

GOVERNANCE WORLD WATCH

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

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Public Economics

AFRICA

BRITAIN TO INCREASE KENYAN AID IF REFORMS CONTINUE

Britain will increase its aid package to Kenya if economic reforms undertaken in the last few months are sustained, a visiting British Government minister said on Wednesday. Foreign Office Minister Peter Hain, who has special responsibility for Africa, said Kenyan President Daniel Arap Moi had assured him of his commitment to the reform process. "We are committed to a substantial increase in our development assistance to Kenya, provided that the economic recovery strategy is successful and an effective reform programme can be put in place," Hain told reporters in Nairobi. British High Commissioner Jeffrey James said Britain's annual aid to Kenya stood at between 20 and 24 million pounds (\$33-\$39 million). Hain welcomed the appointment of famed palaeontologist Richard Leakey to head a team of private sector technocrats who are aiming to revamp the country's bloated civil service. "I am confident that Kenya has turned the corner and that these changes are irreversible," Hain said. He outlined eight steps he believed Kenya needed to take, including judicial and constitutional reform and improving its human rights record, before the International Monetary Fund would resume lending to the country. The IMF suspended a key loan in 1997 to protest against official corruption and poor public administration. "The jury is still out internationally on Kenya but there is much greater confidence of a favourable verdict than there has been for some time," Hain said. Hain also warned present and future African dictators they could expect to pay for their crimes. "What happened to (former Chilean dictator General Augusto) Pinochet should be a salutary and grim warning to leaders around the world and in Africa," he said. "If they commit crimes or genocide they will be brought before world courts." Hain is in Kenya, the country of his birth, at the end of a three country tour of East Africa.

From Reuters, 12 October 1999

ALBRIGHT WARNS AFRICA ON CORRUPTION

Secretary of State Madeleine Albright warned Wednesday that African countries could not achieve their economic potential until they overcome crime and corruption by "those who consider public office a license to steal." She praised Nigeria's new civilian leader, but said the transition from military rule would not be complete until civilians are firmly in charge. Speaking to a gathering at the headquarters of a 14-nation Economic Community of West African States, Mrs. Albright pledged the United States would do what it could on a number of fronts for Africa - trade, debt forgiveness, democratic development and the fight against AIDS. But, she said, private-sector investment must be the "engine of long-term growth across Africa." "And if domestic investment is to be profitable and foreign investment attractive, the battle against crime and corruption must be won," she said. "Too many of Africa's resources are being squandered, and its peace shattered, by the criminal and corrupt - by diamond runners, drug peddlers and those who consider public office a license to steal," Mrs. Albright said. Mrs. Albright, on the fourth leg of a six-nation Africa tour, came to Nigeria to welcome the reinstatement of democracy last spring after 15 years of dictatorship in a country largely ruled by the gun since independence in 1960. She said she saw the transition away from military rule as a transcendental event, on a par with the end of communism in her native Czechoslovakia a decade ago and of the end of apartheid in South Africa in 1994. Mrs. Albright offered praise for President Olusegun Obasanjo, who took office five months ago, but she said the transition to democracy would not be complete unless civilian supremacy is consolidated and repressive laws are repealed. Despite Nigeria's rich oil reserves and profits, which have been squandered by previous leaders, the average person lives on about \$2.60 a day. In her meeting with Mr. Obasanjo on Tuesday night, he assured her that he was committed to fighting corruption that stained the military rule, U.S. officials said. After visiting the capital, Mrs. Albright flew north to the provincial capital of Kano, where she attended a cultural exhibit and met with the governor. Mrs. Albright later flew to Kenya, the fifth stop of her tour, which ends Saturday.

From Associate Press, 21 October 1999

IN AFRICA, ALBRIGHT DEcriES AID CUTS

Secretary of State Madeleine Albright, who is touring Africa, has angrily denounced members of Congress back home for slashing foreign aid while people here suffer in a daily struggle for survival. "It is not that they expect a handout from the U.S., they expect help," Mrs. Albright said Wednesday. The secretary of state had just spent three days in western Africa, meeting government officials in Guinea, Sierra Leone, Mali and Nigeria. She said those nations had an opportunity to escape dreadful pasts, including civil war and dictatorships, and need U.S. financial help to do so. It is "very hard to understand that we have the world's greatest economy and we have a huge budget surplus and they are digging themselves out of garbage," Mrs. Albright said, referring to Africans still trapped in poverty. She suggested that Congress might not have cut \$2 billion from the administration's foreign affairs budget request if more members traveled abroad and met ordinary people. "That is how we can get this passed - if they understood what the stakes are," she said, adding that one congressional leader had acknowledged that he did not have a passport. "I don't think that should be a matter of pride," she said. Congress cut the administration's foreign operations spending request to \$12.7 billion, and President Bill Clinton vetoed the bill on Monday. Representative Sonny Callahan, Republican of Alabama, defended the congressional action, saying the funding approved would enhance U.S. priorities overseas while remaining within the confines of a

balanced budget agreement. Mr. Callahan said foreign affairs programs should be subjected to the same fiscal discipline as domestic spending. On Monday, Mr. Callahan offended Arab-American leaders and angered congressional Democrats when he criticized Mr. Clinton's proposals for forgiving "debt that these foreign leaders have incurred during these corrupt regimes in Africa." "I might forewarn the president that Halloween is just around the corner and a lot of these people knocking on the White House gate for trick-or-treat might have on turbans," Mr. Callahan said on the floor of the House. "And I might tell them when they go knock on the door, 'Wear a turban and carry a bag and let me tell you, that president will fill it up. He'll give you an IOU from the Congress.'" Mrs. Albright vented her frustrations with such attitudes not long after taking off from Nigeria for Kenya, the fifth stop on her six-country Africa tour. She was clearly impressed in Nigeria by the fledgling democratic government's prospects for becoming an economic powerhouse and a force for peace and democracy among smaller troubled neighbors in the region. The Clinton's administration's budget battles with the Republican-controlled Congress did not stop Mrs. Albright from proposing about \$55 million in additional assistance to Sierra Leone and at least that much for Nigeria. She also spoke of the possibility of debt forgiveness for some countries. "It's not a giveaway program, it's in the national interest," Mrs. Albright said, although she added, "There are those who don't believe in this program who are going to use my trip to say that I was handing out money." Mrs. Albright promised that she would return to Washington this weekend with "renewed vigor" to make her case for more foreign aid to the Congress. "The United States clearly has to help, which is why I am so angry at what is going on with our budget," she said.

From Associate Press, 22 October 1999

ASIA/PACIFIC

WTO ACCESSION AND CONTINUED REFORM CAN MAKE CHINA AN ECONOMIC GIANT

A vision of China in 50 years as a modern, confident and responsible world leader was offered today by Lee Kuan Yew, Senior Minister of the Republic of Singapore, during a luncheon speech at the FORTUNE Global Forum in Shanghai. Accession of China into the World Trade Organization (WTO) would hasten the modernization of China and its integration into the global economy, Minister Lee asserted. "Opening up of China's markets to imports, especially as a member of WTO, can provide more balanced growth and ease the international stresses arising from China's transformation," Minister Lee said. "It will be a more stable world if China must abide by WTO rules requiring it to open its markets, and allow freer foreign investment in goods and services." China must continue a range of social, political and economic reforms to meet its potential, according to Minister Lee. "China has to integrate itself further into the world economy, to liberate trade and investments, decentralize economic power by relying more on market mechanisms, and move towards a society based on the rule of law," he said, adding, "No Chinese Government can ignore the aspirations of the ordinary Chinese for economic progress, not after what they have experienced. China's future will be determined by its internal developments, the changes in the international environment, and the interplay between the two." While striking an optimistic tone, Minister Lee identified several issues that could potentially derail progress in China. These include: the Taiwan question; widening differences in incomes, quality of life and rates of growth between the coastal and riverine provinces and the interior areas; and changes in values and aspirations that accompany educational and economic progress. Regarding Taiwan, Minister Lee warned, "The fuse could be lit by Taiwan if its leaders believe that they can or will get US support for their moves towards independence." Other challenges identified by Minister Lee involve the risk of China's high-savings rate and export-oriented economy running massive current account surpluses, managing trade integration with the world, eradicating corruption, accomplishing financial liberalization, restructuring state-owned enterprises and reforming government finances. "For example, to facilitate transfers of technology, China needs to recognize and protect intellectual property rights. This requires a strong and independent legal system," Minister Lee said. Citing the "enormously complex set of tasks to accomplish," Minister Lee identified three major issues of transition: moving from a planned to a market economy; from a mainly agrarian to industrialized society; and from a centralized to a more participatory system of governance. If China's leaders continue to place economic development at the top of their agenda, Minister Lee predicted China's economy will grow by the year 2050 to a size of \$20 trillion in today's US dollars, about four-fifths the size of the United States. Minister Lee predicted that the renminbi will be among four major international currencies, along with the U.S. dollar, the euro and the Japanese yen. "The world's trade and reserve holdings will be dominated by these four currencies," Minister Lee said. Minister Lee's vision of China in 50 years also foresees Shanghai as a global financial centre with investments linked to the entire world, and a place where Chinese scientists and industries are a source of new innovations. Citing future Chinese leaders currently in their 20s and 30s as "the generation that will decide China's shape in 20 to 30 years," Minister Lee concluded: "China has the potential to realize its goal of becoming a modern economy by 2050. It can be engaged as an equal and responsible partner in trade and finance, and become one of the major players in the world." The Fortune Global Forum brings together more than 300 heads of multinational companies, plus more than 200 Chinese Government leaders and heads of major Chinese enterprises, at Shanghai International Convention Centre for three days (September 27-29). The Fortune Global Forum takes place on the eve of the 50th Anniversary of the People's Republic of China and has the theme "China: The Next 50 Years." Major sponsors of the Fortune Global Forum are American International Group, Inc., Arthur Andersen, Bank of China, BT Dell Computer Corporation, Goldman Sachs, and Nortel Networks. The official airline is Cathay Pacific Airways. The Fortune Global Forum is presented by Time Warner Inc. The Municipal Government of Shanghai is the host sponsor of the Global Forum.

From Reuters Businesswire, 29 September 1999

IMF: INDONESIAN GOVERNMENT AND OPPOSITION SEEK TALKS ON ECONOMY

The Indonesian Government and opposition officials have asked for talks on economic policy after the Oct. 29 presidential elections, the International Monetary Fund said Monday. The IMF said in a statement: "These discussions will involve technical economic experts drawn from a wide range of institutions, including the Government, the major political parties, universities and other economic institutions." "It is expected that the World Bank and the Asian Development Bank will join in these technical discussions," it added. There are three candidates in the presidential election — the incumbent B.J. Habibie, Megawati Sukarnoputri, whose party was the leading vote-winner in June's parliamentary elections, and Abdurrahman Wahid, a Moslem intellectual. The IMF stressed that any resumption of IMF lending to Indonesia still hinges on the publication of a report by the Pricewaterhouse Coopers auditing firm on the Bank Bali case. There are allegations that \$70 million to \$80 million was transferred this year from Bank Bali to a private company controlled by a senior official in Habibie's ruling Golkar Party. However, there has been a delay in making the report public, leading the IMF to suspend consideration of the next \$460 million installment due to Indonesia under its \$12.1 billion loan programme.

From Fox News, 4 October 1999

EXPERTS' VIEWS ON SOUTH ASIA SECURITY: HEAVY DEFENSE SPENDING UNDERMINING PUBLIC WELFARE

Local and foreign scholars and experts on Thursday discussed issues relating to security in South Asia at a two-day seminar. They spoke at length on different aspects of the fallout of the Afghan war, unconventional threats to the region's security, implications of the nuclear tests and military buildup in South Asia. The seminar was organized jointly by the Karachi University's Area Study Centre for Europe (ASCE) and the Islamabad-based Hanns Seidel Foundation. At least two of the speakers said that funds should be diverted by all the South Asian countries from defense programmes to social sector schemes. They pointed out that the region was the most militarized in the world. People of this region, on the other hand, are poor - a very large number of them even below the poverty line. Another expert said that the Pakistan leadership should stop looking towards China for support over each and every issue. Yet another one spoke of the need for Pakistan to reconsider its policy towards the Afghanistan tangle. The fallout from the Afghan war was very dangerous, said Lt. Gen. (ret) Kamal Matinuddin. "The internecine warfare in Afghanistan has resulted in proliferation of weapons in the country," he said. This proliferation of weapons in turn had resulted in the worsening of the law and order situation, he added. "Many of the Afghan Mujahideen who had fought the Russian forces or the Russian-installed regime have been recruited by some religio-political parties in Pakistan to act as their military arm," he claimed. "This has added to Pakistan's security dilemma," he said. The former editor of the monthly Afghanistan Report suggested that the Pakistani Government should coordinate its policy towards Afghanistan. "This means that instead of ISI, and Foreign Office etc having their separate policies there should be one coordinated and integrated policy." He also said that the Government should take steps for improving its relations with Iran. Presenting his paper on the military buildup in the region, Lt. Gen. (ret) Talat Masood said both India and Pakistan should stop spending billions of rupees on nuclear and conventional weapons. He said India and Pakistan both had very poor per capita incomes but very high defense spending. With the help of facts and figures, he showed how global arms spending had declined over the years but the regional defense spending had gone up. Lt. Gen. Masood said the arms spending was likely to go up even further in the future because New Delhi was planning to acquire nuclear-powered submarines. In her off-beat paper, Ms. Zubeida Mustafa, a well-known journalist, described the security threats posed by unconventional sources. She said that due to many reasons, most of them economic, several problems had been triggered in South Asia. "These problems had caused the internal displacement of people," she said. She cited ethnic tensions, uncontrolled and illegal migration and flow of refugees etc as the other major unconventional threats to security. She was of the view that the Governments of South Asia didn't take the unconventional security threats seriously. She said that the Governments of the region should invest more in human development. "South Asia is the most militarized region of the world," she said. "And at the same time the region has more children out of the schools than any other." Speaking on the occasion, M.H. Askari said that the Pakistani Governments took for granted the Chinese support over each and every issue. He said the Chinese Governments wanted Pakistan and India to sort out their differences among themselves. "The Chinese are for an equilibrium in the region. They don't want to be seen as a partisan," he said. "That's why I don't think they would be supporting Pakistan over every tricky issue." Rear Admiral Mumtaz Wali Khan delivered his speech on the Indian naval buildup. In his well-prepared speech he described the naval doctrines that had been drafted by New Delhi over the years. He explained how the Indian navy had evolved from being a force of limited means to being an outfit representing a notable naval power having hegemonistic designs. Sugeeswara Senadhira, Prof. Dr Pervaiz Iqbal Cheema, Dr Erzebet Nagyne Rozsa, Ms Sheila Zulfiqar Ahmad, Dr Shaheen Afroze, Vice Admiral I.F. Quadir, Ghazi Salahuddin also spoke on the occasion. The proceedings of the two-day seminar were summarized by Dr Ross Masood. He informed the audience that a total of 15 papers had been presented at the moot. The director of ASCE, Dr Naveed A. Tahir, thanked all the participants, especially the delegates who had come all the way from Europe for the seminar for their cooperation. She told Dawn that the Swedish ambassador to Pakistan attended most of the sessions of the two-day moot.

From Reuters Businesswire, 22 October 1999

EUROPE

NETHERLANDS SUSPENDS ZIMBABWE AID OVER GOVERNMENT POLICIES

The Netherlands has suspended aid to Zimbabwe worth 15 million dollars a year, citing concerns over governance and the economic policies of the southern African country. The Dutch embassy said its Government had decided that Zimbabwe did not qualify for bilateral aid under new criteria. "As a consequence of these policy changes, the Dutch Government will substantially alter its bilateral development co-operation with Zimbabwe. Although Zimbabwe meets the poverty criterion, concern was raised over the prevailing governance situation as well as its macroeconomic performance," the embassy said in a statement made available to Reuters on Wednesday. Italy and Denmark have also frozen some aid to Zimbabwe citing the country's poor governance. Zimbabwe is currently in the grip of its worst economic crisis in two decades, largely blamed on mismanagement by President Robert Mugabe's Government, in power since independence from Britain in 1980. Growth this year is seen at little more than one percent from 1.6 percent in 1998, inflation has hit a record 68.8 percent and is seen peaking at over 70. Mugabe has also been criticized for his threats to seize mostly white-owned farms to resettle landless blacks and his costly deployment of 11,000 troops to the Democratic Republic of the Congo to prop President Laurent Kabila against a Tutsi-led rebellion. The alleged torture earlier this year by army officials of two journalists arrested over a coup plot story also sparked local and international outrage.

From Reuters, 29 September 1999

GERMANY: OPPOSITIONS MAY SUPPORT SOME ECONOMIC REFORMS

Germany's embattled Social Democratic Government is having a hard time winning support for its economic reform program. But this weekend, the Government's dark days received a little touch of sunlight from the conservative opposition. The leader of the opposition Christian Democratic Union (CDU), Wolfgang Schaeuble, said during the past weekend that the party should not simply block all the Government's reforms. Schaeuble did not identify which areas of the Government's programme the CDU could accept, but he hinted broadly that some of the reforms could go through. The Christian Democrats have enough seats in the upper house of parliament to prevent a Government majority. In effect, this means that Chancellor Gerhard Schroeder and his finance minister, Hans Eichel, are dependent on opposition support to turn their reforms into law. Eichel has acknowledged that it is unlikely his proposals will survive in their original form. The Government's reform package calls for significant spending cuts, amounting to \$16 billion dollars next year. Other austerity measures will be spread over the next three years. The proposals affect almost every German voter in some way and have aroused widespread hostility. Opinion polls show that Schroeder personally has slipped to seventh position in public popularity. The polls indicate that his Social Democratic party would gain less than one-third of the vote if an election were held this month. The party has suffered heavy losses in every provincial election this year. The CDU's Schaeuble has said several times in the past few weeks that his party agrees that economic reconstruction is urgently needed in Germany. But he has never given a detailed outline of which parts of the government package the CDU will accept. And he has given only a shadowy idea of the opposition's counter-proposals. Schaeuble was not more forthcoming in his speech to the CDU party congress in the province of Baden-Wuerttemberg this past weekend. Instead, he made a strong attack on Chancellor Schroeder over the continuing high unemployment in Germany and said he held Schroeder personally responsible. German commentators pointed out, however, that in fact the unemployment rate in most parts of Germany is about the same as it was under the last CDU chancellor, Helmut Kohl. Chancellor Schroeder has also come under attack this week from his former finance minister, Oscar Lafontaine. The left-winger Lafontaine left his post abruptly in March because of disagreements with the chancellor's policies. He had been finance minister for less than six months. In a newspaper interview in advance of his latest book, Lafontaine accused Schroeder of abandoning traditional, left-wing Social Democratic policies. Lafontaine said the party was favoring businesses at the expense of the ordinary worker. He said that was the main cause of this year's succession of electoral disasters. In the newspaper interview, Lafontaine said the electoral defeats could have been avoided if the party had remained true to the left-wing policies he had advocated in his few months in government. But many German commentators disagree. Several argue that it was exactly Lafontaine's left-wing policies that alienated the voters who had put the Social Democrats into power a year ago. Lafontaine made clear that he expects to continue his public criticism of the Government in which he once served. But he may be overestimating his support. Opinion polls carried by several German newspapers after the interview was published indicate that more than two-thirds of German voters do not want him back.

From Radio Free Europe, 28 September 1999

EUROPE'S FUTURE SAID TO RIDE ON INNOVATION

A lack of innovation is the biggest barrier preventing Europe from dominating the world economy, a leading commentator on global economic development said on Wednesday. "European minds are still working properly," Professor Manfred Perltz of the University of Mannheim in Germany told Reuters. "As far as inventions and patent applications are concerned, Europe leads the world. "However, if you look at what Europeans are doing with this inventiveness, it is a bit frustrating," he said after a forum of the European Foundation for Quality Management in Brussels. Europeans were too concentrated on technical issues, in contrast to the United States and Asia, and not focused enough on innovation and marketing their inventions. Cultural differences played a role in this, but also over-regulation by Governments not in tune with market needs. "The economic success of Europe depends on to what extent Governments leave European companies free to develop their advantages in competitive situations," he said."

From Radio Free Europe, 7 October 1999

EAST: TEN YEARS LATER, CENTRAL EUROPE'S ECONOMIC VISION STILL UNREALIZED

A decade into the transition process in Central and Eastern Europe, democracy is widespread. But there remain wide differences in the level of economic progress achieved by the individual countries. As part of RFE/RL's series marking the tenth anniversary of the events of 1989, correspondent Breffni O'Rourke examines some of these economic differences and seeks explanations. When the Berlin Wall fell 10 years ago, heralding a new era in Europe, much of the world shared a common vision. It was that the countries of the crumbling Marxist sphere would henceforth join the Western community in enjoying political freedoms and economic prosperity based on market mechanisms. In the course of the following decade, the dream of democracy has been largely fulfilled -- with some exceptions -- in a vast arc of territory stretching from the Baltic to the Black Sea. Economic well being, however, has proved more elusive, and the revitalization of Central and Eastern Europe is still an unfinished story. The transition to market economies has not been easy, and the relative success or lack of success of individual countries reflects a mix of complicated factors. Only Poland among the transition states has lifted its economic prosperity clearly above the level of 1989. Polish per capita incomes this year are expected to reach about 130 percent of 1989 levels. At the other end of the spectrum, Ukraine, with a stalled reform process, has seen people's incomes plummet to half the levels of 1989. Because Poland opted for radical reforms, the simple conclusion might be that the so-called "big bang" method produces the best results, despite its high cost in social dislocation. Hungary, too, has successfully opted for a radical course, but Slovenia, Slovakia and the Czech Republic have income levels equal or greater than that of Hungary -- about 100 percent of their 1989 levels -- and have chosen more gradualist paths. A senior economist with the Paris-based Organization for Economic Cooperation and Development (OECD), Val Koromzay, says that the real lesson of the last decade lies not in a choice between big bang or gradualism. The lesson is that the essential factor is coherent reform. He says time has been reasonably forgiving of countries that have been slower or faster. Those that got into trouble did so because they backtracked away from reform, owing to political opposition or perceived hardship. Poland, Koromzay says, always followed a clear line. He spoke recently with RFE/RL: "They were always moving in the same direction and despite numerous changes of government, I think one can see clearly a thread of continuity, a direction." Koromzay says that Romania, by contrast, has lacked this sense of purpose, and its political will has faded. He argues that nervous governments have sought to spare the population the pain of restructuring, but instead have condemned the people to a continuation of miserable living standards with little prospect of improvement: "In Romania from the beginning there was this terrible concern about hardships that transition would cause, and every time they came to a hard decision, for instance on tightening budget constraints on enterprises, too often they blinked. And that in turn fed back and made their macro-economic policies incoherent." Koromzay sees Bulgaria in another light. That country wasted the early years of transition under non-reformist governments. Its industrial production is still one-third less than in 1989, but recently it has gained fresh momentum under reformist Prime Minister Ivan Kostov. Koromzay says that is encouraging. "Bulgaria is a different kind of lesson. It's a country which did not get its act together for a number of years, but it shows on the one hand how costly it is to delay, but on the other hand that if you can get your act together even at a rather late date, the possibilities for breaking out of a very bad situation continue to exist." Progress across the transition region is needed soon, because after a decade of profound change, people are weary. In the Czech Republic, opinion polls show rising support for the communists among frustrated voters. Likewise in eastern Germany, recent state elections show strong support for the former communists. And in Poland, populist-nationalist trends opposed to reform are evident. Another expert in the region's transition process, Giovanni Cornia of the United Nations University in Helsinki, says that democracy without economic progress is insufficient. He spoke recently with RFE/RL. "Democracy with falling incomes and rising mortality is not a particularly attractive type of democracy." Cornia looks on the darker side of the last decade and counts the social costs, such as the sharply rising death rates that characterized the early years of transition. On broader themes, Cornia advances another theory to explain, at least in part, why some countries have done better than others. He says the countries that are succeeding today are those that have a better-developed institutional framework, dating in part from before the communist era. In other words, those nations of Central Europe that were traditionally more institutionally advanced than, say, their neighbors in the Balkans, are the ones that will lead the race back into the market economy today. That historic advantage has also helped countries like Poland, Hungary and the Czech Republic gain places as front-runners for membership of an expanded European Union. In turn, Cornia says, the hope of entering the EU has been a powerful motivation.

From Radio Free Europe, 7 October 1999

UK LORDS DEFEAT WELFARE REFORM BILL

Benefit changes could leave 170,000 disabled people worse off. The Government has been defeated in the House of Lords over part of its welfare reform proposals. Peers defeated the government's Welfare Reform and Pensions Bill by 193 to 114 over plans to limit payment of the new bereavement allowance for widows and widowers to just six months. Instead they backed a Conservative amendment which would extend the payment of the allowance to two years. It was the third defeat for the Government in three days since peers returned to the Upper House after the summer recess. The same Bill provoked the biggest backbench rebellion of Prime Minister Tony Blair's Government when 65 Labour MPs voted against it in the Commons. The move came despite an offer by junior Social Security Minister Baroness Hollis of Heigham to extend the period the allowance is paid to one year. Speakers from all sides condemned the time limit as being too short for a bereaved widow or widower to sort out their affairs and get over their grief. The bill is also expected to be defeated when opponents, led by Labour peer Lord Ashley, attempt to block reductions in the eligibility for incapacity benefit. The changes, if they become law, would remove entitlement to incapacity benefit from anyone who has not worked for the past two years and reduce it for people with occupational or personal pensions. If, as expected, peers back Lord Ashley's amendments to the Bill, it will return to the Commons. The Government is then likely to continue with its attempt to

have it passed before the new parliamentary session begins on 17 November. Lord Ashley is predicting support from the Liberal Democrats and Tories for his amendments. The former MP has warned the government its plans would deny £66 of incapacity benefit to 170,000 severely disabled people. He said: "Although these people may have paid National Insurance contributions for many years, they will be denied benefit if they have been unemployed for two years before claiming." "And those who do get benefit and have an occupational pension scheme of over £50 a week, will lose from their benefit 50p in every pound over that figure. "As incapacity benefit is taxed, this means an effective marginal tax of 73%, compared with the top rate of 40% for millionaires." Lord Ashley added: "Some of my amendments would soften them with a compromise, but if the Government rejects these, the House of Lords should support my other amendment to throw out the Government's proposals. "Given the support that exists to get rid of the offending clauses, there can be only one outcome."

From BBC, 13 October 1999

EU SAYS HUNGARY ECONOMY ON TRACK GYPSY RIGHTS WEAK

The European Union said on Wednesday Hungary's economy was on track for membership, but warned of problems with corruption, treatment of gypsies, press freedom and the environment. In its second enlargement report on Hungary, the EU said the country was a functioning market economy and that the legal and institutional structures underpinning the economy had been further strengthened. "It should be able to cope with the competitive and market forces within the union in the medium term, provided it continues to make further progress in structural reforms," the report, released in Brussels, said. Agricultural policies needed some serious rethinking though, particularly levels of subsidies and a special deal granting Israel more favourable conditions than EU members. The report said Hungary had pledged to scrap the deal with Israel before joining. Hungary had correctly implemented its agreement for preparing to join the 15-nation bloc, the EU said. Its exports to the EU had grown to 14.5 billion euros in 1998, from 11.7 billion euros in 1997, with a similar increase in imports. The report noted that inflation had fallen, the most recent rate being 10.9 percent announced on Tuesday, and that Hungary enjoyed one of the highest gross domestic product (GDP) growth rates in the region, set at just under four percent this year. But the EU urged the Government to keep a sharp eye on the current account balance and the budget deficit. A drop in export growth last year from nearly 30 percent year on year in the first quarter to less than 10 percent in the fourth could only be partly explained by the Russian crisis, and was an indication of policy weakness. Another area for concern was Hungary's failure to implement health care reforms that would help to trim government spending. "Plans for the overhaul of the health sector and the approval of an economic strategy have suffered delays," it said. The report noted that corruption remained a serious issue in Hungary, with the chief prosecutor's office recording 455 cases of corruption in 1998, a four percent increase over 1997. It said Hungary had demonstrated "increased efficiency" in the fight against organized crime, but still had not ratified the Council of Europe convention on money laundering while drug consumption was increasing. The report criticized Hungary's performance on ending discrimination against the country's 600,000 gypsies, about six percent of the population. After over two years of discussion, Hungary still had failed to pass legislation on minority representation in parliament. "Roma (gypsies) continue to suffer widespread prejudice and discrimination in their daily lives," the report said. It said a new Hungarian law on refugees had brought procedures more closely into conformity with those in the EU, but it criticized Government involvement in the media, for example through buying a newspaper. "The board of trustees of the public service TV is currently formed solely by Government-appointed members," the report said. Hungary had made some progress on implementing the bloc's common agricultural policy, the EU said, but it criticized slow progress in harmonizing legislation and an ad hoc approach to agricultural development. Pollution from some big industrial firms had been gradually reduced but efforts would be needed to upgrade some 100 existing installations. The EU reported no progress on reducing air pollution and said wastewater treatment was under study.

From Reuters, 13 October 1999

BLAIR TO STRESS EU IMPORTANCE TO UK ECONOMY

Prime Minister Tony Blair will warn on Thursday that Britain's EU membership is vital for jobs, investment and industry at the long-awaited launch of a cross-party, pro-European lobby group. Blair will headline a list of heavyweights from across the political spectrum in the new Britain in Europe group, formed to smash what the Labour premier sees as anti-European myths such as the creation of a superstate. He will dismiss suggestions by the opposition Conservative Party and other anti-European factions that engagement in Europe is unpatriotic by emphasizing Britain's financial reliance on the EU bloc. Two pro-European Conservative heavyweights, former Deputy Prime Minister Michael Heseltine and ex-Chancellor of the Exchequer (finance minister) Ken Clarke, and Liberal Democrat leader Charles Kennedy will join him on the platform. "Britain's membership of the European Union is not a periphery adjunct to the British economy. It is a central part of Britain's jobs, trade, industry and investment and every day becomes more so," Blair will say, according to extracts of his speech released by his office. "So Britain in Europe is a patriotic cause, not a betrayal of the nation's interest." Chancellor of the Exchequer Gordon Brown joined forces with Blair in an article in the Independent newspaper to say there was no change in government policy of keeping options open on the European single currency. Blair has promised a referendum after the next general election on joining the euro if economic conditions are right. "It would simply be against our British national economic interest to close the door and repeat mistakes of the past," Blair and Brown wrote. Britain in Europe watered down its stance of backing British entry into the euro so the cautious Blair would come on board. It says it is confident of portraying opponents as extremists intent on leaving the European Union. A fresh bout of warring within the Conservative Party, which has ruled out joining the euro for this parliament and the next, will do the group's cause no harm. Blair's official spokesman said the Prime Minister met Heseltine, Clarke and Kennedy in a rare cross-party gathering on Wednesday to

compare notes. The spokesman said Blair wished to be part of a successful European single currency. "But the Prime Minister will say there is a prior argument to be stated and won -- that is the case for Britain in Europe." Labour, rocked by defeat in European parliament elections in June, is eager to keep the euro out of the headlines until after the next general election, due by May 2002 at the latest. But after Conservative leader William Hague said last week that he would block all new treaties in the EU unless its rules were changed to allow Britain to opt out of certain treaty obligations, Blair is equally keen to portray the opposition as a bunch of extremists pushing for withdrawal from the bloc. Two big Conservative guns from the past -- former Prime Minister John Major and ex-chairman Chris Patten -- said on Wednesday that Hague had lurched dangerously to the right over Europe.

