says that to push ahead with the reform and development of state enterprises, it is necessary to improve awareness on the importance of guaranteeing and advancing the reform and development of state enterprises according to law, continue to do a good job in legislation, step up the formulation and revision of appropriate laws and decrees to fit in with the buildup and consummation of the modern enterprise system, speed up the flow and regrouping of assets, perfect the social security system, and accelerate technological advancement in enterprises. It needs to reinforce and improve judicial and administrative law enforcement and supervision over law enforcement, mete out punishment according to law on law-breaking criminal acts infringing on the legitimate rights and interests of enterprises and solve in earnest the prevailing local protectionism and judicial corruption in judicial trial and enforcement; training of managerial personnel should be strengthened and their legal awareness and managerial level according to law should be raised; auditing control on the enterprises' production and management should be enhanced; legal responsibilities should be looked into on those who break laws, and manage business operations against laws resulting in the loss of state assets. The commentary adds: "State enterprises, large and midsized ones in particular, act as the vital prop for the national economy in our country, and the reform of the state enterprises is a central link in the reform of the whole economic system. It needs all assortment of means including legal measures to push ahead with the reform of the state enterprises." Although a series of laws and regulations had been formulated, they have not fully catered to the needs of the deep-going reform of the state enterprises. At present, the reform of the state enterprises is at a crucial stage. It is all the more necessary to regulate relations among all aspects in the light of law, the rights and interests of relevant parties should be protected according to law, and the key and knotty issues facing the state enterprises have to be tackled in accordance with law. And the legal role should be given full play and a sound legal ambience has to be created to readjust the layout of state economy, advance the strategic regrouping of state enterprises, build up and perfect the modern enterprise system, reinforce and ameliorate enterprise management, do a good job in entrenchment, increase in efficiency, reemployment and social security, etc., the commentary urges.

From China People's Daily, 30 November 1999

ASEAN'S INITIATIVES

Considering the International Monetary Fund's botched handling of the Asian crisis, nobody can blame the region's leaders for rebelling against European and American leadership. And that's exactly what they did at last Sunday's Association of Southeast Asian Nation's summit in Manila. Sadly, however, many of the ideas bandied about over the weekend are merely Asian versions of the same IMF policies that aggravated the region's economic meltdown. Moreover, the region's penchant for capital controls would most likely make an "Asian Monetary Fund" even more dangerous than its Western predecessor. First the positive news. Asean leaders and their counterparts from Japan, China and South Korea discussed a number of measures aimed at creating closer ties, both politically and economically, that they hope will eventually lead to a "common market" to rival the U.S and Europe. There is little doubt that a common market in the form of free trade and stable exchange rates would bring large benefits to the region. At this point, the vast economic and political differences in the region mean that a common market to rival the E.U. or the U.S. is just a dot on the horizon. But Asean's decision to move the date forward for creating a free-trade area among the six founders -- Indonesia, Malaysia, Singapore, Thailand, the Philippines and Brunei -- to 2010 from 2015 is a step in the right direction, as is the decision to eliminate tariffs among the four poorest countries by 2015. A plan to form a three-member "troika" to more swiftly address problems that arise within the 10-member group also has its merits. However, as is often the case when a group of politicians gather in one place, some of the grander ideas put forward at the summit would increase the regulatory powers of bureaucrats at the expense of a more free and prosperous Asia. Furthermore, by creating still more assurances that markets will not be allowed to "fail," Asia's leaders would be contributing to the same kind of moral hazard that led to the Asian crisis in the first place. Asean's proposal to turn Japan's temporary $30 billion Miyazawa Fund into a permanent lender of last resort is just such an idea. The fund, which bears the name of Japanese Finance Minister Kiichi Miyazawa, was launched by Japan last October to help meet emergency liquidity needs in crisis-hit Asian economies. As of October this year, $21 billion had been committed, with South Korea receiving a whopping $8.35 billion. Not surprisingly, Japan is all for the idea of setting up a long-term, yen-denominated fund to support economic stability in the region.

Moral hazard notwithstanding, Tokyo sees the establishment of a permanent fund as an ideal opportunity to further "globalize" the yen, which has been losing ground as an international currency since last year's launch of the euro. A permanent Miyazawa Fund would be used to finance development projects and to support corporate restructuring, as has the temporary fund. This would guarantee long-term demand for yen financing in the region while providing a strong boost to Japanese firms that went offshore in the 1990s to hedge against a strong yen. Both the U.S. and the IMF would see a permanent Miyazawa Fund as little more than a thinly veiled repeat of the "Asian Monetary Fund" proposed by Japan and Malaysia at the height of the Asian crisis. That proposal was quickly withdrawn when the IMF, at the behest of the U.S. Treasury, threatened to stop the flow of funds to any country that supported it. IMF officials feared that a Japan-led AMF would not force Asia's crisis-hit countries to restructure their crippled, top-heavy economies. Given Japan's relatively glacial pace of reform, those fears were probably justified. Even more troubling than the prospect of a Japan-led AMF, however, is the prospect of a Japan-led IMF. It's still too early to predict who will replace Michel Camdessus as managing director of the IMF when he steps down in mid-February. But if Japan and several Asean countries have their way, the traditionally European-run fund will be headed by an Asian this time: Japan's former vice finance minister for international affairs, Eisuke Sakakibara. Known as "Mr. Yen" for the power he once wielded over currency markets, Mr. Sakakibara's attitudes toward free markets are similar to those of Malaysian Prime Minister Mahathir Mohamad, who has repeatedly blamed Western "speculators" for his country's economic problems. Indeed, Mr. Sakakibara praised Dr. Mahathir for refusing IMF funds and implementing capital controls in September of last year, calling the move "courageous." For all their faults, Mr. Camdessus and his colleagues at the IMF at least acknowledge that capital controls allow Governments to hide the damage their policies do, which usually leads to even more damaging policies. Capital movements are a signal of the strength or weakness of an economy's fundamentals. As Asia's recovering economies can attest, those fundamentals are what must be fixed. The next Asian crisis will not be prevented by creating an Asian Monetary Fund, throwing up barriers to capital flows, or by making "Mr. Yen" the head of the IMF. It will be prevented by Western and Asian bankers and businessmen following the clear signals broadcast by the market. The less interference by Government the clearer those signals will be.

From The Asian Wall Street Journal, 1 December 1999

PREMIER ZHU WELCOMES FOREIGN INVESTMENT IN SERVICE, INFRASTRUCTURE

Chinese Premier Zhu Rongji said in Singapore on Tuesday that China welcomes foreign investment in China's service industry and infrastructure fields. Zhu said the policy of opening to the outside world is a long- term basic policy of China. He said China will provide foreign investors with investment opportunities in financing, insurance, telecommunications, tourism, retail business, foreign trade and law consultation. He said China will further open its infrastructure fields in energy, transportation, telecommunications and environmental protection. Zhu said China is making efforts to better serve foreign- invested companies, simplify the procedure of examining and approving foreign investment and raise work efficiency. He said with the large-scale modernization construction, bigger market capacity and the further implementation of the open policy, China will bring unlimited prospects to both Chinese and foreign entrepreneurs.

From China People's Daily, 1 December 1999

SAR 'STILL THE FREEST ECONOMY'

The SAR has retained its title as the world's freest economy, according to a US think-tank. It is the sixth consecutive year Hong Kong has led the right-wing Heritage Foundation's Index of Economic Freedom. A year ago, the foundation warned that the SAR could no longer be regarded as No 1 because of the Government's market intervention. The intervention, which saw $118 billion spent to fend off speculators, came too late to influence last year's survey. The SAR was marked down for intervention in this year's survey but was rewarded for having lower inflation, leaving its overall score unchanged. By contrast, Singapore - which the foundation had said might be this year's No 1 - saw its score deteriorate. It remained second. Foundation officials, who last year accused the Government of breaking a "sacred rule" of free markets, welcomed last month's Tracker Fund launch. However, the foundation raised concerns over Hong Kong Disneyland and the Cyber-Port, saying the Government seemed "inclined to favour some sectors at the expense of others".

From South China Morning Post, 1 December 1999

CHINESE EDUCATION MINISTER CALLS FOR EDUCATION REFORM

The Ministry of Education (MOE) will deepen education reforms in 2000, Minister of Education Chen Zhili said on December 6 at a national working conference on education in the coming century. Chen said that the CPC central committee and the State Council convened a national education working conference this June and issued a series of policies on the country's education work. All provinces, autonomous regions and municipalities have worked out important policies and regulations, she said. She also analyzed the present education situation and challenges. In 2000, Chen said, the following work needs to be done: Educational departments should strengthen moral education aiming at nurturing students' creative spirit and practical ability; emphasis should continue on the nine-year compulsory education and elimination of illiteracy among young people; local governments should plan the enrollment work for senior high schools and higher education; reform of university services should be pushed; and, education should be modernized.

From China People's Daily, 7 December 1999

JAPAN HALTS DEVELOPMENT OF KEY ROCKET

Japan announced Thursday that it will halt development of the troubled H-2 rocket -- considered the key to the nation's space program -- after two failed launches this year. Japanese media prominently reported the decision of the Science and Technology Agency, with the nationally circulated Sankei newspaper calling it a huge setback to Japan's space program, which is competing with Europe and the United States for a share of the commercial satellite-launching market. Japan is aiming to become a world leader in aerospace technology, but has been plagued over the past few years by bureaucratic wrangling, cost overruns and technical difficulties -- including with the H-2. The agency has decided that the National Space Development Agency of Japan, or NASDA, should concentrate instead on developing the next generation of rockets -- called the H-2A -- in the wake of the November failure of an H-2 to put a satellite into orbit, science agency spokesman Toru Nakahara said Thursday. Another H-2 rocket failed to get its payload into orbit last February, although there had been five successful launches before that. Last month the domestically made H-2 was deliberately exploded after engine trouble developed and NASDA officials feared the rocket might veer out of control. The space agency had almost completed construction of the last H-2 rocket, at a cost of about $155 million, Nakahara says. The science agency, however, has decided to focus on developing the H-2A because of the prohibitive expense of fixing the defects in the last H-2, he says. Though the H-2 and H-2A engines are similar, the H-2A costs less to manufacture. The initial launch of the H-2A, originally planned for February 2000, has been postponed to around February 2001. In the new plan, a satellite which was supposed to be sent into orbit by an H-2 rocket next year will be carried into space by an H-2A in fiscal 2002.

From Discovery Channel Online, 9 December 1999

EUROPE

POOR DOMESTIC ECONOMY IN ALBANIA FEEDS EMIGRATION

Around one fifth of Albania's population work abroad and the majority want to secure "survival" in low-level, poorly-paid jobs, immigration officials said. At least 650,000 Albanians - out of the country's population of over 3 million – are scattered around Europe in a search for jobs and a better living, said the head of the Immigration Department at the Ministry of Labour Kosta Barjaba. He was speaking at a work-shop held on Saturday by non-governmental organizations, themed: "The future of Albanian and the Albanians; social and economic prospectives." "Albania's emigrant flow (in percentage) is the highest in eastern Europe," Barjaba said, adding the poor jobs market in the country offers few chances of employment. Nearly half a million Albanians are thought to be working in Greece, while Italy is a temporary home to some 150,000 Albanians. Some 12,000 work in Germany, 10,000 in the US and 3,000 each in France, Switzerland and Belgium. Barjaba said that Albanian immigrants are mainly employed in construction, farming or house-keeping. "The concentration of Albanians in difficult and poorly paid jobs demonstrates their need to secure economic survival, hampering the upgrading of their professional level and their integration with the host countries," he added. Therefore, the influence on the country's economy of the influx of emigrant cash is limited, Barjaba said. The money they bring in is used by their families for shopping or house restructuring. Albanians working abroad lost huge amounts of money when the pyramid schemes collapsed in 1997, and they now prefer to deposit their money in banks in the countries where they work. The immigration official also pointed out that part of the immigrants are not yet legalized and their number keeps on increasing due to illegal emigrants heading each day towards Greece and Italy. At least 30,000 Albanians are illegal immigrants in Italy, while in Greece illegal immigration has "frightening proportions," Barjaba said. The Greek Government has started procedures to legalize those there, and 260,000 Albanian immigrants, only half of those working in Greece, will be provided with work and stay permits. Immigration officials warned that immigration will continue to plague Albania as long as the economy continues to be weak. "The situation in the country and the necessity of its revival, when domestic resources are limited, will impose emigration as a solution for years to come," Barjaba said.

From Albanian Daily News, 30 November 1999

TURKEY WILL UNDERGO AGRICULTURAL REFORM

Agriculture and Rural Affairs Minister Husnu Yusuf Gokalp said that agricultural reform would take place in Turkey and that producers would be encouraged by the Government. Explaining the aim of the reform, Gokalp said that it would support producers and ensure that consumers buy and consume produce that is in good condition. All the details of the agricultural reform bill have been approved by the Cabinet, and it is now waiting for Parliament's approval. Gokalp said that the agricultural package would put emphasis on consumers' health and advantages for producers. "We will extend a number of subsidies to farmers," he said and went on to say that Turkey was committed to fulfilling the criteria of its agreement with the World Trade Organization (WTO). He further said that Turkey should be careful not to damage its own producers' welfare when importing produce. "The other problem is that every country cares for its producers' benefits within the World Trade Organization's rules. Nobody is opposed to free trade, but we must use it to our producers' benefit," said Gokalp. "Our agricultural producers should be cared for and subsidized by the Government. The big problem Turkish producers face is finding markets. We must find markets for our producers. The products must be bought on time, and the money must be paid on time. In this way we can overcome the problems." Gokalp also spoke about the border trade and said that 52 kinds of products used to enter the country via the border trade system. Expanding on the subject, he said: "While we are still experiencing big problems in the marketing of our own products, permitting border trade is dangerous. We have now resolved this problem. Now, with the exception of a few products, no more produce can be brought onto the Turkish market via the border trade. Turkey should modernize its agricultural techniques using knowledge and technology. Only then will we be able to sell our products to our own consumers and to world markets," he added.

From Turkish Daily News, 2 December 1999

ROMANIA: THE BLOODY REVOLUTION IN 1989 -- 10 YEARS AFTER PUBLIC DISILLUSION PREVAILS

Ten years ago this month, Romanians overthrew the Communist regime of Nicolae Ceausescu. Hopes at the time were high that the future would get brighter -- after decades of repression, empty promises and increasing material hardship. But many Romanians today are disappointed in their Government and new-found freedoms as they struggle through a prolonged economic crisis. In the last of five reports, RFE/RL correspondent Jeremy Branstan speaks to some of the faces behind the statistics in his look at the country today. Earlier this month, in a sign of growing public discontent with the Government, thousands of people jeered President Emil Constantinescu and other Romanian officials at a ceremony marking the country's national day. At the same time, railway workers across Romania went on strike over low wages, crippling traffic throughout the country. At the grave of former Communist leader Nicolae Ceausescu, on his name-day, scores of ordinary people showed up to light candles. The latest polls indicate support for Constantinescu at its lowest level ever and that if elections were held today, former leftist President Ion Iliescu would win handily. Romania, 10 years after the revolution and three years after the coming to power of free-market, pro-Western leaders, is suffering from collective depression. On paper, the reasons for the country's economic problems are obvious as are the solutions. The previous administration's massive borrowing from abroad, coupled with a lack of economic reform and the continued subsidizing of unprofitable enterprises, has saddled the Government with a huge burden. Romania must now cut subsidies and institute austerity measures, while repaying foreign loans. The Constantinescu administration has begun to do just that and the immediate result has been a rise in unemployment, a contraction of wages, and the slashing of social benefits. Economists are applauding Romania's belated attempt at reform, but the Government's policies are deeply unpopular and threaten to rip apart the country's social fabric - threadbare as it already is. Eugen Chirovici, editor-in-chief of Curierul National, a leading Romanian economic daily, says as far as economic reforms are concerned, most of the years since 1989 have been wasted. He tells RFE/RL the apparent economic recovery of 1994 to 1996 was only illusory -- bought at the cost of foreign credits, which were misused. "Most IMF and World Bank loans - the Government's main creditors - were spent on buying consumer goods, through non-transparent channels, to keep social tensions down. They were not used for growth or to set the foundations of healthy development." In 1996, Constantinescu was elected president along with a new pro-market government, which promised rapid economic reform. But again, says Chirovici, more time was wasted. "All these good intentions did not materialize because of political interests - and I don't mean political doctrine - but rather clientelism: political groups that succeeded in putting the brakes on these reforms." Chirovici says it was only this year that the Government of prime minister Radu Vasile – appointed last year -- began to take steps required for a transition to a functioning market economy. "It was known that in 1999, Romania would have to pay back a huge amount of foreign debt and that under these circumstances, it desperately needed financing from the IMF and the World Bank. And the only way of getting the new government to work which came to power after the political crisis of 1998, was a type of 'blackmail' by international financial institutions, which forced the Government to accelerate reforms." Whether the current restructuring of state enterprises, which has led to the shutdown of many businesses -- including coal mines employing thousands of people -- will lead to better times remains unclear. Constantinescu's firing of Vasile this month raised new questions about the prospects for speedy reforms. Economists say that as in other East European countries, Romania will need to wait a couple of years for the belt-tightening and privatizations to start paying off. The question is: will ordinary Romanians have the patience to suffer once again for more promises of a brighter future? The future, it is said, lies with the young. Romanian teenagers have only dim memories of the Communist past and the overwhelming majority are eager for their country to integrate quickly into the rest of Europe. But pessimism has infected their ranks as well. At Bucharest's prestigious Liceul Gheorghe Lazar, many students say that if given a chance, they would leave the country. They don't believe things will change quickly and have little faith they can influence the political process. Sixteen-year-old Andrea speaks for many of her classmates: "I want to go to another country. I'm not patriotic. I don't think I can change Romania or its situation." For the first time this year, comprehensive and colorful textbooks are being used in classrooms – a tangible result of recent education reforms. Teachers have been given a wide choice of materials to use. But books are expensive and parents, who must buy them for their children, have a hard time affording them. Still, history teacher Robica Mihailescu praises the change: "1999 is the first year when teachers have a choice of manuals (textbooks). It's the first year when we have more than one variant for manuals and I think that the worst of these manuals is better than the ones we were obliged to use until last year. I want to say that all these manuals are better – better looking, better informed. They have an appropriate format." But Mihailescu admits it's hard to be optimistic. After 23 years on the job, she has seen her salary plummet from the equivalent of $130 a month to just over $80 due to inflation and a devaluation of the national currency. With those wages, even buying a single book translates into a major expense. Added to the financial hardships facing most Romanians is the pervasive feeling that people can only get ahead by cheating. Studies confirm widespread corruption at all levels of society. But more important is the belief that honest work gets you nowhere. Mona, another 16-year-old student, sums it up simply: "Rich? Maybe in something like 10 years you'll get rich. If you steal, it's easier - so everybody steals in this country." In Romania, people have little time to celebrate the anniversary of the fall of Communist dictator Nicolae Ceausescu. A decade later, many feel they are worse off and that benefits such as a free press and the right to travel mean little when the stomach is hungry. Sociologist Vladimir Tismaneanu says leftist politicians, including former president Iliescu, who are preaching a return to the old days, have nothing new to offer. Their current popularity is simply the result of disillusionment with the new Government. But that doesn't make it any less serious. Tismaneanu says it could undermine Romanians' faith in the entire democratic process. "The point is that Mr. Iliescu has not done anything to achieve this popularity, so we have to look into why he has it. Basically, it's disappointment. A vote of disappointment may be expected and then if you have disappointment after disappointment, the danger is that forces which are not part of the parliamentary mainstream can take advantage of that." If that happens, say observers, and if Romania's economic decline continues, the country risks being left behind in the race to join the European mainstream, including such organizations as the European Union and NATO. Ensuring that a new Iron Curtain, moved a few hundred kilometers to the East, does not redivide Europe from the Balkans will undoubtedly be the challenge of the next decade.

