

GOVERNANCE WORLD WATCH

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

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Public Economics

AFRICA

ALGERIAN LEADER VOWS ECONOMIC OVERHAUL

President Abdelaziz Bouteflika vowed drastic action to speed up Algeria's privatization programme, fight corruption and reform the judiciary to switch the debt-saddled North African country into a market economy. "Algeria is determined to follow the path of market economy. It is also determined to boost productive partnerships with foreign firms who are willing to do so," Bouteflika told Reuters in response to written questions. "To achieve that, it plans to launch a large-scale reform in the administration with the main aim of removing all the bureaucratic barriers," he added. Bouteflika said that only efficient public sectors would be allowed to remain as part of his plan to speed up the stuttering privatization programme begun in 1994. "Privatization will affect all the eligible sectors after a rigorous study. This does not mean that it would take a long time. We will get down to it with all the required determination and speed," he said. "The survival of public sector firms depends on their competitiveness and performance." Algeria plans to sell state assets worth some \$500 million, as part of a structural adjustment plan aimed at increasing growth rate and reducing unemployment of 28 percent among the six million-strong workforce. But only small firms have been sold so far as the privatization process faces numerous hurdles, including red-tape and widespread corruption plaguing the country's administrative and judiciary systems, officials and economists say. In a move seen as the start of the large-scale campaign to curb corruption and complacency among civil servants, Bouteflika sacked last week nearly half of Algeria's provincial governors. He also set up a committee to reform the judiciary system. "Corruption is a scourge and the state must absolutely take precautions. These could include preventive measures such as renewing the administration and justice," he said. Bouteflika also blasted the two main state-run investment agencies -- the Investment Support and Promotion Agency (APSI) and the Holdings National Council -- describing them as "budget-eating institutions." "We must either make such bodies efficient...or they should disappear as did in the past others that proved inefficient. My statement here should not be taken for granted. It is a warning to all whom it may concern. Nobody is entitled to mess around for such long time with the state interests." Bouteflika said last week's firing of the 22 provincial governors was only a first step that would be followed by similar drastic measures to improve efficiency. "The state must go through an overhaul in all sectors -- in politics, diplomacy, governorship, economy and social affairs," he added. Bouteflika was elected in April's one-man presidential race after the withdrawal of all his opposition rivals amid charges of ballot rigging by the influential military. He says his first priority is to restore peace in Algeria, where 100,000 have been killed in more than seven years of violence. The country is also saddled by more than \$31 billion in foreign debts. In June, he reached a peace deal with the relatively moderate Islamic Salvation Army (AIS), which had pledged to stop its attacks against the state and offered to join Government troops in fighting radical Moslem guerrillas.

From Reuters, 30 August 1999

ZIMBABWE ECONOMIC RECOVERY SEEN TIED TO MANAGEMENT

Zimbabwe's ravaged economy will need substantial donor support, a good agricultural season, higher commodity prices and improved management to set it on a recovery path next year, a leading local commercial bank said in report released on Wednesday. In its latest monthly economic bulletin, Standard Chartered Bank Zimbabwe said the economy, which many expect to grow by 1.5 percent in 1999 against 1.6 percent last year, might not grow at all because of a decline in output in the three main sectors and exports, tobacco, gold and manufactured goods. Zimbabwe's economy is the most diversified in the region after South Africa but was hit by a 50 percent drop in the value of the local currency last year, which spawned an inflation average of 32 percent and worsened poverty in a country that counts 62 percent of its people as poor and has a jobless rate of about 50 percent. The bank said although investment and employment had fallen and inflation had surged to a record 63.5 percent in July, the prospects for 2000 could be enhanced by President Robert Mugabe's Government adopting an effective anti-inflationary strategy and working to restore the southern African country's export competitiveness. "Hopes for a soft landing rest heavily on substantial donor support, a good agricultural season in 1999/2000 and firmer commodity prices," it said. "Given positive developments on these fronts, gross domestic product (GDP) growth could recover to 2.5 percent next year and 3.5 to 4.0 percent thereafter," it added, saying this scenario could also see Zimbabwe's inflation -- expected to average 45 percent this year -- slowing to 25 percent in 2000 and 20 percent in 2001. The bank said donor support over the next three years would average \$260 million a year, some of which it expects to be used to cut the debt service costs in the budget. But this would be tied to accelerated privatization of Z\$5.0 billion (\$131.9 million) of government assets, reduced military spending, which rose substantially after Zimbabwe's intervention in the war in the Democratic Republic of the Congo last year, public sector retrenchment and increased spending on poverty alleviation and on health and education. Zimbabwe is expected to withdraw its 11,000 troops, a third of the army, from the Congo if a peace agreement endorsed by the Rwandan- and Ugandan-backed Congolese rebels works, and analysts say this would be a great relief for the hard-pressed economy. Last month Zimbabwe's private sector said the Government's millennium budget should seek to contain inflation while growing exports in order to pull the country out of its worst economic crisis in two decades.

Mugabe, his rule threatened by the country's worst economic crisis since he assumed power 19 years ago, last month agreed to a new International Monetary Fund loan with tough fiscal targets many economists doubt the Government can achieve.

From Reuters, 1 September 1999

ASIA/PACIFIC

VIETNAM NEEDS POLITICAL WILL ON REFORMS

Vietnam runs the risk of falling further behind other Southeast Asian countries unless it speeds up economic reforms, a regional economist said on Tuesday. Wong Yit Fan, chief economist for Southeast Asia at Standard Chartered Bank, said Vietnam needed more political will to improve its business climate, otherwise it would only achieve "respectable" economic growth rates in the near term. "Vietnam's step-by-step policy improvements will only bring about respectable growth of three-five percent," Wong said in an interview in Hanoi, without giving precise forecasts for gross domestic product growth for this year or 2000. "There are chances a revived Asia will leave Vietnam behind if it does not act." The communist-ruled country has set a GDP growth target of five to six percent this year and 2000, from an official estimate of 5.8 percent in 1998 and 8.2 percent in 1997. Wong said it would be nine to 12 months before Vietnam felt positive benefits from Asia's recovery because investors would take advantage first of countries such as Thailand that had implemented more significant economic reforms. Donors have expressed disappointment that Vietnam, which avoided the full brunt of the Asian economic crisis because it has no open financial markets, did not move to slash red tape and business costs while its neighbours were on their knees. "Reforms to be gradual because there is not yet the surge in political will needed to bring about a quantum jump in policy changes," Wong said. "I suspect we are seeing policymakers (focused) on political issues and...not shifting enough attention to what needs to be done economically to remain on a par with the pace of what is happening in the region," he added. In recent weeks state media has given blanket coverage to a plenum of the 170-member Communist Party central committee and other political events, which have all emphasized the need to strengthen the party's leading role in the country. Analysts have also blamed slow reforms on pressure from politically well-connected state firms reluctant to lose economy. However, Wong said he believed Vietnam's leadership was aware the country might slip behind its leaner neighbours, and that they recognized foreign investment and private initiative were vital to penetrate global markets. Wong encouraged Hanoi to brush up the image of a country he said had one of the best work ethics in Southeast Asia. In addition, he said Vietnam had embarked on some positive steps, such as a law passed last May that aims to put the private sector on a level playing field with state firms, but that these moves had not been promoted enough. "Governments learned during the Asian economic crisis that public relations is important. Vietnam has to learn that the marketing matters just as much as the policy," Wong said.

From Reuters, 31 August 1999

WORLD BANK SAYS ASIA REFORM MUST MOVE FASTER

Asia's macro-economic recovery is progressing well, but corporate reform must move faster if private sector capital is to return to the region to fund long-term growth, the World Bank said on Monday. "If it doesn't take place, we won't see private investment -- either domestic or foreign -- back in the region and it will weaken the (recovery) process," Jean-Michel Severino, the bank's East Asia and Pacific vice president told Reuters. "As an institution, we think it (reform) should be proceeding faster if the region wants to be safe," he said at the close of the Manila Framework meeting in Singapore. The Manila Framework group of 14 member economies has been meeting with World Bank, International Monetary Fund and Asian Development Bank officials twice yearly since 1997 to discuss the response to Asia's worst economic crisis in decades. The group comprises Australia, Brunei, Canada, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States. Severino said efforts to accelerate restructuring over the next six to nine months would determine the willingness of private investment capital to return to the region. And competitiveness must become Asia's focus if high economic growth was to return to the region in the wake of the crisis. "It won't happen unless the restructuring of the corporate sector is done in a way that we get out of this crisis with much more competitive businesses, that means more specialized, better capitalized, better structured businesses," he said. He said the speed of recovery on regional stock markets this year had created disincentives for corporates to restructure that threatened the broad need for competitive reform in Asia. "It would be very shortsighted to look at this restructuring as only a debt restructuring process that the stock market increases may partially take care of," he said. "What is really important is the structure of the power in the corporations, the improvement in governance of corporations and their competitiveness." The competitiveness issue was growing in importance given the huge stakes regional governments held in their economies after nationalizing failed banks and bailing out conglomerates. "How this is going to be managed and how the governments are going to disengage, which they all want to do, is going to shape the competitiveness of the economies. This is going to be a key issue," Severino said. "The very real risk is that it (competitiveness) is not seen as the key one, while in the long run it is. It should be the focus now in the way financial restructuring is being done," he added.

From PRNewswire, 30 August 1999

CHINA'S SLOWER ROAD TO REFORM

The leadership's September meeting may signal desire for social stability over economic restructuring. Four months ago, Premier Zhu Rongji charmed Americans with a vision of a China open to economic reforms. Donning cowboy hats and telling jokes on tour

in the US, he was dynamic, assertive, and ready to give American businesses access to his 1.2 billion compatriots. Now, he appears to be struggling to keep those reforms rolling. Some diplomats and China watchers say that Mr. Zhu, battered by a string of international and domestic setbacks, no longer holds the reins of economic and fiscal policy. "There's no question he's been brought down a peg or two, but exactly how much is not clear," says one Beijing-based Western economist who has regular contact with government officials. Zhu's April visit to the US was filled with goodwill. But Mr. Zhu may be losing power at home because of economic setbacks. China's gross domestic product continues to drop. Down from the double digits of the early 1990s, GDP reached 7.8 percent last year, lower than the government target of 8 percent. And the impact of a 200 million yuan (\$24 million) government infrastructure spending that boosted growth in the first quarter of this year to 8.3 percent fizzled in the second quarter to 7.1 percent and is expected to continue dropping. Analysts say that economic reforms will be slowed because Zhu has ceded power to more conservative officials in the leadership. While the basic outlines laid out by Zhu to make state-owned enterprises more responsive to market forces will likely remain, implementation will be compromised to soften the blows of restructuring, they say. On Monday, China's legislative body, the National People's Congress, unveiled a new stimulus package. It will issue another \$7.2 billion bond for infrastructure spending, increase unemployment benefits to some workers, and tax interest earned on personal savings accounts. But that may not be enough, some analysts say. Falling exports, rising unemployment, systemic corruption, and nearly two years of deflation threaten to derail China's once dynamic economy. Worried about job security and falling medical and pension benefits, normally thrifty Chinese are even more reluctant to spend the \$720 billion they have saved in banks. Soaring domestic stock markets set off by encouraging government policies have weakened as investors have realized that the companies they're putting money into - nearly all state-owned enterprises - are fundamentally flawed. China's Communist Party worries that with its ideology now only a shadow, its legitimacy rests on continued economic growth. Already, this year has seen a string of unprecedented protests by disgruntled workers, defrauded investors, and the Falun Gong sect. In response, the Government has stressed the importance of party ideology among its members and cracked down on any form of dissent. All this happens as the Government prepares to celebrate its 50th anniversary, during which it hopes to show off its growing strength, even barring mixed-fuel cars from the capital during the week before the celebration to ensure Beijing's polluted skies are clear enough for fighter jets to be seen. While rumors that Zhu would be forced out or would resign first surfaced at the end of June, some say Zhu will remain in office until after the Oct. 1 anniversary. "Even before his feathers were cut, the economy was being pushed and pulled between different points of view," says Nick Driver, head of the Beijing-based consulting firm Clear Thinking. "President Jiang Zemin had already reined him in because there were too many things going on too quickly and too many people not liking Zhu Rongji." Mr. Jiang took the economic and finance portfolios away from Zhu during the annual leadership retreat to the seaside resort of Beidaihe in mid-August, Mr. Driver says sources within China's cabinet told him. "It is safe to say that the Beidaihe beach strolls ... were not amicable chats," Driver says. Zhu rose to power because of his economic acumen and ability to streamline government bureaucracies. But his failure to clinch entry into the World Trade Organization, the bombing of the Chinese Embassy in Belgrade, and his botched attempt to change the state's inefficient grain distribution system have weakened him. When he was named premier in March 1998, Zhu promised to revive debt-ridden state-owned companies in three years, streamline government, and curb corruption. While he has cut the central Government by about half, his two other goals remain distant. State-owned firms have narrowed losses, but continue to perform badly. About 80 percent of goods are overproduced, and price wars have cut the costs of merchandise to the point where the Government has ordered a ban on any new investment in the production of some electronic and luxury products. Regional governments continue to ignore Beijing's orders to modernize and shut down inefficient plants. Factories making faulty products continue to receive protection from officials eager to keep workers employed. Government estimates say there are 200 million "surplus laborers" in the countryside, and official unemployment in the cities is 3.1 percent, though Western economists say the number is as high as 10 percent. And state-run banks faced with billions of dollars in loans that will never be repaid are no longer able to hold up the deck of cards. Whatever Zhu's situation, the Government will work hard to at least maintain the appearance of stability. During a recent US congressional visit to Beijing, Vice Premier Li Lanqing did not show a great involvement in economic issues, indicating no change in command, diplomats say. And at a press conference last week, Singapore's minister for trade and industry, George Yeo, said that Zhu's role was "not at all" lessened. Zhu is widely respected by average Chinese who value his blunt, direct manner - a sharp contrast from the typical Politburo pap - and by investors who see him as the only man capable of fixing China's tottering economy. The extent of the shift will be hard to gauge until this fall's plenary session of the Communist Party, where the next step in economic reform will be hashed out. Likely to be discussed are further layoffs and efforts to put a larger share of state-owned enterprise holdings into the stock market. A reorganization can only be inferred by subtle signals. Says one Western diplomat: "Everyone tries to read tea leaves."

From Christian Science Monitor, 2 September 1999

COMMUNIST PARTY DISCUSSES INDUSTRIAL REFORM WITH NON-COMMUNIST PARTIES

The Central Committee of the Communist Party of China (CPC) met recently with non-communist parties, the All-China Federation for Industry and Commerce, and other non-Party figures to solicit suggestions and comments on a draft decision on the reform and development of the country's State-owned enterprises. General Secretary of the CPC Central Committee Jiang Zemin, who is also president of the country, presided over the meeting in Zhongnanhai, the seat of the State Council. Premier Zhu Rongji, Chairman of the National Committee of the Chinese People's Political Consultative Conference Li Ruihuan, and Vice-President Hu Jintao also attended the meeting. Jiang said that continuing the reform and opening-up drive and modernizing the country in the next century require certain measures for major issues. He explained that the 3rd Plenary Session of the 15th Central Committee of the CPC last year dealt with agriculture and that the 4th plenary session this year would deal with reforms and development in State-owned enterprises. Jiang said that the 4th plenary session is necessary because State-owned enterprises as a whole have an important

place in the nation's economic and social development. In the 50 years since New China was founded, these enterprises have made an enormous contribution to promoting industrialization and modernization of the country, he said. But in view of the fierce international competition at the end of the century, economic strength and national defense ability and cohesion need to be strengthened and, to achieve that, the continued development of the State sector of the economy is needed. In addition, in the 20 years of reforms, these enterprises have made giant strides while trying to fit the needs of a socialist market economy and some have accumulated valuable experience and better conditions for further improving management. Jiang said that enterprise reforms have reached a crucial period and some hidden problems have been uncovered and demand urgent practical policies. Therefore, the CPC Central Committee held it as timely and necessary to concentrate on the reform and development of State-owned enterprises at its 4th plenary session, Jiang said. He said that the decision for discussion at the 4th plenary session has been drafted with the guidance of Deng Xiaoping Theory and in the spirit of the 15th Party Congress, with an aim to make new breakthroughs in State-owned enterprise reforms. Jiang said that the non-communist parties, the All-China Federation of Industry and Commerce, and non-Party figures have shown great concern for the reforms and development of State industry and have made some good suggestions. He said he hopes that they will continue to provide comments about revising the draft. Jiang pointed out that the system of multi-party cooperation and political consultation with the CPC at the head, is China's basic political system and an important form of socialist democratic politics. The CPC consulting the non-communist parties for the sake of improving the CPC's policy making is significant, he said. The leaders of the non-communist parties and the All-China Federation of Industry and Commerce approved the draft at the meeting but offered suggestions on revising it. Most of the suggestions dealt with technological renovation, the high-tech sector, improved supervision over enterprises, and social security and unemployment. Jiang thanked them for their candid comments and suggestions and arranged to revise the draft. The 4th plenary session of the 15th CPC Central Committee was held between September 19-22, and discussed and approved the decision.

From China People's Daily, 24 September 1999

EUROPE

FRENCH SOCIALISTS DENY JOSPIN TAKING "THIRD WAY"

France's governing Socialist Party on Monday stepped up its efforts to counter a widespread impression that Prime Minister Lionel Jospin was drifting towards centrist "Third Way" policies he publicly rejects. Jean-Christophe Cambadélis, number two man in the party, told journalists Jospin had chosen his words poorly last week when he told an interviewer the traditionally interventionist French state could not manage the economy anymore. Party chairman François Hollande made the same point on television on Sunday evening, arguing that Jospin did not signal a change in policy when he said in the same television interview the French should not expect the state to solve all problems. French commentators said Jospin's interview, meant to introduce the "second phase" in his five-year mandate, strongly resembled the "Third Way" championed by his counterparts Tony Blair in Britain and Gerhard Schröder in Germany. "One badly chosen word cannot invalidate two years of pro-active politics," Cambadélis told journalists. "Everything we have done over the past two years aims to regulate the economy," he said, adding that this regulation did not amount to direct management of the economy. "Socialists long ago broke with the theory of a directly managed society or economy."

Michelin Puts Government on Edge

Hollande said Jospin did not throw in the towel when, in response to a question about how tyre-maker Michelin announced layoffs after making fat profits, he said the Government could not manage the economy by passing laws. "That does not mean we cannot intervene," Hollande said. "I suggest we draft a law to control layoffs. We could penalize financially companies that lay off workers regardless of their financial situation." Jospin's moderate stand contrasts sharply with the old-fashioned left-wing image he had when he took power in June 1997 with a coalition of Socialists, Communists and Greens. Left-wing critics have been particularly upset to see he has presided over more privatizations than his conservative predecessors and watched as globalization pushed French companies into job-killing mega-mergers at home and abroad. On Friday, Hollande took the unusual step of reviewing for the Paris daily *Le Monde* an especially critical book entitled "The Imaginary Left and the New Capitalism." The book, by two journalists from *Le Monde* and the left-wing daily *Liberation*, slams Jospin for drifting towards "a social liberalism that leads to the dismantling of the welfare state." Hollande dismissed the attacks as a kind of political horror story for teenage readers and defended Jospin's record in creating jobs for youths and passing legislation to reduce the work week from 35-39 hours.

From Reuters, 20 September 1999

BLAIR SAYS THERE'S NO STOPPING MY REFORMS - TEN-YEAR PLAN FOR SCHOOLS AND HOSPITALS

Tony Blair gave a warning to the Labour Party and the public sector yesterday that no one would be allowed to stand in the way of his "mission" to transform Britain. In remarks designed to show that his reforming zeal is increasing rather than diminishing only two years away from the next general election, Mr. Blair declared that his modernizing revolution had only just begun and that he would no longer be held back by "the old ways of doing things". In an interview with *The Times*, he also disclosed that steady and consistent increases in spending for key public services, such as health and education, are to be planned for at least three years

after the next election, in addition to those already in the pipeline for the next two years. His remarks confirmed that Labour, because of the present healthy state of the finances, intends to fight the next election on a clear pledge to increase spending in key areas. He spoke of a ten-year programme to transform schools and hospitals. Mr. Blair claimed that in at least five areas: the economy, health, education, the constitution and Europe people were already beginning to see the positive results of Labour rule. He said that in education the benefits of change were already being reflected in improved standards and results and reductions in exclusions from schools. He also promised another installment of welfare reform. Today, in what he will claim to be another sign of the Government's determination to change things on health, Mr. Blair is to visit a London hospital and announce a major expansion of a computerized system for booking hospital admissions and appointments, currently being piloted in a few areas. Mr. Blair said that although change was under way, he was frustrated that it was not happening more quickly and in a better way. Referring to his pre-summer remark that he had "scars on my back" from his attempts to reform the public services, Mr. Blair said that he had not been attacking workers, many of whom were deeply committed to change. But he said: "We are undertaking a massive process of change. I do not want anything to stand in the way of that change." He declined to identify individuals or groups but said: "It is just that there is an old way of doing things and that is the thing that I think holds us back." Mr. Blair gave his interview at Chequers the day after returning from holiday to criticisms that the Government was guilty of a summer of failure over health, education and asylum-seekers. In a clear attempt to stamp his authority he suggested that the Government would become more radical as it progressed and voiced his impatience with the pace of change. He told opponents within the Labour Party that, while there would always be opposition, he was not elected as Labour leader to give the party a "soft centre". He said: "I came to bring a hard-edged centre." He compared his task in government with that which faced him when he took over the Labour leadership. He had said he could only lead the party if it were radically modernized. "I feel the same way about the country. I can only really be Prime Minister of a transforming and radical government because that is what I feel about the country. I feel that we have tremendous opportunities; that we have a lot of potential and creative talent that we can exploit, but only if we leave the old ways behind and embrace the new." Setting out for the first time the plan for long-term spending on health and education, Mr. Blair said that the problem that had beset the public services under both Governments was that the money had come in for a time and then been subject to swings in government finances. "If you look at the last 20 years, there were big increases followed by very small increases and cuts. People spent and then had to cut and retrench." Mr. Blair said that as a result of Gordon Brown's stewardship of the economy, with the tough clampdown on public spending in the first two years, the Government was now aiming to "fund public services consistently over a period of time". There was already a three-year spending programme in place and there would be another three-year programme to follow. He said the Bank of England reforms and other changes had given Labour the best chance of sustained investment over a long period of time. A reform programme was not possible if spending was to be followed by cuts "because all the time is taken up with people making do while they wait for the next lurch in government policy". He gave warning to ministers looking for sudden handouts that a sustained period of investment could only happen "if we stick to a very prudent and firm economic and monetary policy".

From London Times, 2 September 1999

FASTER GROWTH HELPS EU ON BUDGET REFORM

When a central banker says the response from Governments to his plea for budget restraint is "not unsatisfactory," you know he must be pleased. When that banker is European Central Bank President Wim Duisenberg and he goes on to say he is "particularly satisfied" with the growth outlook, then you know he must be very pleased. "The future looks brighter than we had assumed until about three months ago," Duisenberg said after this weekend's informal meeting of EU finance ministers and central bankers. The reason for his good mood was not just a rosier outlook for growth but also a firm consensus at Turku that Governments should not fritter away windfall tax revenues but use a good part of them to cut their budget deficits further. "What's encouraging is that all the member states are saying that increased public spending is out of the question," said Yves-Thibault de Silguy, the outgoing European commissioner for economic and monetary affairs. "They're all saying that, faced with bigger-than-expected surpluses, we'll either do more deficit reduction and/or more tax cuts," de Silguy said. Take France. Finance Minister Dominique Strauss-Kahn is planning some tax cuts in his 2000 budget out this month, but he said France still had a way to go to balance the books. "There's no surplus when you have a 200 billion (franc) public deficit," he said. "Cutting deficits today means lower taxes tomorrow." Earlier in the year, when growth was weak, ministers listened politely to the ECB's pleas for austerity but showed that recovery was their political priority by allowing Italy to increase its deficit spending to help revive its economy. Now, with de Silguy saying that the Commission might raise its forecast of 2.7 percent growth next year, it suddenly seems easier to knuckle down to the budget discipline needed to make a success of the European single currency, the euro. "You have to understand that when times seem to be better it's even easier to hold a tight grip on budgetary balance," Finnish Finance Minister Sauli Niinisto told Reuters. "In that sense our meeting was very positive," he said.

One tax cut, another tax stalemate

Quickening growth and bulging tax coffers are fertile ground for Governments to tackle Duisenberg's other priority -- "structural reforms" to make firms and markets more efficient. Here, too, the balance from Turku was positive. After hours of haggling, ministers agreed that Governments should have a free hand to reduce the EU's minimum value-added tax rate of 15 percent in any two of five labour-intensive service industries. Creating more jobs for hairdressers, handymen and home-helpers might seem to fit awkwardly with the vision of a high-tech knowledge economy proclaimed by Europe's leaders. But the VAT cut is a practical way of helping Europe's army of unskilled unemployed to get a foot on the jobs ladder. It is a visible demonstration that the EU, in some

areas at least, is heeding the call of economists to cut taxes that penalize jobs. One way of financing a reduction in taxes on labour is to close loopholes elsewhere in the tax code. The Commission's main target is to harmonize taxes on savings across the EU by levying a 20 percent withholding tax on non-residents' income from savings and investments.

British feud with partners looms

But after Turku the chances of an agreement by the self-imposed deadline of December look bleak after Britain and Luxembourg hardened their opposition to the proposed law. Britain's insistence that the Eurobond market, which nourishes thousands of well-paid jobs in London, be exempted from the tax is the main stumbling block. Chancellor of the Exchequer Gordon Brown said he would not back down, raising the prospect of a protracted feud with Britain's European partners, who are equally adamant that Eurobonds must be included for reasons of fairness. But even here, he argued that others were starting to see that the tax would harm not just London but the whole euro zone by driving the business to non-EU countries such as Switzerland. Other ministers might dispute his conclusion, but Brown said that in itself showed that the EU was coming round to Britain's thinking on tax and competitiveness. "A year ago you had (Tax) Commissioner (Mario) Monti and everybody else saying the draft directive was a draft directive and they couldn't have special exceptions for Britain. Now there has been a distinct change in the position, and we are starting to win that argument," Brown said.

From Reuters, 12 September 1999

RUSSIA ECONOMY EMBARKS ON RECOVERY

The world's economy seems to be on the mend after two years of turmoil. That's the latest assessment of the International Monetary Fund (IMF), which says the biggest surprise in that is Russia. RFE/RL's Economics correspondent Robert Lyle reports on the IMF's World Economic Outlook: Despite Russia's continuing troubles, the IMF says the country's economic decline is being reversed. From a negative 4.6 percent growth rate last year, the Russian economy is projected to finish the year in much better shape at a 0 percent growth rate. By next year, however, Russia's growth rate should reach at least two percent. The reason for the turn around, according to the IMF's Economic Counselor Michael Mussa, is what might be called the silver lining effect. The country's sharp recession last year, after the devaluation of the ruble and the debt default, followed by a large dose of inflation, sent Russian industrial production into a tailspin. But the effective devaluation of the ruble to less than 25 percent of its former value had a positive impact -- it made imports very expensive and thus domestically produced goods a whole lot cheaper. Mussa explained at a press conference in Washington Wednesday: He said: "That has made a lot of domestic goods producing industries in Russia that had previously had difficulty competing with imports, much more price competitive. And there's been a surge of output in those import competing industries behind the protection of a very much depreciated real exchange rate and recovering from a collapse that occurred late last year." Mussa said that is a normal reaction after a major devaluation. But the report itself warns Russia that this benefit to domestic producers won't last forever. It calls for "a reinvigorated effort" by Russian authorities to move ahead with banking rehabilitation and other major structural reforms. Mussa said there is another positive side to what Moscow is doing -- improved tax collections and better implementation of fiscal policy: Mussa said: "The fact is that fiscal policy has improved in Russia from what it was last year, in both total revenues, as a share of GDP (gross domestic product), and cash revenues as a share of GDP are up and the Russian government is now running a primary surplus -- not a huge primary surplus -- but a moderate primary surplus, which means that on balance they are paying back their creditors, not taking on net new credits." Still, said the report, federal revenues remain low as a percent of the total economy and Moscow failed to "benefit fully" from the financial gains in the huge energy sector stemming from both the ruble devaluation and higher energy prices. It said that while revenues are up, the authorities have continued to fail to act decisively against tax delinquency and the use of non-cash or barter transactions in the economy -- transactions that escape all taxes. Russia's problems did cause additional difficulties for the other former Soviet countries, where close trade and other ties quickly transmitted troubles to Moscow's neighbors, including even the Baltic nations. For all the nations in transition in the Central and East European and Central Asian region, the IMF says economic growth this year should average nearly one percent and rise to nearly three percent next year. As usual within this diverse group, the IMF said the differences continue to widen between the stronger and weaker transition economies. Last year, for example, average per capita GDP (gross domestic product) in Central and Eastern Europe and the Baltics was more than twice the level elsewhere in the region. The report singled out Bulgaria to show that disciplined economic and structural policies can pull a country through both a domestic economic crisis and strong external shocks. For Russia, added Mussa, it is encouraging that there have been improvements in recent months. He said: "Now that has not made all the problems of corruption and non-payment and all the rest of it disappear in the Russian economy and society, but I think the improvement we have seen is not inconsistent with what we would have expected in light of the developments." Globally, the fund projects world economic growth to reach three percent this year -- that's a three-quarters of a percent improvement over the fund's last forecast in May, and it could easily top 3.5 percent in 2000. The U.S. economy continues robustly, said the IMF report, providing critical engine power for the rest of the world economy. But now with growth resuming in Europe and Japan, and the Russian and Brazilian crises bottoming out earlier than expected, it is time for the American economy to cool off just a bit so it doesn't go into high inflation. A gradual slowing by the U.S. economy over the next year, would, argued Mussa, help keep inflation in check around the world. The fact that inflation is at a 40-year low is a major accomplishment that is paying off all over the world, said the IMF report.