From ABC News, 14 October 1999

EAST: STUDY LINKS MARKET REFORM TO BETTER ENVIRONMENT

A new study from the Organization of Economic Cooperation and Development (OECD) finds that transition countries making the most progress towards market economies are also those managing best to improve their environment. Correspondent Breffni O'Rourke explores the interrelation between these two phenomena and reports that there is high praise on environmental issues for the Baltic States and Kazakhstan, but less for Ukraine and Russia. A study just issued in Paris has uncovered an interesting link between economic reform in the transition countries and environmental protection. The study says that those countries, which have gone farthest in the reform process are also the ones that have been able to cut pollution the most. The conclusion is that economic and environmental reforms are mutually supportive and reinforcing. The coordinator of the OECD study, Brendan Gillespie, explains the findings: "Those countries that have been most advanced in economic reform have also been the most successful in terms of protecting the environment. This is I think due to several factors, one is that economic reforms have promoted structural changes away from the old smokestack industries to more services and other sectors; I think also it's generated the resources required to invest in cleanup, and finally the set of reforms have created incentives to be more efficient in the use of resources." The study says cites in particular the advanced reform countries of Central and Eastern Europe, such as Poland, Hungary, and the Czech Republic. Those countries have managed to cut air emissions of life-threatening pollutants -- such as sulfur dioxide, nitrogen oxides and particulate matter -- even as they have returned to economic growth. Water pollution has also been reduced. In other words, those countries have managed to "decouple" economic growth from pollution. Gillespie says the converse is true for those countries that have been slower in economic and democratic reforms: they have not done so well in terms of environmental cleanup. "The countries of the former Soviet Union, for example, if one looks there, one finds there have been falls in environmental pollution -- but this is all essentially linked to the collapse in industrial output, on account of the sharp contraction in those economies. The problem there is that they have not taken the steps to introduce strong environmental policies and indeed other forms of economic policies which would help to decouple environmental pollution from economic output." Gillespie mentions Russia, Ukraine, Romania, and Bulgaria in this context. He has strong praise, however, for the three Baltic republics, Estonia, Latvia, and Lithuania. He says the Baltics are examples of reform-minded countries that have been able to attract foreign assistance to develop cleaner, more efficient technologies: "These are small countries. I think they have benefited from the close cooperation within the Baltic region itself, and certainly on a per-capita basis they have received more in the form of technical and financial assistance (from abroad) for environmental improvement than any of the other countries in the broader region." Turning to Central Asia, Gillespie notes that those republics have extremely serious water pollution problems. This is further complicated by the generally weak institutional framework in these newly independent states. That being said, there are still some encouraging examples: "If one looks at Kazakhstan, for example, there they have been very effective in terms of creating a small group which is working in the Environment Ministry, and they have also enjoyed some very high-level political support. And this in turn has enabled them to attract some external assistance, which they have used very effectively to identify priorities and design appropriate policy responses." Pollution is becoming an increasingly pressing international issue, one where individual countries have commitments to meet. Much of the international community, including a number of transition states, entered into the Kyoto agreement to cut the output of greenhouse gases to some 8 percent below 1990 levels. That convention was worked out in Kyoto, Japan in 1997. Some of the transition-country signatories will only be able to meet that goal because of the involuntary decline they have suffered in industrial output. If their industrial output rises, they could be in breach of their commitments to the Kyoto accord.

From Radio Free Europe, 22 October 1999

MIDDLE EAST

ISRAEL CABINET DUE TO VOTE ON PLANNING REFORMS

The cabinet is due to vote today on a series of administrative reforms, including a controversial proposal to create a centralized National Planning Authority under the Prime Minister's Office that would supersede Government planning and land use authorities now controlled by several ministries. Interior Minister Natan Sharansky (Yisrael b'Aliyah) and National Infrastructure Minister Eli Suissa (Shas) said yesterday that they would vote against the proposed changes. The Interior Ministry currently controls the Planning Administration, which plays a role in determining master plans, while the Infrastructure Ministry oversees the Israel Lands Authority, which determines land use and markets state land. After consultations with Suissa yesterday, Shas sources said it was likely that the three other Shas ministers - Labor and Social Affairs Minister Eliyahu Yishai, Religious Affairs Minister Yitzhak Cohen and Health Minister Shlomo Benizri - would also vote against the proposal. But the five "nay" votes are insufficient to stop the reforms. Barak has pressed hard for the creation of a National Planning Authority, arguing that it would help streamline planning

and speed up the construction of projects of national import. The NPA would act as a superagency overseeing the Planning Administration, the Israel Lands Authority and the National Planning and Construction Council, bringing all three under the wing of the Prime Minister. But Sharansky said at a press briefing yesterday that an NPA would result in the unprecedented centralization of authority rather than the devolution of authority that administrative reforms are intended to bring about. Sharansky said he would present an alternative to Barak's plan at today's cabinet meeting. Sharansky wants to appoint a commission, to be headed by Interior Ministry Director-General Avi Maoz, to investigate which ministry should control the Planning Administration and explore ways to make its operations more efficient. But he added that he would not resign from the Government if Barak's proposal went through. A second important aspect of Barak's reform is to unify all aspects of nationwide travel networks under one ministry. To this end, the Public Works Authority, Israel Railroads and the Trans-Israel Highway project would be transferred from the Infrastructure Ministry to the Transport Ministry. As a result, the Infrastructure Ministry, which was expanded in 1996 to meet the appetite of its designated minister Ariel Sharon, would function once again as the Energy Ministry. All the proposals are to be voted on by the cabinet as one package. The reforms were first outlined as part of the Government coalition agreement signed by Sharansky and Suissa. But under the agreement, changes were to be made only after consultation with ministers whose portfolios would be affected. Sharansky said yesterday that he had not been consulted about the changes.

From Israel Ha'aretz, 5 October 1999

FINANCE MINISTER SHOHAT APPOINTS TEAM FOR ECONOMIC NEGOTIATIONS WITH PA

Finance Minister Avraham Shohat on Tuesday appointed a professional committee headed by Finance Ministry Director-General Prof. Avi Ben-Bassat to evaluate and prepare economic alternatives prior to opening the permanent settlement negotiations with the PLO Authority (PA). The committee is instructed to examine a range of possible future economic relations from full economic integration on one hand to total economic separation on the other, as well as a range of possible combinations between these two extremes, and to develop a set of guiding principles for future economic relations. Representatives from various government ministries, Bank of Israel, business sectors and external experts will attend the committee meetings as needed to help formulate economic arrangements. The committee's first meeting is Thursday, and will cover trade, direct and indirect taxation, the movement of workers and monetary issues between Israel and the PA, in the framework of the above mentioned alternatives.

From Israel Wire, 13 October 1999

THE AMERICAS

'CANADIAN WAY' AT RISK, ECONOMIC REPORT WARNS

Canada's dismal productivity and poor record for innovation are putting the country's living standard at risk and leading to an increase in the number of young Canadians seeking opportunities elsewhere, the Conference Board of Canada said yesterday. Compared with the United States, Germany, Japan, Australia, Sweden and Norway, Canada was rated as an economic poor performer, particularly in areas of the new economy driven by the computer and communication industries. "This poor performance has serious implications for our future. It hurts our ability to compete in international markets and to develop industries that create enough jobs for all Canadians," said Jim Frank, chief economist of the Conference Board, a non-profit research group. In its fourth annual assessment of Canada's social and economic performance, the Conference Board compares the countries in 40 economic and social areas. "The truth is, Canada is only in the middle of the pack when we compare ourselves with our peers," says James Nininger, president of the Conference Board. "We find our results unsettling ... The Canadian way is at risk. We believe Canadians will have to change significantly or we will not be able to sustain our high quality of life in the next century," said Mr. Nininger. The report says Canada's labour productivity -- the amount of work required for a unit of production -- slipped against all of the countries in the study except for Norway. The board is the latest voice warning the Government of the urgency in dealing with economic performance. Recently, the Business Council on National Issues, the Canadian Chamber of Commerce and the Alliance of Manufacturers and Exporters all raised the issue of productivity, linking it to the high burden of personal and corporate taxes. It is argued that tax levels deter saving and investment in the economy and drive highly skilled people out of the country. Mr. Frank does not see a direct link between productivity and personal taxes, but said there was a link between corporate taxes and the ability of a business to retain and invest earnings in machinery and equipment. Scott Brison, the Progressive Conservative finance spokesman, said a strong economy is necessary to support social programs, and the Liberal Government is putting these programs at risk by ignoring issues such as productivity. Lower taxes could help improve productivity, he said. Jean Chretien, the Prime Minister, has downplayed the growing gap in economic performance between the U.S. and Canada, even though John Manley, the Industry Minister, raised questions about the country's economic future. Opposition party officials, frustrated by the inability to question the Government because of the parliamentary break, promise to make economic performance a major issue when the House of Commons resumes next week.

From Canada-National Post, 5 October 1999

BUSH FAULTS PARTIES ON EDUCATION REFORM

George W. Bush offered a sweeping plan to redefine the role of the federal Government in public education Tuesday, criticizing Democrats for their "surrender to despair" on the issue, but extending his criticism to fellow Republicans as well. "Too often, on

social issues, my party has painted an image of America slouching toward Gomorrah," Bush said. "Too often my party has focused on the national economy to the exclusion of all else — speaking a sterile language of rates and numbers of CBO and GNP," he said, referring to the Congressional Budget Office and the gross national product. "Of course we want growth and vigor in our economy. But there are human problems that persist in the shadow of affluence," Bush added. "Too often, my party has confused the need of limited government with a disdain for Government itself." It was the second time in two weeks that Bush took a swing at members of his own party. Last week he blasted congressional Republicans for proposing, as a money-saving measure, a delay in payments to the working poor under the Earned Income Tax Credit program. "I think what he's doing is laying out a vision of where he wants to take the Republican Party, and it is frankly a very different direction from where it has been the last five years," said Ralph Reed, a GOP consultant who advises the Bush campaign. Democrats, however, said Bush was trying to separate himself from an unpopular Republican Congress in advance of next year's general election campaign. The Texas governor was merely "offering new rhetorical wrapping paper on the same Republican package of wrong ideas," said a Democratic National Committee spokeswoman, Jenny Backus. The Texas governor and GOP presidential front-runner said the US Government should give states greater flexibility in how they spend grant money for elementary and secondary education, but hold them more accountable for student performance on tests. Bush also vowed to provide up to \$3 billion in loan guarantees over two years to help upgrade or build 2,000 charter schools, doubling the current number. "As president, I want to fan the spark of charter schools into a raging flame," Bush said in a speech to the Manhattan Institute for Policy Research, a conservative New York think tank, in the second of three planned education policy addresses. The first was last month in Los Angeles. Bush said that contributions allowed under the Government's education savings account program should be increased from \$500 to \$5,000 annually, and that parents should be allowed to withdraw the money for use in public, private, religious, or home schooling programs, beginning with kindergarten. Currently, the \$500 can only be used to pay for college and other higher education expenses. Bush said he would also create a \$500 million Achievement and Education Fund to reward states that improve student performance, and penalize states that don't, by withholding about 5 percent of the administrative portion of federal funding. States would be required to design and administer annual tests to children in grades 3-8. Those states that are not improving after five years would lose the administrative portion of their education grants.

Parents with children in schools where student test scores show no improvement over three years would get a scholarship of about \$1,500 a year to use for tutoring or tuition at the school of their choice. Democrats and teachers' unions have decried the plan as a backdoor way for Bush to fund a national voucher program. Singling out Vice President Al Gore, who as a presidential candidate has been adamant against school vouchers, Bush said: "Some politicians have gone to low-performing schools and claimed my plan would undermine them. Think a moment about what this means," he said. "It means visiting a school and saying, in essence, 'You are hopeless. Not only can't you achieve, you can't even improve.' This is not a defense of public education, it is a surrender to despair. Those words are not liberalism, it is pessimism. It is accepting and excusing an educational apartheid in our country — segregating poor children into a world without the hope of change." Bush took a swipe at Gore's effort to "reinvent government," saying he had not done such a good job with the Department of Education. Bush said that the "best minds of the administration got together and reinvented" the application process for states applying for education grants, and reduced the number of steps from 487 over 26 weeks to "a mere 216" steps that take 20 weeks. "If this is reinventing government, it makes you wonder how this administration was ever skilled enough and efficient enough to create the Internet," Bush said, in a jab at Gore for having overstated his role in helping to create the Internet. Bush, who has won widespread praise for his education reform efforts in Texas, drew a distinction between congressional Republicans and GOP governors in Massachusetts, New York, Florida, and Michigan who attempt to reform education and tackle other social ills. Bush promised to "free states from regulation" by overhauling the Elementary and Secondary Act of 1965, which currently provides \$13.8 billion in grants for public schools under 60 categories. Bush said he would consolidate these into five categories: to improve the achievement of disadvantaged children; promote fluency in English; train and recruit teachers; encourage student character and school safety; and promote innovation and informed parental choice.

From Deseret News, 6 October 1999

ACROSS THE COUNTRY, UNIVERSITIES GENERATE A HIGH-TECH ECONOMIC BOOM

Behold Kendall Square: 50-odd Cambridge acres along a fallow welter of former factories, now the flourishing center of what experts call the most concentrated single cluster of biotechnology in the world. Behold it from, say, the muddy lot where Biogen Inc. broke ground this week on a new six-story laboratory. Within view lie the butterscotch-beige Genzyme building, the construction site of the coming Amgen building and a new complex housing smaller companies with typically futuristic names like Mitotix and Dyax and Variagenics, all new in the last few years, most connected in some way to two neighbors: the Massachusetts Institute of Technology and Harvard. "Biotech as far as the eye can see," Janice Bourque, executive director of the industry's Massachusetts Biotechnology Council, proclaimed with a bit of broad-brush artistic license. The much-trumpeted "knowledge" (or information, or innovation) economy has its own geography, and it consists of much more than Silicon Valley. Across America, high technology is creating localized boomlets like the one in Kendall Square, which is home to companies not only in the biotech sector but also in software and related fields. And if there is one never-absent factor at work on these silicon corners, experts say, it is the proximity of a research university shifting from ivory tower to revving economic engine. Indeed, the university is an increasingly powerful force in the knowledge economy, both because its brains are greater assets than ever before and because of a growing trend in which institutions of higher education see themselves as generators of business, whether professors' start-ups or technology licensing deals. "There's a great awakening that we're sitting on top of a gunpowder keg" of growth, said David Lampe, author of two books

on high-tech locales and associate vice president of Boston University, which is building a major biotechnology center of its own in Boston's South End. A gunpowder keg in more ways than one. As universities and their communities, from Washington State to Georgia, strive for economic horsepower, a host of fresh questions are being raised about what a university's role should be, and what happens if the pursuit of money competes with the pursuit of knowledge. Other concerns arise as well, from congestion around the campus to the high potential that high-tech booms like Boston's first one, on Route 128 a quarter-century ago, can always fizzle. But to many, such concerns pale beside the possible benefits shown in research like the comparative study issued this summer by the independent Milken Institute, in Santa Monica, Calif. That study found that the fast-growing high-tech sector was increasingly "determining which metropolitan areas are succeeding or failing." In Milken's analysis, high-tech activity could explain 65 percent of the difference in economic growth among various metropolitan regions during the 1990's. And, it found, "research centers and institutions are undisputedly the most important factor in incubating high-tech industries." The institutions, experts say, provide nearby companies streams of cutting-edge knowledge as well as streams of smart labor. Of course, universities have long churned out graduates and ideas that have turned into companies, and have created jobs simply by being huge institutional consumers. But in the knowledge economy, where ideas and information become lucrative products, these cultivators of knowledge are becoming more important than ever, some experts say, not only because of the new economic logic but also because of changes in academia itself. The incentives for universities to think commercially are manifold, from their share of licensing payments, to the jobs created for graduates, to industry grants for research and even the ability to recruit professors who want a chance to get rich outside the classroom. Some universities have for years been emphasizing the economic energy they provide and promoting a commercial orientation. In 1997, M.I.T. issued a report, "The Impact of Innovation," describing the impressive economic benefits flowing from the university, including the creation of 14,000 jobs in Cambridge alone at companies founded by its faculty and graduates. Similarly, in 1995, the University of California distributed a report called "U.C. Means Business," which pointed out that, among other things, some 80 companies had been spun out of the university's San Diego campus, providing more than 7,000 jobs to the region, largely in biotech and biomedical companies. Every one of the nine University of California campuses has a high-technology cluster near it, said Robert N. Shelton, the system's vice provost for research. And it is Silicon Valley's tale of genesis that it all began with garage-based start-ups and vision that came out of Stanford. Other universities are just now joining in this promotion of a commercial emphasis. Last week Harvard, not exactly known as a dirty-fingernails kind of place, detailed for the first time the overall lift it gives the local economy.

Neil L. Rudenstine, the university's president, underscored in a speech to the Boston Chamber of Commerce "the dynamic connections between Harvard, higher education and the rest of the economy -- the new knowledge economy we are building together." With that interconnection in mind, said Paul Grogan, the university's vice president for community relations, Harvard is seeking new economic roles, even contemplating "research parks and business incubators that would be very closely tied to parts of the university." Such roles, Grogan noted, raise "all sorts of new questions: where the lines are on this stuff, who owns what, how you use students -- it's a million things, but these questions are part of something that is exciting and breaking molds." Molds can be messy to break, however. Experts say many universities balk at commercialization of their long-sacrosanct intellectual pursuits. Serious issues can arise: everything from, say, the tension between a money-making engineering department and a poor English department to worries that "pure" basic research, with no business potential, will suffer. Ed Lazowska, chairman of the computer science and engineering department at the University of Washington, is a great enthusiast about the university-fueled high-tech economy, having watched it transform the Seattle area with a lot of help from the Microsoft Corporation. But at the same time, "the goal of universities is education and research," he said. "We're not in the business of business, and we're not in the business of creating businesses. For example, university research ought to be looking out 10 and 15 years, because if we don't do it, companies don't do it for sure. You don't want an environment in which universities are so fixated on commercialization they start taking a short-term focus." Mary S. Spaeth, an expert in the field for Angle Technology, of London, said that in the transition from tower to marketplace, it had often been very difficult "for a university to reconcile those things and not feel it's compromising its integrity." Reviews are mixed, too, on the impact that the high-technology boomlets spun out of universities have on local communities. Kendall Square, with its brick high-rises and cleverly rehabilitated factory buildings, may look palatial compared with its sludgy former self. But neighbors complain about the congestion it creates on some of the city's narrow streets, and that it is more of a Wall Street-style business center than a lively neighborhood mix. Complaints often arise in such growing areas, said Annalee Saxenian, an associate professor of planning at the University of California at Berkeley who has written about Route 128 in the Boston area and about Silicon Valley. "There have been cases," Saxenian said, "where growth that has been generated by the university spinoffs has displaced lower-income communities, so there are new tensions that emerge in some cases." A generation ago, said Lita Nelsen, M.I.T.'s director of technology licensing, the university was seen in Cambridge as "this monster using up space and not paying taxes and scattering unwashed undergrads all over." "Now," she said, "M.I.T. is seen as a partner in Cambridge in developing real estate and providing high-paying jobs in high-tech industry, and I think that relations have been enormously affected by it." Around the country, there is a visible groundswell of high-technology clusters, often growing with the active involvement of universities that reach out through new "business incubators" that house and help start-up companies, as well as through research parks and technology licensing programs. A single recent Internet query about universities as economic engines brought a deluge of responses from around the country. Among them: from the University of Texas at Dallas: Called by some "the university the corridor built," it feeds graduates and research to the 600-plus high-technology companies in the area's Telecom Corridor, and local officials expect an additional 40,000 jobs there -- beyond the 70,000 current ones -- by 2010. From the University of Pittsburgh: "The greater Pittsburgh area has tied its economic renaissance on high-tech start-ups that have grown from local universities." From the University of Alabama at Birmingham: The university holds stock in 21 companies it has spawned, has begun building a research park and has a commercialization office that has brought in more than \$10 million in royalties and

licensing fees from faculty discoveries (which pales a bit next to the nearly \$96 million that Columbia says it earned in technology licensing income in the last fiscal year -- the most in the nation, Columbia says). From Tampa, Fla.: "We are building a high-tech corridor stretching from the Gulf Coast to the Atlantic" and anchored by the University of South Florida and the University of Central Florida. Two new information technology companies are born each business day along the corridor, local officials say. From the University of Washington: A total of 140 spinoff companies, most created in the last decade, are worth more than \$10 billion and employ more than 6,500 people. Thirty were founded by graduate students or medical residents. Dozens of university-linked research parks are already built or under construction around the country, so many that there is an Association of University-Related Research Parks, based in Washington, with nearly 200 member parks. Many of them are modeled on their granddaddies, North Carolina's Research Triangle Park and the Stanford Research Park, which continue to thrive. In other areas, university-side boomlets grow more spontaneously, as is the case with Kendall Square. Biotechnology has a particular tendency to want to cluster near a university, several experts said, because it tends to have such a long research phase before coming up with marketable products. Further, it needs to be close to universities as the source of many of its employees, and near the affiliated hospitals where clinical trials can be run. Henri A. Termeer, president of Genzyme, which employs nearly 4,000 people, said the company had been so intimately connected with M.I.T., from the postdoctoral students who did its early experiments to the professors who advise it and the graduates it now hires, that it most likely could not have got going elsewhere. "If you had the same ideas but you were away from these kinds of skills, this very advanced leading-edge level, you could not carry it out," Termeer said. "You wouldn't get there. You would just stay with the idea." Kendall Square is far from the only home to Boston-area biotech, and over all, California, with its Biotech Coast, has more such companies than Massachusetts. But Ms. Bourque, of the Massachusetts Biotechnology Council, said that within a radius of five miles or so of the square, there were some 70 biotech companies, making this the most concentrated cluster anywhere. And almost everyone, she said, has a sense that this is only the beginning, that "we're not even in the golden years yet." Kendall Square has seen something a lot like this before. In the industrial era, it was the odoriferous home to everything from a soap factory to meat-renderers. Then it hit a period of decline. It did not help that under President John F. Kennedy, the Federal Government cleared whole swaths of it, planning to erect here the space center that, under President Lyndon B. Johnson, went to Houston instead. The square's current dense amalgam of laboratories, offices and hotels began taking shape in the 1980's, but lately, said James C. Mullen, president and chief operating officer of Biogen, "it is an explosion." M.I.T. has done this before, too. It was seen as the primary academic engine behind the high-technology cluster on Route 128; but then that area fell from grace, as the industry shifted from its mini-computers to personal computers. In her book "Regional Advantage," (Harvard University Press, 1994), Saxenian, of Berkeley, posited that Route 128 suffered, while Silicon Valley bounced back, in large part because of differences in business culture: the more hidebound and high-walled Eastern companies outdone by smaller and more cooperative Western ones. But Kendall Square, with its fluent flow among companies and academia, seems to be avoiding the mistakes of Route 128, she said. "We have a joke here that the only place that isn't trying to replicate Silicon Valley is Silicon Valley," she said. In a small way, she said, "I think Kendall Square has achieved it."

From New York Times, 8 October 1999

CANADIAN ECONOMIST ROBERT MUNDELL WINS NOBEL PRIZE FOR ECONOMICS

Robert A. Mundell of Columbia University, who helped create a common currency for the European Union, won the Nobel Prize for economic sciences today for his analysis of exchange rates and how they affect monetary policies. The Canadian-born economist's work has made contributions far outside esoteric academic circles by clarifying how exchange rates fluctuate when a government shifts from a flexible to a fixed monetary policy. Mundell's most important work was done in the 1960s, the Royal Swedish Academy of Sciences said. He served in the research department of the International Monetary Fund from 1961 to 1963, and published a pioneering article in 1963 on the short-term effects of monetary and fiscal policy in an open economy, the citation said. "His work on monetary dynamics and optimum currency areas has inspired generations of researchers. Mundell's contributions remain outstanding and constitute the core of teaching in international macroeconomics," the academy said. Mundell, 67, stressed the importance of the success of the European common currency. He said he was surprised and pleased he had won. "It's a measure of the respect that colleagues around the world have for me and I'm very pleased with that recognition," he told The Associated Press in London. As far back as 1961, Mundell raised what was then a novel question: When would it be advantageous for nations to give up monetary sovereignty in favor of a common currency? "Early on I came to have the opinion that Europe was going to move toward closer integration, and monetary union would be a good thing for Europe," Mundell said in London. Mundell prepared one of the first plans for a European common currency, and has been an adviser to the United Nations, the International Monetary Fund, the World Bank, and Governments in Latin America, Europe, the United States and Canada. Economists hailed Mundell's research as groundbreaking. "His work has provided a helpful guide to policy implications in the real world," said Roger Alford, a senior research assistant with the Financial Markets Group at the London School of Economics. His theory showed how exchange rates are affected when a government allows its fiscal policy to adapt to the whims of supply and demand generated by foreign exchange traders, or, alternatively, intervenes by manipulating its currency supply. "It was a very important clarification," said Alford. Mundell's first book, "Man and Economics," was published in the United States in 1968. Since then, he has authored, co-authored and edited dozens of books, articles and papers. "Mundell's considerations, several decades ago, seem highly relevant today," the academy said. It added that Mundell's analysis has important implications for the single European currency launched by 11 members of the European Union. Mundell's work remains prescient in other areas, as well. In a paper delivered in 1997, he forecasted the recent rebound in the value of gold. After falling out of favor for nearly two decades, several European central banks decided earlier this month to limit their sales and lending of gold supplies, driving the value to levels not seen in years. Last year's Nobel Prize for economics went to Amartya Sen, a scholar from India who developed a new understanding of the economic

mechanisms underlying famines and poverty. The economics prize is the only Nobel not established in the will of Swedish industrialist Alfred Nobel, who invented dynamite. It was created in 1968 to mark the tercentenary of Sweden's central bank. Mundell said he would use part of the \$960,000 that goes along with the prize to repair a castle he owns in Italy.

From Newsday, 13 October 1999

GLOBAL

FEDERALISM UNDER ECONOMIC STRESS: EXPERT

Federalist Governments are under increasing stress because of economic inequalities, says a former U.S. Secretary of State for Labour. Robert Reich told a conference on federalism that the gap between rich and poor is growing in the United States. He said the well-off have become more resistant to having their tax dollars pay for social programs like education and unemployment insurance. "Inequality makes it harder to sell the proposition of fairness," he said Wednesday. "Politicians have to make a very strong case to everyone in a nation that they have a social responsibility to share the burden." Reich, now a professor at Massachusetts Institute of Technology, said that in a federalist nation, individual states can offer big tax breaks to firms looking for new locations. But even better-off states may end up no farther ahead after offering tax breaks, partly because they draw people seeking higher welfare cheques. The bidding wars also leave the poorer states without enough money to furnish needed social services. The remark drew nods of recognition from some Canadians attending the international conference but there were no public declarations about Canada's interprovincial tax-break rivalries. Reich said he was once involved in getting New York, New Jersey and Connecticut to sign a treaty agreeing to stop their bidding wars. But the pact only "lasted about a week." Pierre Paquette, vice-president of the Bloc Quebecois, cited Canada's brain-drain of talent heading south as a damaging form of competition that parallels the bidding wars within the United States. "Wouldn't we be better off with more North American institutions that could decentralize power to the regions?" Paquette said from the audience. "Maybe our idea of federalism should expand to a North America-wide scale, a bit like the European Community." Reich replied that decentralization wasn't the only issue. He said Governments must find a solution to the problem of highly mobile capital and a workforce whose less skilled members can't find new jobs quickly. The former U. S. cabinet member also endorsed federalism when another audience member asked about its application to Nigeria, Ethiopia and Sudan where technology is less highly developed. Reich said the objective in each case was the same - to avoid ruinous bidding wars and to keep investments fairly distributed. "All to the better," he said. "It doesn't matter whether we're talking about a relatively poor country or a relatively rich country."

From Bloomberg, 7 October 1999

Governance Systems and Institutions

AFRICA

SOUTH AFRICA HOSTS INTERNATIONAL CORRUPTION CONFERENCE

South Africa is to host the 9th international anti-corruption conference in Durban next week, the Department of Justice said in Pretoria on Wednesday. It said more than 1,100 foreign delegates were expected to attend. The first IACC conference was held in Washington DC in 1983 to discuss strategies against corruption, and the beefing up of law enforcement. "This focus has grown to a point where it is now involving the entire spectrum of stakeholders involved in combating corruption and fraud," the department said in a statement. It said the conference from October 10th to 15th would also be attended by President Thabo Mbeki and his Botswana counterpart, Festus Mogae.

From S-Africa News24, 6 October 1999

SOUTH AFRICAN CORRUPTION UNIT HEALS RIFT WITH GOVERNMENT

South Africa's anti-corruption watchdog said on Tuesday it had patched up differences with the Government which had embarrassed the ruling ANC by making it look soft on crime. Judge Willem Heath, whose investigation unit was set up by former President Nelson Mandela to root out crime in public office, said he had had constructive talks with Justice Minister Penuel Maduna. "We've solved quite a few of our differences and will work on those that remain," he told Reuters. They met privately late last week to sort out a rift between the unit and the Government that had threatened to get out of hand. A joint statement issued on Tuesday backed the unit and said that both parties hoped negative press coverage would now cease. Heath, a white Afrikaner, has made enemies in the ruling African National Congress (ANC) and been publicly criticized by government ministers by appealing for more money. Maduna provoked a storm of criticism with a thinly veiled threat that he would clip Heath's wings. The minister told parliament last month that Heath had "begun to give a wrong perception of South Africa: that we cannot be trusted." South Africa's mainly white-owned newspapers rushed to Heath's defense, and complained that the Government was thin-skinned against criticism and soft on corruption. This was embarrassing for President Thabo Mbeki, who has declared zero-tolerance towards wrong-doers, and potentially dangerous for South Africa. Foreign investors who have been burned by corruption elsewhere on the continent regard the issue as a crucial factor in making long-term plans for the country. Maduna also warned that Heath might be confined to investigations within a single province. He added that the watchdog was not a permanent institution. Heath privately voiced fears at the time that the Government would make him a scapegoat. On Tuesday he seemed more confident. "Most of my concerns have been laid to rest," he said in a telephone interview. The joint statement said the Government had no intention of closing the unit down or limiting its activities to the Eastern Cape province.

From Reuters, 5 October 1999

A REGION (SOUTHERN AFRICA) WITH A LOT OF ROOM FOR CORRUPTION

Where there is war, there is corruption, and in Southern Africa there are many conflicts. To find corruption in Southern Africa, first seek out war, tyranny and transition. These are the circumstances that create the space and opportunity for corruption, and among the 13 Southern African Development Community (SADC) countries it is war-torn Angola and the Democratic Republic of Congo that are likely suffering the most. Poverty and good old-fashioned greed undoubtedly contribute to corruption in the region, but more important is the scale and availability of the plunder. Corruption in Angola is centered on the country's diamond and oil industries -- overseas mining companies and small diggers routinely bribe officials in order to do business in the midst of the country's long-running civil war. Certificate of origin schemes which record the source of precious stones have been encouraged by the United Nations, to make it more difficult for Unita to break sanctions and sell its diamonds. However the state diamond agency, Endiama, from which several senior figures were recently sacked, until recently ran a certificate of origin scheme which camouflaged illegal sales. Even if the long-incumbent MPLA Government had the inclination to do it, and there is much evidence to the contrary, building transparency and pursuing justice are impossible under current circumstances. Corruption extends even into the ranks of the Angolan army, whose soldiers are selling fuel and weapons to the Unita rebel forces, while being bought off by arms sellers. In South Africa, the African National Congress Government has taken many laudable steps to build the institutions needed to fight corruption. However, the party could act more resolutely against those whose attitudes in many democracies would see them ignominiously discarded. In President Thabo Mbeki's Government, those whose commitment to rooting out corruption could be considered less than whole-hearted include Minister of Justice and Constitutional Development Penuel Maduna. As minister of minerals and energy, Maduna reneged on promises to act on the recommendations of a commission investigating the Central Energy Fund scandal centered on Liberian "consultant" Emanuel Shaw II. Despite the establishment in South Africa of bodies such as the Heath investigative unit, the perception of the region among foreign investors often remains negative. In January the South Africa Initiative of the German Business Community warned regional governments that deteriorating security in the region, including corruption and judicial inefficiency, could be a reason to withhold or even withdraw investment. The champion of corruption in the

SADC is probably Zimbabwe. After 19 years in power, the ruling Zanu-PF party has an almost unbreakable hold on all the organs of the state. The party elite continues to accrue wealth, leading a life of luxury and excess while their people struggle with an rapidly escalating cost of living, following 1998's calamitous economic decline. The mayor of Harare and President Robert Mugabe's wife Grace are notorious for having built huge mansions, often draining labour and resources from infrastructural maintenance. A favourite target for corrupt officials is the tendering process, especially, according to one United States report, in the telecoms, power and aviation sectors. While the higher orders of the Zimbabwean judiciary appear to remain honest and independent, and corruption cases have resulted in convictions, no cases involving high-level party or government officials have reached court. Where Government interventions in state business are questioned by officials, those officials are often dismissed: in 1998 the state electricity supply authority's board was dismissed after questioning the sale of a power station to a Malaysian company. The Zimbabwean Government is in a running battle with the International Monetary Fund (IMF), from which it seeks funding while being reluctant to meet the lender's conditions for democracy, economic management and transparency. Last week the Zimbabwean Ministry of Finance inadvertently revealed that the true spending on Mugabe's military adventures in Congo is almost 10 times the amounts previously declared. That the Zimbabwean Government could lie to the IMF for a year and get away with it amply demonstrates a lack of checks and balances. The Zimbabwean Government claims its ministry's release was incorrect. One of the greatest pressures on Governments in the region to deal effectively with corruption is their need for funds from the World Bank and the IMF. While many would argue the merits of those organizations' economic prescriptions, the demand for action against corruption is quite reasonable. Tanzania, which ranks lowest among the SADC countries profiled in Transparency International's 1998 Survey, has seen the corruption problem raised on the national agenda since President Benjamin Mkapa was elected in 1995. A report from his presidential commission against corruption was published swiftly, and constituted a wide-ranging indictment of government and judiciary. Despite this progress, the extent of Tanzanian corruption seems to make it unlikely that further progress will come from the present Government. Mkapa now stands largely alone, apparently immobilized by the criminality of those around him. Botswana, Tanzania, South Africa, Malawi and Mozambique were among those Southern African countries which met in Washington in February under the auspices of the Global Coalition for Africa. The countries adopted various principles, which it was hoped might be the basis for an African anti-corruption convention. Among the 25 principles adopted by the conference were calls for clear codes of ethical conduct for public officials and the establishment of clear procurement procedures. Principle 13 called for independent anti-corruption bodies empowered to initiate and pursue investigations of corruption. One such body exists in South Africa in the form of the public protector. However, other anti-corruption bodies such as the Health investigative unit have to wait for proclamations from provincial authorities before they can pursue the corrupt. The principles also called for the establishment of extradition treaties between countries to allow for the extraction of corrupt persons. South Africa does not at present have extradition agreements with all its SADC partners. The Department of Justice lists formal agreements only with Botswana, Swaziland, Malawi and Lesotho. Semi-formal agreements exist with Namibia and Zimbabwe, but Mozambique, Angola, Tanzania and Zambia fall outside the net. The SADC did adopt a plan to develop extradition agreements in April 1998. Unfortunately, a consistent regional extradition plan will have to wait on the day when all countries trust in the kind of justice that is being meted out by their partners.