From Radio Free Europe, 16 December 1999

MIDDLE EAST

PUBLIC HOUSING LAW IGNORES DEEPER ISSUES IN ISRAEL

It's no coincidence that the cabinet's decision to reintroduce the controversial Public Housing Law into the Knesset with some revisions comes amid a rising public clamor over poverty, unemployment, social inequality, and even hunger. Whether the law succeeds or not in its aim of letting tens of thousands of public housing tenants buy their homes, it at least gives Prime Minister Ehud Barak's Government something to point to in response to accusations of indifference to the country's poorest. The basic parameters of the law, which was passed during the Netanyahu Government, remain intact. Some of the terms have been toughened, for instance raising the minimum residency requirement for the right to buy your home to 12 years from five; others, like the maximum discount offered to tenants, have been theoretically made more favorable. But with or without the changes, the law is a potential bonanza for those who happen to have been living in public housing long enough to qualify. Although the right to public housing is based on various factors – low income, single-parent families, the elderly - not nearly all those who qualify are accommodated. No public housing has been built for decades. Thus, not many of the immigrants who have arrived from the former Soviet Union in the past decade have gotten off the waiting lists, so they won't enjoy the benefits accruing from buying their homes cheaply. Indeed, the new law will take the most desirable public housing in the center of the country out of the stock for future immigrants. The law's defenders will argue, with some fuzzy logic, that the current tenants have been paying rent for years (albeit subsidized) and are entitled to some equity. With better logic, they will argue that with giveaways given to other groups - like kibbutzim that can take control of land they were given and resell it for commercial purposes at huge profits - there's no reason why the poor shouldn't get something too. But perhaps the best case for selling off the stock of public housing is that it will give tenants their own property, which they should be more inclined to care for and improve. That is in the broad public interest, even if the mechanism for distributing this benefit is less than fair and even if Industry and Trade Minister Ran Cohen is intent on using the proceeds to start building more public housing. Deeper down, the Public Housing Law does nothing to address the fundamental issues of growing income inequality and what is developing into a chronically high level of unemployment. Both are a function of the country's changing economy as it has become more integrated into the global market. The country's comparative advantage in high technology has made millions of dollars for some and created jobs for more. But it has killed off older industries that employed those with relatively few skills and little education. Returning to the search for economic self-sufficiency of the first 40 years of the state would cause even more damage. But letting the economy take its natural course does mean that the gap between winners and losers will continue to grow wider as technology generously rewards those with skills, while those without them have trouble entering or staying in the labor force at all. The unemployment rate, which is now pushing above 9 percent even as the economic growth revives, will eventually fall. But it is unlikely to decline to the good old days of 6% or 4%. The problem is deeper than the business cycle and handouts of housing or make-work schemes for the poor, and that issue the Government has yet to grapple with.

From The Jerusalem Post, 30 November 1999

THE AMERICAS

MAJOR LEGISLATION BY SEN. JESSE HELMS

With all the attention on how much Hurricane Floyd aid was contained in a huge budget bill last week, a major legislative initiative by Sen. Jesse Helms in the funding package got overlooked. Helms, chairman of the Senate Foreign Relations Committee, and Sen. Joseph Biden of Delaware, senior Democrat on the panel, cosponsored the measure. It enables the United States to pay $ 926 million in debt to the United Nations - including $ 819 million in direct payments and $ 107 million in forgiveness of debt the U.S. Government says the UN owes it - in exchange for requiring reforms at the international organization. "This is historic legislation," Helms said at a rare Capitol news conference. "It will settle the United Nations arrears once and for all ... provided there will be sweeping and long-overdue reforms." The most important reform imposed by the measure is a gradual reduction in U.S. payments to the United Nations, from the current one-quarter of its total budget to one-fifth; the U.S. share of UN peace-keeping missions will drop from 31 percent to 25 percent. Helms said the dues cut will save the United States more than $ 200 million a year. "At that rate of savings, in less than five years the United States will get back every penny we pay the UN in this legislation," Helms said. Among other reforms, the bill phases out some UN programs, forbids UN employees from hiring relatives, bars the organization from setting up an army and prohibits it from collecting taxes. The legislation also sets up inspectors general - internal cops - for several of the largest UN agencies and compels the United Nations to open its ledgers to the General Accounting Office, the investigative arm of Congress. The UN debt measure had been hung up for three years in dispute, first between President Clinton and Helms, then between Clinton and Republican Rep. Chris Smith of New Jersey. The UN bill was originally part of a broader legislation by Helms to eliminate foreign-aid and arms-control agencies he opposed and fold their missions into the State Department. The State Department reorganization measure was spun off into a separate bill, passed overwhelmingly by the Senate and signed into law last year. That left the UN legislation. Smith, with Helms first opposing but later supporting him, added a provision to place abortion limits on foreign organizations that get U.S. aid. For two years, Clinton vowed to veto the measure because of that clause. But with the United States facing a Jan. 1 deadline to pay its debt or lose its vote in the UN General Assembly - though retaining its more important seat on the five-member Security Council - Clinton and Smith cut a deal. Under their agreement, the UN bill now imposes looser abortion limits than Smith had sought. It cuts off aid to foreign groups that lobby their Governments to enact anti-abortion laws. The Helms-Biden legislation pays back less than two-thirds of the $ 1.5 billion the United Nations claims it is owed by the United States. The two senators told UN bureaucrats not to lose any sleep waiting for more money in back dues.

From UN News, 27 November 1999

LATIN AMERICA CHEERS MARKET REFORMS, NEEDS SOCIAL CHANGE

Latin America has adopted free market reforms which have spurred growth but desperately needs social development to spread the wealth, Inter-American Development Bank officials said Thursday. Officials from Latin American Governments and the IADB, taking part in a three-day conference marking the bank's 40th anniversary in Rio, said the region had changed beyond recognition with the opening of economies this decade. "We have won stability," IADB President Enrique Iglesias said, pointing to the sharp reductions in budget deficits, the death of the hyperinflation of the 1980s and the economic integration of the region in the 1990s. But, as Latin America's largest multilateral lender, officials from the bank put no glossy spin on the challenges ahead as the region ends the decade gripped by debilitating recession in many parts. Even if economic stability has raised average annual growth to 3.1 percent between 1990 and 1997 from 1.6 percent in 1980-90, this year's poor economic performance has sharpened the focus on the challenges ahead. "Latin America will have the lowest regional growth in the world this year," said Philippe de Fontaine Vive, chairman of the IADB's board of governors. "We are ending a year which some people have described as a crisis." Topping the list of problems is income inequality which "makes us the most unequal in the world," said Iglesias. In Latin America 5 percent of the people get 25 percent of the income, he said. The IADB has 46 members, including Latin American countries, the United States, Japan and Canada. Several leaders, among them Brazil's President Fernando Henrique Cardoso, will take part in the meetings in Rio de Janeiro Thursday through Saturday, when U.S. Treasury Secretary Larry Summers will address the gathering. "The decade is ending with big problems unresolved," Iglesias said. Albert Fishlow, a Latin America specialist from the U.S. Council of Foreign Affairs, said the region had to move away from its reliance on agricultural production. Improving education, addressing income distribution and raising domestic saving levels are key to sustained growth, Fishlow said. "To the extent that Latin America wants to move ahead, it must save," he said, pointing to the fact that domestic savings in the region, except for Chile, are in fact as low today as they were 40 years ago when the IADB was created. Iglesias said the IADB would remain a large lender to the region in 2000, with a lending target of between $8 billion and $9 billion. IADB lending levels reached nearly $11 billion in the last couple of years because of the banks participation in a $41.5 billion multilateral loan program to Brazil.

From ABC News, 2 December 1999

WHITE HOUSE PLANS TO PROPOSE CHANGES IN IMF LEADING POLICY

With the International Monetary Fund under attack in Congress, the Clinton administration plans to propose significant changes in the way the international lender does business. Treasury Secretary Lawrence Summers is expected to call on the IMF to focus more on emergency lending than on helping ailing economies through long-term revolving loans. He expects to begin making his views public in time for them to be discussed in Berlin on Dec. 16 at the inaugural meeting of the so-called Group of 20, a new international forum for discussing global economic issues. IMF member countries still would have to approve any such reforms. The administration believes this is a propitious time to take a new look at the IMF. The financial crisis that swept the world over the past 2 1/2 years has largely dissipated, and IMF Managing Director Michel Camdessus, who led the fund's response to that crisis, has announced his intention to step aside for a still-unnamed successor. "I've said many times the IMF is indispensable, but that doesn't mean we have to be satisfied with the one we have," Mr. Summers said in an interview during a visit Friday to Brazil. The move could help quiet criticism of the IMF on Capitol Hill, where Mr. Clinton had a rough time winning approval this fall for the IMF to use its gold holdings to fund debt forgiveness for poor countries. Some lawmakers and GOP presidential candidates have even called for a complete cutoff of U.S. funding for the IMF, which is owned by 182 member countries and provides loans and economic advice to countries in financial trouble. Mr. Summers swapped views on the issues in private meetings last week with the economic team of Argentine President-elect Fernando de la Rua in Buenos Aires, and in Rio with Brazilian Finance Minister Pedro Malan and Central Bank President Arminio Fraga. Both countries are members of the G-20, created in the wake of the financial crisis to give rich countries and major developing nations a place for informal debate of global economic issues. Beyond the Berlin G-20 meeting, the U.S. hopes Mr. Summers's ideas will help guide the continuing campaign to redesign the world financial system to prevent and shorten future crises. As its major donor, the U.S. has enormous influence in the way the IMF is run. The Treasury Department hasn't released details of the plan. But Mr. Summers is likely to suggest that IMF members consider focusing its lending more on emergency situations, such as recent crises in Thailand, Ecuador and Brazil in recent years, rather than on recurrent loans to troubled economies, which U.S. officials believe is better left to the WorldBank. Mr. Summers may also propose that the IMF streamline the kinds of loan programs it offers. The IMF currently has a variety of packages, including financing to help countries adjust to commodity-price shocks and to promote longer-term development, also the World Bank's home turf. Mr. Summers also would like the IMF to take on a greater role in monitoring -- and making sure that private investors are able to monitor -- countries' foreign obligations. That would be part of a larger discussion in the G-20 of what the U.S. sees as a major cause of the recent global crisis: when countries face short-term debts coming due that far exceed their foreign-currency reserves. Such a situation leaves them vulnerable to the kind of financial chaos that struck East Asia in 1997, then moved through Russia and here to Brazil. Developing countries traditionally assess their foreign-currency reserves in terms of how many months of imports they will pay for. But, as South Korea and other countries learned to their despair, reserves can be drained quickly if debts come due and investors lose confidence in the economy and the currency. The IMF and developing nations, U.S policy makers feel, should judge the adequacy of a country's foreign reserves by taking into account not just how much the Government owes overseas, but also the foreign debts of its banks and businesses, and the dollars the Government has committed on the futures market. Countries, they say, should assess their vulnerability by working through what might happen if, for instance, the price of a critical export product -- such as oil or coffee -- were to drop. One idea, proposed some months ago by Argentine Deputy Finance Minister Pablo Guidotti, is that countries should keep enough reserves so that they could go a full year without having to borrow on international markets. Separately, IMF officials say they won't approve a $640 million loan installment for Russia -- already delayed for several months -- until Moscow makes further progress on economic reforms. Mr. Camdessus met Friday in Washington with Russia's envoy to the large industrialized nations and reviewed the steps the IMF requires before it will release the second installment on a $4.5 billion loan.

From The Wall Street Journal, 6 December 1999

GLOBAL

EUROPE AND JAPAN MUST DO MORE TO DRIVE WORLD ECONOMY, IMF'S FISCHER SAYS

Europe and Japan must do more to drive growth in the world economy to ensure that the recovery in emerging markets continues, the International Monetary Fund's No. 2 official told a bankers' group. An "inevitable" slowing in U.S. growth means other developed economies will have to contribute more, said Stanley Fischer, the IMF's first deputy managing director. "Europe and Japan will inevitably have to take a greater share of the momentum of the world economy," he said. "Fortunately, European growth is perking up and Japanese growth is continuing." Japan should further expand its money supply "until the recovery there is on firmer ground and remaining deflationary risks have passed," Fischer said in remarks to the Bankers' Association for Free Trade. Governments in Asia and Latin America that are trying to rebuild their economies must press ahead with financial reforms, Fischer urged. Policy-makers must "keep up the momentum of reform efforts as the direct role of the international financial institutions is reduced," Fischer said.

From Bloomberg, 2 December 1999

DEVELOPING NATIONS ARE RECOVERING, DESPITE SLOW GROWTH, WORLD BANK FINDS

Developing nations are experiencing good economic recovery but the World Bank believes these countries will struggle to return to growth rates seen before the 1997 Asian crisis. In its Global Economic Prospects report released Tuesday, the bank painted a brighter picture for the world economy next year than in its March assessment. Nevertheless, the report's authors believe the economic crisis in Asia, Brazil and Russia will have lasting social effects, blunting the fight against poverty. The bank sees world gross domestic product growing by 2.6% this year and by 2.9% in 2000. This compares with growth of 1.9% in 1998 and the March predictions of 1.8% and 2.4% growth for 1999 and 2000, respectively. The robust economic boom in the U.S. prompted the bank to revise upward its growth outlook for the Group of Seven industrialized nations to 2.6% this year, sliding to 2.4% in 2000, compared with previous predictions of 1.7% and 1.9% growth for 1999 and 2000, respectively. There were similar revisions in the growth outlook among developing countries. Economic expansion within this group is seen at 2.7% in 1999, compared with growth of 1.6% in 1998 and a March estimate of an increase of 1.7%. Economic activity is seen gaining momentum, culminating in growth rates of 4.2% in 2000 and 4.5% in 2001, the World Bank said. Despite the brighter picture, World Bank chief economist Joseph Stiglitz said the interruption to the economic boom in developing countries has been a major setback in efforts to tackle poverty. Before the Asian crisis erupted in July 1997, the average annual growth rate for developing countries, excluding the transition economies of eastern Europe and the former Soviet Union, was about 5.4%.

From The Wall Street Journal, 8 December 1999

FAILURE OVER GLOBAL REFORM

The world's 20 leading industrial and developing countries have failed to reach agreement on global reform after meeting in Berlin for the first time. Finance ministers from the new G20 group hoped to outline a common approach to reforming the world's financial system, making it less likely that there will be a global meltdown. But in the event, the bland communiqué from the meeting only called upon member states to "pursue sound national policies, including on foreign exchange rates, to help reduce the vulnerability of their economies to financial upheaval." In an implied criticism of many developing countries, it called for countries to abandon attempts at maintaining fixed exchange rates. The G20 "recognized that unsustainable exchange rate regimes are a critical source of vulnerability and that a consistent exchange rate and monetary policy is essential." The meeting also called for further progress on trade liberalization following the collapse of the world trade talks in Seattle. But the meeting did not endorse the US proposal for a radical scaling down of the operations of the International Monetary Fund (IMF), the main body that provides financial support in a crisis. But there was much discussion in the sidelines of the meeting over who should be the next head of the IMF, after managing director Michel Camdessus announced he was standing down before his term expired. Germany claimed that it had garnered more support for its candidate, deputy finance minister Caio Koch-Weser. But Japan said it was lobbying hard for Eisuke Sakikabara, the former vice-minister for international finance, and had gained the support of some Asian countries. The United States, which by tradition does not occupy the position, was said to be lukewarm about both candidates. The G20 was created in September in order to involve major developing countries like Korea and Brazil in structural reform talks. They were at the centre of the crisis which had threatened to engulf the world economy. It was also a response to criticism of the role of the Group of Seven -made up of the world's leading industrial countries - in managing the last crisis. The G20 includes Russia, Brazil, China Saudi Arabia and Mexico as well as the world's biggest industrial countries like the United States, Japan, and Germany. The new club now accounts for about 80% of the world's productivity. The fact that the G7 represents only 11% of the world's population had prompted criticism that it was unrepresentative. European Central Bank executive Tommaso Padoa-Schioppa said the G7 had become redundant, while Bundesbank President Ernst Welteke even said that the G20 could replace the G7. US Treasury Secretary Larry Summers plans to outline possible IMF reform in advance of the meeting. He suggested limiting the IMF role to short-term financing, not providing long-term aid to struggling countries. That position caused controversy as many of the developing countries who received big IMF loans will be present. The IMF has lent more than $100bn to countries like Brazil, South Korea and Russia to prevent global financial meltdown. Japan voiced some reservations about the US plan. A Government official said long-term lending was sometimes necessary.

From BBC World News, 16 December 1999

Governance Systems and Institutions

ASIA/PACIFIC

PAKISTAN RULER SEES LONG CORRUPTION WAR

Pakistan's military ruler, General Pervez Musharraf, said on Tuesday that corruption was so entrenched in his country that a war against it might last for ever. "We have to make sure that corruption is totally eradicated from Pakistan. This is a very tall order," said Musharraf, who overthrew the Government of prime minister Nawaz Sharif on October 12 and quickly launched an "accountability" drive. "Accountability must continue for ever, maybe," said Musharraf, who gave high-level defaulters of close to $5 billion in funds plundered from state banks until November 16 to pay up or face trials, which are due to start shortly. He said his Government stood a chance of bringing the corrupt to justice because it was "sincere, credible and honest" and was busy selecting officials of similar qualities to oversee the war on corruption. "I have the honesty and credibility. The Government has changed. We're bold. I'm not scared, I will do it," he told Reuters Television in an interview. Successive Pakistani Governments have been accused of turning a blind eye to corruption, embezzlement and theft at the highest level, yet not one member of the political elite has been convicted and jailed. "I am afraid it is really terrible that our country cannot produce Governments which assure honesty and accountability," said Musharraf, without naming any Government. Sharif was sacked once by the then president for alleged corruption and his predecessor, Benazir Bhutto, was convicted of graft last year but has yet to return to Pakistan to appeal against her conviction or begin a jail term. Asked how his Government would succeed in instilling honest practices into people used to avoiding taxes and profiting from their positions, Musharraf said: "Being a military man, I know one thing, and that is to motivate people to rise and even to pay the sacrifice of life. We can motivate them." He said he hoped politicians of all parties would rally behind his anti-corruption drive and that the tiny elite which had ruled Pakistan for 52 years would see the sense of it and begin to pay taxes instead of avoiding them. "I am sure with motivation they will contribute and they will not mind spending some more as far as taxation is concerned," he said. "They must realize the criticality of the situation. They should contribute toward bringing about stability in Pakistan and stability means cooperation between all political parties with whatever we are doing," he said. Musharraf, who suspended the National Assembly after the coup and has given no time frame for a return to democracy, said he expected politicians to unite to fight poverty. "That is the only way we will cure the economic malaise facing Pakistan. Their role, as I see it, is not the conventional political role of creating dissension and discord in the country. "Their role is to cooperate for the economic advancement of Pakistan, for improving the governance of Pakistan, for bringing stability to Pakistan," he said. Musharraf said it was the vast majority of Pakistan's 130 million people, the poor, who had suffered most. "It is the poor who have been victimized at every level of Pakistan. I would like to alleviate their problems," he said.

