

# GOVERNANCE WORLD WATCH

---

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

---

Compiled by Networking and Outreach Clusters May 2000



# TABLE OF CONTENTS

## Public Policies & Public Economics

<b>Africa</b>	
>	3
>	3
<b>Asia/Pacific</b>	
>	3
>	3
<b>Europe</b>	
>	4
>	
<b>The Americas</b>	
>	6

## Governance Systems and Institutions

<b>Africa</b>	
>	8
>	8
>	9
<b>Asia/Pacific</b>	
>	9
>	10
>	10
>	10
<b>Europe</b>	
>	11
<b>The Americas</b>	
>	11
<b>Global</b>	
>	12

## Civil Services & Ethics in Public Sector

<b>Africa</b>	
>	13
<b>Asia/Pacific</b>	
>	14
>	14
<b>Europe</b>	
>	15
>	15
<b>Middle East</b>	
>	15
<b>The Americas</b>	
>	15
>	16
>	17

## Information Technology for Development

<b>Africa</b>	
>	19

<b>Asia/Pacific</b>	
>	20
>	21
<b>Middle East</b>	
>	21
<b>Europe</b>	
>	21
>	Threats .....22
<b>The Americas</b>	
>	22
>	23
>	26

## Public Finance

<b>Africa</b>	
>	28
<b>Asia/Pacific</b>	
>	28
>	28
>	29
<b>Europe</b>	
>	29
>	30
<b>Middle East</b>	
>	30
<b>The Americas</b>	
>	31

## Private Sector Development

<b>The Americas</b>	
>	32
>	32

# Public Policies & Public Economics

## AFRICA

### BERLIN HOSTS SOUTHERN AFRICA FORUM

Mozambican President Joaquim Chissano is taking part in a two-day business conference in Berlin that began Wednesday to attract German investment to the Southern African Development Community. There are some 700 participants attending the forum, which was organized by the German association of businesses for southern Africa. The only other head of state present is King Mswati III of Swaziland. Lesotho and Mauritius have sent their Prime Ministers, while other SADC members are represented at ministerial level. One of the dominant themes of the meeting will be the "development corridors" radiating from the ports of Maputo, Beira and Nacala in Mozambique, and Mtwara in Tanzania. Mozambican transport minister Tomas Salomao told reporters that Mozambique will also present the "Limpopo Development Corridor" running from Maputo, up the Limpopo valley to Zimbabwe, that was devastated by the February flooding.

*From Africa-PANA, 26 April 2000*

### REGIONAL MUNICIPAL OFFICIAL OPTIMISTIC ABOUT AFRICA

The president of the Municipal Development Programme for Western and Central Africa, Mousse Daby Diagne, has said that hope still exists for peace and economic stability in Africa. However, he said Africa needs to shape its own future and vision in order to move ahead. "We shall find solutions to challenges facing us. We confirm, we shall move ahead victoriously," he told the second AfriCities Summit in Windhoek Monday. Diagne challenged local authorities to enhance the role of women and the youth in solving problems facing the region. "We want the local authorities to be the engines of development in all countries, to manage towns and cities better and we want them to be competent," he said. Diagne added that in order to be effective, all development partners needed to help build on this vision, starting at the grassroots level. The president of the AfriCities Political Committee, Badreddine Senoussi, said the first meeting in Abidjan, Cote d'Ivoire, in 1998 had set out to promote decentralization through democratic local authorities. He urged participants to make critical analysis of progress made since the last summit and come up with new methods to ensure sustainable development in African cities. Senoussi noted that the debt problem is a major obstacle to Africa's development and urged all Africans to back King Mohammed VI of Morocco's campaign for Africa's debt cancellation during the recent Africa-Europe summit in Cairo, Egypt. President Sam Nujoma officially opened the five-day summit, attended by over 1,100 delegates.