From Radio Free Europe, 23 September 1999

THE AMERICAS

U.S. ENVOY TELLS RUSSIANS IMF AID IS TO HELP MARKET REFORM

US Ambassador James Collins took to the airwaves Tuesday to tell Russians that Washington will support IMF loans for Russia if the money is used to support the transition to a market economy. "Of course, we do not support the disbursement of funds if these funds are not going to advance this goal," Collins told listeners of Echo Moscow radio. "This is where the policy begins and ends," he said, speaking in Russian. The interview was visibly aimed at addressing mounting Russian concerns over the fate of a 640-million-dollar loan that the International Monetary Fund will decide at a meeting of its board of directors later this month. Russia is in the eye of a storm over allegations that billions of dollars, including IMF loan money, may have been diverted and laundered by Russian political and business leaders in US bank accounts. An IMF technical mission was in Moscow on Tuesday to prepare a report on whether the second tranche of a \$4.5-billion loan approved earlier this year should be released. Collins also said there was no evidence that US aid may have been diverted as part of the money-laundering scam, saying that the accounts were under joint US and Russian control. Foreign Minister Igor Ivanov meanwhile asserted that the uproar over the money laundering allegations "had nothing to do with the fight against corruption", in a reference to the electoral campaigns griping both countries. Russian officials have dismissed the scandal as an attempt by Vice President Al Gore's political foes in the United States to undermine his bid at the presidency by taking aim at his role as the administration's pointman on Russia. While shrugging off the allegations, the Government has nevertheless decided to dispatch a delegation comprised of officials from the Federal Security Service (FSB), the prosecutor's office and the interior ministry to the United States.

From Russia Today, 8 September 1999

GLOBAL

WORLD POWERS PLEDGE REFORMS IN ECONOMIC CRISIS REACTIONS

World financial leaders have pledged accelerated reform to better manage future global economic crises while also approving a new initiative to speed easing poor countries' crushing debt burdens. Finance ministers and central bank governors attending the annual meetings of the 182-nation International Monetary Fund and the World Bank made the commitments after being criticized for mismanaging the crises in Asia, Russia and Brazil that hammered markets worldwide over the past two years. At weekend meetings the finance ministers also urged Russia to pursue economic reform and expressed concern that the Japanese yen's value against the dollar was moving too high. Japanese officials hope the statement will drive down the yen's value in world financial markets. At the first-ever joint meeting Sunday of the policy-making committees of the World Bank and the IMF, officials pledged "deeper, broader and faster debt relief" for 36 of the world's poorest countries. The countries are expected to spend the \$100 billion the new initiative makes available on health and education projects instead of paying off loans to creditors. "Let it be said of this historic meeting that those to whom the world's greatest wealth has been given are joined with those burdened down by the world's greatest debt," said British Chancellor of the Exchequer Gordon Brown, chairman of the IMF's policy-making Interim Committee. The committee approved a plan for the IMF to revalue up to 14 million ounces of its gold reserves in transactions with central banks to partly finance the debt initiative. The World Bank also will contribute along with the United States and other creditor nations. After opposition from gold-mining countries and U.S. lawmakers, the IMF was forced to drop plans to sell gold on the open market, where there were concerns prices for the commodity would fall to new record lows. In a further effort to bolster gold prices, central bank officials from 15 nations pledged jointly Sunday they would hold their own future gold sales to limits already announced. In early trading in Asia today gold prices rose in response to the IMF move. On the reform front, the IMF adopted a new code of good practices that will be used to monitor countries efforts to provide markets with timely economic data such as central bank reserves. The Clinton administration hopes these reforms will ease criticism of the IMF by congressional Republicans who plan to investigate allegations of money laundering of Russian money through accounts at the Bank of New York. "A changed IMF is needed for the changed world that we now have. We have made a good start in many areas, but much more needs to be done," Treasury Secretary Lawrence Summers told IMF policy makers. IMF officials have said that no evidence has been uncovered so far that IMF money was part of the billions being investigated in the Bank of New York case. Viktor Gerashchenko, head of the Russian central bank, said he would comply with new IMF financial disclosure requirements but the data should not be made public. "To make us perform a strip tease every quarter is a little stupid," Gerashchenko said. Recommending the data not be made public, he told reporters, "It's like a health check between a patient and a doctor." In another reform move, the United States and its six wealthy nation partners -- Japan, Canada, Britain, France, Germany and Italy -- decided Saturday to set up a new Group of 20 nations to focus on world financial reforms. The group, which will include both wealthy and developing countries, will hold its first meeting in Berlin in December with Canadian Finance Minister Paul Martin as chairman. The Group of 20, which was strongly pushed by the United States, is seen by the administration as a way to hold brainstorming sessions to come up with more far-reaching financial reform proposals. Even with the unfolding Russian investigations, this year's IMF and World Bank meetings are taking place in an atmosphere markedly improved from a year ago. Then, a botched devaluation of the Russian ruble and the near collapse of a large American hedge fund threatened to push the United States and the rest of the world into recession. That calamity was avoided in large part because the U.S. economy has outperformed expectations, serving as a market for crisis-stricken Asian nations. But with

the trade deficit soaring to an annual rate of \$247 billion, 50 percent higher than last year's record, U.S. officials are growing more concerned about the sustainability of that huge imbalance.

From The Associated Press, 27 September 1999

UN LAUNCHES NETAID WEB SITE TO CONTINUE FIGHTING POVERTY

Three world leaders clicked on their computer controls Wednesday to launch a new Internet site that aims to fight hunger and poverty world-wide. The NetAid site (www.netaid.org) from the United Nations was designed to make it easier for donors to contribute time or money and learn more about conditions that foster poverty. "The launching of this Web site represents a truly new front in the struggle against poverty," President Clinton said in a satellite appearance from the White House. Former South African President Nelson Mandela, speaking from Johannesburg, said most of the developed world "has the economic capacity to solve the problems of poverty, yet the gap between rich and poor is growing." He said the Internet should help poorer communities gain knowledge and resources to improve their conditions. From London, British Prime Minister Tony Blair urged Web visitors to pay special attention to helping refugees in light of turmoil in East Timor and other parts of the world. Three rock concerts on Oct. 9 in London, Geneva and East Rutherford, N.J., will boost the U.N. fund-raising effort. Unlike the 1985 Live Aid concert to fight famine in Ethiopia, organizers say, the Web site will encourage giving long after microphones go silent. "It's the NetAid technology that really makes a difference," NetAid spokesman Bob Chlopak said. "It empowers people to participate and contribute in many ways besides contributing funds." David Bowie, George Michael, Counting Crows, Jewel and U2's Bono are among the musicians scheduled to perform. VH1 and MTV cable networks will broadcast in the United States, while British Broadcasting Corp. will carry the concerts in the United Kingdom. Before the UN concerts, visitors to the site can make donations and register to help at the NetAid Web site. Ultimately, organizers expect to offer such features as online pen pals, discussion groups and direct links to organizations that fight hunger and poverty. The UN Development Programme will run the site.

From Associated Press, 9 September 1999

WORLD BANK SAYS EMERGING ECONOMIES SLOW TO REFORM

Emerging economies are dragging their feet over improving banking regulation and fighting corruption now that the worst of the global economic crisis has past, World Bank head James Wolfensohn said in an interview. Speaking to the International Herald Tribune ahead of the annual World Bank and International Monetary Fund meetings in Washington this week, he said countries had become over optimistic and efforts to fight global poverty had suffered. "The mood of doom and gloom is gone," he was quoted as saying. "But now perhaps there is a fear of over-optimism because of the speed and drama of the turnaround." "There is clearly less political will for reform," Wolfensohn said. "The moment economics picks up, the need for reforms is seen as less." "Many people are coming to the judgment that, 'Well, we got through that one, and everything is going to be all right.'" Wolfensohn said the IMF and World Bank were closely monitoring events in Russia and Indonesia. "A year ago, everyone said we must address the question of systemic reform, but these issues have not been addressed in many countries," he said. Among the issues still to be tackled, Wolfensohn said, are the increase in short-term capital flows, bank supervision and control and the need for transparency and accountability in financial dealings. He also said the question of breaking the power of the South Korean chaebols or conglomerates and the links between corporations and Government, remained on the agenda. Wolfensohn attributed the significant improvement in the world economic picture in part to the success of Government and multilateral reaction. "The system actually worked in large measure since the financial packages and steps taken by the Governments, from the point of view of getting the economies going, were effective," the paper quoted him as saying.

From Reuters, 20 September 1999

UNCTAD: WORLD ECONOMY PERFORMANCE IN 1999 TO REMAIN POOR

Although the worst fears of global recession have subsided, the prospect that the world economy in 1999 will simply repeat last year's poor performance is discouraging, the United Nations Conference on Trade and Development (UNCTAD) said in Geneva Monday. The world economy is estimated to have grown by 2.0 percent in 1998 and much the same performance is expected this year, according to the UNCTAD. Neither a return to stability in the buffeted Asian economies, nor the apparent containment of the Brazilian crisis to its neighbors should hide the immediate downside risks facing the global economy over the near future," said the UN agency in its Trade and Development Report 1999. The UNCTAD report warned that stabilization of conditions in emerging markets does not mean that the underlying problems have disappeared. "There is no ground for complacency, since the systemic forces responsible for the recent turmoil are still present," the UNCTAD said. The continued dependence of many developing countries on highly volatile capital inflows is a major cause for concern, the UNCTAD said, adding that there are also question marks about the ability of the US economy to bring about a smooth adjustment toward a more sustainable rate of growth, and of the European Union and Japan to achieve stable recovery. The UNCTAD stated that Asia's performance continues to depend on how the crisis and its aftermath are managed, and the speed and sustainability of recoveries are varied and uncertain. For the region much will depend on developments in China and Japan," it said, adding that the gradual slowdown in China is giving rise to concern. In Latin America, the UNCTAD said, despite the continued pursuit of structural reforms, the region has suffered a serious setback since growth peaked in 1997 at 5.4 percent and all the major economies have been affected. In Africa, the much-hoped-for take-off has not happened, according to the UNCTAD. The growth rate in 1998 was well below that in 1996 and hardly kept pace with population growth. The year 1999 is unlikely to see any significant improvement. As for transition economies in Europe, after

posting positive growth for the first time in 1997, they were badly affected by the Russian crisis in the second half of 1998, resulting in negative growth for the region as a whole, said the UNCTAD. In the industrial countries, rapid growth in the US has been a bulwark against global recession, at around 4 percent over the last three years, almost double what many had considered its long-term potential, said the UNCTAD. Growth this year is expected to drop closer to 3 percent. However, the UN agency said, inflationary fears are on the rise, and a tightening of monetary policy might trigger a large equity market correction; given the role in the boom played by private spending linked to equity prices, this could produce a harder landing than desired, jeopardizing recovery elsewhere. The EU is unlikely to give much of a boost to the world economy this year, the UNCTAD said. Growth in 1998 was short of the level needed to make a dent in unemployment. In light of global conditions, expectations are that growth will dip below 2 percent this year. "Assessing the prospects has been made more complicated by the introduction of the euro," said the UNCTAD. "Contrasting performances between larger and smaller economies, and the cyclical asymmetry with the United States, are posing policy dilemmas to the European Central Bank. But in the end, economic restructuring will determine the longer-term viability of the new currency." In Japan, negative growth is still the likely outcome this year, said the UNCTAD. A surprise jump in consumer spending in early 1999 is not likely to persist, and a fiscal package set for the autumn of 1999 is still required if the official growth target of 0.5 percent for the current fiscal year is to stand any chance of being achieved.

From China People's Daily, 21 September 1999

NEW TECHNOLOGY AND NEW ECONOMY

According to some economists, today's new technologies call for an entirely new economics: one that, unlike the orthodox sort, can cope with pervasive externalities and increasing returns. Are they right? Two sorts of claim are made about the "new economy". The first says that technology is spurring growth so dramatically that old assumptions about productivity, inflation, profits and so on no longer hold. This is a bold position, but it poses no great challenge to orthodox theory: old-fashioned "neoclassical" economics can comprehend it very well. The second claim is different. It says that orthodox economics itself needs to be revised wholesale to take account of the way the new economy actually works. The "new theorists", let us call them, say that technology-driven market failures are now pervasive. The chief culprit is increasing returns. In a world where unit costs fall without limit as output rises, monopoly thrives: a bigger firm can always undercut a smaller one. Industries based on knowledge, the argument goes, are especially prone to increasing returns, and hence to monopoly. Think of software. The costs are largely fixed and upfront; once they have been incurred, production can be expanded without limit at very little cost. Increasing returns in the form of "network Effects" can affect consumption as well as production. A common feature of the new technologies, it is argued, is that their value to any user increases in proportion to the number of users. The result is that, once a product is established in the market, demand for similar products will collapse: consumers get "locked in". And if they get locked in to a bad product, you have another market failure to compound the first one. The classic example of the "bad standard", or of "path dependence" as this syndrome is called, is the QWERTY keyboard: the layout makes no sense, it is claimed, but by an accident of history it has established itself and there is no getting rid of it. Our Economics focus of April 3rd discussed "The Fable of the Keys", a paper by Stan Liebowitz and Stephen Margolis, which showed that the QWERTY story was wrong, because the standard layout is not in fact demonstrably worse than the alternatives. This cast doubt on the whole new-theory movement. Now the authors have brought out a book, "Winners, Losers and Microsoft" (published by the Independent Institute). It includes the keyboard paper but moves on from that, by way of a close look at the software industry, to a broader and deeper attack on the would-be heretics. By a long way, it is the best single thing to read on this tangle of issues. The book reviews the new theory carefully and in language accessible to the general reader, and then subjects it to a detailed empirical examination. At the end, very little of the fashionable critique of neoclassical economics is left standing. To begin with, the authors question the theoretical appeal of the path-dependence paradigm. Network effects are real, and it follows that lock-in is a possibility. But note that lock-in is inefficient (that is, it is a kind of market failure) only if the inferior product survives despite the fact that the benefits of switching would exceed the costs. If the inferior product survives because the costs of switching are high, that is as it should be: in that case it would be inefficient to switch. (Recall that the point of the bogus QWERTY story was that the benefits of switching would be great and the costs low: the market failure consisted in the difficulty of making a co-ordinated jump to the new layout.) Taking switching costs into account immediately narrows the extent of plausible market failures. The new theory needs to be qualified in another way, too. Where lock-in is a factor, it is wrong to suppose that consumers and producers will blunder on as if it were not. On both sides of the transaction, there is an incentive to find ways round the problem. On the demand side, groups of consumers can get together and co-ordinate their choices. On the supply side, producers can start by selling their superior new product at a loss: if it really is superior, the market will adopt it and move across. Or they can spend heavily on advertising. Or they can help newcomers to switch by promising compatibility, as when cable-television companies offer to convert old televisions to the new system. With these and other strategies, it becomes an empirical question whether inefficient lock-in is as common as is often supposed; it is certainly not self-evident. Turning to the actual evidence, the authors find no such cases at all. Again and again they show that good products win. The standard lock-in stories are examined and, like QWERTY before them, debunked. Betamax was not beaten by an "inferior" VHS video format: at the time, reviewers were divided over which system offered better quality, and VHS offered the unambiguous advantage of longer playing-time. The triumph of DOS over the Macintosh operating system is equally explicable. Macs cost more, and Apple had developed a reputation for changing operating systems so as to make earlier software redundant; until Windows 2000 (see article), Microsoft's successive operating systems were consistently backwards-compatible (a feature that explains many of the problems that some Windows users complain of, but which is prized by many others). The book gives example after example of software that came and went, at one time dominating the market but then giving way to a better newcomer: throughout, reviewers' ratings of the products explain market-share. Unsurprisingly, in view of all this, the authors take Microsoft's side in the firm's battle with the Justice

Department. Their view of that endlessly complicated issue, set out in an appendix, is not so much a resounding acquittal as "case not proven"—but they would say this should suffice. Be that as it may, the case they make against the path-dependence paradigm as a way to see the world could hardly be stronger: it is a big idea that simply fails to stand up.

From The Economist, 18-24 September 1999

Governance Systems and Institutions

AFRICA

SOUTH AFRICAN GOVERNMENT BACKS ANTI-CORRUPTION UNIT

South African Justice Minister Penuell Maduna said on Thursday the Government continued to back a watchdog probing widespread corruption in the public sector despite a spat over funding for the unit. "The minister wishes to stress the fact that Government is committed to the fight against corruption and it will continue to support the current unit in carrying out its mandate," Maduna's office said in a statement. He dismissed media reports that he wanted to dissolve the Special Investigating Unit, led by Judge Willem Heath, which was set up in 1996 to focus on corruption, maladministration and misappropriation of state funds. But Maduna did say that legislation which allowed for the establishment of Heath's unit made no provision for the creation of a permanent body with its own budget and staff. Last month, Heath appealed to parliament's finance committee to help him find more funds or risk the unit curbing investigations and turning down cases. For the financial year ended March 31, the unit was allocated 16.89 million rand (\$2.8 million) by Government, compared to a requested budget of 33.6 million rand. But Maduna dismissed allegations the Government was not supporting the unit as it should and appealed to Heath to go through the ministry with regard to his needs. The latest audited figures show the unit recovered cash and assets worth 60.37 million rand and prevented losses to Government of 1.33 billion rand between the beginning of 1998 and the end of March this year. Heath has repeatedly locked horns with Finance Minister Trevor Manuel over the funding of the body, which has made enemies across Government by exposing corruption. Heath's unit last year investigated former Health Minister and current Foreign Affairs Minister Nkosazana Zuma over charges she mismanaged state funds on a controversial anti-AIDS play. Zuma and her department were cleared in April.

From Reuters, 9 September 1999

MOI RESHUFFLES KENYA CABINET BY SLASHING MINISTRIES

Kenyan President Daniel Arap Moi announced a major cabinet reorganization Monday, slashing the number of ministries to 15 from 27 in a bid to streamline Government and restore confidence in the economy. The number of ministers remains the same, however, with some departments having more than one head and the number of ministers of state in the President's office also increasing. "It is my Government's belief that by streamlining the public sector we can be more efficient," Moi said in a statement announcing the reorganization. But the initial reaction from analysts and economists was skeptical, with some saying the number of ministers should also have been cut. "It's a political compromise," said Robert Shaw, a director at the private Kenyan think-tank Institute of Economic Affairs. "No minister has been dropped, so all those names are still there regardless of their track record." "This is exactly what we didn't want," said Derek Hammond of London-based equity brokers T.Hoare & Co. "He hasn't changed anything at all...He is trying to pull the wool over the donors' eyes again." The reshuffle was widely anticipated as Moi has been under increasing pressure from the World Bank and international donors to streamline his Government, tackle endemic corruption and improve the economy. Richard Leakey, head of the civil service and cabinet secretary, was also believed to have made a reshuffle a condition of accepting the job when his appointment was announced by Moi last month. Finance Minister Chris Okemo -- appointed days after Leakey took up his new role -- retained his portfolio, as did Foreign Minister Bonaya Godana, widely regarded as an efficient spokesman for Kenya. Former Agriculture Minister Musalia Mudavadi has been given the key ministry of information, transport and communications and will oversee the ongoing privatization of the state telephone corporation and railway as well as commercialization of the ports. His place is taken by Chris Obure, formerly cooperative development minister. Moi said he was making the changes in order to "put in place the right conditions for our economic recovery." The World Bank and the International Monetary Fund had set a deadline of October 1 for Moi to present firm reform proposals. Specifically, they wanted to see measures aimed at streamlining Government, imposing strict fiscal discipline, clamping down on corruption and accelerating privatization. Kenya's economic collapse began after the IMF suspended all loans to the country in mid-1997 in protest at widespread corruption and poor public administration. If Moi can now meet donors' demands, the IMF will almost certainly start negotiations for a renewal of its lending. "I have spoken before of the need for a smaller and more effective government," Moi said in the statement. "I want to see government services to the people improved everywhere and this calls for efficiency and dedication by all public officers." Two of Moi's closest allies retained their influence. Nicholas Biwott becomes Minister of Tourism, Trade and Industry while George Saitoti retains the Vice-Presidency. Neither man was popular with foreign donors. Moi also urged civil servants to distance themselves from corruption, adding that "for the moment" there would be no layoffs or retrenchment of civil servants.

From Reuters, 8 September 1999

ASIA/PACIFIC

UNCERTAIN FUTURE HOVERS OVER VIETNAM PARTY

Four months after launching a big campaign to weed out corrupt and degraded cadres, the ruling Vietnam Communist Party has gone rather quiet. There have been few details of its heralded criticism/self criticism campaign in the state-controlled press, and there are no signs in the streets to suggest anything out of the ordinary. But all 2.3 million party members in this impoverished country of 79 million people are undergoing criticism in a bid to strengthen the party. Analysts said the party was facing its greatest challenge since the collapse of communism in the former Soviet Union and Hanoi's other Eastern Bloc supporters in the early 1990s. By keeping a lid on organized opposition Hanoi has maintained political stability, but critics say this has meant a retreat to hardline rule, with the party tolerating little dissent and constantly on the lookout for perceived threats. The party says it is the choice of the "entire Vietnamese people" and dissent could cause social chaos and undermine sacrifices made to end foreign interference in the country.

Whitewash

In the arcane world of Vietnamese politics the party wields absolute power and is accountable only to itself, leaving some party members cynical about the criticism campaign. "The results so far are zero point zero zero percent (of party members are corrupt)," said one veteran party member. "They are all clean." The party acknowledges graft is a problem, but analysts say the criticism campaign could be divisive and most corrupt cadres were likely to escape censure. "(Criticism) is an old Leninist technique which scared the hell out of everyone involved in the 1950s, but gradually became ritualized, and now would be mocked by many party members," said David Marr, a professor at the Pacific and Asian History Department at the Australian National University. Carlyle Thayer, a Vietnam expert at the Asia-Pacific Center for Security Studies in Hawaii, expected several thousand party members would be dismissed but said attempts to punish all corrupt cadres were unlikely as the party believed in rectification as an article of faith. "Errant cadres can be brought to confess their misdeeds, repent and return to party service even more dedicated to the party and its ideals," he said.

Das kapital or das cash

At street-level there is little interest in politics, and even less knowledge of Marxism-Leninism. The party has cloaked itself in safety ever since it forced its way into power across then North Vietnam in 1954, and the south of the country after 1975. School children learn about revolutionary achievements, victories over foreign invaders and acts of heroism. Party sources say accounts of some national heroes -- some are still taught today -- were fabricated to serve party propaganda. But a senior diplomat in Hanoi said selective truth and secrecy served a purpose. "Who wants accountability, that's what follows transparency. Power rests in following the line, swallowing it and not questioning it," he said. The party member said internecine struggles, slur campaigns and clashes of vested interests had caused trust within the elite to ebb. Leaden Marxist and revolutionary rhetoric has become irrelevant, as around 60 percent of the population are too young to remember the Vietnam War. Analysts say people, including many party members, are now more interested in cash than politics. "The Vietnam Communist Party is a dinosaur living in an age where it should be extinct. The criticism campaign...(is designed for) the prolongation of one-party rule," said Thayer.

Struggles for consensus

Analysts said the party might be pinning too many hopes on the criticism campaign as a cure-all. With the advent of email and the Internet, dissenting voices -- from both inside and outside the party -- are making themselves heard. A group of retired military and party veterans have rallied behind elderly General Tran Do to urge the party to examine itself and be prepared to democratize and drop socialism if that was what was needed to ensure economic growth. A political officer at a foreign embassy in Hanoi said a slowing economy coupled with ideological struggles over the introduction of a market economy, as well as conflicting vested interests, threatened the party's ability to rule. "Right now they have no strong leaders and there is a paralysis for some key decision making, especially when it comes to personnel and urgent economic reforms," he said. "They have to lighten up, take a step back and develop good governance through nurturing open dialogue with all sections of society. Only then can they have legitimacy."

From Reuters, 5 September 1999

CAMBODIA PRINCE BEMOANS POOR INVESTMENT CLIMATE

National Assembly president and former premier Prince Norodom Ranariddh said on Monday that Cambodia was no longer a good investment destination due to corruption, red tape and high costs. "I have to say Cambodia is not a good place any more to invest. We have now less and less investors," Ranariddh told reporters at a Government-organized seminar on corruption. "I think that the record is something terrible now in Cambodia," he said. "Labour is not as cheap as before, the cost of energy is very high, communications is also very, very high. And also there's a lot of red tape...a lot of corruption," he said. Approved investment in Cambodia in the first half of the year fell to \$163.7 million from \$481.9 million in the same period last year partly due to U.S. quotas on garments, board of investment officials said. Investment officials also said regional economic difficulties meant that investors from Cambodia's neighbours were staying away. Ranariddh said he hoped resolutions against corruption, to be worked out at the four-day seminar, would result in concrete measures. "Corruption is not only existing in Cambodia...but it is not to say that Cambodia should not tackle this very serious problem...(it is) a great obstacle to the development of Cambodia," he said. "Having laws is not enough. We have to have laws but laws have to be equally implemented and in a most efficient manner otherwise it will

be useless and more dangerous for the country," he said. Ranariddh served as First Prime Minister in a coalition government with then Second Prime Minister Hun Sen after a 1993, U.N.-organized election. But the coalition collapsed in violence in July 1997 when Hun Sen ousted Ranariddh. Late last year Ranariddh agreed to join Hun Sen in a new coalition after a disputed election narrowly won by Hun Sen's party. But the prince declined to take a government job and was instead appointed National Assembly president. According to official figures approved investment reached \$854 million last year, a 12.5 percent increase over the previous year, but the World Bank said in a report that foreign direct investment last year was only some \$150 million.

From Reuters, 13 September 1999

Rs100 BILLION CORRUPTION IN PAKISTAN EACH YEAR: UN REPORT

A United Nation report released here on Sunday said corruption was costing south Asia billions of dollars a year. The UN Development Programme report said corruption was costing Pakistan five per cent of its Gross National Product (GNP). It added: "The magnitude of corruption in Pakistan alone exceeds Rs 100 billion a year or five per cent of the total GNP." The report said democracy in South Asia was being eroded and that corruption was on the increase. The report said: "In Bangladesh, the implicit 'private taxes' - the costs of corruption - of setting up a business come to 340 per cent of the estimated initial official costs." The UN Development Programme report characterized democracy in the region as "one step forward, two steps backward." The report blamed South Asia's poverty largely on natural disasters, but also on efforts to expand nuclear capabilities and the global economic slow-down. India and Pakistan carried out tit-for-tat nuclear tests in May last year, prompting international economic sanctions that were partially lifted in December. The Human Development in South Asia report, prepared by the Islamabad-based Mahbub ul Huq Human Development Centre, was released at a news conference in Dhaka by David Lockwood, chief of the UN Development Programme in Bangladesh. "Democracy in South Asia is not about people, it is about access to state power," the report said, adding that despite their democratic leanings, south Asian states had failed to provide their people with freedom from the worst forms of deprivation. "This paradox forms the political crux of South Asia's crisis of governance." The report said confidence in the state system varied, with only 30 to 40 per cent of voters in most countries feeling they had access to elected representatives. "There are increasing corruption and criminalization in public life. Election expenditures and accounts of major parties are not open to public scrutiny. Women and minorities are typically poorly represented in the overall state structure," the report said. "While they make up half of the electorate, women hold just seven per cent of the seats in South Asia's parliaments," the report added. "Internal disputes are seldom settled amicably. At the same time, there are signs of institutional weaknesses in many parts of the region. Lower courts have too many cases and too few judges." "South Asia is home to more than 40 per cent of all those living in poverty worldwide, even as its population comprises only 23 per cent of the world's total," said the report. "Poverty of opportunities - defined as lack of access to education, health, employment, sanitation and productive resource - is increasing in all countries except India," it said. Elaborating on the deprivation of the poor, the report said "The richest one-fifth of South Asia's people earn almost 40 per cent of its income while the poorest one-fifth earn less than 10 per cent. "More than a sixth of the region's population, almost 200 million people, are not expected to survive to age 40. "Each day as many as 100,000 children in South Asia sell their bodies simply to earn enough to survive."

From Pakistan-Dawn, 19 September 1999

EUROPE

CORRUPTION IS A BIG BALKAN PROBLEM, HOLBROOKE SAYS

Diplomat Richard Holbrooke Wednesday stressed the need to step up the fight against corruption in the Balkan region, describing it as a cancer that could destroy a country's political fabric. Holbrooke, sworn in last week as the U.S. ambassador to the United Nations, said the United States viewed efforts to combat such crime as a "very, very high priority." Holbrooke, who in 1995 negotiated the Dayton peace accord, which ended the 43-month Bosnian war, said the Muslim, Serb and Croat presidency members had told him they shared the U.S. view. "I have always said...that corruption is a cancer that can destroy the political fabric of a country, and particularly a country struggling to create a democratic system," he said. "It's been a particular problem here because of the history and tradition, because of the political system, because of the war, because of the sanctions," he told reporters after meeting Bosnia's presidency on the fifth day of his Balkan tour. "It's a huge problem and I'm not satisfied with the efforts," he said. Ante Jelavic, the Croat chairman of the three-member presidency, told the same news conference that Bosnia had to be more determined in confronting organized crime and corruption. Western envoys overseeing Bosnia's still fragile peace process say corruption and fraud are a major problem in the impoverished Balkan country and a serious obstacle in efforts to build a free market economy after decades of socialism. More than \$1 billion may have been lost through tax evasion, customs fraud or embezzlement of public funds, the Office of the High Representative (OHR) to Bosnia, the international body overseeing the peace process, said last month. But the OHR, responding to a report in the New York Times, said there was no evidence to suggest that \$1 billion in aid money had been misappropriated or gone missing. "We cannot have elements pretending to be security forces who are in fact Mafioso or criminal gangs," Holbrooke said, adding that he was talking about the situation across the region, including Kosovo and Albania. Jelavic said the presidency would address the issue at one of its next sessions. While the body had only limited powers, the three presidency members, as political leaders, could influence local officials, he added.