From The Daily Mail & Guardian, 11 October 1999.

ASIA/PACIFIC

PAKISTAN HRCP CONCERNED OVER ECONOMIC, POLITICAL MESS

The Human Rights Commission of Pakistan (HRCP) has expressed concern over the current situation in the country which it described as being economically in a mess, politically divided, and the law and order in a pathetic state. A two-day meeting of the HRCP council held on Saturday and Sunday through a resolution also said that the Kargil episode, too, had created unhappiness and a sense of disappointment among the masses regarding the performance of the Government. It said on the one hand, the Government held out the assurance of better economic conditions but the squeeze on the masses was worsening in terms of ever-rising prices, low employment and newer taxes, on the other, it was spending its energies on finding ways to make the IMF and the World Bank release the next tranche of loan. It said the country was perhaps never more bitterly divided and in many parts the opposition was not even allowed to hold rallies, which under a new law had become a terrorist act. Referring to the federal Government's capacity for political maneuvering in the province, the HRCP said the governor's rule was imposed after the PML decided to break with the MQM, which was a majority partner in the provincial setup. Other steps taken virtually paralyzed the assembly following a Supreme Court order that the assembly could not be dissolved, and appointment of an adviser to rule over Sindh. The HRCP council said the real reason for the Government not allowing the opposition parties to hold rallies was that it was politically weak and was wary of allowing others to show their strength. This week's terrorist killings in an Imambargah was a reminder of how bad the law and order situation continued to be. Things could start to improve, it added, only with a return to the political and constitutional governance in the province. The HRCP said federalism faced its worst threat since the Bangladesh crisis as the smaller provinces were openly expressing resentment over what was seen as a blatant encroachment of their rights by the centre - which in effect meant Punjab. The direct federal rule in Sindh, bid to take over the Super Highway and the KESC, appointment of officials like the IGP and an administrator at the KMC from outside the province, and prominence of personnel from Punjab in the local police, taking over of lands without compensation, and failure to properly enforce a fair distribution of Indus waters, etc, were some of the factors fanning the feeling of alienation, the HRCP resolution said. The meeting said this week's chain of sectarian killings from Karachi to Peshawar pointed to two aspects: first, that murderous fanaticism thrived and struck at will

despite all anti-terrorism endeavours; and secondly, that the violence was apparently a coordinated countrywide action. It said some of the Deeni Madaris were known to be the nurseries of sectarianism. Then, there were widely publicized organizations proudly training youth for Jihad. The products of these Madaris and organizations did not always carry activities into other countries, but also found Kafirs (infidels) within this country as well, who in their eyes, must be put to sword. If a government that knew about these organizations and institutions did nothing to check their activities, it would be seen as giving encouragement to fanatical killings. The HRCP meeting said the so-called anti-blasphemy laws continued to be a scourge of the religious minorities as more Ahmadis and Christians had been charged under these in the recent months. The Hindus were accused of disloyalty during the Kargil conflict and instances of forced conversions continued to be reported. A petition was brought against Justice Rana Bhagwandas in the Sindh High Court which was admitted and referred to the full bench. The petition asked that the judge be disqualified since a non-Muslim should not hold that position in an Islamic country. The HRCP said a parallel judicial system was being nursed with the federal Shariat court. Separate Shariat laws for Malakand, the jirga system, the FCR in tribal areas (even in parts of settled areas recently), and the anti-terrorism courts in several cities were serving neither the cause of justice nor the creation of a crime-free society. It said instances of irreversible miscarriage of justice were revealed and the graphs of crime and terrorism had not shown any decline. The meeting said some 40 to 50 cases of killings by the police had been reported in Sindh alone in less than a year. In Punjab the ratio remained as high as ever. The HRCP said the prime minister's repeated criticism of the judicial system and his stress on quick trial and prompt execution had caused the police to take the responsibility of doing the prime minister's will upon itself. Freedom of expression: Action was taken against a group of newspapers followed by action against several journalists. Other methods were used to force owners and editors to change their tones while reporters and photographers were beaten up during public rallies. Expressing solidarity with the press the HRCP said the setting up of a press council by the information ministry was also being looked with suspicion. It said the Government and the press should ensure that no encroachment of the rights of one side occurred by the other.

Pakistan-Dawn, 4 October 1999

PAKISTAN IN WAR OF THEOCRACY, DEMOCRACY - BHUTTO

Former Pakistani Prime Minister Benazir Bhutto, who faces arrest at home over a corruption conviction, said on Tuesday her political opponents feared her popularity and were seeking to subvert democracy. "(I am) a political victim, yes, but also because there's a battle between the forces of theocracy and democracy in Pakistan," Bhutto told Sky television in London. "My opponents want to dismantle the democratic process. They do not want women to work and I am also a victim of gender discrimination by a group of people who want to uphold the patriarchal society." Prime Minister Nawaz Sharif's Government has been striving to introduce Islamic Shariah law in Pakistan but has not been able to get the changes passed by the upper house Senate. Bhutto still leads the main opposition Pakistan People's Party but faces arrest after she and her already jailed husband, Senator Asif Ali Zardari, were sentenced in April to five years in jail and fined \$8.6 million on charges of taking kickbacks from a Swiss anti-customs fraud company. Bhutto, who was abroad at the time of the sentence and has not returned to Pakistan since, has appealed the decision to the Supreme Court. The former premier said she enjoys strong popular support at home, which was mirrored in the response to her speeches to the Pakistani community in Britain. "If an election were held today, the Pakistan People's Party would win. The crowds are out calling for my return to power," she said. "When I address meetings in Bradford and Birmingham huge crowds come out, which reflects on the popularity that I enjoy in Pakistan -- and that popularity scares my opponents." Bhutto has accused Sharif of coming to power through a "rigged election" held after she was sacked as premier in November 1996 over the corruption charges. Bhutto said her political life continued apace despite her exile and that she had not given up her fight to proclaim her innocence, saying she believed "truth ultimately triumphs." "I'm in touch with Pakistan but I'm also in touch with America and London and all over the world," she said. "It's a day-and-night obsession, passion and commitment to my people and to a democratic order." Tensions in Pakistan between the majority Sunni and minority Shi'ite branches of Islam have spilled over into numerous sectarian shootings that have left hundreds dead in recent years.

From Reuters, 12 October 1999

CHINESE DEPARTMENTS URGED TO STEP UP FIGHT AGAINST CORRUPTION

A senior Chinese official October 13 asked both discipline and law enforcement departments across the country to do more in the fight against high-level corruption and increase efficiency in handling cases. It is necessary for party committees, governments and law enforcement departments at various levels to more quickly wrap up a number of major cases so as to effectively rein in corrupt practices, Wei Jianxing, member of the Standing Committee of the Political Bureau of the Chinese Communist Party (CPC) Central Committee, said at a three-day national conference on the topic in Dalian. Wei, also secretary of the Central Commission for Discipline Inspection, called for continued efforts in building a clean party which is the political guarantee for the party's development in the next century. The CPC Central Committee with Jiang Zemin at the core has strengthened the fight against corruption and made remarkable progress in handling such cases, but the work has a long way to go, Wei said. He asked discipline and law enforcement departments to crack down on corrupt officials, saying the battle will be a "long-term and complicated struggle." The anti-corruption move is of importance to ensuring economic development, deepening reform and maintaining social stability, Wei said. The related departments should be fully aware of their responsibilities both to the party and the people, and carry out their duties to the latter to safeguard the party discipline and law of the state, he said. He asked the departments to concentrate on handling major cases concerning party organizations, governmental bodies and officials at the county level and above. Increased efforts should be made in handling cases in the fields of finance, stock, real estate and construction, while attention should be paid

to cases related to loss of state assets in the reform of state-owned enterprises, Wei said. He stressed the importance of nurturing and building a qualified discipline and law enforcement task force, and encouraged related departments to find effective ways to tackle new problems emerging from the social changes under new circumstances.

From China People's Daily, 14 October 1999

PAKISTAN MILITARY SEEN TARGETING CORRUPTION

Expectations that Pakistan's military regime would crack down on the nation's corrupt elite soared on Friday after it directed the central bank to freeze the bank deposits of all politicians and their spouses. Financial analysts said they expected similar moves against loan defaulters and tax evaders -- steps that could have a long-term positive impact on the country's floundering economy. "It appears to be essentially an attempt to build credibility in the eyes of the nation, but apart from the political motives, such moves also have a vital economic dimension," said an analyst who asked not to be identified. The analyst said a crackdown on corruption could boost tax revenues and stop the bleeding in a financial sector burdened by more than 200 billion rupees (\$3.85 billion) in non-performing loans -- all long-standing demands of the country's international donors. "To eradicate these ills, not only decisive and tough actions are needed, but also needed is an administration that has the political will and no doubt (army chief General Pervez) Musharraf has the best chance to deliver on this account," the analyst said. Pakistan's central bank in a circular issued on Friday ordered the country's banks and financial institutions to freeze deposits of all "notable" politicians and their spouses. The directive was issued hours after the regime declared a state of emergency, put the constitution in absence and assumed executive authority through a provisional constitutional order that it said could not be challenged in court. Analysts said to show that his intentions were sincere, Musharraf would have to apply any crackdown equally. But political analysts said the move could also be used to vet those who may be possible selections for a civilian government if one is set up soon. Financial sources said the phrase "notable politicians" was vague and could mean specific names had been given to the banks or that some politicians could be spared. "The circular suggests that all politicians including those outside the parliament and the Government have been included," one banking source said. "Apparently only deposits that are in the name of the politicians have been frozen and their corporate accounts will not be touched unless another circular comes in this regard," he said, adding similar action against companies owned by these politicians would be needed to net ill-gotten money. "Establishing a culture of accountability and justice in a country where less than two percent pay any taxes and government resources are shamelessly squandered by both politicians and bureaucrats will be no less than a Herculean task," said another financial analyst. Analysts said what was more urgently needed was a credible economic team with a viable economic plan and an environment free of political coercion and vested interests. "If Musharraf can do that he may eventually succeed in getting some support from international donors who have always been worried about these aspects," the analyst said.

From Reuters, 15 October 1999

EUROPE

ALBANIAN GOVERNMENT LAUNCHES ANTI-CORRUPTION COMMISSION

The Government on Wednesday gave the green light for the go-ahead of an inter-ministerial Anti-corruption Commission, a move aimed to intensify the fight against endemic corruption in public administration. A Government official said the establishment of the commission was based on article 100 of the Constitution, and also follows recommendations from the group the "Friends of Albania", which has urged Albanian authorities to curb corruption as a main condition for it to receive further foreign assistance and investment. The commission is headed by Deputy Prime Minister Ilir Meta, and includes the Ministers of Justice, Public Order, Finance, Public Economy and Privatization, and Information, as well as the Directors of Public Administration and the Procurement Agency, said the official. The new commission will monitor the re-examining of a previously approved government anti-corruption plan, as well as approve the composition of a group of experts. It has the authority to approve the reviewed anti-corruption plan and present it to Government for approval. In a recent agreement signed with the OSCE the government pledged to intensify its fight against corruption and invited the opposition to contribute representatives to a joint group of experts that will monitor the performance of public administration and have a say in any government decisions on the issue. Opposition politicians initially played down the Government's seriousness to fight corruption within its ranks, accusing the ruling majority of demagoguery.

From Albania Daily News, 8 October 1999

WHEN CIVILIANS FAIL TO END CORRUPTION IN TURKEY

What we have seen in Pakistan could well become a threat in a country like Turkey where corruption, irregularities, nepotism and favoritism have eaten into the system. When the military stepped in and took over power in Pakistan the world demanded a quick return to democracy, but the people of that country remained silent. As a matter of fact quite a few people welcomed the military coup. This shows two things. One is that unlike the people of India, the people of Pakistan do not have a democratic culture; thus they simply do not even try to defend a Prime Minister who they voted into power themselves. Unlike Boris Yeltsin there is no one to jump on a tank and defy the coup leaders. The other thing is that the people get fed up with corrupt politicians and a system riddled with irregularities, nepotism and favoritism so much that they end up feeling even military rule would be better than what they have now. In Turkey we have a similar situation. Corruption, irregularities, misuse of office, nepotism and political favoritism are so

widespread that even politicians are complaining about this. In the past when people made such statements they were branded as enemies of the state and were persecuted. Today the killer earthquake of August has displayed openly the shortcomings of the state system and the authorities. Even a semiofficial volunteer organization like the Red Crescent is riddled with corruption. The Nationalist Movement Party (MHP) led by Deputy Prime Minister Devlet Bahçeli had identified corruption and poverty as the two major menaces in Turkey and had prepared two separate documents during the elections campaign before April on how to combat them. The MHP had accused the Motherland Party (ANAP), which is now its coalition partner, of gross corruption. But today we see with great sadness that many MHP people are involved in corruption, political favoritism and irregularities. Many pro-MHP people are given tenders and state contracts, as was the case in the earthquake zone. Bahçeli has seen the magnitude of the problem and is struggling to fight corruption and irregularities. However, this seems to be a one-man effort against the tide. The MHP has just issued a decree that no party officials will be given state tenders. The Motherland Party is now also taking similar measures. Meanwhile, the meager resources of Turkey are being dished out to MHP supporters. The Motherland Party is also doing its best to keep up with the MHP. We see irregularities and corruption everywhere, so much so that it threatens the international image of Turkey. Some corrupt Turkish businessmen are misguiding politicians on energy matters and thus are creating havoc in Azerbaijan and Turkmenistan. The people in Turkey are clearly frustrated that their civilian administrations cannot overcome corruption and effectively fight irregularities and favoritism. They see that the state has become very sluggish because of all this, and they want action. Under these circumstances -- and especially when democratic institutions and norms have not been properly established in a country -- people become indifferent whether they are run by a civilian prime minister or a military commander. Let us not forget, however, that at least two coup leaders were implicated in serious corruption cases after the 1980 coup in Turkey, but they were never investigated because of a constitutional clause which prevented a probe. Turkey was the only country where people were not brought to justice when the Lockheed international bribery scandal blew up in the United States and it became clear that American officials had bribed Turks, including military people. We have to refresh the memories of our people in case they have forgotten that the 1980 coup did not solve anything and instead sowed the seeds of more discord in Turkey. We feel the media should spearhead the movement to fight against corruption and irregularities just as it did against religious activism. Turkey suffered a postmodern coup. The last military intervention in Turkey was not on Sept. 12, 1980 but in 1997 when pro-Islamist Prime Minister Necmettin Erbakan was forced out of office after a campaign led by the military. This time the military did not launch the coup directly with its armed forces but used the media, businessmen and the labor groups to topple a Government. At the time some politicians like Motherland Party Chairman Mesut Yılmaz and Democratic Left Party (DSP) leader Bulent Ecevit, who were both in opposition, could have opposed the way Erbakan was toppled and could have defended democracy. However, President Suleyman Demirel realized that if Erbakan remained in power the military would use its armed forces to topple the Government and at least opted for a second-best formula to convince Yılmaz to become prime minister after Erbakan and also keep Parliament functioning. Let no one make any mistake that we all have had to pay a high price even if the latest takeover was a postmodern coup.

From Turkish Daily News, 19 October 1999

GERMAN PUBLIC EMPLOYEES PROTEST SCHROEDER AUSTERITY PLAN

Tens of thousands of teachers, police officers and other civil servants closed down the center of Berlin on Tuesday, protesting Chancellor Gerhard Schroeder's plans to trim what his Government has called "the nanny state" in Germany. The demonstration, which led police to cordon off all streets near the Reichstag, came despite apparent attempts by Schroeder in the last week to water down his austerity plans. Earlier, he ruled out a "wealth tax" on the rich and declared that spending on pensions must be held down. But Schroeder has said recently that he is willing to examine the possibility of a wealth tax after all, and he has expressed a readiness to consider one union's proposal to try to reduce unemployment by lowering the retirement age to 60, from 65. This apparent flip-flop has given right-wing commentators a field day and illustrated Schroeder's difficulties in charting a coherent course, sticking to it, and finding the necessary political support. The Social Democratic chancellor has been hammered in a series of state and municipal elections since August. In a blistering commentary, an influential center-right newspaper, *Die Welt*, said Tuesday that Schroeder's "Berlin Republic" is directionless. "The motto of the mambo chancellor is two steps forward, one step back -- or vice-versa," it said. *Die Welt* is no friend of the Social Democrats, but the view is widespread that Schroeder's first year in office has been largely squandered because of internal conflicts in his Red-Green coalition and his apparent difficulties in deciding whether his most important constituency is big business or the working class. Businessmen generally have applauded Schroeder's plans to reduce the size of the state -- which accounts for close to 50 percent of economic activity here -- through budget cuts of about \$16.6 billion, affecting almost all departments. The plan, which is before Parliament, also calls for a freeze on pensions and a tight hold on wage increases. But the state sector -- including teachers, police and government agency workers -- has been alarmed and angered by the plans, prompting Tuesday's demonstration. "Schroeder, go home," said one banner, expressing the disenchantment of many Social Democratic voters with what they see as a chancellor who has betrayed his party's roots. Public employees and labor unions provide two of the bedrocks of the Social Democratic Party. Their resistance to plans for reform appears to have left Schroeder unsure of whether he can garner enough new votes in the center to compensate for the loss of traditional supporters. Schroeder said Tuesday that he would not change course. "The Government will not change its policies," he insisted. "The slow growth of salaries is part of the belt-tightening package." But prodded by aides, who are alarmed by the slump in his support, the Chancellor has appeared to wobble over the past week. Certainly, he seems determined to woo the left once more, or at least to dampen the anger of a substantial wing of his party. He has agreed to a study a proposal from Germany's largest union, IG Metall, that would lower the age at which a worker can retire to 60 and so, in the union's view, help create jobs. However, it is not clear how such an idea can be squared with Schroeder's insistence that pension payments must be capped. "Those who are living longer

cannot retire earlier," said Wolfgang Schauble, the leader of the opposition Christian Democratic Party "This idea is absurd." IG Metall has said the earlier retirement could be financed by payments from workers into a special fund. The chancellor has now said that if such funding can indeed be found, early retirement may be helpful in tackling Germany's 10 percent unemployment rate. He has also agreed to submit a wealth tax proposal to a Social Democratic party congress in December. One left-wing Social Democrat, Detlev von Larcher, has suggested that Germans with more than \$280,000 should pay out 10 percent of their wealth over 10 years in a one-time tax to help fund the reconstruction of the former East Germany. It is extremely unlikely that such an idea, or anything like it, would ever become law. But Schroeder's indecisiveness over the wealth tax appears to reveal once more his profound uncertainty over what Germany's Social Democracy now stands for.

From New York Times, 20 October 1999

MIDDLE EAST

ISRAELI CABINET PASSES BARAK'S REFORMS

The cabinet yesterday passed Prime Minister Ehud Barak's proposal for reorganizing government ministries, but only after numerous ministers voiced penetrating criticisms of the plan. Most of the criticism of the plan, which passed 17-2 with two abstentions, was directed at the proposal to establish a national planning and development authority within the Prime Minister's Office, which will entail the transferring of the Planning Administration from the jurisdiction of the Interior Ministry and the transferring of the Israel Lands Administration from the National Infrastructures Ministry. Many ministers later announced that they only voted for the reform plan because it was included within the coalition agreement, but that they have concerns and fears about establishing such a far-reaching authority under the Prime Minister. Only two ministers gave their full support to the plan: Barak and Minister Haim Ramon. The two dissenting ministers were Interior Minister Natan Sharansky (Yisraeli b'Aliyah) and National Infrastructures Minister Eli Suissa (Shas), both of whom would be severely affected by the plan's implementation. The two ministers who abstained from the vote were Environment Minister Dalia Itzik (One Israel) and Labor and Social Welfare Minister Eli Yishai (Shas). The other two Shas ministers, Shlomo Benizri and Itzhak Cohen, left the meeting before the vote after announcing that they, too, were abstaining. Itzik said in a discussion of the plan that employees in her ministry fear that, when both the planning authority and the Israel Lands Administration come under the Prime Minister's jurisdiction, the democratic and professional discussions that are common today within the planning institutions will come to an end. She claimed that Barak "hid it from Sharansky, but I'm a member of [his] party. Why didn't [he] bring it before the party for discussion?" She added that Barak claimed there had been numerous consultations with everyone on the subject, "but I didn't know about it." Education Minister Yossi Sarid, who has served in the past as environment minister, came out against the "picture that was presented," which portrayed the existing situation as a monumental failure to implement development policies, as a result of which land reserves were not prepared for residential construction, although the state had authorized plans to build 63,000 housing units. Sarid asked why this and other "failures" had to be seen as failures. "They always say here that they should have built. I see this [failure to build] as something positive." In a press conference held by Ramon and Yossi Kucik, director of the Prime Minister's Office, Ramon said that those opposed to the plan conceded that the present development policy was unbearable, limiting and Kafkaesque. At the head of the new authority would stand someone with a professional background, stature and honesty, "by no means a politician," Ramon claimed.

From Israel-Ha'aretz, 6 October 1999

IRANIAN'S CAREER: FROM HOSTAGE TAKER TO REFORMER

If anyone could stand as a bellwether of Iran's changing political climate, it might be Abbas Abdi, a mild-mannered, soft-spoken man whose office on a tree-shaded Tehran side street seems a world away from the furies Abdi and other militants unleashed at the dawn of Iran's Islamic revolution 20 years ago. These days Abdi, thickset and balding at 43, is an influential figure in the May 23 Movement, a group of moderate Muslim clerics, scholars, journalists and others who campaigned for the election of Iran's reformist President, Mohammad Khatami, on May 23, 1997. More than two years later, Khatami is embroiled in a bitter struggle with hard-line Muslim clerics who oppose his plans for a more democratic form of Islamic rule. But it is another date, Nov. 4, 1979 that is branded on Abdi's mind. On that day, nine months after the shah's downfall, Abdi was one of three student leaders who masterminded the takeover of the U.S. Embassy, setting off a hostage crisis that kept 56 U.S. diplomats captive for 444 days. In the aftermath, a failed U.S. rescue effort left eight U.S. servicemen dead in the Iranian desert, Jimmy Carter's presidency was fatally weakened and Iran and the United States settled into an enmity that has yet to relent. To those who watched him harangue crowds outside the "den of spies," as the students called the embassy, few men seemed more committed than Abdi to the puritanical, anti-Western vision of Iran's revolution. But now he writes columns for a liberal Tehran newspaper, Sobh-e-Emrooz. In them, he offers civics lessons about free speech to Islamic hard-liners who have struck back at reformers by closing newspapers, imprisoning editors and threatening summary executions for any opponents deemed to have "insulted Islam." Through a research group with close links to Khatami, he conducts polls and plans strategy for the reform cause in the parliamentary elections scheduled for Feb. 18, a watershed for reformers and conservatives alike. In the battle lines being drawn up, he finds himself arrayed against many former militants who view him as an apostate. But he is supported by as many others who, like himself, have decided that it is time for Iran to renounce revolutionary excess. The change in Abdi is one that many Iranians who accept the revolution find barely credible. But in an interview in his office across the street from the University of Tehran campus, which has become a focal point of support for Khatami just as it was once a center of opposition to the shah, Abdi said his transition to Western values has been less a matter of

repudiating his past than learning from it. "To understand us, you have to think of us as mammals who never lived out of water before 1979, and who are only now learning to walk on dry land," he said. "For Americans freedom is an everyday commodity, but for us, under the shah's dictatorship, it was something unknown. So when we took the embassy, we acted on the basis of what we knew, and that was despotism. Today we have chosen a different course, based on what we learned from the past 20 years." Those lessons have led Abdi to argue in his newspaper columns for Khatami's concept of a "civil society," with democratic institutions, guarantees of fundamental freedoms, and due process of law. Such arrangements would be removed from Iran's experience since 1979, with most of the levers of power in the hands of a powerful and often vengeful class of conservative Muslim clerics who have rarely hesitated to persecute opponents. It is a system that has left nobody safe. In 1993, Abdi's first cautious dissent from revolutionary orthodoxy cost him nine months in solitary confinement in Tehran's Evin prison, where many of the revolution's early victims were executed. In 1998, his name was on a "death list" of reformers revealed by an intelligence ministry defector. After five of those on the list were killed by an Intelligence Ministry death squad late last year, Khatami replaced the intelligence minister and ordered the prosecution of those responsible. But with no sign of any of those arrested being brought to trial, fear still stalks reformers and infuses their political plans. "We know now that any system that allows one group to eliminate another entails an endless cycle of retribution," Abdi said. "We have learned that even if you can eliminate your opponent now, in the long run, he may eliminate you. You only have to look at the shah. He tried to eliminate the clergy, and they ended up eliminating him. So what we need is a system in which everybody agrees to tolerate competing viewpoints, whatever they may be." Abdi's own reckoning with history passed a notable milestone last July, when he met privately in Paris with Barry Rosen, a former embassy hostage who is now executive director of external affairs for Teachers College of Columbia University and who has spoken strongly in favor of a rapprochement between the United States and Iran. "We said hello, shook hands, and sat down," the Iranian said. "We both knew that there was nothing personal in what happened in 1979, so we were quite relaxed." Privately, many senior Iranian officials acknowledge that the embassy takeover was a blunder, but saying so publicly is another matter. Conservatives still regard the affair with iconic reverence, and anybody condemning it risks being accused of being "an American spy." The result, in Abdi's case, is an awkward equivocation, in which he distances himself from the takeover, but stops short of explicitly disavowing it. Still, much about his demeanor during the interview -- slumped shoulders, voice barely audible -- suggested misgivings.

After noting that the students were careful to see that the Americans were not physically harmed, he added quickly, "Of course, it was not a hotel, and nobody can say they were not hurt emotionally or psychologically, even though it was not our intention." In any case, he said, "You can't judge from hindsight. That's not to say what we did 20 years ago was right or wrong, only that it should be judged against its time." As if reflecting the disdain, with which many ordinary Iranians now view the way the Americans were treated, the former embassy compound on Taleqani Street in central Tehran is a ghostly sight. Although it remains what it has been for nearly 20 years, a high school for the Revolutionary Guards corps that has been the revolution's most relentless enforcer, the slogan on the outer wall -- "We will face America with a severe defeat!" -- has long since faded. Nearby, a bookstore that sold pamphlets celebrating the takeover has been closed. When he led the takeover, as a member of a group known as the Student Followers of the Imam's Line, Abdi was a zealous supporter of Ayatollah Ruhollah Khomeini, Iran's absolute ruler from the downfall of the shah in February 1979 until his death 10 years later. For Khomeini, the embassy seizure was simultaneously a means of humiliating the United States -- the "Great Satan" of his diatribes -- and of uniting his fractious followers in Iran. Abdi has more prosaic memories. The students' plan, he said, was to hold the embassy for "five to seven days," to protest President Carter's decision to admit the shah to the United States for medical treatment. What kept the hostages captive for 14 months, he said, was the United States' refusal to make any concessions and the fact that the embassy became a "rallying point" for the revolution. "It helped us deal with our internal problems," he said. Abdi said the students hoped to end the occupation by winning the shah's expulsion from the United States, or an apology for decades of U.S. support for the exiled monarch. In the end, a guarded American apology waited until April this year, when President Clinton, responding to Khatami's calls for dialogue, said at a White House reception that Iranians had "historic grievances" against the United States. Secret negotiations secured the hostages' release on Jan. 20, 1980, the day President Reagan was inaugurated. As Americans rejoiced, Abdi and his fellow hostage-takers had a quiet celebration of their own. "We were very happy that we were able to deliver them safely," he said. "We had held them for a long time, under conditions of great stress, always trying to make sure that nothing happened to them. Perhaps Americans don't realize it, but it wasn't an exactly an easy experience for us, either."

From New York Times, 13 October 1999

ASMAL SPEAKS OUT AGAINST CORRUPTION

Corruption, mal-administration and bad governance undermine a country's economy and stability, Education Minister Kader Asmal said in Durban on Wednesday. Addressing hundreds of delegates at the ninth international anti-corruption conference, Asmal said corruption created a pervasive cynicism about politics and politicians, which spelt disaster for democracy. "People lose respect for the very institutions that are there to protect and nurture their lives," Asmal said. "The process of strengthening the democratic order requires a major act of political will, and extending adherence to public ethics to all levels of governance," Asmal added. He said Government must be accountable, transparent, accessible and responsive to the views of those being governed. The five-day conference was attended by delegates from around the world with a view to developing effective global anti-corruption strategies.

From Israel Wire, 13 October 1999

THE AMERICAS

VENEZUELA'S LEADER LAUNCHES REFORM OF NOTORIOUS JUDICIAL SYSTEM

Three-fourths of Venezuela's inmates have never had their day in court. High-powered law firms write verdicts themselves and bribe judges to sign them. Most crimes go unpunished. The corruption-riddled and inefficient judicial system is so chaotic that an attorney general once declared: "In Venezuela there is no rule of law." Now that system is under siege. The powerful constitutional assembly controlled by supporters of radical reformist President Hugo Chavez has declared a "judicial emergency." It has pushed for the dismissal of 16 judges and said more will be fired as part of Chavez's "peaceful revolution" — a sweeping overhaul of the Government aimed at cleaning up some of the world's worst corruption and reducing mass poverty in the oil-rich nation. Yet the revolution has failed to stop violence that has erupted in recent days in the nation's prisons, considered among the most violent in the world. Over the past week, at least a dozen inmates have been killed by guards or other prisoners in a series of jail uprisings around Venezuela. National guardsmen and two tanks were sent to restore order at one jail outside Caracas, the capital. A new penal code enacted July 1 is supposed to modernize Venezuela's judicial system by ending secretive trials and seemingly endless exchanges of written arguments, giving suspects the presumption of innocence and guaranteeing swift trials. Inmates who have never had a trial thought the new code would bring them quick release. But with most courts as sluggish as ever, many of Venezuela's 23,000 prisoners are rising up. With the prisons rife with corruption, too, it's no problem smuggling in weapons. Chavez and the assembly declared a "prisons emergency" over the weekend, sending in teams of judges, prosecutors, human rights workers and priests to the jails to speed sentencing of inmates. They said they expect to process 6,000 cases before the end of December. The attempt to clean up the courts started in August after the nationally elected assembly was installed to write a new constitution. Assembly members said they had unearthed 4,000 formal complaints of wrongdoing against many of the nation's 1,200 judges. The allegations had been collecting dust for as long as 15 years in the offices of the National Judges Council, which is supposed to investigate such complaints, said Manuel Quijada, head of the assembly's judicial emergency commission. Quijada said at least half of Venezuela's judges should be removed for corruption or incompetence. "The judicial power in Venezuela has become a refuge of illegality, vagrancy and corruption," assembly delegate Carlos Tablante said. In one recent case that provoked a public outcry, judges dropped charges against two dozen bankers accused in a 1994 scandal that nearly bankrupted the financial system and required a \$10 billion Government bailout. Justice has long been subject to the whims of the country's increasingly unpopular political parties, since Congress appoints judges from the Supreme Court on down. Just one-fourth receives permanent appointments, meaning they can be dismissed for offending politicians, their allies or powerful business interests. "Judges make decisions based more on their fears than on judicial criteria," said Juan Navarette of the Venezuelan branch of the human rights group Amnesty International. In one notorious case, the Supreme Court bottled up corruption charges against former President Jamie Lusinchi for years, ignoring the recommendation of the investigating justice that Lusinchi be put on trial. The justice, Roman Duque Corredor, resigned in protest in 1992. A group of Venezuela's most respected intellectuals urged the rest of the court's members to do the same, but none did, and the Lusinchi case died. Assembly members say the constitution they are writing will require U.S.-style procedures for selecting, training and supervising judges. Supreme Court candidates would be subjected to public hearings and intense background checks. Some critics of the judicial system think the reforms will take years to have an effect and say that simply firing judges won't solve the fundamental problems afflicting the courts. Many judges say that they are unfairly blamed for the courts' troubles and that most are honest, though poorly paid and overworked. Evelynna D'Apollonia Abraham, president of the Venezuelan Judges Federation, says she is now overseeing 3,000 cases. She says so little money is put into the justice system that court clerks still produce documents on manual typewriters.