From Reuters, 7 December 1999

PAKISTAN PLEDGES NEW CORRUPTION CRACKDOWN

Pakistan's military-led Government said on Saturday that it would launch a second crackdown on corruption next week. General Syed Muhammad Amjad, head of the National Accountability Bureau (NAB), said on state television that the new drive would target white collar crime and embezzlement. The first targets of the Government which seized power on October 12 were high-ranking Pakistanis who defaulted on close to $5 billion in loans from state banks. Some $200 million of this has been recovered, officials have said. Amjad appealed to the public to provide documentary proof of anyone who had abused their position or power to enrich themselves illegally. "It's my firm belief that 99.9 percent of our countrymen are honest and want Pakistan to progress and prosper. But a negligible number of people are pollutants who have flagrantly trampled laid down rules to plunder national wealth," he said. Pakistan has an unenviable reputation for corruption and the peddling of influence, and General Pervez Musharraf, the military ruler, has said that ending graft and promoting economic revival are the twin priorities of his administration. Amjad acknowledged that the public was impatient for results but said it lacked expert investigators of money laundering and embezzlement. The Government has set up six special accountability courts to try corrupt officials and Amjad said that up to 25 were needed immediately. As many as 110 might be required to purge the country of corruption, he added. Musharraf took power after overthrowing Prime Minister Nawaz Sharif, who has been accused by the media of a variety of malpractices. Sharif is due to appear in a Karachi court on Monday to be formally charged with the capital offence of attempted hijacking and waging war on Pakistan. The charges stem from what Musharraf says was an attempt by Sharif to stop his plane landing in Karachi on its return from an official visit to Sri Lanka. The military ruler accused Sharif of risking his life and those of 200 other passengers.

From Reuters, 13 December 1999

EUROPE

OLIMPYC PANEL OKs SWEEPING REFORMS

Exactly a year after being rocked by the biggest corruption scandal in its history, the International Olympic Committee yesterday enacted sweeping reforms, including a ban on visits by members to cities bidding to host the games. Despite complaints that the no-visits rule implied members could not be trusted, the 100 committee delegates overwhelmingly approved the ban. The decision eliminated the biggest perk enjoyed by IOC members — traveling around the globe at the expense of bid cities desperate to win their votes. At the end of a two-day meeting, the delegates passed all 50 of the proposals by a huge majority, marking the biggest restructuring in the 105-year-old organization. It was a major victory for IOC President Juan Antonio Samaranch, giving him ammunition for when he travels to Washington to testify Wednesday before a skeptical Congress. The changes were completed a year to the day after Swiss board member Marc Hodler triggered widespread allegations that cities wishing to become Olympic hosts were buying votes from members.

From The Associated Press, 13 December 1999

RUSSIAN VOTERS BACK REFORMS

Voting across 11 time zones, Russians gave pro-reform parties strong support in parliamentary elections Sunday. Moderate political forces appeared to garner roughly half the votes, marking a victory for the Kremlin and its widely popular Prime Minister Vladimir Putin. The newly formed Unity Party, forged by the Kremlin only three months ago and stocked with young, fresh-faced candidates, will finish a strong second behind the Communists, the country's biggest party, exit polls and early results showed. The race, widely viewed as a dress rehearsal for next year's presidential campaign to replace Russian President Boris Yeltsin, offered good news for Putin, 47, who has emerged as the uncontested front-runner. However, the Communists proved they remain the tenacious opponents to reform by registering a higher proportion of vote than the party earned in the last parliamentary balloting in 1995. At stake were all the seats in the 450-member Duma, the lower house of Parliament. The late fall elections were eclipsed by the internally popular war against rebellious Chechnya and tainted by a bitter, mudslinging campaign that pitted Kremlin loyalists against their rivals. Exit polls for the the NTV television network showed the Communists still the largest party, with 28 percent. But four moderate and liberal parties between them claimed 54 percent of the vote. Unity was running in second place with 24 percent of the vote. An allied pro-reform party, the Union of Right Forces, ran surprisingly strong with 11 percent. With 10 percent of the actual votes counted, Unity was ahead with 28 percent, followed by the Communists with 25 percent, election officials said. Vladimir Zhirinovsky's ultra-nationalist bloc had 8.2 percent. The Union of Right Forces garnered 7.2 percent, followed by the centrist Fatherland-All Russia with 6.5 percent and the social democrats of Yabloko with 5.5 percent. In all, 26 parties and some 2,300 candidates competed in the Duma election. Half of the seats will be filled by the vote for party lists, with groups getting more than 5 percent of votes winning places. The other half will be filled through individual races in electoral districts. Final results from the balloting are not expected until late this morning. Analysts said the results reflected increased sophistication among voters, who distinguished between pro-reform political parties and the unpopular Yeltsin, whose second term as president expires next summer. The results also reflect an apparent desire among Russians to see a continuation of democratic and economic reforms despite the painful decade of transition since the Soviet Union was dissolved. "They told the people: 'We are young guys, that we ourselves committed a lot of mistakes. But we can and we want to pull the country up from the dirt,' " Yevgenia Albaats, an independent journalist and political analyst, said of the strong results for the Union of Right Forces. Former Prime Minister Sergei Kiriyenko and former Yeltsin adviser and reformer Boris Nemtsov founded the party. Another new party, Father- land-All Russia, appeared to be running weaker than expected, with about 11 percent of the vote, according to exit polling. The successful centrist bloc is led by former Prime Minister Yevgeny Primakov and Moscow Mayor Yuri Luzhkov, both prominent opponents of the Yeltsin administration. Before Putin appeared on the political scene, Primakov, 70, was the leading contender to replace Yeltsin, according to polls. Luzhkov, also believed to have presidential aspirations, won re-election Sunday as Moscow mayor with 70 percent of the vote, but he consistently polls badly in nationwide surveys of potential presidential candidates.

Atlanta Journal, 20 December 1999

MIDDLE EAST

DOCUMENT LINKS PALESTINIAN LEADER TO GOVERNMENT CORRUPTION; CRITICISM OF ARAFAT RAISED TO NEW LEVEL

In the dark, twisted passageways that make a warren of this ancient city's center, a few bold Palestinians surreptitiously passed out a document last weekend denouncing the rule of Palestinian leader Yasser Arafat. Merely having a copy of the statement is considered dangerous, because over the past three days eight leading Palestinian intellectuals and politicians who signed it have been arrested, another has been detained for questioning and two others have been placed under house arrest. Under Palestinian law, they can be jailed for months without being charged. The document was published Sunday and signed by 20 leading intellectuals, including nine members of the Palestinian Legislative Council. It touches on familiar criticisms made by Arafat's growing number of opponents: allegations of corruption and political oppression by the Palestinian leadership, and anger over the declining chances that peace talks will recover all the territory and rights lost to Israel. But it goes further than in the past, by naming Arafat for the first time in connection with corruption charges. Arafat has "paved the way for opportunists to spread corruption in the Palestinian community," the statement said, adding that the governing Palestinian Authority he heads "has followed a systematic methodology of corruption, humiliation and abuse against the people." Urging others to join them in opposing Arafat's rule, the signatories declared: "The injustice cannot be stopped unless the oppressed work together against tyranny." In the city of Nablus today, police searched for people who distributed leaflets supporting the intellectuals' challenge, according to LAW, a Palestinian human rights group. The group said two brothers of suspects were arrested and were being held until those responsible for the leaflets surrender. The protest document is the latest sign of public discontent over the kind of state Arafat is building, and Arafat's critics say his heavy-handed reaction to the statement may only increase that concern. "We are seeing Arafat has become very, very weak now," said Khader Skirat, the director of LAW. "First, his weakness is shown because the people are so angry with his Government. Then, no one expected such a reaction to this petition. It shows that something small is driving Arafat crazy. This proves his weakness." Senior Palestinian officials say widespread corruption and incompetent management are to be expected in a new Government, and that the problems are being corrected. Tayed Abdel Rahem, a senior aide to Arafat, said those arrested have gone too far in their criticism because they are trying to encourage Palestinians to rebel. He said the Government is taking "democratic measures" to investigate their actions. Another ranking Palestinian leader, Nabil Amr, said today that five of the people who signed the document, four of whom are in jail, now say they had not intended to harm Arafat's name or to create conflict among Palestinians. "The timing [of the document] is sensitive," Amr told a news conference. "It comes at a time when the Palestinian leadership needs the support of the people, not internal strife in times of difficult negotiations with Israel." In Hebron, however, the statement attacking Arafat is being welcomed by many of the destitute Palestinian workers in hundreds of unlicensed and dangerous, clandestine factories. In those places, where a 72-hour work week can pay less than $ 100, workers question whether the Arafat Government will guarantee them minimum rights. Conditions in Hebron's factories--and the lack of regulation by Arafat's Government--burst into public view Oct. 21 when a fire in an unlicensed factory assembling cigarette lighters killed 14 women. While Arafat promised a complete investigation, and offered the victims' families $ 3,000 each, the police arrested several of the workers and an investigator from the Labor Ministry, along with the factory owner.

Rami Aqel, 16, who was overcome by the fumes in the factory and dropped a tray of lighters that sparked the fire, said the workers knew the facility was dangerous. "But, we could not think about that," he said. "We are poor people. We have no choice but to work." He was jailed after the fire and said he heard fellow workers being beaten by policemen because what they were saying was not consistent with the police's theory of what caused the accident. "The Government does not want the investigation to include conditions in the other factories," said a labor leader, who began a vigorous attack against Palestinian officials he said benefit from exploiting workers. "All of these important people in the Government and in the legislature, they have businesses everywhere." His accusations ended with the sudden arrival in his office of an agent from the Palestinian police intelligence service. The agent said nothing, but the labor leader immediately began to praise Arafat and to say there was no doubt that Palestinian officials were intent on protecting workers. The head of the regional branch of the Palestinian General Federation of Trade Unions, Samur Natsheh, said that despite what many of its members claim, his organization does not bow to pressure from the Government to keep silent on questions of safety. Even so, he was not able to name any of the hundreds of illegal factories that operate in the area immediately surrounding his offices. Along the cramped streets, most of the metal doors are shut tight, giving the appearance of a nearly deserted quarter. But inside, in basements and on second and third floors, school-aged children and adults work to the rhythm of precariously wobbling machinery. The heavy smell of chemicals fills workshops, which often resemble caves, with a single tiny door the only opening. The products--shoes, drinking glasses, stockings and other apparel--stack up everywhere, providing fuel for fires and making an escape difficult. "We asked the owner for masks to protect us from the chemicals, and at least for a fire extinguisher, but nothing happens," said Adel Jabari, who was furiously cutting out pieces of leather to be assembled into shoes. "Why should he do anything? The only reason the police ever come here is for a bribe." Students from the political groups Hamas and Fatah, with differing opinions about the Palestinian Authority, scuffle over control of the microphone to speak to a crowd at Bir Zeit University near the West Bank town of Ramallah on Monday.

From Washington Post, 30 November 1999

THE AMERICAS

U.S. PLEDGES CONTINUED SUPPORT FOR UKRAINIAN ANTI-CORRUPTION EFFORTS

Ukrainian President Leonid Kuchma promised vigorous pursuit of corruption at home as he appealed Wednesday for help from President Clinton and Vice President Al Gore. Gore said in pledging continued U.S. support for Ukraine that Kuchma's re-election last month is an opportunity for bold reform. "After all, that is why we are here - because we have common interests," best advanced by cooperation, Gore said. The United States has provided about $200 million annually to the former Soviet state in recent years, with some money tied implicitly to Ukraine's efforts to root out pervasive political corruption. Kuchma said he welcomes a “true war against corruption,” which he said hampers business investment and other development. The state visit marked an increasingly rare White House appearance for Gore, who is distancing himself from his official role as vice president while he runs for president. Gore attended Clinton's 45-minute White House session with Kuchma and led a discussion session with diplomats from both countries afterward. "Obviously he's not around as much," Clinton said at his press conference later. "We don't have lunch every week, and I miss that terribly."

From The Nando Times, 9 December 1999

ARGENTINA’S DE LA RUA DRAFTS TOUGHER CRIME LAWS

Argentina's new president, Fernando de la Rua, will deliver four bills to Congress on Monday aimed at fighting violent crime, corruption and money laundering, Clarin newspaper said on Sunday. The move comes in the wake of two high-profile drug-money laundering cases that authorities say underscores the need for tougher laws to combat organized crime. De la Rua, sworn in as Argentina's new president on Friday, has vowed that "transparency, honesty, austerity and a permanent fight against all forms of corruption will be the trademark of my Government." Earlier this month police raided Buenos Aires bank Mercado Abierto, where millions of dollars from a Mexican cocaine cartel were allegedly laundered. Last month Argentine anti-terrorist police arrested the widow and son of Colombian cocaine kingpin Pablo Escobar in a raid on their Buenos Aires apartment. They are accused of using the city as a base to launder drug money. Argentina's lower house of Congress approved a bill against money laundering in September after sitting on it for 2-1/2 years. The Senate is now considering the measure, which sets out jail terms of up to 10 years for accountants, bankers and lawyers convicted of covering up money laundering, not just from drugs but from all organized crime. Clarin said De la Rua drafted a second money-laundering bill on Saturday. And it said De la Rua has drafted a bill aimed at increasing sentences for violent criminals and another authorizing plea bargains to criminals who assist in prosecuting cases. Another bill would set up an Anti-Corruption Office within the Justice Department to root out graft, Clarin said. A U.S. State Department review two years ago labeled Argentina as a medium to high risk centre for money laundering due to lax regulation and enforcement. And the CIA has expressed concern that Argentina is increasingly a transit country for cocaine headed for Europe and the United States. Argentina has also seen a rise in violent crime, bank robberies and use of firearms as South America's second largest economy struggles through its worst recession in a decade.

From Reuters, 13 December 1999

REFORMS ON GIFTS, LOBBYING OFFERED

Assembly bill bans gifts from lobbyists during legislative session; Senate Majority Leader Bruno has similar plan Outspoken Assemblywoman Deborah Glick of Manhattan finds herself in the same situation that confronts a lot of her legislative colleagues during the seven months or so that they're meeting in Albany. Sometimes she'll accept an invitation to dinner with a group of legislators, knowing the check is being picked up by a lobbyist. Glick says she likes the treat, a break in routine or isolation an out-of-towner sometimes feels, which allows her to mix with a different crowd. "The reality is there are probably some people I wouldn't go out to dinner with (otherwise). It changes the dynamic of people interacting," she said. But a dinner on a lobbyist, she insisted, is merely a social event. "I can't think of anybody who would think that giving me anything would influence me," said Glick, a nine-year legislator who co-chairs the Legislative Ethics Committee. Her point was echoed in numerous interviews recently with legislators. But under a bill sponsored by Assemblyman Alexander Grannis, a fellow Manhattan Democrat, and hailed by so-called good government groups, Glick and the other 210 legislators wouldn't be allowed to accept anything more valuable than a golf cap or T-shirt from a lobbyist. The bill would also ban lobbyists from contributing to state officials during the legislative session -- or the first six months of the year -- effectively ending the busy annual season of fund-raising receptions in Albany. It would also give broader powers to the state's lobbying oversight office. With that said, it's almost certain that lobbying will be on the agenda of the Legislature when it returns to session on Tuesday. The law that authorizes the lobbying commission, typically extended every two years, expires Dec. 31. As in Washington, D.C., lawmakers in New York wouldn't be allowed to accept gifts other than incidentals, a substantial change from the limit in effect for the past 22 years. Now state legislators can take unlimited individual gifts of less than $75, and other government officials can accept up to $75 in the aggregate each year. Yet the gifts are all OK if the giver isn't trying to influence the lawmaker or policymaker. That's often a judgment call on the part of the recipient. Most lobbyists think Grannis' proposal is unnecessary, but say they'd adjust if changes happen. "I think it's ludicrous," said Martin J. McLaughlin, a lobbyist from New York City, whose clients have included Trump Hotels & Casino Resorts Inc. But the "stars may be in line" for reforms, said Blair Horner, legislative director of the New York Public Interest Research Group, an advocate of tougher lobbying restrictions. Recent focus of attention on the state Temporary Commission on Lobbying and on apparent abuses of the system, Horner said, have led to wider calls for change. All this follows the biggest case ever handled by the lobbying commission: its $75,000 penalty of Philip Morris and $15,000 penalty and banning of Philip Morris' chief lobbyist last month. The case has kept lobbying in the headlines for weeks. "This is an extraordinarily rare opportunity to make some very overdue fundamental changes in this lifestyle of Albany," Grannis said. "We've been coasting along, getting more and more lax and more and more indifferent to the public's perception of what this all looks like." He said his law wouldn't bar Glick from socializing, but she'd have to pay for it herself. "She gets $110 a day!" he exclaimed, referring to the stipend legislators receive daily to help cover their expenses while working in Albany. Glick says those "per diem" funds don't cover the cost of the apartment she maintains in Albany year-round. But she sees Grannis' point: "It would eliminate the perception that I think the press has helped promote: that legislators go to Albany only to party and have their hand out all the time." The flaws of the lobbying commission's authority were exposed, said Grannis, during its high-profile investigation of Philip Morris. The commission might never have learned about lobbying law violations without documents the company turned over as part of the settlement in the nationwide tobacco lawsuit. The bill sponsored by Grannis would allow the commission to issue greater penalties and to audit lobbyists. The commission itself is also recommending legislation for permanent extension and greater regulatory power, including a broader definition of lobbying. Currently, lobbyists aren't required to identify their clients and activities that involve municipal governments. Grannis' proposal would allow municipalities to opt into disclosure requirements. His bill is sponsored in the Senate by Nancy Larraine Hoffmann, R-Syracuse, whose leader, Sen. Joseph Bruno, R-Brunswick, has stated his intentions to bolster lobbying laws. On Saturday, Bruno made good on his intentions by proposing for the first time a similar measure that would bar lawmakers from accepting gifts from lobbyists. Bruno's proposed gift ban would include state lawmakers as well as officials with state agency and local governments, according to Sunday's New York Times. Moreover, Bruno's proposal marks a shift on the issue because he has not pursued or pushed for similar reform measures in the past. His move also puts pressure on the Assembly to follow suit or risk appearing soft on the issue. The governor wouldn't immediately comment, a spokesman said Sunday. But reaction to Bruno's proposal has been mixed. It sounds good to voters, but it's full of holes and stands little chance of becoming law, said Patricia Lynch, spokeswoman for Democratic Assembly Speaker Sheldon Silver. "It is too cute, it is too slick and it accomplishes nothing," Lynch said Sunday afternoon. Bruno's proposal "would effectively kill any chance of adopting meaningful reform in the state's lobbying laws this year." NYPIRG is concerned Bruno's proposal apparently doesn't limit lobbyists involvement in campaign fund-raising, or allow the state lobbying commission to verify lobbyists' disclosures. Still, "Senator Bruno's proposal is a significant step forward in the effort to modernize and strengthen New York's woefully inadequate lobbying law," said NYPIRG's Horner. Last year, legislators and elected state officials conducted about 190 parties; lobbyists paid tens of thousands of dollars to attend them. In addition, clients of lobbyists spent in excess of $55 million attempting to influence lawmakers in Albany. Grannis will have difficulty getting the measure passed in the Assembly. So far, Silver has sidestepped discussing lobbying. But many Democrats have trouble with the bill. Assemblyman John McEneny, D-Albany, said the bill would harm local eateries and caterers. "It would kill my restaurants," he said, referring to his legislative district. "It creates this very tense atmosphere; it means you can't take a hot dog with a lobbyist in Capital Park if you don't have any money in your pocket. It becomes this overly scrupulous, unreasonable situation." He said he favors reforms that would allow legislators to accept the first $20 of a gift. Barbara Bartoletti, legislative director for the League of Women Voters, suspects the Legislature will give no more than lip service to the issue. "They'll do as little as possible, as little as they think they can do and call it reform," she said. Gov. George Pataki seems open to reforms: His comprehensive campaign finance proposal would ban fund-raisers within 25 miles of the state Capitol. "That certainly doesn't address the problem with lobbying: we want all gifts banned, and we want the commission strengthened and we want it extended to the local level," Bartoletti said. Brian Meara, a lobbyist who works for Trump and Philip Morris, said he thinks the law should be amended so that lobbyists are required to notify a legislator that his or her dinner may exceed the legal limit for gifts. That way legislators would know in advance that their names might appear on an itemized report to the lobbying commission and they could decide at that time whether they were the recipient of a free meal without any strings attached. Albany lobbyist Lester Shulklapper said the current law should be sufficient and he thinks it goes too far by making him reveal how much his clients pay him. A stricter law -- allowing audits -- is unnecessary, he said. "It could be reforms, it could be deforms," he said. "Why not audit reporters? They're part of the process as much as a lobbyist is." Assembly Minority Leader John Faso agrees with lobbyists who say that so-called good government groups are making unreasonable demands that won't solve anything. The lobbying commission may need some better enforcement tools, Faso said, but he is wary of some of the "politically correct" proposals such as banning fund-raisers. Faso says the Legislature should extend the current commission for 10 years and that can be done next year, with the extension retroactive to the beginning of the year. McLaughlin recommends the Legislature creates a committee of lobbyists, reform advocates and legislators to negotiate a new law. "How about full disclosure for anything over $25 with no limit (on spending)?" he said.