From Reuters, 1 September 1999

ALBRIGHT WARNS THE RUSSIANS TO BATTLE CORRUPTION OR ELSE

Secretary of State Madeleine K. Albright criticized Russia's leaders on Thursday for failing to combat corruption, but defended the Administration's policy of supporting aid to Russia. "We have made clear that we will not support further multilateral assistance to Russia unless fully adequate safeguards are in place," Ms. Albright said, in some of the Administration's sharpest remarks since an international investigation of money-laundering allegations surfaced last month. "And we have always kept a close eye on our bilateral aid." Ms. Albright tried to deflect pointed criticism in Congress that the Administration had ignored signs of corruption in the Government, but she probably did little to calm the criticism because, for the time being, she stopped short of threatening to withdraw support for loans from the International Monetary Fund. Russia has already received \$640 million of a \$4.5-billion loan from the fund, and a senior fund official said today that a second installment of roughly the same size is expected to be approved soon without American objection. Republicans in the House and Senate have scheduled hearings beginning next week on the question of Russian corruption and the Administration's response to it. Ms. Albright said senior officials had repeatedly called on President Boris N. Yeltsin and his aides to strengthen safeguards against money laundering, bribery and other crimes. "Unfortunately, the response has not been adequate," Ms. Albright said in a wide-ranging speech at the Carnegie Endowment for International Peace. "President Yeltsin's Government needs at last to make fighting corruption a priority," she added. "The Russian legal system remains no match for well-connected criminals, and the tentacles of Russian organized crime have spread far beyond the nation's borders." The Administration's strongest critics have used the allegations of corruption, some of them directed to the Kremlin itself, to excoriate President Clinton and Vice President Al Gore, who has been an influential voice on Russian policy. The furor has made it clear that the Republicans intend to make it a campaign issue in 2000. On Tuesday the House majority leader, Representative Dick Armey of Texas, called the Administration's Russian policy "the great U.S. foreign policy failure since Vietnam." Authorities in the United States, Britain and Switzerland are investigating the movement of at least \$4.2 billion from Russia through the Bank of New York, suspecting that some of the money came from Russians involved in organized crime, corporate embezzlement, tax evasion or political graft. Because of the amounts involved, there is a review into the use of international aid, most of which comes from the International Monetary Fund. Ms. Albright said corruption had become a "dead weight" that was holding back the Russia's transition into a free, democratic society. Although she declined to answer any questions about the extent of the suspected corruption, she said the Administration would be "outraged if some of these allegations are true." She welcomed the decision by Prime Minister Vladimir V. Putin to send investigators to Washington to meet with Justice Department officials involved in the investigation, and she urged Russia to cooperate "no matter where or to whom the evidence leads." But she said Russia needed to do more: enact tough laws against money laundering, revise its financial system to ensure accountability and establish standards to prevent conflicts of interests among government officials, virtually nonexistent today. Ms. Albright said the two goals of American policy -- ever since President Bush's Administration -- have been to promote security through arms control and nonproliferation and to support Russia's emerging democratic, social and political institutions. "These are reasons to increase our efforts with Russia, not, as some suggest, to cut our aid and walk away," she said. President Clinton has proposed increasing assistance to Russia in the coming fiscal year to \$1 billion, from \$847 million this year. Most of the increase would go to expanding a program to dismantle or safeguard Russia's nuclear and other weapons programs. The House has proposed reducing that to \$725 million, the Senate to \$780 million. The Republicans have also used the investigation to renew attacks on the I.M.F., although there is no evidence any of the fund's loans were diverted. A senior fund official said today that the organization was still seeking some assurances that the money it had lent Russia had not been misused, but suggested that the fund was likely to continue lending money to Russia. "Russia is a program that works," the official said, speaking on condition of anonymity. Administration and fund officials say safeguards built into their financial aid programs with Russia long before the matter became public are sufficient to insure that Russia cannot divert or misuse any new loans. Under the current program, the aid to Russia is used only to help repay earlier loans from the fund, and the money is basically transferred from one account at the fund to another without going into the Russian banking system. Still, release of the next installment is likely to be held up while the accounting firm of Pricewaterhouse Coopers completes an audit of transactions between the Russian Central Bank and some international affiliates. An earlier report by the accounting firm found no evidence that a previous I.M.F. loan to Russia of \$4.8 billion had been lost to corruption.

From New York Times, 17 September 1999

MIDDLE EAST

IRAN'S NEWSPAPERS TRADE INSULTS IN REFORM STRUGGLE

At newsstands across Tehran, Iranians gather to read the latest salvos in the newspaper wars, a fight shaping up to be as critical to the future of Iran as it is entertaining. The highly partisan newspapers are taking center stage in the struggle between supporters of the reform-minded president, Mohammed Khatami, and his powerful opponents in the conservative Islamic hierarchy. To the delight of readers, the newspapers trade insults like schoolchildren, debate ideas like college professors and embrace platforms like political parties. The reformist daily Neshat calls the conservative Kayhan "shameless." Conservative papers say Neshat is an American-sponsored tool intent on destroying Iran. Kayhan calls the three leading reformist dailies "the Zionist triad." The leftist daily Sobh-e-Emrooz and the conservative Ressalat tear each other apart in editorial columns. Since the election of Mr. Khatami two years ago, press licenses have been granted liberally, spawning a proliferation of new publications and raising the total of national daily newspapers to 26. A half dozen promote hard-line conservative views and another half dozen support Mr. Khatami,

who has made press freedom one of his rallying cries. Others are nonpartisan. Although circulation figures generally are secret here, the stridently political papers seem to be the ones drawing the attention of the reading public. Most papers are affiliated with government agencies, but that does not guarantee they are on the same side. Kayhan and Ettelaat, for instance, were confiscated after the 1979 revolution and their directors are named by the conservative supreme leader, Ayatollah Sayed Ali Khamenei. Hamshahri is owned by the Tehran municipality and supports Mr. Khatami and his reforms. Some papers are privately owned: Neshat, Kordad and Sobh-e-Emrooz all follow a reformist line, while Ressalat is conservative. "We know that we are more than just passive observers of the current political debate," said Dariush Sajjadi, a reformist Iranian journalist. "We are active players." A conservative journalist who asked not to be named agreed, saying, "We are all openly advocating our ideas. There is no objectivity here." The conservative establishment often finds the public jousting disturbing. The conservative-dominated judiciary has closed some publications and jailed their management. Recently, editors of a few conservative publications also have faced questioning. The recent student protests that rocked Iran were triggered by a violent encounter following demonstrations against the closing of the daily Salam, a powerful pro-Khatami newspaper. The closing of Salam, a venerable old leftist paper published by a powerful and well-connected clergyman, was seen by reformists as a serious blow to their cause. "In the absence of political parties, newspapers have taken on that role, so the closing of Salam was seen as an attack on the reformists," said Amirali Nourbaksh, a Tehran political observer and editor of a weekly Iranian press review.

From Washington Post Service, 31 August 1999

ISRAEL PM TO PRESENT REFORM PLAN AFTER YOM KIPPUR

Prime Minister Ehud Barak will bring his plan for reforming government ministries before the cabinet next Tuesday, the day after Yom Kippur. According to the plan, the Public Works Department, the Railroads Authority and the responsibility for the country's roads will be transferred from the National Infrastructure Ministry to the Transportation Ministry. In addition, a National Planning Authority will be established within the Prime Minister's Office, and will receive the Israeli Lands Authority from the Infrastructure Ministry, and will also receive the Planning Administration, the National Council on Planning and Construction, as well as district councils and offices for planning and construction, from the Interior Ministry. The Education, Culture and Sport Ministry will be split into two ministries, one for education, the other for culture and sport, with the latter combined with the Science Ministry. The responsibility of the education minister over the second radio and television authority will be transferred to the Communications Ministry. Minister of the Interior Natan Sharansky yesterday met with Barak and repeated his opposition to the plan to strip him of the Planning Administration, saying he had not heard compelling reasons for the move, and that he saw no real "benefits" that would derive from the changes.

From Israel Ha'aretz, 14 September 1999

THE AMERICAS

VENEZUELA'S CHIEF DEFENDS REFORMS

President Hugo Chavez of Venezuela on Monday defended moves to concentrate power in the hands of a new constitutional assembly dominated by his supporters, saying that traditional institutions had been discredited. In an interview with the Spanish radio station Cadena Ser, Mr. Chavez insisted that his policies were democratic since a majority of voters had given him a mandate for the reforms. Last week the new assembly ruled by decree to limit the power of Congress. The president of Venezuela's Supreme Court resigned, blaming the assembly's moves to reform the judiciary radically and dismiss judges considered corrupt. "A peaceful and democratic revolution is under way, the result of the bankruptcy of the state," Mr. Chavez said, adding: "I am the head of state, but the state is bankrupt. We are reaching the end of an era. Corrupt political elites have taken control of power. They have concentrated power in a few hands. Judicial cliques have installed themselves." Mr. Chavez, a former paratrooper, led a failed coup in 1992. He took office six months ago with wide popular support, but has been accused by opponents of running a military government.

From Herald International Tribune, 31 August 1999

U.S. CONCEDES CORRUPTION A MAJOR PROBLEM IN RUSSIA, ASKS FOR PATIENCE

The US State Department on Monday conceded that rampant corruption in Russia was a serious problem but asked for forbearance as some lawmakers urged a cut-off in aid to the country amid reports of massive criminal fraud. "We've always been aware that corruption is a major problem in Russia," State Department spokesman James Foley said, adding that graft has been an almost universal dilemma in ex-communist countries moving to free-market democracies. "The very period of transition has been rife with possibilities for corruption, and we've never discounted that possibility. It's something we take very seriously and monitor as best we can." It's hard to call Russia in these areas a success, but it's important that Russia has embarked on the journey to democratic governance and the free market economy, as rocky as that has been." His comments came as allegations about widespread fraud and money laundering in Russia swirled with reports saying that as much as \$15 billion -- including some IMF loans -- had been diverted through New York bank accounts by Russian organized crime figures and members of Russia's political and business elite. The reports have led at least one US lawmaker to call for a suspension in IMF loans to Russia and have caused an uproar in financial circles. Earlier Monday, the IMF said it had found no evidence that its financial aid to Russia had been misused, but added

that corruption allegations would be considered in its review of an upcoming loan installment. Foley stressed that no US aid was alleged to have been involved in the scandal and noted that all aid provided so far has not been in cash but in technical assistance designed to help stop corruption and particularly to help reduce Russia's nuclear arsenal. The aid has been given to assist with "good governance and better economic management in the transition of a Communist society to a society governed by the rule of law in a free market." Still, Foley said, while serious problems remained, progress had been made toward combating corruption and fraud, and that steps taken thus far should not be abandoned.

From Reuters, 31 August 1999

VENEZUELAN PEOPLE WANT TO ROOT OUT CORRUPTION

Even while assuming control of Congress and the judiciary, an omnipotent Assembly guided by President Hugo Chavez is sniffing around for corruption in local and state Governments, signaling its desire to seek ever broader powers. Some say the Assembly has bitten off more than it can chew. But many members of the Constitutional Assembly say voters clamor for a vigorous housecleaning of the government -- and they will comply. "The Venezuelan people are in a hurry and they are pressuring us to take a lot of measures," said Alfredo Peña, a former chief of staff to Chavez who was elected to the Assembly with more votes than any other member. Another Chavez supporter in the Assembly, Jose Vielma Mora, a retired army captain, said citizens want rapid, dramatic action. "People tell us, 'You are weak. We put you there to eliminate the corrupt powers in this country,'" he said. So the Constitutional Assembly, comprising 131 people, nearly all of whom support Chavez, has stretched its six-month mandate far beyond writing a new constitution. Radical voices seeking a broader role for the Assembly seem to be gaining ascendancy. Since beginning work Aug. 3, the Assembly has declared a "judicial emergency," allowing it to review 3,130 cases of alleged judicial corruption. On Monday, the Assembly snatched power from Congress. Some members worry that the Assembly is getting stretched too thin. "A lot of tasks are accumulating in the Assembly, and it may take time away from writing the constitution," said Peña. The half-dozen members of the Assembly in fervent opposition to Chavez have repeatedly asserted that it should stick to drawing up a new charter. "You cannot reasonably, practically, think that it is physically possible to write a new constitution and, at the same time, assume all the functions of all branches of government," Assembly member Jorge Olavarria warned his colleagues on Sunday. But some members ignore the warning. The Assembly is mulling a move that would allow it to "evaluate" any of the nation's 334 mayors and 23 state governors for corruption. The threat has sown panic among opposition mayors and governors, most all of whom were elected. At least five governors may get sacked, said Edmundo Chirinos, a Chavez supporter in the Assembly. "This Assembly will not remain on the sidelines in those cases that reveal serious acts of corruption," asserted Ricardo Combellas, the head of an Assembly judicial commission studying the executive branch overhaul. Opponents said the Assembly will not weigh corruption charges impartially. "This will be a witch hunt," said Olavarria. "This is a grand tool to distract attention." Eric Ekvall, an independent public affairs consultant said: "The more radical elements in the [Assembly] are going to be calling for everyone's head. There's blood in the water. They can smell it. And some of the Assembly members can't resist." More moderate members of the Assembly, even within Chavez's Fifth Republic Movement, say they want to maintain a focus on drawing up -- and gaining consensus around -- a new charter. "Writing a constitution is something serious, a delicate matter," said Assembly member Hermann Escarra, a constitutional law expert. "One can't do it at the last moment." The Assembly has six months, beginning Aug. 3, to propose a new charter. Chavez has asked that the task be done more rapidly -- in three months. Extraneous issues already interfere with the Assembly, Escarra said. "People come here looking for work. People come looking to get people out of jail, for union problems," he said. "The Assembly cannot get involved in all of this. This takes away resources and time." An U.S. observer visiting Caracas said the problems are understandable given the lack of experience of most Assembly members. "If you haven't been in government, you sometimes don't have a sense of what's realistic. You have to have a sense of what's possible and what's not possible," said Michael Shifter of the Inter-American Dialogue, a Washington-based institute. "It will test the skill of the Assembly to move forward with its agenda on one hand but try to contain popular pressures for dramatic and sudden changes of the system."

From Miami Herald, 1 September 1999

TRINIDAD LEADER VOWS TO FIGHT DRUG TRADE

The leader of Trinidad and Tobago vowed to fight drug trafficking and police corruption in a speech Tuesday marking the Caribbean nation's independence. Prime Minister Basdeo Panday also pledged to improve conditions for battered women and children. Like other Caribbean island nations, Trinidad is used by Latin America traffickers to bring drugs into the United States while narcotics abuse by Trinidadians is increasing. Domestic violence is also a growing problem. Panday said the drug mafia "though wounded, still stalks the land." The young and jobless were often targeted by drug gangs, he said. "A united front can defeat the criminal international drug cartels which have virtually declared war against the nation," he added. Referring to recent disclosures of police corruption and collusion with traffickers, he said it was outrageous that officers charged with protecting citizens had become "enemies of the people."

From Reuters, 1 September 1999

UN OFFICIAL URGES JUDICIAL REFORM IN GUATEMALA

A UN official on Friday warned that Guatemala must overhaul its judicial system if it is to gain the public's trust. "Reforms are urgent so that Guatemala can launch itself into a new era of peace and security in the 21st century," said Param Curamaswamy, U.N.

special rapporteur for justice. The Government was due to appoint new magistrates to the Supreme Court in October. But some of the nominees have come under question for their roles in Guatemala's bloody past. "I understand that the integrity of some of the candidates for the Supreme Court has been questioned," the U.N. official said at a news conference. "It's very important that the magistrates be picked on the basis of objective criteria, so that those elected are judges with character, probity and independence." Curamaswamy, winding up a two-week visit to the Central American country, said it also was essential that the Guatemalan army investigate charges of abuses by soldiers. Last February, a Guatemalan truth commission accused the army of carrying out 626 massacres against Indian peasants during the civil war that claimed some 200,000 lives in this impoverished nation of 11 million. A peace agreement in 1996 brought Guatemala's 36-year conflict to an end. In a historic ruling against the military earlier this month, a court sentenced 25 soldiers to up to five years in jail for the October 1995 killing of 11 peasant refugees. But the court threw out more serious charges such as extrajudicial execution that could have landed the soldiers 30-year jail terms. That action infuriated human rights groups who accuse the army of interfering in the trial and of intimidating witnesses. Curamaswamy said that "most of the pressure judges suffer comes from the state itself." The rapporteur said the growing number of lynchings in Guatemala was a clear sign that people had no faith in the justice system. There have been 240 public lynchings of presumed criminals in Guatemala since 1994. During Curamaswamy's two-week tour of the country, there were five reported lynchings.

From Reuters, 27 August 1999

CUBA ASKS IOC TO END AIBA 'CORRUPTION'

Cuba Sunday published a letter to International Olympic Committee (IOC) president Juan Antonio Samaranch asking him to stamp out the "injustice and corruption" which it said were rife in the International Amateur Boxing Association (AIBA). The letter, published by an official Cuban newspaper, slammed AIBA President Anwar Chowdhry as "incompetent." Written by Cuban Boxing Federation president Jose Barrientos and vice president Teofilo Stevenson, the message dated August 30 repeated Cuban complaints that six of its boxers were eliminated by unfair judging at the world amateur boxing championships in Houston at the end of August. The Cuban squad walked out of the event in protest. Denouncing "corruption at the heart of the highest levels of the AIBA," the Cuban letter called on Samaranch and the IOC to take "action to end such injustice and corruption." The publication of the letter by the Juventud Rebelde newspaper was part of a public relations offensive launched by communist-ruled Cuba to counter what President Fidel Castro has described as a "plot" to discredit Cuban athletes and tarnish the island's image as a sporting power. Cuba is refusing to accept both the refereeing decisions at Houston and doping charges leveled against four Cuban athletes, including high jump star Javier Sotomayor, at the summer 1999 Pan American games in Winnipeg, Canada. In their letter, the Cuban boxing representatives cited several other world amateur boxing tournaments in recent years which they said were marked by refereeing controversies. "Mr. Chowdhry as President of the AIBA has been passive and incompetent in each of these scandals," the Cuban letter said. It complained that Chowdhry was seeking to penalize the Cuban Boxing Federation and the national boxing coach Alcides Sagarra for the Cuban walkout from Houston. Cuba has asked the AIBA to overturn the disputed fight decisions. The message described Cuba as the world's leading boxing nation and recalled it had won 23 Olympic titles and 48 senior world championship titles, among other honors, in 27 years. Sport in communist-ruled Cuba is sponsored and run by the state and has heavy political and nationalistic overtones.

From Reuters, 9 September 1999

Civil Services & Ethics in Public Sector

AFRICA

CONGO REPUBLIC LAYS OFF OVER 34,000 CIVIL SERVANTS

Congo Republic has laid off 34,413 civil servants since last April under a cost-cutting measure demanded by donors, Civil Service Minister Jeanne Dambenzet said on Wednesday. She said in a statement that a further 10,000 would go under the measures recommended by the World Bank and the International Monetary Fund. The donor agencies have also recommended a freeze on recruitment into the civil service except in the health and education sectors. The objective is to reduce the annual public service wage bill in the war-battered Central African state from 136 billion CFA francs (\$221 million) to 100 billion CFA (\$163 million). The minister's statement said those still to be laid off were mainly in inaccessible regions in the south of the country where Government forces have been battling rebels for more than a year. The Government is seeking help from donors to revive an economy ravaged by civil war since 1997 but its efforts have been hampered largely by continuing insecurity.

From Reuters, 9 September 1999

MALI PRESIDENT TARGETS CORRUPTION AND SACKS OFFICIALS

Mali's president, Alpha Oumar Konare, has embarked on a crusade against corruption and his Government has sacked all the finance ministry's national directors. A cabinet statement announcing the dismissal of the senior officials responsible for customs, taxation, Government finances, the budget and public debt, gave no reason for their removal. But commentators and government sources linked the move to his campaign to root out corruption, and some newspapers speculated that a Government reshuffle was imminent. The statement was issued after a cabinet meeting on Wednesday. One source told Reuters that a specialized monitoring unit attached to the prime minister's office had detected a hole of 1.2 billion CFA francs (\$1.9 million) in the customs accounts. The head of the monitoring unit, Mamadou Thiero, has been named national customs director, the government sources said. "President Alpha Oumar Konare has made up his mind to hit where it hurts most and nothing will stop him," the private, pro-government newspaper Les Echos said in an editorial. Konare himself set up the newspaper before winning a multi-party presidential election in 1992. He won a second term in 1997, in a poll boycotted by many opposition candidates. The newspaper quoted Konare as telling Wednesday's cabinet meeting that "the fun and games are over." It said he had asked ministers to identify officials who were not up to the job for whatever reason. It quoted him as saying he would take personal charge of replacing them, and as saying he would also investigate other ministries. Konare told magistrates on August 31 that he planned to equip some courts as soon as possible with specialized units to fight corruption. "The judicial institution is an essential link in the chain, without which any attempt to fight corruption is futile," he said. Addressing the newly created Higher Council of Magistrates, he said the units would include specially trained police officers and auditors.

From Reuters, 19 September 1999

ASIA/PACIFIC

CAMBODIAN GOVERNMENT VOWS TO SHED CIVIL SERVANTS

Cambodia is committed to cutting the size of its bloated civil service in line with the recommendations of its aid donors but has yet to decide exactly how many government workers will be laid off. Senior minister without portfolio Sok An told a news conference on Monday that the Government was seeking foreign aid to conduct a census of civil servants and to computerise government pay rolls and identification card records. "We want to reform our administration to work effectively and competently," Sok An said. "We've told them that we are committed to reforming the civil service," he said, referring to aid donors. He said there were 164,000 government workers on the payroll and authorities aimed to start reducing that total next year but it had yet to be decided how many jobs would be cut. "We don't know what percentage we're going to cut, it depends on financial issues," he said. Cambodia's aid donors have been urging Government to cut the size of its armed forces and civil service and channel the money saved into other sectors such as health and education. An International Monetary Fund (IMF) team is now in Cambodia to review reforms and discuss the resumption of loans. Civil service reform is expected to figure in the talks. The IMF had a \$120-million three-year programme in Cambodia but only half the loans were disbursed when it suspended its assistance in mid-1997, citing the country's inability to meet conditions, in particular its failure to collect revenues from the logging industry. Sok An said civil service reform would cost millions of dollars and the Government needed more help to shoulder the burden.

From Reuters, 30 August 1999

JOURNALISTS VOW TO LIFT ETHICS OF MEDIA INDUSTRY

Journalists' associations agreed yesterday to work together to raise press ethical standards. They issued a joint declaration opposing the Law Reform Commission's proposal to set up a Government-appointed press council to punish newspapers that invade people's privacy. The Hong Kong Journalists' Association, Hong Kong News Executives' Association, Hong Kong Federation of Journalists and Hong Kong Press Photographers' Association made the declaration at a media ethics forum yesterday. Under the commission's proposal, the press council would be given powers to reprimand and fine newspapers up to \$1 million for breaching the privacy code. The journalists' statement said such a council would severely limit press freedom and could undermine the public's right to know. Director of Chinese University's School of Journalism and Communication, Paul Lee Siu-nam, was concerned the council's jurisdiction could be extended too far. "It would become the culture police. This is very dangerous," he said. But the groups admitted media self-discipline was unsatisfactory. Journalists' Association chairwoman Mak Yin-ting said: "The ethical problem in the press has deteriorated

South China Morning Post, 20 September 1999

EUROPE

MODERNIZE OR ELSE, BLAIR TELLS PUBLIC SERVICES

Prime Minister Tony Blair, proclaiming a personal "mission to transform," told Britain's public service employees and managers on Thursday to change their ways and put customers first. Opening a new hospital diagnostic centre, Blair highlighted the issue of convenience for patients as critical for his reforms of the National Health Service. "Why is it that patients have not been able to choose when they want to go into hospital? It's because the needs of the system have come before the patient. The result has been that it has been the hospital who decides when they can fit you in, rather than the other way round. That is no longer good enough," Blair said. He held up the new ambulatory care and diagnostic centre at the Central Middlesex Hospital in west London as a symbol of the Government's drive to modernize. "My mission in politics, in Government, is a mission to transform," Blair declared, acknowledging that modernizing the NHS would take years of hard work. "But if we are to achieve step-change improvements in our public services then all of us involved in the public services -- politicians, managers, professionals and support staff -- must be prepared to change and adapt." Blair, who hit the same "modernize or die" note in an interview in Thursday's Times newspaper, said he was determined to see the NHS providing a whole new range of consumer-focused services. He diplomatically avoided direct comparisons between private and public sector styles of operation but made clear the NHS would have to undergo fundamental change to catch up. "People have busy lives juggling work and family. In today's world we book things to suit ourselves. I want that same principle to be at the heart of our new NHS," he said. Blair said giving patients the chance to pre-book appointments at times which suited them rather than the hospital or the doctor would "change radically people's relationship with the NHS." "You cannot have improvement without change. Most of those providing our important public services know that and are working with us to modernize the public sector," Blair said.

From Reuters, 2 September 1999

CZECH GOVERNMENT MET ON PUBLIC ADMINISTRATION REFORM

The Czech cabinet has called a special two-day session at the end of this week to discuss the reform of public administration throughout the country, a Finance Ministry spokesman said on Wednesday. Libor Vacek said the meeting, planned for Friday and Saturday, will discuss a wide package of draft amendments including the structure of regional and municipal budgets. "The changes would bring further division of finances out of the state budget" into regional and municipal control, Vacek told Reuters. An agenda for the meeting lists the cabinet considering, in part, rules for taxation for regions and municipalities and devolving obligations for selected state assets. Further details about the drafts were not immediately available. The cabinet agreed its 2000 state budget on Monday, projecting a deficit of 39.8 billion crowns, with expenditures totalling 633.8 billion and revenues of 594 billion. Independent analysts and the International Monetary Fund have repeatedly called for improving the structure of overall public budgets in the Czech Republic.

From Reuters, 21 September 1999

THE AMERICAS

HICKORY COUNCIL (U.S.) REWRITES EXPENSE POLICY AFTER POSH DINNER

Don't look for Hickory City Council members to eat filet mignon or drink Chardonnay -- at least while taxpayers are picking up the check. Two council members outlined a new travel policy Wednesday that limits the amount officials can spend on dinner while on city business. It also forces them to pay for their alcohol and expenses from spouses or companions who accompany them. The rules come three weeks after news spread of lavish City Council dinners at a National League of Cities meeting in 1997. "I don't think we'll be eating a \$118 dinner anytime soon," said Council member Danny Seaver, who helped devise the policy. The City Council's \$118-per-person meal -- before drinks, taxes and tip -- at a fancy Philadelphia French restaurant two years ago has triggered numerous complaints from residents over the past month. Nine city officials and four guests spent \$2,863 at Le Bec-Fin, and the following night 11 people dined for \$1,212 at a restaurant down the street. Seaver and council member Pat Moss studied

other local governments' travel policies over the past two weeks to create the policies. Moss reimbursed the city \$400 last month for her dinner at Le Bec-Fin. Seaver was not on the council in 1997. Their suggestions include creating a \$28-a-day maximum allotment for council meals in North Carolina -- matching the amount granted to state employees. For out-of-state travel, the city would use federal employee guidelines, which vary depending on the city. In Philadelphia, for example, council members would get \$46 a day. No longer reimbursing council members for alcohol drunk at dinners. That would eliminate drinking at events such as a 1997 appreciation dinner for legislators at Lake Hickory Country Club, where 63 alcoholic beverages were served, costing nearly \$600. On several occasions council member Z. Ann Hoyle has used her city credit card for clothing and other personal expenses. She has always promptly paid back the city, records show. The City Council is likely to discuss the recommendations Tuesday. "I think this is a very positive start," said Don Myers, the president of the Hickory-Catawba County Taxpayers Association and a chief critic of the city dinners. Council member Sally Fox said she'd like to see the proposal go even further. She wants to get rid of city credit cards and trim the number of council members who go on each trip. Moss and Seaver rejected both ideas. They said credit cards were the best way to track expenses and that each council member should have the option of attending national or regional conventions that inform them on key issues affecting cities. "We are not on an island here," Moss said. "We are connected with the rest of the world."

From The Charlotte Observer, 2 September 1999

CONNECTIV CALLS PUBLIC SERVICE COMMISSION ORDERS FAIR, 'BALANCED'

The final orders issued by the Delaware Public Service Commission today for electric customer choice in Delaware were called "fair, equitable and balanced" by officials at Conectiv Power Delivery, the major electric utility in Delaware. "These orders are the product of years of public debate, analysis and planning," said Tom Shaw, executive vice president of Conectiv (NYSE: CIV). "They are reflective of a wide range of parties concerned, from low-income groups, to business and industry, to the electric utility industry. These orders will allow for customers to choose their electric energy supplier while enjoying the same safe and reliable power delivery they have come to expect." The orders implement the legislation passed in March opening the electric utility industry to competition, the Electric Utility Restructuring Act of 1999. The law calls for large commercial and industrial customers of Conectiv to be able to choose their suppliers October 1, 1999. Establishments such as office complexes and other medium to large commercial and industrial customers of Conectiv will be able to choose their supplier January 15, 2000. Residential customers and all other small and medium commercial and industrial customers of Conectiv will be able to choose their own supplier October 1, 2000. Conectiv Power Delivery residential customers will receive a rate cut and a rate freeze as a result of the law and the Commission's orders. Among the highlights of the order, the Commission:

- ◆ Provided for shopping credits;
- ◆ A baseline that customers use to compare price offerings among competitors -- at a level that will provide customers with opportunities to shop for alternative suppliers of electricity;
- ◆ Approved measures to protect the integrity of the default service by restricting the practice of some marketers to promote switching their customers back and forth between the default supplier and an alternative supplier, to take unfair advantage of seasonal price changes;
- ◆ Approved Conectiv's proposed rate structure, which essentially provides for the recovery in \$16 million in Conectiv's stranded costs in Delaware. "One of the reasons Delaware businesses remain in the forefront of regional competition is that we enjoy some of the lowest electric rates in the region," Shaw said. "These measures ensure that those conditions prevail." SOURCE Conectiv.