From The Associated Press, 4 October 1999

BRAZIL UNLOCKS JAIL REFORMS

Justice: The nation with Latin America's largest inmate population tries moving beyond hellish holding tanks, partly with self-sustaining facilities. Carandiru and Sorocaba represent the extremes of the national drama that is Brazil's prison system. The Carandiru House of Detention, Latin America's largest prison with about 7,000 inmates, was the scene of a nightmare in 1992. When rioting inmates barricaded themselves in a cellblock, police attacked. Commandos in ninja masks pulled inmates from under their bunks and executed them, shouting, "You're going to hell!" The raiders set dogs on survivors and made them run a gauntlet naked, splashing through pools of blood. The carnage left 111 inmates dead. A commander of the raid, Col. Ubiratan Guimaraes, was later elected to Congress. The number he used to identify himself on the ballot was a macabre reminder of the massacre at Carandiru: 111. Guimaraes was indicted this year for the killings after his congressional term ended, but his election in 1994 suggested that crime-weary Brazilians had little sympathy for inmates. So it was logical to fear the worst in December 1997, when a standoff occurred at another Sao Paulo state facility, the Sorocaba maximum-security prison. Two dozen inmates armed with pistols and clubs took more than 700 hostages, mostly visiting women and children. This time, however, a four-man crisis team negotiated for three days, whittling down the number of hostages and mutinous inmates. On New Year's Eve, a specially trained squad stormed in and liberated the remaining hostages without killing anyone. About 100 such incidents have been resolved peacefully since the state negotiating team was created in 1996. "The prison population gets the message," said Joao Benedicto de Azevedo Marques, state director of prisons. "They know there will be no violence, but we will not back down." Seven years after the Carandiru massacre, Sao Paulo state continues to endure a prison crisis. It is a microcosm of the crisis in Brazil and the rest of Latin America. Correctional facilities are repositories of the accumulated woes crippling the region's justice systems. From Brazil to

Venezuela to Paraguay, potential Carandirus boil over with overcrowding, squalor, corruption, and violence on the part of both inmates and authorities. But in Brazil, a mix of traditional and unorthodox reforms offers glimmers of progress on a gloomy horizon. Federal officials realize that a time bomb is ticking, and they are trying to defuse it. They are more than doubling the prison system's capacity, building a record 52 new penitentiaries--21 of them in Sao Paulo state--creating an academy for guards, computerizing inmate rolls and expanding the uses of parole and probation. "This is the start of the change of penitentiary culture," said Sergio Seabra, chief of Brazil's federal prison agency. "This is shock treatment." Smaller-scale initiatives in Sao Paulo state, with a population slightly larger than California's and 40% of Brazil's inmates, have demonstrated that honesty, innovation and common sense are just as important as bigger budgets. "These are simple, obvious things we have done," said Nagashi Furukawa, a judge who created a model jail and recently became a special advisor to Sao Paulo's governor. "They did not cost a lot of money. It is a question of changing mentalities among the inmates, the Government, the community." The urgent need for change stems from the Brazilian system's size--Latin America's largest with about 170,000 inmates--combined with skyrocketing crime and antiquated, overwhelmed courts. In Brazilian prisons and jails, hardened killers live alongside accused purse snatchers. Lack of space forces inmates to sleep on top of hole-in-the-floor toilets or in hammocks fashioned out of blankets. Daily escapes and riots make guards so fearful that they refuse to enter cells to tend to the sick. "Appalling" conditions are "in great part due to an absence of political will to remedy them," Human Rights Watch concluded in a report this year. "Some of the most extreme cruelties, such as summary executions can in no way be attributed to meager public resources." In Paraiba state, human rights researchers found an inmate who had spent almost four years behind bars awaiting trial. In Amazonas, convicts were not released upon completing sentences. In Sao Paulo, authorities shut down a hospital ward after discovering that several paraplegic inmates had died and that others were neglected except for primitive medical attention from fellow convicts. Throughout Brazil, overcrowding of prisons turns jails and police lockups into de facto penitentiaries. Many convicts spend years in facilities intended only for short stays and staffed by the civil police, the force that handles criminal investigations. Almost half of all inmates in Sao Paulo state languish in this explosive parallel system, which is the heart of the calamity. An ominous criminal specialty has developed: Heavily armed gangs attack jails and police stations to liberate inmates, sometimes rescuing cronies and sometimes working for hire. "Society loses twice," said Benedito Domingos Mariano, a state ombudsman who monitors police and jails. "With these hideous conditions, you get a petty criminal who comes out capable of something much worse. Second, the civil police are forced into functioning as jailers, diverted from investigating crime, and are constantly under pressure." Mariano recently visited the lockup in the Elysian Fields police district, a menacing area of downtown Sao Paulo. A heavy metal door swung open onto a scene from hell. About 160 inmates occupied a space intended for 36: four cells with a dank central patio feebly illuminated by a skylight two stories above. The mob surged toward the bars, a mass of angry, scarred, chattering faces; they sensed the visitor had the power to help them. There were wild-eyed crack addicts, skeletal AIDS sufferers. The patio was especially crowded because it was visiting day; the inmates kept a respectful distance from conjugal visits taking place in tentlike contraptions rigged up in the cells.

Many inmates begged to be sent to a real prison. Joao Monteiro, a green-eyed marijuana dealer, was flanked by his visiting gray-haired mother weeping on one shoulder and his black-haired wife on the other. He said he should have been transferred to a prison, where he would be eligible for daytime release. "Instead I'm locked in here," said the anguished 39-year-old. "My son died last weekend in an accident. I couldn't go to his funeral." The lockup does not have the resources and personnel to provide niceties such as furloughs, but Mariano and the precinct commander, Jorge Carrasco, promised to do what they could. In response, an inmate with close-cropped hair and a wayward eye leaned close to the bars and rasped a warning. "We get lots of visits: judges, people who say they will help, but there is no change," the inmate snapped. "Maybe if we had a riot like they do in other places, maybe if somebody got hurt, then you'd listen and get us out of here. We are sick of promises." The perennial threat of violence has spurred reforms such as the appointment of Mariano, 40, a civilian watchdog based at police headquarters who investigates law enforcement. Eight thousand inmates have been transferred to state prisons, and thousands more will follow as new prisons open. Also, the federal Congress recently expanded alternative punishments for convicts sentenced to four years or less to reduce the number of nonviolent offenders occupying scarce bunks. Only about 3% of offenders in Brazil are sentenced to community service or probation, compared with approximately 30% in the United States, according to Oscar Vieira, director of a U.N.-funded think tank that works with the state prison agency. "The big obstacle is the judges, who are reluctant to use alternative sentences," Vieira said. One judge was not a hindrance: Furukawa. His claim to fame is the city jail in Braganca Paulista, a community of 120,000 people in an agricultural region about two hours from Sao Paulo. The jail, brightly painted in the blue and white associated with Brazil's patron Madonna, tops the city's tallest hill. It is utopian compared with the dungeonlike police precinct in downtown Sao Paulo. In Model Jail, Inmates Given Responsibilities, only two unarmed guards oversee about 220 inmates jailed for crimes ranging from drug trafficking to murder. Internal gates are manned by inmates who are entrusted with the keys. Hallways, cells and recreation areas are clean and well lighted. Convicts and the accused live in separate wings, each with busy workshops where inmates earn salaries assembling electrical components and making kitchen utensils. Roberto Cardoso, 40, looked relaxed as he peeled onions in sunlight streaming through the barred window of the kitchen. Even if there was room in a prison, no one wants to leave Braganca Paulista, said Cardoso, who is serving a four-year sentence for small-time drug dealing. "In other places, you are mixed in with assassins, heavyweight thugs. It's very dangerous, and there's nothing to do," Cardoso said. "Here you work. It's like mental and physical therapy. You are treated like a human being." Six years ago, however, the jail was a fetid, corrupt hellhole. After four inmates died in a knife fight in 1993, Furukawa proposed a plan to community leaders. The law gives judges power to improve the conditions of inmates, but they rarely exercise it. Aided by inmates, who pleaded their case at City Council hearings, the judge persuaded city leaders to form a nonprofit corporation to rescue the jail. Lawyers, teachers, psychologists and other professionals donated services and raised \$40,000--a small fortune considering that it was for criminals. Furukawa rooted out waste and fraud. He slashed exorbitant food costs in half by having meals prepared in-house rather than contracting with an outside company. He

persuaded Gov. Mario Covas to let the jail spend the savings on renovating the decrepit facility, building a new wing--which helps prevent overcrowding--and offering industrial workshops. "We got a lot of people involved," said Furukawa, 50. "Our idea is that incarcerating the inmate should ultimately cost nothing to society. We want the jail to become self-sufficient." The result has been not the privatization that brings dubious results in the United States, but rather a public-private partnership. Local companies subcontract with the jail, whose inmates pay part of their wages into the coffers of the nonprofit corporation. The inmates come from the same population as before the reforms. They are not screened or specially selected; it is the internal culture that has transformed. The prisoners are enthusiastic participants, especially a 15-man council of trustees that maintains order. "These guys never had it so good," said council President Walter Donizeti de Vasconcelos, 36, who is serving 24 years for armed robbery and drug crimes. "They're in a First World facility, though they are still inmates. We worked hard to make changes. We disarmed ourselves, turning in all the knives. We had to box a few ears to make these guys get with the program." Furukawa and other leaders want to build an adjacent factory that would enable the jail to fund itself and would provide transitional jobs for just-released convicts. The Governor brought Furukawa to Sao Paulo in May to replicate the experiment in other jails. That will be difficult, reformers acknowledge, especially in urban areas where there is more crime and less community spirit. Bureaucracy and graft are entrenched. But some ideas, such as identifying ways to save and intelligently redirect funds, are universally applicable. And the Braganca experience suggests perhaps the most politically effective pitch for reform: a way to spend less money on incarcerating criminals. Another thoughtful reformer is De Azevedo, 60, the state prisons chief. A dignified former prosecutor, De Azevedo works closely with Brazil's top experts on justice reform, contributing to scholarly journals.

Artwork by convicts decorates the walls of his office. He calls the ovation at a play performed recently by inmate actors at a theater here "one of the great emotional moments of my life." Nonetheless, critics say he must move faster. The state has not transferred more inmates from the overwhelmed local jails to prisons because officials fear new troubles in the relatively calm prisons, advocates say. "The fact that they take the crisis seriously, while important, is insufficient given the gravity of the problem," said James Cavallaro, the representative in Brazil of Human Rights Watch. "They are taking measures, but it's not enough." A tangible improvement: the creation of the crisis response team that resolved the Sorocaba standoff in 1997. Although the team's existence might seem mere common sense, it must be seen in context. Authorities elsewhere resort to cowboy tactics. Police in northeastern Ceara state struck a typical deal with mutinous inmates during the "bloody Christmas" standoff in 1997. In exchange for the release of a police lieutenant among the hostages, commanders gave the desperadoes guns, ammunition, cars--which had allegedly been disabled--and half an hour's head start. A wild chase and gunfight ensued. Police killed seven inmates and wounded two hostages. The investigation remains open into what Human Rights Watch called "excessive use of force and at least two summary executions." In contrast, Sao Paulo authorities took the lessons of the Carandiru massacre seriously and hammered out a firm negotiation policy in accordance with international guidelines. "We have basic rules," De Azevedo said. "We don't let anyone flee, we don't provide vehicles or guns, we never trade hostages. That's why we haven't had deaths." The leader of the four-man negotiation team is Lourival Gomes, the prison agency's No. 2 official, who has a streetwise, hard-nosed style. The team keeps a specially equipped Chevrolet Blazer and helicopter on standby for rapid deployment. Gomes does the talking with barricaded inmates during sleepless days and nights. "You can't learn this from books. You have to learn from experience," Gomes said. "You have to show the inmate you are totally calm and without fear. You have to gather intelligence. It is like a shootout of blackmail, information, disinformation. And if there is a raid, the raiders have to know the prison. If they go in blind, either they will kill someone or they themselves will die." The members of the team hope that they will not have to work so hard or so often as more prisons open. The goal of Brazil's mammoth construction drive is not just more prisons but better ones, according to federal prisons chief Seabra. The new facilities offer vocational areas, patios, infirmaries, and special cellblocks for dangerous or endangered convicts. They are designed for an average of 580 inmates. "Above that number, you lose control," Seabra said. "Society has to give the inmate conditions to work and make money, to improve himself, to be a good example to the rest of the inmate community and help his family." The new facilities could be overwhelmed, of course, if there are not more cultural and legal changes to slow down the fast-spinning circle of crime, punishment and overpopulation. In Sao Paulo, reformers are determined to transfer to new prisons and jails the approximately 7,000 inmates now held in the Carandiru House of Detention, still a tinderbox of overcrowding, murder and misery. Reformers will have achieved a victory on the day the state fulfills their dream of demolishing the giant complex, and all the ghosts and evils it symbolizes.

From Atlanta Journal-Constitution, 12 October 1999

MEXICO FLOODS: CORRUPTION ALLEGED AS TOLL RISES

Bodies are still being unearthed from mud, and thousands of people are scrambling for food and water. But Mexicans are already debating whether nature or man is most to blame for a week of disastrous floods and mudslides that killed at least 344 and left 200,000 homeless. Although record rainfall has drenched southeastern Mexico, critics also blame government corruption and negligence for allowing homes and other structures to be built in flood plains, on steep hills and in other potentially dangerous areas. Infrastructure, especially drainage systems, critics claim, is woefully inadequate and poorly maintained in vulnerable regions where hurricanes and tropical rainstorms are frequent. And efforts to get relief to stranded flood victims have been slow and disorganized, many say. "We need to start making very big changes in Mexico to avoid these kinds of disasters, or they will only get worse," said Estrella Vasquez, a member of Mexico's federal Chamber of Deputies who belongs to the center-left opposition Democratic Revolutionary Party, or PRD. Vasquez, president of the Chamber's new Committee on Civil Protection, said Mexico needs better disaster preparedness laws and programs or the country will continue to suffer unnecessary deaths and costly damage. "It's a huge scandal," agreed Homero Aridjis, one of Mexico's leading environmentalists. "No one is responsible for rain. But we are responsible

for the inefficiency of civil protection in Mexico." He angrily suggested that the government funnel money to flood victims from some of the \$80 billion it has earmarked for taking over bad bank loans from the nation's banks. Officials fear the death toll from the floods could climb to 600. Parts of the city of Villahermosa in Tabasco state are so inundated that the city's streets look like canals. One of the worst tragedies so far struck east of Mexico City in the city of Teziutlan in Puebla state, where a mudslide engulfed a poor neighborhood and buried an estimated 100 people alive Thursday. The neighborhood, which did not follow building codes, consisted of mostly flimsy houses built in a ravine below a cemetery. As is frequently the case in Mexico, the homes were slapped up quickly by poor people, some of whom had migrated to the town for jobs in clothing assembly factories. A zoning plan called for the homes to be removed from the ravine, but the mudslide struck first. A second village, Acalana, also was believed to have been buried in mud, killing as many as 150 to 200 people. Only 30 were able to escape, residents said Monday. Acalana is a small farming village 90 miles northeast of Mexico City. President Ernesto Zedillo visited Teziutlan on Monday and announced that the Government would help families rebuild homes. The poorest families whose homes were destroyed will receive 88 days of wages, land and \$2,000 in construction materials. Families whose homes were damaged will receive \$200 to \$600 in building materials, while higher-income families will be eligible for subsidized credits. "A lot of this (disaster) can be blamed on poverty," said Salvador Rivero Laborde, a Mexico City civil engineer. He said building codes are routinely ignored in many cities where the poor are desperate to find a place to live. Corrupt authorities, too, are to blame, Vasquez said, because they fail to enforce building codes or take bribes to "give" people unoccupied land to squat on. That's what people said happened in the Pacific resort city of Acapulco, where three years ago a landslide killed dozens of people. Poor residents of the city said local political leaders told them they could build shacks at the top of a hillside that later gave way under the pressure of a swollen river. That landslide occurred as Mexico's Pacific coast was under siege by Hurricane Pauline, which killed at least 400 people. Zedillo, who canceled a trip to Europe to supervise rescue efforts, said the damage from last week's floods could be worse than that from Hurricane Pauline. On Monday, rain continued to fall in some of Mexico's rain-drenched Gulf states. Tamaulipas state was put on alert for flooding and residents were already complaining that prices for basic goods had climbed as much as 50 percent.

From Atlanta Journal-Constitution, 12 October 1999

PUBLIC SERVANTS WIN PAY EQUITY CASE

About 200,000 Canadian federal employees, past and present, have won another victory in their marathon fight for pay equity. The Federal Court of Canada has upheld a ruling in favour of federal public service workers in a landmark pay equity ruling. The court says the Government must pay up to \$5 billion in back-pay to even out the salaries of male and female employees. That works out to an average of about \$30,000 per worker. "It's a victory for all workers," says Nycole Turmel, acting president of the Public Service Alliance of Canada. The Court's ruling upholds last year's decision by the Canadian Human Rights Tribunal, which ordered the Government to pay about 200,000 federal workers -- mostly women-- about 13 years of back pay. Government lawyers had appealed that decision. Ottawa disputes the formula it says compared jobs of unequal value, like secretaries with auditors. Pay equity-- paying female and male employees similar wages for work judged to be of equal value-- has been law since 1976. But since then, the government has fought its own female workers' attempts to close the wage gap. Part of the reason that this dispute has lasted almost 15 years is that the Canadian Rights Act, which obliges the Government to uphold pay equity, doesn't specify what method should be used to close the wage gap. Treasury Board President Lucienne Robillard hasn't said whether Ottawa will appeal the decision to the Federal Court of Appeal or even to the Supreme Court of Canada. During question period in the House of Commons, Robillard said she plans to spend a few days studying the ruling before making any announcements. In handing down the ruling, Federal Court Judge John Evans wrote bluntly, that the matter has "dragged on for far too long, and at far too great a cost for all concerned." And he added, "justice unduly delayed... is indeed likely to be justice denied." PSAC's Turmel is cautioning the Government against launching another appeal. The union says there could be protests, sit ins and a concerted campaign against the Liberals in an upcoming by-election in Hull if the Government doesn't pay up, in full. But because there's a federal budget surplus, the union is also optimistic the Government will come back with a different response this time.

From Canada-CBC Newsworld, 19 October 1999

ARGENTINE PRESIDENT ELECT PROMISES JOBS, END TO CORRUPTION

Calling his overwhelming election victory a strong mandate to implement his policies, President-elect Fernando de la Rúa vowed to blot out corruption and bring Argentines more jobs and better health care. With 97.2 percent of the ballot counted this morning, official returns showed de la Rúa, the opposition leader, with 48.4 percent of the votes. The ruling Peronist party's candidate, Buenos Aires Province Gov. Eduardo Duhalde, had 38.0 percent. The rest of the votes were split among eight other candidates. De la Rúa's victory was seen as a vote for change after the decade-long rule of flamboyant President Carlos Menem, who immediately began to make good on his promise to attempt a comeback in the year 2003 by virtually launching a campaign. Workers were busy at several Buenos Aires neighborhoods pasting white and blue signs - Argentina's national colors - with Menem's photograph and the slogan, "Menem 2003. Let's take good care of him. The nation needs him." De la Rúa _ mayor of Buenos Aires and the candidate for the center-left opposition Alliance _ promised to pursue economic policies that do not neglect the poor and needy. "From now, we start a new road," de la Rúa told thousands of joyful supporters who held a huge street fiesta Sunday night, honking horns and setting off fireworks. "The people have given us the authority to carry out our program." Duhalde conceded defeat, saying he had called de la Rúa to congratulate him. "Argentines have elected a president we can all trust, and we must all help him, and I mean all of us," he said early today at a news conference. "I think people voted for change." As Menem prepares to relinquish power on Dec. 10, the Argentine economy is mired in a deep recession, with unemployment topping 14

percent. Corruption is widely considered rampant and crime is on the rise. "I voted for a moral change," said Marcelo Trebber, a 29-year-old lawyer who joined the celebration. He and thousands of others turned out for the victory by the Alliance, a coalition of de la Rúa's century-old centrist Radical party and the leftist Front for a Country in Solidarity. People wildly waved the country's blue-and-white flags, banged on drums and jammed a main avenue with caravans of cars and trucks. "We do not expect magic solutions, but we want a Government with moral standards," Trebber said. The focus on fighting corruption, a recurrent theme of de la Rúa's speech, won roaring applause from the crowd. "You have elected me president to fight against corruption," he said. "Impunity is over." He said his economic policies will encourage development and productivity, especially for small businesses. The 62-year-old president-elect also made an appeal for national unity. "The polls always have a clear message, and I understand the message from those who voted for us and those who did not," he said. "They all want a new Argentina, that leaves confrontations and divisions behind. "I will be a president for all Argentines." But governing may be no easy task for de la Rúa during his four-year term. In addition to the mounting economic difficulties, the ousted Peronist party will retain power elsewhere, controlling as many as 11 of 23 provincial governorships. Heading that opposition will be a formidable leader: Menem. The outgoing president was to resume his role as the Peronist party's leader today, Interior Minister Carlos Corach said. Even before the election, Menem made clear his future political plan - to run again for the presidency in 2003. "If I had been permitted to run, I am sure I would have won," he said earlier Sunday. "But I still have time for a future presidential election." Menem was first elected in 1989 for a six-year term and then re-elected in 1995 after the constitution was amended to allow re-election and reduce the presidential term to four years. De la Rúa and the Menem Government agreed on at least one thing: The election should be seen as proof that democracy is firmly entrenched in Argentina after a recent history of military disruptions. When de la Rúa takes office Dec. 10, it will mark the fourth presidential transition since 1983 that is the result of a popular election. About 80 percent of the 24 million registered voters cast ballots on Sunday, the electoral board said. Argentines are required by law to vote.

From ABC News, 25 October 1999

GLOBAL

ANNAN SAYS CORRUPTION STILL ONE OF WORLD'S BIGGEST PROBLEMS

Delegates at the 9th International Anti-Corruption Conference Monday heard that while the fight against corruption had heated up internationally, it remained one "of the most global problems in the world." Botswana spoke up on behalf of developing countries, those feeling the scourge most, with President Festus Mogae telling multinational companies from industrialized countries that there "must be a corruptor in order for somebody to be corrupted, usually in the developing world." The IACC is for the first time being held in Africa and is being co-organized by the non-governmental organization Transparency International, which announced that it is to add two new anti-corruption indices to its "Index of perceptions of corruption." The organization will at the end of October publish an "Index of Bribe-payers" which will rank countries according to the degree to which they are perceived as the homes of bribe-paying companies. A second index, to be published simultaneously, "The industrial sector ranking" will list industries seen to be involved in bribery in international business. According to Transparency International, the fight against corruption reached a turning point with the formation of the Organization for Economic Cooperation and Development (OECD), which criminalizes corruption by foreign officials. "Business should from now on be conducted differently," the organization said. It, however, in the same breath, lamented the fact that only 16 member countries of the OECD have signed and ratified the text. It also said that "millions of lives are still affected every day" by corruption, as was shown by the earthquake in Turkey and the flood in China where lives were lost as a result of corruption in the construction of buildings and dams. The president of the World Bank, James Wolfensohn pointed out that it was the poor who suffered most as a result of corruption, while United Nations Secretary-General Kofi Annan Monday told delegates that "there are few problems more global than corruption." In a message telecast to the conference's 1,200 delegates, Annan said the fact that it was being held in Africa -- the home of the world's three most corrupt countries -- gave him the chance to call on the continent to intensify the fight against corruption. He reiterated his call "to the Organization of African Unity (OAU) to devise by next year a uniform African convention on the conduct of public officials and the transparency of public administration." Annan quoted World Bank figures which say widespread corruption can cause the growth rate of a country to be one half to one percentage point lower than that of a similar country with less corruption. Wolfensohn, in turn told delegates that "no statement from the World Bank, the International Monetary Fund, or even Kofi Annan will ever get the world rid of corruption." He said though the fight against corruption could be "assisted from outside" by institutions like the World Bank, it should be driven from inside corrupt countries themselves, with their Governments leading by example. "The real motive, the engine has to come from inside. Typically that must come from the top. People don't believe it unless there are changes at the top." Wolfensohn said corruption was closely linked to poverty. "At the core of poverty is the issue of equity, and at the core of equity is the issue of corruption. Corruption is the single most significant factor in the issue of development, equity and social justice."

From French Press Agency, 11 October 1999

WORLD BANK CHIEF HIGHLIGHTS ANTI-CORRUPTION FIGHT

World Bank President James Wolfensohn on Monday placed the fight against corruption at the heart of the international development agency's agenda to alleviate growing world poverty. Wolfensohn also warned that international donors were losing patience with Governments that failed to tackle corruption and allowed development money to be misappropriated. "There is nothing more important than the issue of corruption...At the core of the issue of social equity is the issue of corruption," Wolfensohn

told delegates at the ninth International Anti-Corruption Conference (IAAC). But as poverty grew, so patience from donor countries was waning as it reacted to recent scandals where donor money was wasted in Russia, Africa and Asia. "Corruption is now affecting the sources of funding and the international balance on development assistance," he said. Wolfensohn has for the last two years staked his reputation on efforts aimed at stamping out corruption despite critics who believe the bank turned a blind eye to bribery in developing nations in past years. U.S. Treasury Secretary Lawrence Summers has warned the bank and its sister organization, the International Monetary Fund, that corruption linked to its lending has sapped confidence in the bodies, distorted investment flows and made some nations more vulnerable to financial instability. Wolfensohn admitted that corruption had been deliberately never raised at the bank because of past political considerations despite its mandate to alleviate poverty for the estimated three billion people who survive on less than \$2 a day. Wolfensohn is expected during meetings with South African officials to flesh out the bank's policy that enhanced debt relief initiatives and future lending for the world's poorest countries -- most of which are in sub-Saharan Africa -- must go hand in hand with commitment to reform and fight corruption. A speech delivered on behalf of United Nations Secretary General Kofi Annan was blunt in saying that African development had been critically hobbled and skewed by corruption. Wolfensohn is scheduled to hold meetings with South African President Thabo Mbeki, Reserve Bank Governor Tito Mboweni, cabinet ministers and private sector representatives during his three-day visit. Mbeki opened the IAAC on Sunday with a speech that included a commitment to tackle corruption. Wolfensohn's visit will also look at extending World Bank assistance to South Africa which suffers from acute income disparities, mass poverty and an average wage of around \$300 a month for those lucky enough to have work.

From Reuters, 11 October 1999

Civil Services & Ethics in Public Sector

AFRICA

MALI SACKS OFFICIALS IN CRACKDOWN ON CORRUPTION

Mali's Government has sacked a further seven senior civil servants following a pledge by President Alpha Oumar Konare to crack down on corruption and inefficiency. A Government statement said the heads of the state rail network and the national social security institute was among the seven, whose dismissal follows the sacking of all the finance ministry's national directors a week ago. Officials gave no reason for the latest dismissals, but informed sources said they were linked to a national inquiry ordered by Konare and conducted by a special monitoring unit attached to the presidency. The sources said the unit's work included probing management and accounting irregularities. Konare told magistrates on August 31 that he planned to equip certain courts with specially trained police officers and auditors to fight corruption. Konare won a multi-party presidential election in 1992, and won a second term in 1997, in a poll boycotted by many opposition candidates.

From Reuters, 25 September 1999

TAX SERVICE EMPLOYEE ARRESTED FOR R1.2 MILLION FRAUD

An employee of the South African Revenue Service (SARS) in Klerksdorp was arrested on Thursday and charged with fraud after he allegedly colluded with a mining company to cheat on its VAT returns. Rudie Willemse appeared in the Klerksdorp Magistrates' Court on a fraud charge involving more than R1.2 million. His bail was set at R30 000. Willemse allegedly helped a mining company with a fraudulent Value Added Tax refund to the value of more than R2.7 million, acting SARS commissioner Pravin Gordhan said in a statement. Gordhan did not name the company. The company was liquidated after the SARS's Klerksdorp branch legal advisor Pieter Engelbrecht filed an urgent application against the company on Monday. "SARS will act decisively and in the interest of all taxpayers to root out internal corruption and fraud irrespective of the nature thereof," Gordhan said. He appealed to anyone with information on tax fraud, corruption and tax evasion to telephone the SARS's toll free number, 0800-002-870.

From S. Africa-News24, 30 September 1999

RWANDA PARLIAMENT SACKS MINISTERS IN GRAFT SCANDAL

Two Rwandan cabinet ministers have been forced to resign after losing a parliamentary no-confidence vote over their alleged involvement in a corruption scandal. Social Affairs Minister Charles Ntakirutinka and Anastase Gasana, minister in the President's office, lost the vote on Wednesday night and were automatically forced to step down. They were both found guilty by an ad hoc parliamentary commission investigating a business scandal in which the Government lost about \$1 million. A third cabinet member, Commerce Minister Mark Rugenera, survived a censure motion by just one vote. The affair related to the supply of vehicles and motorcycles to the Internal Security Organization (ISO) in 1996, at a time when Ntakirutinka was minister of public works and Gasana was responsible for foreign affairs. The contract was signed by Jean de Dieu Nsengiyumva, a businessman at a local procurement firm. But when he was arrested and accused of forging documents, payment for the vehicles was made to his colleague Augustin Uzabumwana. Nsengiyumva sued the Government in the Court of Appeals, which ruled in his favour and ordered the state to pay him 350 million Rwandan francs (about \$1 million). The parliamentary commission found the three ministers guilty of abusing their positions because, it said, they favoured Uzabumwana, who has since fled the country. Both Ntakirutinka and Gasana are Hutus and had been in office since the ruling Tutsi-dominated Rwandan Patriotic Front (RPF) seized power in July 1994 after stopping a genocide in which about 800,000 people, mostly ethnic Tutsis, were killed. The parliamentary vote on Wednesday did not appear to follow party or ethnic lines. "The fact that 58 out of 63 lawmakers present voted against them shows that it would be wrong to ethnicize the issue," said National Assembly speaker Joseph Sebarenzi. Patrick Mazimhaka, a Tutsi minister in the President's office and a prominent RPF leader, has also been summoned to parliament to explain alleged mismanagement at the ministry of rehabilitation which he heading in 1997. Another parliamentary commission is investigating a corruption scandal in the education ministry, headed by RPF member Emmanuel Mudidi, over alleged embezzlement in a \$26 million World Bank project.

