GOVERNANCE WORLD WATCH

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

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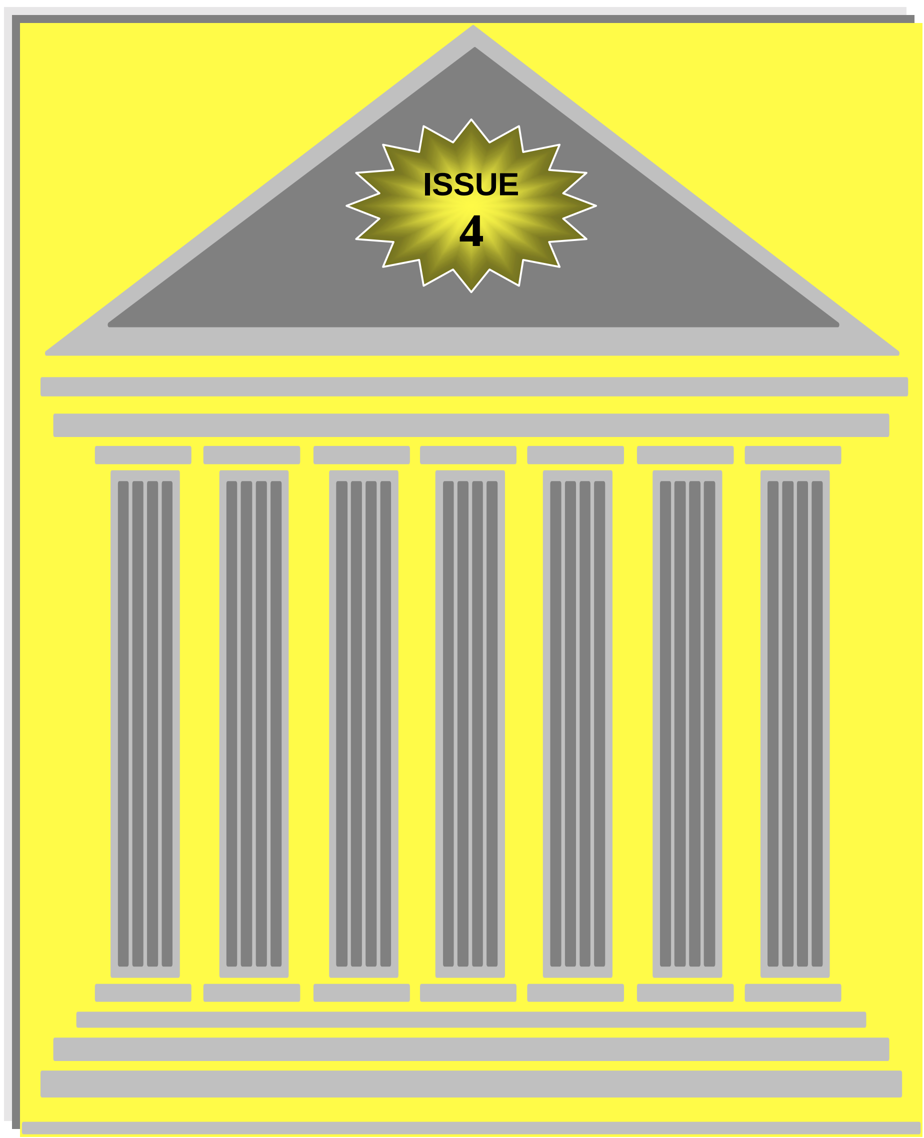

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Public Economics

AFRICA

LABOUR IN ZIMBABWE

With the powerful Zimbabwe Congress of Trade Unions (ZCTU) pressing for an across-the-board 60% wage increase, the stage is set for more industrial unrest and even higher inflation. Maize producers, including the politically powerful Zimbabwe Farmers Union, which represents black small-scale growers, are already demanding that the producer price of maize be doubled from last year's Z$2,400 (US$100) a tonne to at least Z$5,000 (US$130 at current exchange rates). At the same time, millers and bakers are warning that they will halt production unless the Government removes its informal price controls on basic foodstuffs. Sectoral opposition is likely to strengthen, as the financial impact of the controls becomes clear. For example, on March 31st TA Holdings, one of the country's main bakery and milling groups, announced that its food operations had a pre-tax loss of Z$47m (US$1.9m) on a turnover of Z$3.8bn in the 19 months to end-December 1998. The Government's hopes of keeping the lid on wage awards by a combination of informal price controls and a ban on strike action by labour unions are looking increasingly threadbare. Industrialists are simply ignoring the controls, and some have already agreed to wage awards of 40-50%. Meanwhile, Government and unions are squaring up for a protracted contest. On April 1st flour prices went up 20%, and millers are predicting a further 20% increase next month. A bread subsidy is unlikely -- according to Eddie Cross, the chairman of the Master Bakers' Association, this would cost Z$145m a month, a sum that the Government clearly cannot afford. And while the industry minister, Nathan Shamuyarira, has promised to roll back the price hikes by gazetting the prices of bread and flour, millers warn they will respond to any such move by shutting up shop.

APM Cluster's collection from EIU Business Africa, 1 May 1999

ALERTS & UPDATES IN NIGERIA

With just a month to go before Nigeria's new civilian regime takes power, the economic woes cleverly concealed by the Abacha administration are becoming apparent. The transitional military government now admits that the budget deficit in the first quarter of 1999 exceeded the projection for the entire year, and it has subsequently doubled its 1999 budget deficit forecast. Even more dramatic -- and alarming -- was the 40% slump in the country's foreign reserves, which are down to just N4.2bn from N7.1bn at the end of 1998. Increased military spending on the Economic Community of West African States' Monitoring Group in Sierra Leone can no more than partly explain the fall, which is all the more surprising because oil prices have averaged $11.5/barrel during the first quarter, well above the budgeted figure of only $9/b. With oil prices having risen to $15/b following OPEC's decision to cut production again, the drain on both the country's foreign reserves and the budget should ease. But renewed labour unrest -- in mid-April members of the Nigeria Labour Congress went on strike in 18 of the country's 36 states, accusing their governments of failing to pay the new minimum wage (see Business Africa, April 16th-30th 1999) -- is adding to government budgets as well as inflationary pressures. Meanwhile, January's inflation figure came in at 14.3%, up from 11.9% in December and 8.8% a year ago. It is thus becoming increasingly apparent that when Olusegun Obasanjo picks up the reins of power on May 29th he will need to spend less time playing the international statesman and much more tackling the economic crisis.

APM Cluster's collection from EIU Business Africa, 1 May 1999

ASIA/PACIFIC

MALAYSIA IS BACK FROM THE BRINK

There is finally some positive news from Malaysia. Standard & Poor's has upgraded the country from "negative" to "stable"; a surging trade surplus has improved liquidity and bolstered reserves (though falling imports also indicate slack investment); inflation has been contained; and the stock-market index has more than doubled since capital controls were imposed in September 1998. But many of Malaysia's economic indicators remain poor. GDP shrunk 8.1% in the fourth quarter of last year. Industrial output continues to decline and consumer confidence remains fragile. For many potential foreign investors, Malaysia has dropped off the map. While government spending and banking reform may bring some growth in the second half of the year, a 2.7% contraction is forecast in 1999 based on weak domestic demand and an uncertain international environment. Growth should resume next year. More ominously, the little good news coming from Malaysia owes more to luck than judgment. Countries such as Korea and Thailand have fared just as well by opening rather than shielding their economies. The implication is that if Malaysia can manage to get away with pinning the blame for the recession on nefarious foreign powers, it may yet avoid the most fundamental of reforms -- breaking the nexus of politics and business.

APM Cluster's collection from EIU Business Asia, 19 April 1999

VIET NAM FALLING FROM GRACE

This year will be the worst for Viet Nam's economy since the start of economic reforms in 1986. GDP growth will decline further in 1999, actual disbursements of new foreign investment will slow dramatically, and industrial growth will continue to splutter against the background of a dramatic fall in export growth. Exporters will be cramped by new restrictions on access to foreign currency and on imports, imposed to protect foreign reserves, as well as by an overvalued dong relative to competitor currencies. Recovering regional demand could however brighten prospects towards the end of the year. A possible US-Viet Nam trade agreement could also boost exports. Although the social effects of the regional economic crisis have been limited in what is a largely agrarian country, the ruling Communist Party of Viet Nam is increasingly pre-occupied with the need to maintain political stability and contain internal dissent. This has further diminished enthusiasm for a new round of reforms of the state sector and the debt-burdened banking system. The reform-minded Prime Minister, Phan Van Khai, acknowledges that as a result Viet Nam risks losing out again as its more competitive neighbours begin to recover from the crisis. But among a coterie of more conservative and cautious colleagues, it is doubtful whether he alone has the influence to change this state of affairs. There is no agreement on reforms. Talks aimed at agreeing on a new enhanced structural adjustment facility with the IMF and a structural adjustment credit with the World Bank before June remain bogged down. A deal could provide Viet Nam with an additional US$500m of balance-of-payments support, but is dependent on agreement on reforms of the banking system and loss-making state-owned enterprises (SOEs). However, efforts to restructure some 60 troubled semi-private joint-stock banks have made little progress, while the Government is resisting proposed restructuring of the four main state commercial banks. SOEs' share of total credit actually increased in 1998, reflecting more lending to troubled state enterprises and a slump in private-sector activity.

APM Cluster's collection from EIU Business Asia, 19 April 1999

EUROPE

BUSINESS OUTLOOK IN BELARUS

The Belarusian president, Alyaksandar Lukashenka, will rely increasingly on his presidential administration and on ad hoc administrative bodies for policy formulation and implementation. The opposition's plans to challenge the president's legitimacy this year may provoke an intensified security crackdown. While Belarus will make some effort to secure IMF funding, radical changes in economic policy will not materialize. Economic growth will slow to zero in 1999 with a possible modest recovery in 2000. GDP grew 8.3% in 1998 and real output increased strongly, at the cost of soaring levels of unsold stocks. Inventories have grown to unsustainable levels as Russian demand for exports has declined sharply. Although real wages increased, their dollar value has plummeted. We expect no growth in real GDP this year, as a result of low domestic demand and continued steep recession in Russia, and an increase in real GDP of only 2% in 2000.

APM Cluster's collection from EIU Country Monitor, 28 Apr 1999

EMPLOYMENT LAW - DISMISSAL RULES TO BE EASED

An imminent legal change means that UK companies have until the end of May to dismiss employees lawfully who have worked with them for between one and two years. Under a revision of government regulations to be laid before Parliament today, and coming into force on June 1, employees will be able to claim compensation for unfair dismissal after one year of employment instead of the present two. It is estimated that 2.9m employees will benefit from this change. Employment law companies believe this will lead to a large increase in claims from employees for unfair dismissals. The Confederation of British Industry, the UK's principal employers' organization, said yesterday that it "acquiesced" the change.

Mr. Horn's collection from Financial Times, 13 May 1999

FAULTLINES EMERGING IN ECONOMIC POLICYMAKING IN RUSSIA

Prime Minister Sergei Stepashin on 20 May announced the creation of a new Economic Council, which will attempt to anticipate economic trends and plan how to deal with them. Stepashin suggested that the government needs to do less ad hoc planning, asking "why is it every year we hold emergency discussions on paying holiday wages to public sector employees or on rivers freezing over?" ITAR-TASS reported. The new council will be composed of economists and regional governors. The next day, "Moskovskii komsomolets" reported, without citing any source that Stepashin is refusing to sign a decree appointing First Deputy Prime Minister Nikolai Aksenenko as head of the Operative Affairs Commission. The newspaper reported the previous day that Aksenenko, in his debut as acting commission chairman, adopted a distinctly independent stance from that of Stepashin. "Kommersant-Daily" the same day claimed that presidential administration head Aleksandr Voloshin will dictate economic policy to Aksenenko from the Kremlin.

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

RUSSIAN GOVERNMENT AIMING FOR QUICK SETTLEMENT OF FOREIGN DEBT

Acting Finance Minister Mikhail Zadornov told reporters on 20 May that First Deputy Finance Minister Mikhail Kasyanov and his team are trying to resolve all technical questions with Russia's foreign creditors so that a restructuring of the country's Soviet-era debts can quickly follow an announcement of the IMF board's approval of the government's economic program. Kasyanov is currently conducting talks with the Paris Club and will meet with London Club representatives on 25 May, Reuters reported. According to Zadornov, the government is not even considering a restructuring of its Eurobond debt at present since it is meeting its Eurobond obligations, Interfax reported. Zadornov also said that settlement of the foreign debt problem will largely depend on the adoption of draft laws agreed upon with the IMF.