*From Africa-PANA, 16 May 2000*

## ASIA/PACIFIC

### CHINA STARTS PERSONNEL REFORM IN NATIONAL HEALTH CARE SYSTEM

China will launch health care reforms to cut off redundant staff and encourage competition, according to a meeting of personnel held by the Ministry of Health in Beijing on Wednesday. The Ministry of Health has decided to spend three to five years to form a new personnel system under which medical organizations at all levels have the right to select their employees while medical staff can choose positions according to their ability. The new system will provide more flexibility in management, payment and promotion. Everybody will be judged according to their performance, and no position will be permanent. After the reforms are implemented, the number of people with professional skills will make up 80 percent of the total number of staff in the medical system. Work of officials at the grass-roots levels will be appraised by their subordinates. The distribution system will also be reformed to guarantee that those who have higher professional skills provide better medical service, take on more responsibilities, and are paid more.

*From China Daily, 27 April 2000*

### CHINA'S PATH TO REFORM NOT WITHOUT RISK

With PNTR behind it and World Trade Organisation accession on the horizon, China faces five years of the most crucial economic reforms undertaken since the country launched its "open door" policy in 1978. The importance of Wednesday's vote in the US Congress to approve PNTR for China was that US companies will not now be excluded from the concessions on market access and tariff cuts that Beijing has had to make in order to gain admittance to the WTO. The US and its corporations are now set to be among the main actors in China's transformation from half-reformed socialism into a more modern market economy dependent to an increasing degree on foreign trade and investment. "A yes vote means that the US avoids being relegated to the position of bystander during China's most important phase of reform," said a senior foreign diplomat. Business consultants in Beijing are already discerning a recovery in interest from foreign investors after more than two years of creeping disillusionment and some well-publicised withdrawals from the China market. FDI rebounded in March after several monthly year-on-year declines. "We are

certainly expecting investment interest to pick up," said Liza Lort-Phillips, chief representative of Batey Burn, a business consulting affiliate of US public affairs company APCO Worldwide. Some potential clients got in touch when the EU clinched its bilateral WTO deal with China last week. However, she and other Beijing business consultants cautioned against expectations that China is poised for the type of investment fever that characterised the early 1990s. A climate of oversupply in most manufactured products, price deflation, and many cases of foreign investment dreams turned sour should temper any exuberance. Nevertheless, WTO accession is expected to provide investors with a level of comfort that market liberalisation should henceforth be carried out according to a relatively transparent and predictable timetable. The approval of PNTR will further mean that US influence will be focused on the job of ensuring that China implements and abides by its WTO promises. If PNTR had been denied, such a task would have been left to much weaker powers, led by the EU and Japan. But it is not only outside pressure and China's hopes to lure FDI that are pushing reform. A pressing need to overhaul grave structural inefficiencies is probably an even greater motivational force. Signs are emerging that indicate China is on the eve of the most significant phase of financial market reform since its stock markets were formed in the early 1990s. Its plans to broaden, deepen and allow more foreign involvement in its stock and bond markets are being driven primarily by the need to fund a huge unfunded pensions burden, social welfare costs and vast future infrastructure spending. Many new institutional investors will be allowed to enter the stock market, including foreign joint ventures. The domestic markets are also due to be gradually opened to foreign investors, and foreign companies will be allowed to list their China operations in renminbi-denominated stocks, officials said. In the sluggish bond market, over-the-counter trading is to be permitted and foreigners are to be allowed to underwrite domestic bonds. There is also new evidence that the fundamental nature of the Chinese economy is changing faster than most observers have thought. The International Finance Corporation, the private sector arm of the World Bank, says in an as-yet unpublished report that the private sector now contributes 33 per cent of GDP, against 37 per cent for the state sector. The rapid emergence of private businesses not only increases the number of potential joint venture partners for foreign companies, it also promises to raise the aggregate efficiency of the economy. WTO accession is expected to hasten this trend, which is underscored by signs that entrenched discrimination against private entrepreneurs is melting away. Dou Jianzhong, chairman of the Citic Industrial Bank, a state bank, said there has been a sea-change in lending habits over the past two years. Loans to the lumbering state sector have fallen sharply while those to the new dynamic private companies and foreign enterprises are surging. A similar process is expected in the stock markets, where only 11 out of 976 listed companies are private. But at the end of this year, two new stock market boards are to be launched and companies will be approved for listing according to purely commercial criteria, officials said. But, as China's turbulent history warns, big change engenders great risk. There is already real unease within the Communist party hierarchy over the "privatisation" of the economy and over the depth of the concessions that Chinese reformist leadership made to secure WTO admission. "Entry into WTO will have a very harsh effect on the Chinese economy," said Wang Mengkui, president of the state council's (cabinet) top think-tank. If unemployment was to surge and if riots by disaffected workers - which are becoming larger and more commonplace - were to spiral out of control, the political backlash from conservatives could be swift and uncompromising. Some industries appear particularly vulnerable; steel, motor vehicles, non-ferrous, machinery, cement, building materials and agriculture. The statistics are already forbidding; China has more than 100m people at least seasonally unemployed in rural areas, and an estimated 16-18m unemployed in the cities. Given such pressures, one assumption is safe. China would sooner violate WTO rules by throwing up protectionist barriers than face social unrest brought on by foreign competition. Even without a wave of unrest, there are expected to be many WTO disputes. Despite valiant attempts at harmonising the nation's laws to WTO statutes, the reality remains that China's partial and unprofessional courts afford scant legal protection for foreigners. Intellectual property rights violations are so widespread in areas such as pharmaceuticals, software, music and film that there exist virtual counterfeit monopolies.