From Reuters, 7 October 1999

ASIA/PACIFIC

INDONESIA DROPS SUHARTO CORRUPTION PROBE

Ismudjoko, the Indonesian acting attorney-general, said he had dropped a corruption investigation against former President Suharto because of a lack of evidence. Ismudjoko said his investigation had been unable to uncover anything, which supported allegations Suharto siphoned millions of dollars from state-supported charities during his 32-year rule. The announcement sparked fears of street riots by students and anti-corruption demonstrators. BJ Habibie, the Indonesian president, has yet to comment on the move.

From Financial Times, 11 October 1999

EUROPE

BOSNIA ENVOY SAYS WILL SET UP ANTI-CORRUPTION BODY

Wolfgang Petritsch, the West's High Representative to Bosnia, said he would form a special body to oversee and coordinate international agencies' efforts to combat corruption in the Balkan country. He said in a speech delivered in New York on Wednesday and released in Sarajevo on Thursday the Anti-Corruption and Transparency Group would "provide a significant boost in our fight against corruption and fraud." Petritsch, who succeeded Spain's Carlos Westendorp in July this year, was speaking to the foreign ministers of the countries sponsoring Bosnia's peace process, including the United States, Britain, Germany and Russia, who were in New York for the annual opening of the UN General Assembly. "We are determined to...associate and mobilize all our resources within OHR (Office of the High Representative) as well as the resources of all members of the Economic Task Force and the whole international community," he said. The force groups agencies and organizations assisting in Bosnia's post-war economic recovery and includes the World Bank, the European Commission and the United States Agency for International Development. The international community stepped up its anti-corruption efforts following a report last month in the New York Times, which alleged that as much as one fifth of the \$5.1 billion of post-war aid has been embezzled by Bosnia's nationalist leaders. The newspaper cited a report from an OHR anti-corruption team, but had to correct parts of the article after pressure from the U.S. State Department, which accused it of misrepresenting the extent of corruption. The United States has also formed a special team tasked with investigating the alleged corruption, but its remit will include looking at economic reforms and refugee returns. The team concluded a fact-finding mission earlier this week.

From Reuters, 27 September 1999

FRENCH BOSSES RALLY AGAINST CUT IN WORK WEEK

Thousands of French bosses staged a protest rally on Monday to denounce legislation by the leftist Government aimed at cutting the working week to 35 hours from 39 from the beginning of next year. Police said some 20,000 supporters of the employers' organization Medef took part in the demonstration. Medef said the figure was nearer 30,000 in their largest protest to date against the radical new law. "(This) law is a mistake and everybody knows it. It is retrograde," Medef chairman Ernest-Antoine Seilliere told the gathering in a Paris conference chamber. "No other country in the world would dream of imposing such shackles on its producers," he added. Earlier on Monday, up to 10,000 members of the Communist-led CGT union held a counter-rally in Paris, chanting their backing for the mandatory cut in the working week and demanding even more radical measures. The twin demonstrations took place on the eve of a parliamentary debate on a second piece of legislation, which complements the first part of the law passed in June 1998 and completes the legal framework for the controversial policy. The 35-hour week will be applicable to companies with more than 20 employees from January 1, 2000 and to firms with less than 20 employees from January 1, 2002. Labour Minister Martine Aubry, who was the brains behind the law, says the changes will force companies to hire more staff and thereby help cut France's persistently high jobless total, which stands at just over 11 percent of the workforce. Bosses say the measure, the most radical yet seen in Europe, will make French business uncompetitive just at the time when globalization is taking hold. "Other countries are not playing the same game as us. The Belgians and Dutch are 10 to 12 percent cheaper than us," said Pierre Blanchet, who runs a timber firm in northeastern France. The Labour Ministry says that 122,000 jobs have already been created or saved as companies start reaching agreements with their unions over the introduction of the shorter working week. However, negotiations have often been tough, and unions representing pilots, flight technicians and cabin crew called on Monday for a two-day strike next week following the failure of talks with management over the implementation of the bill.

From Reuters, 4 October 1999

CRIME AND CORRUPTION SOAR IN RUSSIAN ARMY

The Russian army's top prosecutor said on Thursday crime was rising in the ranks, costing the cash-strapped military millions of dollars and endangering national security. "Economic crime in the armed forces and other military branches of the Russian Federation...is endangering national security," Military Prosecutor Yuri Dyomin told a conference. Speaking to an audience of police, security, audit, customs and military officials on fighting crime, he said the offences involved officials of various ranks. The number of officers found to be lining their pockets through theft and graft had jumped to 1,017 from 1993 to 1999 compared to 185 over an unspecified period up to 1993. Bribery is rife in the army, with cases increasing by 82 percent over the six-year period to 1999, Dyomin said. He noted that he was speaking only about cases which had been uncovered. The use of bribes is a widespread practice throughout Russia, often as poorly paid officials boost their wages. Dyomin referred to a case under investigation, which involved several high-ranking anti-aircraft defense officers falsifying documents to steal more than \$2 million worth of missile system spare parts which were then sold to private companies. He said crimes uncovered by military prosecutors in

the first six months of the year had cost the army more than \$4.7 million, losses it can barely afford as it has lived on a shoe string since the collapse of the former Soviet Union. Soldiers and officers are often keen to sell whatever they can to eke out an existence and even top generals have been accused of selling large stocks of weapons and equipment.

From Russia Today, 8 October 1999

PORTUGAL TO PAY EAST TIMOR CIVIL SERVICE WAGES

Portugal is ready to pay the wages of civil servants in its troubled former colony of East Timor to help speed the setting up of a new administration there, government officials said on Thursday. The officials told Reuters that the Government hoped to begin making payments within two months. The programme was due to last for around six months, although it was not yet known how much money would be involved, they added. Australian-led international peacekeepers have been dispatched to the territory by the United Nations to restore order after pro-Jakarta militias went on the rampage in the wake of a vote on August 30 for independence from Indonesia. Many of East Timor's 800,000 population are still in hiding in the hills and mountains of the rugged territory or in camps in the Indonesian half of the island where they were taken by the militias and the Indonesian army after the vote. Indonesia, which annexed the territory in 1976, a year after the Portuguese pulled out, is withdrawing its troops from East Timor and a UN administration will eventually be set up to guide its transition to statehood. "We are trying to guarantee conditions for the development of East Timor," Prime Minister Antonio Guterres told journalists on Thursday, without going into detail. Portugal did not send troops to East Timor in the first phase of the international peacekeeping operation because it feared such a move would be opposed by Indonesia. But it has said it is ready to offer help in the transition phase to independence. It is expected that the civil servants' salaries will be paid in Portuguese escudos, but officials said that this did not mean that an independent East Timor would adopt the escudo as its currency.

From Reuters, 14 October 1999

CYPRUS SUSPENDS IMMIGRATION HEAD IN GRAFT PROBE

Cyprus suspended the head of its immigration service on Thursday in a corruption probe into allegations some civil servants took payments for foreigners' residency and work visas. The head of the department and another senior official have been temporarily removed from their posts until a police inquiry was completed, government officials said. Allegations of kickbacks given for issuing permits to foreigners have been snowballing for the past two weeks. The island has a serious problem with the illegal employment of foreigners by Cypriots. No official figures are available but the number is believed to be up to several thousand. Some of the allegations, made by both Government and opposition figures, concern residency visas being granted for money to foreigners who came to the island as tourists. Police have also discovered that several foreigners had their passports stamped with forged seals. Illegal employment of foreigners has turned into a bane for local unions, which have succeeded in getting a Government ban on new work permits in blue-collar sectors. Foreigners working in those sectors without permits are usually paid below the minimum wage and their employers do not make any payments for them into the social security fund. Interior Minister Christodoulos Christodoulou said the chief of police had asked that the immigration department head and another official in the same unit be suspended pending inquiries. "There are some preliminary findings which may implicate them in inquiries concerning the illegal presence and employment of foreigners in Cyprus," Christodoulou said.

From Reuters, 15 October 1999

CIVIL SERVANTS FEAR JOB LOSSES IN LONDON

Civil service unions will meet Mo Mowlam, the new Cabinet Office enforcer, next week amid fears that plans to modernize Whitehall will threaten jobs. The Council of Civil Service Unions will say that there is widespread uncertainty about how many officials will be affected by the reforms, and whether it just applies to the top tiers of the Civil Service. General secretaries from the First Division Association and the Institution of Professional Managers and Scientists are worried about the impact on job security of recruiting more people from the private sector. The meeting coincides with the start of a massive consultation exercise on part of the reforms that could result in delays of nine months or more in implementing the proposals. The consultation process ends in March with a special conference in May to discuss a vision statement for the civil service. Senior civil servants are determined not to be pushed into changes before the service is ready and appear to be stringing out a timetable for reform for as long as possible. Downing Street is said to be increasingly irritated at the slow pace of change and the Prime Minister is said to be pushing for a tighter deadline.

From London Times, 19 October 1999

MIDDLE EAST

CIVIL SERVICE CZAR: ARIEL COLLEGE GAVE BEST DEAL

Civil Service Commissioner Shmuel Hollander yesterday rebuffed criticism of his acceptance of a deal offered by Ariel College to civil servants to study for their bachelor's degree, arguing that if other colleges submit the same conditions, he would approve them for civil servants to study at deeply subsidized tuition rates. According to Hollander, the civil service will welcome any accredited

school that offers terms similar to Ariel's. The civil service heavily subsidizes the tuition, up to 90 percent of the fee, for civil servants going for their post-high school education. MK Zahava Gal-On of Meretz charged yesterday that after yesterday's report in Ha'aretz about the Ariel College deal, she was inundated with calls from other colleges that said they did not know the civil service had issued a tender asking for college degree programs for civil servants. "Some are now threatening to appeal to the High Court," she said.

From Isreal-Ha'aretz, 12 October 1999

THE AMERICAS

FLORIDA GOVERNOR J. BUSH LAUNCHES CORRUPTION TASK FORCE

Gov. Jeb Bush, tired of political scandals, says he wants corruption laws strengthened. Several high-profile political scandals in recent years have persuaded Gov. Jeb Bush to launch a new task force designed to help authorities crack down on corruption in state government. The 15-member Public Corruption Study Commission will examine Florida's laws and determine what changes are needed to help the state better combat government corruption. The group's first meeting is today in Tallahassee. "I am confident this new commission will make it easier in the future to investigate and prosecute anyone who violates the public trust," Bush said Monday in a statement announcing the group's creation. Membership of the commission was not released. In the state's most recent high-profile scandal, former House Speaker Bolley "Bo" Johnson and his wife, Judi, were sent to federal prison this year for failing to disclose nearly \$500,000 in payments they received from companies doing business or seeking to do business with Florida. Plenty of other examples exist. Harold Lewis, inspector general for the late Gov. Lawton Chiles, was forced to resign last year after allegations surfaced that he sought loans from a lawyer whom he had helped secure a job with the legal team handling the state's lawsuit against tobacco companies. Legal fees from the tobacco litigation grew to millions of dollars. State Sen. Alberto Gutman, R-Miami, was indicted last year by federal authorities alleging he pocketed Medicare money intended for the elderly and homebound. Also last year, state Rep. Jamey Westbrook, D-Bascomb, was indicted on charges he defrauded a federal peanut quota program. "There are cases, probably too many cases, that come to the forefront," said Bush spokesman Cory Tilley. The problem, Tilley said, is it's difficult to go after corrupt public servants using the same laws designed to prosecute street criminals. The task force will examine tightening ethics laws, he said. Bonnie Williams, executive director of the state Ethics Commission, said she welcomes the effort. The commission proposed stronger laws during the last legislative session, specifically the ability to initiate its own investigations rather than wait for formal complaints. The measure died on the Senate floor.

From Tampa Tribune, 5 October 1999

STATE JOB TRIMS URGED IN PRIVATIZATION OF SERVICES

The state should be allowed to use layoffs, severance pay or early retirements to remove workers from the public payroll when government services are privatized, state Human Resources Development Director Mike McCartney said yesterday. McCartney also said he wants the state to try out a system that allows public employees to form their own private companies and contract with the state to provide services they used to handle as public workers. McCartney's comments to the Committee on Public-Private Competition for Government Services yesterday could be a preview of initiatives Gov. Ben Cayetano's administration will float at the Legislature next year. McCartney said he planned to meet with leaders of the Hawaii Government Employees Association and the United Public Workers yesterday and today to discuss his proposals, which he said are designed to help state managers make government more efficient. Garen Deweese, HGEA's legislative officer, called McCartney's ideas "interesting scenarios." But he said the union will oppose any layoffs if government services are privatized. He said the union intends to "ensure that employees are not disenfranchised because of any privatization moves." Gary Rodrigues, UPW state director, was unavailable for comment. The Legislature created the Public-Private panel in 1998 to design a system where unionized public employees would compete with private companies for the right to do some types of work now handled by the public workers. It plans to draft a proposal for the Legislature's consideration next year. One obvious unresolved problem is what happens to public employees when their work is contracted out. Committee members contend privatization won't save much money — if any — if all of those public workers stay on the public payroll. McCartney said yesterday he wants to offer "voluntary Separation" as an option to employees whose work is privatized. One proposal pending before the Legislature would offer targeted public workers up to six month's pay plus vacation time in cash as an incentive to quit. The same bill would allow public workers who are less than 55 years old to retire early without penalty, to encourage them to leave the public payroll. Those options would be available only to specific public workers in jobs the state targets for privatization or other restructuring, McCartney said. The bill would require that the positions left vacant by the buyout be abolished, and would prohibit workers who take buyouts from working for the state again for at least five years. McCartney said the state should also have the option of imposing layoffs in areas where public workers are no longer needed because of privatization. But he said layoffs would not save nearly as much money as buyouts because laid off workers can "bump" less senior workers and take their jobs.

From Honolulu Advertiser, 27 October, 1999

GLOBAL

UN OFFICIAL CONVICTED OF FRAUD

A former United Nations official has been convicted of bilking \$800,000 from the United Nations in a peacekeeping travel scheme. Charles Kim, the UN's former chief of travel and traffic in Zagreb, Croatia, was convicted Tuesday in Manhattan federal court on five counts of conspiracy and wire fraud. Kim, 60, faces a maximum penalty on each of the counts of five years in prison and a fine. Kim, of Great Neck, New York, will be sentenced on Dec. 8. Kim was responsible for making travel arrangements for peacekeepers traveling to Bosnia-Herzegovina from November 1995 to November 1998, the U.S. Attorney's office said. Several airlines at that time were offering discounts to peacekeepers by allowing them to carry up to 120 kilograms (264 pounds) of excess baggage without an extra charge. Kim and a travel agency in Zagreb -- Zagrebtours -- submitted false invoices stating excess baggage charges of \$400,000. The United Nations paid the invoices. Kim also was convicted of conspiring with a former Air France employee to submit other inflated invoices totaling \$400,000 to the UN, which they paid. To conceal the scheme, Kim directed subordinates to destroy documents and to lie to UN investigators, the U.S. Attorney's office said.

From APB Online, 30 September 1999

Management Innovation & Trends

AFRICA

R25 MILLION FOR GAUTENG (SOUTH AFRICA) HEALTH SERVICES

Gauteng Premier Mbhazima Shilowa said on Wednesday his Government would spend R25 million on upgrading health services in the province, in line with recommendations made by an inquiry into Gauteng's hospital care. Shilowa, accompanied by Transport MEC Kgabisi Mosunkutu and Health MEC Given Ramokgopa, told a news conference in Johannesburg that "one death at any medical institution was one death too many". The province would act immediately on the interim report by the Commission of Inquiry into Hospital Care Practices, which revealed gross neglect of patients, shortages of resources and widespread theft at state hospitals. The Health Ministry, with the help of the provincial government, would in future support hospital workers to ensure that there was a change in the culture of service delivery, he said. In an effort to reduce the time patients had to wait to be attended to in hospitals, his Government would ask doctors to visit communities to explain what type of ailments required hospital treatment and those that could be treated at clinics. The health department would also take steps to stop the theft of linen from state hospitals. Shilowa said measures would be put in place to ensure that medicines and equipment reached the hospitals and patients for which it was intended. Hospitals and clinics would be required to keep records to deal with what he referred to as "grasshopper patients", who moved from one health institution to another, collecting medicine they did not require. The premier said security would have to be tightened to ensure that patients, doctors and nurses were safe. He said it would be in the interest of hospitals and patients alike to establish health "help desks" at hospitals to minimize confusion, thus contributing towards better communication. The premier reiterated that there was no moratorium on the hiring of personnel for health institutions. Shilowa said the commission's final report would be made available next week. The premier and his provincial executive held a meeting with Johannesburg metropolitan council officials on Wednesday to thrash out various aspects of the report. The commission of inquiry was appointed earlier this year to investigate problems relating to patient care at State hospitals in Gauteng.

The report was submitted after the commission visited nine Gauteng hospitals, including Chris Hani Baragwanath and Johannesburg. Public hearings were also held last month, with victims revealing horror stories of neglect at State hospitals. Questionnaires were also distributed and further details obtained by an investigating team. The commission was expected to provide a status report, identify possible causes for the findings and formulate draft proposals and recommendations to address shortcomings. The interim report, presented to Shilowa on September 27, identified a general perception that hospital budgets were insufficient. The report said most hospitals, especially those serving the previously disadvantaged communities, also cited equipment shortages as a constraint. "Insufficient budgetary allocation for this item was further cited as the cause for hospital equipment not to be replaced or repaired," commission chairwoman Maria Rantho said in the report. Most hospitals said old equipment broke down regularly, causing patients to suffer. Repairs, if undertaken at all, took too long. The commission said there were long waiting periods for patients and most patients referred to academic hospitals were turned away. Structural repairs were of great concern in most hospitals. Some hospitals claimed they ran short of basic health care materials such as toilet paper, sterile packs and cotton wool. Surgery was cancelled because of staff problems, equipment and linen shortages. Sometimes the same linen was used for more than one patient, increasing the risk of cross-infection, the report said. Other serious allegations included the theft of drugs, patients being forced to go home without drugs because of long queues, the unavailability of ambulances, the abuse of government vehicles resulting in high accident rates, the theft and non-replacement of damaged or stolen cars and unsatisfactory security systems at hospitals.

From S. Africa-News 24, 6 October 1999

MALI HEALTH SERVICES STRIKE ENDS

The strike which paralyzed Mali's health services and forced the Government to call in the army to provide emergency care ended on Tuesday after a stand-off lasting more than a week, witnesses said. A statement from the National Health Union, released late on Monday, said the Government and union had reached agreement with the mediation of religious associations, human rights groups and other representatives of civil society. It urged the strikers to return to work from Tuesday. The strikers, who began an indefinite strike on October 4, were demanding special status for health workers within the civil service with improved allowances and revamped conditions of service and retirement. The communique said compromises had been reached on the main demands. The strike was widely followed. The Government earlier criticized the strikers for not providing a minimum service in hospitals and clinics, saying this was a condition of their being allowed to strike. It used the army to provide emergency services.

From Reuters, 12 October 1999

EUROPE

UK 'VITAL' SERVICES GIVEN Y2K ALL CLEAR

It will be "business as usual" for majority of services The UK's "essential services" are ready to deal with the millennium bug, but some key public bodies are still not ready, the government's Action 2000 watchdog says. Crucial sectors from electricity, water and telecommunications to the emergency services and local authorities have all been independently assessed. Almost £20bn has been spent on tackling the bug. The fear is that some computers or software will fail to recognize the year 2000, causing widespread chaos. In its final report on whether essential services are able to cope with the millennium, Action 2000 says seven unnamed financial institutions, of "medium impact", are unprepared. However the body said it is confident they will be ready by December. It also says that among regional transport services, Manchester Metrolink, Loganair (Scottish Islands), Calmac Ferry Services (Scotland) and Ulster Bus and City Bus are not yet prepared. Several public bodies were also listed: Antrim, Armagh, Ballymena and Larne local councils in Northern Ireland were named, as was York Gas. The Action 2000 report says the vast majority of companies and public sector organizations making up the UK's infrastructure have achieved a 100% blue colour-coding under its "traffic light" system - meaning it will be business as usual as the new millennium dawns. But although essential services are not expected to face problems, some organizations have been identified as at risk from disruption. Among them are seven unnamed, medium-sized financial institutions, four Northern Ireland councils and a number of transport services. The group's chairman, Don Cruickshank, said: "The very few organizations yet to finish are under the most intense scrutiny and will not be at risk." He said "blue" status meant a service's plans for the date change had been comprehensively investigated and tested. The task force established the National Infrastructure Forum in 1998 to assess the threat from the millennium bug. The forum meets for the last time on Thursday. Mr. Cruickshank said no other country had matched "the breadth, scope and rigour" of assessment that it had carried out. But he said some services, such as telecommunications, transport, finance, post and weather forecasting were also dependent on activities outside the UK. He said: "Those sectors with international links are continuing to monitor the readiness of, and collaborate with, their international partners as part of their Y2K programmes and prudent business practice." But the independent campaign group Taskforce 2000 described the report as "unsatisfactory". Chief executive Robin Guenier said it was hard to believe that every essential service had finished and tested their systems in such a short space of time, and called for more details to be made public.

From BBC News, 20 October 1999

THE AMERICAS

'AMBASSADORS' DELIVER SERVICE

Mail carriers in some Chicago neighborhoods will soon be knocking on doors, looking for trouble. They want to know who's not getting their mail, who's getting letters addressed to a former resident, and whose magazine subscriptions are showing up weeks late. In mid-October, under a program announced Monday, "postal ambassadors" will begin making door-to-door visits in select neighborhoods, asking people about their service. Then, it's their job to fix the problems they find. "For residential customers, it's like having an account manager of their own," said Debra Hawkins, spokeswoman for the U.S. Postal Service's Chicago office. Chicago postal authorities have worked in recent years to overcome a reputation--well-earned, according to the Postal Service's own surveys--for lousy service. The ambassador program is the latest in a series of improvements. At first, it's being tried in these ZIP codes: 60657 (Graceland), 60626 (Rogers Park), 60622 (Wicker Park), 60614 (Lincoln Park), 60613 (Lakeview), 60640 (Uptown), 60617 (South Chicago), 60619 (Grand Crossing), 60610 and 60611 (Fort Dearborn and Chestnut). "We're trying to amplify the voice of the consumer," said Francia Smith, the Postal Service's national consumer advocate, who was in town Monday. "We're trying to bring a personal touch to the consumer." Smith said the postal ambassadors experiment is something that postmasters elsewhere may want to copy. The Chicago ambassadors effort is one of several ways the Postal Service is trying to improve service around the country, she said. In some parts of the country, though not here, the Postal Service has set up centers where people can call with complaints or questions. G. Kenneth Allen, a letter carrier for 30 years, is among the new ambassadors. Two days a week, he'll be knocking on doors in the city's Gold Coast, asking if people are happy with their service. He takes the effort very seriously. "We want to let the customers know we're in this game to win, and we're there for them," he said.

From Chicago Sun-Times, 28 September 1999

INTERNET VENTURE OFFERS COLLEGE TUITION BIDDING SERVICE

A new Internet service wants to treat college tuition like an auction, matching students' financial "bids" to colleges willing to offer discounted tuition rates. The service, eCollegebid.org, asks students to submit the amount they are willing or able to pay to attend college. Students also are asked to specify a region of the country they would like to be in, an area of study, whether they want to commute or live in a dorm and what interests they have. Bidders find out the identity of the school they might attend only if their bid is accepted. The service is free, and students are under no obligation to accept once they are matched with a university. Founders of the Falls Church, Virginia-based eCollegebid.org say they have identified up to 800 private colleges and universities that could participate, and a few have signed up. Founder Tedd Kelly would not name them. He said that although the service has fewer than

a dozen schools signed up at the moment, he expects to have many more by November 1. Kelly said the service is targeting schools with leftover seats at the end of the admissions cycle, particularly liberal arts schools in the Midwest that are likely to take students with SAT scores between 800 and 1,000 and grade-point averages of 2.5 to 2.9. Founders say the service appeals to families who make too much money to qualify for financial aid, but not enough to pay tuition in cash. Joyce Smith, executive director of the National Association of College Admissions Counselors, said the service preys on families' anxiety about the high cost of a college education. "That there are colleges that are so desperate to get a body with some money is the wrong message to send about education," Smith told The Boston Globe for a story in today's editions. "One would hope that a college is recruiting a student to come because they have a good match, an academic environment, something that suggests a student should be there other than 'I can afford to pay.'"

From CNN, 30 September 1999

REVOLUTIONARY NOTION - WHAT IF THE CITY BECAME A BUYER OF PUBLIC SERVICE?

Just one week after the Philadelphia Daily News expressed amazement at the lack of heat in the mayoralty campaign, John Street has suggested that Sam Katz's education-reform ideas are a "radical, radical, radical departure from anything we have heard in the area of public education." Wish it were so, because it's pretty clear that something radical needs to be done to improve the education of that part of the public now trapped in an education system that clearly doesn't work. The best that Bob Barnett of the Katz camp can do in response to the "radical" charge is to reply that the campaigns "are not miles apart, they're inches apart," and that Katz feels "the first mission for the mayor is to make public schools work." To that end, Katz wants to change the function of the Board of Education from "being a direct provider of services to being a purchaser." Street says that means his opponent is interested in "privatizing public education," but Katz simply wants to invite bids from charter schools, community schools, schools run by the teachers union, religious schools, for profit schools - whoever could meet the criteria and standards. If that's radical, someone ought to tell the mayor of Chicago because that's precisely the reform approach of his new school superintendent. Out in the Windy City, their goal is to get their kids educated, and they really don't care who does it. They just want it done right now. If Katz really wanted to get radical, he'd expand his new approach based on purchasing rather than providing services way beyond just schools. He should point out that city and city-related agencies actually have a conflict of interest when they act as a provider rather than purchaser of services. If someone comes along and offers cheaper private transit services than SEPTA now provides, SEPTA has minimal interest in even listening to the proposal. The same is true for the city's housing authority and trash collection division of the Streets Department. If the schools, SEPTA, PHA and the Streets Department, among others, viewed themselves as purchasers of services rather than providers, a real revolution in Philadelphia could blossom. Let's call it "Bubble-Up" economics as opposed to the trickle-down approach that's been tried in the past. The model for Bubble-Up is the experience of TastyKake a few years ago when it was looking to both increase profits and reduce labor tensions. Tasty offered its truck drivers the chance to become entrepreneurs by buying both their routes and their trucks. The company helped its employees finance the purchases, setting them up in business for themselves. Drivers became owner/operators, and within a few years the routes that were originally sold for \$50,000 became worth \$150,000. Following the same basic premise, bus and trash routes, schools or housing projects could be sold to drivers, teachers and tenants or PHA employees. Instead of employing thousands of workers, the city would use its financing muscle and existing transit, school, trash collection and housing budgets to pay the new entrepreneurs for operating their "routes" or schools. Instead of thousands of public employees, the city would be creating thousands of small entrepreneurs. With their "sweat equity," just as with the Tasty drivers, all these entrepreneurs would be building equity in their own businesses. They'd still have their wages and benefits, but they'd also build equity in a business they could leave to their family or sell if they wanted to retire to Florida. This Bubble-Up approach to ensuring that public services are provided will only work, however, if city agencies see themselves as purchaser rather than provider of services. Yes, this is radical and, yes, yes, yes, some will dismiss it as just another form of that dreaded word "privatization." The simple-yet-profound difference, as in Tasty's case, is that Bubble-Up economics enables today's public employees to turn today's sweat into tomorrow's equity. Taxpayers would be seen as customers, not complainers. The workers, now known as entrepreneurs, would willingly cut any fat or inefficiency because that would increase their equity. In a play on Chicago's favorite slogan, this simple, radical approach could turn Philadelphia into the City That Works, For Itself.

From Philadelphia Daily News, 30 September 1999

SOCIAL SERVICE OFFICES REOPEN MONDAY AT MALL IN PORTSMOUTH

Adult Protective Services and the Family Court Services Unit are where Fashion Bug used to be. Services intake and day-care units are in the old Hofheimer's shoe store. And look for the benefits programs staff among the mirrored columns of what used to be Hess's department store. Up and down two wings of Tower Mall, the city of Portsmouth, Virginia is filling up vacant stores with the 250 employees who make up the Department of Social Services. "We have literally transformed Tower Mall into an office park in one week," said Deputy City Manager C.W. "Luke" McCoy. It's been a logistical nightmare, but two weeks after damages from Hurricane Floyd kept workers from returning to their High Street workplace, the department is gearing up to offer clients full services again starting today. That's good news to the thousands of clients who depend on the agency. "We estimate in the course of a year, we touch about 16,000 families in Portsmouth," said Bertha Wright, director of the agency. After the winds and rains of Hurricane Floyd left the old High Street offices soggy and unsafe to work in, a decision was made to move employees to Tower Mall for three to six months. Staff members have continued to take applications for assistance and tried to do as much as they can to help clients from a makeshift lobby in a hallway that was not damaged. Employees were allowed to go to their offices and work

stations only once for four hours to pack for the move. Two weeks later, they face a backlog of benefits applications to process -- everything from cash and fuel assistance to food stamps and Medicaid. Those applications will be processed in the order they were received, going back to when the storm shut down the agency. And at least one neighboring city will send employees this week to help Portsmouth staff members catch up. In addition, temporary employees will be brought in to answer phones, so regular staffers can concentrate on the priorities of helping people in need. "We are going to put a priority on food stamps and other benefit programs such as Medicaid and Temporary Assistance to Needy Families," said Wright. On Friday, she stood at the entrance to the former Hess's and pointed out the computer lines draped from the ceiling of a 45,000-square-foot space that still wears glitzy remnants of its retail life. The blue computer lines will link computers back into the state systems, she said. "We think the computers are OK," she said. But not all of them had been tested, she added. "As you can see, a lot of this is on a wing and a prayer." Even though the doors open Monday, she said, there has been no time for a dry run on the operation. "We're asking people to be patient," she said. She talked over a steady roar as employees rushed boxes and other equipment -- on chairs and anything else they could roll -- along the mall's brick walkway. The 250 employees' presence should be good news to a Radio Shack and a few small businesses, including a bakery, that are still located in the mall. The city already has its Senior Station at the mall and the social services department will take up another 100,000 square feet -- about 10 stores worth. Wright led the way to her own new headquarters in what used to be Fashion Plaza. For days now, staff members and other city workers have been dealing with the details of a move that had to be made as quickly as possible. Details such as how to move 250 cubicles and desks, when it takes two men four hours to dismantle, move and reassemble just one such work station. Wright knows there will be glitches to work out, but for now, she's starting to breathe easier, knowing that the doors are about to open. Clients will be greeted in a reception area set up in the commons area in front of Hess's. Wright said the clients should use the McLean Street entrance, which is closest to the HRT bus stop. The fact that the mall is a HRT hub and has plenty of free parking spaces was one of the advantages of the location, McCoy said. All the terms of the lease have not been worked out yet, McCoy said. But he estimates that the cost will be about \$75,000 for a minimum three-month stay. "This is a real burden on the city because this is out of the budget cycle," he said. "It is part of the damage caused by Hurricane Floyd and we're hoping the assistance we need will be coming from FEMA and the state Department of Emergency Services."

From Virginia-Pilot, 4 October 1999

GUINN WANTS TO ELIMINATE DUPLICATION OF SERVICES

If counties and cities can do it better, then Gov. Kenny Guinn said the state is willing to cut services and agencies as part of a long-term budget overhaul that includes eliminating duplication of services. On Thursday Guinn cited two potential money savers. He said if the federal government allows, he'd like to eliminate the state's role in handling federal money for the Nevada Check Up program and just pass the money on to the counties. The 20 people who work on that as part of their duties could be redirected to other state needs. Nevada gets \$30 million from the federal Government and adds \$17 million of state money for the \$47 million program to provide health services for uninsured low-income children. "If we can, I want the state to be a pass-through for that money," Guinn said, noting the counties are the Governments with hospital programs. "I don't want a middleman taking a profit." Guinn cited a second example of where the county might do better than the state. He sees no need for the five state fire marshals who check plans for school construction. That should be a local function, he told a roomful of about 200 people attending the annual convention of the Nevada Association of Counties. The governor has started a process to study the state's budget and revenues and plan for eight years instead of two and he asked the association to be a part of that study, which he plans to propose March 1 at an economic summit. The ideas will be presented publicly for review and suggestions from gaming, mining, teachers, business and local governments. In particular, he asked for help in identifying state services that no longer may be needed, even if they are agencies that have been in existence for decades. "Give us suggestions for what you think you're doing better than the state can do and where we are hindering you," Guinn said. His other message of giving local governments more flexibility was a welcome one to county government leaders. Clark County Commissioner Myrna Williams, who became the president of the association at Thursday's banquet, said the members plan to go to the 2001 Legislature to ask for authority to react more quickly to things such as health, public safety and abatement issues, without having to go to the Legislature to seek permission. "We want to be able to take care of local issues in a timely manner," she said. The county officials and staff applauded loudly in agreement when Guinn noted they "don't have to go to the Legislature for school bonds, why do you have to go to the Legislature to put more police on the streets?" Guinn also made a passing mention of an idea floated by Las Vegas Mayor Oscar Goodman, who says he wants more Silicon Valley type industries to come to the city. "Let's stop talking about Silicon Valley, until we get an educated work force," Guinn said, noting that only 37 percent of Nevada's high school students go on to college compared with the national average of 65 percent.