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

WORLD BANK ASSESSES IMPLEMENTATION OF LOAN FOR ARMENIA'S ENERGY SECTOR

World Bank officials said at a press conference in Yerevan on 20 May that Armenia's energy sector will need more than $1 billion in capital investment over the coming decade to replace obsolete infrastructure and phase out financial losses, RFE/RL's Yerevan bureau reported. The first tranche, worth $21 million, of a $52 million World Bank loan, released in March 1999, will be used to help cut down losses during transmission, which are one of the reasons for Armenia's high energy tariffs. Privatization of Armenia's power grid may push prices even higher, according to a World Bank official. But the inability of not only private consumers but also many state-run enterprises to pay their electricity bills has already resulted in huge debts to the energy sector.

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

UKRAINIAN PARLIAMENT TIGHTENS CONTROL OVER CENTRAL BANK

The Supreme Council on 20 May approved a law on the National Bank introducing a 14-member supervisory council that will draft monetary policy guidelines, AP reported. Half of the council will be appointed by the parliament and the other half by the president. If the National Bank and its chairman do not abide by the policies drawn up by the council, the president is authorized to ask the parliament to fire the country's chief banker. National Bank Chairman Viktor Yushchenko criticized the law, saying the bank "may no longer be able to take responsibility for the stability of the national currency. If the council has the most authority, then logically it should bear the greatest responsibility." The law must be approved by President Leonid Kuchma.

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

MIDDLE EAST

TWO STEPS FORWARD IN LIBYA

Libya is moving closer to a deal that may allow the UN to ease sanctions. But business opportunities will remain restricted to oil and tourism. The UN says it is hopeful that Libya will shortly hand over two of its citizens who are suspected of the bombing of a Pan Am flight in 1988. That raises the possibility that sanctions against Libya could be eased in the near future. But there will still be limited potential for foreign business in the North African country. And the unpredictability of Libyan politics, and especially of its leader, Muammar Qadhafi, could yet delay a deal. In mid-February the UN said Libya had accepted the principle that the two men could, if convicted, serve their sentences in a Scottish jail -- in return for assurances over their conditions. The UN Secretary-General, Kofi Annan, was also reported to have told Libya that the trial would not attempt to undermine the Libyan Government, although it would have to look at the possible motives for the bombing, and that the US and UK security services would not be allowed to interrogate the suspects. Libya's main concern is that the UN move rapidly to lift sanctions if it does hand over the two. UN officials say they can be suspended straight away, and will be lifted if Mr. Annan reports to the UN Security Council that Libya is no longer supporting "international terrorism". Libya is particularly keen that the ban on international air travel to and from the country is lifted, as well as the ban on the import of key machinery and spare parts for its oil industry. The latter will be the main area of potential for foreign business once sanctions are lifted. Even without a change to the sanctions regime, foreign investment in the oil sector is likely to remain high. There have recently been promising new discoveries by Canada's Red Sea Oil, Spain's Repsol and France's Elf Aquitaine, among others. However, under last year's OPEC production restraint agreements, Libya pledged to cut production by 130,000 barrels/day (b/d) from a February 1998 baseline of 1.45m b/d. Output has remained slightly higher than the promised level, but the cuts, plus lower oil prices, have hit Libya hard. Much of its output comes from joint ventures with foreign oil companies. The state-owned National Oil Company has so far been shielding its foreign partners by absorbing most of the production cuts -- and hitting government finances hard. The Government has, therefore, brought in what it has called an austerity budget for 1999. This limits spending to LD4.9bn ($10.9bn), with capital spending bearing the brunt of the cuts. The Government claims it will earn LD3.27bn in oil revenue. But the EIU believes the authorities are over-estimating their oil earnings, and over-estimating the extent to which they can curb both spending on projects under way and current spending on welfare and salaries. Projects deemed politically important, such as the Great Man-made River (GMR), will receive funding. And the Government will continue to encourage foreign oil companies to work in the country. The US will go it alone. If the Libyan authorities do not hand over the two bombing suspects, the US will press for tighter UN sanctions. But even if Libya satisfies the UN enough for it to ease or lift sanctions, the US is unlikely to follow. It will retain its own bilateral trade embargo under the Iran-Libya Sanctions Act (ILSA), despite its ineffectiveness in discouraging foreign investment in the Iranian oil sector. The Libyan Government is keen to diversify the economy away from its reliance on oil, but it has limited scope for doing so. The other main area of potential for foreign business is tourism. The authorities have long claimed that they want to open up to international tourism -- but this is difficult when visitors have to enter overland from Tunisia or Egypt. The country certainly has huge potential. The coast has some stunning, and well-preserved, archaeological sites, and glorious beaches. For now, Libya lacks even the most rudimentary tourist infrastructure -- plus it has that terrible international reputation.

APM Cluster's collection Business Middle East, 1 Mar 1999

GLOBAL

US AND JAPAN SWAP ROLES IN DISPUTE OVER INSURANCE MARKET DEREGULATION

The issues were familiar enough. So was the outcome. The US and Japan this month held "constructive" but inconclusive talks on the deregulation of Japan's financial markets. But this time the argument in favour of opening up came from the Japanese side, while the American side, claiming that Japan breached a trade agreement between them was in favour of continued protection. The result is that Japan's long-protected insurance market stays that way for another 20 months. In the meantime the US is trying to get the period extended, and Charlene Barshefsky, the US trade representative, is likely to raise the insurance issue this week during trade talks in Tokyo. The trade agreement which US officials say Japan has broken centres on a curious aspect of Japan's insurance industry. In 1994 political pressure led Japanese negotiators to agree to cordon off a small part of the insurance business from domestic companies. This is the so-called "third sector" in insurance, which falls between the two primary life and non-life sectors, and includes cancer, medical and personal accident insurance. The Y2,000bn ($16.6bn) sector is dominated by foreign companies which led the way in its development, and is expected to grow rapidly as the Japanese population ages. American Family Life, a US insurer based in Georgia, last year had 87 per cent of the market. American International Underwriters (AIU) and American Life Insurance Company (Alico) - both part of American International Group, a leading New-York based international insurer - have significant shares of the cancer and personal accident markets. While Japan agreed to restrict domestic insurers from entering this market, it did not agree to do so indefinitely. Under the trade accord Japan said it would open the sector to domestic companies once it met five criteria for reforming the primary life and non-life sectors and making them more accessible to foreign competition. Furthermore, since it could take time before foreign insurers were able to penetrate the primary insurance sectors, Japan also agreed to a 30-month time lag before the third sector was opened up, in order to ensure that foreign companies were not harmed. On July 1 last year the Japanese Government announced it had met all the conditions, and started the 30-month clock. But US officials said this was premature, arguing that two of the conditions had not been met. The first US concern relates to the setting up of a 90-day approval process for new types of policies. This is important because a long approval process acts as a barrier to market entry. Japanese authorities insist that approval is now concluded within 90 days, but US officials say the procedure for starting and stopping the clock within the approval process lacks transparency. But an insurance regulator disagrees. "We are just as anxious to get products approved in an efficient manner - our aim is not to delay the process. As for claims that our approval process lacks transparency, I would point out that we only stop the clock under conditions which are laid out clearly in the regulations", he says. The other problem for the US concerns an industry rating organization, which is used to determine premium rates. In the past the practice in effect allowed the industry to act as a cartel. But Japan liberalized rates in July 1998, in accordance with the trade agreement, and has also revised the anti-monopoly law, from which the industry was previously exempt. But the US is still dissatisfied.

"The change from mandatory to voluntary use of the rating organization isn't sufficient to cause the market to change," says Kevin McCarthy, president of UNAM Japan, a US insurance company, and former chairman of the American Chamber of Commerce in Japan. But Japanese officials say that the Government has met its obligations by changing the regulations, and that dissatisfied companies now have recourse to the Fair Trade Commission, which enforces the anti-monopoly law. "The ratings agencies [only] perform a statistical function now - just like their counterparts in the US", says one. "The conditions set out in [the trade agreement] were very clear - and we have revised laws and regulations to meet them all. If the US presents us with clear evidence to the contrary, we would happily examine it. But I don't think it's right for potential concerns [instead of concrete facts] to delay deregulation in the sector". And Japan has found an unlikely supporter. Kimio Morisaki, vice-chairman of the Foreign Non-Life Insurers Association of Japan, agrees that the criteria have been met. "On these two points I do not think Japan has breached any agreements. The stopwatch has started," he says. But, he adds, that is not to say that the two sides should not continue to engage in constructive talks while the clock ticks.

Mr. Horn's collection from Financial Times, 11 May 1999

AFRICA

LABOUR IN SOUTH AFRICA

It is becoming increasingly apparent that South Africa's current labour policy isn't working; what is less clear, however, is what the next administration intends to do to tackle the situation. The president-in-waiting, Thabo Mbeki, seems to favour a relaxation of labour laws -- he recently pledged a thorough re-examination to "ensure that legislation is consistent with job creation" -- but it appears that not all of his current cabinet colleagues take the same line. For example, the labour minister, Membathisi Mdladlana, has stated that he aims to:

Amend the Labour Relations Act to make retrenchment negotiations mandatory

At present, the act requires employers to consult workers before implementing any cutbacks. Employees must be given facts and figures on why retrenchments are necessary, briefed on what alternatives have been considered, and offered the chance to suggest cost-cutting measures that might obviate the need for lay-offs. The process is laborious, but provided they stick to the rulebook employers can ultimately override objections and lay off staff. Making retrenchments a matter for negotiation, and presumably agreement, will make it more difficult for firms to downsize and restructure. The clear risk, of course, is that companies will also prove unwilling to hire new workers if they cannot retrench staff when they deem it necessary. Ironically, tightening up statutory retrenchment procedures could well cause the Government itself some problems, since Pretoria has announced that it is to downsize the civil service workforce in an attempt to reduce the rate of increase in the state's payroll from the recent 12.2% a year to 5.1%.

New strategy urgently required

In its budget review the ministry of finance states that new entrants to the labour market have increased to 450,000 a year, and that the annual rate will rise to 600,000 by 2010. "With the labour force growing at approximately 3% a year and the present downward trend in employment, the growing mismatch between the supply and demand for labour will continue," the finance ministry warns. Since 1990, the non-farm economy has shed more than 400,000 jobs while some 3.5m people have joined the workforce. And "expanded" official estimates (see Business Africa, September 1st-15th 1998) put unemployment at 37.5% of the workforce in 1997, up from less than 30% two years earlier. This suggests that, regardless of who is right about labour market flexibility, South Africa urgently needs a new strategy for jobs. Unions flex their muscles. Meanwhile, South African employers could be in for a difficult year as labour unions demand wage awards of 10-25%. Although labour consultancy Andrew Levy & Associates expects the average wage settlement figure to decline slightly to 8% from 8.7% in 1998 and 9.6% the year before, it warns that the huge gulf between labour demands and employer intentions could result in increased industrial unrest, particularly in an election year. Already public-sector unions, representing 1.2m workers, have walked out of talks because the Government is refusing to increase its 5.3% wage offer. In the budget in February the finance minister, Trevor Manuel, said that the country could not afford annual public-sector wage increases of 12% a year (the average since the ANC took office 1994). For their part, union leaders point out that 5.3% is well below the rate of inflation (currently standing at 8.6%), and while consumer price increases should slow in the second half of 1999, workers are determined to hang on to the real wage increases they have enjoyed over the past five years. Labour unrest is unlikely to be confined to the public sector. Private-sector unions complain that the rate of increase in nominal labour costs has slowed from 20% in 1992 to 6.5% last year, while productivity has been increasing by an annual 1-3%. Despite numerous employer (and government) promises not to retrench workers, the mining houses laid off some 90,000 people in 1998, while the motor industry now employs only 21,000 workers, having retrenched 4,000 employees last year. In April the National Union of Metalworkers demanded wage awards of inflation plus 2% (that is, 10.5% at current inflation rates), backing this with demands that all outsourcing and restructuring agreements be negotiated with the unions while retrenchment procedures are tightened. This demand is likely to find favour with the labour minister, who on several occasions has criticized employers for "casualizing" their workforces by outsourcing where at all possible and replacing full-time employees with part-timers and contract workers. Mr. Mdladlana claims -- probably accurately -- that this is being done to escape the labour laws as well as employer obligations in respect of medical aid, and pension and provident funds. Mineworkers are demanding pay hikes of 25% and more, including a minimum wage of R1,500 ($245) a month for surface workers and R2,000 for underground personnel. Current minimum wages range from R1,000 for surface and R1,300 for underground workers, although the rates are lower in marginal mines. All of this suggests that industrial unrest -- which has increased noticeably in recent months -- is likely to get worse over the course of the year.