From PRNewswire, 1 September 1999

QUEBEC FACING AUTUMN OF PUBLIC SECTOR WORKERS' DISCONTENT

When Quebec Premier Lucien Bouchard visited the industrial town of Arvida last week, he was invited to a musical show at a local theatre. Problem was, 235 of the 600 scheduled guests couldn't show up, all of them pupils from the local elementary school. Their field trip was cancelled because Quebec teachers are refusing this fall to perform any tasks outside of the classroom. The teachers in Arvida are part of 426,000 public-sector employees -- nurses, provincial police, hospital technicians, civil servants -- in the midst of contract talks and gearing up for what everyone expects to be a strife-filled autumn. Sticking to a strict work-to-rule tactic, high-school and elementary-school teachers are boycotting field trips and extracurricular activities. Earlier this summer, Quebec nurses walked out for a total of 29 days. Teachers are threatening their own strike by late October. There is even the spectre of a province-wide strike by the entire public sector. "I think it is practically inevitable," Henri Massé, president of the Quebec Federation of Labour, said last week after he and other union leaders met provincial negotiators. The common front of the three largest public-sector unions is to announce this week what pressure tactics are being planned for this month. As the nurses' current wave of local "guerrilla" protests has shown, even low-intensity tactics can exact a toll, especially in the health sector. Since they called off their general strike, the nurses have worked to rule and refused to work overtime. As a result, emergency wards in the Montreal area regularly overflow with twice as many patients as there are beds, hospital administrators say. As with many things here, the issue has become entangled with the debate on Quebec independence. Union leaders grumble that Mr. Bouchard's stonewalling is no way to build the so-called "winning conditions" for a sovereignty referendum. The dispute takes place as the Parti Québécois Government under Mr. Bouchard is shifting from its social-democratic axioms and adopting priorities that are more to the taste of the business community: balanced budgets and promises of tax cuts. The Government appears willing to accept short-term anger from its labour allies in return for broader acceptance in business circles. Mr. Bouchard has been saying that high wage increases would

jeopardize promised tax cuts in the future. As if by coincidence, the Government has scheduled a series of public hearings for the beginning of October on how it should implement the \$400-million cut in income tax it promised in the last budget. The Government's attempt to sway public opinion by linking tax cuts to labour demands irks the union leaders. They say that Quebec's strong economy should enable Mr. Bouchard to find the fiscal margin of manoeuvre to meet their wage demands. With provincial indicators shooting upward for the past three fiscal quarters, union leaders note that forecasts by major financial institutions are more bullish than the cautious projections of Finance Minister Bernard Landry. The union wants wage increases ranging from 11.5 per cent to 17 per cent over three years. The Government will offer them only 5 per cent. Mr. Bouchard's key argument has been that he cannot give in to any union, lest others demand the same at the common bargaining table. That's because Quebec has the most centralized system of public-sector bargaining in Canada, noted Michel Grant, a labour-relations professor at the University of Quebec in Montreal. This emerged during the Quiet Revolution, when Quebec's health and education systems underwent drastic changes, at the behest of top-ranking mandarins such as Jacques Parizeau, who would go on to become Mr. Bouchard's predecessor as PQ leader and premier. For the Government, a centralized bargaining system made planning and control easier. For unions, it meant the strength of numbers. The result has been that, for more than 30 years, Quebec suffers cyclical bouts of labour unrest. The difference this year is that, after a decade of minimal union wage gains, due to recessions and deficit-cutting agendas, Quebec has a balanced budget for the first time in a quarter of a century. "These are the first real negotiations in 10 years," Mr. Grant said. "That's why the unions' appetite for wage hikes is more acute this time." The 5-percent cap, which Mr. Bouchard successfully maintained against the nurses, is the major hurdle in the talks, a lightning rod for union frustration. "If you say that everyone should get 5 per cent, how do you judge each trade on its own merit? You void the concept of bargaining," said Tony Cannavino, president of the union of provincial police officers. Mr. Bouchard is an experienced labour negotiator. During the walkout by nurses, the Premier finessed his way through the crisis, not yielding to the strikers but refraining from unleashing the full arsenal of legislative sanctions he had in his control. Union morale took a setback when the nurses, by far the most popular group of public workers, failed to make wage gains. This fall, "Round 2 will be tougher," warned Monique Richard, president of the Centrale de l'enseignement du Québec, the province's main teachers' union.

From Canada-Global and Mail, 7 September 1999

NEVADA ETHICS OFFICIALS DENOUNCE RULING

The reversal of a decision against Yvonne Atkinson Gates creates a loophole for politicians, authorities worry. Ethics Commission Chairman Bill Bible and UNLV ethicist Craig Walton agreed Tuesday that a judge's opinion overturning a complaint against a county commissioner has loosened Nevada's ethics laws and created a loophole allowing politicians to use their offices to help their friends. Washoe District Judge Jerome Polaha cited the 1999 Legislature's decision not to clarify the law as a primary reason he overturned the complaint against Clark County Commissioner Yvonne Atkinson Gates. In this first test case on whether it is unethical to use a political office to enrich friends, Polaha said the Legislature, as recently as 1999, has refused to define the ethics and conflict of interest statute as including friends. Politicians are prohibited by state ethics laws from using their elected office to enrich themselves, their families or their business partners. But, as understood by Polaha, the law never said politicians couldn't help their friends as Atkinson Gates did. "In effect, what he (Polaha) says is that cronyism is now OK because the Legislature did not sufficiently prevent it," said Walton, head of Ethics and Policy Studies at the University of Nevada, Las Vegas. The Nevada Commission on Ethics decided in June 1998 that Atkinson Gates broke ethics laws when she helped two of her friends -- Judy Klein and Michael Chambliss -- obtain lucrative concession contracts at McCarran International Airport. The ethics commissioners never said Atkinson Gates benefited personally when she proposed their names as people she could support. She also voted on the concessionaires without disclosing that Klein had raised campaign money for her and that Chambliss was a campaign worker and adviser. The ethics commissioners said Atkinson Gates -- along with Commissioner Lance Malone, who also sought to help a friend win a concession -- had violated ethics laws by failing to disclose their relationships and by voting on the concession contracts. The two commissioners were not sanctioned because commissioners ruled their actions were not wilful violations. Malone refused to join in Atkinson Gates' judicial appeal, which was assigned to an out-of-town judge because her husband, Lee, is a district judge in Clark County. In reaction Tuesday to Polaha's 18-page decision, Malone said he won't try to get his parallel complaint overturned "because in my own opinion, I feel I made a mistake. I should have disclosed." He said he will continue to disclose his friendships before voting. Gov. Kenny Guinn's legal adviser, Scott Scherer, said he hopes the Ethics Commission appeals Polaha's decision, affording a definite decision. He disagreed that cronyism is now legal. Commissioner Yvonne Atkinson Gates, who always said she did nothing wrong, when asked about her future policy on voting on matters involving friends said, "I intend to follow the law, as I have in the past." Bible, who was not on the Ethics Commission during the period Atkinson Gates was under scrutiny, said commissioners will have to decide whether to appeal the decision, but whether they appeal or not, "It's a matter the Legislature should address. Personally, I don't think you should use your office to help your friends." "It is interesting to note that, in the 1999 legislative session, the Legislature again refused to define this statute to encompass all types of relationships," Polaha said. When lawmakers created the state ethics laws in 1977 they "seemed most concerned about public employees using their positions for personal monetary gain." So Polaha agreed with Atkinson Gates' Las Vegas attorney, Dan Polsenberg, that because the law didn't explicitly prohibit cronyism, legislators weren't concerned about ethical violations involving friendships. An effort by Guinn to strengthen the ethics laws also failed to address conflicts resulting from "personal relationships." The visiting judge said the law was "unconstitutionally vague" because it failed to put Atkinson Gates on notice that "if a friend or acquaintance came before the Clark County Commission, (she) had to disclose her relationship and perhaps abstain from voting on the matter." Atkinson Gates, who was out of town over the Labor Day weekend when the opinion was signed in Reno, was delighted and relieved Tuesday. "It means that two years of my life was hell. But now it's over. I'm glad of that. This ruling clarifies the law not only for me, but for all elected

officials," she said. "Unfortunately, I was the guinea pig, but in the long run this will help all elected officials." Polaha overturned the Ethics Commission decision on two of her arguments -- that the law was unconstitutionally vague and that the Ethics Commission had sought to expand the law without legislative approval. On the last page of his opinion, the judge said he didn't endorse Atkinson Gates' actions of making a list of concessionaires the commissioners would support. He also said those actions didn't rise "to a level of ethical purity that the public would like to see." A separate ethics violation against her in January 1998, involving her soliciting casinos she regulated to let her open a daiquiri business, still stands. Polsenberg said it was "ironic it took the nonpolitical branch of government, the judiciary, to realize the practical effects of the interpretation of the ethics code. It clearly bothered the judge that the Ethics Commission's interpretation of the law was paralyzing local government." Judge Polaha said that because Nevada is a fairly small state where people know each other, "if public officers and employees were required to abstain from voting on every issue where a friend was involved, Government as we know it would come to a standstill." But Malone denied that the County Commission has come to a standstill since the controversy over the airport concessions became an issue. He said he will continue to disclose his friendships, despite the ruling. "If I know, I simply disclose. That makes it very easy." But he hopes the Legislature uses its authority when it meets again in January 2001. "I think our legislators should be very specific in nature and tell us what they want us to do." But as Walton pointed out, until the Legislature convenes "there won't be any new wording, so cronyism is OK, since it isn't specifically ruled out."

From Las Vegas Review-Journal, 8 September 1999

KAUAI VOICES CONCERNS ABOUT CIVIL SERVICE PLAN

State Human Resources Director Mike McCartney came to listen to the Kauai County Council's opinions on what direction Gov. Ben Cayetano's proposed civil service reform package should take. What he heard yesterday was a lot of skepticism on his boss's ability to work with the state Senate. And, even if he could, there was doubt the concerns of the state's smallest county in terms of population would be visible in the final product. It was McCartney's first visit with any county council on this project. He noted Hawaii is the only state with a single civil service system that covers all levels of Government, and it hasn't been updated for 60 years. Council Chairman Ron Kouchi jumped in immediately and asked whether there is any point in the exercise with the governor and the Senate leadership so deeply divided at the end of this year's session. "There are some problems you've been having at the Senate that need to be ironed out," he told McCartney. "We're on the path to cooling off and talking. We've been talking to the senators," McCartney replied. "I would like to see the Senate president with you at these meetings," said Councilman Billy Swain, a former House member. "Give me some assurance the Legislature is going to look at this seriously." It was clear the raised eyebrows McCartney was receiving came from the Council's experience three years ago when it jumped aboard Cayetano's economic recovery train -- only to find the county left with a huge cut in room-tax revenues and no way to replace them but to raise property taxes. And the Council members repeated a long-held fear that populous Oahu will dictate the terms of any statewide civil service reform. All but one of the Kauai Council members oppose autonomy -- the replacement term for home rule -- when it comes to union negotiations. If the state and each county bargained for separate contracts, Kauai would never be able to afford to compete for the best government employees, they said. McCartney said many different combinations -- such as letting neighbor island counties negotiate separately from Oahu -- are being considered. The opinion appeared unanimous among Council members that whatever new structure emerges it must be based on merit so that hard-working employees get bigger raises than those who barely perform. And the system has to prohibit the writing of job qualifications aimed at hiring specific individuals, they said.

From Honolulu Star-Bulletin, 15 September 1999

Management Innovation & Trends

AFRICA

SOUTH AFRICA HEALTH SERVICES 'ON BRINK OF COLLAPSE'

Seriously ill patients are being moved from the intensive care unit of a Gauteng provincial hospital because of a shortage of beds. There are so few pharmacists that patients are forced to wait hours for their medicines while others are starving. These are some of the shocking facts which were revealed on the second day of the public hearings of the commission of enquiry into health care at Gauteng hospitals. Ongoing shortages of staff and equipment were among the reasons given for the current state of affairs. "The danger of collapse is staring us in the face," Professor Dankwart Wittenberg, paediatrics chief at the Pretoria Academic Hospital, said on Tuesday. "We refuse patients at the neo-natal unit on a daily basis because of a shortage of beds." According to Marianne van Taak, a nursing departmental head at Pretoria Academic, patients are sometimes removed too soon from the intensive care unit because of a shortage of beds. "It also takes a really long time to get service from the hospital pharmacy. If you order medication at 9am, you're lucky if you get it at 4," she said. Pharmacy services have also been disrupted by staff shortages. After hours pharmacy services at Chris Hani-Baragwanath hospital have been halted. Of the 33 positions within that department only 13 are filled at present. Pharmacists at the Natalspruit hospital dispense about 167 prescriptions a day. On questions from the commission regarding medication which had passed its expiry date, pharmacists said they do not have the manpower to take stock regularly. A stock shortage at Natalspruit is also causing concern. "Medical and psychiatric patients have been kept together in the same wards at Natalspruit for the past 33 years," Dr Ivan Botha said. He acknowledged that psychiatric patients could become aggressive and present a danger to other patients and staff. "We have been requesting another building for some time and the question is now receiving attention." Psychiatric services at Weskoppies have also been seriously disrupted by the personnel shortage. According to Dr Stefan van Wyk, clinical services have been downscaled and it is possible the forensic and family units may be closed altogether. During the day one nurse takes care of seven patients while at night one nurse has 22 charges. The World Health Organization recommends one nurse per every two patients. The commission has also received complaints that patients at Natalspruit are being "starved". "We try to prepare meals for patients with special needs but we don't know whether the food gets to them," dietician Noma Masamola said. "Some members of staff help themselves to the food and that often leads to shortages." Hospital management is investigating these problems. Doctors also warned that the prevalence of HIV/Aids could increase patient numbers. "It doesn't appear that anyone is giving this sufficient attention," Professor Ken Huddle, chairman of the medical board at Baragwanath said. "About 30% of the patients in the medical wards are HIV positive." At the Natalspruit hospital about ten patients die of Aids-related illness every week, Botha said. According to him more than half the patients in the medical wards at any given time are HIV positive. Dr. Deon du Plessis, deacon of the medical faculty at Pretoria also warned that the staff shortage could affect the training of doctors and specialists. "Academic medicine is under extreme pressure." The Gauteng health department is expected to make its recommendations to the commission on Wednesday.

From News 24, 15 September 1999

EUROPE

PRESSING NEED TO COORDINATE PUBLIC HEALTH MEASURES

Chairman of the Pan-European Center for Emergency Medical Management Systems (PECEMMS) Dr. Eelco Dykstra said Turkey had to assess damage, determine priority needs and coordinate medical efforts after last Tuesday's devastating earthquake. In an interview with the Turkish Daily News, the disaster management expert said the Turkish Government intervened after the earthquake with a disaster management plan; however, its effort weren't sufficiently appreciated due to the lack of formal structures to transmit information to the foreign media. In this instance PECEMMS, an independent nonprofit agency based in the Netherlands to support the international exchange of information and contacts in emergency care, seeks to correct Turkey's "undeservedly negative portrayal in the foreign press" by facilitating the transmission of information about the earthquake. Dr. Dykstra pointed out that this earthquake was unique in covering an area as wide as 5,000 square kilometers and that the scope of the affected area prevented the implementation of emergency measures. Emergency health care: Dykstra explained that PECEMMS seeks to bridge "patient management," geared toward medical effectiveness, and "system management," which focuses on distributing limited resources in such a way that the maximum benefit for the largest groups is generated. PECEMMS organizes an international conference every two years, and interestingly enough, the next scheduled for fall 2000 will take place in Turkey and focus on the pertinent topic of "Patient Management and System Management: (How) Do They Work Together?" Dykstra noted the Turkish Government was criticized for the "system management" aspect of the problem; PECEMMS sought to act as a liaison between the Turkish and the foreign side and ensure the outflow of information. Dr. Erik Nogi, a physician from the World Health Organization (WHO) and one of the foremost disaster medical doctors who came to Turkey after the quake, had been complimentary about the medical treatment following the earthquake, Dykstra said. Nogi attended a press briefing and met with medical experts from the

Marmara University Emergency Department, one of two such centers in Turkey. "Emergency departments are a great help in disaster situations because there is a full-time staff dedicated to emergency treatment," Dykstra said. He suggested that while the Marmara University Emergency Department had performed successfully, merely two departments weren't enough. (The other one is at Dokuz Eylul University.) He emphasized that the development of emergency medicine should have a priority for Turkey. Dykstra suggested that while Health Minister Osman Durmus' statement that "There is no shortage of medical supplies or personnel in Turkey" was "unfortunate," the statement wasn't incorrect. He said "the size of the disaster area is unique because it is so widespread," and the main issue had been to deliver the supplies to where they were needed and mobilize medical experts. Dykstra suggested that while other countries organized training to enable immediate intervention after a disaster, Turkey had yet to mobilize its resources in this direction. He pointed out that in the San Francisco Bay Area, which is also on a geographic fault line, there is a 200,000-person civilian volunteer group trained for disaster management. He said that Turkey had to train three categories of people in disaster management: local and state officials; physicians, nurses and ambulance crews; and fire fighters, police and the military. "There is a course called 'first responder'," he said, adding, "If the Turkish military, which is spread over such a wide territory, had been trained, it could have done a lot more." He pointed out that the general public should also receive emergency training to deal with earthquakes and their awareness should be heightened. Dykstra pointed out that chances for an epidemic were minimal; however, epidemics are not directly caused by earthquakes and may develop if a number of measures, such as fresh water provision, sanitation, good shelters and equipment like blankets and generators aren't forthcoming. He noted the importance of a surveillance system to immediately check for epidemic diseases. This system was in place, he said: so far, there have been two reports of patients who may have contracted epidemic diseases, but in both cases, the tests came out negative. The greatest need at this point is a serious and accurate assessment effort, the PECEMMS chairman said. It is necessary to determine which problems exist where, what resources are needed to solve them and what the priorities are. Dykstra noted the wide international support mobilized after the earthquake. The Dutch Government, for instance, will send money to Turkey and there will be local efforts in the Netherlands, too. Yesterday, school children there worked for Turkey by providing neighborhood services; the proceeds will be collected by schools, which will then be handed to the Government to form part of the relief aid for Turkey. Dykstra suggested that the nature of international aid is transformed as we approach the 21st century. He noted that rather than providing cash; Governments want to provide a structure for generating money. They prefer to develop bilateral projects so that money doesn't go into a black hole and yields tangible results. In this context, PECEMMS wants to start projects and set the international conference in fall 2000 as a deadline. In this case, the conference can function as part of a coordinated, countrywide and on-the-ground education and training program for emergency medical treatment in Turkey. Asked to comment on the role of the Turkish Red Crescent during the earthquake, Dykstra said both international and Turkish sources agreed that the institution failed to provide effective distribution, which wasn't so different from its previous record. PECEMMS tried to establish contact with the Red Crescent but was unable to get any information from them.

From Turkish Daily News, 28 August 1999

ITALIAN GOVERNMENT GETS TO WORK ON Y2K

Italian Government ministers met to discuss the millennium bug Wednesday amid fears the country's public sector will not be ready to meet the challenges of Y2K. Deputy Prime Minister Franco Bassanini sat down with representatives of all the major ministries at an opening sitting of the government's Interministerial Committee for the Year 2000, a statement from the prime minister's office said. The committee is due to discuss all aspects of Y2K, a problem of how dates are read by computers and computer systems. The concern is that "00" at the end of 2000 may be misread as 1900, causing computers to malfunction. Committee president Ernesto Bettinelli warned in June that the Italian state sector was lagging far behind the banking system and stock exchange in dealing with the potential problem. "We've been able to identify an alarming state of unawareness in a large part of minor state administration departments," Bettinelli said then. U.S. consultants Capers Jones have estimated the Italian state sector will have to spend around 25 trillion lire (\$1.3 billion) on upgrading computer systems to combat the bug. The private sector in Italy is much better prepared. The central bank has said over 90 percent of the financial and banking system is ready for Y2K while Italy's stock exchange watchdog Consob has said it does not expect quoted companies to face any problems linked with the millennium bug on the bourse.

From Reuters, 9 September 1999

EU HELPS ALBANIA FIGHT CUSTOMS CORRUPTION

A team of European Union experts, trying to help Albania stamp out corruption in the customs service and raise much-needed revenue, is asking the Government to renounce political interference in the service. "The customs administration works under continued pressure from the political system," Natalina Cea, who heads the EU Customs Assistance Mission, told Reuters in an interview. "To avoid political interference, we have asked for a public statement from the Government and the (finance) minister that there will be no intrusion into the customs administration." Cea, a former Italian customs official, said she understood a cabinet statement had been prepared but it had not so far been made public. Reform of the customs system is seen as critical for Albania, mired in poverty and prone to outbursts of periodic political violence since communism was overthrown in 1991. Customs revenue accounts for about 60 percent of government income so the Socialist-led coalition of Prime Minister Pandeli Majko has given high priority to curbing smuggling and corruption, much of it controlled by organized gangs. "If they really reduced smuggling, it would be a major achievement," a senior Western ambassador told Reuters. "It would have very beneficial effects on revenue, which could mean better pay for police and civil servants, which means less need to take bribes. It is all related."

Recruitment gets tougher

A new law, which Cea helped to draft, came into force in May. It stipulates that candidates for customs jobs must take a test to determine whether they are properly qualified. This is intended to stop the common practice of government officials rewarding friends with jobs or "selling" jobs to people who immediately try to recoup their investment. "When someone pays 5,000 or 10,000 dollars for a job, the first thing he will do is try to get that money back," Cea said. "Jobs have been sold and this has caused enormous damage, which is still producing negative effects for the customs administration and also for us." Incentives such as overtime payments and bonuses have been introduced to reward honesty and hard work. Another innovation is that the customs service is allowed to keep half of the proceeds from the sale of seized goods. This money can also be used to provide staff incentives. Cea also wants to review the files of all staff to help weed out corrupt officials, with the help of public prosecutors. Her efforts to fight corruption have the backing of the World Bank, the European Commission and the Organization for Security and Cooperation in Europe (OSCE). The new law also aims to crack down on private customs agencies which help companies make fraudulent declarations showing the goods they import cost less than their true value. Now, if checks in the country where the goods originated show the importing company cheated, the customs agency, rather than the importer, will be obliged to make up the shortfall. "This is a strong measure but we wanted to introduce it to avoid such collusion in future," Cea said.

Customs revenues on the rise

Since it started work in June 1997, when the country was in chaos as violence erupted following the collapse of pyramid investment schemes, the Customs Assistance Mission has helped to steadily boost customs collection. Customs revenue was 22 billion leks in 1997, up from 16.3 billion the previous year. Revenue surged to 37 billion leks in 1998 and the target is 44 billion this year, despite the fact that aid shipments for the half a million Kosovo refugees who took refuge in Albania were exempted from import duty. Cea - who lives under guard after receiving a package containing bullets which was clearly intended to intimidate her -- believes Albania's experience carries lessons for Kosovo. She warned it was vital to prevent organized crime getting a firm grip on smuggling in neighbouring Kosovo, now being governed by an international administration. "Some elements of organized crime with ties here are getting organized there. The international community should try to avoid in Kosovo what happened in Albania."

From Reuters, 20 September 1999

THE AMERICAS

BELL ATLANTIC RECEIVES 1999 AMERICAN BUSINESS ETHICS AWARD FROM SOCIETY OF FINANCIAL SERVICE PROFESSIONALS

The Society of Financial Service Professionals has selected Bell Atlantic (NYSE: BEL) to receive the 1999 American Business Ethics Award (ABEA). Bell Atlantic achieved this honor in the public company category, which includes companies that offer publicly traded stock. "Bell Atlantic is honored to be named the recipient of this year's award," said Jacquelyn B. Gates, Bell Atlantic vice president -- Ethics, Compliance and Diversity. "Ethical leadership is critical to the success of any business. Our policies and practices speak volumes about our reputation with customers, employees, suppliers and other stakeholders." Presented annually since 1994, the American Business Ethics Award recognizes companies that demonstrate a firm commitment to ethical business practices in everyday operations, management philosophies, and responses to crisis or challenges. The 1999 recipients will be honored with the crystal ABEA award, created by Master Sculptor Peter Wayne Yenawine, at a banquet Oct. 13, during the Society's National Conference in Orlando, Fla. At the heart of the Bell Atlantic's ethical process is the company's Code of Business Conduct to which every employee must make a commitment. The code is a collection of standards that reflect the company's continuing obligation -- as responsible citizens and Bell Atlantic employees -- to promote an environment where accountability, integrity and trust remain at the core of its operations. Other award recipients include Walker Information, Inc., of Indianapolis, Ind., in the private company category, and Wright Water Engineers, Inc., of Denver, Colo., in the small business category. "The society is proud to recognize these three companies that truly represent what's right about American business," said Beverly L. Brooks, CLU, AEP, of Dallas, the society's president. "It is our hope that these companies will share their 'best practices' with other businesses throughout the nation to advance business ethics standards to an even higher level." Previous ABEA recipients include: Starbucks Coffee Company; Levi Strauss; Merck & Co.; H.B. Fuller; Hanna Andersson; Texas Instruments; Guardsmark; Rich Products; Weyerhaeuser Company; Lockheed Martin; Pricewaterhouse Coopers; and Fenimore Asset Management. Founded in 1928, the Society of Financial Service Professionals -- formerly known as the American Society of CLU & ChFC -- is the standard bearer for excellence in professionalism, advanced continuing education, and ethical guidance for the nation's top financial advisers. Active in more than 200 Chapters nationwide, Society members assist the public in achieving personal and business-related financial goals. Consumers can call the Society's toll-free National Consumer Referral Service at 1-888-243-2258. Or, consumers can visit the Society's Web site: www.financialpro.org to find a Society member in their area and to receive free brochures on planning personal finances and guidelines on selecting a financial adviser. Bell Atlantic is at the forefront of the new communications and information industry. With more than 43 million telephone access lines and nearly 10 million wireless customers worldwide, Bell Atlantic companies are premier providers of advanced wireline voice and data services, market leaders in wireless services and the world's largest publishers of directory information. Bell Atlantic companies are also among the world's largest investors in high-growth global communications markets, with operations and investments in 23 countries.

STATE OF NEW YORK SELECTS PEOPLESOFT FOR HUMAN RESOURCE MANAGEMENT SYSTEM; DEPARTMENT OF CIVIL SERVICE LICENSES SYSTEM FOR 170,000 EMPLOYEES STATEWIDE

PeopleSoft, Inc., a leading provider of enterprise application software for the public sector market, today announced that the State of New York Department of Civil Service has procured a state-wide PeopleSoft Human Resources Management system (HRMS) license. Under the contract, state agencies can manage and service 170,000 employees with the PeopleSoft system. The contract includes the PeopleSoft Human Resources and Time and Labor applications. All state agencies can integrate the PeopleSoft HRMS with the systems for civil service processes and employee and applicant data. The integration enables users more effectively update employee information, manage employee records and to instantly access data from across the organizations. The new solution also helps agencies better maintain human resources compliance. This project, titled "NextStep," will provide additional HR functionality to a previous implementation of PeopleSoft for Civil Service, known as NYSTEP. Officials point to the Department of Civil Service's use of PeopleSoft application software for its New York State Health Insurance Program (NYSHIP) Enrollment Management System (EMS) processing as the foundation that is now allowing them to implement new, innovative information solutions. In addition, the New York State Office of the Comptroller has been using PeopleSoft Payroll to process payroll transactions for the state's 250,000 employees. The project was implemented in fewer than 15 months. PeopleSoft (Nasdaq:PSFT) is a world leader in enterprise application software. PeopleSoft provides eBusiness and analytic applications for human resource management, financials, distribution, manufacturing, and supply chain, along with a range of industry-specific solutions. For more than 3,000 customers, PeopleSoft applications offer greater flexibility, rapid implementation, scalability across multiple databases and operating systems, and lower cost of ownership. Customers include some of the largest multi-national organizations in the world, as well as small and medium-size businesses. All PeopleSoft software products are backed by PeopleSoft Customer Service Advantage, a comprehensive consulting, education, and technical support program. Headquartered in Pleasanton, California, PeopleSoft (www.peoplesoft.com) employs more than 6,000 people and had 1998 revenues of \$1.3 billion.

From Reuters, 31 August 1999

CON EDISON HOLDS PUBLIC FORUM ON POWER PLANT CHANGES

Con Edison announced today that there will be a public forum on Thursday, September 9th, where citizens will be given an opportunity to make comments on the company's proposal to add additional equipment inside its East River generating station located at 14th Street and Avenue C. Known as "repowering," this internal expansion will increase the steam and electric generation capacity of the facility. Con Edison made its announcement prior to filing an Article X Pre-Application with the New York Public Service Commission. "The repowering of the East River generating station, along with the sale of several pieces of property on First Avenue, will provide both economic and environmental benefits to New York City. New, highly efficient combined-cycle equipment will replace older equipment, which will make this one of the cleanest-burning facilities in the city," said Eugene R. McGrath, Con Edison's Chairman and CEO. According to the plan, the steam and electric generating capacity of the company's Waterside generating station, located on First Avenue at East 39th Street, would be replaced with the new capacity from the repowered East River station. New state-of-the-art equipment will be installed in an unused section of the power plant and will not necessitate enlarging the existing plant structure. The project is presently scheduled for completion by the year 2002 and will allow Con Edison to maintain the viability of its steam distribution system and to stabilize steam rates. "We will continue to work closely with citizens, businesses and government officials throughout this project to ensure that community concerns are addressed," said McGrath. Con Edison projects that the proposed changes to its facilities and the sale of its First Avenue property will generate additional city and state tax revenues, create hundreds of high-paying construction jobs, and stimulate significant economic activity in the area. The public forum will be held on Thursday, September 9, from 6:45 p.m. to 9:30 p.m. at the Baruch Conference Center, 151 East 25th Street.