From Las Vegas Review Journal, 15 October 1999

FRANKLIN COUNTY IN USA RACES FOCUS ON EFFICIENCY, PUBLIC SERVICE

Promises of community outreach and education target the commissioner of the revenue's race. Candidates for circuit court clerk, treasurer and commissioner of revenue are focused on making their offices run smoothly. Customer service is the prime issue in this year's election for Franklin County's constitutional officers. Candidates for circuit court clerk, treasurer and commissioner of revenue are touting their management experience and knowledge of technology as keys to making the offices run smoothly. Ideas include extending service hours, providing educational seminars and using the Internet to post public records. Lynda Messenger, the Democratic candidate for treasurer, says it's only common sense that customer service is at the top of her platform. "That's our

job," she said. Messenger, 52, is a certified deputy treasurer with 11 years experience working in the Franklin County treasurer's office. Working under the current treasurer, Elaine Chitwood, who plans to retire this year, Messenger has helped institute policy changes to make it easier for residents to receive their auto decals and dog registrations. If elected, she plans to continue those policies and keep the office working smoothly. "I know my job and experience helps," Messenger said. Her opponent, Ronnie Woods, is running as an independent. Woods represented the Blue Ridge district on the Board of Supervisors from 1988 to 1991 when he lost to Hubert Quinn in a three-way race. He said his experience would be beneficial when working with the current board of supervisors. "I want to serve the people of Franklin County by giving them an efficient office they can take and feel confident coming in," Woods said. In the clerk's race, Republican Ben Pinckard Jr. is challenging incumbent Alice Hall, an independent. This marks Pinckard's second run for the office. In 1996, Hall won an overwhelming majority of the votes in a special election after Bill Walker retired before the end of his term. Hall captured all but three of the county's 22 precincts. Democratic candidate Bill Overton, a sheriff's captain, came in 2,600 votes behind and Pinckard finished a distant third. Pinckard, 29, said if elected he would like to study ways to use the Internet to make records more accessible to the public. As a short-term goal, he said, he would like to set up an information Web page listing services and fees and offering the ability to print certain forms. He is also talking about making a feasibility study to see if some records could be posted online for 24-hour access. For those who do not use the Internet, Pinckard said, "the office door would always be open." Hall, 65, has been with the clerk's office 46 years, including 38 as senior deputy clerk and three years as clerk. During her tenure, she has helped upgrade services including the online records indexing system. She also looked into putting local records online, but said she found the equipment to be cost-prohibitive. She said her top qualification is her many years working in the office. "It has been and it will continue to be my highest priority to serve each individual in a manner that is professional, courteous and helpful," she said. In the commissioner of revenue's race, the three independent candidates are all campaigning on platforms of community outreach and education. Judy Crook, 51, the county's real estate coordinator, has 23 years experience working in the commissioner's office. If elected, she said she wants to find ways to simplify tax relief forms to make it easier for elderly people. She would also like to make some records, such as tax assessment forms, more accessible by posting them on the Internet. Commissioner candidate G.B. Washburn has a detailed list of new programs he would like to start if elected. His ideas include providing free informational seminars on programs available through the commissioner's office and offering workshops to help fill out tax forms. He would like to see the office's employees trained to complete their co-workers' tasks so they can fill in when shorthanded. Washburn is also looking at ways to put real estate property information on the Internet. Washburn is the executive director of the U.S. Department of Agriculture Farm Service Agency for Franklin and Henry counties. He is serving his second term as Snow Creek representative on the Franklin County School Board. Washburn said he entered the commissioner's race because he has "served the county in a lot of capacities and I've seen a need for strong leadership in some of the government positions." The third candidate in the commissioner's race, Anita Slaughter Williams, is Martinsville's first deputy commissioner of revenue. She is a certified commissioner of revenue with seven years experience in the Martinsville office. During peak seasons, Williams said, she thinks it would be a good idea to set up satellite stations throughout the county so people can turn in their tax relief forms. She said her main issue is education. She said she thinks most people do not understand the functions of the commissioner's office, so she plans to spend a lot of time in the community explaining the office's services. "I'll be there to listen to their problems and issues," Williams said.

From Roanoke Times, 19 October 1999

INTERNET-BASED INNOVATION IN HEALTHCARE TO BE RECOGNIZED

Cisco Systems, Inc. and Modern Healthcare magazine today issued a call for entries to healthcare institutions that are developing Internet solutions to improve operational efficiency and improve patient care. Healthcare organizations that make strategic and innovative use of the Internet will be recognized in the Third Annual Innovation in Healthcare Information Technology Awards. The program recognizes and rewards healthcare organizations for innovation in addressing the increasingly complex competitive operational and customer service issues that face the industry. "Internet technology is a valuable strategic tool for today's healthcare industry," said Sue Bostrom, vice president for the Cisco Internet Business Solutions Group. "We are pleased to co-sponsor a program that encourages innovation and recognizes those who are using Internet-based solutions to lead advances in healthcare operations and quality of care." Winners will receive a \$5,000 donation for the institution's foundation or charity of their choice and will be recognized at this year's meeting of the Healthcare Information & Management System Society. The award winners also will be profiled in Modern Healthcare, which reaches 80,000 top management executives at America's healthcare institutions. Organizations eligible to enter the awards program include healthcare institutions, developers of integrated delivery systems, and Internet service companies from across the United States. "We are delighted to work with Cisco Systems, Inc., once again to acknowledge executives and their institutions for innovative use of technology in providing healthcare services," said Charles S. Lauer, vice president and publisher of Modern Healthcare. "This year's program highlights how the Internet is re-shaping the delivery of care in today's hospitals and healthcare organizations, and we're proud to be a sponsor." Awards Categories & Criteria Awards this year will be given for achievements in four categories: Customer Care, Clinical Effectiveness, Workforce Optimization and Supply Chain Management. The Customer Care award will be given for a project that uses the Internet to contribute to the quality of care provided to patients, plan members, or practicing physicians. Clinical Effectiveness will be recognized for use of the Internet to increase the quality of clinical care. Projects eligible for the Workforce Optimization award will document workflow improvements, human resource or personnel management, or improvements in other methods of communications and employee information processing. In the category of Supply Chain Management, eligible projects will be those using the Internet to gain a competitive edge in customer service, cost reduction, to minimize inventory or maximize control of supplies and services through supply chain management improvements. This year, for the first time, all entry forms will be

submitted via the Internet. Nomination forms and more information are available at www.modernhealthcare.com. More information also is available at www.cisco.com/go/healthcare. Modern Healthcare is the nation's leading business newsweekly for 80,000 fiscal decision-makers at hospitals and healthcare institutions throughout the country. Daily news is provided on Modern HealthCare's website and via the Daily Fax.

From Reuters, 18 October 1999

GLOBAL

NEC INNOVATES ITS CORPORATE STRUCTURE FOR THE INTERNET AGE

Following its pledge on February 19th that it will innovate its corporate structure to turn-around the company's financial results, NEC Corporation (NASDAQ: NIPNY) today announced that it will accelerate these plans. In an all-out effort to set its businesses on the path to growth, NEC will implement a fundamental innovation of its corporate structure aimed at becoming the leader in value added solutions for the Internet age. Through these innovations, business operations make the Internet their focus while aiming to be the leading player in their respective fields by optimizing their business structures to these objectives. To create these business structures, the use of external resources, tie-ups and business-strengthening alliances will be promoted, and the further advancement of management disclosure and an open management structure are also planned to increase corporate value.

1. Concentration of Businesses - Becoming an Internet Solutions Provider (1) Focus on the Internet - NEC will concentrate its mobile communications, digital broadcasting and home networking operations as the basis for the next-generation Internet. From this base, NEC intends to come together with the businesses and communities on the Internet in an effort of mutual creation to support the development of an open network society through NEC's concept of an "Invitation to the Internet". Through this concept, NEC will focus the management resources of the company on becoming a wide-ranging solutions provider to meet the variety of needs the company's customers will have in their interaction with the Internet. As the Internet business field expands, and as customers become more specialized and pursue their business directions, value creation will lie in providing solutions that meet the specialized needs of customers. In order to effectively utilize the strengths of NEC, three approaches are necessary to develop its business and strengthen its core competencies. As a result, NEC expects to see over 20% or 1.1 trillion Yen of the approximately 5 trillion Yen it anticipates in consolidated sales for the current year (through to March 31, 2000), to come from Internet-related businesses. Furthermore, NEC expects that figure to jump to 3 trillion Yen for the fiscal year ended March 31, 2002.

i) Development and Strengthening of BIGLOBE to Leverage Core Competencies of In-house Companies. To strengthen NEC's Internet Service business, BIGLOBE, the company will develop open forums for individuals and companies aimed at building communities and markets of at least 10 million people by 2002. In order to build those value-creating forums, NEC will provide a variety of services to support participation in the Internet and not limit itself to a "one business field, one company" policy, allowing its in-house companies to enter into global business relationships with a range of partners.

ii) Restructuring of Businesses to Focus on the Internet To restructure its existing businesses to focus on the Internet, NEC will promote expansion of Internet business in three directions: - Internet solutions business oriented to corporations, individuals and government/public sectors - Internet solutions business oriented to network operators - Electron device solutions business oriented to the Internet industry.

This will expand NEC's Internet business while ensuring the company meets the specialized needs of its customers, and strengthen its core competencies to create a structure that raises the profitability of all business operations.

iii) Equipping NEC's Internal Structure to Focus the Company on the Internet: a) Company-wide Promotion and Construction of Internet Business Strategies For a concerted effort in the Internet domain, an "Internet Business Development Office" will be established on October 1, 1999 under the direct authority of the President. It will be responsible for proposing Internet strategies, identifying synergies between BIGLOBE and NEC's other businesses, and promoting possible tie-ups between businesses.

b) Focus of R&D on the Internet. The Research and Development Group will be reorganized to focus on the creation of key devices and services for the next-generation Internet. Through the identification and selection of research themes, NEC plans to develop corporate-wide core competencies on the Internet. In particular, the "Internet Information Service Laboratory" will be established in the corporate R&D Group to strengthen R&D efforts in next-generation information distribution services.

c) Construction of US Venture Capital-style, Speedy Business Structure Utilizing the intellectual property of NEC's R&D efforts, as well as to effect early market entry and commercialization, NEC will create a "Venture Development Center" in San Jose, California. The Venture Development Center will take NEC's R&D successes to venture capitalists, construct business models for them and examine them locally in California, including the use of external resources, to develop businesses as rapidly as possible. Additionally, NEC is participating in a US\$100 million follow-up fund to its first corporate venture capital fund established in April of 1997. The second fund was funded earlier this month and will focus specifically on Internet businesses.

d) Promotion of Internal Internet - Activity, and Business Competitiveness: while NEC's procurement systems have already been transferred to the Internet, the remainder of the company's internal systems will be converted to use of the Internet, accelerating the strengthening of NEC's competitiveness by promoting work efficiencies and a new business model.

2. Reorganization of the Organization Structure - a Leading Global Corporation (1) An In-house Company Structure - The objective of the three approaches outlined above is a solid promotion of business focused on the Internet, and for this reason, NEC will form an in-house company structure in April 2000 centered around the following three businesses: - NEC Solutions - to provide Internet solutions to Corporations, individuals and government/public sectors - NEC Networks - to provide Internet solutions to network operators; and - NEC Electron Devices - to provide electron device solutions for the Internet industry. Through these measures, NEC's corporate structure will allow each in-house company to increase its competitiveness to global

levels and focus its capabilities to the specialized needs of its customers. At the same time, NEC will thoroughly orient itself towards Internet solutions to provide a quicker, more detailed response to customer needs. For this, the integration of existing business units is seen as vital and a corporate structure that thoroughly promotes individual accountability and responsibility at all levels of operations (sales, development and manufacturing) will be instituted. Furthermore, each in-house company will include subsidiary and affiliate companies in a global consolidated structure for complete business management. Pro forma for the change in company structure, each in-house company would have production sales and staff as follows for the fiscal year ended March 31, 2000 based on revised global shipments: - NEC Solutions: sales of approximately 2.2 trillion Yen / approximately 50,000 staff - NEC Networks: sales of approximately 1.5 trillion Yen / approximately 40,000 staff - NEC Electron Devices: sales of approximately 1 trillion Yen / approximately 40,000 staff. On October 1, 1999 the "Office for the Promotion of Management Innovation" will be established to prepare the formation of the three in-house companies and to promote the implementation of new management measures company-wide. Under the supervision of the Office's General Manager, each in-house company will develop solid business strategies and company-wide innovations and plans will be implemented. (2) Establishment of Independently Focused Companies: i) Transfer of Wide-ranging Authority to the New In-house Companies - With regards to the management of human and capital resources, a wide range of authority currently held by NEC's headquarters will be transferred to the new in-house companies. With the transfer of this authority, as long as the in-house companies act within the range of corporate guidelines, they will have the ability to decide and implement policy. ii) Focus on Shareholder Value through Redistribution of Capital and Setting of Cost of Capital Targets for New Investment Focus on and selection of businesses will be accelerated through such measures as redistribution of capital among in-house companies, addition of cost of capital measurements, and setting of targets for return on capital. In the event in-house companies should see poor business results, or that they fall below established guidelines, they will be able to receive support for business restructuring. In more excessive situations, anything but thorough business restructuring will not be tolerated and strict responsibility will be implemented. iii) Focus on Capital Efficiency through New Evaluation of Corporate Results Attention to cash flow management will be heightened and each business will be evaluated based on the introduction of five new criteria: profit and loss on a global consolidated basis (including consideration of cost of capital), free cash flow, shipment growth rate, D/E ratio, and ROE. (3) Innovation of Corporate Functions - Increased Support for the NEC Group: i) Corporate Headquarter Divisions - To promote the independent operations of in-house companies after the transfer to them of wide-ranging management authority, 900 of the current headquarters staff of 2,200 people will be transferred and their function shifted to support the new in-house companies. To support NEC's top management and to promote the management of the global consolidated NEC Group, the headquarters will be organized into a slim 300-person unit. To raise the level of operations at each in-house company, a specialized Business Service staff will be established with approximately 1,000 staff to provide them with specialized fee-based services. ii) Corporate Business Development Division To develop a new domain of corporate business, a "Corporate Business Development Division" will be established and functions included at divisions such as the Corporate Research & Development Group and the Internet Business Strategy Office, while also being linked with North American business development functions at NEC USA. iii) Corporate Sales Division - A top sales function will be established at a corporate level, for horizontal sales support across NEC and with regional representation to strengthen NEC by presenting a single window to customers.

3. Restructuring of Low-Profit Companies - When NEC announced its intention to innovate its corporate structure on February 19th 1999, it announced restructuring plans for Packard Bell NEC and since then has announced various measures to improve the profitability of certain businesses, including: - An agreement with Hitachi for extensive cooperation in the DRAM business (June) - The sale of Nihon Denki Seiki Ltd. to NEMIC-LAMBDA K.K (March) - The sale of NEC Product Lease to ORIX Corporation (April) - The establishment of a joint-venture company with GE for medical equipment (July) - The integration of NEC's three defense-related businesses (Niko Electronics Ltd., NEC Wireless Electronics and NEC Electronic Equipment Engineering) into NEC Sensor and Network Systems (September). In addition to the restructuring of these businesses, NEC will restructure NEC Home Electronics, which is one business of particular concern. In order to cover the cost of these restructuring measures, NEC will compact its capital assets through sale of shareholdings and the use of securitization to liquidize its fixed assets. The company aims to reduce its interest bearing debt by 600 billion Yen over the next three years. Due to the financial restructuring measures implemented this year, NEC is now forecasting it will pay down debt from free cash flow by 300 billion Yen this year, an increase from its original forecast of 150 billion Yen.

4. Strengthening of Corporate Governance (1) Introduction of Company - Officers and Company Boards - With the introduction of an in-house company structure, a system of company officers will be introduced to create an independent business structure. Additionally, corporate decision-making will rest with a company board system to be established in preparation for independent management of the new in-house companies. Coming with the considerable authority invested in company officers will be appropriate incentives based on challenging criteria and evaluated by the business results achieved at in-house companies. As a result, NEC expects to create a company officer system that promotes its businesses in the ever-changing Internet realm. (2) Reform Board of Directors - The NEC Board of Directors, which currently consists of 37 executives, will be reduced to one-half of this number for speedier decision-making and to concentrate on fundamental management strategy and overseeing the direction of business at in-house companies. Furthermore, retirement for the holders of the offices of company Chairman and President will be set at 70 years of age. (3) Reform Decision-making Process - In executive decision-making on company-wide strategy, a reduced membership "Management Strategy Committee" consisting of the President and in-house company presidents will be established. In addition, executive decision-making regarding achievement of budgets will be taken at a "Business Progress Committee" that will also be established. (4) Disclosure of In-house Company Business Results - From the business year beginning April 1st 2000,

business results for in-house companies will be disclosed, and the responsibility of in-house company presidents and company officers made clear.

Through the above actions, NEC intends to promote the creation of corporate value by establishing a management structure that maximizes customer value, employee satisfaction and shareholder value. To guarantee this increase in shareholder value over the mid-term, utilization of employee skills and intellectual property will be maximized and management focus will be placed on providing high quality products and services to NEC's customers. About NEC Corporation - NEC Corporation (NASDAQ: NIPNY) (FTSE: 6701q.l) pioneered the concept of C&C, the integration of Computers and Communications, and is the only company in the world to be counted among top ranking corporations spanning the wide range of fields essential for this vision of multimedia: computers, communications and electron devices. Employing in excess of 150,000 people around the world, NEC saw net sales in fiscal year 1998-99 amount to 4,759 billion yen (approx. US\$40 billion). For further information, please visit the NEC home page at: <http://www.nec-global.com>

From Reuters Businesswire, 28 September 1999

BROADER Y2K POLICY ON AIR TRAVEL URGED

Because numerous foreign countries have not provided adequate information about the Year 2000 computer readiness of their air traffic control systems, Clinton administration officials need to develop a policy on whether U.S. airliners should fly to countries where Y2K uncertainties exist next year, according to the Transportation Department's top investigator. "With only 93 days left to go, providing timely and quality information to the traveling public remains a challenge," DOT Inspector General Kenneth M. Mead said in testimony prepared for a Senate hearing today. The Federal Aviation Administration faces a major decision on "what action, if any, it will take when a foreign country does not provide sufficient information for independent assessment," Mead added. Given the lack of data, Mead recommends that the FAA rethinks its Y2K strategy for dealing with foreign air traffic control systems. "As we understand the approach FAA plans to take, flight restrictions will only be imposed if there is a known, verifiable safety problem," Mead said. "Where there are significant uncertainties about a foreign country's Year 2000 readiness, we are not persuaded this approach will be sufficient because FAA is not likely to have verified evidence of problems until after Dec. 31, 1999." The U.S. Government, having fixed the bulk of its most critical computer systems, has increasingly turned its attention to Y2K readiness overseas and whether potential problems might disrupt the American economy. Since March, the departments of Transportation, State and Defense have been working together to evaluate the Y2K status of foreign nations but have struggled with sketchy information from abroad. In his testimony, prepared for the Senate special committee on Y2K, chaired by Sen. Robert F. Bennett (R-Utah), Mead provided a snapshot of the data available to U.S. policymakers. Mead reported that, as of last week, 34 of 185 countries belonging to the International Civil Aviation Organization (ICAO) have not responded to its Y2K survey. About 1 million passengers were flown between the United States and those 34 countries last year. Most of these countries are in Africa and Asia, Mead said. Numerous other countries that did respond to the ICAO survey failed to provide adequate data, including 28 nations frequently visited by U.S. airlines, Mead said. These countries are in the Caribbean, Central America, South America, Asia and former Soviet states, Mead said. In separate testimony for today's Senate hearing, FAA Administrator Jane F. Garvey said the Government "will take appropriate steps" to deal with any serious safety problems abroad. "Based on the information we have seen and collected to date, it appears that if any Y2K impact is felt, it would take the form of limited disruption of service in some locations," Garvey said. She said the FAA would conduct "extensive international testing" with 23 nations by December to ensure voice and data exchanges can be made through air traffic control communications systems after the calendar changes to 2000.

From Washington Post, 30 September 1999

Public Finance

ASIA/PACIFIC

ASIAN BANKS NEED OVERSIGHT

Emerging market countries need a spare tire — sound banks and alternative sources of money — if they want to avoid future Asian-style currency crises or lessen their damage, Federal Reserve Chairman Alan Greenspan says. The global financial crisis of the past two years, Greenspan said Monday, emphasized the necessity for these countries to pay attention to issues such as bank regulation and whether they are taking the right steps to build sound financial systems. "Improving deficiencies in domestic banking systems in emerging markets will help to limit the toll of the next financial disturbance," Greenspan told finance ministers and central bank governors attending the annual meetings of the International Monetary Fund and the World Bank. The sessions were moving to a broader venue today with the two organizations' 182 member nations starting a formal three-day session. World Bank President James Wolfensohn and IMF Managing Director Michel Camdessus were addressing the delegates. Greenspan said the chief lessons learned from the Asian economic crisis were that countries with narrow capital markets in which there are no alternatives to banks suffer greater economic disruption than those with diverse capital markets. "East Asia had no spare tires," Greenspan said in his speech. "Banks, being highly leveraged institutions, have throughout their history periodically fallen into crisis. When there was no backup, they pulled their economies down with them." He also said countries increase the cost of recovery when they don't act promptly to deal with a financial crisis. Global financial turmoil began in Thailand in July 1997 with a currency devaluation, then spread to Indonesia and South Korea later that year. The following summer Russia's economy collapsed, and then Brazil had to devalue its currency in January. "The failure of normal adjustment processes to contain the financial turmoil made this crisis longer and deeper than any of us had expected in its early days," Greenspan said. To support his contention that sound financial institutions can reduce turbulence, Greenspan pointed to the functioning of the U.S. economy during the global financial crisis. After Russia defaulted on billions of dollars in foreign debt in August 1998 and a large U.S. hedge fund nearly collapsed, "public capital markets in the United States virtually seized up," Greenspan said. Even top-quality borrowers were unable to find takers for their bonds in a nervous market unwilling to accept any new risks. The Fed stepped in last year and cut interest rates by 0.75 percentage point as a way to restore confidence and avert a severe credit crunch from dragging the United States into recession. Greenspan said the Fed's rate cuts were important, but he said it was far from the full explanation for the restoration of market confidence. Rather, Greenspan said, "at least as relevant was the existence of backup financial institutions, especially commercial banks," which stepped in and provided funds for businesses that were no longer able to raise money in the bond market. "With the process of credit creation able to continue, the impact on the real economy of the capital market (problems) was blunted," Greenspan said. He told the financial leaders that he believed this highlighted the importance of countries not only developing effective banking systems but also striving to have sound bond markets so that if one system gets into trouble, investors will have an alternative source of money. This year the Fed has raised interest rates twice since June 30 in an effort to slow the U.S. economy to a more sustainable growth rate and keep inflation under control. While many economists believe the Fed will boost rates for a third time when policy-makers next meet on Oct. 5, Greenspan offered no clues about the direction of interest rates in his speech Monday.

From The Associated Press, 28 September 1999

CHINA MUST REFORM FINANCIAL SECTOR, PRIVATIZE BANKS

In order for China to move forward in its economic reform efforts, Beijing must privatize the banking system, protect against financial mismanagement, guard the interests of shareholders and phase out capital controls, said David D. Hale, a prominent economist, at a seminar on October 1. Hale, Chief Global Economist at Zurich Kemper Investments and Chairman of ChinaOnline, made his comments at a seminar in Chicago commemorating the 50th anniversary of the People's Republic of China. The seminar was sponsored by ChinaOnline and R. R. Donnelley & Sons Co. China's banking system is currently burdened with a large percentage of bad debts, Hale said. After restructuring, the banks may only recover 30% of the original face value of the loans. The problem, the economist noted, is that the biggest banks in China are state owned and their largest customers are non-performing state-owned enterprises. By continuing to lend to these unprofitable SOEs, the banks are threatening their own long-term viability. "If China's banking system is going to play...these balance sheets have to be cleaned up," Hale said. Restructuring will be expensive, he noted, but is achievable. Hale cited Poland's banking system as an example of successful reform and added that Hungary and nations in Latin America are also well on their way towards reviving their moribund banking sectors. All these countries opened their financial sectors to foreign ownership as part of the reform process. The economist stated that China has made great progress of late by liberalizing trade, opening the country to foreign investment and developing a nascent financial sector. To make further economic progress, however, Hale said China must pass through six stages over the next three to five years. First, "the Government must get out of the business of allocating resources," Hale said. If Beijing continues to dole out capital through state-owned banks, SOEs will never learn to respond to market forces. Second, China must privatize the banking system. Third, for the private banking system to function properly, a regulatory framework must be in place to prevent the issuance of loans to non-

performing recipients like SOEs. Proper supervision is necessary to avoid the type of financial mismanagement that led to the Asian currency crisis of 1997. Fourth, China must create a framework of corporate governance to protect the interest of shareholders. Fifth, Beijing must phase out capital controls. Sixth, authorities should consider adopting an exchange rate policy that encourages financial stability. A fixed exchange rate has served China, and the rest of Asia, very well recently, but this may not be the best long-term solution. On the topic of exchange rates, Hale said, "China can escape devaluation because it doesn't have a high level of foreign debt." The country has borrowed no more than US\$80 billion from the world banking system, he noted. In his closing remarks, the economist stated that "China cannot have a successful economy without the rule of law and political pluralism." He said that both Taiwan and Korea represent successful cases where authoritarian regimes have given way to democratically elected governments. Hale was only available to answer a few questions from the audience before dashing off to attend a meeting with the Federal Reserve Bank of Chicago.

From China On-line, 1 October 1999

JAPAN'S OBUCHI UNVEILS NEW CABINET; MIYAZAWA, SAKAIYA KEEP FINANCE POSTS

Japanese Prime Minister Keizo Obuchi unveiled his new cabinet today, including members of the Liberal and New Komeito parties, consummating the tri-party coalition he forged to tighten his grip on power. Obuchi retained his top two financial officials -- Finance Minister Kiichi Miyazawa and Economic Planning Agency Director-General Taichi Sakaiya -- who helped steer the economy out of its longest-ever recession. He replaced the other 16 members of the Cabinet. Obuchi, 62, successfully engineered the inclusion of the Buddhist-backed New Komeito Party in his coalition, making it easier to secure support for his legislation. The LDP, Liberal and New Komeito coalition holds about 70 percent of the votes in the Lower House and 55 percent in the upper house. Until now, Obuchi didn't have an upper-house majority. "It's a fatal flaw for a Prime Minister to fail to obtain a decisive majority in Parliament," said Mamoru Yamazaki, senior economist at Paribas Capital Markets Ltd. "This coalition will definitely help Obuchi pass and implement his economic policies promptly." Since replacing former Prime Minister Ryutaro Hashimoto in July last year, Obuchi has taken a series of measures to rejuvenate the world's second-largest economy, including a record 24 trillion (\$225 billion) public works package last November. The spending spree has worked so far, spurring growth in the first two quarters of the year to end Japan's worst recession in 50 years. Still, the Government needs to spend more money to keep the economy growing, analysts and legislators say, and one of the first tasks of the new cabinet will be to draft a budget to pay for more spending. "To be sure, the economy has improved compared to a year ago, but neither consumer spending nor capital investment has returned to a self-sustaining recovery path," Miyazawa, 79, told reporters following the reshuffle. "We need an additional push in fiscal steps." For the Prime Minister, stakes are high. He will host a summit meeting of the Group of Seven industrial nations in Japan next year and hold a general election by October 2000. He must ensure the economy is in good shape to avoid criticism from voters and his G-7 counterparts. "Obviously, Obuchi's focus is to ensure a victory in the general election," said Tomoko Fujii, senior economist at Nikko Salomon Smith Barney Ltd. "Until the election, he can't loosen his grip on fiscal steps or cut down on public works spending." EPA chief Sakaiya, 64, has said the new budget should total 4 trillion yen (\$40 billion) to 5 trillion yen -- equal to about 1 percent of Japan's gross domestic product. Obuchi had a tough time a year ago in passing a package of bills to rehabilitate Japan's debt-plagued banking system. The ruling party was forced to swallow opposition parties' proposals, including the nationalization of failed banks to win support from opposition parties. "That lesson probably became a strong motivation for Obuchi to secure this coalition," Paribas' Yamazaki said. The Prime Minister named senior upper house LDP legislator Mikio Aoki to replace outgoing Chief Cabinet Secretary Hiromu Nonaka, after failing to persuade Nonaka, 73, to stay on. Nonaka said he was too exhausted to continue. Yohei Kono, a former president of the LDP was named foreign minister, and charged with leading preparations to host next year's G-7 meeting in Okinawa. Kono, who left the LDP in 1976 to form the now-defunct New Liberal Club party, returned to the LDP in 1986 and served as chief cabinet secretary in the Miyazawa administration. Michio Ochi, a former EPA chief, succeeded Hakuo Yanagisawa as chairman of the Financial Reconstruction Commission, Japan's bank regulator. Ochi, 70, started his career in 1952 at the Ministry of Finance. He was twice appointed director-general of the EPA, and chairs the LDP subcommittee on financial affairs. Takashi Fukaya, chairman of LDP's general affairs council, was named trade minister. Each of the coalition partners was given one post in the cabinet. The New Komeito Party's chief policy maker, Kunihiro Tsuzuki, was appointed head of the Management and Coordination Agency, which has led the Government's drive to deregulate some industries. The Liberal Party's Toshihiro Nikai will serve as transport minister. Hirofumi Nakasone, 53, the youngest member of the cabinet, and the son of Yasuhiro Nakasone -- Prime Minister between 1982 and 1987 -- won his first cabinet post as education minister. The reshuffle comes after Obuchi, the eighth Prime Minister in the past 10 years; last month won a landslide victory in the LDP's presidential election. It was a reaffirmation for Obuchi, a surprise successor to Hashimoto, and once dubbed a 'cold pizza' for his unappetizing appeal to voters. "Obuchi has successfully established an image of having a 'Cabinet in action,' which implements measures whenever problems arise," said Hitoshi Ichio, a strategist at Commerz Bank (Japan) Inc.

From Bloomberg, 5 October 1999

CHINA'S CENTRAL BANKER TALKS UP BANK, INTEREST RATE REFORM

Dai Xianglong, governor of the People's Bank of China, the nation's central bank, says China's bank industry must open up new paths of reform in order to resolve deep rooted problems, the October 11 Hexun Caijing (Homeway Financial News) reported. Dai's statements, which were originally published in the October issue of Zhongguo Jinrong (China Finance), touched on interest rate reform, the opening the domestic financial sector to foreign banks, and the convertibility of the renminbi. China's fixed interest rate policy and numerous regulations have limited the flexibility of commercial bank lending at Chinese banks, which has allowed them to

achieve only the narrowest of profit margins. Dai said regulations should first be relaxed on money market interest rates, followed by loan interest rates and finally interest rates on savings deposits, the paper said. Ultimately, all restrictions on interest rates will be removed, he said, making interest rates dependent on the market, according to the paper. On the opening of China's financial industry to foreign banks, Dai recognized the important presence of foreign-funded banks in China's financial market. He also said that China would gradually take away restrictions on foreign-funded banks' RMB transactions and their entry into the market, the article said. The People's Bank of China announced that China would lift the limit on the number of branches a foreign bank could have in China in January, and also announced it allow foreign bank branches in all of the nation's major cities. In August, the central bank announced that foreign banks in China would be allowed to expand renminbi operations from Shanghai and Shenzhen to cities in the provinces of Jiangsu, Zhejiang, Guangdong, Guangxi and Hunan. Dai also said that foreign-funded banks would eventually be given resident status, and China would help facilitate greater international financial cooperation, according to the paper. Finally, Dai said the renminbi would gradually become fully convertible under an uniformed and managed system of floating exchange rates and based on the forces of supply and demand in the market, according to the paper. In 1993, the Central Committee of the Chinese Communist Party resolved that "suitable conditions should be created in order to realize convertibility of the renminbi," but no specific timetable was ever established. In December 1996, China implemented renminbi convertibility for current accounts. At the World Economic Forum's China Business Summit held in Beijing this past April, Li Fuxiang, director of China's State Administration of Foreign Exchange, reiterated China's commitment to complete convertibility of the renminbi, but added that the transition to full convertibility would be an "evolutionary process." This is because China still needs time to strengthen its control of the macro-economy and its system for supervising financial institutions, Li explained. Last March, Dai told the People's Daily, "If capital project convertibility is completed excessively early, it would not only be harmful to China but also to foreign investments, and it might bring great trouble to other countries." Separately this week, in another bid to prod China's commercial banks to lend money and increase liquidity, the People's Bank of China issued a circular to all of its branches and the commercial banks, calling on them recognize the importance of commercial drafts, the October 10 People's Daily reported. The circular urged the commercial banks to support enterprises in their use of commercial drafts in goods and labor transactions, the article said. "The PBOC will appropriately increase the basic money supply through rediscount[s], guide the flow of credit capital, and develop the bill market," the article said. The circular also said that the scope of rediscounts would be expanded, and that commercial bills may be rediscounted after being discounted by financial organizations, the article said.