APM Cluster's collection from EIU Business Africa, 1 May 1999

DEVELOPMENT IN GOVERNANCE IN SOUTH AFRICA

In the run-up to South Africa's first democratic elections in 1994 the ANC produced a voluminous and detailed manifesto entitled "Ready to Govern". Five years later, it's all rather different. The new manifesto is certainly strong on populist rhetoric, but it is vague on how the Government intends to achieve stated objectives such as "Discouraging speculate investment". "Boosting certain key sectors and industries to promote South Africa's competitive advantage worldwide." Introducing special tax exemptions for basic goods relied upon by poor families. It is not clear whether this will be achieved by widening the range of value-added tax exemptions or via direct subsidies. Facilitating "productive, job-creating investment" and exports. Promoting labour-intensive investment and sectors with large employment potential, such as tourism, agriculture and labour-intensive benefaction of raw materials. This will not be made any easier by the labour minister's plans to introduce minimum wages in agriculture, which shed 14% of regular jobs and 39% of casual and seasonal positions between 1988 and 1996. Legislating to ensure "negotiation in cases of intended retrenchment". Under the current system employers must consult workers before retrenchments, but still have the final decision. The proposal for "negotiated retrenchment" is likely to make employers even more reluctant to take on new staff. Central bank will be left alone. This dearth of detail prompted Finance Week, a local financial newspaper, to describe the manifesto as a combination of "feel-good slogans and contradictory policies", and there is no doubt that the absence of specifics could deter potential investors. In other respects, however, the manifesto's lack of innovation is reassuring. For example, it promises that the Government will continue to consult the monetary authorities with the aim of setting realistic inflation targets, reducing interest rates and creating conditions for a competitive exchange rate. On the eve of the document's launch, Smuts Ngonyama -- the head of the ANC presidency and someone believed to be close to the president-elect, Thabo Mbeki -- expressed his unhappiness with the country's high interest rates, but insisted that Pretoria had no intention of interfering with the independence of the South African Reserve Bank. Understandably enough in a document designed to win votes, the manifesto makes no reference to downsizing the civil service, but at its launch Mr. Mbeki promised "radical cuts" in public-sector employment. More importantly, the president-elect effectively reiterated the thinking behind the macroeconomic Growth Employment and Redistribution (GEAR) strategy when he noted that while the government is often criticized for failing to generate jobs, only the economy could in reality achieve this. There is some residual concern that the ANC is taking its victory on June 2nd, and thus the electorate, for granted, and that the Mbeki regime is seeking a blank check -- refusing to make specific promises that it may not be able, or willing, to keep. For the most part, however, the manifesto suggests that there will be more of the same in terms of business decisions. The next government will stick to the broad macroeconomic strategy outlined in GEAR (although this does not rate a mention in the manifesto), accompanied by increasing intervention at micro level in the form of labour laws, affirmative action/empowerment measures, and efforts to influence both the amount and pattern of investment.

APM Cluster's collection from EIU Business Africa, 1 May 1999

EUROPE

OSCE SAYS BELARUS'S SHADOW ELECTIONS DESERVE 'RESPECT'

Former Romanian Foreign Minister Adrian Severin, head of an OSCE mission visiting Belarus, said in Minsk on 18 May that the participation of "many citizens" in the opposition presidential elections "deserves the respect of democratically governed states." Severin added that Belarus needs a "meaningful dialogue" to achieve a "nationwide consensus on the legal provisions for free and fair parliamentary and presidential elections." According to Severin, the OSCE is planning to hold talks in Bucharest involving the Belarusian authorities and the opposition "to explore ways and means that could bring about such democratic elections," AP reported.

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

CRIMEAN TATARS RALLY IN SIMFEROPOL

Some 35,000 Tatars rallied in Crimea's capital, Simferopol, on 18 May to mark the 55th anniversary of their deportation to Central Asia under Joseph Stalin's regime and to demand improved civil rights on the peninsula. "If the executive power does not do anything to resolve our problems, we will be forced to fully activate our national movement," Tatar leader Mustafa Dzhemilev told the crowd. The same day, Ukrainian President Leonid Kuchma created a presidential "Tatar advisory committee," which Dzhemilev said will include all members of the Mejlis, the Tatar assembly. After the rally Tatars set up a tent camp in front of the Crimean government building. Dzhemilev said some 250 people will remain in the camp until the Government makes progress on meeting Tatar demands .

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

KAZAKH PRESIDENT CALLS FOR AMENDMENTS TO MEDIA LAW

Nursultan Nazarbaev has called for changes to the draft law on the media to preclude the suspension or closure of media outlets, except at the discretion of the owner or following a court ruling, Interfax reported on 20 May, citing the presidential press service. Nazarbaev said that gradual democratization is impossible without free media. Opposition politicians have argued that the draft law, which is currently under discussion in the parliament, will restrict freedom of speech and of the media.

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

NORTH AMERICA

PRESSURE GROWS FOR MINIMUM WAGE RISE IN USA

Momentum is building in Congress for an increase in the minimum wage, despite a fierce lobbying effort by business groups who want to knock the issue off the legislative agenda this year. Republicans are already assembling a package for tax relief measures designed to help offset the impact on companies facing higher wage bills as a result of any increase. But several groups, particularly those representing small businesses, restaurants and retailers, are not giving up the fight. "I don't think this is an open and shut case," said Lee Culpepper, a lobbyist with the National Restaurant Association and head of a coalition of business groups. "The politics of this issue has tended to swamp any legitimate discussion of the economic effects. We remain strongly opposed to any increase in the minimum wage." The political dynamic surrounding the issue has changed significantly in recent weeks. Heading into this year, business lobbyists were confident that rogue effort by Ted Kennedy, the Democratic senator from Massachusetts, would stand little chance of succeeding in the Republican-led Congress, which has traditionally been opposed to increases in the minimum wage. But Mr. Kennedy's proposal to raise the wage from the current $5.15 an hour to $6.15 an hour by October 2000, has caught fire among Democrats and a key group of 20-30 moderate Republicans in the House. Democrats have always tended to support increases in the minimum wage. But this year many Republicans are more open than usual to the idea, viewing it as a way for low-income earners, such as waitresses and sales clerks, to share in the nation's booming economy. The slim Republican majority in the House looks unable to arrest the momentum. Even Dick Armey, the senior Republican leader who once said he would oppose an increase with "every fibre" of his being, has signaled that a House vote on the issue appears inevitable. A resigned Mr. Armey and other leaders in the House and Senate have turned their efforts to providing tax relief that would blunt the impact of any increase on businesses. House leaders are weighing several proposals, including an increase in deductibility of health insurance premiums for the self-employed and a possible cut in the federal unemployment tax for small businesses. An increase in the deductibility of business meals from the current 50 per cent to 80 per cent is also being considered, according to one House aid. President Bill Clinton supports an increase and has been an avid backer of Mr. Kennedy's proposal. Those favouring an increase argue that even if the minimum wage were increased to $6.15, it would still be 13 per cent under its inflation-adjusted peak in 1979. The strategy of attaching business tax breaks to a minimum wage rise has proved successful in the past. In 1996, when Congress last increased the wage - from $4.25 to $5.15 - it cushioned the blow with more than $20bn in business tax breaks. Jack Quinn, the New York Republican who is spearheading efforts to corral support from his fellow moderates in the House, also led the way last time round.

Mr. Horn's collection from Financial Times, 5 May 1999

MIDDLE EAST

EDUCATION IN UAE

London Business School (LBS) is to provide executive training programmes in the UAE, through the Abu Dhabi-based Al Bawardi group. Al Bawardi will provide administrative and marketing support, according to the local Khaleej Times. LBS has a similar arrangement in Turkey. It is hoping to establish similar ventures in Oman and Saudi Arabia. The courses will focus on leadership and change management, international business strategy, market management, human resource development, information strategy and e-commerce, and general management for senior executives.

APM Cluster's collection from EIU Business Middle East, 1 May 1999

GLOBAL

INVESTOR GROUPS TO DISCUSS GOVERNANCE WITH CHAIRMEN

Some of the world's largest investor groups have been invited to meet the heads of multinational companies in London next week in an attempt to establish international guidelines on corporate governance. The meeting, organized by Egon Zehnder International, the headhunting firm, has been arranged to develop the work of its Global Corporate Government Advisory Board, a group comprising 20 international company heads from 16 countries which met for the first time a year ago. Board members include Percy Barnevik, chairman of Investor AB, Cor Boonstra, president and chairman of Royal Philips Electronics, Ratan Tata, chairman of Tata Sons, Marc Vienot, honorary chairman of Societe General, Jurgen Schrempp, chairman of the board of management at Daimler-Chrysler, Yoh Kurosawa, chairman of the Industrial Bank of Japan and Sir Adrian Cadbury, author of the Cadbury report on corporate governance. Kenneth Taylor, the Chicago-based Egon Zehnder partner who put together the advisory group, said the meetings were designed to allow institutional investors and the heads of large companies to discuss areas of common interest. "This will be the first time that such a powerful group of corporate leaders and institutional investors have come together to discuss corporate governance," he said. Egon Zehnder has been working closely with Ira Millstein, senior partner of Weil, Gotshal & Manges, a leading expert on international corporate governance who acts as counsel to the board. One of the main aims of the board meetings, say the organizers, is to create a set of international corporate governance guidelines.

APM Cluster's collection from Financial Times, 8 May 1999

Civil Services & Ethics in Public Sector

LATIN AMERICA

LONG LUNCH BREAKS HAVE BEEN CURTAILED IN BOLIVIA

Government and public offices have dispensed with the traditional two-and-a-half-hour lunch break in favour of an early finish. Offices are now typically open from 8-8.30 AM to 4-4.30 PM. Private companies are expected to follow suit.

APM Cluster's collection from EIU Business Latin America, 26 April 1999

CHILE WARNS OF ACTION ON GREEK PEACH "FRAUD"

Chile is exploring legal action against the European Commission and individual Greek companies in the latest move in its three-year battle over alleged subsidy fraud among farmers in Greece and canned fruit exporters. Industry and government officials in Chile say their canned peaches business is threatened by illegal practices among European producers which are allowing exporters to flood its traditional markets such as Brazil, Mexico and Peru with cheap products. Europe accounts for more than 70 per cent of canned peach exports, with Greece by far the biggest producer. The Chilean claims are backed by an independent study by a team from the Catholic University of Louvain in Belgium, which found that Greek farmers were receiving refunds for excess fruit that was then sold to processors at reduced prices. These savings were then passed on to importers. There was also evidence of abuses in the payment of subsidies to processors, designed to guarantee a minimum price to farmers and ensure fair competition with non-European exporters. Rene Muga-Escobar, director for European economic affairs in Chile's foreign ministry, says there is mounting concern among non-European fruit exporters about lax controls in Europe's complex agricultural subsidy system. Other fruit exporters such as Australia, South Africa, Argentina and the US are backing Chile's efforts to push this and related agricultural issues to the top of the agenda in the millennium round of world trade talks in Geneva early next year. US peach farmers and processors have been lobbying Europe for nearly 20 years. Mr. Muga-Escobar said EU inaction on the fraud claims had forced the Government to consider legal recourse. Santiago had also presented its case to the Commission's anti-fraud unit. "We have hired a firm of lawyers in Brussels to study this from the point of view of the judicial system in Europe, and look at the possibilities that exist to take action that would allow us to put an end to this fraud," said Mr. Muga-Escobar.

"The lawyers are about to deliver their first set of conclusions about what the problem is and why it exists and suggest ways that it could be resolved through the European courts." He said the Government was happy with the response from the Commission's anti-fraud investigators. "This whole issue of fraud inside the European Commission is very explosive at the moment," he said. Alan Wilson, Chile's industry representative in EU negotiations said yesterday artificially cheap Greek exports were killing the country's potential in canned fruits and vegetables. "We are talking about an industry worth $500m globally," he said. "At the moment Chile accounts for only about $30m of that but it could be five times that amount. We have the land, we have the climate and we have the know-how, but what we don't have is a clear vision of what will happen to the industry in the future."

Mr. Horn's collection from Financial Times, 12 May 1999

Management Innovation & Trends

EUROPE

BRITISH TELECOM EXPERIMENT - 'HOME WORK' PLAN FOR 10,000

One in 10 of British Telecommunications' 100,000-strong UK workforces could find their homes transformed into their offices in Britain's most ambitious experiment to date in "Tele-working". The UK's largest telecomm operator is hoping to persuade at least 10,000 of its office staff to work from home, communicating with customers and managers by facsimile machine, telephone and the Internet. BT estimates it would save at least 134m ($220m) a year in costs and an unquantifiable amount in terms of reduced stress, commuting delays and fuel. BT says managers have been trained to counsel potential homeworkers on likely problems including lack of space for equipment, the demands of the family and the difficulty of working away from the office culture. The managers will take the final decisions. The telework force should be in place by early 2000.

APM Cluster's collection from Financial Times, 12 May 1999

RUSSIAN COMPUTERS NOT READY FOR MILLENIUM

Acting Deputy Prime Minister Bulgak told government officials on 18 May that some essential Russian computer networks may begin to experience failures as early as 9 September unless resolute measures are taken to prepare for the so-called millennium computer bug problem, "RIA-Novosti" reported. According to the agency, Bulgak accused the Economics Ministry of the worst performance among all government agencies in this regard. He pointed to the ministry's inadequate efforts to prepare industrial enterprises. Other agencies singled out for censure were the Federal Energy Commission and the State Committees for Cartography and Environmental Protection.