From Albany (NY) Times, 13 December 1999

IOC REFORM REAL, SAMARANCH PLEDGES MELISSA TURNER - STAFF

Making his first appearance Wednesday on Capitol Hill, the president of the International Olympic Committee gamely defended the IOC's reform process. Juan Antonio Samaranch told lawmakers the IOC had "cleaned the house" and could be trusted to keep it that way. But the congressional panel expressed skepticism about whether the IOC reforms were worth any more than the paper they were printed on. Several members of the House subcommittee that is investigating allegations of corruption in the Olympic site selection process suggested the IOC had ignored rules in place and would fail to enforce new guidelines once Congress turned off the spotlight. "I can assure you, we will deliver what we promise," Samaranch said during three hours of testimony under feisty questioning by members of the House Commerce subcommittee. Rep. Joe Barton took the opportunity to reiterate his call for Samaranch to resign. "It's time for some new blood and some new leadership," the Texas Republican said. "And this would be a great setting for you to be a true statesman of sport and announce that." Samaranch, who didn't falter despite the lengthy and intense grilling, chose not to respond to Barton's suggestion that he quit. Barton and his House colleagues questioned the 79-year-old Spaniard about a visit Samaranch's wife and a friend made to Atlanta at the bid team's expense. Samaranch was also asked why the IOC should pay for his $250-a-night suite in the Palace Hotel in Lausanne, Switzerland, where the IOC is headquartered. Samaranch denounced as "a lie" a report in Sports Illustrated that the suite cost the IOC $500,000 a year. He blamed an overly hospitable Atlanta team bidding to be hosts of the 1996 Summer Games for encouraging his wife to make an "unofficial" visit to see the American South and its shopping malls. He eventually conceded the Atlanta bid team probably should not have picked up the $12,000 tab for his wife's visit to Charleston and Atlanta. Barton wanted to know why the new reforms, including a ban on gifts and future visits by IOC members to cities competing for the Games, didn't apply to the president. Samaranch said it was "not necessary" that the restrictions apply to him. Barton retorted, "But what if this subcommittee thinks it is necessary?" At that, Samaranch said he would "be glad to listen and review your proposals." The House Commerce panel's subcommittee on oversight and investigations made a number of proposals that Samaranch agreed to discuss with the IOC leadership, including changing wording in already adopted reforms to tighten a ban on all gifts and to ensure that representatives of cities bidding for the Games don't visit members in their countries. Samaranch, accompanied by the IOC's director general, Francois Carrard, made his opening statement in English but spoke through translators during the lengthy questioning by members of Congress. The lawmakers voiced concern that the new ethics commission would not ferret out improprieties unless it received irrefutable proof of wrongdoing. "I fear these reforms will be cosmetic, purely to mask the aristocratic aura formed around the organization," said Diana DeGette (R-Colo.). She said the reforms were vaguely worded and the enforcement power of the ethics commission was suspect. "Previous gift rules were flagrantly violated time and time again," DeGette told Samaranch. "Why do you think the new gift rules, which are admittedly quite vague, will be obeyed?" "Since there are no more visits, there will be no more gifts," responded Samaranch. He suggested the most expensive presents came when IOC members went on shopping sprees in candidate cities. Rep. Fred Upton (R-Mich.), chairman of the House panel, quoted former Sen. Howard Baker's legendary Watergate inquisition as he first addressed Samaranch: "What did you know and when did you know it?" Upton and others questioned why the IOC ignored evidence of abuses of the bidding process that had surfaced as early as 1984, when Los Angeles won the Games, and was outlined in detail in a 1991 report from the Toronto bid committee. Samaranch said the IOC was not able to take action to stop such abuses before this year because no one ever provided the committee with names of offending members. Upton seemed to speak for most of the panel members when he said: "The conduct by IOC members and the bidding cities did not spring up yesterday, and it will not go away simply because there are new rules written on a piece of paper." "Frankly, it's hard to have confidence in the success of these reforms, given some of the disturbing statements" by IOC members after their meeting last weekend, Upton said. At that meeting, the chairman of the IOC ethics commission was quoted as saying members did not plan to initiate investigations and follow up new cases that develop out of an ongoing federal probe in Salt Lake City. Another commission member said, "We will not be detectives or Scotland Yard." Upton said he wanted to be assured that the ethics commission would "be strong enough to end the mentality that 'rules are made to be broken." Samaranch had two strong U.S. allies on hand. Former Secretary of State Henry Kissinger, a member of the IOC 2000 reform commission, and former Sen. Howard Baker, who serves on the ethics commission, told lawmakers they were confident the new rules would be enforced. "I have enormous confidence in the ethics commission," said Kissinger. "They will have a major responsibility for the spirit in which the reforms are carried out." When Kissinger was asked whether he thought the new reforms recommended by his panel should apply to Samaranch as well, he said, "I would certainly expect the president of the IOC would set an example for the membership for meticulous adherence to the letter and spirit of the reforms." Baker and Kissinger expressed admiration for Samaranch and lauded his cooperation and positive influence over the IOC membership. "The IOC is worth saving," said Baker, noting the ethics group still had much work to do in fine-tuning the code of ethics and appointing an administrator. "It's a great institution with a great history." Samaranch, who had delayed his appearance before Congress until after the IOC vote on the reform package, said after Wednesday's hearing that he hoped the crisis was now over. Samaranch had sidestepped appearances at three previous congressional hearings --- two in the Senate and one in the House. His agreement to appear Wednesday came with an assurance that he would not be subpoenaed as a witness in the ongoing Justice Department inquiry into the Salt Lake City scandal. He has agreed to speak to the FBI next month. Rep. Henry Waxman (D-Calif.) said Congress would monitor the IOC's behavior and take punitive action if necessary. He cited legislation he introduced that would bar American companies from financially supporting the Games if the IOC does not change its practices. John Naber, a gold medal swimmer, also encouraged lawmakers to give the reforms time to work but to keep watch. Naber said the recent changes were "a remarkable testament to the disinfectant power of sunlight." DeGette suggested the ethics commission was a work in progress. "Significant work remains," she said. "There's a saying, you must trust in God but always tie your camel. I am going to have to keep my camel tethered."

From Atlanta Journal, 16 December 1999

Civil Services & Ethics in Public Sector

AFRICA

NDHLELA'S R1 MILLION CORRUPTION CASE POSTPONED

The trial of suspended Premier Soccer League head Joe Ndhlela was postponed in the Johannesburg Regional Court on Monday, SABC radio news reported. Ndhlela, 44, is facing three counts of fraud involving nearly R1 million, one of corruption and one of contravening the Companies Act, relating to his previous positions as non-executive and executive director of Transnet where he was dismissed two years ago. It is alleged he falsely claimed commission, totalling more than R190 000, from a recruitment agency which recruited three Transnet employees. He also allegedly contravened the Companies Act by failing to disclose to Transnet that a funeral scheme was linked to a close corporation of which his wife was the sole member and receiving commission from the scheme. He allegedly made false claims worth more than R730 000 from the funeral scheme which he proposed to Transnet. Ndhlela was released on R20 000 bail two weeks ago on condition he did not leave the country without written permission from the director of serious economic offences. He was ordered to surrender his passport and not to contact former or present Transnet directors.

From S. Africa-News24, 13 December 1999

ASIA/PACIFIC

CIVIL SERVANTS URGED TO DISCUSS PRESSURE

Senior civil servants have been encouraged to air their grievances about increasing pressure from the media and politicians. The Senior Non-Expatriate Officers' Association appealed to members in its latest newsletter to speak out against unreasonable criticism. The unprecedented move came after disgruntled senior officers lodged complaints at the annual general meeting in late October. "We want them to let us know just how serious the problem has become," chairman Leung Chi-chiu said. Dr. Leung said the trend was for the public to lodge complaints against the Government with the media and legislators rather than directly to the departments concerned. The push for a more open administration as well as the financial crisis have aggravated the problem. "As we go through the adjustment brought by the economic crash, the public might not get what it wants and we will bear the brunt," Dr. Leung said. The Civil Service Bureau is aware of growing pressure on front-line officers and has commissioned a pilot scheme to provide telephone counselling services for 30,000 officers. Seminars on stress management have been held regularly to channel grievances. Dr. Leung said the officers in question might be frustrated when legislators or the media failed to back criticism with valid evidence. The pressure would be stronger if top management did not defend their staff. "Civil servants should be given a reasonable working environment. We don't want the routine upset by the legislature," he said. The 2,000-strong association representing civil servants earning at least $47,970 a month may take up the issue with the administration or legislators after gauging the severity of the problem.

From South China Morning Post, 13 December 1999

EUROPE

SPANISH ANTI-CORRUPTION CRUSADER FINDS HIS TELEPHONE BUGGED

Police found a telephone wiretap in the home of Spain's top anti-corruption crusader, a newspaper reported Wednesday. Carlos Jimenez Villarejo, a prosecutor leading a special office under the attorney general, summoned police to his home after hearing odd noises on the line when he spoke by telephone, El Mundo said. Jimenez Villarejo also noticed that things he said over the phone would later appear in motions and other documents filed by defendants in cases he was handling. Police sources said his phone had probably been bugged for months but declined to speculate who might be behind it, El Mundo said. Police would neither confirm nor deny the report. But the news agency Efe quoted Jimenez as confirming it and insisting he would not be intimidated in his work. His department was created by parliament in 1995 amid a wave of scandals that helped bring down the ruling Socialist Party the next year after nearly 14 years in power. Jimenez Villarejo has been at the center of Spain's biggest corruption probes in recent years. He also conducted aprobe of alleged embezzlement by senior Interior Ministry officials in the late 1980s and early 1990s. Last week his office requested jail terms of up to 10 years for two former ministers and six other ex-officials andpolice.

From ABC News, 1 December 1999

RUSSIAN AND SWISS PROSECUTORS SAY PROGRESS MADE ON CORRUPTION PROBE

Russian and Swiss prosecutors have made progress in their efforts to investigate a string of corruption scandals engulfing the Kremlin, Swiss federal prosecutors said Thursday. Russia's top prosecutor in the case, Alexander Volkov, and his Swiss counterparts had "interesting discussions and an investigative commission was able to make progress thanks to joint hearings," the prosecutors' office said here in a brief statement. Volkov left Switzerland Thursday after a week of meetings aimed at revealing the Swiss angle of a wide-reaching probe into several corruption cases linked to both Aeroflot and various Kremlin construction projects. Volkov suspects Russian tycoon Boris Berezovsky, a Kremlin insider close to President Boris Yeltsin, of illegally funneling about nine million dollars from the Russian airline through Swiss finance houses Forus SA and Andava, both of which he founded, to other accounts. The top prosecutor has dropped charges against Berezovsky for lack of evidence but has said that the business mogul could face more serious charges in the future. Kremlin property manager Pavel Borodin is suspected in a separate case of taking bribes from Swiss construction firm Mabetex in exchange for lucrative Kremlin remodeling contracts. Mabetex purportedly opened Swiss bank accounts for Yeltsin and his two daughters in exchange for winning the contracts. Switzerland has blocked several bank accounts in connection with the cases at Russia's request, and has launched its own federal corruption probe that extends beyond Moscow's official requests for assistance.

From Russia Today, 2 December 1999

KOHL FACES CORRUPTION PROBE

Former German Chancellor Helmut Kohl said he never knew the arms dealer Karlheinz Schreiber who has admitted handing the equivalent of $520,000 in cash to the party's treasurer at a Swiss shopping center in 1991. The German parliament has voted unanimously today to open a full-scale probe into secret party accounts run by former Chancellor Helmut Kohl, which have touched off a political storm in Germany. The scandal centers on a covert $530,000 payment by an arms dealer to the treasurer of the Christian Democrats while Kohl was chancellor and party chairman in 1991. Lawmakers will try to establish whether the money was a kickback for an arms sale to Saudi Arabia, the designated head of the investigating committee, Volker Neumann, said today.

From ABC News, 2 December 1999

TURKISH LABOR AND SOCIAL SECURITY MINISTER SUSPICIOUS ABOUT CORRUPTION IN SSK

Labor and Social Security Minister Yasar Okuyan on Monday stated that there are a number of allegations circulating that there is corruption and wrongdoing in the Social Security Authority (SSK). According to the minister's own estimate, the amount of funds misused by the SSK may reach as high as several billion Turkish lira. Okuyan, during his visit to the Istanbul General Directorate of Health and other offices that are working in coordination with the SSK, said that it is imperative that a restructuring of the SSK be initiated. The 57th Government has been working assiduously in an effort to reform Turkey's social security system. As part of these efforts the government earlier passed the social security reform bill, but this bill has caused controversies among the public, labor unions and opposition parties. The main opposition Virtue Party (FP) filed a request with the Constitutional Court in November in order to have the bill repealed. Okuyan also mentioned that the SSK has absorbed TL 5.2 quadrillion from Turkey's budget for the year 2000 and complained that these funds are not being used efficiently.

From Turkish Daily News, 7 December 1999

BELGIUM PAYS SOME NIGER CIVIL SERVICE WAGE ARREARS

The Belgian Government is to pay Niger's civil servants their wages for June 1999 and is prepared to pay a second month's arrears, Niger's finance minister, Saidou Sidibe, told state radio on Monday. The West African country's 44,000 civil servants are owed about 12 months of pay. "We are waiting for the funds to be transferred from the Belgian side and, if the payment goes ahead without any problems, Belgium has committed itself to subsidize another month's salaries in the first quarter of 2000,'' Sidibe said. He did not disclose the amount of money expected from Belgium. Denmark has also offered to pay certain wages not paid from May with a grant of 870 million CFA francs ($1.34 million). Niger, a former French colony, is one of the world's poorest countries. Chronic budget problems stemming from the fall in price of uranium, its main export, have been compounded since April by the suspension of aid programmes following a military coup. Donors are beginning to return after democratic elections in November, in which retired army colonel Tandja Mamadou won the presidency and his National Movement for the Development of Society (MNSD) plus allies won a majority in parliament. Richard Holbrooke, U.S. ambassador to the United Nations, met Tandja during a stop at Niamey on Saturday during an African tour. Political sources in Niger said Holbrooke was pleased with the transparent way in which the elections were conducted and promised U.S. help for the country.