From PRNewswire, 2 September 1999

REGISTRY AIM: SERVICE WITH A SMILE - PANEL SUGGESTS EXTENDED HOURS, FRIENDLY HELPERS

Trying to bring perestroika to the most maligned agency in the Massachusetts state government, lawmakers yesterday unveiled a series of proposals intended to create a more user-friendly Registry of Motor Vehicles. Driven by intense public frustration, the Legislature's Joint Public Safety Committee called for Registry hours that run from 7 a.m. to 7 p.m., Wal-Mart-like "greeters" to direct visitors to the appropriate lines, more regional offices, and other new conveniences at the agency everyone loves to hate. The report comes after the committee's month long study of the agency, which included four public hearings and two surprise visits to Registry offices that found, in one instance, a 70-person line at the Lawrence Registry branch at 8:30 a.m. - before the office had even opened. Committee co-chair Senator James P. Jajuga (D-Methuen) said the ultimate goal of Registry reforms should be a waiting time of no more than 30 minutes per visit for license renewals. Jajuga acknowledged the plan would probably require boosting the agency's \$44 million annual budget, but the proposal did not offer a cost estimate. Governor Paul Cellucci was receptive to the report yesterday, asking incoming Registrar Daniel Grabauskas to meet with members of the committee yesterday. "We're very interested in their recommendations," Cellucci said. Jajuga said he and his committee cochairman, Representative

Timothy J. Toomey Jr. (D-Cambridge), met with Grabauskas yesterday. "He agreed with us; he thought that a lot of this stuff made sense," Jajuga said. Grabauskas, who has not yet been officially appointed, declined to comment. But Consumer Affairs spokeswoman Kim Hinden said Grabauskas had "a very good meeting" with Toomey and Jajuga. Jajuga emphasized yesterday that reforming the Registry means more than improving service to the public. Because visits to the agency are the only face-to-face interaction many people have with state Government, Jajuga said, a despised Registry erodes confidence in how taxpayer dollars are spent. "This is the face of state government," Jajuga said. But to the people crowded into the Registry's sweaty and dank Washington Street branch in Boston yesterday, that face was more like a Frankenstein mask. A dazed Erin Dunne of Boston had already waited two hours to change the name on her license and registration and, she said, "I'm not even through." Cornelius Wesley of Brockton added that "it makes me think about competency" in Government. Then there was a bitter Jim LeClair of Waltham, smoking a cigarette outside after waiting half an hour just to take a number and join a new line: LeClair mused that he wouldn't mind seeing the building blown up. That was the tone at the Public Safety committee's four hearings held last month in Sturbridge, North Andover, Hanover and Springfield. About 200 people attended the hearings, and more than 80 testified. Those hearings and additional research produced the committee's recommendations, which include the 12-hour days, "greeters," and new regional offices in Worcester and Springfield. The committee is also proposing clearer public information literature, greater sensitivity to non-English speaking customers, and improvements in the agency's automated phone service. The committee found that the Registry's phone center receives 10,000 to 12,000 calls a day - more than twice the number it is staffed to handle. The report asks Grabauskas to offer a cost analysis of its recommendations by Oct. 15, and a plan to implement them by Nov. 15. Cellucci is expected to officially name Grabauskas, now state Consumer Affairs director, to replace former registrar Richard Lyons this week. Lyons was forced to resign in July amid mounting complaints about the Registry, including long lines and an unpopular plan to consolidate the agency's Lawrence and Lowell offices into a "supercenter" in a Lawrence shopping plaza. Jajuga said yesterday that the Registry's Lowell office "should absolutely not close." Not every Registry critic was satisfied with the report, however. "The recommendations are first steps and certainly short-term solutions," said Senator Susan Tucker (D-Andover). "Basically they're common-sense management procedures - answer the phones, staff the windows, extend the hours. One wonders why these procedures weren't implemented five years ago."

The Boston Globe, 8 September 1999

Y2K FORUM TRIES TO GET PUBLIC READY

The Evansville (Indiana) area's Government and financial institutions are Y2K-ready, but are you? "It all comes back to a very core issue, and that is that we are all responsible for our own safety," Evansville Fire Chief Doug Wilcox said, concluding a community Y2K forum Tuesday night. Local public safety and banking representatives assured people that the city and Vanderburgh County are ready. However, as with any situation, none of the leaders present could say with complete certainty that nothing would go wrong come Jan. 1, 2000. "I feel fairly confident and safe that the city has done everything it can do to prepare," said Jan Phelps, a consultant hired to assess Evansville's readiness. "Everything is up-to-date, on time and running smoothly. My biggest fear is more the emotional reaction from the public," she said. Bill Cottun, another consultant who moved to Evansville to help the city and county update their computer systems, said funding was never a problem when Y2K issues needed to be solved. "I can't imagine how any government can respond in a more assertive way to protect its citizens," Cottun said. Several dozen people attended the two-hour question and answer session at Deaconess Hospital's Bernard E. Schnake Auditorium, grilling community leaders on their state of readiness for the potential disaster set to occur at the beginning of the year. About half of the audience indicated that they belonged to neighborhood associations. The forum was one of 210 such gatherings arranged by President Clinton's Council on Year 2000 Conversion. The root of Year 2000, or Y2K in media shorthand, is whether computers will recognize the date and operate uninterrupted into the next century. Many computers use the old COBOL programming language, where years are given two digits instead of four. That shortcut could cause many to revert back to the beginning of this century or quit working, creating havoc on a computer-dependent world. "We don't live in a vacuum. We are connected to the entire world," said Barbara Stahura, a free-lance writer and editor. "Your business may be 100 percent ready, but make sure everybody you do business with is ready." Evansville-Vanderburgh County Emergency Management Agency Director Sherman Greer urged the audience to stock emergency food, water and supplies for 72 hours to two weeks. "There is a lot of apathy about this. We go through this all the time," he said. Vicki Hollanders of the Indiana Small Business Development Corp. agreed. "A lot of this is a mindset change. People are still realizing the word needs to get out." Greer asked the audience to keep their emergency supplies current and not let them dwindle just because Y2K has passed. "This is just insurance," Stahura said. "It won't hurt you to have it but it will hurt you not to have it."

From Evansville Courier Press, 9 September 1999

WEB SURFERS FAVOUR SPEED OVER SERVICE

MindSpring Inc., a fast-moving upstart in the world of the Internet, scored a body blow against industry powerhouse America Online in a survey released Wednesday. Atlanta-based MindSpring, which invites potential customers to "Escape AOL!" ranked highest in overall customer satisfaction among the seven largest national Internet Service Providers, according to a J.D. Power and Associates survey. Meanwhile, three long-established brands ranked below average: America Online; CompuServe, an AOL subsidiary; and Prodigy, one of the first ISPs. MindSpring received above-average scores in all seven categories with the survey takers giving heaviest weight to price (37 percent) and speed (29 percent). MindSpring, which has more than 1 million customers and recently launched a marketing blitz that features the tag line "You'd be happier using MindSpring," blew away the competition with an overall score of 118, followed by Pasadena-based EarthLink Network with 110, AT&T WorldNet with 107 and Microsoft Network with 103.

J.D. Power did not issue score totals for the trio that finished below average. "MindSpring and EarthLink are both regarded in the Internet world as very cutting edge," said media analyst Kevin Skislock of Laguna Research Partners. "Being an ISP is a very fluid situation that requires constant creativity, because everyone on the Net has to stay fresh and relevant. Right now, the Internet is the closest thing to perfect competition." MindSpring also generated strong responses in customer care/technical support, e-mail services and navigation/access to other portals. Survey takers assigned an overall importance of 7 percent to customer support and 6 percent each to e-mail and navigation. The survey also found that 12 percent of users have a "strong intention" to switch ISPs in the next 12 months and an additional 22 percent might consider switching; the most critical factors that could cause them to switch are speed (81 percent) and price (68 percent). "We were kind of surprised that people are so sensitive to the speed issue," said Joan Barten Kline, director of research and operations for the telecommunications services group at Agoura Hills-based J.D. Power. "I had expected customer service and technical support would be more important." The results reflect potentially significant difficulties for AOL in maintaining loyalty among its more than 18 million customers, since AOL is among the most expensive commercial ISPs and it has been plagued with connection problems. As Internet customers become more familiar with using the World Wide Web, they could flock from AOL just as Madison Avenue brings the full force of its marketing savvy to the ISP world. "If the ISP does something customers don't like, they'll desert you," Skislock noted. "The AOL pop-up ads have become an issue and I think AOL may have to find a new way to connect with revenue streams. With the Internet, we're still in the days where it's like in the old TV shows where you crank the telephone receiver and ask the operator if she can connect you to Mildred." Many current and former AOL users complain that logging on is difficult -- and sometimes impossible -- because the AOL dial-ups are frequently busy. That's allowed smaller ISPs like MindSpring or even smaller regional ISPs to often offer more consistent access. "I never seriously considered using AOL because the word of mouth on it was pretty negative," said Victoria Alexander, an Escondido advertising copywriter who uses MGC Communications, a local telecom operator, as her ISP. "It's become real easy to switch ISPs and I've found you get much better results with the smaller ones." Representatives for America Online and MindSpring were unavailable for comment late Wednesday. Choosing an ISP can be a daunting task. According to TheList at Internet.com, there are more than 7,600 ISPs to choose from, although most offer service only in selected regions of the country or to businesses. Which one should customers choose? That depends upon the customers' needs. First-time Net surfers are usually best served by ISPs like AOL, that offer expanded service and easy-to-use navigation around their own Web site and online. Most ISPs come at a price typically around \$20 a month for unlimited access, but cheaper, hourly rates are available. For those who don't want to pay at all, Westlake Village-based NetZero offers free Internet access with one catch: ads. Once a NetZero customer has logged on, a small ad window appears on the customer's computer screen and although the ads change, they won't go away until the customer logs off. Dana Snow, a Los Angeles-based screenwriter, said he relies on Los Angeles Free-Net as an ISP because its annual fee is only \$40. "Free-Net is totally functional," he added. "Even though I'm phenomenally busy, I'm not phenomenally rich." Kline said the top seven ISPs accounted for more than half of the residential ISP subscriptions in the United States. She noted that the survey, conducted online earlier this year, also found that local and regional ISPs generated above-average customer satisfaction. "By targeting their offering toward the community -- including sponsorship of nonprofit sites, local community news, sporting and cultural vent calendars -- these providers are treating their Internet product as a value-added service for their existing customer base," Kline added.

From Los Angeles Daily News, 9 September 1999

BILL RAISES QUESTIONS ABOUT SELECTIVE SERVICE'S FUTURE

Ron Markarian spent years scoping out enemy intentions as an Air Force intelligence and reconnaissance specialist. Now, as California state director of the Selective Service System, the retired Air Force colonel has another kind of calculating to do: Will Congress kill the program he helps run? Probably not. Still, last week the House approved a fiscal 2000 funding bill that included no money for the draft. Unless the \$24.5 million is added back in later, the Selective Service System will be put on deep freeze; young men will stop registering, and the draft's small bureaucracy will dissolve. "I think it's foolish," Markarian said of the vote Monday. "This is our principal insurance policy for the need to mobilize in the event of a national emergency." For draft-age men like Ken Fitzgerald, a 24-year-old communications major at California State University, Stanislaus, Selective Service has become a quickly discharged obligation. He wants the draft machinery maintained, and thinks women should register as well as men. But, mostly, it's a subject far from his mind. "I don't hear it talked about at all," Fitzgerald said Monday. "I registered in high school, when I turned 18, and I haven't really thought about it since." But for some lawmakers, the mostly latent draft machinery has become an expense not worth keeping. Struggling to find money for other domestic programs, the lawmakers contend Selective Service can painlessly vanish until some future wartime. By a 232-187 vote, the House rejected efforts to restore the Selective Service monies. "This is a matter of funds," Rep. James Walsh, R-N.Y., said during House debate. "We would have to come up with \$25 million basically for a mothballed program that is not delivering at the current time any services to us." The 20-minute House debate lacked the intensity of past draft controversies; in part, some lawmakers believe, because House and Senate negotiators are likely to quietly restore the funding later. The Selective Service vote did not march along strict party lines. For instance, California Democratic Reps. Gary Condit and Cal Dooley both voted against the amendment restoring funding, but so did Republican Reps. William Thomas and Doug Ose. "We're far better off spending the money on military personnel than to pay for people to sit on Selective Service boards," Dooley said Monday. "If we can attract a volunteer force, that's preferable to a draft, and we have the technology to reinstitute a draft in a very short period of time if we need to." The most recent Selective Service vote, however, can also defy easy characterization. Some who voted against restoring the funds say they support Selective Service, but didn't like the proposal to keep it alive through cuts from the Environmental Protection Agency, housing programs and the Federal Emergency Management Agency. In 1995, for instance, Condit and Thomas both voted against a measure to reduce Selective Service

spending, while Dooley voted for the reductions. "He's not against the Selective Service system," Condit's chief of staff, Mike Lynch, said Monday. "He's interested in exploring, on a much larger picture, ideas of required national service." Markarian, who reached the rank of major general in the California state military reserve, has overseen the state's mostly latent draft program since 1987. Though no one has actually been drafted into military service since 1973, men ages 18 through 25 still must register. "We stress public service, and this is a form of public service," Markarian said. "This is an obligation that every man has to help his country in a time of need." Selective Service, with about 170 full-time employees nationwide, maintains the list that now includes about 13.5 million Americans. The machinery necessary for a full-fledged draft, including about 1,000 draft board members in California, is also maintained. The 6 percent or so of draft-eligible Americans who don't register are technically susceptible to felony prosecution, though the Justice Department isn't pursuing draft cases.

From Nando Times, 14 September 1999

AIRLINES DETAIL CUSTOMER SERVICE PLANS

In June, the nation's major airlines made a 12-point pledge to treat their passengers better. Today, they started unveiling the details. Continental Airlines, for example, which already rates high in passenger-satisfaction surveys, promised to do better by communicating more clearly -- whether it's about ticket prices, flight delays or lost bags. "This is going to start with the reservations and go all the way through baggage delivery," Continental spokesman David Messing said Tuesday in a prelude to today's formal unveiling of the carrier's "Customer First" plan. United Airlines, Delta Air Lines and other carriers planned similar releases throughout the day. The airlines' action toward soothing passengers followed complaints prompted by a New Year's storm in the Midwest that left thousands of travelers stranded in airports and on aircraft. Congress threatened new legislation against the industry, which was removed from federal control in 1978. In June, the Air Transport Association and its member airlines offered a voluntary plan to improve service. Among the dozen promises: ensuring that passengers are told of the lowest available ticket price; notifying them of delays and cancellations; providing prompt ticket refunds; handling bumped passengers with fairness; and meeting customers' essential needs during long on-aircraft delays. The airlines also pledged to detail how they would fulfill those promises by Sept. 15 and implement their new code of conduct by Dec. 15. Two congressional studies released this week said June's broad outline lacked legal backing and guaranteed some things already required by law. The General Accounting Office -- the investigative arm of Congress -- said the ATA's "Customer Service Commitment" was largely a rehash of existing law or aviation policy. "Several of these measures," including fairly handling bumped passengers, ensuring customer service from an airline's code-share partners, providing prompt ticket refunds, accommodating special needs passengers and providing passengers with information on airline policies and aircraft configuration, "reflect what is in the statutes and regulations," the agency wrote. The GAO said that other promises are not included in the airlines' existing "contract of carriage," the fine print on the back of airline tickets or ticket jackets that forms the contract between an airline and its passenger. In a separate report, the Congressional Research Service, a researching agency available to congressional members, said the voluntary standards "may lack the enforceability that the conditions of the 'contract of carriage' may possess." Sen. Ron Wyden, D-Ore., who commissioned the studies, called the Customer Service Commitment "nothing but legalistic gobbledegook, which (does) are "a real wake-up call showing how little protection the consumer really has." David Fuscus, spokesman for the Air Transport Association, disputed that. "Whether it's in the contracts of carriage or not, it won't matter to the traveling public, because we're going to do these things," said Fuscus.

From Chicago Tribune, 15 September 1999

GLOBAL

IHS GROUP FORMS ENTREPRISE SOLUTIONS DIVISION TO MANAGE INFORMATION FOR ENGINEERING COMPANIES

IHS Group, a leading information database publisher, announced it has formed IHS Enterprise Solutions Group, a unique division that provides information management solutions to customers worldwide. Companies that need help managing their information will be the target market for this IHS Group division. IHS Enterprise Solutions Group will manage and host product Web sites, conduct custom publishing, provide content integration, perform document management, and provide data conversion services to a wide variety of industries. In forming this division, IHS Group is leveraging the services of seven existing companies within the HIS umbrella. "These seven HIS companies bring a wealth of expertise working on technical solutions projects, leading our clients to a one-stop solution for their information management needs," said Robert Wing, president and CEO of IHS Engineering. "IHS Enterprise Solutions Group will manage and solve a wide range of corporate information roadblocks and help our clients obtain the best strategies and solutions for their corporate cultures and needs." Together, the companies that make up IHS Enterprise Solutions Group employ over 350 people in 10 countries. The companies that make up the new group include: -- NexData Solutions (www.nexdata.com), located in Boulder, Colo., USA, a custom electronic publisher with 15 years of proven expertise in custom publishing across diverse industries; IHS Information Integration (www.solutions.ihs.com), located in Englewood, Colo., USA, a leading provider of information management solutions customized to meet unique client requirements; IHS Technologies (www.ihs.de), based in Munich, Germany, an innovative software products and solutions provider, enabling customers to manage and distribute a wide variety of information; IHS Publishing Solutions (www.ihspsl.com), located in Ottawa, Canada, the industry leader in providing information and knowledge management solutions for enterprise-wide repositories; Technical Indexes Ltd. (www.techindex.co.uk), located in the United Kingdom, an innovative software products and solutions provider that includes a data

services division that provides custom publishing solutions; IHS Enterprise Solutions (www.ihs.com.au), located in Sydney, Australia, a provider of innovative software products and information management solutions; IHS Nordic (www.ihsnordic.com), located in Denmark, serves Scandinavia with a wide variety of solutions so customers can manage and distribute their information. IHS Enterprise Solutions Group also includes the state-of-the-art IHSWeb Hosting facility in Englewood, Colo., and the IHS Conversion Centers in Mexico, Malaysia and India, which provide data conversion services and programmer training. IHS Enterprise Solutions Group serves the same markets as HIS Engineering, the leading publisher of engineering and technical information, providing solutions for engineers as well as commercial publishers. "By combining the companies in key strategic areas of the world that provide similar services, we can utilize all of our resources to better serve the needs of the engineering market worldwide," said Andrew J. Lukes, senior vice president, HIS Enterprise Solutions Group. Companies interested in obtaining more information about HIS Enterprise Solutions Group should visit www.solutions.ihs.com, call (+1-303) 397-2608, e-mail: solutions@ihs.com, or write to HIS Enterprise Solutions Group, 15 Inverness Way East, Englewood, Colo., 80112.

From PRNewswire, 31 August 1999

Public Finance

AFRICA

KENYAN FINANCE MINISTER WANTS BUDGET BACK ON TRACK

Kenyan Finance Minister Chrysanthus Okemo said on Monday he would put his country's budget back on track by enforcing fiscal discipline and cutting Government waste. Okemo, appointed earlier this month, told Reuters in an interview that one of his major tasks at the finance ministry was fighting the politicians and civil servants who he said had been plundering Government resources for years. "The idea is to stop crooks from stealing public funds," said Okemo, a 52-year-old Canadian-trained economist. "Fiscal and budgetary discipline are among my primary objectives. We not only have to live within the constraints of the little we have, but also try to stem any waste," he said. Respected former Finance Minister Simeon Nyachae launched a major drive to balance the budget last year, but was sacked in February. Under his successor Francis Masakhalia the deficit had ballooned to around 2.6 percent of GDP by June. Okemo said he also aimed to enhance revenue collection, cut the bloated civil service and seal the loopholes that allowed corruption to flourish -- essential ingredients, he said, in healing strained relations with the International Monetary Fund. The IMF halted a three-year \$205 million loan package under its Enhanced Structural Adjustment Facility (ESAF) in July 1997 to reinforce its protest against graft and poor governance. On Monday, Okemo signalled his tougher stand against graft, saying he would verify 11.5 billion shillings (\$153 million) in unpaid bills from contractors and suppliers before paying them. Annual reports from the Government's auditor-general regularly chronicle large scale waste of public resources as well as questionable payments for jobs partially done or not done at all -- yet little appears to change from year to year. "We will be taking tougher action on the question of unpaid bills. There will be a review of whether the bills presented do reflect the work for which they were submitted. We are asking honest independent people to evaluate," Okemo told Reuters. Okemo said Kenya would put its case for an end to its painful IMF isolation at the annual Fund/World Bank meetings in Washington next month ahead of a review starting October 1. "These measures are not for the good of the IMF, they are for the good of our country and our people. That is why we have to embrace them and develop our country," Okemo said. Okemo's move to the Treasury is part of a fresh effort by President Daniel arap Moi to restart Kenya's economy, following the appointment to the civil service of noted private sector technocrats last month. Okemo previously had considerable experience in the energy sector and has previously led successful negotiations with the World Bank for funding of geothermal and hydro-electric power stations in Kenya. He is also a wealthy businessman with interests ranging from real estate sector and insurance to computer accessories. Okemo rejected as unjustified criticism that he was a political lightweight with no muscle to fight the corrupt, saying his actions in the coming days would vindicate him.

From Reuters, 30 August 1999

ASIA/PACIFIC

BEIJING BOOSTS ECONOMY WITH BOND ISSUE, TAX ON SAVINGS

In another attempt to revive China's flagging economy, Finance Minister Xiang Huaicheng last week proposed a new tax on bank deposits to spur consumer spending, the August 27 Renmin Ribao (The People's Daily) reported. On August 30, the National People's Congress moved a step close to adopting Xiang's proposal by dropping personal savings accounts from a list of non-taxable income. Over the past year, China's policy makers have rolled out a host of policy initiatives to increase consumer spending in an effort to reverse sagging economic growth and falling prices. Last summer, China launched a massive infrastructure-spending program, and this year Beijing slashed interest rates, the seventh rate cut since 1996, in a bid to stimulate consumption. To the consternation of policymakers, however, these tools have yet to persuade Chinese consumers to part with their nearly US\$47 billion in personal savings. The economy's two-year deflationary spiral continued in July, as consumer prices fell 1.4%, the 20th consecutive month of negative growth. According to most consumer confidence surveys, ordinary Chinese remain wary of spending due to concerns over housing, medical care, education, and pensions. All of these formerly guaranteed services have been cut back under China's economic reforms. A full year into its expansionary fiscal policies, Beijing still sees no signs of positive results, with economic growth rates falling from 8.3% in the first quarter to 7.1% in the second. In his August 24 speech before the Standing Committee of the National People's Congress, Xiang said an amendment to the personal income tax law that would reinstate a tax on interest from deposits is the right policy to increase government revenue without increasing the budget deficit. The proposal gaining ground in parliament is for a 20% flat tax on interest earned on deposits, the newspaper said. In order to protect the deposits of lower income families, Xiang wants a graduated tax to be instituted. Although all depositors would be taxed to avoid a plethora of illegal savings accounts, the tax burden on low income wage-earners would be minimal, Xiang said. The central government has also offered more help to the increasing number of unemployed and disgruntled pensioners by boosting social security payments by 30%, effective July 1. China's Minister of Labor and Social Security Zhang Zuoji said the payments will be distributed before October 1, according to the August 30 China Daily. The increase in social security benefits, coupled with a 30% raise in civil servant salaries in July, is another attempt by Beijing to kick start consumer spending. Xiang also emphasized that

recent stock market strengthening measures, including a tax exemption on personal income invested in stocks, will be continued. Although many say these policies only benefit the more wealthy segments of Chinese society, Xiang said in his speech that the market strengthening policies have helped the country's young stock market receive a healthy injection of capital, which in turn helps to improve the wider economy. Another measure to boost the economy was a US\$7.25 billion infrastructure development bond issue approved by the NPC on August 30. Last summer, Beijing launched a US\$12.8 billion infrastructure construction campaign to prop up sagging growth rates.

From China Online, 30 August 1999

PAKISTAN BANK WOES SHOW NEED FOR SCRUTINY

Pakistani bankers on Thursday said regulators need to be more strict when issuing licenses to banks or handing them over to new management, after yet another bank collapsed under the floundering economy. They said Tuesday's central bank action against Bankers Equity Ltd, privatized in 1996, throws a bad light on the authorities' ability to successfully sell management stakes in large state-owned financial institutions. "In a nutshell, yes, the fall of yet another bank indicates that the authorities entrusted with the responsibility of privatizing and scrutinizing...they have been derelict," said the head of research at one brokerage house. The State Bank of Pakistan said on Tuesday it had taken over Bankers Equity and that charges would be filed against some of the investment bank's management. Central bank governor Muhammad Yaqub told reporters the action was taken after an inquiry found some of the bank's directors and management involved in bank law violations and corruption. The action against Bankers Equity follows similar action over the last several years against now defunct Mehran Bank Ltd, Schon Bank Ltd and Capital Bank Ltd -- all privately owned. The central bank also took over the management of state-run United Bank Ltd in 1996 for several months after its privatization deal went bad. Another banker said Bankers Equity was privatized with the aim of improving efficiency and weeding out corruption -- something Tuesday's move by the central bank shows was not done. Yaqub, when asked if more stringent laws were required for the issue of licenses to run banks, said: "Very frankly, I tell you laws themselves do not guarantee that no embezzlement or violation will take place. It's the overall culture, environment, the rule of law, the respect for law. "Privatization is not the panacea and privatization or private ownership does not guarantee good corporate governance unless we have the culture of doing that and we are struggling in an environment where the governance is weak." However, analysts said the failure of Bankers Equity after it was privatized throws into question the already-delayed privatization of larger state-run banks that have a lion's share of the total deposit base of the banking system. "Such incidents will certainly hit the credibility of the privatization process of the larger banks," the banker said. State-run Habib Bank Ltd and United Bank Ltd top the list of financial institutions the Government wants to privatize in the current fiscal year that ends in June. Banker's Equity shares closed down 60 paise at 3.30 rupees on the Karachi Stock Exchange on Wednesday, but brokers said the news did not have a major impact on the market as the bank's troubles were known for a long time. "The impression in the market is that the central bank has taken action quite late. They should have done that much before," said stock exchange chairman Yasin Lakhani.

From Reuters, 2 September 1999

CHINESE FOREIGN OFFICIALS SPEAK ON INTERNATIONAL INVESTMENT COOPERATION

Speakers at a high-level symposium held in Xiamen on September 8 called for stronger international investment and trade cooperation with China in the 21st century. In her keynote speech, Chinese State Councilor Wu Yi said that China will continue to adhere to its basic state policy of opening up and improving its investment environment to bring in foreign financiers. She said that the Chinese Government understands that many changes have taken place in both domestic and international spheres, adding that China will tap its potential and open wider to the outside in order to benefit Chinese and foreign partners in international investment projects. Dignitaries from China, Britain, Saudi Arabia and international organizations and multinational corporations also spoke at the meeting, themed "International Investment Cooperation in the 21st Century." Sun Guangxiang, vice-minister of the Ministry of Foreign Trade and Economic Cooperation, said that in the process of economic globalization, multinational corporations are becoming a major driving force behind trade. While the Chinese Government is engaged in cooperation with small and medium-sized enterprises from other countries, it is also expecting to cooperate with multinational corporations, encourage investment from them, and make full use of international capital and advanced management and operation expertise, as well as the latest scientific and technological research results from the corporations, Sun said. He said that a lack of funding is one of the major factors hindering the economic growth of developing countries like China. In order to ensure a steady, fast and sound growth of the national economy, China must actively absorb overseas investment while making good use of domestic capital. Osama J. Faquih, minister of Commerce of Saudi Arabia, said that the volume of trade between Saudi Arabia and China has progressively grown over the past five years, from 770 million US dollars in 1992 to about 1.7 billion US dollars in 1998. That level is still modest when compared to the enormous capacity and potential of both countries, he said. The two countries need to urge their business communities and institutions to bring their trade exchanges and investment, both in volume and content, to a level equal to their capabilities, he said. Richard Caborn, minister of trade of the United Kingdom, said China's opening-up process is one of the great global economic success stories of the second half of the 20th century. He said that China has rightly earned the admiration of the rest of the world for the way it has managed rapid change without major social disruption, noting that China is now a global economic player, with a key role in ensuring the long-term strength and stability of the world economy. "Most of investors tell us that they are generally happy with their business achievements in China, whether through joint ventures or enterprises owned wholly by foreigners," he said. Foreign companies derive enormous encouragement from the commitment by the Chinese Government to their presence in China, he said. Folke Ahlback, one of senior vice presidents of Nokia Company, said, "We in Nokia are very satisfied with the

results of our Chinese partnerships. We have reached a really good cooperation spirit in many areas." Nokia considers the investments and re-investments in China as highly justified and is confident about the future good development of Nokia-China activities, which are increasingly seen as an integral part of Nokia's growth, he said.