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

THE AMERICAS

THE AMERICAS SHIFT TOWARD PRIVATE HEALTH CARE

Much of Latin American is moving towards a health-care system like that of the United States. Canada is edging that way. Cuba sticks with the state. Time was when Latin American governments tried to do everything, from industrialization on. They had some successes, and then, mostly, got bogged down (or worse). Then - headed by Chile's military regime, which had inherited an extensively statist economy from the socialist government it overthrew in 1973 - they discovered privatization. On the block went public-sector industries and banks, oil and mining, utilities, transport, telecoms. Now the privatizers have a new target: the welfare state, in particular, health care. Most countries in the region began to develop social-security systems in the 1940's, some even earlier. These schemes, providing pensions and health care to the new urban middle classes, did much in their early decades, becoming as popular and entrenched as their European equivalents. But monopoly, mismanagement and lack of money led many to become in ineffective, often inequitable and sometimes corrupt. Now -spurred on by the World Bank and the Inter-American Development Bank, both eager to diversify beyond infra-structure lending - governments are turning to the market to put things right. Though the region's new democrats dislike admitting it, it was the Pinochet regime in Chile that led the way in social services, as it had in the economy. In 1973, it inherited over 250 state enterprises. By 1980, it had cut the total to fewer than 50. That was bold, maybe, but not amazing: in 1970, before President Salvador Allende set to work, the figure had been only 20 higher. What followed in 1981 was far bolder, almost unthinkable at the time: Chileans got the right to opt out of the state health service.

Instead, they were offered a choice of new, private-sector health insurers, known as Isapres. These bodies act like American health-maintenance organizations, HMOS. They contract with hospitals and doctors to provide care, or manage and hire for themselves. They have flourished. In 1981, 62,000 Chileans entrusted their health care to Isapres; by 1998, some 3.8m, about a quarter of the entire population. Yet the shift was not easy. The similar opt-out provision introduced in 1981 for pensions was soon popular - within a year 30% of eligible Chileans had made the switch - and has been widely imitated elsewhere. Health has proved trickier. Privatizing pensions costs relatively few public-sector jobs, and has (mostly) met only mild opposition, whether from ideological foes or the trade unions concerned. Health care, in contrast, is highly labor-intensive. The unions tend to be strong, and fear that many thousands of jobs are at risk. True, new private-sector jobs would be created in their place, but no longer under union control. The Pinochet regime had its own crude ways of dealing with union opposition. Later reforms elsewhere have involved hard-fought political battles. There are other big differences. A pension is easily measured. Health care is not. As in the United States, private-sector insurers in Latin American face suspicion that they will cut corners in treatment (and, conversely, that doctors will try to earn extra fees - part of which still fall on the user, albeit insured - by carrying out unneeded procedures). And the range of costs is far wider: some people are healthy most of the time, some chronically ill for years on end. So there has to be greater cross-subsidy - between rich and poor, healthy and sick - and more regulation, to ensure that all get tolerably equal access to similar levels of care. In short, more politics. No wonder that even in rich Europe (ask Britain's Conservative Party) voters distrust the idea of taking the state out of medical care.

Even so, Chile's example has been followed. In 1993 Colombia opened the way for people to opt for private health insurers, known there as EPSs. This reform sought to bring in the efficiencies and consumer satisfaction that had won Chile's Isapres public acceptance, but also to offer better care to the poor. The main way to that was to bring more people into the social-security net: coverage rose from 6m in 1993 to 22m in 1996, including 7m poorer folk whose premiums are paid by the state. Taught by Chile's experience, Colombia also made it less profitable for insurers to "risk-select", to try to take on only healthy people. An EPS can draw money from the social-security pot for each person it insures. But the amount varies. Those who are likely to be unhealthy - old people, say - bring more than do the healthy. An EPS also has less incentive to go for well-off embers than do Chile's Isapres, because (except for the adjustment for health risks) the payment per person is a fixed, standard figure. Peru is now creating a similar system. At the start of this year, its social-security institute, Essalud, was told that it too would have to compete with private EPSs for members; it may also contract with an EPS to provide care. For now, EPSs will handle only primary and out-patient services, leaving Essalud to provide hospital care. But the goal is competition across the board. Argentina is moving in the same direction, though timidly, and against much resistance. Its workers and their families have traditionally had compulsory health insurance with one of more than 200 obras sociales, operated by their respective trade union. These are often small, inefficient and, sometimes, corruptly managed. So in 1996 a decree allowed the 18m people involved at least to choose a rival union's obra. But not many have done so. Reformers in Mexico seem keen to follow the trend. A 1995 law - it also opened the way to private pensions - already allows opted-out health care. But it has not been fully implemented. For historical reasons, some industries (notable banking) have long been able to opt out of social-security coverage. Managed-care organizations compete for their employees' health-insurance business, showing how the system might work were it extended to the 52m Mexicans covered by social security. But with presidential and congressional elections due in 2000, the Government of President Ernesto Zedillo may not care for the controversy of a full reform. Brazil has already seen a large switch to the private sector - less by design than because of discontent with the state system since it was opened to all comers in 1988. Over 45m Brazilians were covered by private health plans in 1998, four times the 1988 figure. Many others are treated in private hospitals, under contract to the public system. Coverage and levels of treatment vary widely from one city or state to the next. Greater uniformity may be difficult, given Brazil's decentralized system. The central government is concentrating on encouraging more efficient contracting-out and on regulating the private sector.

Why make the change?

Why have Latin American governments become ready to privatize health care, when in Europe (and Canada) governments have been decidedly less bold? One reason is external prompting and support. Last year Mexico benefited from a World Bank loan of $750m, mostly directed at "structural" change in the social-security institute's health-care operations. That is the biggest loan the Bank has ever made for health care. The Inter-American Development Bank too is pushing market-based reforms. It hired Juan Luis Londoňo, the Colombian health minister responsible for the 1993 reforms, to help. The tow banks have begun an unusual joint loan of $650m to Brazil, mainly to stimulate health-sector reform. But the impetus for change comes also -and quite as strongly - from within from a new breed of policymaker within Latin America's finance and health ministries. Charles Griffin, the World Bank's foremost health specialist for the region, says these officials, home-grown though often armed with economics degrees from North American universities, are producing unprecedented and welcome "creativity and risk-taking" throughout the area. In this, they are supported by market-oriented health-care think-tanks, such as Funsalud in Mexico and CLAISS in Chile. The pace of change is so fast, says one World Banker, that, while in some countries the Bank has to push for change, in others it has to run hard to keep up with the national administrations. Yet though the frontiers of health-care policy have been extended, making Latin America a testing-ground for reform worldwide, not all the arguments have been settled. One problem is that people in poor rural communities are unattractive clients for managed-care organizations, and may languish outside the public social-security system already, as are most "informal" workers (a large chunk of Latin America's workforces). But that hardly justifies continuing to leave them out of the picture. Colombia's answer to this is its subsidy for EPSs to cover the poor. But, even so, in the least-populous 30% of Colombian departments not one EPS is at work. Another problem is the way private insurers try to risk-select, in umpteen subtle ways, even when there is a risk-adjustment system to make that less inviting. In Chile, which does not adjust for risk, the Isapres notoriously seek to return members to the public system once they reach old age. It is true that public providers of medical care have not been responsive to Latin Americans' needs. But, as this shows, their private counterparts require careful regulation; the state cannot simply shuffle off all responsibility. In this sort of reform, as Mr. Griffin says, the devil is in the detail.

Many trade-unionists and their political allies indeed think the whole idea diabolical. Yet even in today's halfway versions, private health care in Latin America is becoming big business. Chilean Isapres and Colombian EPSS are launching themselves abroad, marketing their experience of middle-income markets. Conversely, foreign managed-care providers are entering the region rapidly, especially from the United States. Jonathan Lewis, the president of the American Association of Health Plans, explains why: "450m Latin Americans constitute a health-care market of $120 billion a year - of which only 15% is spent on private insurance." The care at present on offer, he points out, is of uneven quality, and, in the public sector, usually under-financed. It is also rationed by income. Though insured, users have to pay much of their health-care costs themselves; on average 45% of total spending. "This is a perfect environment for managed care to demonstrate its commitment to cost-effective, high-quality health care," claims Mr. Lewis. American HMOs will have to adapt their ways and their costs to this new market - to "tropicalize" as one executive puts it. But the potential is huge. Homegrown or foreign-controlled, private-sector providers will be grabbing for, and probably getting, an ever larger share of it.

Mr. Horn's collection from The Economist, 8 May 1999

GLOBAL

HIDING ONE'S FEELINGS IN THE OFFICE IS STRESSFUL AND COUNTER-PRODUCTIVE

How do psychologists dream up their experiments? The thought occurred to me when I read the observations made by two psychologists who studied the reactions of people walking across bridges over a canyon in Canada. One bridge in a narrow part of the canyon was a solid wooden structure just 10 feet above the canyon floor. The other was a wobbly suspension bridge over a drop of more than 200 feet. The psychologists noted that the rickety bridge aroused fear. But when they questioned men who crossed the bridges with female companions they found that the men who crossed the suspension bridge were far more attracted to their partner than those on the wooden bridge. The psychologists' conclusion was that men misinterpreted the fear as passion. Their studies support observations made by Warren Bennis and Patricia Ward Biederman in *Organizing Genius*, a book that looks at the factors that make great teams. They note that some teams are so driven by their project that they only talk about their work and perceive their team members as if they were involved in a love affair. The shared intensity of the work can create a kind of emotional overdrive. It's just as well, perhaps, that we have learned to suppress our emotion in the workplace, but Sandi Mann, a business psychologist at the University of Central Lancashire, believes that the effort we make in masking our real feelings is a drain. She quotes the canyon story in a new book, *Hiding What We Feel, Faking What We Don't, and Understanding the Role of Your*

Emotions at Work. Ms. Mann reckons that we spend about a third of our time at work hiding our emotions and that this can cause stress. In my workplace, this has become an art form, the real meaning of a reaction often buried several layers below the actual response. In fact what is said can often be the complete opposite of what people think. So the phrase "I don't mind," can actually mean "I really do mind" and "Please yourself" can mean "I wouldn't do that if I were you". This leads to complex analysis of a response such as "OK" with the conclusion that it just might mean "No". One of the most insincere and open-ended gestures is "we must have lunch", which, in some cases should be interpreted as "must we?". Ms. Mann has concentrated much of her work on professional relationships between employee and customer or client. How often, for example, is the upbeat voice you present on the telephone the real you? How often do you say "It's been nice speaking to you," then put the phone down and say "no it hasn't"? Her work was highlighted last year at the British Psychological Society's Occupational Psychology Conference when she presented a paper on what she called the "Have a nice day culture" - the scripted responses often demanded of receptionists or counter staff. However much we may profess to hate such responses, Ms. Mann found that we prefer insincerity to a response that is sullen or rude. In some cases the response is not so much scripted but acted with the full range of body language. Airline cabin staff, for example, are expected to feel cheerful and friendly but in a controlled way while undertakers should appear respectfully reserved but not emotional. The greatest actors of them all, however, must be the UK's southern region rail guards who need to soak up criticism like a sponge.

Rail commuting deserves a branch of psychology to itself. The unspoken signals among passengers could fill volumes. Irritatingly common strategies for protecting the vacant seat beside you include leaving your shopping bag/briefcase/coat or all three on the window seat while you occupy the aisle seat, sometimes feigning sleep. Any inquiry about the seat is met with a cold stare. I know this look so well. Ms. Mann has found in her studies that most people hide their feelings in the workplace much of the time. In three out of four conversations, she writes, people are masking their genuine reactions. Anger is the most commonly suppressed emotion, she says, followed by anxiety, disappointment, dismay and boredom. Many of these masking reactions are part of people's desire for self-preservation. Feeling much braver after the event you act out the tirade you wish you had given the boss after leaving the office and descending the stairs. The French call it "*l'esprit d'escalier*". While enthusiasm and interest are also expressed in the workplace, they are often faked in order to please the boss. The most damaging side of this kind of culture occurs when management feigns enthusiasm for a project that it does not support. One problem with constantly managing emotions in the workplace, particularly when you have to put on friendly face, is that it can lead to burnout, says Ms. Mann. In the film *Manhattan*, Woody Allen's girlfriend played by Diane Keaton complains when he does not get angry as she breaks off their relationship. "I don't get angry," he says, "I have a tendency to internalize. I grow tumours instead." Ms. Mann suggests that such remarks may have some clinical authenticity since some studies have linked repressed emotion with later health problems.