From Reuters, 13 December 1999

GOVERNMENT REPEATS INVITATION FOR JOINT ANTI-CORRUPTION STRUGGLE

The coalition Government of Socialist Prime Minister Ilir Meta repeated its invitation to the opposition to join a common fight against corruption, as it went ahead on Tuesday with plans to draft a comprehensive anti-corruption plan and a monitoring structure with its responsibilities and powers. The inter-government Anti-Corruption Commission that met on Tuesday extended once again an invitation to the opposition, an invitation that will remain open during the whole process, said a government press release. It said that the process was open for the opposition to join any time in both technical and monitoring groups of the commission. At the top of the anti-corruption scheme stands an inter-ministerial body, headed by Prime Minister Ilir Meta, that brings together several ministers, order, justice, etc. A second expert level is represented by a monitoring group that gathers other government officials, those from justice and local government, as well as NGO representatives. Albanian and foreign experts will form a third group. It is not yet known how the scheme will work as it is in the process of being crystallized. The Government went ahead on Tuesday with plans to establish a group of experts from all branches of the Government before Dec. 16 and the start of preparations to establish a second technical anti-corruption group, which will include representatives from the opposition and international community. It said the commission would go ahead also with the preparatory work to determine the composition, structure and powers of the Anti-Corruption Monitoring Group, work that is expected to conclude on Jan. 12, 2000. "The Government encouraged all parties interested to offer their suggestions for the process," said the release. Premier Meta launched a proposal last month to establish a joint anti-corruption commission together with opposition representatives after he promised Albania's foreign partners that his fight against corruption would be severe and that he wanted the opposition to take part in it. He maintains that more than the government majority parties and the opposition, the country's public and the international community are interested in the performance of the commission in the fight against corruption, which is one of the main evils and obstacles to the country's prospects for further foreign investment. But the main opposition Democratic Party has so far refused any participation in what they call "the government's anti-corruption farce and propaganda". The Organization for Security and Cooperation in Europe (OSCE) managed last Thursday to bring together representatives of the government and opposition to coordinate the fight against corruption. Mistrust rules in Albanian politics and the OSCE is forced to act time after time as a mediator to avoid political stalemate. The OSCE's ambassador in Tirana, Gert Ahrens, brought together the Minister of State, Prec Zogaj, and opposition representatives: the Democratic Party public chief, Besnik Mustafaj, the Christian Democrats' head, Zef Bushati, Liberal-Democrat Teodor Laco and Republican Party chairman Fatmir Mediu. The meeting did not produce any clear result, but the opposition leaders said that their participation in the anti-corruption expert bodies would be considered by their respective parties. The opposition is suspicious that it will be marginalized and will have a minor role in the new bodies that may serve to boost the political credit of the ruling Socialist Party.

From The Associated Press, 16 December 1999

MIDDLE EAST

KUWAIT WOMAN GETS SOME MINISTERIAL DUTIES

A woman civil servant at Kuwait's higher education ministry has been given some ministerial duties even though the country's all-male parliament last month twice rejected granting full political rights to women. The official Kuwait News Agency (KUNA) reported on Tuesday that Education and Higher Education Minister Youssef al-Ibrahim, a liberal, had assigned some ministerial functions to Rasha al-Sabah, who holds the post of undersecretary. Her new powers include making some appointments at the ministry and deciding some salaries. Al-Sabah, a member of Kuwait's ruling family, has been among advocates of full political rights for women in the Moslem Gulf Arab state. She told KUNA that the minister's move "stresses the Government's trust in women's role in leading positions.and granting women additional powers and ministerial duties." Her name had been circulated as a possible candidate for a full cabinet post if parliament had approved the women's rights law. Before the law was defeated, Kuwaiti leaders had said that women could eventually join the cabinet. But mainly Islamist and tribal MPs stood firmly against the women's rights draft law, which was defeated by just two votes last Tuesday. Some 15 elected MPs and 15 cabinet ministers, who are ex-officio MPs, supported the law. Emir Sheikh Jaber al-Ahmad al-Sabah surprised the region in May by ordering full political rights for women. But his decree was overturned by parliament on November 23 after months of heated debates over the highly controversial step. Rasha al-Sabah, who has also served as deputy head of Kuwait University, is the first Kuwaiti woman to be appointed undersecretary. Kuwaiti women are seen as the most liberated in the conservative Gulf Arab region. They head diplomatic missions and newspapers, run businesses and also help steer the vital oil sector.

From Reuters, 7 December 1999

THE AMERICAS

LAWMAKER ETHICS RULES MAY CHANGE

Only one Utah lawmaker in the past 15 years has been driven from Capitol Hill by ethics charges under a self-policing system conducted largely behind closed doors. If a new rule is implemented, discipline for unethical conduct in the Legislature could become even rarer. Senate and House Rules committees voted unanimously Monday in support of a proposal that would make it tougher to advance an ethics case from a private hearing to the floor of the House or Senate for a public vote on censure, expulsion or other action. The proposed change will be accepted or rejected by the full Legislature in January. The new rule would set a higher burden of proof of wrongdoing at the preliminary inquiry stage of an ethics probe when the accused legislator has waived a formal disciplinary hearing. Instead of sending the case to a public vote after a finding that a majority of evidence pointed to the accused's guilt, the new standard would require a more stringent standard of "clear and convincing" evidence. A "clear and convincing" standard is higher than the "preponderance" burden of proof required in a civil suit, but lower than the "beyond a reasonable doubt" threshold in a criminal case. Several Rules Committee members defended the change as a way to prevent abuses of the ethics process and to weed out "frivolous" complaints. But Government watchdog Claire Geddes complained that legislative ethics rules "ought to be going the other way" toward becoming more stringent. "Ethics standards already are dismal, at best," she said. "What frivolous allegations have they had?" Geddes asked. "It really is discouraging." Legislative General Counsel Gay Taylor said she recommended the change "so there's a consistent standard." Taylor pointed out that under existing rules, the tougher "clear and convincing" standard applies when a legislator goes through a full-blown ethics investigation, but if a member waives the disciplinary hearing he or she faces the lower standard of a "preponderance," or majority, of evidence. While the rules give an accused legislator the option of going through a formal ethics process that includes a public disciplinary hearing, that hearing has been waived by each of the three lawmakers named in official ethics complaints during the past 15 years. Two of the three cases have ended with lawmakers being cleared in a closed-door preliminary inquiry of the bipartisan Ethics Committee. In the other case, a representative resigned from the House when facing certain expulsion by the full House on her "no contest" plea to shoplifting charges. The most recent ethics charge emerged last year when then-House Speaker Mel Brown was accused of improperly discussing a future lobbying job with a US West lobbyist. The House Ethics Committee exonerated Brown after taking testimony and deliberating in private. Rep. Mary Carlson, co-chair of the committee, declined to revisit the case after receiving new information about the allegations last spring. "The system worked a year ago," Carlson said. "The Ethics Committee has a very narrow role to look at conduct." Despite the scarcity of formal ethics complaints (which may only be brought at the request of three sitting legislators) and the even rarer cases when lawmakers are found guilty by their peers, some legislators worry about the potential for abuse. Sen. Steve Poulton, head of the Senate Rules Committee, said Monday he wanted to assure lawmakers were not beset with "frivolous" charges. "The potential is there for abuses," agreed Rep. Neal Hendrickson, D-West Valley City. "This says if it goes to the House (floor) it's a big deal," said Rep. Ron Bigelow, R-West Valley City. "We don't want to harm someone" if the evidence is not convincing.

From The Salt Lake Tribune, 30 November 1999

MAN SPREADS WORD OF ETHICS IN EDUCATION

Talking to a classroom of children about ethics can be a thorny issue, considering the various moral and religious values a family could have. But Rushworth Kidder has no qualms about rallying the Akron community to support character education in schools when he visits from Maine this week. The founder of the Institute for Global Ethics says most people, no matter how disparate their upbringing, want their children to have similar personality traits. "Whatever their background is," Kidder said, "if you ask people what are the values you most would like your kid to grow up with, they'll talk to you about five things." He identified them as compassion, honesty, fairness, respect and responsibility. "Unless Akron is like no other place on earth," Kidder continued, "most parents are going to want for their kids what most parents around the world want." Character education is a current phrase in education circles as schools attempt to produce better citizens. Kidder was invited to Akron by the Summit Education Initiative to participate in a seminar tomorrow and Saturday. The event is funded by the GAR Foundation. Kidder will speak to the public at 7:30 p.m. tomorrow at the Summa Hospital Professional Center Auditorium. He will then take his message to educators at 8:30 a.m. Saturday at the Stan Hywet Carriage House. Both events are free to the public. The Summit Education Initiative, a partnership of business and community organizations aiming to improve schooling, has focused mostly on teacher preparation and curriculum standards. Character education, however, is not far off that priority list, said initiative director Barbara Greene. "Every poll indicates parents feel character education factors into school improvement," Greene said. "My engagement in this is for the community involvement. Why can't we talk about values, as long as you're not promulgating?" Most educators and community leaders would agree. Last year, the City of Akron and Akron Public Schools began a community and school program called Character Counts! The effort has been well-publicized but mostly ignored by the general public, largely because people view character issues as private family concerns. But many teachers and administrators believe educating a child includes giving them skills to be functional citizens when they graduate. Most educators have different interpretations of what character education is and how to relay it in schools. "I think most people would say we're really trying to teach kids to be good kids, whatever that means," Kidder said. "We know we want smart kids, right?" he continued. "We know we want kids who are well-balanced. We know we want healthy kids. But you can have all that and not necessarily (have) a good kid." Kidder said character education in schools is mostly in how teachers talk to students when encouraging them to work through issues involving the five core values he identified. Teaching morals and values is typically thought of as skills learned at home from parents. So how has it emerged as a national education trend?" "I never found a teacher who thinks necessarily that (school) is the best place for this," Kidder said. "Most teachers would say this would be so great if this were happening in the homes. "But you know that's not happening. And something's got to happen. We can't just let this go by."

From Akron Beacon Journal, 2 December 1999

SHIFT ON ETHICS BOARD IN RHODE ISLAND WORRIES REFORMERS

The chairman agrees the state Ethics Commission is not as diverse as it once was, but doesn't think that's a bad thing. The makeup of the state Ethics Commission, a body that regulates lobbyists, has shifted sharply in recent years to the point that a majority of its members have ties with lobbyists. Seven years ago, one of its nine members was a lawyer. Today, there are six. Government reformers and current and former Ethics Commission members are unhappy with the dramatic changes in the commission's makeup. They think the new makeup is like putting a committee of foxes, or at least the foxes' close associates, in charge of Rhode Island's ethical chicken coop. Several commission members say they see nothing wrong with the commission's lineup. But, because the Ethics Commission's job is to enforce ethical standards on Rhode Island's thousands of state and local public officials, from the governor and state legislators on down, the critics say the shift threatens to raise questions of propriety, paralyze the commission when it tries to regulate lobbyists, or both. Some critics say the situation throws the entire Ethics Commission into an ethical shadow, when it, of all government bodies, should be the one that is squeaky-clean and above question. "We have a politically connected Ethics Commission, sharing too much sympathy for public officials and not enough sympathy for private citizens," said former commission member Mel Topf, a professor at Roger Williams University. "It creates an appearance of impropriety," said David McCann, a commission member. "It's just too damn cozy." H. Phillip West, the executive director of Common Cause, says the commission's makeup, which now includes members associated with politically connected law firms, leaves it "at risk of being a toothless watchdog. The job of a lobbyist -- influencing the outcome of legislation - makes the relationship between lobbyists and public officials one of the most critical in state government, from an ethical standpoint. The commission, meanwhile, is considering revising regulations limiting what lobbyists can do. The Ethics Commission has nine members who sit for five-year terms. Four are appointed directly by the governor. The other five are also appointed by the governor, but from lists of nominees submitted by legislative leaders: the House speaker, majority leader and minority leader, and the Senate majority leader and minority leader. Terms are staggered, with two appointments coming up in most years. The commission was pared from 15 to 9 members in 1992. At that point, it had a diverse membership that included a priest, a stockbroker, a doctor, a social service agency executive, a lawyer, a teacher and a retired school principal, a Providence School Board member and the former head of the Providence office of the Internal Revenue Service. Five years ago, the commission still had a diverse membership: the stockbroker, former IRS official, school teacher, lawyer, retired school principal, doctor and social service agency executive remained, joined by a college vice president and a college professor. Now, it's very different. Gone is the professional diversity of the previous Ethics Commission. Besides the six lawyers, the other three members are a retired Army officer, a local insurance company president, and the Brown University police chief. As of this year, five of the Ethics Commission members -- a majority -- all have some connection to lobbying. In three cases, it's because other lawyers they are associated with are lobbyists. In two cases, the commission members themselves do not lobby, but the institutions they work for -- Brown University and Amica Mutual Insurance -- do employ lobbyists. The lawyers who are associated with lobbyists are: Chairman Melvin Zurier, of the law firm Tillinghast Licht & Semonoff, a political powerhouse where four lawyers are registered as lobbyists. Robin L. Main, of the law firm McGovern, Noel & Benik, where two lawyers are lobbyists, including former Gov. Philip W. Noel. Thomas D. Goldberg, a lawyer whose brother, lawyer Robert Goldberg, is a former Senate minority leader and is a lobbyist representing big companies including GTECH Corp., which holds a key state lottery contract.

There is a dispute as to whether Thomas Goldberg can vote on matters involving his brother, and he has sued the Ethics Commission in an attempt to retain his vote on lobbying issues. Two other Ethics Commission members with links to lobbyists are: Paul V. Verrecchia, a former Providence police major and now chief of the Brown University police force. Brown has three lobbyists, according to state records. James V. Murray, a lawyer who works for Amica, which also employs lobbyists. Many ethics commission members see nothing wrong with this situation. Chairman Zurier, whose law firm has members who lobby, says he has nothing to do with that activity, and that he has only a minimal relationship, ``of counsel,'' with the firm. "I think it's an issue worth exploring," he said, but he added that, "It doesn't rate up there at the top.'' He said he hopes the courts, in deciding the Goldberg case, will resolve what ethics commissioners should do. Unlike Goldberg, who is fighting to vote on lobbying questions, Zurier already recused himself once when the commission took up the lobbying regulations, and he says he will do so when it comes up again. "I don't want to be a lightning rod for criticism of the commission or of the law firm," Zurier said. Zurier said it is important that the Ethics Commission maintain an appearance of propriety. "Perception is very important" to the commission, he said. Overall, Zurier agrees with the critics that the commission is "not as diverse" as it once was, but he adds, "Is that bad? I don't think so. I don't see us as puppets for anyone." In sharp contrast, Rhode Island's principal "good Government" groups, Common Cause and Operation Clean Government, say they are outraged at the situation on the Ethics Commission. "If they have ties to lobbyists, I think it's an ethical conflict," says Robert Arruda, chairman of the board of Operation Clean Government. The makeup of the board, Arruda said, "has serious implications for the Ethics Commission because of the politization of the commission." West says the makeup of the board has created "a built-in inability of the commission to act because of the entanglements of its members." Topf, the former commissioner, thinks having lawyers and having people with political connections on the commission are both bad: "Bothweaken the commitment of the commission toward its mission" Topf said. "Too many agendas are in the fire with the commission heavily weighted that way. They're not free to fight for ethics in government without worrying about its effect on people they know." Topf wonders what's going to happen when the commission has to investigate the ethical behavior of a judge? Lawyers have to appear before judges, probably including the judge under investigation. If all six lawyers on the commission had to recuse themselves, and not vote, the commission would be paralyzed, he said. Something of the sort has already happened. In May, Zurier's recusal contributed to the failure of the commission to act on a lobbyist-related issue, the question whether Goldberg could vote on lobbying questions when his brother is a lobbyist. By law it takes five votes, a majority of the commission's nine members, to act. Goldberg didn't vote because the motion directly concerned him. With Zurier and Goldberg not voting, the commission voted 4-3 against Goldberg. But for lack of five votes either way, the commission actually took no action, leaving ambiguity that led to the lawsuit. That's the kind of situation the reformers say they are worried about: a commission unable to act because of the entanglements of its membership. With the issue now in court, some observers think it may take years for the commission to settle the lobbyist issue. Why are there so many lawyers on the commission? Sometimes, by nominating only lawyers, the legislative leaders have made it impossible for the governor to appoint anyone else. And sometimes they have worked together in a way that limits the governor's choices. For example, when House Speaker John B. Harwood sent his five-name list of nominees to Governor Almond in June 1998, it comprised only lawyers, including Richard E. Kirby, whom Almond appointed. Then in September 1998, it was the turn of the other top Democrat in the House, Majority Leader Gerard M. Martineau. Martineau's list consisted of five lawyers, too, including Murray, whom Almond appointed. But the other four lawyers on Martineau's list were the same four Almond rejected from Harwood's list three months earlier. Martineau said that as the newly elected majority leader, he was extremely busy and didn't have his own list of prospective appointments, so he borrowed Harwood's. Martineau also said that, given the Ethics Commission's subject matter, "lawyers are clearly appropriate" as commission members. The result of the Democratic leaders' actions, though, was that instead of getting 10 names and choosing 2, Almond had a total of only 6 choices.

From Providence (RI) Journal, 13 December 1999

L.A. POLICE CORRUPTION PROBE WIDENS

As authorities sift through 3,000 cases possibly tainted by officers who lied and planted evidence, a lawsuit suggested there are similar problems elsewhere in the Los Angeles Police Department. Jimmy Lee Render, 33, filed a federal lawsuit Wednesday accusing two former Central Division officers of false arrest and giving false testimony that led to his conviction on drug charges. His conviction was later thrown out after prosecutors failed to challenge accusations of illegal conduct by the officers. The lawsuit appears to have no connection to officers involved in the ongoing scandal at the department's Rampart division, which has led to four men being released from prison and seven convictions being overturned. But the allegations are similar. The public defender's office is already reviewing as many as 3,000 cases involving Rampart officers who have been relieved of duty for misconduct, Assistant Public Defender Robert Kalunian said. "All 3,000 cases are not going to be reopened," he said. "We are going to examine them." He added: "We don't know how big this is going to be." Los Angeles County District Attorney Gil Garcetti said only that his office was investigating "hundreds" of cases that might involve police misconduct. He said it was the largest problem he's encountered in 31 years as a prosecutor. "There has never been as important a case as this case," he said. "It goes to the very heart of the criminal justice system." None of the 12 officers relieved of duty has been charged with a crime. Garcetti said he is trying to develop evidence that will lead to indictments. Among the cases under review by the public defender's office are more than 800 involving former Officer Rafael Perez, who is at the center of the probe. Perez is cooperating in exchange for a lighter sentence on his conviction for stealing cocaine from a police evidence room.

From The Associated Press, 16 December 1999

STATE PANEL FINALIZES OFFICIAL ETHICS PROPOSALS

State officials who use their offices to get rich, win state jobs for friends or their own companies, or tip off associates that they're the subject of a pending investigation might be considered corrupt. But they're not breaking any state laws just by doing so unless they give or take a bribe or falsify a document. And even if they do that, they don't have to worry about going to jail. That should change, a state panel will suggest today in a report ordered up by Gov. Jeb Bush. The Florida Public Corruption Study Commission will recommend creating new state laws to make several additional acts by elected officials illegal when done "corruptly," or when the person knows its wrong. It also will suggest requiring elected officials to get formal ethics training after they take office and every four years after that. And the commission will urge lawmakers to do more to protect those who come forward with corruption allegations by allowing investigation records to be kept closed longer. It would also stiffen penalties for "corrupt" offenses to include the threat of jail time. The changes in law would have to be made by the Legislature, whose members would be among those affected by the proposal. It may undergo substantial changes by that body before it is final. The panel of law-enforcement and state officials and lawmakers has been meeting since October to come up with the suggestions. "What we're trying to do is to put some teeth into the whole area of public trust," said state Sen. Jim Sebesta, R-St. Petersburg. "There is so much cynicism amongst folks today, the involvement by the public in elections is plummeting year after year. We're trying to say public servants do have a public trust." Prosecutors complained that they haven't had the tools to go after "corrupt" officials. With bribery and falsification of documents the only charges state prosecutors have in their arsenal, the only way many corrupt officials can be nabbed is if federal prosecutors take up the case, said Mary Cagle, a member of the commission and a prosecutor in the state attorney's Miami-Dade County office. The commission met for a final time Tuesday to put the finishing touches on its report. The most hotly debated part of the report was its suggestion on public records. The final version will suggest allowing state agencies to keep investigative records secret for up to three years after a public corruption case is closed in an effort to keep the identities of whistleblowers secret. The ideas may run into some roadblocks as lawmakers begin wrestling with the proposal. "It's always difficult to pass a measure that contemplates a situation where the measure could be used against you," said Rep. Randy Ball, a member of the panel. In addition to required ethics training, some lawmakers may balk at additional requirements the panel is suggesting on how often officials must disclose their personal finances, said Ball, R-Mims.