*From Financial Times, 25 May 2000*

## EUROPE

### GLOBALIZATION AND ITS DISCONTENTS

With his oversized mustache, diminutive stature and irrepressible energy in combating his foes, French farm leader José Bové can be likened to another native son famous for drubbing foreign intruders — Astérix the Gaul. Now, nine months after his symbolic attack on a McDonald's restaurant in the south of France made him an icon of the fight against globalization, Bové is again following in the footsteps of the Gallic cartoon hero, this time as the subject of a book that has become extremely popular with French readers. 'The World Is Not a Product' last week took over top spot on the French nonfiction bestsellers list, suggesting that the French have not tired of Bové's once seemingly Quixotic struggle against globalization. Readers also seem drawn to Bové's view that while free trade can be beneficial, it must also be rigidly policed to prevent corporations and shareholders "addicted to profit" from reducing life to "mercantile variables." Readers also apparently want to know more about the man who shot from utter anonymity to become an international media star during the protests at the World Trade Organization summit in Seattle last November. Up close and personal, however, the book is not. Nor is it a manifesto of antiglobalization with universal appeal. Comprising interviews with Bové and another French farming union official, the book dedicates 72 pages — nearly one-third of the total — to events surrounding the now-famous Aug. 12, 1999 dismantling of the McDonald's in Millau that Bové oversaw as part of a larger protest against U.S. trade sanctions on French goods. The book then delves into niche issues that pit traditional farming against, as Bové sees it, avaricious agrobusiness concerns, parlaying these into the larger socioeconomic conflicts created by globalization. Though he at times takes pains to note that "international trade is a good thing that requires rules based on law," Bové generally waxes globophobic, calling the current globalization process "a planetary dictatorship, where if you don't exist in a

market context, you don't exist at all." "The great upheavals we're experiencing today seek to transform all activity on earth into products and markets," Bové explains. "We are no longer dealing with struggles over territories or conflicts between states, but in a series of wars between private powers whose battlefield is called the market ... Resisting this transformation is the basis of our combat." Although radical — and at times, extremist — in its political positions, 'The World Is Not a Product' nevertheless reinforces Bové's reputation as an intelligent and erudite opponent of big businesses — an image linked to Bové's pre-farming career as an accomplished leftist philosopher. Any hint of academic gentility, however, is rapidly lost when Bové takes up the rather thuggish logic French farmers have used to justify aggressive protests in the past. He notes, for example, that the illegal and violent protests in both Millau and Seattle, "again demonstrated the power and impact of direct action ... [when] you merge activity of the mass with individual responsibility ... Illegality is often necessary to assert one's rights." While that view has long been accepted in France — to the shock and dismay of international observers — its validity is being increasingly challenged as globalization has required the French to play by commonly accepted rules. Despite the nation's waning deference to insurgency, however, Bové's book seems to be generating respect for the indomitable Gallic spirit, even in the face of seemingly lost causes. Indeed, in a final line worthy of an Astérix rallying cry, the book ends on Bové's admission that though his chances of defeating globalization are slim: "If you don't think you have a chance to win a brawl going into it, you may as well not bother fighting."