Mr. Horn's collection from Financial Times, 7 May 1999

TURNING ECONOMIC UNDERSTANDING INTO PUBLIC GOODS

"Externalities" and "public goods" are central ideas in economics. It is worth spreading them beyond those who have learned the jargon in economics classes to the people who do the things that the concepts help explain, says the UN. The idea of public goods (and bads) "should be shared beyond the specialized, rarefied circles of micro-economics and introduced into the vocabulary of those who grapple daily with real-world challenges", the United Nations Development Programme says in a book published yesterday. An externality arises when an individual's (or group's) actions affect others. Externalities can be good or bad: pollution is a negative; creating widely applicable knowledge is a positive. A public good is a special category of externality. It is non-rivalries (my consumption of it does not affect yours) and non-excludable (nobody can be excluded from consuming it). National defense is an obvious example. The editors of the book say the world's leaders have not kept pace with the globalization of financial markets and problems that call for greater international cooperation. They argue that there is a discrepancy between the global boundaries of today's main policy concerns and the essentially national boundaries of policymaking. Thus many of the crises dominating the world's policy agenda are the result of public goods (and bads) which are non-excludable and non-rivalries on a global scale: financial stability and systemic risks, free trade, environmental sustainability, knowledge and communicable diseases.

The market alone will tend to under-supply public goods, because people and countries can "ride free", and over-supply public bads, because people and countries do not individually bear the cost. The report comprises essays and case studies by 30 academics and development professionals, including Joseph Stiglitz, the World Bank's chief economist, Robert Lawrence, the US Council of Economic Advisors' chief economist, Jeffrey Sachs, director of the Harvard Institute for International Development and Amartya Sen, Nobel prize-winning economist. Cooperation must be of a new type, the report says: "Not just cooperation that keeps global public bads at bay (until they reach crisis proportions) but cooperation that centers on creating global public goods…" The report calls for countries to act at the national level to maximize international public goods. For example, international financial stability requires that all countries ensure that their financial systems are sound and well supervised. It proposes that countries would have to qualify for full participation in the international financial market, in the same way as countries apply for membership of the World Trade Organization. Other policy proposals include:

Preparing national externality accounts. For there to be effective international cooperation and debate, the report says, countries need to know the nature and level of the externalities they produce and receive.

Placing greater emphasis on "internalizing" cross-border spillovers. For example, when dealing with diseases, often the most effective measure is to do more about it in the poorest countries, the weakest link in the chain.

Strengthening regional cooperation. A big shortcoming of the International Monetary Fund and the World Bank, Jeffrey Sachs writes, is that they are country-focused. Externalities are addressed only when a crisis has occurred.

Improving existing international institutions. The report proposes a participation fund, self-administered by developing countries, to allow them to enter into international negotiations on a more equal footing. It also proposes a "knowledge of special relevance" - for example scientific research - to developing countries.

"It is in the self interest of the international community to assist developing countries not only because they are poor but also to enable them to make their contribution to the provision of essential global public goods," the report says. Nations' states will suffer continuing erosion of their capacities to implement national policy objectives unless they take further steps to cooperate in addressing international spillovers and systemic risks, the report concludes.

Mr. Horn's collection from Financial Times, 11 May

WINNERS AND LOSERS - WHY PAY IS BECOMING LESS EQUAL

An odd thing has happened to pay in the United States. Over the past couple of decades, it has become less equal than at any time since the Great Depression. Although real earnings were broadly flat from 1973 to 1996 (rising for women but falling for men), the gap between those at the top and the bottom of the league has widened markedly. In 1979, the richest 10% of male Americans in full-time employment earned 3.6 times as much as the poorest 10%. By 1996, they were earning five times as much. Nothing quite like this has happened in most other industrial countries (with the clear exception of Britain). What has happened in continental European countries, though, is that unemployment has soared. That may be because European joblessness is a devil's bargain for inflexible pay. Or it may be because the rise in Europe's unemployment disguises greater inequality: the low earners at the bottom of the pay distribution in America are out of work in Europe, so they remain uncounted. Intriguingly, in America pay has diverged not just among different industries and occupations but even among people in comparable jobs. Now, says Lawrence Katz, an economics professor at Harvard who was at the labour department in President Clinton's early days, "it matters whom you work for and it matters what you do." This was illustrated by the "sick-out" staged by American Airlines pilots in February. Their airline had taken over Reno Air, whose pilots were paid about half as much as American's. Economists offer two main explanations for the growing inequality in American pay. The first, and less convincing, is globalization. The rise in foreign imports, the argument goes, is forcing some Americans to accept lower pay to remain competitive with, say, Mexican and Chinese workers. The trouble with this story is that foreign trade is a much larger part of Europe's economies than America's, so Europe should feel the effect much more. Besides, argues Canice Prendergast, an economist at the University of Chicago graduate business school, of the 13% or so of GNP that America trades, most is with Canada, Japan and Europe. Only about two-fifths of that total is with developing countries - and over 20 years, that share has risen by only one percentage point of GNP. In Britain, where pay inequality has risen even faster, trade with developing countries has grown more slowly.

The second explanation depends on technology, and especially on the way it has increased the demand for skilled, rather than unskilled, workers. "There is a smoking gun," says David Card, of the University of California at Berkeley: pay inequality began to grow around 1981, coinciding with the coming of the personal computer. Companies, the theory runs, have used information technology both to replace many low-paid jobs and to raise the productivity of the most highly skilled. Jobs have gown fastest in industries and occupations that use large numbers of skilled workers. Such a link between the growth of a new technology and a rising demand for skills has emerged before: Claudia Goldin, another Harvard economist, and Mr. Katz have found that rising demand for electricity between 1909 and 1929 went hand-in-hand with the employment of more workers with a higher level of education. More demand for skilled workers shows up in a steep growth in the return on education. The pay-off from an extra year at high school for young men has risen by 78% since the 1950s, and that from a year at college by 71%, to a level last seen in the 1920s, when college education was only for the elite. Yet the supply of skilled and educated workers has also been racing up in recent years as far more youngsters complete high school and go on to college. But what exactly are the links between education, technological advance and higher pay? Could one explanation be that people with greater earning capacity generally choose to stay on at school? Certainly, attempts to improve the earning power of the low-paid by giving them extra training have had a motley record. As for the effect of technical change on earnings, Francis Kramarz, an economist at CREST-CNRS, a research center in Paris, is skeptical. He points to an American study showing that people who used computers at work were 15% better paid than those who did not - but also to some research based on German data showing that people who used a pencil at work were 15% better paid than those who had no such good fortune. In addition, his own work on French records, which are more continuous than American ones, found that people who use computers at work are paid 15-20% more than other folk - buy they were better rewarded even before computers arrived on their desks. That suggests the extra pay may be related to qualities that are hard to quantify, such as being reliable, dynamic and adaptable, rather than to the fact that either the company or the worker makes heavy use of information technology. If neither globalization nor technical change quite explain the recent polarization in pay, what else might fit the bill? One clue may be the minimum wage. Whereas the earnings of America's best-paid 10% male workers rose in real terms by 0.6% annually in the seven years to 1996, the earnings of the 10% at the bottom of the heap fell by just under 8%, and by much more in some places: a study by the Federal Reserve Bank of New York found that over those seven years the real earnings of the worst-paid 10% in the city dropped by an astonishing 27%. In the past couple of years, even the pay of the poor has risen, buoyed up by the booming economy. The worst paid 10% of men have been gaining ground: their pay has risen almost twice as fast as that of the average male worker. One reason, argues the Council of Economic Advisers in this year's annual report, is a rise in the minimum wage, from $4.25 an hour, at which it had stood for five years to October 1996, to $5.15 an hour from September 1997. Indeed, the low level of America's minimum wage, and the fact that it remained unchanged for most of the 1980s, probably helps to explain why the pay of America's poor has declined. The erosion of trade-union power and competition from the huge influx of immigrants, many of them unskilled, may also be part of the story - although proof for the latter is particularly hard to come by. It pays to network. It may be, though, that the rise in pay inequality has as much to do with what is happening inside companies as with what is going on outside them. At a conference convened last August by the Federal Reserve Bank of Kansas, Dennis Snower, professor of economics at Birkbeck College in London, suggested that the main force behind income inequality might be changes in the way companies are organized. For instance, companies are moving away from large functional departments where workers perform uniform tasks, and towards smaller, customer-oriented teams, where people frequently cover for each other and need to be able to perform many different tasks. In manufacturing, innovations such as programmable machine tools make capital equipment more flexible, creating a demand for more flexible human capital, too. No longer do single-task workers toil away at single-task machines. In all kinds of occupations, better flows of information allow people to work in more complex ways with their fellow employees, improving both their own productivity and that of their colleagues. To illustrate this new world of multiple demands, Mr. Snower describes a recent visit from a mechanic to repair his dishwasher. "Once, he would just have mended the machine and gone. This time, he told me about insurance to pay for future breakdowns, and tried to interest me in newer models." Mr. Snower was impressed, concluding that employees increasingly need skills that exploit complementarities. But that works two ways. An employee who is bright enough to spot a complementarity may not be content with repairing kitchen appliances, so companies will find that some of the pressure to break down occupational barriers will come from the bottom up. Technological change plays a part in this. Work by American economists shows that companies which make a lot of use of information technology also tend to employ more educated workers, to invest more in their training, to give line workers more responsibility and to allow more decentralized management. They use it both to monitor employees more closely and to give them more freedom to make decisions. These changes may go some way to explain the large rise in inequality within occupations and industries. They may also help to explain the narrowing gap between the pay of women and men: many sociological and psychological studies suggest that women are better at "multi-tasking" than men, especially at the lower end of the pay scale. The "soft" skills required for this - such as initiative, judgment and an ability to communicate - are harder to measure than conventional skills. Companies need to regard these in new ways: after all, if they want their workers to be flexible, there is no point in setting narrow targets. Where organization becomes more flexible, pay will eventually follow. The best-paid people will have a range of skills, not a single one.

If this organizational change is indeed an important cause of rising pay inequality, tow conclusion follow. One is that economists too may have to learn to diversify. Mr. Snower complains that most of his colleagues' thinking about the economy has been conditioned by the Industrial Revolution, and that he and Assar Lindbeck, the Swedish economist with whom he has been studying this change, have had to come up with a new set of analytical tools to examine it. More important, it suggests that more inequality lie ahead. In fact, as employees become ever more differentiated, pay may go the same way as prices; something that cannot be set centrally or uniformly, either by governments or big companies, but has to be flexible, differentiated and sensitive to local conditions. Countries where central bargaining is strong may thus be left behind. Achieving such diversity is fairly easy when companies are able top pay big nominal wage increases. In fact, though, exactly the opposite is happening. Once prices are flat or falling, the annual pay rise may become a thing of the past.

Mr. Horn's collection from The Economist, 8 May 1999

Public Finance

AFRICA

NIGERIAN CHANGEOVER-OUTGOING GOVERNMENT WARNED ON SPENDING SPREE

Nigeria's incoming elected Government will review all extra-budgetary spending plans made by the military regime on assuming office, the vice president elect, Atiku Abubakar, said yesterday. But it may be too late to stop a last-minute spending spree by the outgoing Government from adding hundreds of millions of dollars to this year's expanding budget deficit. "We have made our position very clear to the outgoing administration. We do not support any new spending," Alhaji Abubakar told a Financial Times seminar on Nigeria. "If it is still on by the time we get in we will take a review." According to government documents obtained by the FT, General Abdulsalami Abubakar, head of State, approved last month up to $700m worth of extra-budgetary spending for fresh projects proposed by the ministries. The outgoing Government came under fire at a donor meeting last month after the finance minister revealed that the foreign reserves had dropped from around $7bn to under $4bn in the first quarter of the year. Nigeria's central bank said yesterday it would sell dollars at 94.88 naira at today's weekly foreign exchange auction, down from 90 naira last week, dealers said. The latest devaluation is the naira's single steepest fall in more than a year.

Mr. Horn's collection from Financial Times, 5 May 1999

UNCERTAINTY OVER TAXES IN SWAZILAND

According to the budget proposed last month, corporate and personal income tax rates are to be reduced, but by how much is not clear. One reason is that whenever reductions have been announced in the past they were not implemented because of disagreements between the cabinet and parliament. Moreover, revenue implications of the tax cuts have not been considered in expenditure forecasts, almost certainly threatening the Government's targeted budget deficit of 3.8% of GDP.

APM Cluster's collection from EIU Country Monitor, 28 Apr 1999

FINANCIAL SERVICES IN UGANDA

Uganda has liberalized listing regulations on its fledgling stockmarket to encourage firms to go public. Under existing requirements companies must have at least $500,000 of capital and a minimum five-year profit record. However, new regulations will create a second tier of firms that have a capital base of $100,000 and a three-year track record. Although the Uganda Securities Exchange has been operational since January 1998, trading has so far been confined to issues by the Preferential Trade Area for Eastern and Southern Africa and the East African Development Bank. However, the Government's privatization agency plans to float Uganda Clays in June. Uganda Airlines is also likely to be listed over the next 18 months, followed by other state-owned utilities.