From TCPalm, 15 December 1999

ASIA/PACIFIC

HONG KONG INNOVATION EXHIBITION WELL RECEIVED BY PUBLIC

"Innovation 2000," a five- day event to showcase Hong Kong's achievements in the areas of innovation and technology, ended Tuesday at the Hong Kong Convention and Exhibition Center. Over 100,000 visitors were drawn to the exhibition, which was aimed at deepening public understanding of innovation and technology as engines of Hong Kong's economic growth. About 180 exhibitors, including companies from various industrial sectors, universities and industry support organizations, participated in the exhibition co-organized by the Hong Kong Industry Department and the Hong Kong Productivity Council.

From China People's Daily, 1 December 1999

CHINA'S PUBLICLY LISTED FIRMS URGED TO DISCLOSE Y2K INFORMATION

China's 1,000-odd publicly listed companies were urged on November 30 to disclose timely information on their readiness for the Y2K computer problem. Separate bulletins by the Shanghai and Shenzhen stock exchanges said all the publicly listed firms should carry out careful examinations to ensure their systems are Y2K compliant. The bulletins said that companies with Y2K problems should disclose the following information: in-house conclusions on Y2K, Y2K compliance conclusions by authoritative departments, risks arising from Y2K, products used in Y2K compliance conclusions, emergency plans and Y2K rehearsal results.

From China People's Daily, 1 December 1999

EUROPE

HOW EUROPE'S HIGH TECH IS PLAYING CATCH-UP

As America charges forward to the land of e-commerce, European businesses are stranded at the gate, unwilling to invest in service-based Internet technologies and hung up on old-world economic strategies. E-commerce is a fast-paced race, and for Europe to compete, it will have to make quick, decisive moves instead of waiting for the U.S. to pave the way. As the CEO of an Internet software company, I see the apathy of European businesses as the single biggest threat to building a digital economy in Europe. It's not a lack of energy, but a lack of savvy among established businesses and government departments. Instead of building an independent digital economy in Europe, we are stifling entrepreneurs. In European eyes, Silicon Valley seems surreal -- a cross between Disney World and a digital Truman Show, the movie about the man whose life was a television show. However, as a software entrepreneur, I also survey its landscape with a certain degree of envy. It is hardly surprising that so much innovation and success is packed into such a relatively small geographic area. It is a self-sufficient enterprise environment where not only entrepreneurs can bounce ideas off each other but the entire business community and national government structure is geared up to understand, qualify and support the growth of new ideas and businesses. Nothing like this exists in Europe. Nothing like this exists in my domestic market, the UK. Europe lacks three fundamental building blocks for the digital age: A monetary incentive system, a supportive government structure and an educated consumer base. Share options schemes: European companies aren't doing it, but Silicon Valley has been thriving on the idea for a decade. To attract the best people I can afford to my organization, I want to offer them a slice of future action, in lieu of a high salary now. The problem lies in the Continent's mindset when approaching share options. They are widely viewed as a tax break rather than a tool for the attraction and retention of key staff. As an indication of the ground we are yet to cover in Europe, I note that companies in the Valley have developed the "share options as a recruitment tool" model to the point where new employees are now favoring the start-ups over the big names such as Microsoft and Intel. An enviable situation indeed. A government that understands: In the U.K. we are patronized by "new enterprise initiatives." But these exercises are sugarcoated and are rarely, if ever, backed up by real policy that can inspire, encourage and grow business. One such initiative, the "working time directive," allows employees to legally restrict their working hours to 35 per week. While this may be driven by the desire to arrive at a better work-life balance, it hardly reflects an understanding of the work-style in the Internet culture. Governments across Europe should be looking for some quick wins -- like improving their fiscal policies to encourage entrepreneurs today. Capital gains tax is a prime example of where improvements can be made now. Across Europe the rate of CGT is markedly higher than the 20% rate enjoyed by the Valley. It stands to reason that to reward investors in technology will encourage further investment in a growth sector. High capital gains taxes, as experienced on the Continent, do not facilitate this loop. For example, in this country alone, the Government gathers 2 billion pounds per a year through CGT. As much as 30% of this figure is spent on the implementation of this tax; that's over 600 million pounds that could be feeding the domestic technology sector. The EU is marooned in a morass of committees and think tanks. Attitudes are outdated and fears drive more of the same complex initiatives that take too long to implement, and therefore lose any meaningful impact. It was only a year ago that the CEO of one of the U.K.'s biggest retailers publicly dismissed the Internet as an unimportant medium that would have a minimal effect on the business. The Internet is now the company's most dynamic sales channel and the CEO is no longer on the company's payroll. Corporate snobbery: Many of our potential customers are unwilling to hear out a potential business solution unless it's from an established player. My experience running Zygon is very different from my time both at Oracle in the U.S. and at U.S. start-up RedBox Technologies. In the U.S. people seem to be far more open to approaches by small, innovative companies -- no matter what the disparity is between their relative sizes and profile. If the technology is hot they want to implement it before their competition gains an advantage. It is this sort of attitude that we have to engender in the management tier of European businesses. We need a generation of visionary CEOs and early adopters who can look beyond the traditional culture and values of the bricks and mortar world. Some progress has been made. There is a groundswell of change now in Europe. Shareholders and stakeholders alike are now beginning to be attracted to the high-profile, high-value floats of European-based technology companies such as InterX and more recently, Virata. However these are the exceptions to the rule. The EU must work to create an environment where these types of companies can flourish and turn the groundswell into a tidal wave. With present conditions, however, software startups like Zygon have to enter the U.S. market to achieve the growth rate their U.S. counterparts are able to enjoy.

From The Wall Street Journal Europe, 1 December 1999

THE AMERICAS

TORONTO HEALTH SERVICES ARE AILING

Toronto the Good may be one of the best cities in which to live and work, according to Fortune magazine, but there's room for improvement in its health-care system, a new report shows. The Toronto District Health Council's first annual Health System Report Card, released yesterday, found the system is straining to meet the demands of longer waiting lists for long-term care facilities, cardiac care, surgery and emergency department availability. It also says there's a need to improve immunization rates among children, control the spread of AIDS and sexually transmitted diseases, improve screening programs for cancer and reduce the number of teenage pregnancies. Between 1995 and 1997, the average number of people waiting for long-term placement jumped from 3,427 to 7,584. "The inability of the capacity of the long-term care system to meet demand is one of a number of factors contributing to the persistent and worsening problem of access to emergency departments by ambulances," the report said. The report says the system will be further strained by the demands of an aging population. In 1996, 13% of Torontonians were 65 and over. By 2003, that will jump to 36%. With a larger proportion of its population living in poverty compared to the province as a whole, and a large immigrant population, Toronto's health-care system is also confronted with more low birth-weight babies and a higher incidence of tuberculosis. One area in which Toronto rated well was in declining hospital use, due to an increase in day surgery and shorter stays.

From The Toronto Sun, 1 December 1999

AMERICAN MAJOR AIRLINES PUT NEW CUSTOMER SERVICE PLANS INTO EFFECT

The nation's major airlines instituted new customer-service plans Wednesday, fulfilling a pledge to Congress made in September to stave off legislative regulation. Facing complaints by members of Congress, the carriers pledged in September to be more forthright with passengers. The airlines promised to volunteer the lowest airfares or cheaper travel options when people call for reservations, and to give passengers at least 24 hours to cancel ticket purchases. They also said they would update passengers at 15-to-20-minute intervals when there are delays. "The reality is that the air-travel industry is still very busy," said Delta Air Lines spokesman Clay McConnell. "This builds on the idea that information is power, and armed with that power, our customers can get better control over their travel experience and make decisions that are right for them." An industry critic said the changes fall short of addressing the type of flight problems that truly bother the traveling public. "If they did everything in these plans, 97 percent of what really concerns consumers would not be addressed," said Paul Hudson, head of the Aviation Consumer Action Project, a Washington-based group founded by Ralph Nader. He said airlines would better serve passengers by volunteering information about a flight's on-time performance and calling passengers at home when it is apparent that a flight was going to be canceled. Hudson questioned the value of the delay announcement, which he labeled "gold-plating on the string-along policy." He said airlines often give out information about delays piecemeal so passengers will not try to use their tickets on a different carrier. The airlines acted after criticism following a New Year's Day storm in the Midwest that left thousands of travelers stranded. Some passengers were stuck on planes for hours without being given information on when, if ever, their flights would take off, and others had trouble learning when they might get home. Congress drafted legislation to force the industry to treat passengers better. But in June, the airlines said they would announce plans in September for improving service. When that deadline arrived, they announced 12-point plans that took effect Wednesday. Among the pledges: to provide food and essentials during long on-board delays, to respond promptly to complaints and to support moves to increase the airlines liability for lost baggage from $1,250 to $2,500 per bag. The Transportation Department announced Tuesday that it would put that policy into effect after a 30-day posting period. The department's inspector general also will issue a report next year assessing how the plans are working. US Airways said its "Customer Commitment" is aimed at ensuring passengers receive consistent service, whether they fly on the main line, the airline's discount Metrojet service or on US Airways Express, its commuter service. The airline has printed pamphlets outlining the policy in plain language for passengers. Meanwhile, Delta tried to get its 75,000 employees into the spirit by offering some workers $25 gift certificates and by sending out a video to airports around the country. It features Vicki Escarra, the airline's vice president of customer service, joining employees from pilots to ramp workers in singing a Christmas carol adapted to Delta's new policy.

From Nando Times, 16 December 1999

UMC, TMC MAY COMBINE CHILDREN'S MEDICAL CARE

Pediatricians and hospital officials are looking into building a children's hospital here, or combining the city's two busiest hospital pediatrics programs. Studies have shown that consolidating children's programs results in more experienced hospital staff, which leads to better care for patients, local experts said yesterday. University Medical Center and Tucson Medical Center each hospitalizes close to 2,400 children a year, accounting for 85 percent of the city's pediatric hospital admissions. The two hospitals duplicate each other's services, with doctors staffing both facilities - a longstanding practice that may cost too much manpower and money in this age of health care cost-cutting. A freestanding children's hospital would cost up to $100 million to build from scratch - and the community would be asked to contribute, said Dr. Mary Cochran, a Tucson pediatrician who co-chairs the committee studying the possibility. "A freestanding facility would be our ideal," Cochran said yesterday. "And my ideal is to drive a Jaguar to work every day. I know the latter will never happen. I hope the former is possible." The committee has raised three questions: Should Tucson continue to have two hospitals handling the bulk of its pediatric cases? Should the programs instead be consolidated into one? And if so, is Tucson big enough to support its own children's hospital? Dr. Fayez Ghishan, chairman of pediatrics at the University of Arizona and UMC, said he fully supports the idea of building a new children's hospital here. "Clearly, a children's hospital is the dream of every practicing pediatrician," Ghishan said. "With all the services you need for children together in one place. It's clearly more cost-effective, and the expertise will be greater." Dr. Carlos Flores, a TMC pediatrician who specializes in newborn intensive-care, also said he favors the idea of a children's hospital, or at least consolidating the two programs into one. "We know in medicine in general and in children's care especially that if you spread services too thin, nobody's much good at it," Flores said. "So definitely, having one program is better." Greg Pivirotto, UMC president and chief executive officer, said the time may be right to consolidate, but he doesn't believe Tucson is ready for a freestanding children's hospital. The question was being asked 11 years ago when he came to Tucson, he said. "An expert here at the Children's Research Center (connected to UMC) now has to cover two facilities," Pivirotto said. "Does that make sense? I personally don't think it's going to be financially viable to have a separate hospital," he continued. "But we owe it to the community to ask are we doing things the best way possible, and will it be good 10 or 20 years from now?" Phoenix Children's Hospital is the only one in the state, and it has particular expertise in children's cancer care, neurosurgery and respiratory disease. The hospital has operated for 16 years as a hospital within a hospital, at Good Samaritan Medical Center. Phoenix Children's admits about 9,800 children each year, said spokeswoman Kimberly Ovitt. During the first three months of this year, the hospital had to place 1,200 on a waiting list for admission. Some were critically ill and required transport to hospitals in Utah and New Mexico, Ovitt said. So last month, the hospital's board of directors decided to purchase the former Phoenix Regional Medical Center, which it will renovate and open in two years as the new Phoenix Children's. "Building a new facility would take longer and cost more," Ovitt said. "We felt time was important. A Tucson children's hospital would care for children from birth to age 18 and beyond," Cochran said. Many children with chronic medical problems, such as cystic fibrosis or heart disease, choose to stay with their pediatric specialists even after they get into their 20s, she said. Pediatricians in Tucson have been talking for years about wanting to develop a children's facility, Cochran said, but until now hospitals have opposed the idea. But both UMC and TMC have cut programs and jobs in recent months to make up for declining revenues from Medicare and other payers. And like hospitals nationally, they are looking for ways to further reduce unnecessary spending. "People now are willing to give up some of their turf to work together to provide services that are in the best interests of the community," Cochran said. "But it's not being done solely for economics,'" she said. "It's because we want to provide the best care possible for the children of this community, and at this point we think that would be done by consolidating services." Cochran said the committee hopes to complete its feasibility study by the end of March or early April. "If it looks like something we can do, then we need to go to the community and see if they will support it," she said. "All hospitals in the country now are losing money, including children's hospitals. It would be a great disservice to the community to start something we can't sustain." TMC and UMC also are exploring the possibility of combining trauma programs, which are separate but function cooperatively, similar to their pediatrics programs, Pivirotto said. The two hospitals last year agreed to combine their open-heart surgery programs with that of Northwest Medical Center into one Community Heart Program. None of the hospitals has given up its open-heart surgery cases, but each hospital now has its own team of surgeons, so expertise and patient outcomes are expected to improve.

From Arizona Daily Star, 16 December 1999

PUBLIC URGED TO SCRUTINIZE UTILITY REFORM

Consumer advocates Wednesday urged Oklahoma utility customers to get more involved in the development of legislation to restructure and deregulate parts of the state's electric industry or risk getting short-changed on benefits. "This is a very dicey proposition from the consumer point of view," said Dr. Mark Cooper, research director at the Consumer Federation of America in Washington, D.C. Cooper and others addressed their remarks to consumers, utility representatives and government officials at a conference in Tulsa on the issue of approaching changes and competition in the electric industry. The conference was sponsored by the Oklahoma Association of Community Action Agencies, American Association of Retired Persons, units of the League of Women Voters, Salvation Army and others. State Sen. Kevin Easley, chairman of a utility and regulatory affairs committee in the Legislature, said existing state law calls for Oklahoma consumers to have a choice of who generates their electricity by July 2002. Easley, D-Broken Arrow, said that as a result of a massive amount of input this year from utilities, consumers and others, he plans to introduce a state bill concerning how electric competition and "restructuring" will occur inOklahoma. The bill will be considered by lawmakers in the legislative session that begins in February. In most cities in Oklahoma, consumers can only get their electricity from one utility that generates the power itself, carries it to communities over transmission lines and then distributes it to individual homes and businesses. But changes coming in 2002 will give consumers options and restructure Oklahoma's electric industry, which now includes investor-owned utilities, co-ops, municipal power providers and others. "The reason I'm calling it restructuring and not deregulation is because the only thing we'll ultimately be deregulating is the generation portion" of the industry, Easley said, noting distribution and transmission basically will remain regulated by appropriate authorities. He said in his legislation and in the restructuring that eventually occurs, he wants to ensure the electric system continues to be safe and reliable and that all types of customers benefit from the changes. But Cooper said, "That's not what this is about. You cannot live without electricity in modern society. That's what this is about. We've got to make sure everybody has electricity sufficient for a reasonable standard of living at affordable prices." He said state and federal legislative proposals for electric restructuring, competition and partial deregulation are being pushed by many utilities, industrial consumer groups and others. "They've got a steamroller going. So, we (small consumers) have to play, but let's make them play on our terms. It's up to you to make them write a bill that serves your interests," he told consumers. AARP representative Susan Weinstock, from Falls Church, Va., said the public must try to make sure consumer safeguards are included in whatever legislation and regulations are developed to govern restructuring and competition in Oklahoma's electric industry. "You need to prohibit predatory marketing and gouging," Weinstock said. She also said consumers and lawmakers should try to make sure the changes in the industry don't bring problems like those experienced in the telephone business as competition grew. Specifically, she cited improper telephone practices like "slamming," the changing of a customer's long- distance service without the consumer's knowledge or permission.

From Daily Oklahoman, 16 December 1999

AFRICA

THE SOUTH AFRICAN TAX SYSTEM: A NATION IN MICROCOSM

We were two of nine foreigners invited by the Department of Finance of South Africa to participate in a weeklong workshop to advance a lengthy tax reform process initiated by South Africa's first democratically elected government shortly after it took power. We believe it would take unusual insensitivity -- even callousness -- not to become emotionally engaged as well as intellectually committed to the success of this effort to redress, without rancor or recrimination, the consequences of decades of systematic injustice. All developing countries face difficult problems in trying to marshal limited resources to promote economic growth. Few face a combination of problems as challenging as those confronting South Africa. Economic constraints are conjoined with the political legacy of apartheid. The democratically elected governments that took office in 1994 and 1999 have managed, with quite limited resources, to preserve a remarkable measure of political cohesion and to bring South Africa relatively unscathed through the Asian economic turmoil that threatened to spread to other developing nations. While it will take more than a little good luck to surmount the challenges South Africa faces, current auguries are hopeful. Income inequality in South Africa is extreme. The standard index of inequality, the Gini coefficient, is 0.58, higher than that of any other country (with the possible exception of Brazil and Colombia) and is exceeded only by the Gini coefficient of the world as a whole. The reality of inequality is palpable. Squalid housing -- corrugated iron shacks with neither water nor electricity and single-room dormitories, built for solitary miners separated from their families and now crowded by families of 6 or 8 or 10 -- exists in townships that border cities and suburbs as affluent as any in the United States. Various townships in the Cape flats, teeming with hundreds of thousands of squatters, border Cape Town, a city distinguished by wealth and beauty. Soweto (SOuthWEst TOwnship), which houses four million people and rivals its neighbor Johannesburg in size, contains a mixture of shacks, simple concrete houses, and spacious dwellings luxurious by any standard. Crime shadows the lives of everyone -- white, black, or colored (the South African term for anyone who is of mixed race or is neither white nor black). It inhibits personal movement and business locational decisions. An outsider is first shocked, then numbed, by the pervasive normality of barred first-floor windows and doors and razor-wire topped walls. The South African economy is just beginning to recover from its episode of the Asian flu.