*From Time Magazine, 9 May 2000*

## **KASYANOV NAMED RUSSIAN PREMIER PROMISES REFORMS**

Mikhail Kasyanov, Russia's former finance minister and chief debt negotiator, won parliamentary approval to become the next prime minister with a mandate to make the economy more competitive internationally. Deputies in the lower house voted 325 to 55 in favor of the 42-year-old Moscow native. Kasyanov said before the vote that the country must reduce its dependence on commodities exports and promote manufactured goods, such as weapons, to help sustain economic growth. The economy grew 7 percent in the first quarter, the fastest pace in a decade, helped by high world prices for oil, natural gas and metals, which make up a half of Russia's exports. "The economic successes rest on a shaky foundation," Kasyanov said. "The situation on world markets can change very quickly. Reforms must be energetic and be followed through." President Vladimir Putin has promised radical reforms, such as breaking up power, natural gas and railways monopolies and lowering tax rates, to ensure the economy keeps expanding by between 5 percent and 10 percent through 2010. Analysts warn the current pace of growth may not be sustainable because of Russia's dependence on commodities prices and a weak ruble - as well as a lack of investment in new technologies and existing plants. Boosting investment in industry won't be easy, analysts said, in part because the Government first needs to improve the business climate through changes to tax and property ownership legislation. "The Government should provide the correct tax and investment environment to encourage investment," said Nadia Kazakova, an analyst at Schroder Investment Management in London. Kasyanov, who rose through government ranks under former President Boris Yeltsin, may be reluctant to challenge interests of powerful business groups, some analysts said. A fluent English speaker who raised his profile in the past two years by persuading Western creditors to reduce and reschedule billions of dollars of Soviet-era debts, Kasyanov is careful not to promise Russians any quick fix to the economy. "Kasyanov is a bureaucrat and all bureaucrats take programs very seriously," said Alexei Mitrofanov, a deputy in Russia's Liberal-Democratic Party. "That is why Kasyanov will move very slowly and do only what is practically needed." Russia's RTS stock index fell 4.6 percent to 209.80, its biggest decline in a month. The index is still the world's best performer this year in dollar terms after stock indexes in China and Costa Rica, with a gain of 19.7 percent.

Russia's economy has benefitted from the rise in oil prices to nine-year highs earlier this year, as well as higher gas prices and a weaker ruble, which has fallen more than 70 percent against the dollar since mid-1998, lowering domestic producers' costs and increasing the price of imports. OAO Gazprom, Russia's natural gas monopoly and biggest taxpayer, says foreign currency revenue will rise to a record \$9 billion in 2000. Russian steel and aluminum makers, which export as much as 90 percent of their output, also are benefitting from high world prices and a recovery of markets in Southeast Asia. Currently, Russia earns about 40 percent of its foreign-currency revenue from exports of oil and gas, helping boost tax revenue this year. Still, free-market reforms introduced since 1991 have done little to encourage development of smaller and medium-size businesses and make communist-era companies profitable. Kasyanov said arms production is one area where Russia remains competitive internationally and the Government should help increase sales. "I am aware of the huge responsibility that will be laid on the Government to reverse the tendencies of the past 10 years," Kasyanov said. "We need to encourage non-commodity exports and enable competitive conditions for our businesses on world markets." Kasyanov said more than 70 percent of equipment of Russian companies has been in use for more than 10 years and investment in plant has been "insufficient" and the quality of most goods is low. The Government also will seek to revive the country's troubled banking system and encourage lending to industry through state guarantees, Kasyanov said. Russia needs to rebuild confidence in its banking system after many of the largest financial institutions collapsed following the government's Treasury debt default in August 1998. "There is a lack of infrastructure to attract the population's savings," Kasyanov said. "The banking sector is the area where we need to make basic order. Our main aim will be to attract capital to invest in the economy." Russia must also reduce poverty. An estimated one-third of Russia's 146 million-population earn less than the poverty level. Gross domestic product per capita fell 40 percent in the past 10 years, Kasyanov said. The Government's other priorities include reducing bureaucracy and eliminating corruption, unifying regional and federal legislation and improving agriculture, Kasyanov said. "Many problems in the Russian economy are rooted in the public mentality," Kasyanov said. "This is why pressing problems can not be solved right now. Reforms must rest on a consensus among branches of power, supported by the public."