APM Cluster's collection from EIU Business Africa, 1 May 1999

EUROPE

EU PREPARES NEW ROUND OF TALKS ON WITHHOLDING TAX

Discussions on the European Commission's controversial plans for a 20 per cent withholding tax on savings enter a new round this week with little sign of any narrowing of differences between Britain, which opposes the project, and the bulk of its European Union partners that support the scheme. National tax experts are due to meet in Brussels tomorrow as part of preparations for discussions among finance ministers on May 25 that will review progress towards meeting an end-year deadline for the directive, which must be agreed unanimously. The talks are expected to focus on the possibility of exempting at least the wholesale part of the $3,000bn international bond market from the directive which proposes a minimum 20 per cent withholding tax on non-resident savings in the EU. Britain has made exemption of the international bond market a condition for accepting the directive on the grounds that it would otherwise seriously damage London's financial district. The UK dislikes the whole idea of a withholding tax, favouring instead an information exchange among member states to force high net worth individuals to pay tax on their savings abroad, an option that is included in the Commission's proposals. But a survey of Britain's EU partners revealed broad and sometimes strong support for the savings directive in its present draft from The Belgian Government, for example, described agreement on the EU directive as a "top priority". Of the 13 EU member states that responded to FT questions about the directive, only Greece explicitly backed Britain's call for an exemption for international bonds. Ireland said it could accept the Commission proposals in their present form but also could support UK concerns about international bonds. Luxembourg voiced reservations similar to Britain but was fiercely opposed to information exchange because it would undermine its bank secrecy laws. "Any exemption cannot be limited to eurobonds. It must also include investment funds," added Luc Frieden, the Luxembourg budget minister. There must be a package, including an agreement under the code of conduct against unfair competition in corporate taxed, he said. "The draft directive, as presented by the Commission, is much too complicated," Mr. Frieden said. "We think the modalities of the withholding tax as proposed would be very difficult to apply in the context of a financial centre such as Luxembourg". However, he did not rule out a tax. "We should arrive at a system of a minimal final withholding tax with a much lower rate," he said. "But there would have to be binding commitments to make it applicable in the dependent territories (such as the UK Channel Islands) and neighbouring countries of the EU. A 20 per cent withholding tax would lead to flight of capital from the EU." Ireland said third country consultations were especially important to avoid a flight of capital from the EU. Germany, France, Belgium and Austria underlined their opposition to any exemptions that might create loopholes. The Austrian finance ministry said that existing proposals for exempting international bonds were not suitable to prevent tax evasion. "There has to be a clear and controllable definition of wholesale and retail trade with eurobonds," it said. "The EU should prevent an exodus of capital but any exemption has to be defined exactly to prevent tax evasion." The Netherlands, which prefers a system of information exchange, said the directive "may be an important step in removing the existing distortions in the market for private capital investments" but that a rate "of at least 25 per cent would be necessary to remove current distortions". It demanded that savings income be taxed in the state of residence and not where the funds are deposited. Although Britain has promised a working paper on how to distinguish between the retail and wholesale sectors of the international bond market, the UK has so far been reluctant to discuss possible compromises for fear of weakening its negotiating stance. Suggestions that a withholding tax exemption should apply to bonds held in clearing systems such as Euroclear or Cedel or for investments above a certain threshold ($42,300 being one well publicized idea) have originated in the City, London's financial district, rather than in Whitehall, the centre of government. Much will depend on Finland, which assumes responsibility for securing agreement during its six-month spell as EU president starting on July 1. "Our basic position is positive. The directive is clearly something the Union needs," the Finnish representation to the EU said. But it added that "substantial changes may be inevitable to render the proposal acceptable to every delegation since adoption requires unanimity". Difficult and time-consuming negotiations are inevitable. "It is a complicated subject," one UK official said. "What makes it more complex is trying to find a simple solution."

Mr. Horn's collection from Financial Times ,4 May 1999

UK THWARTS WITHHOLDING TAX MOVE

German attempts to push forward plans for a European-wide 20 per cent withholding tax on the interest from savings were thwarted yesterday after British officials declined to discuss a series of suggestions. The UK appears to be reluctant to discuss possible compromises, fearing that this would weaken its negotiating stance at a meeting on May 25 when finance ministers will review progress towards meeting an end-year deadline for the directive, which must be agreed unanimously. At yesterday's meeting of officials from the 15 member states Germany, current president of the European Union, distributed a paper examining possible options for meeting British objections to the tax. The UK, worried that the directive would damage London's financial status, had made exemption of international bonds a condition of its support. However, it opposes the whole idea of a withholding tax, favouring instead an information exchange among member states to force high net worth individuals to pay tax on their savings abroad, an option that is included in the Commission's proposals. The German paper focused on the need to establish a clear definition of international bonds and possible ways of distinguishing the wholesale and retail markets. But although some of the ideas for distinguishing between wholesale and retail had originally come from the banking industry, London bankers are now increasingly skeptical about whether any of the possible criteria would work. A senior British banker said yesterday that the prospects of developing a workable compromise now appeared to be remote. Officials will meet again on Monday in Brussels for further discussions on the issue.

Mr. Horn's collection from Financial Times,6 May 1999

SLIME TAX PICKINGS IN GEORGIA

Poor tax collections, along with spillover effects from the Russian crisis, have undone much of the progress made in stabilizing macroeconomic conditions. Tax revenue was 9% of GDP in 1998 (one of the lowest levels in the world), and the Government seems incapable of combating corruption and the shadow economy. Long-serving ministers refuse to admit they have failed to establish a tax regime that has even a modicum of popular acceptance.

APM Cluster's collection from EIU Country Monitor, 28 April 1999

GROUNDWORK FOR 2000 BUDGET IN NORWAY

A cabinet meeting last month concluded that the budget for 2000 should be broadly neutral. Such an approach would contradict earlier remarks by Finance Minister Gudmund Restad, who had argued for further fiscal tightening. Proposals aired included greater spending on hospitals and old-age homes and aid to the hard-hit offshore oil sector. These increases would have to be paid for by cuts elsewhere and/or higher taxes.

APM Cluster's collection from EIU Country Monitor, 28 April 1999

GERMAN BUDGET - TAX REVENUE SHORTFALL FORECAST

Pressure on the German Government to cut spending intensified yesterday after an independent tax commission forecast fiscal revenues would significantly undershoot expectations from next year. Although tax revenue this year will be DM3.4bn ahead of target - of which DM800m ($441m) will be collected at federal level - the committee predicted a DM35.4bn shortfall for the three years 2000-2002. Nearly DM18bn of the shortfall would comprise federally levied taxes. Hans Eichel, finance minister, said the estimates underlined the urgency of budgetary reform. Mr. Eichel, who last month replaced the fiery Oskar Lafontaine, has stressed the need for belt-tightening since taking office. He blamed the shortfall on the previous government's unwillingness to tackle the spiraling deficit. But ministers in the ruling "Red-Green" coalition of Social Democrats and environmentalist Greens have shown little inclination to specify where the axe should fall.

Mr. Horn's collection from Financial Times, 16 May 1999

GERMAN TAX REFORMS WILL NOT MEET SCHRöDER'S 2000 DEADLINE

Hans Eichel, Germany's new finance minister, has warned that changes to modernize the country's complex corporate tax system will not be ready until January 2001 at the earliest.. The reforms are widely recognized as overdue in Germany. Current rates of up to 60 per cent, including local levies, are believed to put German companies at a disadvantage and deter investors. Gerhard Schröder was elected chancellor in September on a promise to cut the top rate of company tax to 35 per cent and to broaden the tax base by abolishing many tax breaks. But in an interview with the Financial Times, Mr. Eichel said a commission created to recommend tax changes indicated matters were so complicated that new legislation could not be ready to meet Mr. Schröder's January 1, 2000 deadline. Mr. Eichel, who replace Oskar Lafontaine last month, said he aimed to put forward a fiscal reform plan, including personal taxation, to the cabinet by the end of June. The proposals would be wide-ranging because effective reform could come about only through an attack on all fronts. The package would include company tax, next year's budget, the budgetary outlook to 2003 and measures to deal with a Constitutional Court ruling requiring a multi-billion D-Mark revision to childcare allowances.

Economists see company tax reforms as essential to restore business confidence after a severe knock under Mr. Lafontaine. Battered confidence and a slow recovery in demand from Germany's traditional export markets have led economic growth forecasts to be downgraded to no more than 1.7 per cent this year. Many companies are believed to have postponed or cancelled investments because of uncertainty about government tax policy under Mr. Lafontaine, appointed finance minister in October after the coalition of Social Democrats and Greens took office. Although Mr. Lafontaine had recognized the need to cut corporate taxation, he had focused on broadening the tax base. Legislation to eliminate special provisions and reserves was at an advanced stage before his resignation in March. Mr. Eichel, who stressed the need for good dialogue between government and business, also said Bonn remained committed to greater European tax harmonization. Expressing himself more cautiously than Mr. Lafontaine, Mr. Eichel said securing a European Union-wide tax on investment income remained a top priority for Bonn. The EU hoped to have an agreed document on a common withholding tax by the end of this year, he said. "I think there is a big common interest in Europe to go a step further towards tax co-ordination," Mr. Eichel added.

Mr. Horn's collection from Financial Times, 17 May 1999

EUROPE'S BANK RETHINKS DEVELOPMENT

The annual meeting of the European Bank for Reconstruction and Development (EBRD), beginning on April 17th, may be less soporific than usual. With war in the Balkans and Russia's financial collapse, there is plenty to talk about. And the meeting will be asked to endorse a new strategy for the EBRD itself. The bank has done much navel-gazing since Germany's Horst Köhler replaced France's Jacques de Larosière as president last September. Mr. de Larosière had done a good job of cutting costs after the profligate early years under Jacques Attali (famed for his taste in expensive marble). But last year's thumping loss demands further change. Planned reforms include vague promises of closer co-operation with the IMF and the G7, and a shift away from simple lending towards trying to get governments to improve financial supervision, strengthen bankruptcy laws and reduce red tape. As Eastern Europe's biggest foreign investor, the bank has the clout to "be more vocal", says Nicholas Stern, its chief economist. The EBRD will also spend less on big-ticket projects and more on helping small and medium-sized firms that have trouble raising finance. So far only one-sixth of its lending has gone their way. That figure is already starting to rise. Last week, the EBRD set aside $80m for small-business lending scheme. Meanwhile, some old ideas are fading away. Take, for example, the "graduation" principle - that as more advanced countries' fortunes improved, an ever-greater share of EBRD resources should be directed to needier countries further east. No longer. The bank remains committed to former Soviet basket-cases (who else would have invested in Vladivostok's telephone system?), but the proportion of its assets allocated to better-off countries - around two-fifths - is unlikely to fall as fast as planned. One reason is that some, such as the Czech Republic and Romania, are more troubled than a few years ago. But with shareholders worried about red ink, the EBRD also needs money-spinning projects in richer, more stable countries to offset Russian exposure. Graduating is important, but so is paying tuition fees.

Mr. Horn's collection from The Economist, 17 April 1999

ESTONIAN OPPOSITION FAILS TO DERAIL BUDGET

In what is seen as foreshadowing the parliamentary vote on the negative supplementary budget, deputies on 18 May rejected an opposition proposal to delay the debate on the controversial spending cuts, an RFE/RL correspondent in Tallinn reported. The measure, proposed by the Center Party, was defeated by 54 to 42 votes, largely reflecting the balance of forces in the legislature between the ruling coalition and the opposition. The parliament is due to discuss the so-called austerity budget on 26 May.

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

FINANCIAL AID IN THE POST-CONFLICT REGIONAL RECONSTRUCTION

George Robertson met with Hungarian Prime Minister Viktor Orban to discuss the NATO campaign in Yugoslavia, Reuters reported on 19 May. Robertson praised the commitment of Orban's government in the face of "fragile" public opinion. He stressed that NATO and EU membership bring benefits as well as responsibilities to those who join. Robertson also assured Orban that Hungary will be a recipient of financial aid in the post-conflict regional reconstruction effort. One survey found that the bombing and blockage of the River Danube could cost the Hungarians an estimated $500 million a year.

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

ANOTHER MIGHTY BANK FALLS IN RUSSIA

The Central Bank on 18 May revoked the licenses of 12 failing banks, including Menatep, which before last August's devaluation of the ruble was the country's seventh largest in terms of assets. Other banks stripped of their licenses were Unikombank, Unibest, Derzhavnii, Interbiznesbank, Kontakt, MV, Slaviya, ELKOM- Bank, Krasnodarbank, Kurgansotsbank, and Nizhnevartovsk Commercial Innovation Bank, Interfax reported. The Central Bank explained the move by citing the banks' failure to meet its requirements, comply with federal laws, and make payments to creditors. Russian Television reported that Menatep's largest investors had already transferred their main assets to Menatep St. Petersburg. Two days earlier, then acting Prime Minister Stepashin had said that the licenses of six major Russian banks would be revoked in connection with the banks' participation in the illegal export of capital abroad.