From China People's Daily, 9 September 1999

INDONESIAN PRESIDENT B.J. HABIBIE IMPLICATED IN BANK BALI CORRUPTION PROBE

Indonesian President B.J. Habibie was for the first time officially implicated in the Bank Bali corruption case as Glenn Yusuf, head of the country's bank rescue agency, said he was asked by one of the president's closest advisers to cover up the scandal. Yusuf, who heads the Indonesian Bank Restructuring Agency, or IBRA, told a parliamentary hearing that A.A. Baramuli -- head of the Supreme Advisory Council and a long-time Habibie confidante -- told Yusuf he'd be fired if he didn't cooperate with efforts to suppress the scandal. "Brother Glenn, we have to work together on this one," Yusuf quoted Baramuli as saying. "If we don't, Tanri Abeng (Minister of State Enterprises) will be exposed, I'll be exposed, and Habibie will also be exposed." The scandal centers on a 546 billion rupiah (\$70 million) fee paid to the vice treasurer of the ruling Golkar party to help recover loans at banks shut by the Government. The money was allegedly intended to bribe delegates to vote for Habibie in the November selection of the president. The case has put much-needed aid at risk. The International Monetary Fund, the World Bank and the Asian Development Bank are withholding funds until the Government comes clean on Bank Bali, that's now jointly managed by IBRA and Standard Chartered Bank Plc, which in April agreed to pay \$123 million for a 20 percent stake. Indonesia, whose economy contracted 13.7 percent last year, is dependent on \$49 billion of loans from the IMF. Late today, an IBRA spokesman said Habibie has summoned Yusuf for a meeting. While Yusuf hasn't been told what the meeting is about, there's speculation he may be fired, said Christovita Wiloto, the spokesman. The Bank Bali scandal has sharpened concern that money released to the Habibie government will disappear into a inkhole of graft, said Kevin Daly, an economist at MMS International in London. "These sort of allegations make Habibie even more of a lame duck president than he already is," he said. "Habibie's chance of being the next president of Indonesia is nil at this point." Since the Bank Bali scandal broke in early August, the rupiah has weakened 13.5 percent against the U.S. dollar, while the benchmark stock index has fallen by 6 percent. The scandal has undermined confidence in Indonesia's bank restructuring program by highlighting a lack of openness at IBRA and the Indonesian central bank in the handling of the more than \$76 billion bank recapitalization program. Officials of the World Bank have said corruption in Indonesia is "endemic." "I don't think that the international donor agencies are going to be providing aid to Indonesia, not only until the East Timor issue is resolved, and the Bank Bali scandal cleared up -- but also until they see the political transition take place," Daly said. On Sunday, Habibie bowed to international pressure to allow a United Nations peacekeeping force into East Timor, where hundreds have been killed by pro-Indonesia militia since the territory voted four-to-one for independence on Aug. 30. Between \$2 billion and \$3 billion dollars in aid was due before the November presidential selection, and another \$6 billion in existing debt rescheduled by the Paris Club of lenders, Daly said. In his parliamentary hearing, Yusuf said when he refused to suppress the Bank Bali scandal, Baramuli told him he would go through Yusuf's deputy Pande Lubis instead. After the scandal broke, Pande Lubis was identified as one of the people involved in authorizing the payment to Bank Bali. He's now officially under criminal investigation, though the police are not actively pursuing the case. Yusuf's comments follow testimony last week by Rudy Ramli, the former president of Bank Bali. Ramli implied that confidential statements leaked to the press naming several high-level government officials -- including Bank Indonesia Governor Sjahril Sabirin, Finance Minister Bambang Subianto, and State Enterprises Minister Tanri Abeng -- are genuine. An independent audit by Pricewaterhouse Coopers was completed and submitted to the police and to the government audit agency. A 30-page summary was submitted to the Independent Review Committee, which is chaired by former finance minister Mar'ie Muhammad, with representatives from the IMF, World Bank and Asian Development Bank. That summary concentrates mainly on procedural errors and technicalities, and names few individuals. Still, even the version published by the State Audit Body -- obtained by Bloomberg News -- said the central bank restricted access to key facts, claiming they fell outside the scope of the audit. Lending won't resume until the full audit is released, including the names of high government officials allegedly involved in the case. That's not going to happen, said Satrio Joedono, head of the State Audit Body and another long-time Habibie associate. "Oh, under our banking secrecy laws there is some information that can only be released to the judiciary, or to the police," he told state TV. "We've given it to the police."

From Bloomberg, 14 September 1999

SOUTH KOREA PUTTING PUBLIC FUNDS INTO AILING INSURANCE FIRM

The Government's financial watchdog on Tuesday declared Korea Life Insurance Co. a "weak financial institution," clearing the way for injection of public funds into the ailing firm. The move came after three attempts to auction off the company failed. The Financial Supervisory Commission earlier said it would order capital reduction, scrap all shares and inject 1.5 trillion won (\$1.25 billion) into Korea Life to make it more attractive for investors. The commission said it would be able to recover the taxpayers' money when Korea Life gets back on its feet and the company is sold to private investors. Korea Life, the nation's third largest insurance company, controlled 16 percent of the nation's \$35 billion life insurance market before a financial crisis hit South Korea in late 1997. As of June, Korea Life had \$9.2 billion in assets and \$11.6 billion in debts. Korea Life chairman Choi Soon-young is serving a five year jail term for illegally sending millions of dollars out of the country. Choi and his family own about half of the company and he has been struggling from prison to try to maintain control.

From Nando Times-Global/Associated Press, 14 September 1999

EUROPE

ESTONIA: NOVEL CORPORATE TAXATION PLAN CAUSES STIR

Estonia has come up with a plan to abolish all corporate taxation in cases where companies re-invest their profits in the country. RFE/RL correspondent Breffni O'Rourke examines the advantages and possible problems of this innovative tax scheme. The scheme, which will be considered by the Estonian Parliament next month, would remove all corporate tax from that proportion of a company's profits which is re-invested in further development inside the country. Tax will only be applied to the profits, which are used for other purposes. This plan, which will bite deeply into government tax revenues, is viewed by some analysts as a bold innovation in keeping with Estonia's track record as a leading economic reformer among the transition states. But others see it as impractical and unlikely to be viable in the long run. The pro-business Wall Street Journal Europe (Aug. 25/F529) expresses enthusiasm, saying the Government concludes the move will bring growth to the enterprise sector and generate wealth in the economy as a whole. Estonian analyst Anvar Samost, the head of business news at the Baltic News Service in Tallin, told RFE/RL: "The scrapping of the corporate income tax is just another example of Estonian unconventionality in decision-making". He says that Estonia has in the past made similarly unconventional moves which paid-off. He cites the successful currency reform of 1992, which created a currency board and pegged the Kroon to the German mark. Samost says that at the time, the International Monetary Fund had reservations, but the model was subsequently copied in several other transition states. Samost says that in the case of corporate tax, the Government is aware of the heavy revenue loss it will suffer, and is taking measures to cope: "The Ministry of Finance is working very hard to cut spending in next year's budget and I understand they have the full support of the whole Government, so many of the ministries are very willing to cut their spending next year". The projected revenue for next year under the present flat rate of 26 percent for corporate tax is estimated at 1,500 million Kroons, or just over \$100 million. What proportion of that revenue would be lost under the new scheme depends on what profit companies decide to reinvest, and to what to withdraw. But the loss to the state budget would be severe, and Samost says the Government's cost cutting will not be able to make up the entire shortfall. The Government is not planning to raise other taxes, however, and is hoping to raise extra revenue through projected income growth plus from the new resource of customs tariffs. A senior analyst at Deutsche Bank Research, Bernd Klett, has reservations about all this. Speaking to RFE/RL from Frankfurt, Klett said that the move is courageous and will create a positive investment climate: "But I cannot imagine the country can live without corporate tax for a long period of time, because there will not be enough money in the budget on the revenue side". He says that even with careful budgeting, the usual scenario would be that other taxes would have to be raised in the long run to make up any shortfall. Klett and other analysts also say there is some doubt about whether the European Union, which is conservative in its thinking on tax matters, would approve of such an innovation. Estonia is courting EU membership, and should be admitted within the next five years. One present EU member, which has been able to innovate most in tax matters, is Ireland, which for years has had the liveliest economy in Europe with annual growth of 8 percent. Senior researcher at the Economic and Social Research Institute in Dublin, Terry Baker, told RFE/RL that Ireland for many years has had a very low corporate tax rate of 10 percent on manufacturing industry. And this has worked very well: "It's been an immense factor in attracting companies, particularly the very profitable high tech companies in information technology and in pharmaceuticals, which have very high profit margins indeed". Baker says lack of revenue resulting from the low tax rate has not been an issue. That's because sufficient numbers of dynamic companies have been attracted to Ireland, and, as he puts it, 10 percent of their very high profits is better than having 50 percent tax on a very narrow base.

From Radio Free Europe, 28 August 1999

SPENDING DECISIONS WILL TAKE PUBLIC OPINION INTO ACCOUNT

Public opinion will have a significant influence on how the Scottish budget is spent, the Government pledged last night. Jack McConnell, the finance minister, faces a month of difficult decisions before he allocates ministers their share of Scotland's £16 billion pot. He has to divert an extra £80 million into education to meet demands made by the Liberal Democrats during the coalition talks, and ministers are already preparing to have their budgets reduced. Mr. McConnell yesterday began the first of a series of meetings with ministers before announcing the first Scottish budget allocation in October. He met Sarah Boyack, the transport minister, in the morning and Susan Deacon, the health minister, in the afternoon. A senior government source said: "This was the beginning of a series of bilateral discussions with cabinet colleagues which will lead to expenditure proposals in the not-too-distant future. These initial discussions will allow the executive to come to an overall view on spending, but that will be subject to public scrutiny before any plans are finalized." The commitment to offer public access to government spending plans was being seen last night as yet another attempt by the executive to relaunch the Scottish parliament. A deluge of negative publicity has dogged the parliament throughout the summer recess and doubts are growing about the future of the Labour-Lib Dem coalition. Jim Wallace, the deputy first minister, came under repeated attack over his handling of the case, which allowed Noel Ruddle, a psychopathic killer, to walk free. Mr. Wallace is due to appear before the parliament's powerful justice committee today when he will face a 45-minute grilling from MSPs on his decision. However, despite this potentially humiliating meeting, the executive is gearing up ministers for a high-profile return to public life in Scotland. The source said: "Nobody here would consider this a re-launch, but there is certainly a definite effort to prove that the parliament is stepping up a gear. The executive is determined that when people look at the parliament, they will see something that is relevant to them and accessible to them." The decision by Mr. McConnell to start work immediately on freeing an extra £80 million for education was inevitably welcomed by the Lib Dems. However, the Scottish National Party said there sources could not "mask the crisis" in Scottish education. Nicola Sturgeon, the SNP's education

spokeswoman, released figures which she claimed showed the funding gap in Scottish education was growing under Labour and dwarfed the £80 million of resources to be invested over the next three years. She said: "Local authority education spending was cut by £102 million in Labour's first three years in office. According to COSLA [Convention of Scottish Local Authorities] figures, the education service funding gap over the next three years will be £41 million in 1999-2000, £50 million in 2000-1 and £53 million in 2001-2. These figures do not include the cost of funding the teachers' pay settlement, which is estimated at £120 million over three years on the basis of current proposals; the cost of repairs to schools or investment in community education which will suffer 20 per cent cuts over the next three years. Therefore, it is clear that Labour's talk of new resources for education – most of which are ring-fenced to pay for new initiatives – cannot mask the funding crisis facing Scottish education." The Tories challenged Mr. McConnell to use the same means of identifying an extra £80 million for education to find about half as much again, around £43 million, to pay for the abolition of tuition fees. Brian Monteith, the Tory education spokesman, said: "Given the fact the abolition of tuition fees was the non-negotiable, top priority for the Lib Dems, why should half of the additional £80 million expenditure not have started with the removal of tuition fees?"

From UK -The Scotsman, 31 August 1999

IMF DENIES RUSSIAN CORRUPTION DRAINED LOAN MONEY

A defensive International Monetary Fund said yesterday it has found no evidence that Russia's burgeoning money-laundering scandal involved any of the billions of IMF dollars lent to Russia this decade. Reports that a New York bank may have been involved in a scheme to launder up to \$10 billion in illegal profits from crime and official corruption in Russia broke just weeks after the IMF approved the first installment of a new \$4.5 billion financial-rescue package for Russia. "The subject matter is serious, but we just don't believe there is any grounds for believing that any IMF money has been diverted," IMF spokesman Thomas Dawson said in a conference call with reporters yesterday. The Clinton administration also has had to defend its unstinting support for the government of Russian President Boris Yeltsin, contending that Western financial support was vital given Russia's bumpy transition to democracy, its staggering economy and its still-sizable cache of Cold War-era nuclear weapons. Republican critics have singled out Vice President Al Gore, who has been given a large role in developing the administration's approach to Russia. Criticism that the administration overlooked rampant Russian official corruption over the past eight years "is very misplaced," said State Department spokesman James Foley yesterday. "We've always been aware that corruption is a major problem in Russia," he said. "But the vice president himself has a longstanding commitment to working on this problem and to working on programs that combat crime and corruption." The IMF's Mr. Dawson said the fund has not been contacted by the FBI or other agencies involved in the Bank of New York probe and has not conducted an internal investigation of the personnel records of Konstantin Kogalovsky, Russia's former chief delegate to the IMF who has emerged as a central figure in the scandal. Mr. Kogalovsky, who returned to Moscow to work for a now-defunct bank with close ties to Russia's central bank, was married to Natasha Kogalovsky, a Bank of New York executive who dealt with the company at the center of money-laundering scandal. Both Mrs. Kogalovsky and an associate at the bank have been suspended as the investigation proceeds. Another figure in the scandal, Russian tycoon Mikhail Khodorkovsky, told a Moscow radio interviewer yesterday he believed U.S. investigators have greatly exaggerated the scope of the scandal. He said the higher estimates of \$10 billion in illicit profits was equivalent to a half-year of revenues from Russian oil exports --an amount he contended was virtually impossible to spirit out of the country unnoticed. Mr. Khodorkovsky, who headed the failed bank where Mr. Kogalovsky worked, said, "The simplest answer -- and I would give it a 70 percent probability -- is that the [American] law enforcement bodies simply made a mistake." But Russia has already compiled a checkered track record on past IMF borrowings, which have totaled some \$20 billion since 1992 with strong support from the U.S. Government. An outside audit this summer confirmed that Russia's central bank misreported its level of reserves to keep the IMF money flowing in 1996 and employed an unauthorized foreign investment company to manage its money. "This was a total breach of the trust on which the relationship between the IMF and its members must rest," wrote John Odling-Smee, director of the fund department in charge of the former states of the Soviet Union, in the latest issue of the IMF's weekly newsletter. But, Mr. Odling-Smee added, "Despite the disappointments of the past, we believe the current program offers a good chance of gradually improving the economic situation and discouraging capital flight." The \$640 million installment approved by the IMF for Russia last month from the \$4.5 billion rescue package was used exclusively to repay past IMF loans to Russia. A team of experts from the fund is in Moscow now and will report to the IMF's board in Washington before a second installment is released. Mr. Dawson hinted strongly that the funds from the second loan will also be kept under tight IMF control and may never actually be deposited in Russia's central bank. Russia needs IMF money to help repay past debts and convince private lenders and businesses of its creditworthiness. Investor fears that the IMF may turn off the spigot sent Russia's stock market down 3.64 percent yesterday. House banking committee Chairman Jim Leach, Iowa Republican, has called for a moratorium on IMF loans to Russia as the current scandals are being sorted out. Mr. Dawson said the IMF believed it has sufficient controls in place to monitor its new payments to Russia, but added: "Congressman Leach is an extremely serious individual and he is someone we take very seriously."

From The Washington Times, 31 August 1999

SWEDISH GOVERNMENT PROPOSES 10 BILLION SKR TAX CUTS IN 2000

Sweden's Governing party, the Social Democrats, presented proposals on Friday for long-term tax reform, saying strong economic growth allowed both cuts of up to 10 billion Swedish crowns (\$1.22 billion) in 2000 and investments in welfare. The development of the economy in recent years proved the welfare state was no longer under threat, the party said. Wage earners could now be rewarded for the painful trimming of benefits during leaner years in the mid-1990s. "The view is there is scope for 10 billion crowns

next year," Finance Minister Bosse Ringholm told a news conference. He added state debt of 1.39 trillion crowns would continue to be paid off at the same rate. "We have good economic development, low inflation and no tendencies towards overheating on the labour market," Ringholm said. "If we can keep this we will have permanent growth for a long time in the future." The proposals included a cut in property tax, reduction of an employer's social welfare payments for employees and a cap on fees for the state childcare system. Only 15 percent instead of 18 percent of wage earners would pay the extra state income tax of 20 percent, the party said. But these were guidelines, not promises, the party said. Ringholm replaced Swedish Finance Minister Erik Asbrink earlier this year. Asbrink resigned after a dispute with Swedish Prime Minister Goran Persson, who maintained there was room for tax cuts next year while Asbrink had been more cautious. This week Swedish central bank Governor Urban Backstrom said the Riksbank was not opposed to tax cuts, and believed strategic cuts could make the Swedish economy work better and so lead to higher growth. But he warned against tax cuts which would fuel already high consumption growth which could lead to overheating. Last month Sweden's National Institute of Economic Research KI raised its GDP growth forecasts to 3.8 percent in 1999 and 3.2 percent in 2000 from 2.2 and 2.9, respectively. A more international world demanded changes in the tax system, whose main function was to ensure the survival of Sweden's famous cradle-to-grave welfare state, the party said. Swedish newspaper Dagens Nyheter said on Friday the minority Social Democrats' proposals will ease negotiations with their cooperation partners, the ex-communist Left Party and the environmentalist Greens, ahead of the budget on September 20. The three parties must still hammer out details about how the cuts should be made, with the Left making cuts for low-income groups a priority and the Greens calling for taxes to help environmental causes. The Left Party threatened repeatedly this week to end cooperation with the Government if budget talks fail, but political analysts said they are unlikely to risk losing their influence in Government by doing so. In recent years Sweden has seen several major companies move their headquarters overseas to escape punitive taxes. Last year Sweden's largest company and employer, telecoms group Ericsson, set up a second headquarters in London. London is also the base for newly merged Anglo-Swedish drug company AstraZeneca Plc. Sweden is one of the highest taxed countries in Europe with a top income tax rate of 56 percent kicking in on a monthly income of only 25,105 crowns and value-added tax on most goods and services of 25 percent.

From Reuters, 3 September 1999

RUSSIA CORRUPTION IMPACT LIMITED

Corruption in Russia continues to grab headlines but analysts and investors say the real issue is capital flight and tax evasion, which are destroying the economy. Analysts also believe that corruption, which U.S. President Bill Clinton warned on Sunday could "eat the heart out of Russian society," is unlikely to affect talks this week between Russia and creditor banks, or International Monetary Fund loans. The analysts say corruption has historically accompanied large economic shifts throughout the world. More worrying is capital flight, which ING Barings director of emerging markets research Philip Poole estimates at \$100 billion since the start of Russia's transition, and tax evasion. "The GKO (Treasury bill) restructuring, the partial default on external debt instruments and the severity of the rouble devaluation are all, in large part, a consequence of the export of capital and the associated non-payment of tax," Poole said. Although tax collection has improved, data published in August showed one in six Russian companies is breaching tax laws and arrears excluding fines were \$8.7 billion on July 1. Poole believes the political noise being generated in Washington will have little impact on talks about renegotiating \$32 billion in debts owed to banks, which continue on Wednesday in London, or on the \$4.5 billion loan package from the IMF. "While capital flight is the major reason for the low level of foreign exchange availability that underlines non-payment, there is little that private creditors can do to influence the issue," Poole said. The implications of the corruption scandal on commercial lending to Russia are also limited, he believes, given last August's bond default and devaluation and subsequent aversion to all things Russian among banks. "If it wasn't already the case, sanctioning any form of financial exposure to Russia has become a potentially catastrophic career-limiting move," Poole said. The corruption scandal is also unlikely to worry those who are already invested in Russian equities, although it does give those who are not yet there another reason not to invest. Mark Cooke, chief investment officer for Brunswick Capital Management, who runs \$120 million of Russia money described the situation as "far from ideal" but said it came as no surprise. "People who run Russia funds or regional funds are not very excited about the issue, if you look at the numbers it is fairly obvious there is a lot of wealth and cash floating around which simply does not show up in central bank reserves," Cooke said. Far more important is the role of majority shareholders. "If you look at the most heinous instances of abuse, they have been by and large occasions where minorities have been abused by majority shareholders," Cooke said. Poole at ING Barings believes the same motivation for abuse applies to an efficient market and social outcome, namely economic self interest. Promoting a society where there is sufficient motivation to invest domestically and pay taxes will in large part depend on a new presidency which has an interest in clear economic rules. Then, a legal system and property rights can be implemented. "Unfortunately, this will not happen until the stealing and redefinition of assets is largely complete. It will only be then that the owners of economic assets will see it to be in their collective interest to protect what they have acquired," he said.

From Reuters, 13 September 1999

MIDDLE EAST

ISRAEL TO FREEZE INFRASTRUCTURE OUTLAYS IN BUDGET

The Israeli Finance Ministry's 2000 budget is designed to spur economic growth by stepping up public sector productivity but does not call for extra infrastructure spending, Treasury officials said on Wednesday. Speaking at a press briefing before the spending package goes to the cabinet for two days of deliberations starting on Sunday, officials said the brunt of the 5.8 billion shekel (\$1.4 billion) spending cuts would fall in defense, education and transfer payments. Finance Minister Abraham Shohat told reporters that infrastructure spending would hold at 1999 levels but said he would meet with the heads of government agencies on Thursday to begin efforts to increase off-budget spending. "I will be asking them three things: What are their activities for next year, what are financial and operational plans and what needs to be done to increase spending in 2000... I will personally follow up on implementation," Shohat said. The entire spending package totals 214.3 billion shekels, the Finance Ministry said. Although Shohat stressed that they were small and aimed at increasing efficiency, the cuts in education and transfer payments are likely to meet strong opposition both in the cabinet and parliament. The financial markets are also likely to be disappointed that the infrastructure budget will be frozen. Most economists had been hoping more public works spending would form the centerpiece of Prime Minister Ehud Barak's promise to change fiscal priorities. Officials said there would be limited spending cuts for West Bank settlements and government subsidies for the ultra-Orthodox Jews, two areas where the Barak Government was expected to make spending cuts. But officials declined to detail the reductions, which are dispersed throughout the budget. Under the Finance Ministry's draft budget, spending by the Defense Ministry is due to go down by 1.2 billion shekels to about 35 billion shekels. The education budget will be trimmed by 300 million shekels to 20.4 billion shekels. The ministry also said it planned big cuts in transfer payments, mainly through a 600 million shekel reduction in child allowances. Defending the controversial reduction, Finance Ministry officials noted that transfer payments had grown 74 percent in real terms over the last eight years and would eat up more than 19 percent of next year's budget versus 13.7 percent in 1992. Officials said they hoped to squeeze extra growth out of Israel's sluggish economy and meet their projected three percent increase in 2000 output mainly by reducing public sector spending as a percentage of gross domestic product. They said a package of 80 structural reforms approved by the cabinet last week would also contribute to economic growth. GDP was running at an 0.2 percent annual pace in the first half of this year. "I have complete confidence that the budget we are bringing to the cabinet for discussion on Sunday is a good budget for the state of Israel in the current condition of the economy in light of the main goals the Government has set for itself," Shohat said. Officials said they hoped to reduce the public sector's share of GDP to 55 percent next year from a projected 56 percent in 1999.

From Reuters, 2 September 1999

THE AMERICAS

IN MEXICO THE TAX MAN IS A BIG PATRON OF THE ARTS

At tax time this year, Javier Marin gently placed his payment on cotton padding in the back of a Treasury truck. Like the sculptor's last dozen tax payments, this year's was driven away to a museum. Mr. Marin is one of 824 Mexican artists who are paying their taxes this year with paintings, sculptures and etchings instead of cash. The unusual program that makes this possible recasts the most detested of all Government bureaucrats - the tax collector - into the role of arts patron. "Nobody likes the tax man," said Juana Ines Abreu, director of cultural promotion and patrimonial heritage for the Finance Ministry. "But we're the nice face of the Treasury. Instead of accountants, we have curators. No other country in the world has this program," she added. In a nation where tax avoidance is the norm and where a culture of private donations to public museums has been slow to develop, this incongruous blend of art and taxes has allowed government bean counters to amass and display one of Mexico's largest art collections - 3,000 works that span the four decades since the practice began. "The program is sensational," said Mr. Marin, who has exhibited bronze sculptures of the human body throughout the world, including major shows in New York, Los Angeles and Miami. "The Government is putting together a collection of the best work of the best artists in the country." The art-for-taxes effort has proved a cultural gold mine for this relatively poor country, allowing it to add hundreds of new works to its public collections annually, even in years of economic crisis. Now wealthy nations are taking notice. Last year, program directors were invited to address a United Nations conference in Stockholm on alternative arts financing for some of the world's most prosperous countries. "What country in the world is rich enough to buy a whole new art collection every year?" asked Patricia Perez Walters, coordinator of the Mexico City museum that houses the best of the Finance Ministry collection. The program was created in 1957 as an alternative to seizures of art as payment for back taxes. The idea is said to be grounded in ancient Aztec and Mayan traditions that allowed subjects to pay off their tax debts with goods or labor. The plan appealed to the school of Mexican muralists, led at that time by Diego Rivera, who believed that art should not be confined to private galleries visited by the few but should adorn public buildings and become visible to the masses. Under the payment-in-art program, the public as owner of the works was seen as the ultimate beneficiary. The policy also had a more practical purpose. It would free Mexico's creative sector from some of the drudgery of bookkeeping. "I'm not so good at accounting," confessed Miguel Castro Lenero, a painter and sculptor who has paid his taxes through the program for nine years. "I don't really understand all that stuff, so it seemed like a much better idea to just give the Government a painting." "Now, instead of having an accountant who knows nothing about art and who has no rapport with an artist, we send a curator to their studio who can speak the same language," said the cultural director, Ms. Abreu. "They act as the artists' translator to the accountants." But the plan is not without controversy among the artists. It also has detractors who question why a cash-strapped nation subject to devastating economic cycles should indulge in filling museums with art and funding traveling exhibits. "Some people say we should not be doing this," said a Finance Ministry spokesman, Marco Provencio. "But we've been doing this for years. People benefit from it." Many artists complain that the program is elitist, favoring the famous while overlooking new or less recognized talent. "They say the program is open to all artists, but they give themselves the luxury to take only the art that fits their collection," complained Miriam

Lechuga, a painter and engraver who is, in addition, president of the Mexican Artists Society. "Many artists have told me they went there only to have the jury look at their work and say, "Who is this person, anyway? I don't know his work. Besides, he always gives us horse paintings and we're full up with horses." Felipe Ehrenberg, 56, head of the oversight committee of the Mexican Society of Visual Artists, complains that the Government ignores new art forms. "It works under very old parameters," said Mr. Ehrenberg, who does not participate in the program. "Any artists involved in new arts, like performance art, digital art, installation art or laser prints, can't pay in kind. The current fiscal measures force artists not to change, which is part of the nature of art." The program's coordinators admit a certain elitism and grouse that over the years some artists have used the program as a way to cast off works they cannot sell or pieces that are of inferior quality. "We're really interested in masterworks," said the museum coordinator, Ms. Perez. Five years ago, in fact, when a presidential decree opened the program to a wider range of artists, the screening committee had "terrifying visions of neon bullfights painted on black velvet," Ms. Abreu said at the Stockholm conference. Instead of a battery of number crunchers poring over paper returns, every work of art submitted as a tax payment is evaluated by a committee of art experts who judge its value and quality with eyes as ruthless as any tax auditor. The number of registered artists submitting works in lieu of cash has surged. In the last five years, the Finance Ministry has accepted 1,522 works of art, equaling the number of the past 36 years. Each year, the committee rejects 60 to 75 percent of the offerings, demanding that the artists submit higher quality. Only the best of the works end up in the country's most prestigious museums and galleries, with the remainder going to provincial museums. "We have to take all of it because it's a tax program," said Ms. Abreu, who has been working with the program for the past 23 years. "Then we have to decide: Where in the world are we going to put all these paintings?" The lowest quality of work is donated to government offices where "instead of a calendar or a photo of their kittens, people have a real work of art," Ms. Abreu said. "It may not be good, but they have it," she added. The financial worth of the expanding collection is as closely guarded as a state secret. Program directors say the collection, which contains works by two of Mexico's most famous artists - Mr. Rivera and Rufino Tamayo - includes 800 works of museum quality. "We see it as a fantastic cultural wealth you can't measure in dollars," Ms. Abreu said. "It's a richness you can't quantify."

From Herald International Tribune, 30 August 1999

TIME FOR CAMPAIGN FINANCE REFORM IN U.S.?