That economic contagion, which swept through what once were known as the Asian Tigers, created concern that South Africa would suffer a similar fate. To prevent currency collapse, the South African central bank temporarily boosted real interest rates to 15 percent or more. The sustained economic stagnation caused by the interest rate spike has lasted since mid-1997. Protecting the currency doubtless spared capital owners sizeable losses, but the toll on labor has been enormous -- unemployment is reported to run as high as 30 percent. The gradual relaxation of exchange controls will move South Africa into the ranks of small, open economies. The risk of financial capital flight is serious. In 1976, the Soweto riots intensified doubts regarding the sustainability of the old apartheid regime. Since 1994, some investors have been concerned that a democratically elected government might prove inhospitable to capital. South Africa has long suffered from a brain drain, at first because opponents of apartheid fled, then because whites feared loss of position under the popularly elected government, and more generally because the thin layer of highly trained professionals can often find higher wages abroad. The risk of both financial and human capital flight seriously constrains economic policy to alleviate inequality, in general, and tax policy, in particular. Immigration of predominantly poor people from African countries with less economic opportunity is also becoming a major issue, adding to the burden of uplifting the previously disadvantaged communities. Under apartheid there were five different tax administrations, including one for each of the homeland "states" of Transkei, Bophuthatswana, Venda, and Ciskei. The post-1994 government abolished the homelands and divided the nation into nine provinces. Most revenue-raising authority resides with the national government, but the provinces have considerable authority over public expenditures. Because South Africa is a large and economically, socially, and ethnically diverse nation, the management of fiscal federalism will pose difficult challenges in the future. Currently, however, the principal tax policy issues concern whether and how to redesign the national tax system. Although the democratically elected government has modestly changed the tax laws, the current tax regime is not fundamentally different from the system inherited from the apartheid years. Total tax collections in fiscal year 1999 equaled just over 27 percent of GDP, but the tax share is trending down and the Government has pledged to reduce it to 25 percent. The personal and corporation income taxes and a broad-based value added tax are the principal revenue raisers. Mining industry taxes, once among the most important sources of government revenue, have declined to less than 1 percent of revenue, as falling prices for gold and other minerals and very generous tax preferences for the mining industry have reduced taxable profits.

From Studies of University of Michigan, 6 December 1999

EUROPE

REACTIONS VARY TO NEW TAX LAW IN TURKEY

The market is still reeling from the shock of a new "earthquake tax," which became effective last Friday following an extended session in Parliament. An additional tax on previously issued public bonds triggered the reaction. Since the Government predicted a TL 14.4 quadrillion deficit in its budget for the year 2000, it was expected that it would seek new resources such as additional taxes, but the surprise tax on the financial sector has upset the market. While prices fell in the stock market, interest rates and the value of foreign currency rose. That was not all. Other questions emerging with the new tax law were the reliability of the Government, the legitimacy of the law, whether or not it would intimidate foreign investors, whether or not interest rates, which have shown a tendency to drop in the past, would go up again and if tax revenues would increase. Another point of interest were the words chosen by Prime Minister Bulent Ecevit when he announced the law. A number of groups reacted negatively to Ecevit's qualifying the law imposing taxes on Treasury and state bonds as "a law directed at the rentier sector." Bankers were angry because 86 percent of the government paper that was to be taxed belonged to them. The law is still under discussion. Some people even believe that it may be repealed because of its retrospective nature. How will the new law influence the market? Will foreign investors retreat from the Turkish market? Might the Constitutional Court rescind the law? Will tax revenue rise or fall? What will happen to interest rates -- will they rise since risk will increase, or will they fall as soon as the shock is forgotten? We directed these questions to a number of groups. While Turkish Confederation of Employers' Unions (TISK) Chairman Refik Baydur declined to respond to this point, Liberal Democratic Party (LDP) General Chairman Besim Tibuk maintained that the Government would be unable to collect its former tax revenue, let alone realize an increase. While finance expert Bulent Uygun maintained that the Constitutional Court would not rescind the law even if it was against laws already on the books, Bora Bocugoz from the banking sector stated that the law would intimidate foreign investors and that interest rates would go up as a result of the increase in risk. 'We haven't been able to analyze the law yet' TISK Chairman Baydur said: "I have yet to see the new law. I don't want to say anything before seeing it. TISK members meet frequently. I will see the law on the weekend and will make a statement. All the news about the law is hearsay. As a matter of principle, I don't want to say anything before seeing the text." 'Tax revenue will decline' LDP General Chairman Tibuk stated: "This is not a tax but a usurpation of wealth. The entire Turkish people will pay for this government mistake. They will pay with a crisis of confidence. From now on, no one will have confidence in the bonds or the word of the Turkish Government. It is only secondary whether the tax to be collected is $2 billion or $5 billion. What matters is the reliability of the state and whether or not it is a state of law. The most significant factor in financial markets is confidence. When a state erodes the confidence of the people, this cannot be measured in millions of dollars. "The Government's mistake is ignoring the lack of money in the market. It's like beating the cow that gives too little milk when they withdraw money from the market instead of replenishing it. Tax revenues will drop even further after this new law. No one will pay their taxes. The state's tax target will remain only on paper. Furthermore, foreign investors will leave the market as well. The previous tax law had negative repercussions, and the Government suspended it for three years. The new law will do more damage to the economy than the old law." 'The law will not be rescinded' Finance expert Uygun commented: "I don't think the Constitutional Court will rescind this law, since a similar retrospective law called the 'Net Active Tax' was introduced during the crisis of 1994. There was a request made to the Constitutional Court in 1994 for annulment of the law, but it was rejected on the political rationale that there was a severe economic crisis, and that the burden had to be shared by different sectors. For this reason the Constitutional Court can reject a demand to repeal the law. But if you ask me what should happen, I would say without hesitation that the law should be rescinded. One of the most important legislative principles is that laws cannot be applied retrospectively. But unfortunately the reality and the ideal in Turkey are very far apart from each other."

From Turkish Daily News, 2 December 1999

ALBANIAN GOVERNMENT STUDIES TAX STRUCTURE TO HELP DEVELOPMENT

The Government will next year propose several tax cuts in an effort to boost investment and economic development in the country, said a member of a work group that is discussing the encouraging of fiscal policies. Gramoz Pashko, economic adviser to Premier Ilir Meta, told daily Gazeta Shqiptare, that there will be firm actions taken in the fiscal area to encourage investment during the first three months of next year. "We are analysing the proposals of government institutions," Pashko, a former deputy prime minister who this week became the Government’s coordinator for the Stability Pact, said. "Now we want to take some steps." Pashko included among the measures to be taken cuts in customs duties, to deter smuggling, but a VAT increase would become mandatory to balance the revenues. Customs duty will be at 18 percent starting from January, a 2 percent fall compared to this year. The working group was set up by the previous Prime Minister, Pandeli Majko, to review fiscal policies to stimulate investments. Bank of Albania governor Shkelqim Cani was its consultant. Several macro-economic indicators indicating a good future for the economy, but many economists are worried about whether the economy will be able to have sustainable growth. Inflation is very low and the gross domestic product is expected to grow by 8 percent this year, while the banks have lowered deposit interest rates. However, the crediting sector is very limited, due to the lack of security and the bureaucracy involved with mortgages. One business union has estimated the loan needs for businessmen in the country at $400m, one fifth of GDP, but the banks have issued only about a tenth of that sum. Bank of Albania warned the Government two months ago that the low level of investment may harm the GDP growth projections of 8 percent next year. Another measure the government is thinking of taking is cutting taxes by a fifth for companies with more than 100 workers, in an effort to encourage employment in a country where unemployment stands at 235,000, or 17 percent of the workforce. The Government is also thinking of whether to renew tax privileges for the tourism sector that were lifted last year.

From Albania Daily News, 7 December 1999

THE AMERICAS

INTERNET TAXES COULD CRASH THE SYSTEM

If Supreme Court Chief Justice John Marshall was right 180 years ago when he observed that "the power to tax involves the power to destroy," then the 19 members of the federal Advisory Commission on Electronic Commerce should ask themselves today: Will taxing the Internet kill this revolutionary medium in the cradle? Regrettably, some members of the commission, appointed by Congress last year to study the feasibility of taxing electronic commerce, appear unconcerned with such questions. Egged on by governors and mayors, they are pushing proposals to start taxing the Internet as soon as a congressionally imposed three-year moratorium on "e-taxes" expires in October 2001. Indeed, they seem to be working under the assumption that the need to tax the Internet is a foregone conclusion. Why would any public official want to impose taxes on a largely unfettered medium that has ignited a surge in entrepreneurial activity? The answer, of course, is money. While most Americans view the Internet as a technological passport offering countless ways to get information and exchange products and services, state and local officials (including some who sit on the commission) consider it a threat to their traditional tax base, which they say will erode if "e-commerce" isn't taxed. This is ironic, since the explosive growth of electronic commerce has been accompanied by a dramatic increase in state and local tax revenue. A recent analysis by budget experts Dean Stansel and Stephen Moore of the Washington-based Cato Institute reveals that state tax collections grew at almost twice the rate of inflation between 1992 and 1998, forcing them to conclude that "today, almost without exception, state governments are awash in tax revenues." Investor's Business Daily notes that state revenues grew 227 percent and local revenues grew 193 percent between 1980 and 1995. And a report by Michael Flynn of the American Legislative Exchange Council finds states "in their best financial health in over a decade," with a $74 billion revenue windfall flowing into their coffers over the past four years. Pro-tax commission members are unmoved, even though Congress appointed the commission to study "the effects of taxation, including the absence of taxation," on the Internet. House Majority Leader Richard Armey, R-Texas, and 35 other lawmakers reminded them of this in a Sept. 14 letter, saying the commission should bear in mind that "only Congress can authorize one state to compel sellers in another state to collect Internet taxes. This idea is not a popular one in Congress or among the American people.

You should know that there are many Members that will oppose any new taxes on the Internet." Commission members are so concerned with figuring out how to tax the Internet, rather than whether it should be taxed, that they are ignoring the wide gulf separating their views from those held by the lawmakers who appointed them. Indeed, some members of Congress, such as Sens. John McCain, R-Ariz., and Bob Smith, I-N.H., have already introduced legislation that would make the Internet tax moratorium permanent. Unless commission members adhere more closely to their original mandate, they may find their work disregarded entirely. Which would be a shame, because the commission could serve a useful purpose by examining the larger questions the federal Government must consider if it wants to encourage the growth of the Internet economy. For example, how can Internet taxes be reconciled with the ban on interstate taxation established by the Constitution and past Supreme Court decisions? And shouldn't the ability to tax a company be reserved for that state and locality where the company resides? And finally, if the proposed Internet tax threatens e-commerce, shouldn't lawmakers consider the harm existing taxes inflict on the broader telecommunications industry? In avoiding such questions, the commission has maneuvered itself to the left of even the unabashedly pro-tax Clinton administration, which has proposed a global free-trade zone for Internet commerce. The administration recently lent its support to a congressional resolution introduced by Rep. Christopher Cox, R-Calif., and Sen. Ron Wyden, D-Ore., that urges U.S. trade officials to lobby for a permanent global ban on Internet taxes during a World Trade Organization meeting in November. Sometime before its report is due next April, the commission needs to recall one of the central tenets of economics: The more you tax something, the less you get of it. Unless their intention is to discourage on-line commercial activity, commission members should hit the "delete" key on any proposals to tax the Internet.

From CNS News, 13 December 1999

RIVALS TO MEET, TALK CAMPAIGN FINANCE

Republican John McCain and Democrat Bill Bradley are in final negotiations to meet to highlight their support for campaign finance reform, aides for the two presidential candidates said Thursday. "It's being talked about but it's not set," Bradley spokesman Tony Wyche said of arrangements for a meeting as early as next week. The session would likely take place in Claremont, N.H., where President Bill Clinton and then-House Speaker Newt Gingrich shook hands in 1995 and pledged to change campaign finance laws. Neither party kept the promise. A McCain-Bradley meeting could help both candidates gain an edge over the front-running rivals. Republican George W. Bush rejected federal matching money so he could avoid spending limits; Democratic Vice President Al Gore got caught up in the 1996 fund-raising controversy. McCain and Bradley are both courting independent voters in New Hampshire, which allows independents to vote in the Democratic or the Republican primary. The campaign finance reform issue is one that also appeals to independents. Though trailing their chief rivals in most other states, McCain and Bradley are competing for the lead in

New Hampshire polls. The state is the site of the nation's first primary Feb. 1. John McCain came to the defense of Republican rival George W. Bush on Thursday, insisting the Texas governor is qualified to be president. McCain also suggested what Bush should have said when Sen. Orrin Hatch, R-Utah, told him at Monday night's presidential debate in Arizona that he lacked the experience for the job. "If I had been him, I would have said, 'My credentials are there, my message is clear and I am fully prepared,' " McCain said.

From Free Press News Services, 10 December 1999

McCAIN, BRADLEY COURT VOTERS WITH JOINT NEWS OF CAMPAIGN FINANCE REFORM

In a summit of presidential underdogs, Republican John McCain and Democrat Bill Bradley courted independent voters and jabbed their front-running rivals with a joint pledge to pursue "genuine campaign finance reform." The Arizona senator and former New Jersey senator signed a statement before their joint appearance stating, "We pledge that as the nominees for the office of president of the United States we will not allow our political parties to spend soft money for our presidential campaigns, and we commit to working together toward genuine campaign finance reform." So-called "soft money" contributions are unlimited, unregulated donations to be used for party-building activities. Increasingly, the money has become a huge loophole in campaign finance laws, used to indirectly aid presidential and congressional campaigns. Their high-profile town hall and joint news conference drew dozens of journalists to the town of Claremont, N.H. The pair is expected to re-create the 1995 handshake by which President Clinton and Republican House Speaker Newt Gingrich promised a commission to study campaign finance changes. The commission never materialized. Though both served long stints in Congress and have raised tens of millions of dollars in political donations, McCain and Bradley are running as Washington outsiders committed to scrubbing the system clean. They have mounted surprisingly strong challenges to their party favorites - Vice President Al Gore for the Democrats and Texas Gov. George W. Bush for Republicans. Their high-profile session gives McCain and Bradley attention outside the front-runners' shadows. Gore supports a soft money ban; Bush does not. "I think it's a win-win for both of them," said Democratic consultant Bill Carrick of California, who is not tied to a presidential campaign. "They are using campaign finance reform to differentiate themselves from their opponents." "It might be a gimmick, but it's a good one," said GOP consultant David Carney of New Hampshire. Clark Hubbard, political science professor at the University of New Hampshrie, said the joint appearance helps the Republican the most, because it helps cast the race as a McCain-Bush contest - even though four other candidates are competing. Bradley, a former New Jersey senator, is already Gore's only rival. "All future (news) reports will refer to them both as the anti-establishment candidate taking on the anointed ones," Hubbard said. "That plays especially well up here." Both need strong support from independents, particularly in a state such as New Hampshire that opens its party primary to all voters. Campaign finance reform is a compelling issue to many independents. The strategy carries a risk for McCain, because Republican leaders and special interest allies object to changes in campaign finance laws that could upset their fund-raising advantage over Democrats. The Arizona senator is urging rank-and-file Republicans to see the issue as a conservative cause, arguing Wednesday that special interests fight against cuts in government, tax reform and sensible military spending. Bradley's problem isn't his party as much as it is Gore, who won't let the former lawmaker seize the campaign finance reform mantle without a fight. In a full-page ad in Thursday's editions of the Claremont, N.H., Eagle Times, the vice president praises McCain for showing "real courage" in fighting for campaign finance reform. He also urges voters to "look beyond the rhetoric of the candidates to the actual record." There was no mention of Bradley, but none was needed: Gore clearly implied that he, not Bradley, is the true champion of political reform. "I have been at this fight for a long time," Gore wrote in the open letter. Leading up to the session, Bradley accused Gore of paying mere "lip service" to reform. He has talked darkly of the 1996 campaign finance controversy that entangled Gore. McCain jabbed Gore, as well, telling reporters that the former Tennessee senator wasn't a factor in the campaign finance reform cause during his Senate term. "With all do respect, I may have missed it, but I didn't see the vice president involved at all," he said. McCain had not been as hard on his rival, though he did challenge Bush in a debate Monday night to swear off so-called "soft money," the high-dollar donations that don't fall under normal limits. Bush responded by telling McCain he feared that his efforts would hurt the Republican Party. McCain planned to counter that argument Thursday by noting that Bush's father, the former president, joined two other ex-presidents, Gerald Ford and Jimmy Carter, in calling for an outright ban on so-called soft money. McCain has long sought to ban soft money and curb issue advertising by special interest groups. Bradley agrees with McCain on soft money and, like Gore, sought in Congress to get public financing for congressional campaigns.

From Nando Times, 16 December 1999

AFRICA

SIERRA LEONE REASSURES LEBANESE OVER CORRUPTION BILL

Sierra Leone's Government tried to reassure Lebanese businessmen and other foreign residents on Tuesday, telling them they had nothing to fear from a draft anti-corruption bill as long as they obeyed the law. A Government statement broadcast on state radio accused those it called detractors of stirring up worries among the economically powerful Lebanese community. Lebanese dominate business and notably diamond trading in the former British colony, which was embroiled in civil war from 1991 until July this year. More than 20 Lebanese accused of dealing with rebels were deported late in 1998, and some are concerned that an anti-corruption squad planned under the parliamentary bill may be aimed at Lebanese businessmen. The bill, currently before parliament, includes plans for the squad to report directly to President Ahmad Tejan Kabbah. The statement said law-abiding foreigners had nothing to fear, but added “There are a few individuals who are engaged in illegal activities that are detrimental to the interests of their host country.” The Government's policy towards Lebanese and other foreigners was one of “friendship, mutual respect and cooperation,” the statement said. Most of the country's 18,000 Lebanese fled after fighting around Freetown intensified in January 1999. Some 6,000 have since returned to Freetown, a Lebanese embassy official said. Soldiers from Kenya and India are due to join Nigerian troops in Sierra Leone this week as part of a United Nations force to police the implementation of a July peace deal to end the war.