*From Bloomberg News, 17 May 2000*

## **EU DISAPPOINTED BY CZECH FAILURE TO REFORM JUDICIARY**

Chief EU representative in Prague, Ramiro Cibrian, said on 23 May that he is disappointed by the failure of the Chamber of Deputies last week to pass legislation on reforming the judiciary, CTK reported. Cibrian said completing that reform is "a condition" for Czech accession to the EU. He added that the Penal Code must be amended to allow for speedier court proceedings and the independence of the courts must be strengthened. Cibrian also said the absence of judicial reform has a negative impact on the fight against economic crime.

*From Czech Today, 25 May 2000*

## **DZURINDA PLEDGES TO CONTINUE WITH REFORM IN LETTER TO CLINTON**

Premier Mikulas Dzurinda has sent a letter to U.S. President Bill Clinton in which he said that Slovakia would certainly continue with reforms in the country, the government press department told CTK. "If Slovakia is accepted to the OECD, the reform-minded course now pursued by my government will not change," writes Dzurinda in the letter sent to Clinton on Tuesday. The USA has not adopted a clear position on whether it will support Slovakia's OECD entry in June. There are still some reservations about the pace of further reform and Slovakia's chances are impaired by unclear political situation in the country. Dzurinda thanked Clinton for his previous support to Slovakia's effort to join Euro-Atlantic political and security structures. He wrote that he hoped that Clinton would support Slovakia's OECD bid. Slovakia was ready to enter the OECD in the nearest possible time. The entry would be a milestone for Slovakia and its people on the road toward economic stability and well-being, Dzurinda wrote. The step would help strengthen successful measures the Slovak Government had implemented in the sphere of macroeconomic stabilization and structural reform. The Government has devoted full attention to the U.S. reservations and their solution will be a matter of short time, Dzurinda wrote.

*From Slovakia Today, 25 May 2000*

## **IMF's FISCHER IS POSITIVE ON BULGARIA REFORMS**

International Monetary Fund First Deputy Managing Director Stanley Fischer said on Thursday he was satisfied with the progress of reforms in Bulgaria, one of the Fund's success stories. "The overall view is positive," Fischer told reporters on arrival in Sofia. "We expect to have growth of about four percent (this year). Serious reforms always take several years to bear fruit," he said. "This is quite possibly about to happen now in Bulgaria, particularly with European growth becoming stronger." Bulgaria's centre-right Government came to power and started comprehensive reforms three years ago. One of its first steps was to introduce an IMF-backed currency board, or fixed exchange rate mechanism, which has stabilised the financial sector and the lev currency. Since then, every major economic plan has been coordinated with the IMF, the Balkan state's biggest creditor. Bulgaria relies heavily on external funding to pay its nearly \$10 billion of foreign debt, and had a foreign debt-to-GDP ratio of 75 percent in February. The IMF has lent Bulgaria a total of \$1.1 billion since 1990, when the Balkan state joined the Fund. Sofia is halfway through a three-year 627.62 million Special Drawing Rights (\$853 million) agreement with the Fund, of which seven tranches amounting to around \$500 million have been disbursed so far. Under the IMF agreement, liberalisation of the energy sector and improving the operations of district heating companies and coal mines were among the priorities for Bulgaria this year and Fischer said they should be pursued. "The energy sector needs to become more efficient. Prices are high as they are but something has to be done," he said. Heating bills for an apartment in winter equal the average pension in Bulgaria and the Government, which faces a general election next year, has said it intends to freeze home heating costs till 2001.