From China Online, 13 October 1999

LIST OF OVER 5,000 TAX EVADERS PREPARED IN PAKISTAN

The Income Tax Department, central region, has prepared a list of over 5,000 individuals and companies which have evaded tax during the last three years. The list is being forwarded to the Central Board of Revenue. While IT department officials were silent on the list, it is reliably learnt that it includes the names of PML legislators in most cases and companies belonging to them. Sources having access to the document said names of the chairman, Punjab task force on essential items, S M Hameed, and Ghulam Qadir Khan, younger brother of MNA Ghulam Dastgir Khan from Gujranwala, are on the list. The sources believed that an amount of over Rs1.35 billion could be realized if the persons and companies marked by the department paid their outstanding taxes. It is understood that the lists are being prepared at the instance of the new military set-up in Islamabad, which wants to go flat out to recover the stuck-up loans and unpaid taxes in the shortest possible time. In the meantime, Lahore Chamber of Commerce and Industry President Ilyas Chaudhry, reacting on Chief Executive Gen Pervez Musharraf's priorities in recovering bank loans within four weeks, said such action should not be taken recklessly, particularly for recovery of non-performing loans. He said the chamber had always wanted stern measures for paying back of bank loans from willful defaulters, and the authorities should not spare bankers who were involved in such activities. He said it would be appropriate if no action was taken against industrialists who had in the recent past settled terms with banks and DFIs on the issue of repayment of outstanding loans. Mr. Chaudhry asserted that his chamber had chalked out comprehensive suggestions on economic revival, with emphasis on creating an atmosphere of confidence between the business community and the Government on its economic policies. He said most of the economists agreed that the economy could take an upturn only when years-old problem of resurrecting sick industrial units was solved. This, he said, was quite possible if the Securities and Exchange Commission of Pakistan regulated the process of revival of these units. APP adds: The Central Board of Revenue (CBR), Islamabad, is preparing the list of mighty tax dodgers on fast track for the recovery of billions of rupees on war-footing basis. "Special directives have been issued for the recovery of evaded taxes even through coercive means as the ambience is quite conducive and hospitable to realize the objective", sources at central board of revenue said here on Monday. The board has accorded top heed to an action plan to ensure the implementation of the directive, given by the Chief Executive, Chairman, Joint Chiefs of Staff Committee and Chief of Army Staff, General Pervez Musharraf for the recovery of tax arrears from the dodgers in his address to the nation, sources added. Sources continued efforts are being beefed up to realize the task, adding an amount of Rs15 billion is expected to be recovered from the evaders following stern measures. Top priority is being accorded to revenue collection in accordance with the targets set for different quarters, as no political pressure can now be exerted to impede the process of recovery, sources added. The CBR seems to be poised to put its foot down against the habitual and big tax evaders as no interference is now in sight by the influential groups. Having all respects and courtesy for the honest taxpayers, the sources stated, evaders would not be spared adding only tax dodger will have to bear the brunt of the CBR tax recovery campaign.

From Pakistan-Dawn, 19 October 1999

EUROPE

THE EAST: PRIVATE CAPITAL TO INCREASE FOR EASTERN EUROPE, DECREASE FOR RUSSIA

For several years now, the flow of private capital -- money -- into the countries of Central and East Europe has far exceeded that from official sources like the World Bank and the IMF. The Russian and other financial crises dramatically cut private capital flows last year. Robert Lyle reports from Washington that private capital flows are projected to fall again this year, but not everywhere in the region. The Institute of International Finance (IIF), the organization of commercial banks and financial firms around the world, regularly monitors how private capital -- in the form of direct investment, equity investment and commercial bank lending -- flows into emerging market economies of the world. In the East/Central European area, these private capital flows hit a high of nearly \$73 billion in 1997. The Asian and Latin American financial crises cut the figure by more than half to \$31.5 billion in 1998. Now, the IIF forecasts that because of the Russian financial crisis last year, private capital will drop even further in 1999, to about \$23 billion. But the figure is misleading, acknowledges the institute. For while this drop reflects the evaporation of voluntary credit or investment flows to Russia, investment and lending to the other countries of Eastern and Central Europe are strengthening and should significantly rise next year. The IIF measures capital flows into Bulgaria, the Czech Republic, Hungary, Poland, Romania, Russia, Slovakia and Turkey for this region. For the year 2000, the IIF estimates private capital flows to the region will almost return to the 1998 level -- hitting over \$31 billion. And that is without the expectation of any significant return of private capital to Russia next year. The institute says net private capital flows to all of the 29 major emerging market economies it monitors globally are projected to drop slightly this year to \$135 billion, but go up to about \$155 billion next year. Investors and lenders are still treading very carefully when it comes to putting money into many emerging market economies because of the effects of financial crises. The head of the IIF, Charles Dallara, estimates that private banks alone lost more than \$350 million in 1997 and 1998 due to the Asian and Latin American crises. He said there is a high degree of turbulence in emerging markets generally because of the "substantial losses" resulting from the Russian and Asian crises. Russia effectively defaulted on a large amount of its debt to creditors last year, with the situation made all the worse by the dramatic decline in the value of the ruble against the dollar. The institute did not issue specific country measurements or forecasts, but noted that for the Central/East European region, equity investment this year will remain at the same level as last year, and rise by about \$3.5 billion in 2000. What has declined by more than half from 1998 to 1999, said the IIF, is lending by private banks and other creditors. That lending is expected to rise again by about 45 percent in 2000 if no other crises arise. What is still hurting most emerging market countries, including those in Central and East Europe, is the outflow of local capital. The IIF says that these outflows should begin to ease and reverse as countries recover from the Asian and Russian crises. The only thing that could dampen capital flows toward the end of this year, says the institute, is the fear -- to some degree self-fulfilling -- of the impact of the year 2000 computer problem. That may dampen capital flows for awhile because emerging markets are typically seen as more at risk than industrial country markets.

From Radio Free Europe, 27 September 1999

YUGOSLAVIA: U.S. WANTS EUROPE TO FINANCE BALKAN RECONSTRUCTION

There is general agreement that the Balkan nations are going to need a lot of help in the coming years to recover and rebuild. The United States wants Europe to pick up the largest part of the cost. RFE/RL's Economics Correspondent Robert Lyle reports that one senior American official told a Balkans reconstruction conference Friday that Europe still hasn't gotten that message: Washington, 27 September 1999 (RFE/RL) -- U.S. Deputy Treasury Secretary Stuart Eizenstat told a conference of government and non-government organizations that the U.S. underwrote most of the costs of the military operations designed to thwart aggression and bring peace to the Balkans. Now, he said, it's time the burden was shifted to Europe, which must assume "the lion's share of the reconstruction and humanitarian effort." Eizenstat said the U.S. will set the level of its contribution based on what the nations of Europe are willing to do. The U.S. and 32 other nations and seven international institutions in July pledged a total of over \$2 billion in quick humanitarian aid for Kosovo and its immediate neighbors. A follow-up donors meeting, tentatively set for the end of October, will focus on longer-term reconstruction and rehabilitation needs of the entire region. Friday's conference was co-sponsored by the European Union, the World Bank, and the George C. Marshall Foundation. The European Commission's Commissioner for External Relations, Christopher Patten, who spoke before Eizenstat, said Europe must match its "fine rhetoric with hard action on the ground." The approach must be to deal with the Balkans as a region which is a part of Europe, said Patten, not a quarrelous adjunct to the continent. Patten said: "For too long, we've adopted a piecemeal approach to the Balkans, wondering where the next crisis would erupt, attempting to apply the sticking plaster (bandage) when it did. I think we all now recognize that those days are over and that we need a regional approach to the problems of the region, and that's what the stability pact is all about." Patten told the gathering that Europe must help deal with the political situation, but more importantly underwrite economic recovery: Patten said: "Because without economic growth, there will be no prospect for lasting peace in the Balkans. Nothing feeds ethnic tensions more than grinding poverty." The World Bank's Vice President for Europe and Central Asia, Johannes Linn, told the conference that the bank has made available more than \$200 million in special assistance to the six countries of the region in 1999. Total Bank lending to those countries - Albania, Bosnia, Bulgaria, Croatia, Macedonia and Romania - in 1999 was close to \$1 billion and will be about \$900 million in the year 2000. But there is one political issue that must be dealt with sooner rather than later, said Linn, and that is including the Federal Republic of Yugoslavia in the development of the region: Linn said: "Without the development and integration of the Federal Republic of Yugoslavia into the regional economic and political framework, the rest of Southeast

Europe is not likely to develop and integrate, as shown in the experience of the last ten years." But this won't be easy. The World Bank cannot lend any money to Yugoslavia because it is not a member of the Bank. Eizenstat reiterated U.S. policy that opposes anything other than humanitarian aid to Serbia. The head of the conference's co-sponsor, the Marshall Foundation, Albert Beveridge, said that unlike what the famous Marshall plan did for Western Europe after World War Two, the world cannot wait for a neat political solution in the Balkans: Beveridge said: "The political condition of the Balkans is much more difficult than the situation that existed after the second world war and political change is necessary. But we cannot afford to wait for the optimum political climate before beginning the process." The EU and the World Bank, which have been co-chairing the assistance effort for the Balkans, say they will soon have a figure for the amount of assistance needed over the next five years. That number may be decided at next week's meeting in Washington of the steering committee for multinational effort.

From Radio Free Europe, 27 September 1999

IMF HALTS \$640M LOAN TO MOSCOW IN FRAUD INQUIRY

The International Monetary Fund shelved a \$640 million (£390 million) loan to Moscow after the Russian Central Bank stopped co-operating with American investigators in the Bank of New York money-laundering affair. The swift IMF action came after the Central Bank, alleging "unnecessary intrusion", refused last week to turn over statements, tapes and documents requested by the US Justice Department, USA Today reported yesterday. The information was requested in connection with claims that up to \$15 billion was illegally funnelled by Russian banks and crime syndicates through the Bank of New York. The request from the US last week was rejected by Central Bank officials at a meeting at the US Embassy in Moscow as an unwarranted intrusion into a domestic matter, prompting one Western analyst to note that the US inquiry had "really unsettled some very senior people" in the Kremlin. Until yesterday the IMF had played down the allegations, claiming it had no evidence that its most recent loans to Russia were misused, despite admitting that it was lied to by the Central Bank about large sums diverted to the Channel Islands in 1996. Mutual mistrust has now replaced bland reassurances, even at the highest level. On Monday, sources close to the US investigation said Russian officials visiting New York had been shown "irrefutable evidence" tracing the missing billions from the Central Bank through offshore and Bank of New York accounts. Until then the Russians had denied such evidence existed. The \$640 million being withheld by the IMF is the latest tranche of a \$4.5 billion financial package agreed last year to stabilize the rouble. The investigators believe that nearly 80 per cent of the loan did not reach Moscow. Russia enjoys a trade surplus of \$1.5 billion to \$2 billion a month. In Washington, the IMF's managing director, Michel Camdessus, said Russia was showing signs of economic recovery and the IMF would not abandon the country. Rome: Italian prosecutors confirmed that they had "firm evidence" that Russian criminal gangs operating on Italy's Adriatic coast had channelled "millions of dollars" through the Bank of New York (Richard Owen writes)

From London Times, 29 September, 1999

RUSSIAN TAX POLICE INVESTIGATE ALLEGATIONS BANKS DIVERTED MONEY ABROAD

Russian tax police are demanding five domestic banks turn over detailed records of clients' foreign transactions as part of an investigation of allegations they diverted millions of dollars owed to the State Customs Committee. The committee says it's owed about \$242 million in duties and fines, mainly from those five banks. Most Bank, one of the five, said armed customs officials burst into its headquarters on Friday and threatened a bank executive when he refused to produce documents on the foreign banking operations of all its clients, citing confidentiality rules. The banks failed to transfer to the government customs duties deposited by companies last year, the committee said. The money also may have been hidden in foreign bank accounts, he said. "They are causing damage to Russia's economy," spokesman Vladimir Yemelyanov said in an interview. "If we find evidence the money was sent abroad, we will start bankruptcy proceedings." Russia is cracking down on capital flight by domestic banks as U.S. authorities investigate allegations that as much as \$10 billion may have been laundered by Russian businesses and officials through Bank of New York Co. and other international banks. A U.S. grand jury Tuesday indicted a former Bank of New York official, her husband and another man and three money transfer companies in the first criminal charges stemming from the investigation into Russian money laundering at the bank. The defendants are accused of running an illegal banking operation that concealed their activities from U.S. bank regulators. They also are accused of illegally receiving deposits and running an illegal money transmission business. The U.S. Government said it uncovered illegal transfers of \$7 billion through Bank of New York and is continuing to search for the source of the funds. The committee is targeting five banks that had been among Russia's largest prior to the government's \$40 billion Treasury default last year -- Most Bank, Mosbusiness Bank, Promstroybank, Inkombank, and Rossiyskiy Kredit Bank. Russia's Tax Ministry said last week it's investigating more than 10 domestic banks for possible tax evasion and suspicious transactions through Bank of New York. Many Russian banks were pushed to the brink of collapse after the Government in August 1998 abandoned its defense of the ruble and defaulted on most of its Treasury debt. Often, the banks haven't transferred clients' tax payments or paid their own taxes. Russian law says any client that's instructed a bank to transfer taxes to the budget isn't responsible for the payments. Russian police have said they are cooperating with the U.S. investigation. On Tuesday, they raided a branch of Moscow-based Sobin Bank, one of Russia's top 20 banks by assets. Sobin Bank said police were looking for documents linking the bank to Moscow-based Flamingo Bank, which is under investigation for alleged illegal banking activities in Russia. The State Customs Committee says Most Bank owes \$77 million, including about \$30 million in fines. Most Bank said it's cooperating with tax police, though it will provide documents only in cases where clients are charged with crimes, according to Russian law. Most Bank earlier reached a preliminary agreement to offset its debt to the government with its holdings of defaulted Ministry of Finance bonds, bank spokesman Vasily Borisov told Bloomberg. Those talks now have been suspended. Borisov said the customs committee demanded documents on the transactions of media companies. Most Bank is part of the Most Group which

also owns NTV, Russia's largest independent broadcaster. "This is a clear political act of the Kremlin suppress the media before the elections," he said. Russian parliamentary elections are scheduled for December with presidential elections set for next year.

From Bloomberg, 7 October 1999

FRENCH CHEFS' TAX PROTEST BOILS OVER IN THE STREET

Riot police tear-gassed a mob of egg-throwing French chefs Monday in a stinging reply to demands that the Government lifts the 20.6 percent tax on restaurant meals. More than a thousand protesters wearing white aprons and the tall white toque hats of the classic French kitchen marched to the National Assembly to press their case with French legislators. Well-provisioned chefs immediately began pelting helmet-clad security forces with eggs and assorted vegetables. After sustaining seven or eight minutes of messy abuse, police calmly fired tear gas into the previously jolly crowd. Coughing and crying as he stumbled from the melee, a chef from Brittany named Victor spluttered: "See what their answer is? See how much they care about the little guys?" In a season of mounting European anger at the economic power and genetic menace of the American food industry, many of the protesting cooks carried signs denouncing the inequality of the restaurant tax code: 20.6 for classic French restaurants, but only 5.5 percent for fast-food and takeout establishments such as McDonald's, today's worldwide symbol of choice for American commercial imperialism. Restaurant owners and kitchen chefs argue that the tax policy subsidizes global food businesses and undermines the traditional French restaurateur. A restaurant tab in France is swollen by more than a third when the tax and obligatory service charge are included. Some of the protesters Monday claimed that a reduction in the tax, to 10 or 12 percent, could create thousands of jobs in the restaurant business. The Finance Ministry has said such a move could cost the government more than \$3 billion in tax revenue. After they were dispersed, the demonstrating chefs regrouped a few blocks away to select representatives to deliver petitions to the French Parliament, which is due to begin debating the 2000 budget next week. "Tell them thanks for the welcome," shouted one demonstrator wearing a toque.

From French Press Agency, 11 October 1999

MIDDLE EAST

ISRAEL FINANCE MINISTRY COMPLETES Y2K TESTING

The Finance Ministry has successfully completed a large-scale exercise to test the Y2K readiness of the Ministry and other relevant government financial institutions. The exercise consisted of three main stages: Deployment for shutting down data systems and preparing infrastructure for the exercise; carrying out the exercise; and returning to normal. The state budget system, the Accountant-General's bureau, financial systems, accounting systems at government ministries, civil service salary and pensions payment systems, management and information systems for the Ministry, personnel and other systems were all tested. A separate exercise tested electronic communications systems, survival scenarios in the event of system failures, and inter-organizational procedures covering infrastructure systems. Deputy Accountant-General Yitzhak Klein said that the exercise's success means that the Finance Ministry and its information and financial systems are ready for 2000, and any failures will be due to external or infrastructure factors.

From Israel Wire, 5 October 1999

THE AMERICAS

DEAL ON U.S. BANK REFORM REACHED

The US Congress and the White House have reached a deal that should clear away the last major hurdle to overhaul Depression-era US banking laws. For the first time in more than 20 years of trying, both the House of Representatives and the Senate passed bank reform legislation earlier this year. Since then a conference committee had been trying to reconcile the two measures. Last-ditch talks have finally produced a compromise on the politically charged issue of the Community Reinvestment Act, which makes banks lend in low-income areas where they take deposits.

From Financial Times, 22 October 1999

GLOBAL

DEVELOPING WORLD WARNS OF CAPITALISM COST

Developing countries welcomed new deals on debt relief and promises to help the poor at meetings of world financial leaders Wednesday, but warned of costs of capitalism and said the rich must do more to help. Pakistan's Finance Minister Ishaq Dar, kicking off the second day of the annual meetings of the World Bank and the International Monetary Fund, said globalization -- more open markets for goods and capital had been a mixed blessing. "Rapid globalization and integration is tending to enlarge the gap between rich and poor nations and make many economies fragile and susceptible to external shocks," Dar said. "Developed

countries need to increase the concessionary resource transfers to the developing countries, reduce their debt burden and facilitate their access to the developed markets," Dar said. The meetings, to be addressed by President Clinton later Wednesday, have centered on the need to ease the debt burden for the world's poorest countries and find ways to reduce the grinding poverty in many nations. Ministers agreed on financing for an expanded program of debt relief, the Highly Indebted Poor Countries (HIPC) initiative, and said more than 30 countries could benefit. "It is one of the critical economic issues," Francisco Aguirre-Sacassa, Nicaragua's ambassador to the United States, told Reuters. "For a country like Nicaragua, where debt is three times our gross domestic product and we spend five times more to service debt than we do on education, HIPC is critical." Many ministers, not just those from the developing world, also expressed reservations about unbridled capital flows, and said countries must prepare the ground carefully before allowing cash to flow freely in and out. "Australia has concerns about the potential impact of destabilizing short-term capital flows and the role of highly leveraged institutions, particularly their potential ability to manipulate small to medium sized foreign exchange markets," Australian Treasurer Peter Costello said. Russian Finance Minister Viktor Khristenko said in a speech released at the meeting but not delivered that free capital movements brought "considerable risks." "We believe there is a need to continue the studies of experience with using capital controls," he said. Russia eased most controls on capital in its initial efforts to build a market economy. High interest rates then acted as a magnet for foreign investors, even as Russians pulled their money out of the country at an estimated rate of \$1 billion a month. But the high-yielding government bond market became a sort of pyramid scheme, where revenue from new securities was used only to repay old debt. The pyramid collapsed in 1998 as the Government devalued the rouble and defaulted on domestic debt. Countries with controls on capital flows say they were shielded from the worst fallout of Asia's financial crisis, a wave of problems, which started in Thailand in the summer of 1997 and spread across Asia and beyond. Malaysia, rejecting IMF recipes of high interest rates, brought in capital controls last year amid a storm of investor protest, and Malaysian delegation head Mustapha Mohamed said the "unorthodox measures" had yielded positive results. "Economic recovery was achieved with minimal social costs to the most vulnerable segments of society," he told the meeting. "Unemployment remained low and poverty did not increase significantly. Our experience has shown that the standard IMF policy prescriptions introduced during the earlier part of the crisis did not work for Malaysia."

From Reuters, 29 September 1999

Private Sector Development

AFRICA

SOUTH AFRICA TO WRAP UP PRIVATIZATION BY 2004

South Africa said on Monday the restructuring and privatization of state assets worth 150 billion rand (\$25 billion) was on track and the exercise should be complete by 2004. "We want to be through with the privatization and restructuring of state assets when the first (five year) term of the Mbeki Government ends," Public Enterprises Minister Jeff Radebe told Reuters in an interview. Thabo Mbeki succeeded Nelson Mandela as president on June 16 and Radebe said that the ministry had since been upgraded and a director general appointed to help accelerate the process. South Africa's first democratic Government inherited between 600 and 800 enterprises from the Apartheid State when historic all-race elections ended white minority rule in 1994. Analysts regard privatization proceeds as an important way of trimming national debts of 377 billion rand and an even more important barometer of the ruling African National Congress's commitment to pro-market policies. Critics had claimed the process is taking too long but Radebe said that recent international acclaim spoke for itself. "The World Bank says South Africa is leading privatization in terms of volume and the amount realized from the sale of assets." The Bank's comments were made earlier this month. The Government, which had previously declined to set targets for the restructuring and disposal of state assets, is busy with a business plan to anchor the process. "These would be coupled with performance contracts...we are going to be aggressive with the restructuring of state assets," said Radebe. So far its efforts have seen the partial privatization of at least nine entities, netting in excess of 11 billion rand since it began the sell-off in 1996. One of Mbeki's first presidential acts was to announce the sale of a 20 percent stake in South African Airways (SAA) to Swissair (SWSZn.S) for 1.4 billion rand. Enterprises due for partial privatization this year include the South African Forestry Company Ltd, whose value is estimated at between 1.5 billion rand and two billion rand. Radebe also said the Government was in the process of wrapping up a deal with British Aerospace (BA.L) for a 20 percent stake in state arms manufacturer Denel's aerospace division. "We are confident that we are going to be right on track by the end of the five-year term," said Radebe. Top among South Africa's other large state sales was the placement of a 30 percent stake in telecommunications parastatal Telkom for \$961 million to a consortium of SBC Communications Inc (SBC.N) and Telekom Malaysia (TLMM.KL) in 1997. Twenty percent of the South African Airport Company was sold early this year to Italian airports operator Aeroporti di Roma (ADR.MI) for 819 million rand. And the country has also appointed a consortium of New Zealand Post and Britain's Royal Mail for a three-year management partnership with the loss making Post Office.

From Reuters, 27 September 1999

NIGERIA SAYS PRIVATIZATION WILL PREVENT MONOPOLIES

Nigeria's Vice-President Atiku Abubakar said on Monday the Government's privatization programme would ensure a level playing-field that will not encourage the emergence of monopolies. "We are being careful to ensure that the privatization exercise does not amount to merely the transfer of public monopolies into private monopolies," Abubakar said while opening a two-day investment conference in the capital Abuja. "We are establishing a conducive investment atmosphere with a level playing-field, with defined rules and regulations that would encourage the return of genuine investors," he added. President Olusegun Obasanjo's Government plans to sell government holdings in over 1,000 companies under a three-phase programme expected to end with the privatization of state-owned power and telecoms utilities in 2001. Abubakar is chairman of the National Privatization Council, which is overseeing the process. The investment conference is a prelude to the annual Nigerian Economic Summit, an annual forum of Government and the private sector, set to begin on Wednesday.

From Reuters, 18 October 1999

ASIA/PACIFIC

JIANG STRESSES IMPLEMENTATION OF SOE REFORM DECISION

Chinese President Jiang Zemin has emphasized that the latest decision made by the Party Central Committee must be implemented to push forward the reform and development of the country's state-owned enterprises (SOEs). The Decision of the Central Committee of the Communist Party of China (CPC) on Major Issues Concerning the Reform and Development of State-owned Enterprises, adopted at the 4th Plenum of the 15th CPC Central Committee on September 22, 1999, contains guidelines for the reform and growth of SOEs and must be implemented, Jiang said. Jiang, also general secretary of the CPC Central Committee and chairman of the Central Military Commission, made the comment during an inspection tour of China's largest commercial center, Shanghai, September 23-28. He noted that Shanghai has made new achievements in ethical and material progress, as well as city construction, thanks the efforts of local officials and people in their timely and earnest implementation of the CPC Central Committee's guidelines and policies. He asked local officials to emancipate the mind, seek truth from facts, and continue to promote social and economic progress. Jiang visited a number of factories, schools and living quarters in the city, which is in full swing to

celebrate the upcoming National Day on October 1. As one of the country's traditional industrial bases, Shanghai has made considerable efforts to attract overseas investment and introduce advanced technology and management experience to help SOEs become more competitive in the domestic and international markets. Jiang's Shanghai tour featured visits to SOEs and Sino-foreign joint ventures. On September 24, he visited the Shanghai Huahong-NEC Electronics Co. Ltd. a joint venture with Japan's NEC, and Shanghai GM Company Ltd., the largest Sino-US joint venture set up in 1997 by General Motors and the Shanghai Automotive Industry Corporation. The company has produced 10,000 GM Buicks since April this year. Jiang pointed out that the SOEs must introduce world-advanced high-tech developments and seek diversified exchange and cooperation with overseas counterparts. During his visit to the Shanghai Boiler Company Ltd., a 78-year-old factory specialized in producing power station boilers, nuclear power equipment, pressure vessels and boilers for industrial use, Jiang said that the SOEs have made great contributions to the country's industrial development over the past 50 years. He expressed his hope that the SOEs can further reform management and develop technology to meet the demands of market competition. The level of science and technology, especially high technology, determines the comprehensive strength of a country, Jiang pointed out while inspecting the Shanghai Aerospace Equipment Manufacturing Plant. Science and technology will be leading elements playing important roles in economic growth and social progress in the 21st century, he added. Jiang observed rockets, satellites and other products for national defense at the plant and gave high praise to the scientists and technicians. The establishment of a modern enterprise system is crucial to the reform of the SOEs, Jiang said, adding that the SOEs should play a better role in leading the country's economic development in the next century. Jiang spent the Mid-Autumn Festival on the evening of September 24 with crowds of people on the pedestrian street of Nanjing Road, known as the number one commercial street in China. Over the past few days, the Chinese president also paid visits to a local residential area, a supermarket, a school, the Pudong International Airport, the Shanghai Stock Exchange and the Jinmao Mansion, the country's tallest building at present. The Chinese nation should absorb the excellent achievements of all the world's civilizations, while inheriting and developing its own, said Jiang as he met with the compilers of the "Word Ocean" Chinese encyclopedia.

From China People's Daily, 29 September 1999

INDIA BANK PRIVATIZATION PUSH GAINS SPEED

India's banking system is coming full circle. After a rash of nationalization in 1969 and 1980, there are moves to privatize them all over again. India's caretaker Finance Minister Yashwant Sinha recently joined the chorus for privatization by saying he favoured private ownership of the country's 19 state-run banks. "My own feeling is that except the State Bank of India (SBI) we should divest our equity in other banks below 50 percent..." Sinha told Reuters this month. SBI, the country's largest bank with seven associate institutions, has the country's central bank as its main shareholder. Sinha said banking reforms should not concentrate merely on reducing non-performing assets or on improvements in accounting and capital adequacy ratios but should also focus on the ownership structure and autonomy of banks. Sinha's Bharatiya Janata Party-led coalition, which is expected to return to power after parliamentary elections that end in early October, has promised to take banking reforms into its second stage. The first stage in 1994 allowed banks to offer up to 49 percent shareholding to the public, reversing a process that began in 1969 with the nationalization of 14 large private banks. But management control remained with the Government. The inefficiencies of the system did not matter until the early '90s when new foreign and private banks entered. "Nationalization achieved what it set out to do -- making banking services accessible throughout the country. While there have been quantitative achievements, it has failed on the qualitative front," said Bandi Ramprasad, chief economist at the Indian Banks Association (IBA), a grouping of bankers. Commercial bank branches grew to nearly 65,000 at the end of June 1998 from a little over 8,000 before nationalization, boosting the country's savings rate to 23.1 percent of GDP in 1997/98 from 12.8 percent before nationalization. Analysts said the Government's fiscal position made privatization of banks inevitable. "He (Sinha) has no choice. He can't go on endlessly recapitalizing loss-making banks. The Government's finances cannot let him do that," an analyst with a foreign brokerage said. The Government has spent over 200 billion rupees (\$4.6 billion) in recapitalization funds since banking sector reforms started. "Even now you have banks with negative net worth which are asking the Government for more funds." Top bankers, realizing state-run banks will continue to dominate the sector for a few years until the privatization process is completed, have already been exhorting colleagues to change their ways. "For two full decades, you indulged in the freedom you were given -- the freedom to be complacent, the freedom to be lethargic, the freedom to be inefficient," Pannir Selvam, IBA chairman and chairman and managing director of the state-owned Union Bank of India, told a bankers meeting last year. This was mainly because of a sense of security which arose from working for a sheltered economy and which ensured captive business, he said. But with deregulation, globalization and competition, a feeling of panic set in, Selvam said. State-run banks account for nearly 80 percent of all deposits and advances in India. "Under private ownership, there will be a continuous and thorough scrutiny of performance," said R.S. Hugar, chairman and managing director of Corporation Bank, a state-run bank which went public in 1997. State-run banks have been demanding greater autonomy from the Government to compete with foreign banks and private banks. "Banks should have the freedom to hire and fire. When foreign and private banks are armed with this freedom, we are really working with our arms tied," one banker said.