A prominent business group, defying the protests of a leading Senate Republican, says it expects support to grow for its effort to bring about changes in campaign spending laws. Business backing for legislation to restrict the flood of company and union money into political campaigns could be influential when the House considers the bills this month, said Edward Kangas, an officer in the Committee for Economic Development. "I am convinced, whether it is this fall or a year from now, we will have campaign finance reform because there is a revolt brewing," said Kangas, chairman of the accounting and consulting firm Deloitte Touche Tohmatsu. Sen. Mitch McConnell, R-Ky., who heads fund-raising efforts for Senate GOP candidates, recently wrote business executives saying he was "astonished to learn" their companies were supporting the CED "in its all-out campaign to eviscerate private sector participation in politics." He said executives who disagree with the "radical" campaign finance agenda of the CED should resign from the nonpartisan public policy group that has promoted economic growth since 1942. About 100 executives and academics in the CED - about half its membership - have endorsed the group's recommendations for changing the laws, including by banning unregulated soft money donations to political parties. It also suggests increasing the ceiling for contributions by individuals, providing public matching funds and setting voluntary spending limits for House and Senate races. "We don't think that money is a bad thing, but we think it needs to be regulated and accounted for," said CED president Charles Kolb. The CED, in a written response to McConnell, said "we make no apologies" for joining such groups as the League of Women Voters and the Sierra Club "on an issue that they believe threatens the vitality of our participatory democracy." The CED's letter was first reported Sunday by The New York Times. McConnell and other GOP leaders argue that businesses, which tend to give more money to Republicans than Democrats, would see their power to influence public policy weakened if campaign spending were limited. But some businesses have begun to balk at demands from the parties to finance increasingly expensive political campaigns. Several major corporations, including General Motors and Monsanto, resolved after the last presidential election to stop using corporate funds for soft money donations. Rep. Christopher Shays, R-Conn., a leading House advocate for campaign finance changes, said businesses "are being shaken down for campaign contributions." He said the demands from the parties have grown from a few thousand dollars some years ago to hundreds of thousands of dollars now, and "if you are not a player you are not always at the table." Shays and Rep. Marty Meehan, D-Mass., are sponsors of a bipartisan bill that would ban soft money, increase disclosure requirements and restrict issue ads that seek to influence elections under the guise of educating voters. It overcame fierce opposition from the GOP leadership to pass the House last fall, but its companion bill in the Senate, sponsored by Sens. John McCain, R-Ariz., and Russell Feingold, D-Wis., failed when it couldn't get the 60 votes needed to overcome a filibuster mounted by McConnell and others. House Speaker Dennis Hastert, R-Ill., has promised another vote on campaign funding legislation shortly after Congress reconvenes next week.

From Capitol Hill Blue, 2 September 1999

AIRLINES DETAIL CUSTOMER SERVICE PLANS

In June, the nation's major airlines made a 12-point pledge to treat their passengers better. Today, they started unveiling the details. Continental Airlines, for example, which already rates high in passenger-satisfaction surveys, promised to do better by communicating more clearly -- whether it's about ticket prices, flight delays or lost bags. "This is going to start with the reservations and go all the way through baggage delivery," Continental spokesman David Messing said Tuesday in a prelude to today's formal unveiling of the carrier's "Customer First" plan. United Airlines, Delta Air Lines and other carriers planned similar releases

throughout the day. The airlines' action toward soothing passengers followed complaints prompted by a New Year's storm in the Midwest that left thousands of travelers stranded in airports and on aircraft. Congress threatened new legislation against the industry, which was removed from federal control in 1978. In June, the Air Transport Association and its member airlines offered a voluntary plan to improve service. Among the dozen promises: ensuring that passengers are told of the lowest available ticket price; notifying them of delays and cancellations; providing prompt ticket refunds; handling bumped passengers with fairness; and meeting customers' essential needs during long on-aircraft delays. The airlines also pledged to detail how they would fulfill those promises by Sept. 15 and implement their new code of conduct by Dec. 15. Two congressional studies released this week said June's broad outline lacked legal backing and guaranteed some things already required by law. The General Accounting Office -- the investigative arm of Congress -- said the ATA's "Customer Service Commitment" was largely a rehash of existing law or aviation policy. "Several of these measures," including fairly handling bumped passengers, ensuring customer service from an airline's code-share partners, providing prompt ticket refunds, accommodating special needs passengers and providing passengers with information on airline policies and aircraft configuration, "reflect what is in the statutes and regulations," the agency wrote. The GAO said that other promises are not included in the airlines' existing "contract of carriage," the fine print on the back of airline tickets or ticket jackets that forms the contract between an airline and its passenger. In a separate report, the Congressional Research Service, a researching agency available to congressional members, said the voluntary standards "may lack the enforceability that the conditions of the 'contract of carriage' may possess." Sen. Ron Wyden, D-Ore., who commissioned the studies, called the Customer Service Commitment "nothing but legalistic gobbledegook, which (does) are "a real wake-up call showing how little protection the consumer really has." David Fuscus, spokesman for the Air Transport Association, disputed that. "Whether it's in the contracts of carriage or not, it won't matter to the traveling public, because we're going to do these things," said Fuscus.

From Chicago Tribune, 15 September 1999

GLOBAL

PM AND PREMIERS ARGUE TAX POLICY IN TOKYO DEBATE

A youth forum on Canada's profile in Japan veered into domestic politics yesterday when Prime Minister Jean Chrétien and the premiers launched into a spirited debate over tax cuts. The forum, whose host was Canadian astronaut Julie Payette, included about 100 young Canadians who are working in Japan. They told the leaders who are on a federal-provincial trade mission to Japan that Canadians are seen as too timid and not aggressive enough. In the question period afterward, Mr. Chrétien and Quebec Premier Lucien Bouchard refused to answer a question on national unity, saying they did not want to deal with such a sensitive internal debate on trade mission. But they had no such reservation when it came to a question on Canada's tax policies and their possible role in influencing talented young people to leave. And so the youthful expatriate audience was treated to a spectacle rarely, if ever, seen at home: Canada's political leaders from across the political spectrum, on the same podium, debating a bread-and-butter issue. All the leaders said they are cutting taxes; all said they will protect social programs. But their emphasis differed greatly. Montreal native Louis Leclerc, a computer specialist with a Tokyo-based investment bank, said it was difficult to consider moving back to Canada when the tax burden is so much higher than in Japan. He added that if he did return to North America, he would consider going to the United States. Mr. Chrétien -- who has faced a concerted tax-cut lobby from business groups at home -- conceded that Canada has higher taxes than Japan or the United States, but he added that it is the middle in relation to all the industrialized countries. The Prime Minister added his now-standard defense that Canadians benefit from public health care and lower cost education, while an American family must pay out of pocket for those critical services. He said that all the provinces and the federal Government have begun to reduce taxes, and will continue to do so. "But I don't believe that it is the only problem that we have in Canada," he said. "We have a much better society than in the United States, with the security in the streets, the level of crime in Canada compared to the United States. "There is a price to pay to live in the best country in the world," he said, to applause from the audience. Mr. Bouchard said he recognizes that the tax levels are too high and that the Government can now address the issue, having eliminated its deficit. "I find that people pay too much tax in the middle class in Canada, and in Quebec, we have to recognize that it is worse," he said. "I think an effort has to be made to create incentives to work and get more money into the private sector." B.C. Premier Dan Miller said that most of the people in the room had been educated at taxpayer-subsidized universities, and that Governments need to maintain and increase spending on education. "Surely our young people ought to have the opportunity to acquire skills, and that's just as important an investment in your economy as tax cuts," he said. "And to entertain what I think is a rather simplistic notion that there is only one lever that propels an economy, which is tax cuts, disappoints me. I never went to university, but I figured that out." Two Conservative premiers, Alberta's Ralph Klein and Ontario's Mike Harris, delivered a tag-team retort to those questioning the assertion that the best tonic for the economy is deep tax cuts. Mr. Klein noted that Alberta is going to a flat tax next year and will eliminate provincial taxes for anyone earning less than \$30,000. "I think a dollar is better spent in your pockets than in mine, or the government's pockets," he said. "We have to stimulate the economy through people having money to spend in the economy." Mr. Harris, who has been writing letters to federal Liberals urging them to slash taxes, said lower taxes have helped fuel the province's boom. "We think we're better off to get more money from more people working than have fewer people working at a higher [tax] rate," he said. Mr. Harris said higher taxes in Canada more than offset the higher cost of medical care and education in the United States for people earning more than \$100,000. "Unfortunately, record numbers of young people are opting for substantially lower cost of living and finding that you have more than enough money to make up health care and the other costs that we provide," he said. Newfoundland Premier Brian Tobin said there is a consensus across the country, including federal and provincial governments, that taxes must come down. But he added that his constituents

also want adequate health care, quality education and the ability to send their children to college or university without incurring a massive debt. "We've got some things to do to improve our country but by God, it's a hell of a country and let's not lose what makes us unique -- things like health care and good quality education that is accessible to people at an affordable tuition," he said. "That's important too."

From Canada-Globe and Mail, 16 September 1999

Private Sector Development

AFRICA

SOUTH AFRICA SAYS DEBT AND RED TAPE HOBBLER PRIVATIZATION

South Africa said on Wednesday red-tape, heavy debts and sluggish bureaucracy were slowing down the restructuring and sale of state assets. "How does one contend with some state owned enterprises that are caught up in antiquated bureaucratic tendencies," Public Enterprises Minister Jeff Radebe told a conference attended by South African and British businessmen in Johannesburg. "How does one deal with the cannibalistic financial policies that continue to erode the value of those assets and render them a burden to our national fiscus (budget)?" Radebe told delegates via a television link from Cape Town. The so-called Britain-South Africa Partnership Week is a part of a wider campaign launched last year to strengthen trade relations between the two countries. South Africa has so far partially privatized or restructured a number of state assets. Among them the sale of a 20 percent stake in national carrier South African Airways to Swissair and a 30 percent stake in telecommunications parastatal Telkom to SBC Communications Inc and Telkom Malaysia. The restructuring of transport parastatal Transnet has been hampered by its huge debt which stood at over 27 billion rand (\$44.6 million) at the end of the 1998/99 financial year. As a result, the Government has decided to deal with Transnet's debt on a case by case basis as separate sections within the parastatal are privatized. South Africa's privatization programme, which was launched in 1996, has so far netted the Government more than 11 billion rand. In addition to financial problems, Radebe said the Government had to address issues of bureaucracy, non-competitiveness and resistance to change. "Our priority as Government therefore is to entrench effective public enterprise governance that will realize an improved market potential for these entities...", said Radebe. Radebe, who assumed the private enterprises portfolio in June, said he was satisfied with the progress of his ministry. "I am indeed encouraged by the progress made in this short space of time and I do believe that we are capable of doing even better," he said. Several state firms are set to be at least partially privatized this year. These include the possible sale of a 20 percent stake in arms manufacturer Denel's aerospace unit to British Aerospace and 60 percent of forests owned by the state and the South African Forestry Company Ltd.

From Reuters, 1 September 1999

ALGERIAN LEADER VOWS ECONOMIC OVERHAUL

President Abdelaziz Bouteflika vowed drastic action to speed up Algeria's privatization programme, fight corruption and reform the judiciary to switch the debt-saddled North African country into a market economy. "Algeria is determined to follow the path of market economy. It is also determined to boost productive partnerships with foreign firms who are willing to do so," Bouteflika told Reuters in response to written questions. "To achieve that, it plans to launch a large-scale reform in the administration with the main aim of removing all the bureaucratic barriers," he added. Bouteflika said that only efficient public sectors would be allowed to remain as part of his plan to speed up the stuttering privatization programme begun in 1994. "Privatization will affect all the eligible sectors after a rigorous study. This does not mean that it would take a long time. We will get down to it with all the required determination and speed," he said. "The survival of public sector firms depends on their competitiveness and performance." Algeria plans to sell state assets worth some \$500 million, as part of a structural adjustment plan aimed at increasing growth rate and reducing unemployment of 28 percent among the six million-strong workforce. But only small firms have been sold so far as the privatization process faces numerous hurdles, including red-tape and widespread corruption plaguing the country's administrative and judiciary systems, officials and economists say. In a move seen as the start of the large-scale campaign to curb corruption and complacency among civil servants, Bouteflika sacked last week nearly half of Algeria's provincial governors. He also set up a committee to reform the judiciary system. "Corruption is a scourge and the state must absolutely take precautions. These could include preventive measures such as renewing the administration and justice," he said. Bouteflika also blasted the two main state-run investment agencies -- the Investment Support and Promotion Agency (APSI) and the Holdings National Council -- describing them as "budget-eating institutions." "We must either make such bodies efficient...or they should disappear as did in the past others that proved inefficient. My statement here should not be taken for granted. It is a warning to all whom it may concern. Nobody is entitled to mess around for such long time with the state interests." Bouteflika said last week's firing of the 22 provincial governors was only a first step that would be followed by similar drastic measures to improve efficiency. "The state must go through an overhaul in all sectors -- in politics, diplomacy, governorship, economy and social affairs," he added. Bouteflika was elected in April's one-man presidential race after the withdrawal of all his opposition rivals amid charges of ballot-rigging by the influential military. He says his first priority is to restore peace in Algeria, where 100,000 have been killed in more than seven years of violence. The country is also saddled by more than \$31 billion in foreign debts. In June, he reached a peace deal with the relatively moderate Islamic Salvation Army (AIS), which had pledged to stop its attacks against the state and offered to join Government troops in fighting radical Moslem guerrillas.

From Reuters, 30 August 1999

GHANA'S PRIVATIZATION PROCESS TOO SLOW-BUSINESS

Ghana's Government is too slow in selling state-owned companies and should invest money earned from privatization in development projects, business representatives at a conference on African privatization said. "We consider the process as being too slowly implemented," the chairman of Unilever Ghana, Ishmael Yamson, told the Pan-African Investment Summit on Privatization in Practice. The three-day conference, held in Accra, ends on Friday. Yamson also questioned the use Ghana's Government has made of revenue from around 150 parastatals sold or liquidated since the start of privatization, over 10 years ago. "The divestment (privatization) process in Ghana has already accrued some financial benefit to Government, but where has the money gone?" he said. In Ghana, proceeds of privatization go into a consolidated fund but it is not clear what is done with the money, a manager of the Unilever Africa Business Group, Kwesi Okoh, told Reuters. "We need to see a more transparent process and stress the need to plough back the proceeds of divestiture into development and investments in new assets of higher value, rather than spend it on the Government's recurrent expenditure," he said. In 1998, the International Monetary Fund made accelerated privatization a key condition for a new structural adjustment loan programme for the West African nation. Ghana's privatization agency, the Divestiture Implementation Committee (DIC), contracted out part of the process to accountancy firms, consultants and banks, but the move did not speed up sales much, business leaders said. "We are aware that careful consideration is necessary but that is also the best known defense against change," Okoh said, referring to the slow privatization of Ghana's utilities. A drought-related energy crisis in 1998 hit Ghana's economy hard but kick-started liberalization of the country's power production sector, almost 10 years after the Government started talking about privatizing it. The crisis came 15 years after experts first warned that Ghana could no longer depend on hydro-electricity alone and should build thermal power plants, following the severe 1982/83 drought. "There has been a lot of time wasted. Our view is that we must go the whole hog. The benefits are immense," Okoh said.

From Reuters, 10 September 1999

NIGERIA ADVERTISES FOR INVESTORS IN QUOTED FIRMS

Nigeria's privatization council advertised on Tuesday for core investors in quoted banks, oil marketing and cement firms in which the Government plans to sell its remaining shares this year. The advert is the first official request for expressions of interest under President Olusegun Obasanjo's privatization programme which he has promised will later include power and telecoms companies and oil refineries. "Strategic or core group investors must possess the right technical, financial and management capacities in their sector of interest," the advertisement in local newspapers said. Among the 12 companies listed are several in which foreign investors have expressed interest in increasing stakes through the sale which is due to be completed this year. Royal Dutch/Shell is interested in gaining a controlling interest in oil marketing firm National Oil. BP Amoco hopes to secure a stake in African Petroleum, which it ran until 1979 when its assets were nationalized for alleged links to apartheid South Africa. Britain's Blue Circle Industries wants to increase its stake in Nigeria's cement industry. Shares in West African Portland, Benue, Ashaka, Calabar, Nigerian and Northern Nigerian cement companies are to be sold.

From Reuters, 8 September 1999

ZIMBABWE TO UNVEIL NEW PRIVATIZATION PROGRAMME

Zimbabwe expects to unveil a new privatization programme this week and is determined to meet the targets set by the International Monetary Fund, a Government minister said on Tuesday. Minister of State in the President's Office Responsible for Indigenization (Black Economic Empowerment) and Privatization Cephas Msipa told Reuters a new timetable was almost ready. "We will announce some progress this week, probably tomorrow (Wednesday). We are fully committed to pushing the programme and we are really determined to meet the schedule we have agreed to," he said of the targets recently set by the IMF as part of its conditions for a new aid programme for Zimbabwe. The IMF -- after withholding assistance to Zimbabwe's crisis-ridden economy over policy and management problems for a year -- agreed last month to lend President Robert Mugabe's Government \$193 million with \$34 million coming in August and the balance to be disbursed quarterly, provided Zimbabwe meets set benchmarks. Part of the conditions include the preparation by November for the quick privatization of Air Zimbabwe, the Zimbabwe Iron and Steel Company (ZISCO), the National Railways of Zimbabwe, the beef company, Cold Storage Commission and the Forestry Commission. The IMF and other donors say Zimbabwe, which is experiencing its worst economic crisis in the two decades since Mugabe came to power 19 years when the former British colony of Rhodesia won independence, could help repair its economy by selling dozens of mainly loss-making state companies. Although Mugabe, who experimented with socialism in the first 10 years of his rule, adopted a privatization programme nine years ago, the scheme has unfolded rather slowly, with just four enterprises being privatized in the last three years. Critics say the Government has not been keen to let go of companies which they see as part of a political patronage system aimed at sustaining Mugabe's rule. But the Government itself says the pace has been slowed by the need to run the privatization process in tandem with a programme to economically empower Zimbabwe's black majority. In the last few months government ministers have been pledging their support to the privatization programme and Britain has provided funds to set up a privatization agency. They say the programme is a key element to state efforts to cut a perennially high budget deficit, which has averaged over 10 percent of gross domestic product over the past decade. The IMF has told the Government that all public enterprises producing marketable services should cease to be a burden on the public budget.

From Reuters, 9 September 1999

ASIA/PACIFIC

COUDERT BROTHERS MEMBER OF CONSORTIUM ADVISING REPUBLIC OF KOREA ON CORPORATE GOVERNANCE REFORMS

The Ministry of Justice of the Republic of Korea has selected an international consortium led by Coudert Brothers to advise the Republic of Korea on Corporate Governance Reforms. The other members of the consortium are Korean law firm Shin & Kim, the International Development Law Institute, and Professor Bernard S. Black of Stanford Law School. The corporate governance practices of leading Korean corporations is one of the principal factors which contributed to the severe economic crisis in Korea which began almost two years ago. In the absence of rigorous credit assessment and monitoring by these corporations' lead banks, corporate insiders such as founders, managers and directors have been unchecked in their business decisions. While many large corporates are listed on the stock exchange, minority shareholders have been passive. In mature capital markets, institutional investors such as mutual funds and pensions funds are able to compensate for the lack of incentives on the part of individual shareholders. However, institutional investors have not yet developed as active participants in the Korean stock market, and foreign investors have played a limited role. The Government has recognized many of these shortcomings and has initiated a number of reforms to improve corporate governance. The consulting team led by Coudert Brothers will assist the Government with advice and training relating to the Government's ongoing corporate governance reform program. The services of the consulting team are being financed by the Ministry of Justice of the Republic of Korea with technical assistance loan funds from the International Bank for Reconstruction and Development, a part of the World Bank Group. The consulting team is led by Barry Metzger, a senior partner of the Coudert Brothers law firm and, until recently, General Counsel of the Asian Development Bank. Other members of the consulting team are Timothy O'Brien, who heads Coudert Brothers' Korean Practice Group; Dr. Young Moo Shin, senior partner of the Shin & Kim law firm and a recognized authority on Korean securities laws; Gilles Blanchi, Deputy Director of the International Development Law Institute, which specializes in training public sector lawyers from the developing world; and Professor Bernard S. Black of the Stanford Law School, a leading authority on corporate governance issues. The consulting team's services to the Government will include a review of recent corporate governance reforms in Korea, both short-term and long-term recommendations for further corporate governance reforms, domestic training workshops in Korea on modern corporate governance practices, and an overseas training program for selected Government officials.

From PRNewswire, 30 August 1999

SRI LANKA EMBARKS ON PORT PRIVATIZATION DEAL

Sri Lanka handed over part of the country's main Colombo port to a private consortium in a \$240 million deal under a 30-year lease on a build, operate and transfer basis, local officials said. They said the South Asia Gateway Terminal Pvt Ltd (SAGT), a joint venture that includes units of Britain's P&O Steam Navigation Co and local John Keells Holdings Ltd, took possession of the Queen Elizabeth Quay on Sunday. "We have taken possession and two ships docked there on Sunday," Ken Balendra, chairman of John Keells told Reuters. The deal to hand over the quay was signed last month. SAGT is a joint venture primarily between John Keells Holdings Ltd, P&O Ports and P&O Nedlloyd B.V., which together hold 52.5 percent of the company. The group will carry out a feasibility study for a new breakwater at the Colombo port and build a new passenger terminal at the quay. The other partners include Taiwan's Evergreen Marine Corp, Sri Lanka Ports Authority, the International Finance Corp, Asian Development Bank and Commonwealth Development Corp. In the first phase, which will be completed in 2003, SAGT would extend the quay, install new gantry cranes and raise annual handling capacity to 1.1 million containers from the current 285,000 containers. The International Finance Corp and the Asian Development Bank would together provide \$144 million in loan finance for the project, which will also receive \$39 million in long-term loans from the Commonwealth Development Corporation. Colombo is largely seen as a transshipment hub for South Asia with a capacity to handle some 1.6 million containers a year, which is expected to rise to 3.5 million by 2005.

From Reuters, 8 September 1999

PRIVATE FIRMS IN GUANGDONG ALLOWED TO BUY INTO STATE SECTOR

Individual industrialists, businesspersons, and privately owned enterprises in Guangdong Province can now take a stake in state-owned enterprises and collectively-owned enterprises in competitive sectors, and may buy a controlling stake in companies in what is considered general sectors, the September 9 Hua Sheng Bao (Hua Sheng Overseas Chinese Newspaper) reported. The new measures in Guangdong echo recent central government rhetoric in support of a partial state withdrawal from China's competitive sectors. The withdrawal is seen as a way to devote more energy and resources toward sectors deemed strategic to the nation's economic development. Under the new regulations, individuals and privately owned enterprises may contract, lease, merge or purchase small and medium-sized state-owned or collectively owned enterprises, according to the article. Moreover, those who can make appropriate arrangements for the original employees of these enterprises will receive "preferential treatment," the article said. The decision extends the business scope of the private economy, and includes some new stipulations on the participation of the private economy in foreign trade and economic cooperation. The new stipulations allow some infrastructure sectors, such as agriculture, energy, water conservancy, transportation and information networks, to absorb investment from individual and privately owned enterprises, the report said. Furthermore, private enterprises will be allowed to invest in scientific research institutes, farm

irrigation projects, rural power networks, environmental projects, rural roads and the construction of small towns in rural areas, according to the article. Eligible private enterprises may establish schools, kindergartens and other educational facilities, and may also participate in the development and operation of tourist resources, the report said. For those that are qualified, private enterprises also may engage in foreign trade. Private enterprises may start joint ventures or cooperative enterprises with foreign businesses, do business in processing raw materials or samples supplied from abroad, or in the assembling of supplied parts, or in compensation trade, the article said. Private enterprises may set up enterprises abroad, and the private enterprises in the mechanical, electrical, light industry, and textile and garment industries are encouraged to set up manufacturing plants and carry out processing trade abroad, according to the paper. As long as private enterprises meet the qualifications specified by the Government, the foreign trade and economic cooperation department should grant them the rights to apply for import and export, to contract projects in foreign countries and to engage in labor cooperation, the article said. By the end of June, total registered capital of private enterprises in the entire province reached RMB 144.22 billion (US\$17.44 bln), and the total number of employees of privately owned enterprises reached 4.9 million, according to the article. The new measures were published entitled, "Decision on Greatly Developing the Individual and Private Economy by the Guangdong Provincial Committee of the Communist Party of China and Guangdong Provincial People's Government."

From Online, 14 September 1999

SOE REFORM IN GUANGXI, CHINA

The current good situation emerged in the SOE reform in Guangxi is the result of the creative work carried out by the autonomous region Party committee and Government in the accordance with the spirit of the central authorities and in light of Guangxi's reality. These are the words uttered from the bottom of the hearts of enterprise leaders and leaders of the prefectures, cities and counties and are the true portrayal of the actual conditions. The general idea for the SOE reform is, taking the market as the orientation, products as the center, quality as the life, efficiency as the target, reform as the motive force, the enterprise's leading body as the key and the worker ranks as the base, to comprehensively push forward the reform of State-owned enterprises and fundamentally solve the problem featuring "dull mechanism, extensive management, backward products and low efficiency" in two to three years. After the Party's 15th National Congress, some enterprise leaders one-sidedly understood SOE reform as a pure "change of system". The autonomous region Party committee leaders maintain that the modern enterprise system established under the circumstance wherein the defects accumulated under the old system have not been resolved and enterprise quality is low is not in keeping with the spirit of the Party Central Committee and General Secretary Jiang Zemin's speech, in fact, under such circumstance, a modern enterprise system cannot be established, even if it is set up, it cannot be consolidated and last long. In light of Guangxi's reality, it is imperative to respect the socialist market economic law and begin with grasping the basic work. First of all, it is necessary to transform the enterprise internal mechanism, thoroughly break the egalitarian practice known as "everyone shares meals from the same big rice pot", stimulate the enthusiasm of both the enterprise and workers, help them get rid of the shackles of the planned economic system and the enterprise genuinely become the legal entity of the market economy and the mainstay of market competition. At the same time, it is essential to strive to improve the enterprise's quality and conscientiously solve the outstanding problem featuring backward products, extensive management and low efficiency. For this end, it is not only necessary to grasp the reform of State-owned enterprises and transform their internal mechanisms, it is also necessary to grasp reorganization, deepen the enterprise reform and improve the enterprise's overall quality. A modern enterprise system should be established on this basis. The principal task of reform is reform of the labor, personnel and distribution systems centered on the last system. It is necessary to solve the problem of egalitarian practice known as the "big pot"; "reorganization" in the process of reform mainly refers to the reorganization of the enterprise's leading body and is centered on products, to bring about the rational allocation and best operation of the various elements of productive forces, so as to bring the potential of the enterprise's human and material production elements into full play and create conditions for producing products which are needed by the market, to the satisfaction of the consumers and profitable for the enterprise, thereby fundamentally and successfully run and invigorate the enterprise. The successful practice over the past year and more proves this is a development road featuring innovation of mechanism, product and system conforming to Guangxi's reality. One important reason for the tangible results in the battle of storming fortified position in relation to the reform of Guangxi's State-owned enterprises lies in the very effective organization and measures: on the premise of making the chief leader bear overall responsibilities, setting up a "staff" department, a "detachment" and a "picket" in charge of the battle of storming fortified position in relation to the reform. What is called "staff" department refers to the office of the leading group in charge of the SOE reform which is set up at the levels of the prefecture, city and county of the autonomous region, and composed of special persons with strong political integrity and professional qualities transferred from the Party committee, Government, people's congress, people's political consultative conference and mass organization to form a trans-departmental and effective, organizational guarantee system for the decisive battle in relation to the reform, which features coordination between the higher and lower levels and between the Party and Government. So-called "detachment" refers to the nearly 800 members in 100-odd guidance groups related to SOE reform who are sent out by the autonomous region, prefecture and city to the lower levels, so as to guarantee implementation of and practical result in the "project grasped by the chief leader". So-called "picket" refers to the general financial supervisory system who is posted on a trial basis in large and medium-sized State-owned enterprises and holding companies by the autonomous region, prefecture and city Governments as the owners of State assets, to strengthen daily supervision over the enterprise financial activities, particularly supervision before and during an event, support and guide enterprises to correctly wield various decision-making powers, conduct operation of State assets and standardize financial activities according to law, avoid the lack of truthfulness of financial information, prevent the loss of State assets, and boycott the unhealthy social trends of arbitrary collection of charge, unchecked apportionment of expenses and abuse of fund-raising. In the view of Guangxi

region Party committee, State-owned enterprise reform at the present stage signifies a decisive battle in relation to the reform of the deep-rooted system, which involves various social sectors. Therefore, it calls for great help from various quarters to form a cohesive force and an atmosphere. In Guangxi today, various Party and government departments and social sectors extend active support to the reform of State-owned enterprises. In this regard, the practice of Liuzhou is most representative. First is the strong impetus given by publicity and media. Last November Liuzhou city Party committee's publicity department and 12 other work units jointly issued a document which decided to intensify efforts of publicity to jointly press ahead with enterprise reform. There was an increasingly strong atmosphere prevailing among various related departments which made concerted efforts to promote reform. The Liuzhou general trade union took the lead to launch the activity to select through appraisal representatives of outstanding workers in the city's enterprises and institutions, calling upon workers to display the spirit of being masters to actively participate in and support reform. The plan for enterprise reform and reorganization was smoothly passed at the worker's congress and turned into the conscious actions of workers in general. At worker's congresses of numerous enterprises, the proposals of representatives were not confined to issues such as welfare, but instead actively offering ideas and suggestions for enterprise reform. Organization and personnel departments, in their support of SOE reform, did their utmost to select and appoint chief heads of enterprises. The Liuzhou city enterprise operator and manager qualifications appraisal and recommendation service center established at the initiation of the city Party committee's organization department has made useful explorations for enabling enterprise operators to become occupation- and market-oriented. Land, planning, finance, taxation, State asset bureaus and other departments have taken the initiative to provide conveniences for the replacement of assets in enterprise reform; development planning commission, education and health-care departments have worked in coordination to separate enterprises from their social functions of running schools and hospitals as quickly as possible; science and technology commission actively help enterprise technical renovation; industrial and commercial departments have made active preparations for market stalls and booths for the re-employment of laid-off workers; personnel departments are responsible to invite 100 top-notch personnel at home and another 100 from abroad, and the "youth home economic affairs" and "female home economic affairs" activities organized by the city Communist Youth League committee and the city women's federation-all extend effective support and assistance to the reform of enterprises from different angles. Enterprise reform in various localities have made major progress as a result of the creation of a strong atmosphere and a strong cohesive force

From China People's Daily, 20 September 1999

EUROPE

POLISH PRIVATIZATION CASH MAY PAY FOREIGN DEBT

Poland wants to keep some of this year's privatization inflows in foreign currency and use the money to buy back external debt, senior finance ministry adviser Stanislaw Gomulka told Reuters on Wednesday. The Government and the National Bank are looking for a legal mechanism that will allow them to stop the money going through the forex market and giving an unhealthy short-term boost to the zloty, said Gomulka. "In the coming months we have a deluge of privatization earnings and the possibility of a strengthening of the zloty," Gomulka said. "The finance and treasury ministries and the central bank are looking for a solution which would keep part of the money on a special currency account so as not to strongly boost the zloty in the short-term," he said. The proposal will be disappoint zloty dealers, who have kept the currency 2.5-3 percent stronger than its parity rate, despite downbeat macroeconomic data, in expectation of significant foreign inflows from state sell-offs. Later this year Poland is expecting \$3.5-5 billion from the sale of a 25-35 percent stake in its Telekomunikacja Polska SA (TPSAs.WA) communist-era telecoms monopolist and \$500 million to \$1 billion for the PZU insurer. It should also receive some \$750 million from the sale of the Polish Oil Concern (PKN) and a further \$150 million may come for a 10 percent stake in the KGHM (KGHMs.WA) copper firm. Several hundred million dollars more are due for stakes in LOT LOT.CN airline, PBK (PBKs.WA) bank, Warta (WRTAs.WA) insurer and Impexmetal (IMMEs.WA) trader. Analysts estimate all the sales should net \$5.2-\$7.2 billion. The 1999 budget foresees Poland earning just 6.9 billion zlotys (\$1.72 billion) from privatization this year, a sum already obtained from the sale of Bank Pekao SA, Bank Zachodni and the PAK power plant. "The surplus from privatization would be kept on a special account and not go through the market. It would be used to buy back Polish debt," Gomulka said. He declined to give details of the buy-back. At the end of 1998 Poland had \$32 billion of foreign debt of which \$23.4 billion was owed to the Paris club of government creditors and \$1.55 billion to the World Bank. It had a further \$5.3 billion in Brady bonds and \$800 million in eurobonds. Legally, Poland can only hasten the payback of its Brady bonds and has done so twice already, retiring \$1.7 billion of Brady's in 1997 and another \$750 million in 1998. Gomulka said general agreement had been reached between the treasury, National Bank and the finance ministry on the operation, and they were now working on a legal framework. Gomulka said, however, that no firm decisions have been made yet. "As long as the technicalities are still to be sorted out it is only a proposal," he said.