*From ABC News, 25 May 2000*

## **THE AMERICAS**

### **ZEDILLO PRAISES MEXICAN ECONOMY, UNIONS PAN IT**

The Government used Labor Day to highlight booming economic growth, while independent unions marched in the streets and complained of a drop in salaries and lack of jobs. "We have had five consecutive years of economic growth and five consecutive years of more and more jobs," President Ernesto Zedillo told some 20,000 pro-government workers in Mexico City's Zocalo. Zedillo said his government had always promoted an economy in healthy financial shape and with price stability. "With reason you demand and want a vigorous economy that has a solid base so your salaries ...improve steadily," Zedillo told members of the Workers' Congress, which is closely linked to the ruling Institutional Revolutionary Party (PRI). Gross domestic product (GDP) grew between six and seven percent in the first quarter of the year, according to official estimates. The Government raised its growth forecasts for 2000 in mid-April to a range of five percent from 4.5 percent previously. The central bank is targeting inflation of below 10 percent this year, compared with 12.3 percent in 1999. But independent unions criticized Zedillo's economic policy, saying workers' buying power has diminished and that macroeconomic figures showing a booming economy had not translated into quality of life for their members. "The funds are not enough, the buying power of salaries is too small. With what you could buy 10 years ago, you can only buy a third now," Agustin Rodriguez, head of the National Autonomous University of Mexico Workers Union (STUNAM), and one of the march organizers, told Reuters. Of a population of 100 million, some 40 million Mexicans are impoverished and 26 million live in extreme poverty, according to government figures. Workers at the lowest level this year received a 10 percent raise - less than the 12 percent rate of inflation - in January in their minimum salary of approximately 4 dollars a day. Around 45,000

members from 150 organizations and campesinos from the National Union of Workers, which split away from the Workers' Congress, took to the streets of the capital on Monday, according to official estimates. "This is an act of protest against the circumstances and conditions which the workers are in," said Rodriguez. The nation needed over one million jobs annually, but was generating less than 600,000 jobs on average a year, he said.