ENA Cluster's collection from Radio Free Europe/Radio Liberty, 19 May 1999

MIDDLE EAST

EGYPTAIN CAPITAL MARKETS

Sameh el-Torgoman is chairman of the Cairo and Alexandria Stock Exchanges and senior legal adviser to the minister of cabinet affairs. Sameh el-Torgoman took over as chairman of Egypt's joint stock exchanges on December 15th, after the surprise resignation of Sherif Raafat. Mr. Raafat had presided over a major modernization of the twin stock exchanges, which is still under way. Mr. el-Torgoman has brought ambitious plans to his new job. He wants to increase the number of local investors from the current level of around 500,000 to 5m, and turn Egypt into the Middle East's leading financial centre.

Infrastructure improvements:

This will require major improvements in two areas: infrastructure and public awareness. The current focus is on improving infrastructure. Mr. El-Torgoman says that, on the legal side, the stock exchange is working closely with the Capital Market Authority (CMA) and the ministry of economy to produce a new clearance, settlement and depository act. This should pass in the current parliamentary session, which ends in June. A new Capital Markets Law will have to wait until the next session. A review is under way of the regulatory framework governing Egypt's small fixed-income market. Mr. El-Torgoman hopes to have the trading engine, legal framework, and trained traders and market makers in place by end-1999. The exchange's new membership rules are also under review. But it will probably take until the end of the year to complete the process. The stock exchange has also undertaken a number of initiatives to make it more responsive to market participants' concerns. Mr. El-Torgoman established a users' committee in early 1999 which includes representatives of small, medium and large firms on the bourse. He says it has proved invaluable in providing feedback on policies and problems. Another new body is the international advisory committee; this includes investment banks, investors, and multinational companies with direct investment in Egypt such as Goldman Sachs, Salomon Smith Barney, Merrill Lynch, and Glaxo Welcome. Mr. El-Torgoman says feedback from major global institutions is essential "in this era of globalization". Refurbishment of the stock exchange premises, which began in March last year, should be completed by end-November. However, a leading local businessman, Mohammed Nosseir, has a plan, reportedly approved by the cabinet, to build a massive new stock-exchange complex near the Cairo Citadel. Mr. El-Torgoman will say only that terms are still under negotiation with the developer, and that the project, if adopted, will take at least three to five years: "It would be a wonderful thing to move to a very modern and sophisticated centre but we are developing our premises here to be ready to fulfil our goal of having Egypt as the hub for the financial markets in the region."

Human resources

Developing human resources is a priority to meet the sector's urgent need for trained professionals. Mr. El-Torgoman says that new staff are being hired who have worked in financial markets abroad. For those without international experience, the exchange has designed a programme with internships in the stock exchanges of London, New York and Toronto and in some major investment banks. "We need to develop depth in the institution", notes Mr. El-Torgoman. Transparency is another important issue for investors. The international financial community often criticizes Egypt for its poor level of disclosure. Mr. El-Torgoman says that transparency has improved, but needs to get better still. The exchange is currently reviewing its rules to force companies to become more transparent. The exchange also plans training sessions for the financial officers of listed companies on how to deal with investors -- both local and foreign: "Egyptian companies are not used to investors asking for information, even the privately owned companies."

Awareness campaign

The stock exchange also has a campaign under way to improve public awareness of its workings. This will include training for the local press so reporters can comment intelligently and accurately on the bourse. The exchange now has a web site (at http://www.egyptianstocks.com), and it has begun to publish a variety of newsletters, including daily and monthly bulletins. It is also preparing an investor guide. Mr. El-Torgoman says that his longer-term strategy will focus on telling schools and universities about the bourse to prepare the investors of tomorrow. The challenge, he maintains, is "to establish the culture of capital markets in Egypt -- and this takes time".

APM Cluster's collection from EIU Business Middle East, 1 May 1999

GOVERNMENT FINANCE IN LEBANON

The Lebanese Government's draft budget looks much like something its predecessor would have produced. It will continue to face similar problems. After a delay of almost three months, the Government of Salim Hoss passed a draft budget for 1999 in early April. It was dubbed a "budget of the fait accompli", and essentially continues the austerity policies of the previous government. The proposals have failed to generate renewed confidence in the economy -- but criticism has also been subdued, suggesting there is public acceptance that

Lebanon is passing through a serious economic crisis. The Government released plans for spending of LP8,360bn ($5.5bn), an increase of approximately 2% over the 1998 level. It has not released an itemized list of its spending plans. The budget also contained projections for government revenue of an estimated LP4,990bn, equivalent to 40.3% of total spending. The Government's main emphasis is on reducing the deficit. To increase revenue, it has adopted a policy frequently used by Mr. Hariri and increased indirect taxes. The most controversial was an increase of the tax on petrol by LP2,000 per 20 litres. The budget includes a range of other revenue-raising measures, including higher mobile phone charges and higher duties on a variety of imports, including alcohol, tobacco, clothing, perfumes and flowers, and many imported foodstuffs. The minister of economy, Nasser al-Saidi, insisted that "the basket of the housewife" should not be affected by the tax increases. The Government also proposes to raise the maximum tax rate from 10% to 15%. This will particularly affect corporations, which the Hariri Government had sought to attract through lower tax rates. Critics claimed that the move would further choke off much-needed investment. The draft budget has familiar spending priorities. The defence budget is one of the largest expenditure items, other than debt repayment and a mysterious item described as cable and wireless communications. Almost 7% of spending is to go to the prime minister's office, which will spend some LP649bn. Much of this will go to reconstruction institutions attached to the office, notably the Council for Development and Reconstruction. And debt repayment will cost LP3,900bn, equivalent to 78% of total spending. Debt service will, therefore, remain the major structural problem faced by the Government. In an effort to make an uninspired budget palatable, the Government announced that it was preparing a five-year plan to reinvigorate the economy. But it later downgraded this to a five-year "vision", which will probably mean another set of vague targets like Mr. Hariri's Horizon 2000 plans. Given the Government's focus on increasing taxes, and its declared intention of reducing the financial burden on the poor, it is unclear how it can encourage business investment. In trying to solve its revenue problems, the Government risks provoking a slide into recession. Reaction to the budget was mixed. Merchants complained that higher customs duties would make their predicament worse and the General Confederation of Lebanese Workers opposed the increase in petrol prices. Others argued that the Government had not gone far enough. The minister of finance, George Corm, would have liked to increase maximum taxes to 20%, a policy opposed by Mr. Saidi. Mr. Corm was evidently unhappy with the compromise; after the draft budget was completed he announced that he was taking leave of absence, and he may not return. Parliament will probably pass the draft budget in June, with few changes. The Government's next major challenge will be to find alternative methods to cut its deficit. This will require a depreciation of the pound and the sale of state-owned land. The Government's problem is how to allow a renewal of economic activity at the same time as it is suffering from reduced revenue.

APM Cluster's collection from EIU Business Middle East, 1 May 1999

BANKING & FINANCE IN JORDAN

The Jordanian Government has postponed bringing in the second stage of its sales tax. Officials said that preparations for the plans had not been completed, so it was postponed until early next year. The second phase was to extend the 10% tax from manufacturers and service providers to wholesalers and retailers.

APM Cluster’s collection from EIU Business Middle East, 1 May 1999

NORTH AMERICA

US FACES LONG WRANGLE OVER TAX BREAKS

The European Union faces along period of horse-trading over which national tax breaks to abolish, following a significant increase in the complaints submitted to an official inquiry. The inquiry is an important part of EU efforts to stamp out harmful tax competition between member states. But tax advisers fear continued uncertainty over which tax breaks will survive could make it increasingly difficult for the 15 EU member states to attract inward investment from companies locating headquarters in Europe. The list of tax breaks being investigated by EU officials has jumped to more than 200, putting in jeopardy the 2003 deadline for their abolition. The group identified 95 target measures for abolition, in a confidential draft report on "tax dumping" given to EU finance ministers last year. But member states are still adding to the list of potentially harmful measures, increasing the workload of the group, led by Dawn Primarolo, the British treasury minister. Officials insist the group is on schedule to report finally to the Council of Ministers in November 1999 but there are concerns that some countries may be adding to the list to delay the process or increase the scope for dealmaking. It is understood the Netherlands added as many as 99 potential targets in January. Its holding company regime was one of the tax measures listed in the draft report. "I think it is unacceptable that there is such uncertainty about the EU tax map because of the way in which the review is being conducted," said Peter Cussons, international tax partner at Pricewaterhouse Coopers. He added that large multinational companies looking to locate holding companies, headquarters operations, and outsourcing facilities in Europe were being advised to consider non-EU members, such as Switzerland. The Primarolo review seeks to identify tax breaks that would fall foul of an EU code of conduct, issued in draft form in October 1997. The list included tax breaks given to the UK film industry, French enterprise zones, German agricultural and forestry allowances, Ireland's financial services centre, and the Luxembourg headquarters regime. The code of conduct and setting up of the review were the result of a political agreement between the EU member states and would not be legally binding unless supported on national basis by each state. EU economics ministers agreed last November that harmful tax breaks would have to be "rolled back" within five years of January 1, 1998, "although a longer period may be justified in particular circumstances".

Mr. Horn's collection from Financial Times, 6 May 1999

GLOBAL

BATTLE FOR WORLD ACCOUNTING CONTROL

One-day companies anywhere in the world should be able to list on any stock market in the world using the same set of accounts. Everyone agrees about this: the problem is designing a body to set the rules for financial reporting. Such a body exists - the International Accounting Standards Committee (IASC) - but even it recognizes the need to reform its governance to win enough support to emerge as the legitimate global standard setter. The furious political debate over the IASC's blueprint - *Shaping IASC For The Future* - has threatened to split the corporate world into two camps, with Europe backing the IASC while the US leads a breakaway group based on its own rules. The debate over the shape of the IASC, a euphemism for who gets control, has overshadowed the committee's achievement in producing a set of core standards for use on the world's leading stock markets. That set of rules, a king of basic language of agreed accounting so far is being reviewed this year by Iosco, the club of world stock market regulators. There is no doubt Iosco is also closely watching the debate on structure. "The essential difference between IASC's proposed new role and the which it has occupied in the past is that its harmonizing activity would be taking place in real-time," says Sir David Tweedie, head of the UK Accounting Standards Board. The IASC must jump from post-hoc harmoniser to preemptive standard-setter. It is currently run by a board the members of which are mostly picked by accountants. The IASC is the child of the profession. Its blueprint envisages a new Standards Development Committee (SDC), made up of representatives of the independent standard-setting bodies like the FASB and the ASB. But final authority would stay with the board. The new structure recognizes the influence of the existing standard-setters which have the expertise and funding required to fulfil such a role. They have also threatened periodically to break away if they do not get more power. The IASC plan is based on three big ideas: enrolling the standard-setters, setting up the SDC, but leaving the board engaged in the process. So far the FASB, the ASB and the European Commission have responded. There is a clear and widening gap between two distinct sides. The EU wants the board - with its several European seats - protected, while the standard-setters like the idea of power moving to the SDC. The EU, whose position has been set out by John Mogg, director-general of DGXV, the department which covers accountancy, wants a body with political legitimacy- not one dominated by the US or with seats for former standard-setters with little economic clout, like New Zealand. The FASB's position seems irreconcilable with that of Brussels. It wants standalone independence, as exemplified by the FASB itself. It does not want to be caught in a round of horse-trading in which complex technical arguments are decided by countries with little expertise voting en bloc. The UK's position looks uncomfortable in between. It has suggested compromises, like enlarging the SDC and giving the board delaying powers rather than a veto. It must avoid being crushed between Brussels and Washington. The sub-plot is if the FASB does not get its way- and its critique may well be mirrored by the Securities and Exchange Commission's response - it will seek to rally others to an alternative. A breakdown of co-operation on the IASC would hit the Iosco review, as the SEC is the key member. In many ways the struggle reflects earlier battles in the leading economic powers where standard-setting broke free from the control of the profession - with great success in the UK and the US - while avoiding total state control. To this struggle must be added another. Any efficient standard-setting body must be highly skilled and compact. As such it could alienate dozens of countries which back IASC but have no standard-setters of their own. Is there any hope for the IASC's reincarnation as a global standard-setter for the 21st century? International regulators beyond Iosco are beginning to take an interest in the issue. The World Bank, IMF or Basle Committee may yet seek to broker a compromise. The pressure for a solution is so strong, and antagonism towers a US-led body so entrenched in some countries, that the Group of Seven may try to break the logjam. Other important responses are still to come, from governments, regulators and influential bodies like Fee, the professional body for European accountants. These will almost certainly muddy the water further. The IASC board, led by its secretary-general, Sir Bryan Carsberg, will then have to decide what changes to recommend to a grand meeting of the profession next year in Edinburgh. It is now clear radical change is needed. An inability to drop vested interests could be disastrous for the profession.