From Reuters, 1 September 1999

SERBIA TO MAKE COMPANY PRIVATIZATIONS MANDATORY

Prime Minister Mirko Marjanovic said on Tuesday Serbia would speed up privatizations to boost efficiency and reform its economy, Tanjug news agency said. "Speeding up ownership transformation is one of the key tasks in further economic reforms," it quoted him as saying. The Prime Minister was on a one-day trip to Vojvodina, meeting local company managers and promising post-war prosperity, a day after officials were reported to be preparing to make privatization mandatory for most state firms. "With the aim of

successful ownership changes in small and medium enterprises, we will look into the pace of implementation of the ownership transformation law and accordingly propose more efficient solutions," Tanjug quoted Marjanovic as saying. Since November 1997 when Serbia passed a law on voluntary ownership transformation, only 279 firms or 4.0 percent of some 7,000 small and medium enterprises have started the process. "With this slow pace, the first stage of privatization, which took three years in transition economies, would last 50 years in Serbia," Serbian deputy privatization minister Mirosljub Hadzic was quoted by Belgrade daily Vecernje Novosti as saying. In the early phase of the process, company workers and pensioners get shares worth 400 German marks for each year of service free of charge. Sixty percent of a company's capital can be distributed to workers and pensioners and the rest sold to outside investors. "The ministry proposed to the Government to amend the existing law and make the privatizations compulsory and speed them up," Hadzic said. All 7,000 small and medium firms would have to complete the process within three years, once the parliament amends the law. The changes would also give a six-to-12 month deadline to 75 state-managed companies to find strategic partners. If not, the Serbian Development Fund would act towards their swift sell-off. In May 1998, the European Union slapped sanctions on Belgrade to punish it for a crackdown on ethnic Albanian separatism in Kosovo, banning investment in Serbia. Serbia's telecoms company is the only large state-owned firm, which the Government has privatized, selling a 49 percent stake to the Greek and Italian interests in 1997 and raising nearly a \$1.0 billion at the time. The announced changes come amid widespread rumours that Serbia may hold early elections in November. The ruling coalition of socialists, neo-communists and ultranationalists has been eager to create an image of a swift post-war recovery, prosperity and reforms, to counter criticism from opposition parties that it has been too slow to reshape one of the last communist-style economies in Europe.

From Reuters, 31 August 1999

TURKISH PRIVATIZATION CHIEF SAYS NO SELL-OFF DELAY

Turkey's Privatization Administration (OIB) chairman said there would be no delay in the country's sell-off programme despite the considerable economic impact of the August 17 earthquake. "According to our announced timetable major tenders will be opened in the third and fourth quarters and will be completed in 2000. Our plan is unchanged," state-run Anatolian news agency on Tuesday quoted the OIB head Ugur Bayar as saying. He said work would press ahead on the privatization of quake-hit refiner Tupras (TUPRS.IS) in a public offering, ammonium supplier Igsas, petroleum distributor Petrol Ofisi (PTOFS.IS) and petrochemicals company (PETKM.IS). The OIB has already chosen Salomon Smith Barney as an advisor in the sale of Tupras and Deloitte Touche was selected to advise in the sell-off of Petrol Ofisi. The Government aims to raise some \$1.5-2.0 billion from privatisations in the second half. Bayar said Tupras's international offering was expected to take place in January or February next year.

From Reuters, 31 August 1999

PORTUGAL OPPOSITION OFFERS PRIVATIZATIONS AND TAX CUTS

Portugal's main opposition party, the Social Democrats, has pledged to speed up privatizations and cut taxes if it wins power in next month's elections. Presenting the conservative party's electoral programme, party leader Jose Manuel Durao Barroso said on Thursday night that it would also be possible to do more to close the gap in living standards with Portugal's richer European Union partners. Offering "rigour and transparency" in restraining public spending, Durao Barroso said that the opposition party would sell off stakes in companies the ruling Socialists have refused or failed to privatize. State savings bank Caixa Geral de Depositos and state television and radio network RTP would be amongst them, he said. Funds from the partial privatization of Caixa, which the Socialists have said must remain in state hands, would be used to finance reform of the creaking social security system, Durao Barroso added. He also reaffirmed that the party would reduce income tax by an average 10 percent and cut the tax burden on companies. Room for the tax cuts would be created by reductions in state spending and tighter control of the budget. Along with the privatizations, tougher discipline in state finances would also open the way to raising the minimum state pension to 40,000 escudos (\$210) a month, from 32,600 currently, and extend compulsory education by one year to 11 years. Opinion polls show the Social Democrats, who ruled Portugal for a decade until being ousted by the Socialists in 1995, trailing their rivals by a wide margin in the run-up to the October 10 poll. A survey published in the weekly Semanario newspaper on Friday gave the Socialists 44.6 percent of the vote, nine percentage points more than Social Democrats. Prime Minister Antonio Guterres will present his party's political programme for the next four years on September 8.

From Reuters, 3 September 1999

TURKEY DETAILS NEW SELL-OFF PLAN TO IMF

Turkey's privatization administration (OIB) has speeded publication of the Government's sell-off plan for 1999 and 2000 to restore investor confidence after last month's earthquake. The August 17 earthquake, which killed at least 15,500 people and damaged Turkey's most industrialized region, caused many to think the privatization plan would be postponed as some of the companies concerned were damaged by the quake. "The OIB has prepared a new plan for tender and sale dates for companies under the privatization programme following domestic and external developments," on Monday said one official, who declined to be identified. The plan has been handed to the International Monetary Fund team led by Turkey desk head Carlo Cottarelli that arrived in Ankara last week to assess the aftermath of the earthquake. According to the plan, tenders for 13 companies will be put out in the last quarter of this year, but key sell-offs like that of oil refiners Tupras and national carrier Turkish Airlines (THY) will be carried out in early 2000. Block sales for the State Maritime Authority (TDI) and some insurance companies will be tendered in September. Also tenders for partial asset sales in Turban tourism management and Forestry Industry (Orus) will be carried out this month. A tender

for a 51-percent block sale of the petroleum distributor and marketer Petrol Ofisi and another for the asset sale of petrochemical firm Petkim's Yarimca plant will also be invited in the last quarter of this year. Turkey has chosen Salomon Smith Barney for Tupras and Deloitte Touche for Petrol Ofisi to be privatization advisers. A tender to sell 51 percent of Petrol Ofisi was awarded last year, but it was cancelled when members of the winning consortium failed to provide a downpayment. Petkim's Yarimca plant was damaged by the earthquake and officials put the equipment damage at \$5 million, \$4.5 million of that to be covered by insurance. Loss on sales is about \$11 million a month. Steel producer Isdemir will also be sold in block on condition that the buyer should invest to modernize the plant. Also in the pipeline for the last three months of 1999 are tenders for block sales of smaller state companies including Etimesgut Wood Industries, Asil steel producer, machinery producer Taksan and Atakoy holiday village. Real estate and some assets of the blister copper producer Karadeniz Bakir Isletmeleri (KBI) and those of textile producer Sumer Holding will also be tendered in the same period. Block sale of KBI will be tendered in early 2000.

From Reuters, 13 September 1999

HUNGARY TO SELL STAKES IN ELECTRICITY FIRMS REPORT

Hungary's state privatization agency APV is expected to start to sell its remaining stakes in five regional electricity distributors next week, daily Napi Gazdasag said on Saturday. APV will sell a 10.75 percent stake in Dedasz, a 7.2 percent stake in Edasz, a 4.16 percent stake in Elmu, a 1.68 percent stake in Emasz and a 6.52 percent share package in Titasz, it said. Elmu is expected to be the first to be offered next week, while Edasz will be the last around mid-October, it said. The combined market value of the stakes to be offered amount to 16.8 billion forints (\$70.7 million) at Friday's share prices, Napi said, without specifying at which price it calculated. Napi said APV would sell the stakes privately to institutional investors with the price to be fixed via book-building, but the Emasz-package will be sold through a block-trade via the stock exchange. Germany's Bayernwerk holds a 75 percent stake in both Titasz and Dedasz, while a consortium of RWE and Energie Baden-Wuerttemberg (EnBW) have also hold a 75 percent stake in both Emasz and Elmu. Edasz is 55 percent owned by the consortium of Bayernwerk and France's Electricite de France.

From Reuters, 13 September 1999

KAZAKHS SEEK TO REVIVE TROUBLED SELL-OFF PROGRAMME

Kazakhstan said on Tuesday it was reviving its troubled privatization programme, focusing on attracting strategic rather than portfolio investors, Deputy Finance Minister Daniyar Abulgazin said. The head of the resource-rich state's privatization committee told a news briefing in the capital Astana that a tender to choose an adviser on the sale of state stakes in oil and metal companies had already been announced. He said the following stakes would be up for sale in the selloff, which Kazakhstan hoped to have completed by the end of the year to help the country meet budget targets: - 30.0 percent of oil producer Mangistaumunaigaz; - 25.2 percent of oil producer Aktobemubaigaz; - 15.5 percent of Ust-Kamenogorsk titanium-magnesium plant; - 26.64 percent of zinc producer Kazzinc; - 35.0 percent of copper producer Kazakhmys. Participants in the tender to become adviser to the Government must draw up their plans for a sales strategy by September 20, Abulgazin said. The five firms listed, plus several others in the metals sector, were originally earmarked to be sold on the Kazakh stock market to launch the long-awaited "blue chip" programme. But the emerging market crisis and slump in world commodity prices last year saw interest disappear among portfolio investors, triggering the change in tactic. As well as the five firms listed, Kazakhstan has said it may sell 40 percent of its 25 percent share in the Tengizchevroil oil project, grouping Chevron, Mobil and ARCO of the United States and Russia's LUKOILKOH.RTS. The total Kazakh stake is estimated to be worth up to \$2.5 billion. There is strong political opposition to the proposal, given that Tengiz is by far Kazakhstan's most successful oil venture and is set to bump up production sharply in 2001. Abulgazin said the Government also aimed to sell 30 percent of its stake in dominant savings bank Halyk which would leave it with 50 percent-plus-one share. The sale would be realised partly through a share issue, with revenues going towards increasing the bank's authorized capital, and partly through a sale to an investor, with the proceeds going to state coffers. The final possible source of cash was state telecoms group Kazakhtelekom, 15 percent of which would go under the hammer in 1999. Commercial bank Kazkommertsbank was also looking to sell its 30 percent share in the company. The Government outlined a privatization target of 58 billion tenge this year, equivalent to around \$700 million early in 1999 but now worth \$440 million after the currency was effectively devalued in April. Kazakhstan is struggling to close its budget deficit of around \$560 million, and is under increasing pressure to sell state stakes in some of its most promising enterprises before the year is out.

From Reuters Kazakhstan, 7 September 1999

BOSNIA PRIVATIZATION BODY AIMS TO SPEED UP SALES

Slow progress in the sale of state assets has forced the privatization agency of the Sarajevo canton to change the rules to make them more attractive for investors, an official was quoted as saying on Wednesday. Since the privatization process started in Bosnia's Moslem-Croat federation in May, only about 100 out of a total of 1,600 small companies and other state property items have been sold in the Sarajevo canton, the largest in the federation. In an interview with daily Dnevni Avaz, the head of the Sarajevo privatization agency, Sevkija Okeric, blamed low buying interest on a general lack of cash among Bosnians, who must put up at least 35 percent of the purchasing price in cash. The rest could be paid in privatization vouchers, issued to citizens to compensate them for war-related losses such as unpaid salaries and frozen bank accounts. In a bid to speed up the process, Okeric said his agency would reduce the minimum amount of cash to ten percent, enabling Bosnians to pay as much as 90 percent of the price of some state assets with vouchers. Okeric said this would make it easier for employees to buy shares in the

companies they worked in. The reduction would, however, only be valid in the sell-off of companies, Okeric said. The so-called small-scale privatization process also includes the sell-off non-core business premises of larger enterprises and commercial spaces. Larger companies are to be sold off at a later stage. The total value of state-owned property privatized so far in the federation has been estimated at only some 13 million marka (\$7 million). The total value of state assets prepared for sell-off is valued at 26 billion marka. The Serb republic, the country's other entity, also started its privatization process earlier this year.

From Reuters, 8 September 1999

WATER SERVICES 'BETTER SINCE PRIVATIZATION'

There has been a decade of water service improvements since the industry was privatized, a regulator claims. Ian Byatt, director general of the Office of Water Services, said the message of a new report on service across England and Wales was that the industry was continuing to improve. He said: "The water industry is serving its customers and the environment well."

From UK-Press Association, 14 September 1999

MIDDLE EAST

SAUDI SAYS JOBS, PRIVATIZATION KEY TO DEVELOPMENT

Saudi Arabia's move to set up an economic council is part of efforts to develop the economy, create jobs for Saudi nationals and support privatization plans, Crown Prince Abdullah said on Monday. The crown prince, who heads the new Supreme Economic Council, made his comments to Government ministers at the weekly cabinet meeting, the official Saudi Press Agency (SPA) said. Crown Prince Abdullah said setting up the council was "within the framework of developing and supporting the national economy in all sectors and as a continuation of the economic development process in the kingdom." He said the kingdom's development policies aimed at finding more jobs for Saudis, boosting investment in the economy and supporting the Government's privatization drive. He said officials should redouble efforts to ensure the success of the council's work, SPA reported. The initiative to form the council was welcomed by diplomats and analysts as a serious step towards vital economic reform as the kingdom copes with a financial squeeze after decades of oil-boom wealth. They said it was encouraging that Crown Prince Abdullah was heading the council because he had shown himself willing to face economic realities at a time when the world's biggest oil producer and exporter recovers from last year's low oil prices. Saudi Arabia announced on Saturday that the council, headed by King Fahd's heir apparent, would draw up economic policy and ways to implement it. The council would also put forward regular economic reports to the Saudi cabinet, study Saudi Arabia's five-year development plans and financial policy and prepare preliminary budget and spending drafts, the decree said. Crown Prince Abdullah has played an increasingly powerful role in the day-to-day running of Saudi Arabia since King Fahd fell ill three years ago. Other members of the economic council include Saudi Defense Minister Prince Sultan bin Abdul-Aziz as vice chairman, plus the ministers of finance and national economy, planning, commerce, labour and social affairs and petroleum and mineral resources. The Governor of the Saudi Arabian Monetary Agency (SAMA) or central bank was also named as a member.

From Reuters, 30 August 1999

THE AMERICAS

ERA ENDS AS MEXICAN RAILROADS NOW TOTALLY PRIVATE

Mexico's railroads, once a symbol of emerging industrial might and the warfare of the Mexican Revolution, are ending the century where they began -- in private hands. On Tuesday, Mexico formally concluded the privatization of its dilapidated rail network when the state company National Railways closed its doors. The process was started by President Ernesto Zedillo, who promised to auction off the rails when he was elected five years ago. Of the 16,000 miles (26,000 km) of railway track sold since 1994, some 12,400 miles (20,000 km) date back to before the start of the Mexican Revolution in 1910. During the decade-long war, the railways played a key role in transporting soldiers, and colourful leaders such as Pancho Villa, to battlefields across the nation. Images of combatants riding the rails decked out in bandoliers and sombreros fill history books and picture frames throughout Mexico. Post-Revolution governments saw the railways as strategic. In 1937, the government of Lazaro Cardenas took the network under state control, a year before it also seized the petroleum industry from private enterprise. The following 60 years saw the railways steadily decline. According to the Communications and Transport Ministry, National Railways only transported 1.5 percent of Mexican travelers and 15 percent of national cargo in the past decade. Its profitability for the government has been zero, the ministry said. Three main railway sectors have been sold off since 1997 through 50-year concessions to private firms: Ferrocarril Mexicano (Mexican Railroad), Ferrocarril de Sureste (Southeast Railroad) and Ferrocarril del Noreste (Northeast Railroad). Mexican miner Grupo Mexico and U.S. partner Union Pacific Corp. won the right to run the North Pacific route belonging to Mexican Railways and which passes through 45 cities. Another mining firm, Frisco, a subsidiary of giant conglomerate Grupo Carso, recently snapped up 66.67 percent of the Southeast Railroad after cash-strapped builder Tribasa sold out for \$73 million. The remaining stake is owned by an investment fund of Grupo Inbursa, the financial arm of Carso, which belongs to billionaire Carlos Slim. The Southeast Railroad connects Mexico City with the important Gulf Coast ports of Veracruz and Coatzacoalcos. The Northeast Railroad is now

in the hands of Mexican shipping firm Transportacion Maritima Mexicana (TMM), and U.S. firm Kansas City Southern Industries, which won the 50-year concession in June 1997. The privatization process has had its victims. Some 40 percent of the 40,000 workers once employed by the nationalized railway industry failed to find new jobs with the concession holders, said National Railways spokesman Salvador Gonzalez Perez.

From Reuters, 31 August 1999

PRIVATIZATION STUDY SAYS KANSAS CITY CAN BENEFIT FROM PARTNERSHIPS

Kansas City's long-awaited privatization study recommends that Mayor Kay Barnes appoint a citizens committee made up of labor, business and neighborhood leaders to evaluate city services that offer the greatest potential for public/private partnerships. The City Council called for the study in May, arguing that such partnerships could lead to more efficient services, better public accountability and savings for taxpayers. The report, released Thursday, concludes that benefits can result from such partnerships but cautions that the motivation should not be to reduce the government work force or eliminate government's role. "There needs to be regular involvement of the community and of our employees. That's a key point," said Assistant City Manager Rich Noll, who spearheaded the study. "Our employees always have to have the right to compete." The study also cautioned that the process would take time. In a memo to the council, City Manager Robert Collins said some cities tried to implement managed competition in weeks or months. But Collins noted the most experienced cities take 12 to 16 months, "with much of that time dedicated to assuring the participation of the public and staff." "This won't be a short process," Collins told the council. "Many cities take a year, two years or three years on each activity." But Councilman Ed Ford challenged Collins' assumption, saying that when then-City Manager Larry Brown launched a large government reform effort four years ago -- dubbed "transformation" -- it took too long and lost momentum. "I don't think we need a 12-15 month study," Ford said. During a council discussion Thursday, Ford said he thought the current study echoed much of what Brown had advocated. Ford noted that the city already contracts for \$185.6 million of private services, including much of its trash collection. He wondered why further efforts should take so long. Noll replied that, unlike those in the Brown years, the current effort isn't trying to transform all of city government at once. "We want to do a manageable number of projects," Noll said. "We also want to be far more inclusive of the people." Councilman Paul Danaher said he thought the current council was more supportive of public/private partnerships than the council during Brown's tenure, which ended in 1997. Danaher said managed competition is inevitable. "Instead of a threat to the employees, it will unleash their potential," Danaher said. Managed competition requires city employees to compete against the private sector to provide a service. City employees often win the contract but find new ways to save money and increase efficiency. Nate Byas, president of the American Federation of State, County and Municipal Employees Local 500, said he was lukewarm about the report's recommendations. "I'm not a big fan of privatization," Byas said. "My members focus on service for the citizens. I think when you start putting profit above service, that's a risky venture." But Byas said he was willing to keep an open mind. "I think you have to ask the city to be fair, and we have to be fair also. If they can present something we can live with, we have a responsibility to take a look at it." Earlier this year, city workers protested at City Hall after reports that a St. Louis company with ties to Barnes' chief campaign consultant was interested in managing the Water Services Department. Noll's report, however, lacks any specifics about which departments or functions might be selected first for managed competition. And no one Thursday brought up the Water Services matter. Barnes, who had pushed the city to explore more public/private partnerships, was the target of city worker protests. But Barnes, who insisted she had no plans to sell the water department, met with labor leaders such as Byas to keep them informed, and the protests ended. "This is an excellent report," Barnes said Thursday. "I think we're off to a good start, and we're going about this in the right direction." Barnes said she would appoint the citizens committee to study possible candidates for public/private partnerships after the council's Finance and Audit Committee reviews the report. Noll and other staff members spent months preparing the report. They reviewed information from about 15 other cities and states and researched academic and institutional studies of privatization. Noll said the approach he is recommending most closely mirrors that adopted by San Diego County. In addition to the citizens review committee, the report recommended creation of a labor/management committee within City Hall to respond to workplace issues and conflicts. It also indicated the city probably will have to hire outside consultants because the staff is too busy with day-to-day duties and lacks expertise in the managed-competition process. The report suggested starting small, with one or two support services where private-sector providers are easily identified and where the effect on city government won't be dramatic. It also indicated that the city must identify which core services, such as public safety, should be exempted from managed competition. "Even those communities most experienced in public/private partnering (Indianapolis and San Diego County) generally limit themselves to five ongoing competitive review processes at any given time -- usually one just beginning, one ending and three in various stages of completion," Collins wrote in his memo. The report also suggested that the city identify safety nets for city employees. Approaches by other cities include no-layoff policies, early retirement incentives, job retraining, requirements that contractors hire all employees, and provisions for employee pensions. But for managed competition to work, the city must first identify how much it costs to provide a particular service so it can determine if using the private sector actually saves money. City departments are trying to determine such costs. Noll said his study found that savings from privatization can range from 5 percent to 40 percent. The city's expenditures currently exceed revenues by about \$15 million. Some council members fear that budget gap will only grow unless they find ways to cut costs. While the council appeared receptive to the report's recommendations, some council members stopped short of endorsing it. "We're not a business. We're government," said Councilwoman Teresa Loar. "I'm all in favor of saving money and keeping taxes low, but we have to be cognizant of the services we deliver. We need to be very careful as we go through this."

From Kansas City Star, 3 September 1999

QUEBEC'S 'FATHER OF MEDICARE' TESTIFIES FOR MORE PRIVATIZATION

The father of medicare in Quebec is expected to appear as a witness in a Montreal court case Wednesday, defending more privatization of medical care. Former Liberal health minister Claude Castonguay is a surprise witness in the case challenging Quebec's 30-year-old medicare law. The case, being launched by a doctor who wants Quebec to allow private medical coverage, revolves around the proposition that people could get better medical care if they could buy private medical insurance. Right now every Canadian is covered by a publically administered insurance system. Some medical care is available privately, to those who can pay, but not through private insurance. Dr. Jacques Chaouilli has challenged that part of Quebec's Health Insurance Act with the case that went to court Tuesday. Chaouilli says that a private system would reduce the waiting lists in the public system. "I think the private sector, if people are allowed to do it, will help the public sector by unloading these waiting lists and benefit the public sector." Law professor Patrick Molinary says the private sector is already paying for a portion of Quebec's health care costs and this case will look at how that spending can happen. "Just recently a health commission in Quebec stated that about 30 per cent of health care costs are provided by private sources," says Molinary. "And this is the core of the debate: what place should the private sector take in health services delivery." A professor of health administration at L'Universite de Montreal says the role shouldn't be greater than it is now. Andre-Pierre Contandriopolis says if the plaintiff succeeds, and convinces the judge to allow private health insurance, Canadian society will be vastly changed. "I hope that Dr. Chaouilli will not win the case because if he does so Canadian society will be profoundly modified," Contandriopolis says. He says a decision in favour of Chaouilli would leave Canada open to U.S. companies looking to provide private insurance in Canada. The result would be publically administered medical insurance for everyone except those who could afford private insurance, in other words, a two-level system. Twenty-three witnesses have supported the call for a private health system, while lawyers for the federal and provincial government defended medicare.

From Canada-CBC Newsworld, 8 September 1999

AMERICAN STUDY: 1 IN 4 KIDS IN PRIVATE SCHOOL

About one in four U.S. children are going to alternative and private schools as choices other than neighborhood public schools are increasing across the country, a new study found. The percentage attending private school has remained at 10 percent for years. But with newer options of charter schools, magnet schools, open enrollment and voucher programs, the alternatives -- including private schools -- account for a full 25 percent of U.S. students. Despite the increase in so-called school choice, researchers said they did not find a great deal of evidence that the alternatives improve student achievement, according to the study released Wednesday by the Policy Analysis for California Education said. "The jury is still out," concluded the report, "School Choice: Abundant Hopes, Scarce Evidence of Results." PACE is based at the University of California, Berkeley, and Stanford University. In 1993, 5.3 million of the nation's 50 million students, or 11 percent, took advantage of public school choice. That rose to 7.8 million, or 15 percent, in 1999, the think tank estimated. School choice advocates said the report was too negative. The real measure of achievement is the happiness of parents who have taken their children out of failing neighborhood public schools, said Stanford political science Professor Terry Moe. "Choice is really popular out there among parents, particularly among minority, low-income parents in districts that are not doing a good job," said Moe. His book, "Politics, Markets and America's Schools," has been influential in the school choice movement.

From Reuters, 9 September 1999

TIME TO ALLOW PRIVATE CARE, SAYS FORMER HEALTH MINISTER

Claude Castonguay, the man called the "father of Quebec medicare," has conceded tough restrictions on private health care that he introduced into law in 1970 are now outdated. Mr. Castonguay, a former Quebec health minister, told a court yesterday that he does not endorse a broad challenge to medicare that has been launched by a Montreal doctor, but he believes Quebec's health-care system could adapt if a court were to change the law. Dr. Jacques Chaouilli, a Montreal physician, wants a Quebec Superior Court judge to do just that, charging that sections of the laws that reinforce the state's monopoly control over medical services violate Canada's Charter of Rights and Freedoms. The sections prevent a doctor who has opted out of the public medicare system from providing care in a hospital, and prohibit the sale of private insurance to cover medical services already covered by medicare. Called by Dr. Chaouilli yesterday, Mr. Castonguay, 70, testified that the Quebec government wrote the restrictions into the law because it faced a tough political battle with the province's specialist doctors, and feared specialists would opt out in droves if the restrictions were not prohibitive. Outside the courtroom, however, he said there is no longer reason to fear doctors would desert medicare in droves if such robust sanctions were eliminated. "The system has been in operation for 30 years, doctors are participating, they do not want to move out 'en masse' from the system," he told reporters. "The system is definitely under pressure, something has to be done, and the question has been asked to the court: Should these two provisions be repealed?" Mr. Castonguay made it clear, however, that he is not calling for a repeal, much less for a fully private health-care system to grow uncontrolled alongside public medicare. If the sections were repealed, the Government "would have an obligation" to step in and regulate private care and ensure that care remains accessible for people of all income levels, he said. Most developed countries have both private and public health care, he said, and governments usually impose rules -- like requiring all doctors to do some public work -- to ensure broad access. Mr. Castonguay said he is not calling for private doctors to be permitted to practice in hospitals, but believes Quebec's public clinics, called CLSCs, are not meeting the demand for drop-in services and home care, and that contributes to overcrowded emergency rooms. Mr. Castonguay said he supports a reorganization of privately managed clinics

at which basic medical services would be paid for by medicare but non-covered services could be billed to patients. He said if public health care is allowed to continue to decline, a private system to which only the rich have access will grow. But if more money is invested in public care and a regulated private system is allowed more room, private care "could play a useful role." Dr. Chaoulli insisted he was not disappointed that his witness did not provide an unequivocal endorsement for his position, and said he accepts that the government would have to regulate private care. "Both of us wish to establish a partnership between the public sector and the private sector, in which the Government would set the rules."

From Canada-National Post, 9 September 1999