From Reuters, 4 October 1999

PROGRAMMATIC DOCUMENT GUIDING CROSS-CENTURY REFORM AND DEVELOPMENT OF SOEs

Soon after the conclusion of the Fourth Plenum of the 15th Central Committee of the Communist Party of China (CPC) held between September 19-22, which adopted the CPC Central Committee's Decision on Some Major Issues Concerning the Reform and Development of State-Owned Enterprises (SOEs). Wu Bangguo, member of the Political Bureau of the CPC Central Committee

and vice-premier of the State Council, was interviewed by the correspondent of the Study Time and answered the latter's questions. Following are the main points of the interview: Regarding the immediate and historical significance of the Decision, Wu said, the Decision is based mainly on three aspects of consideration: First, the system change and structural readjustment of State-owned enterprises are currently in the decisive stage, which face many deep-seated contradictions and problems and require that we accelerate advancing the reform and development of SOEs. Particularly at the turn of the century, under the circumstance that externally, we are opposing hegemonism and power politics, internally, we are safeguarding the unification of the country, it is necessary to enhance China's overall national strength, to achieve this, it is imperative to run SOEs well. Second, successful operation of SOEs has a great bearing on the general situation regarding reform, development and stability. Making the reform and development of SOEs a success is conducive to improving the overall quality of the State-owned economy and the economic efficiency, to bringing the national economy really on to the road of high rate, good efficiency and sound development, and to bringing about the stability and unity of the whole society and the long-term peace and tranquility of the State. Third, conditions are available for making the Decision. We have effective theoretical guidance, rich experience, solid material and technological foundation, better condition and larger rooms for movement, and gradually improved external environment for the reform and development of SOEs. Regarding the main contents of the Decision, Wu said, the Decision expounds on the main targets and guidelines for the reform and development of SOEs, sets forth the policies, measures and working plans for achieving these targets. The 12 points listed in the Decision are all major issues concerning the reform and development of China's State-owned enterprises. Regarding the principal characteristics of the Decision, the vice-premier said, the Decision contains mainly the following characteristics: First, it gives full expression to the essence of the 15th National Congress of the Party, it has a strong ideological content; second, it adheres to the principle of emancipating the mind and seeking truth from fact and is highly innovative. Third, it comprehensively sums up the practical experience and provides a strong guidance. Fourth, it devotes major efforts to solving outstanding problems, the policies and measures are strongly operational. Regarding the question of from which aspects should efforts be made to implement the Decision, Wu Bangguo said, at present, conscientious efforts should be made to grasp the following five links: First, accelerating the pace of structural readjustment and enterprise reorganization. Second, adhering to the reform orientation for the establishment of a modern enterprise system. Third, concentrating efforts to solve the outstanding problems currently facing enterprises. Fourth, promoting enterprise technical progress and industrial upgrading. Fifth, establishing and perfecting the social security system. Regarding how to approach the prospect of the reform and development of State-owned enterprises, Wu said, pressing forward the reform and development of State-owned enterprises indeed involves many difficulties, but at the same time there are many favorable conditions: We have the Party's unified leadership; rich experiences accumulated over the past many years of reform; much greater comprehensive national strength; and the guidance of the present Decision and a series of new policies and measures. So long as the whole Party works with one heart and in a down-to-earth manner, then the three-year target and the 10-year goal set in the Decision can certainly be realized.

From China People's Daily, 8 October 1999

NEW REGULATIONS TO STANDARDIZE TOURIST GUIDE SERVICE TAKE EFFECT IN CHINA

Starting from October 1, Regulations on Tourist Guide Management, the second state administrative law newly promulgated for developing tourist service, has been put into force in China. Meanwhile, necessary applications have to be made by people for licensed career of tourism in the country. Statistics say there are involved over 70 thousand professional and part-time tourist guides in China. Under the new "Regulations", standard guiding activities and the legal interests of tourists and guides are to be guaranteed to ensure a sound development of tourism in China. As are required by the "Regulations", all tourist guides must render their service under the assignment of travel agencies and wear chest cards of identity. Tourist administrative departments have the right to instruct a correction of any non-identified tourist guide performance and publicly impose a fine of \$RMB1,000-30,000 yuan as penalty. All illegal income will be confiscated. Guides are forbidden from peddling goods or making any illegal purchasing from tourists. They are forbidden to exhort tips directly or by hint and cheat or coerce tourists into consumption. Guides are not allowed to increase or decrease any travel item, to change reception schedule or halt travel activities without authorization. Guide license will be suspended for 3 to 6 months for regulation breaking. License will be revoked for serious offenses committed and the event will be publicized. It is reported that "Tourist Guide Certificate of the PRC" and chest cards trial used in some areas in recent years will be put out of use by the end of this year.

From China People's Daily, 8 October 1999

BEIJING VOWS TO LEAD COUNTRY IN THREE ASPECTS OF SOE REFORM AND DEVELOPMENT

At the Third Plenum of the Eighth Beijing municipal Party committee concluded October 11, Jia Qinglin, member of the Political Bureau of the CPC Central Committee and secretary of the Beijing municipal Party committee, pointed out: in compliance with the requirement of "striving to create first-rate feats", Beijing, as the capital of China, should and has the conditions to become "leader in three aspects" regarding implementation of the spirit of the Fourth Plenary Session of the 15th CPC Central Committee and promotion of the reform and development of State-owned enterprises (SOEs). Specifically speaking, Beijing should take the lead to realize the goal of completing the reform of SOEs and helping them get out of difficulties in three years; to promote the initial establishment of a modern enterprise system in large and medium-sized key State-owned enterprises and to complete the readjustment of the economic structure and the upgrade and optimization of industry. It is reported that the "Opinion of the Beijing Municipal Party Committee on Implementing the Spirit of the Fourth Plenary Session of the 15th CPC Central Committee and Vigorously Promoting the Reform and Development of State-Owned Enterprises adopted by the Third Plenary Session of the Eighth

Beijing Municipal Party Committee set forth the objective of implementing the "leader in three aspects" step by step, this means by the end of 2000 most large and medium-sized loss-making State-owned enterprises in the city will have been helped to get out of difficulties, most large and medium-sized backbone State-owned enterprises will have initially established a modern enterprise system and will see marked improvement in the situation of their operation. Then in around two more years, they will have preliminarily set up enterprise operational mechanisms suited to the requirements of the market economy and brought the enterprise's plan into reality wherein the superior is selected and the inferior eliminated, the manager can work at a higher or lower post, workers can be transferred to other jobs, income can be increased or decreased, technology sees constant innovations and the value of State assets is preserved and increased; they will have preliminarily set up a sound social security system based mainly on old-age pension, unemployment and medical insurance, perfected the management, supervision and operation system of State assets and formed a market system that can promote equal competition and common progress of diversified economic sectors. By 2010, they will have basically completed the strategic readjustment and regrouping of the State-owned economy and formed a comparatively comprehensive modern enterprise system, so as to bring about a marked improvement in the economic efficiency and growth quality of State-owned enterprises and tangible enhancement in the ability to develop science and technology, participate in market competition and resist risks, by then the State-owned economy will play a better leading role in the capital's economy.

From China People's Daily, 12 October 1999

EUROPE

HUNGARY TO SELL FINAL OTP BANK STAKE

Hungary will finish the privatization of the country's largest commercial bank, OTP, this month by selling its remaining 14.1 percent stake, privatization agency APV said on Tuesday. "We arrived at the last phase of OTP's privatization...after which the state will retain one golden share," Gyula Gansperger, chairman and general director of privatization agency APV, told a news conference. Hungary will offer 3.95 million shares to investors, with 60,000 to the domestic public and the rest to domestic and institutional investors. APV said it may increase the public offer to 400,000 shares if there is strong demand by decreasing the allocation to institutional investors. The maximum price for the domestic offer will be announced on October 15, while the final price will be published officially on October 26. "The value per share reached at the private placement in forints is to be compared to the domestically announced maximum price by the lead managers and the lower one will be the final issue price," APV said in a statement. Global coordinators of the transaction are CA IB Securities and Henry Schroder Ltd. The first phase of OTP's privatization dates back to 1992 when a five percent share package was offered in exchange for compensation coupons awarded to victims of persecution under Hungary's former fascist and communist regimes. In 1994, a further 20 percent was offered, followed by a 33.4 percent and a 25 percent stake in 1995.

From Reuters, 12 October 1999

ICELAND BANKS TOP PRIVATIZATION LIST

Iceland's two state-controlled commercial banks top the Government's privatization list and will probably be sold off next year in a public offering, a senior finance ministry official said at the weekend. But privatization secretary Gudmundur Olason told Reuters in an interview it would take up to 18 months for a planned sale of state-owned telecom company Landssiminn, the country's most attractive privatization target, to go ahead. "The banks will probably be next. They are ready to be sold at any time...it's just a question of the Government's decision, followed by parliament approval," he said. The two banks are Landsbanki Islands (National Bank of Iceland) -- which is the country's biggest bank with an estimated market value of 18.9 billion crowns -- and Bunadarabanki Islands (Agricultural Bank of Iceland), valued at 13.3 billion. If the sale of the commercial banks went ahead, the Government would probably wholly divest its stake of around 85 percent in each, although it might do so in stages. Iceland's centre-right Government elected in May has made privatization of state-owned companies in the country, which has a population of just a quarter of a million, a priority. It also views the step as a good way of taking money out of circulation and cooling an economy expected to grow by at least five percent for the fourth consecutive year.

FBA Sale outcome key to future divestment

Olason said the Government was waiting to see how the sale of its remaining 51 percent stake in the Icelandic Investment Bank (FBA) went in the next few weeks before making any concrete decisions. "If that fails there will probably no privatizations for the next two years," he said. The Government is seeking a consortium of investors to buy its controlling stake in FBA in a complex transaction that will limit individuals or single groups of investors to a maximum six percent stake. This is expected to curb foreign appetite for the shares, which the Government would actually welcome, but Olason said so far there had been inquiries from Denmark, Sweden and Finland. Bids are due by November 5. "There is a lot of international interest for Icelandic companies because Iceland is a North European country with a highly developed economy," he said. Initial sales in FBA and the two commercial banks last year attracted huge demand. The Government's October 1 budget predicted privatization proceeds of four billion crowns (\$56.18 million) in 2000. Olason said this was a hypothetical figure based on the difference between the book value and estimated market value of the companies which might be sold -- which is substantial in the case of most state-owned Icelandic

companies. "We thought that this figure (four billion) would be a reasonable number but it will probably be either far more or far less, depending on what we do," he said. Olason said Landssiminn, with an official estimated market value of nearly 50 billion crowns, was still earmarked for privatization. But the process would take 12-18 months because of the preparations required, which include passing laws to finish liberalizing the telecoms sector, he said. A bill was expected to be presented to parliament later this year and passed early in 2000. Another potentially choice target for investors, national power company Landsvirkjun, would eventually be privatized but this would take five to 10 years, Olason said.

From Reuters, 12 October 1999

TURKEY PLANS \$5.3 BILLION OF SELL-OFFS IN 2000

Turkey plans to sell state-owned firms worth \$5.3 billion next year, reviving a privatization programme stalled by economic weakness and earthquake devastation, State Minister Yuksel Yalova said on Tuesday. Speaking after a meeting of the High Board of Privatization, Yalova said the Government expected to receive \$3.2 billion of this figure in 2000, with the remainder in subsequent years. The board, chaired by Prime Minister Bulent Ecevit, was meeting for the first time since June. August's earthquake, which killed more than 15,800 people, had placed a question mark over the country's sell-off timetable. Political and legal obstacles have in the past prevented successive Governments from fulfilling ambitious sell-off plans. Since March 1996, privatization revenues have totalled around \$2.6 billion. "It was decided (at the meeting) that privatization will continue as fast as possible," Yalova told reporters. He said the number of companies in Turkey's privatization portfolio would be reduced to 25 by end-2000 from 74 currently. It was not clear if this meant that 49 ongoing privatizations would be completed by the end of next year. The minister also said a tender for the block sale of a 51 percent stake in petroleum distributor Petrol Ofisi would be issued in mid-November. A decision in principle was reached at the meeting for a public offering of around a 20 percent stake in state oil refiner Tupras in the first quarter of 2000. Yalova, addressing union misgivings about privatization, said social and regional criteria would be taken into account when considering future sell-offs. He said companies would have to meet certain, as yet unspecified, criteria in order to participate in future privatization tenders. Some previous tenders were cancelled after winners failed to fulfil financial obligations. Privatization Administration Chief Ugur Bayar said the sum of \$5.3 billion for sell-offs in 2000 did not include the planned sale of a stake in Turk Telekom and licenses to operate new mobile phone networks. A final decision on the format of the Telekom stake sale and the GSM network licenses would be announced after a meeting on October 19, Yalova said. He added that work was continuing on a partial privatization of national carrier Turkish Airlines. Under a previous sell-off programme, a tender for the sale of a 30 percent stake in the airline was planned for the fourth quarter of this year. Yalova also said Isdemir, state-owned producer of long steel products, would be privatized "without any price problems" if the buyer agreed to invest an estimated \$600-800 million to convert output to flat steel products, in line with domestic and international market conditions.

From Reuters, 13 October 1999

MIDDLE EAST

SAUDI MINISTER SAYS SAUDI COMMITTED TO PRIVATIZATION

The Saudi minister of industry and electricity said on Sunday the kingdom was committed to reinforcing the private sector's role in its economy and pushing its diversification drive away from oil. Hashem bin Abdullah bin Hashem Yamani also told the Council of the Saudi Chambers of Commerce at a meeting in Riyadh that the kingdom was considering setting up an investment body to review its laws and propose incentives to foreign investors. "The future trend in the kingdom requires more efforts to reinforce the role of the private sector, to increase its effectiveness and to diversify its activities and increase its competitiveness," Yamani said in a speech obtained by Reuters. Saudi Arabia, the world's largest producer and exporter of oil, has been hard hit by fluctuations in the prices of oil, its main source of revenue. The kingdom has been trying to rein spending and diversify its economy away from oil and has begun steps to sell some of the loss-making state-owned firms to the private sector. Economists say the pace of economic reforms in the oil-rich Gulf Arab states, including Saudi Arabia, was expected to slow down after crude prices began to recover from last year's slump. But they said many had learnt a lasting, but painful, lesson from the price drop and thus would not abandon the reforms. The private sector accounts for less than half of the country's gross domestic product. Yamani said that a new Supreme Economic Council, which Saudi Arabia announced last month, would take a leading role in drafting and implementing the kingdom's economic policies. The council, to be headed by Crown Prince Abdullah, would also "enable the private sector to enter the era of privatizing state establishments in accordance with the general welfare of the country..." Yamani said. He said the kingdom had already taken several steps towards privatization, including a decision to restructure its loss-making electricity sector and a cabinet decision to set up a company to provide services in the industrial cities of Yanbu and Jubail. The kingdom had earlier moved to privatize its telecommunications sector and had set up a company to provide telephone services. Saudi Defense Minister Prince Sultan also said last week that a committee could be set up to help push ahead the privatization of loss-making Saudi Arabian Airlines Corp SAUD.CN. Yamani said the kingdom was also focusing on technology transfer and moves to lure foreign investors. Among the proposals being considered were setting up a general investments body, reviewing the kingdom's foreign investment laws, speeding up processing of company licensing, offering tax incentives, upholding copyright laws and other measures to assure foreign businessmen of equal treatment with local investors. He said the ministry of oil and mineral resources was currently studying mining laws in the kingdom to help lure investors. He gave no details. Yamani also said that some 48 factories with a total

capital of 900 million riyals (\$240 million) had come on stream since the beginning of the current Islamic hijri year, which began in April, and that many others were being set up.

From Reuters, 26 September 1999

EGYPT STATE BANK CHIEF BACKS BANK SELL-OFF

Half of one of Egypt's big state banks should be sold to the private sector, with a strategic investor taking a 20 percent stake, the chairman of Egypt's biggest state bank was quoted as saying on Thursday. Mahmoud Abdel-Aziz of the National Bank of Egypt (NBE) said this formula was "the ideal way of privatizing banks" and he wanted to see his own bank move into the private sector, the Al-Ahram weekly newspaper reported. "We need new layers of management and a new business plan which can only come about through a strategic international banker and a reputable shareholder that will hold 20 percent of the bank's assets and put in new money," Abdel-Aziz said. "Another 30 percent of the privatized bank can be publicly owned by subscribers through the stock exchange after it has been determined who will run the bank and which technology and management policy will be applied." Asked if, as chairman, he would support the privatization of NBE, he replied: "One of my hopes is to end my career by privatizing NBE... This is the age of mega-banks. We have to think globally. We have to be ready for competition." Egypt's former Government announced more than two years ago that it would privatize one of its four big public sector banks -- National Bank of Egypt, the Bank of Alexandria, Banque du Caire or Banque Misr -- but later back-tracked. Abdel-Aziz said Egypt cannot afford to ignore that it has accepted the terms of the General Agreement on Tariffs and Trade (GATT) on the liberalization of financial services. How can we compete when public ownership of the banks prevails? Why have our hands been tied?" Foreign securities houses have lobbied for more large-scale privatizations, and, specifically, for the Government to make good on its promise to privatize one of the big four state banks. When privatization chief Atef Obeid was made prime minister last week, the stock market shot up in the hope that he would boost Egypt's economic reform programme and privatizations. The 41-share Hermes Financial Index gained six percent in a week to close at 10,530.80 on Wednesday. On Thursday it resumed its uptrend, showing an increase of 1.5 percent by 1150 GMT. It is rare for Egyptian equity indices to move more than one or two percent in one session since the bourse imposes a five percent limit on individual share price movements.

From Reuters, 14 October 1999

THE AMERICAS

USA STATE RECOMMENDED TO LET PRIVATE FIRMS MANAGE PCs FOR COST SAVINGS

Just about every ordinary Joe with a computer shares common fears: Who's gonna help when I get stuck? What if something really goes wrong with this computer? And what good is it to spend all this money when the machine's going to be the functional equivalent of a Model T in three years? State Government faces the same problems on a much bigger scale -- about 60,000 computers' worth -- but a state technology council has devised a simple solution: Let someone else worry about it. They've tried it at the Virginia Department of Transportation. They've fallen in love with it. And they've estimated that it may cost as little as one-third of what the state now spends to take care of each worker's PC. It's called "seat management," but a better way to describe it might be cradle-to-grave PC services. State agencies would pay a flat, "per-seat" fee to a private contractor to take total responsibility for managing computers: Purchase, ownership, training, maintenance, assistance, replacement at least every three years and disposal of outdated equipment. Other government agencies have done this -- notably, the federal General Services Administration and NASA -- but no state has fully converted from owning all its PCs to letting a contractor handle them. "We've already made the decision that seat management is the way to go," said Pete Kolakowski, VDOT's assistant commissioner for planning, research and technology and chairman of the seat management work group of the governor's Council on Technology Services. On Wednesday, the council made that recommendation formal at its meeting in Lexington, where the state held its first symposium on using technology in government. The panel recommended taking VDOT's pilot project statewide, applying it not only to state agencies, but also to colleges, local governments and local schools. The council also proposed spending \$7.2 million on the transition in next year's budget -- perhaps enough to move 10 percent of state agency PCs into seat management. Moving forward will require the General Assembly's approval. State Secretary of Technology Donald W. Upson told the council that the plan makes sense. "It's just reflecting what we're all going through at home," he said. "I don't want to buy a computer and go to Best Buy next week and see one at half the price and twice the power." Apparently, the costs to the state of managing its own PCs are staggering. Before beginning the pilot seat management process, VDOT estimated that it was spending nearly \$4,500 per year per computer, with each PC on a schedule to be replaced every three years. That breaks down to \$2,500 per year for hardware, \$500 for software, \$950 for support personnel costs, \$90 for maintenance and \$400 for disposal. The seat management pilot project, on the other hand, costs about \$1,500 per computer per year. And the company that's doing it -- Alexandria-based Halifax Technology Services Co. -- is making money on the contract, though company officials decline to say how much. A consulting firm is evaluating VDOT's original analysis of its own costs, which was based on the 2,000 computers VDOT would replace in one year, not its entire pool of 6,000 computers. The firm is expected to report its findings within about a month, Kolakowski said. Even if VDOT's analysis were flawless, though, it probably wouldn't translate into 67 percent savings across the board if the state suddenly switched to seat management. The main reason is that the analysis is based on replacing computers every three years, and many agencies aren't anywhere close to doing that now. That means their current annual computer costs could be significantly lower than \$4,500 per year per PC. "If your agency isn't funded to the level of three-year replacement, you can't afford it," said Ken Mittendorf, director of

information systems for the Virginia Supreme Court and a member of the Council on Technology Services. In other words, if agencies have to pay for this out of their cost savings, they might not be able to do it -- it could require new spending. The consulting firm reviewing VDOT's cost analysis is also reviewing the agency's actual savings during the 10-month pilot project. But Kolakowski said they can already see savings. For example, he said, VDOT had been paying highly trained technicians \$50,000 to \$55,000 per year just to have them spend half of their time "installing PCs or playing warehousemen." Seat management has freed them up to do work they're trained -- and paid -- to do, which translates into a productivity gain. Disposal is another area in which the state appears to be spending a lot of money -- \$400 per computer to haul outdated machines to warehouses where they can sit for months without ever finding a home. "We literally had a place where we took two people and spent two weeks figuring out how to dispose of the computers," Kolakowski said. Seat management, he said, "is one of those things where the more you look at it, the more sense it makes."

From Virginia Pilot, 30 September 1999

PUBLIC-PRIVATE PARTNERSHIP BOOSTS MONTANA'S NEW CHILDREN'S HEALTH INSURANCE

Including children who have been in the CHIP pilot project since Jan. 1, the number of otherwise uninsured Montana children who now are covered this program is 1,263. CHIP is free or low-cost to families, with the federal Government paying about 80 percent of costs and the state paying 20 percent. That makes \$14.3 million a year in federal and state funds budgeted for a program that has a goal of enrolling 10,100 Montana children between the ages of birth and 18. The goal is still a fraction of the number of Montana youngsters believed to be without private insurance or Medicaid coverage. Yet health officials know they can't reach the goal of covering kids without a lot of publicity and education to reach the families who could benefit. "Especially in Montana there are a lot of families who don't think of themselves as eligible for a public program," said Mary Noel, who is in charge of the CHIP program at the Montana Department of Public Health and Human Services. That's where the Covering Kids Program comes in. The statewide Healthy Mothers, Healthy Babies coalition, a private nonprofit group that works for better maternal and child health, was awarded a Robert Wood Johnson Foundation grant to help get the word out about CHIP. In 13 counties across Montana, Covering Kids will offer a friendly face and a helpful voice for families to get into CHIP. The faces are family advocates, such as Sonja Harper. She is Yellowstone County's family advocate, a single mother who completed her elementary education degree earlier this year at Montana State University-Billings. Harper has taken a job that will require educating adults more than children. As an employee of the Yellowstone City-County Health Department, she will work 20 to 39 hours a week distributing CHIP applications, talking to individuals and groups about the program, answering parents' questions and even visiting families who need help with the four-page applications. Checking the past year's patient caseload at Deering Clinic, Harper found 900 children who may qualify for CHIP. All were 18 or under, and had no Medicaid or health insurance. She will be sending CHIP applications to these children's parents and working to help them get health coverage for the children. "I'm going to follow up with the families to make sure they get applications," Harper said. "Even if they're not eligible for CHIP, we can offer other things," said Doris Biersdorf, director of maternal child health for the Yellowstone City-County Health Department. Biersdorf said Covering Kids is a cooperative effort of the state coalition and local Healthy Mothers, Health Babies coalitions, such as the Yellowstone County group. The county health department as well as the county office of public assistance and leaders of other human services agencies are collaborating to make this outreach effort work. Harper has started contacting other agencies around the community to distribute CHIP information and applications. She plans to speak to employer and employee groups, too. The CHIP application includes two pages of information with tables for determining if a family's income will qualify for CHIP or Medicaid. In three pages, the applicants must give information on income and list family members. The fourth page is mostly reading about applicant's rights and must be signed by the applicant.

The application must be mailed to: CHIP, P.O. Box 4210, Helena, Mont. 59620. If the applicant's income appears to be anything above the federal poverty level, an enrollment fee of \$15 must be sent with the application. This is an annual fee to cover all children in the family. If the family doesn't qualify for CHIP, the money will be returned to the applicant. The enrollment fee is one of two ways that some parents must share in the costs of this program. The other way is in copayments for certain services. For example, parents would be required to pay \$3 for each doctor's office visit, \$5 for each hospital emergency room visit, \$25 for each hospitalization and \$5 for each brand name prescription. Families wouldn't be required to pay more than \$200 per benefit year in copayments. Like the enrollment fee, the copayments only apply to families with income above the poverty level. To qualify for the Montana Children's Health Insurance Plan, a child must have no other health insurance. Be a Montana resident under age 19. Have a family income of no more than 150 percent of the federal poverty level (\$16,590 a year for a household of two, \$20,820 for three and greater for larger households). Be ineligible for Medicaid. To request a CHIP application, call toll-free to Healthy Mothers, Healthy Babies (800) 421-6667 from anywhere in Montana. To request a CHIP application or ask questions of a family advocate in the Covering Kids Program call these community offices: Yellowstone County, Sonja Harper, 247-3360. Carbon County, Shirley Ketterling 962-3800. Crow Agency, Clarene Walters, 638-3536. Fergus County, George Gulden or Tammy Denton, 538-7433. Gallatin County, Ann Drenk, 582-3100. Richland County, Jacklyn Damm 482-2207. For more information on the program, as well as to view an application that can be downloaded, go to the Montana Department of Public Health and Human Services Web site at: www.dphhs.state.mt.us/hpsd/medicaid/Chip.htm. Unlike Medicaid, which is actually operated by the state, CHIP is a program in which the state will buy private insurance for eligible children. The state will pay an insurance premium of \$101.46 a month for each child covered. So far, Blue Cross and Blue Shield of Montana is the only insurance carrier to agree to cover CHIP kids. Blue Cross also is the only carrier that participated in the pilot project. "We're ready to serve them on Oct. 1," Susan Witte, director of public relations for BCBSM, said earlier this week after her company announced that 509 providers had signed onto the Blue CHIP network. "If they send us 10,000 names on Oct. 1, we're ready to serve them." When Blue Cross receives names of CHIP children

from the state health department, the insurance carrier will send the family a book describing the plan benefits and an insurance identification card. "We just send them everything we send a regular member," Witte said. Blue Cross coverage will be the benefits mandated by the state Legislature, including inpatient and outpatient medical, mental health and substance abuse treatment. The state itself will operate two segments of the CHIP program: dental care and an eye glasses benefit with prescriptions for glasses filled by the same company that fills Medicaid needs. At midweek, the Montana Department of Public Health and Human Services had received 373 family applications, according to Noel of DPHHS in Helena. "We're turning them around quite quickly," Noel said, estimating that processing has been taking one or two weeks. "About one third have kids eligible for CHIP. Another third look to be Medicaid eligible." The other third are applications that are incomplete or which appear to be over the income limit of 150 percent of the poverty line, which is the limit for CHIP eligibility. "We've distributed about 13,000 applications," Noel said, although most probably haven't been given to individual families yet. Many applications were sent to agencies. Applications were sent to county health departments, county public assistance offices, Head Start, WIC, childcare resource and referral centers, Indian Health Service and tribal clinics and other agencies as well as to individuals who requested them. As the state kicks off the full CHIP program, officials have gained valuable information from the pilot program that started on Jan. 1, Noel said. "We learned a lot about outreach, how to find people, who to enlist as partners," Noel said. "It is a successful program." Families of children enrolled in the pilot program can expect to receive new CHIP applications in mid-November, according to Harper and Biersdorf. Then they can be enrolled in the ongoing program on Jan. 1, 2000, when the pilot program ends.

From Billings Gazette, 4 October 1999

NEW YORK CITY MOVES TO PRIVATIZE 2 AIRPORTS

New York City Mayor Rudolph Giuliani on Wednesday took another step toward privatizing the city's two major airports, issuing a formal request for proposals for what would be the biggest airport privatization in U.S. history. Under the plan, the Port Authority of New York and New Jersey -- a frequent target of Giuliani's criticism -- would lose control of JFK International Airport and LaGuardia Airport in 2015, when the agency's lease expires. "We're losing passengers, we're losing business, and we're losing prestige because of the Port Authority's management," Giuliani said in prepared remarks. City officials added that they would like to see the lease terminated even earlier than 2015 if possible. In a written response, the Port Authority said, "We intend to fulfill the commitments of that lease. The Port Authority stands prepared, however, to renegotiate the lease to provide more rental income to the city of New York." But aides to the mayor said he doesn't support working out a new lease with the agency. "The mayor is looking to replace the Port Authority and not renegotiate a lease extension," Anthony Coles, senior advisor to the mayor, said in an interview. Giuliani said the Port Authority has for years been diverting to its New Jersey operations millions of dollars in revenue generated by JFK and LaGuardia. "Last year the Port Authority diverted about \$150 million in city airport revenues in order to plug operating deficits in its New Jersey operations," Cole said, pointing in particular to the agency's PATH commuter train division. The Port Authority said it was in the midst of a \$9 billion investment programme for JFK that includes a \$1.5 billion rail link that will connect each passenger terminal by rail and link the terminals to the Long Island Rail Road and New York City subway system. The agency is also funding a study of rail access options to LaGuardia that is being managed by the Metropolitan Transportation Authority. The privatization of JFK and LaGuardia would constitute the two largest airport privatizations in the United States, according to Giuliani. About 31.6 million passengers use JFK annually, while LaGuardia ranks among the 20 busiest passenger airports in the United States, serving more than 21 million passengers a year. The mayor noted that recent airport privatizations, including one completed by the Indianapolis International Airport, show that private operators can do a better job than government authorities at running airports. The mayor began exploring the idea of privatization in February, when he issued requests for expressions of interest to determine the level of interest in contracting now to manage the airports in 2015. The city received nine responses. The city expects to sign a contract with a private company sometime next year. The selected company would assume management, operation and development of the airports. It would initially act as a consultant to the city's Economic Development Corp. on airport matters until the lease expires. The city said it would accept proposals from prospective airport operators until Jan. 14, 2000.

From Reuters, 13 October 1999

TRANSPORTATION PANEL VOTES FOR PUBLIC-PRIVATE MONORAIL

Officials hope business involvement in a proposed Las Vegas rail system will help secure federal funding. By Mike Zapler Review-Journal The Regional Transportation Commission agreed Thursday to team up with a private group in building a fixed guideway system that would link the MGM Grand with Cashman Center. Thursday's unanimous vote was the clearest signal to date of a public-private partnership to build the above-ground train system, which likely would employ monorail technology. By joining with the MGM Grand-Bally's Monorail Limited Liability Co., transportation officials hope not only to increase ridership but to use private-sector money to leverage hundreds of millions of dollars of federal funds. "This shows the public and private systems can work together and complement each other," said Cam Walker, who is working on the MGM Grand-Bally's proposal. Still, officials cautioned that the plan approved Thursday is conceptual and does not bind the agency to specific expenditures. The financing proposal is contingent not only on the success of the MGM Grand-Bally's project, but the generosity of the federal Government. Officials envision two projects joining into one seamless system. The transportation commission segment would run from Cashman Center through downtown to the Sahara. The cost would be \$486 million in current dollars, or \$678 million accounting for inflation through 2020. In addition, debt service would be \$214 million, bringing the total cost to \$892 million for the 3.4-mile, six-station segment. Of that amount, \$260 million would come from the federal government -- \$105 million in U.S. Department of

Transportation funds for surface transportation and congestion management projects, and \$155 million in congressional appropriations. The MGM Grand-Bally's 3.6-mile leg would cost \$400 million, plus \$200 million for debt service, Walker said. It would go from the MGM Grand to the Sahara, with seven stations along the route. The private hotel group is attempting to sell tax-free bonds through the state to build its system. State officials are examining whether taxpayers would be liable if the system underperformed and revenues did not cover debt payments. Walker emphasized, however, that would not be the case. Only those who bought bonds would be on the hook if the monorail failed, he said. Before the vote Thursday, state Transportation Director Tom Stephens warned commissioners that they were about to signal their intent to commit \$105 million of federal money to the fixed guideway that would otherwise go toward highway projects. Stephens said he wasn't opposed to redirecting the money, but commissioners should be aware of the vote's significance. But transportation commission General Manager Jacob Snow assured a concerned Mayor Oscar Goodman that "no, we're not committing anything today." Commissioners will face final decisions on how to allocate federal dollars only after the federal Government weighs in on the fixed guideway financing plan, he said. Transportation commission officials predict that the public segment of the fixed guideway will not need local tax dollars to succeed. By linking with the MGM Grand-Bally's system, the system could actually turn a \$58 million profit from fare box revenues over 20 years, they say. The officials estimate 70,000 trips per day when the system opens in 2006 and 173,000 trips per day by 2020. If those figures are accurate, Las Vegas would have by far the most successful fixed guideway system in the country. Similar projects usually need significant public subsidies for construction, operation and maintenance. But Las Vegas is different because of the millions of tourists it attracts each year, officials contend. "We have the most unique characteristics in the country," said Sam Tso, a consultant to the transportation commission. The financing plan is being submitted to the Federal Transit Administration, which is rating fixed guideway proposals across the country to determine which projects should receive federal funds. In other transportation developments Thursday, the commission: Approved a previously announced rate increase for Strip bus service. One-way fares for Citizens Area Transit routes 301, 302 and 303 will increase to \$2 from \$1.50 starting Oct. 17. Heard emotional testimony from several disabled people on what they called poor paratransit service. They said the service is often unreliable, leaving them stuck without transportation. Snow conceded serious problems and agreed to create a task force to examine how to fix the specialized bus service for disabled and elderly people. Goodman, who requested the hearing, said he would oppose any rate increases for paratransit service until the problems are resolved.

From Las Vegas Review Journal, 15 October 1999