Mr. Horn's collection from Financial Times,10 May 1999

Private Sector Development

AFRICA

PRIVATIZATION IN MADAGASCAR

More than 135 state businesses will be privatized over the next five years, according to Madagascar's privatization minister. Enterprises to be sold off in the near future include the national airline, Air Madagascar, the national airport authority, the state-owned national oil company, the telecommunications parastatal, a sugar refinery and various transport operations. At least 51% of the shares in these state enterprises will be sold to a single investor or consortium.

APM Cluster's collection from EIU Business Africa, 1 Mar 1998

LIBERALIZATION OF MINING IN NAMIBIA

A parliamentary committee has put forward plans to liberalize the country's diamond trade, so ending the 50-year sales monopoly held by South Africa's De Beers group. In 1998 Namibia produced 1.3m carats, or 10% of the total sold by the De Beers-owned Central Selling Organization. The parliamentary report recommends that diamond dealers be licensed to trade in uncut and polished diamonds. If accepted by the Government, the proposed new law could take effect by year-end.

APM Cluster's collection from EIU Business Africa, 1 May 1999

PRIVATIZATION IN SOUTH AFRICA

The R93m ($15.2m) sale of state-owned holiday resort company Aventura to Kopano ke Matla, a union-owned investment firm (see Business Africa, March 16th-31st 1999), has been cancelled. According to Pretoria Kopano failed to pay the initial installment of R25m, due in March. The Government now has to decide whether to seek a new buyer or to leave the existing management team to run the business. Pretoria has appointed a top-level negotiating team to finalize the sale of state-owned Denel Aviation to British Aerospace and a black empowerment group. British Aerospace and the empowerment group will each buy a 20% stake in a new company, to be established by July.

APM Cluster's collection from EIU Business Africa, 1 May 1999

THE LIBERALIZATION OF COTE D'IVOIRE'S OIL SECTOR BY YEAR 2000

As part of its attempts to turn the country into the "Rotterdam of Africa", the Government will sell some of its 46.5% stake in Societe Ivoirienne de Raffinage (SIR), whose other shareholders include Elf Aquitaine, Shell, Total, Mobil, Texaco and the Burkina Government. SIR has a monopoly on fuel refining and distribution in the country, and exports to Burkina Faso, Mali and Nigeria. However, while it has a capacity of 3.5m tones/year of crude, production has never exceeded 2.5m tones. A decline in Zimbabwe's 1998-99 horticultural output because of excessive rains. Production for the current season ending on June 30th is expected to be 15% down on the year-earlier period; however, exports will rise from 56,000 tones to 67,000 tones (worth US$136m). Marginal (1%) growth in the Angolan economy this year. More substantial expansion is unlikely given the worsening civil war and depressed world energy prices. The Government's 1999 budget, for example, assumes an oil price of only $9/barrel, and oil earnings are expected to fall 22.6%. Non-oil output, which accounts for half of Angolan GDP, is also expected to decline, by 1.4%, while the country's budget deficit is forecast to rise to 30% of GDP. GDP growth of 7% in Cote d'Ivoire this year and 8-9% in 2000. This official estimate is based on strong oil-sector growth, increased public-sector investment and expansion by recently privatized companies such as CI-Telecom. The share of investment in Ivorian GDP has more than doubled to 17% from 8% in 1994, although this remains well below the Government's target of 30% by the year 2000. The sale of a 43.1% stake in Tunisia's state-owned electrical equipment manufacturing company, Societe Industrielle d'Appareillage et de Materiels Electriques (Siame), via a public share issue on the local bourse. A further 51% of the equity in Siame -- which produces electrical equipment under licence from various European manufacturers -- will be sold to Societe Tunisian d'Equipement as part of the country's privatization programme. The abolition of US quotas on Kenyan textiles. Following a recent visit to the US, Kenya's trade minister stated that the Clinton administration had agreed to negotiate the removal of textile import quotas.

APM Cluster's collection from EIU Business Africa, 16 Apr 1999

ASIA

LIBERALIZATION AND PRIVATIZATION ARE SHACKLED IN THAILAND

Virtually every sector of the economy remains controlled by vested interests upon which politicians are dependent for patronage. Business remains hostile to foreign control. Though foreign direct investment is sorely needed to recapitulate the corporate sector, implementation of a new foreign investment law was sidelined for a year (until this month) while vested interests worked at eroding its measures. Although the new law opens more sectors to foreign investors, minimum capital requirements and other entry qualifications make access difficult. Although foreign ownership of land is now finally allowed, a two-tier pricing system puts it well beyond the realms of possibility for all but the most philanthropic non-Thais. The restraints on foreign access mean Thais who have built fortunes from domestic monopolies won on patronage continue to dominate the economy unchallenged, and national competitiveness suffers as a consequence. Skills are deteriorating. Many of the 1.8m Thais put out of work last year were semi-skilled workers or middle managers, whose already inadequate skills are deteriorating in unemployment. Although the Government's economic stimulus package includes job creation programmes, there are no specific measures to refresh or upgrade worker skills. Moreover, the unskilled labour that will take up to 30% of the positions to be created will not be offered skill development programmes. Hence the skills shortage in Thailand is likely to be worse when the economy recovers.

APM Cluster's collection from EIU Business Asia, 19 April 1999

EUROPE

PRIVATIZATION IS ON HOLD

The Kosovo crisis threatens to halt a faltering recovery in Croatia's tourism industry. Yugoslavia's neighbours are tallying up the economic collateral damage of NATO's bombing campaigns, and Croatia looks set to have heavy casualties. As the country heads towards a budgetary crunch in the face of expensive bank collapses and unrealistic privatization revenue expectations, the Government hoped the summer tourist season would help keep the economy afloat long enough for it to complete telecomm privatization. That now looks unlikely.

APM Cluster's collection from EIU Business Eastern Europe, 26 Apr 1999

CZECH IS RETHINKING COMPETITION LAWS

The most important new addition to Czech competition law will be a definition of dominant position based on "market power", which uses market share as a significant, but not sole, criterion. New amendments will also expand the definition of a merger to include joint ventures and will introduce a "turnover criterion" for the notification of mergers. Also on the horizon: establishing time limits for issuing or denying permission to merge.

APM Cluster's collection from EIU Country Monitor, 28 Apr 1999

PRIVATISATION - CZECHS HASTEN ENERGY SELL-OFF

The Czech Social Democrat Government is to accelerate the privatization of gas and power distribution companies, possibly leading to the sale of some of them this year. Pavel Mertlik, deputy premier for economic affairs, told a business forum that the industry and finance ministries would draw up plans within a month. The Government, which is in budgetary difficulties, holds just under a majority in seven of the eight power distribution companies. Last June the previous government appointed advisers for the sale of the shareholdings but the incoming government halted the process to create a regulatory framework. In the meantime foreign power companies have been buying shares in the power distribution companies and in several cases now threaten the dominant position of the state.

APM Cluster's collection from Financial Times, 16 May 1999

PRIVATIZATION OF BANKING & FINANCE INSTITUTIONS IN HUNGARY

Hungary may well boast the region's most-privatized banking industry, but the sale of Postabank, the last large bank in state hands, is likely to have to wait for another two years. Despite troubles, which required renationalization and an $800m government bailout over the last two years, Postabank's managers say the bank remains an attractive acquisition target owing to its market share. In February the Government took the old management to court for malfeasance (BEE Feb 15th 1999); the new management is now formulating a three-year development plan.

APM Cluster's collection from EIU Business Eastern Europe, 3 May 1999

PRIVATIZATION IN POLAND

Privatization authorities face a hectic fourth quarter. Three of the year's biggest deals are expected to be completed then: the sale of 25-35% of TPSA, the telecomm giant; 30% of PZU, the country's former monopoly insurer; and 10-80% of Bank Zachodni, a large Wroclaw-based commercial bank. Among the other, less spectacular deals pencilled in for completion at year-end are the sale of 26.5% of Impexmetal, a metals producer; 19.8% of Warta, the country's second-largest insurer; and 29.5% of Rolimpex, a food trading company, along with the public flotation of 30% of Koncern Naftowy, the company to be formed through the merger of Petrochemia Plock, Poland's biggest refiner, with CPN, the national petrol retailer. The slew of deals should guarantee Poland ample funds for financing this year's budget deficit, but no doubt the finance minister would prefer to have the income earlier.

APM Cluster's collection from EIU Business Eastern Europe, 3 May 1999

PRIVATIZATION - ROMANIA TO SPEED UP THE SALE OF STATE INDUSTRIES

The Romanian Government has announced an accelerated privatization programme intended to ensure a quick path to the market for a first wave of 64 large and medium-sized state companies, representing about 14 per cent of Romania's GDP. The list is headed by the national airline Tarom, the giant Sidex steel works of Galati, and two aluminum companies, smelter Alro Slatina and processor Alprom Slatina. The Government intends to select investment banks by the end of June with the first invitations to tender published at the beginning of August, and the first sale contracts closed at the end of September. In a bid to make the offers as attractive as possible, Romania will place no restrictions on the size of stakes available for investors, nor any limitations on future staffing levels in the privatized companies. The new privatization law allows for companies to be sold at market value, rather than at a minimum price linked to the book value, a condition that has thwarted numerous deals in the past. In another change, rather than channeling all sales through the State Ownership Fund, the individual ministries which own many of the companies will oversee the sales.

Mr. Horn's collection from Financial Times, 17 May 1999

COMPETITION LAW MAY BE HIT BY EU PLAN

The new competition law faces a big hurdle even before it comes into force because of recent proposals by the European Commission, a law firm has warned. The competition Act, the biggest shake-up in competition regulation for 25 years, is intended to streamline procedures with those of the European Union. But this aim has been sabotaged by Commission proposals last month to reform its own competition policy. The Commission wants to decentralize procedures for authorizing routine restrictive practice cases, shifting some of the burden to national authorities. "This conflicts with the government's aim of reducing the routine case load of the Office of Fair Trading by not duplicating work done in Brussels, allowing the OFT to focus on major cases such as price cartels," said Martin Coleman and Michael Grenfell, competition partners at Norton Rose, a City law firm. The problem centres on the system for granting clearance for agreements that restrict competition. Since 1962, the Commission has had exclusive powers to grant exemptions for agreements such as co-operative ventures or distribution arrangements that would otherwise be banned by article 81 of the EC treaty (previously article 85 of the founding Treaty of Rome). The UK Competition Act includes a ban on restrictive practices - known as the Chapter 1 prohibition - that mirrors article 81. Companies can gain exemption from the prohibition on agreements within the UK by notifying the Office of Fair Trading. But if they obtain an exemption from article 81 by notifying the Commission, the act gives automatic exemption from the UK prohibition without the OFT being notified. This "parallel exemption" could be thrown into disarray by the new European system. Proposals in a government paper last month would largely abolish notifications to the Commission. Notification to any competition authority would no longer be compulsory. But companies requiring legal certainty would need to seek OFT clearance. Mr. Grenfell said, if the Brussels proposals were adopted, the best option for the government might be to amend the new act. The Department of Trade and Industry said it was "far too early" to say if changes would be needed to the act.

Mr. Horn's collection from Financial Times, 10 May 1999

PUBLIC-PRIVATE FINANCE SCHEME - INSURER TO INVEST $164M IN UK

Norwich Union, one of the UK's largest property investors, is to invest an initial 100m ($164m) in a newly formed joint venture to finance private finance initiative (PFI) projects. The initiative, inherited by the Government from its predecessor, is an attempt to attract private funds to public projects. The insurer is the first institutional investor to make a significant commitment to investing in PFI projects, and is a sign that such projects have finally emerged as mainstream property investment targets. Norwich Union, manager of 3.7bn of property assets, has formed a joint venture, the Norwiich Union Public Private Partnership Fund, with The Mill Group, a private development company, which has participated in PFI projects since 1994. "This is the first institutionally backed fund for focusing on PFI and is a much needed introduction of equity into a market which has been dominated by banks which approach it with a project finance point of view", said David Toplas, Mill Group chief executive.

Mr. Horn's collection from Financial Times, 12 May 1999

PRIVATIZATION - BETTING ORGANIZATION TO BE SOLD IN UK

The Tote - the state-owned horserace betting organization - is to be sold in the Labour government's first privatization, the Home Office announced yesterday. It said a sale to the racing industry had not been ruled out. The Tote is worth an estimated 150m ($245m) and earns 10.2m a year for the racing industry from its 12m annual profits. Johan Heaton, chief executive of the Tote, welcomed the move as "the next step in determining the eventual future of the Tote; it recognizes that a consultation process is now under way, and looks forward to working with Government and racing to ensure the best possible result for the Tote, the betting public and the sport of racing".

APM Cluster's collection from Financial Times, 13 May 1999

MIDDLE EAST

SAUDI ARABIA PROMOTES FOREIGN INVESTMENT

The Government is expected to announce a new foreign investment law within the next 12 months that is intended to provide greater incentives to foreign investors. These will include better tax breaks and a reduction of the procedural barriers to starting up an investment in the kingdom. A Higher Council for Investment is to be established as a principal contact point for investors.

APM Cluster's collection from EIU Country Monitor, 21 Apr 1999