From Reuters, 7 December 1999

CABINET PRIVATIZATION WATERSHED IN SOUTH AFRICA

A recent Cabinet meeting committed Government to privatizing state corporations, no matter what resistance comes from the ANC's alliance partners in Cosatu and the Communist Party. The decision by top government leaders at an all-day meeting in Pretoria on November 29 to accelerate privatization of state-owned enterprises is of great political and economic importance, according to officials who were present. The meeting represented a commitment by the government to economic restructuring -- whatever the potential for conflict with groups in the Congress of South African Trade Unions and the South African Communist Party. The main goal set out at the meeting is to earn the state billions in extra revenue from restructuring, in order to be able to reduce government debt and create an environment for economic growth. At the same time, the government is determined to use the restructuring to release funds for the recapitalization of infrastructure and advance black empowerment on a sound financial base. Forms of restructuring range from outright sale to strategic equity and management partnerships with black empowerment components. While opposition representatives have said the Government's proposals "do not go far enough to capture the imagination of emerging market investors", this does not detract from the significance of the decisions. Observers see the clarity of the decisions as demonstrating President Thabo Mbeki's determination to go down as "the delivery president" and his acknowledgment that restructuring is the path he must take to free up the financial resources to do this. This should make it easier for the government to maintain the fiscal discipline that forms the basis of the its policy for growth, employment and redistribution while improving service delivery and social provision. Restructuring receipts over the past five years have brought in R8-billion. Estimates of the value of state-owned assets available for restructuring are around R160-billion. An earlier study by the Department of Finance showed that restructuring could earn about R15-billion in a year. This could have an influence on South Africa's budget deficit, total debt and interest rates. "The consensus at the meeting was: we must now urgently turn things around, unlock value in our economy, accelerate growth and demonstrate improved service delivery," said a government official. Mbeki is reported to have set a two-and-a-half year deadline for progress on service delivery and job creation. The meeting -- a special policy session of the interministerial Cabinet committee on the restructuring of state assets -- was attended by Mbeki, Deputy President Jacob Zuma, Minister of Finance Trevor Manuel and their top officials. Minister of Trade and Industry Alec Erwin was represented by Alistair Ruiters. Minister of Public Enterprises Jeff Radebe was also present, as were several other ministers, including Ivy Matsepe-Casaburri (posts, telecommunications and broadcasting), Membathisi Mdladlana (labour), Phumzile Mlambo-Ncguka (mineral and energy affairs), Stella Sigcau (public works), Abdullah Omar (transport), and Ronnie Kasrils (water affairs and forestry).

From The Mail & Guardian, 6 December 1999.

NIGERIA FLAGS FIRST PUBLIC SHARE OFFER SINCE 1993

Nigeria on Saturday announced its first public share offer since privatization foundered amid political crisis in 1993, with the sale of 27 million naira ($2.7 million) shares in FSB International Bank. The Bureau of Public Enterprises (BPE) privatization body said the stake of just over five percent of the state's remaining holding in the bank would be sold at 4.20 naira per share – that compares to a closing price on Friday of 3.50 naira. “I urge all Nigerians to endeavour to participate effectively in the purchase of the shares on offer,” BPE Director-General Nasir Ahmad El-Rufai said at the announcement. Privatization is politically controversial in Africa's most populous nation. While international financial agencies, creditors and local business expect the sale of state firms, many

Nigerians worry that it will mean job losses and the sale of the national wealth to a corrupt elite. Since taking office in May to end 15 years of military rule, President Olusegun Obasanjo has made a cautious start to privatization with the sale of stakes in firms, like FSB, which are already quoted on the stock exchange. The last round of privatizations ended in 1993 as the military annulled elections to retain power and ushered in years of dictatorship. El-Rufai said application forms for the FSB shares would be available throughout Nigeria for the offer which officially opens on December 20 and closes on January 28. A further 26 percent stake in FSB is to be sold to a core investor and bids are due to be opened next week.

From Reuters, 11 December 1999

EUROPE

AZERI PRESIDENT ALIYEV SACKS PRIATIZATION CHIEF

Azerbaijan's President Haydar Aliyev on Monday sacked the head of the State Privatization Committee (SPC) Nadir Nasibly, according to state television in the ex-Soviet republic. Aliyev appointed Trade Minister Farkhad Aliyev to take Nasibly's place. Last week the Azeri leader also sacked deputy privatization head Barat Nuriyev. No explanation was given for the two sackings although sources in the Government say it was probably connected to disagreements between the Economy Ministry and the SPC over the delayed second privatization programme in the oil-producing republic. Privatization virtually ground to a halt this year as a second plan to transfer prized state assets such as state oil company SOCAR, the state airlines and telecoms to private ownership, was never passed to parliament for ratification. Prime Minister Artur Rasizade said on Thursday there had been many mistakes in the first privatization plan including a lack of transparency and problems with privatization vouchers that had been handed out to Azeris during the first wave of sell-offs. Release of a $21 million final tranche of a structural adjustment credit from the International Monetary Fund is conditional on the Caspian Sea state re-starting privatization.

From Reuters, 7 December 1999

HUNGARY CONTINUES PRIVATIZATIONS IN 2000, 2001

Hungary said on Monday that it planned to complete its 10-year-old privatization programme by selling stakes in the next two years in oil group MOL, electricity firm MVM, two drug makers and two banks. Officials of state privatization agency APV told a news conference that in the near future the agency would purchase the social security system's 9.5 percent stake in pharmaceuticals maker Richter to boost its own stake to 25.5 percent. "The purchase will take place in the last days of the year," APV Deputy CEO Ferenc Szarvas said, adding that the price would be the turnover-weighted average price of the shares on the Budapest bourse in the last month before the deal. APV said in a statement that it expected to pay about 22 billion forints ($87.58 million) for the Richter stake. The privatization agency is buying the stake because social security has to sell all its assets to finance its deficit. APV will sell the 25.5 percent Richter package in 2001, he said. Together with the Richter sale, the social security system will generate about 70 billion forints from asset sales this year, compared with a 53.7 billion forint target, APV said. Another significant sale to APV is likely to be a 25 percent stake in drug maker Human. APV expects to decide by February 28 how to go about privatizing these shares. Two recent tenders for selling the shares as one block failed because the price investors offered was low. APV is considering a sale in smaller chunks and may sell the shares in exchange for compensation coupons, it said. APV would also like to offer its remaining 30 percent stake in K&H Bank for coupons, but Belgium's Kredietbank, which has a controlling stake, opposes a bourse listing because of the bank's recent weak results, an APV source told Reuters. GE Capital, a controlling owner of Budapest Bank (BB), may also exercise its option next year to buy the state's remaining 22.8 percent in the bank. First, the parties have to work out how much the state must repay to GE according to a guarantee clause in BB's privatization contract struck in 1995. The state may sell its 25 percent remaining stake in oil and gas group MOL next year, but this will depend on resolving uncertainty created by MOL's merger talks with Croatian oil company INA, Szarvas said. The privatization of electricity firm MVM, now fully state owned, is expected to come no sooner than 2001 because parliament must first pass a law about its operations in 2000. APV said it would pay 44.5 billion forints to the central state budget in 1999 instead of the planned 32.7 billion. It has also put 16 billion forints in reserves for buying real estate from the Defense Ministry and Hungarian Television this year.

From Reuters, 13 December 1999

MIDDLE EAST

PALESTINIANS WEIGH PRIVATIZING AIRPORT

The Palestinian Authority is considering the privatization of government-controlled Gaza International Airport, a Palestinian official said on Thursday. "There are studies about running the airport in a commercial way through specialized ventures," the head of Palestinian Civil Aviation, Brigadier General Fayez Zeidan, told Reuters. The airport at Rafah in the southern Gaza Strip was opened by the Palestinian Authority last November under an agreement with Israel. It was built by Egyptian contractors and the Palestinian Al-Fara Group. It was financed by a $250 million loan from the Arab Land Bank and the National Bank of Egypt, payable 15 years after the facility becomes operational. Its inauguration was hailed by many Arabs as a symbol of Palestinian statehood, a sign of peacemaking progress with Israel and a commercial lifeline to the struggling area. The airport is a window to the world for many Palestinians who until last year could fly only via the airports of Israel and neighbouring Arab countries. Zeidan told Reuters he had not yet received any concrete proposals from private companies.

From Reuters, 2 December 1999

SAUDI NEEDS PRIVATIZATION, FOREIGN INVESTORS SAYS CENTRAL BANK

Saudi Arabia must forge ahead with privatization and encourage foreign investors in an attempt to ensure that economic growth keeps up with the oil-rich kingdom's rising population, the central bank said on Monday. The official Saudi Press Agency quoted a report by Hamad Saud al-Sayyari, governor of the Saudi Arabian Monetary Agency (SAMA) or central bank, as saying the kingdom needed to step up efforts to diversify its economy and reduce dependence on oil. "Among the main challenges (is to deal with) the continuing impact of volatile oil prices on economic growth and a slowdown in real gross domestic product (GDP) growth compared with population growth," the report presented to King Fahd said. "This presents a challenge for maintaining a good standard of living, creating jobs for a growing number of citizens, achieving a balanced budget and cutting public debt.'' The report said low world oil prices had led to a budget deficit of around 48 billion riyals ($12.8 billion) in 1998. Saudi Arabia, the world's biggest oil producer and exporter, relies on oil for some 75 percent of government revenues. Bankers in Saudi Arabia have estimated that the 1999 budget deficit will drop to 2.5 percent of GDP, from more than nine percent a year earlier. They said the kingdom's 1999 GDP was expected to reach 506 billion riyals. The report said real GDP grew by 1.6 percent last year. Independent estimates have said nominal GDP contracted by 11 percent in 1998. The report said the kingdom should develop a plan for spending independently of oil revenues, setting a ceiling for the deficit and public debt and giving priority to domestic spending. "In light of globalization (there is a need to) strengthen and speed up privatization programmes and encourage and increase domestic savings and foreign investment in productive sectors...," it said. Crown Prince Abdullah said in October the kingdom was working to relax restrictions hampering foreign investment, including reviewing tax laws for foreigners and considering allowing non-Saudis to own property. At present, foreigners can own only up to 49 percent of any joint venture but are not allowed to own property. They also need a Saudi sponsor for any business venture, which has been seen as discouraging foreign investment.

From Reuters, 7 December 1999

JORDAN TO PRIVATIZE STATE TELECOMS

Jordan said on Saturday it would sign next week a privatization deal with a consortium led by France Telecom and Arab investors to sell 40 percent of its profitable state telecommunications firm. "We will have final negotiations on Dec 14 and 15 and plan to sign the agreement to sell 40 percent of Jordan Telecommunications Company (JTC) on Dec 20," Minister of Communications Jamal al-Sarayrah told Reuters. Sarayrah said the major sticking points, including technical and management issues that spell out the terms of the half a billion dollars worth deal, had already been resolved. "Most of the issues have been resolved, only the final touches are now left," he said. France Telecom, along with minority partners National Bank of Kuwait and Arab Bank, was one of three international bidders which last October expressed readiness to buy the substantial government stake in JTC. Two of the three investor groups, including France Telecom, later met the minimum price of $508 million that the government sought for the sale. Jordan has been negotiating since last month with only France Telecomm after the withdrawal of Emirates Ein Investment Group, the investment arm of the United Arab Emirates royal family which had U.S. gaint GTE as technical partner. Industry executives say frustration over the Government's handling of the deal amid allegations of irregularities in the tender process was behind Ein's sudden decision. But Sarayrah, who refused to comment on Ein Group's move, denied their sudden departure had weakened Jordan's negotiating stance with one sole bidder. France Telecoms sale offer was however an unchanged $508 million from an original bid that would go up to $511 to include government taxes, Sarayrah said. The sale is a key part of a new three year IMF-guided structural reforms embarked on since last April that aims to push privatization schemes dogged by political infighting and competing business rivalries. Investment analysts say the deal's success is critical to boost Jordan's credibility among foreign investors as a promising emerging market. Sarayrah said France Telecom would upgrade and inject much needed cash into an ambitious modernization programme that would transform the telecommunications scene in the country. "When France Telecom come as shareholders and technical partners they will change drastically the telecommunications picture in Jordan and provide a level of services to customers that will make Jordan a hub station in the Middle East," Sarayrah said.

From Reuters, 11 December 1999

IRAN CLERICAL BODY OPPOSES KHATAMI'S PRIVATIZATIONS

A conservative clergy-based body in Iran has opposed key features of President Mohammad Khatami's ambitious privatization plans, casting doubt on his gradual market reforms, newspapers said on Saturday. The Guardian Council, a powerful state body which vets laws passed by parliament, said it opposed 11 provisions in Khatami's five-year economic plan, which seeks to end state monopoly in major economic sectors to boost efficiency. Newspapers quoted council spokesman Ayatollah Reza Ostadi as calling unconstitutional the provisions in the plan, due to begin in March 2000, which call for partial privatization of banks, railways, telecommunications and the state airline. Iran's constitution demands that major and strategic economic sectors remain in state hands. Parliament had passed the Government's proposed plan, saying the 49-percent privatizations maintained state control over the sectors. The council is expected to return the plan to parliament to be amended to conform to the constitution. Any disputes are arbitrated by the Expediency Council, a top body serving to uphold the higher interests of the country and its Islamic system. The move by the Guardian Council further weakens Khatami's economic plan, which was already diluted by the conservative-led parliament in a debate last month. Deputies opposed steps to ease heavy state subsidies and imposed price ceilings on goods produced by state enterprises. Officials and economists say the amendments go against the spirit of the plan and undermine Government chances of lifting the economy from recession and fighting unemployment.

From Reuters, 10 December 1999

BEZEQ BOARD BEGINS PRIVATIZATION TALKS

State-controlled Bezeq Israel Telecom must complete privatization quickly while protecting its employees, the company's president and CEO Ilan Biran said at the opening of a board of directors meeting on Sunday. This was the first meeting of the board to discuss the privatization issue, Bezeq said in a statement. The interministerial committee on privatization has asked Bezeq's board to formulate a position on whether the Government should sell off more than 50 percent of Bezeq or between 40 and 45 percent. The Government owns 54 percent of the phone company's shares. The board's position will be submitted to the Government Corporations Authority, which oversees privatization. "Bezeq needs to privatize immediately and to protect its workers' rights," Biran said in the statement. "The current obstacles hurt management flexibility." Bezeq is preparing for the opening of the domestic wireline market to competition in 2000. The board of directors will have to submit its stance on how much telecoms experience the buyer will need to have; on negotiations over property; and on how to protect workers and future investment resources. "The urgent need to move privatization forward is made necessary by reality and the company must leave the Government's bindings as soon as possible," Biran said. Bezeq's international wireline has already been opened to competition.

From Reuters, 10 December 1999

THE AMERICAS

BUSH SUPPORTS SOCIAL SECURITY PRIVATIZATION

Texas Governor George W Bush has yet to make known the details of his plan to salvage Social Security, but the principles lying at the foundation of his overall plan focus, in part, on allowing individuals the freedom to decide for themselves how to manage their own retirement plans. So far Bush has only laid out the basic principles as to how he would reform Social Security he has yet to declare how much privatization of the retirement plan he will support. Campaign officials say Bush will give the details of his plan in the next weeks. Politically speaking, that is a wise move, according to one campaign observer. "Publicly detailing a plan on such a high level issue this early in the campaign could expose a candidate to criticism when the plan is finally implemented with changes however consistent with the candidate's earlier promises," said a political observer who spoke with CNSNews.com on the condition of anonymity. Cato Institute's Social Security analyst Andrew Biggs believes that Bush has grasped the overall issues plaguing the Social Security system, but he would still like to see more of the details Bush will use to fix part of the system intended to fix America's post war ills. "Certainly Bush's plan is a promising start," Biggs told CNSnews.com. "He obviously understands what the problems in Social Security are and has laid out some principles that can lead to solutions." Bush's campaign spokesman Scott McClellan sought to distinguish the GOP frontrunner's Social Security plan from that of the Clinton-Gore Administration. McClellan suggested that Bush's opponents are using Social Security as a political weapon. "Unlike Clinton, Gore and others who may want to politicize this issue, Governor Bush will work to bring lawmakers together to protect Social Security and make sure that there is no reduction in benefits for those 55 and older; that Social Security funds are lock boxed; and that reform includes personal retirement accounts," McClellan told CNSNews.com. Bush has said publicly he opposes the plan trumpeted by President Bill Clinton which calls for the government to invest Social Security funds in stocks and bonds. Such a plan would allow the federal Government to become a major shareholder in many corporations, thereby giving it the power to direct corporate decisions which favor the government's interests rather than the best interest of the common stockholders. In contrast, Bush supports a privatization plan which allows individual workers to direct portions of their Social Security earnings into their personal retirement accounts, a plan also touted by other GOP presidential hopefuls. The bigger question, however, is how big will Bush allow those personal retirement accounts to be, asks one Social Security expert. "If they're just one or two percentage points, that's not so great. The more money the individual is allowed to invest in the market, the easier it will be to solve Social Security's problems." Liz Tobias is director of Tax and Budget Policy for Citizens for a Sound Economy, a Washington, D.C.-based group supporting market-based solutions to public policy problems. Tobias hailed the personal retirement account system, which Bush has indicated he supports, as one which provides more benefits. "One of the distinctive advantages of the personal retirement accounts is allowing people to keep and actually pass down the money they control," Tobias told CNSNews.com. On the plan backed by Clinton allowing the Government to invest Social Security earnings, Tobias offered sharp criticism. "Government investment of Social Security funds in the private sector is an idea that should have fallen with the Berlin Wall," Tobias said. "Do we really want government taking control of our board rooms?" Another Social Security expert suggests that individual retirement accounts, which Bush supports, are imperative for a successful plan. "Without personal retirement accounts, there is no reform at all. Any true reform plan would have to include privatized investment accounts." Bush opposes increasing the rate at which senior citizens are taxed on their Social Security benefits. One observer maintains that higher taxes aren't needed if individuals are allowed to invest their earnings on their own, a system which could allow for a higher rate of return. "If you increase the rate of return, you don't have to raise taxes," he said. From a financing standpoint, the problem with Social Security is not that taxes are somehow too low or that benefits are too high, he contends. "The average benefits today barely reach above the poverty line. The low rate of return is the real problem." Bush also wants to commit all Social Security funds to be spent only on Social Security, what some have termed a "lock box." A lock box is only useful as far as keeping the funds from going towards more government, according to Tobias. "People are under the impression that their Social Security money is stashed away in a lock box. And that's absolutely false." Rather than a "meaningless" lock box program, Tobias gives more credibility to Bush's promise to create "structural reforms to the program." Tobias said congressional Republicans acknowledged the "myth" by creating a lock box to protect what Social Security money still remains. But they had actually already spent some of that, so they were only protecting a portion of the funds. "The lock box itself is a largely political mechanism," said one critic. "You can use the lock box to pay off government debt today but that doesn't guarantee that the money is going to be available for Social Security tomorrow." The personal retirement account is the only kind of lock box that really works, contends another observer. "You put it in your account and you know it's going to be there tomorrow. The lock box, in and of itself, doesn't do a heck of a lot." However, the key to any Bush reform of Social Security will be hammered with Congressional Republicans and Democrats alike. McClellan told CNSnews.com that Bush's record of consensus building between Texas Republicans and Democrats is a skill that would be vital to success in the Oval Office. "One of the most important aspects of Bush's plan centers around his desire to bring both sides of the isle together in an effort to dedicate Social Security funds only to Social Security," McClellan said.

From CNS News, 2 December 1999