*From Mexico-Novedades, 1 May 2000*

# Governance Systems and Institutions

## AFRICA

### ZIMBABWE WAR VETERANS TRY TO DISRUPT CORRUPTION TRIAL OF LEADER

Hundreds of chanting war veterans who are behind the occupations of more than 1,000 white-owned farms marched on Zimbabwe's High Court yesterday in an attempt to disrupt a corruption trial of their leader — Chenjerai "Hitler" Hunzvi. After weeks of political intimidation, farm violence and the murder of more than a dozen opposition party supporters, the case is a crucial contest between the rule of law and the forces of brute political power. As the leader of Zimbabwe's War Veterans Association, Dr. Hunzvi is arguably the second-most-influential man in Zimbabwe, after President Robert Mugabe. Mr. Mugabe effectively set the veterans of Zimbabwe's 1980 independence war from Britain above the law by refusing to remove them from occupied farms or halt a nationwide campaign of violence against opposition supporters. Against that charged political background, the crowd's loud show of support rattled High Court Judge Paddington Garwe, who held up the session for two hours, complaining that the veterans posed a threat to the court. Yesterday's trial resumed only after Dr. Hunzvi went outside and a senior Hunzvi aide climbed up the court's iron gates and shouted for supporters to stop chanting. Elsewhere yesterday, violence continued in the two-month campaign to seize white-owned farms and intimidate opposition-party supporters. Government supporters armed with axes and iron bars abducted five persons from a village in eastern Zimbabwe, killing the brother of an opposition candidate for parliament, a family member said. The murder, if confirmed by police, would be the 15th linked to Zimbabwe's land and political crises that have upped the stakes ahead of parliamentary elections expected next month. The war veterans' leader, Dr. Hunzvi, was charged in November 1999 with defrauding in 1995 the War Victims Compensation Fund, set up to pay veterans for injuries during Zimbabwe's war against white rule. Prosecutors have charged Dr. Hunzvi regarding three suspect claims, but have ignored a far broader scandal that reveals how Dr. Hunzvi rose rapidly from obscurity. He endeared himself to the political elite by certifying that dozens of high party officials suffered from apparently nonexistent war injuries, making them eligible for a payout. Prosecutors argued that Dr. Hunzvi, a physician trained in Poland, signed his own fraudulent medical examination as well as false claims by relatives. In 1998, a commission of inquiry concluded that "It was clear that Dr. Hunzvi deliberately set out to defraud the state through influencing his relatives to file applications for compensation and then facilitating the successful processing of claims." The inquiry includes a list of medical claims signed by Dr. Hunzvi that reads like a who's who of Zimbabwe's political and military elite. Acting Minister of Agriculture Joyce Mujuru and former Vice President Joshua Nkomo's widow, Johanna, testified at the inquiry that they were not even examined by Dr. Hunzvi but had medical exams signed by him. Some of his war veteran comrades have asked police to investigate the theft of several million Zimbabwean dollars from Zexcom, an investment fund set up by veterans from which Dr. Hunzvi is believed to have misappropriated funds. "Hunzvi is trying to protect himself. He faces a lot of criminal cases. His only salvation is to campaign vigorously for [the ruling] ZANU-PF [Party]," said one senior veteran in Zexcom's leadership who asked not to be named for fear of his life. Dr. Hunzvi, known by his middle name, Hitler, and his veterans have given Mr. Mugabe a central issue around which to campaign and have become the ruling party's shock troops in suppressing dissent in rural areas. In his closing argument, prosecutor Nathaniel Sibanda objected to the atmosphere of siege generated by Dr. Hunzvi's supporters: "The circumstances relating to the start of this trial are not conducive. We cannot afford any inflammatory statements." In London, meanwhile, the commonwealth yesterday dispatched Secretary-General Don McKinnon to visit Zimbabwe this month to convey international outrage over political violence and urge Mr. Mugabe to hold free and fair elections.

*From Washington Times, 3 May 2000*

### AFRICA'S LOW FOOD PRODUCTION DUE TO MARGINALIZATION OF WOMEN

For marginalizing its women farmers who produce 80 percent of its food, Africa has become the only continent where food production has been declining in the past 20 years, the president of the Hunger Project, Joan Holmes, has said. She noted that despite data showing the enormous contribution of African women to food production, governments have been doing nothing to change their status. She was speaking in New York Wednesday at a luncheon organized by women food farmers across the world attending the 8th session of the UN Commission for Social Development. Holmes said apart from doing most of the work in food production, harvesting, transportation, and marketing, African women food farmers also provide 90 percent of the water needs of the home. She pointed out that this contribution, however, contrasts with the situation where African women food producers own only 1 percent of the land, earn only 7 percent of income from their activities and get only 8 percent of credit. To help change this situation and pave way for Africa's greatness, the Hunger Project October launched an African Woman Food Farmer Initiative with a three-pronged approach. Holmes said the first aspect of the initiative is a public communications campaign to awaken Africa and the world to the contribution of African women farmers. The initiative also involves advocacy for the involvement of women in policy planning and decision-making as well as the empowerment of women through creating access to credit, savings and investment. Under the initiative, the Hunger Project has provided one million dollars for the provision of credit to women food farmers in Senegal, Burkina Faso, Benin and Nigeria, Holmes said. The executive director of the UN Fund for Women, Heyzer Noeleen, also complained of the fact that women's contribution to food production has not been recognized. This situation, she noted, was against



the realization that sustainable development could not be achieved when women are marginalized. She stressed that the capacity of women farmers has to be strengthened and the issues of poverty, inequality, ecology and conflict dealt with if humanity is to achieve sustainable development. A co-facilitator of women caucus at the commission's meeting, Bisi Ogunleye of Nigeria, said that women as custodians of natural resources have to be empowered for the sake of achieving sustainable agriculture. She said that it was because of the need to emphasize the role of women in ensuring sustainable development that the subject of agriculture and sustainable development was chosen for discussion at the current session of the commission. The luncheon, featuring dishes from Africa, the Caribbean and Asia, was to showcase the work of women in food production, she added.

*From Africa-PANA, 27 April 2000*

## **DONORS SAY TANZANIA'S ANTI-CORRUPTION FIGHT IS TOO SLOW**

Tanzania's bilateral donors have berated the Government over the slow pace in fighting corruption which is still endemic in all sectors of the country's economy. The concerns are some of the issues arising from a donor consultative group meeting ending in Dar Es Salaam Friday. President Benjamin Mkapa's Government has launched an anti-corruption strategy and action plan whose implementation has not yet begun. Donors, including European Union countries, said the first priority must now be to start implementing that strategy. In a unified statement delivered during the meeting, the donors said clarity was also needed urgently on how the strategy and the ministerial action plans would be implemented. This was because division of responsibilities between the main actors - namely the Government's anti-corruption squad, the Prevention Corruption Bureau, the minister of state in-charge of good governance and the chief secretary - were not explicit. An informal donor group was, however, following the work of the inter-ministerial committee which has been tasked with drafting a ministerial action plan and budget. Further concerns were raised over the reform of the legal sector, which is at the core of the anti-corruption strategy. The donors said it was difficult to see how the Government could expect to be credible in its stated commitment to try corruption cases unless it ensured that the judiciary had, at the very least, the most basic resources. In Tanzania, most courtrooms lack the very basic resources like paper and pen, and cases have been adjourned for months as courtrooms wait for stationery. "There is an urgent need to strengthen the judiciary's capacity to try corruption cases," the donors said. The Government has, meanwhile, been inviting the participation of the civil society, the media, and the private sector in fighting corruption, leading to an increase in the number of culprits apprehended. According to Mkapa, the number of reported cases in the last three years has increased threefold, showing the increasing willingness of people to report incidences of corruption. The donors, while expressing willingness to support the Government in the anti-graft war, said the authorities should show desire to co-operate with independent groups and the media, which are working to document "cases and causes of corruption and raise public awareness on this important issue." In 1999, the Germany-based anti-corruption watchdog, Transparency International, ranked Tanzania as the seventh most corrupt country in the world. According to the agency's local representative, Ibrahim Seushi, the conclusion was based on polls of 17 surveys carried out by 10 independent organisations.

*From Tanzania-PANA, 25 May 2000*

## **ASIA/PACIFIC**

### **THAI ELECTIONS: NO SPEECHES AND LESS TOLERANCE OF FRAUD**

Yesterday, election officials said more candidates could be disqualified for fraud, a radical move in Thailand. In a nation that has known 17 military coups in the past 50 years, this most recent upheaval has been a relatively quiet affair. There were no guns, no tanks in the street, no martial music on television and radio. The change this time is being wrought by sober bureaucrats, not brash men in military uniform. But as they shake up the political establishment, they are being treated to a measured drumroll. In March, the newly formed Election Commission disqualified 78 of 200 candidates for cheating in Thailand's first-ever senatorial polls. Yesterday, they claimed persuasive evidence of more fraud in the rerun elections against the unofficial winners in 11 of Thailand's 76 provinces. Analysts are calling this determined enforcement of law a revolution in the political order. Since the Senate cannot sit without a full quota of 200 members, it now looks as though Thailand's voters will be asked to go back and cast their ballots for a record third time. At one level, this is evidence of politics as usual. Elections here have long been marred by vote-buying and manipulation. Pre-election billboards habitually tell voters that "If You Love Democracy, Don't Sell Your Vote." But the "Old Guard" of Thai politics, with their money and influence, seemed unassailable. Until now. The nemesis of electoral fraud has been a new Constitution, promulgated in October 1997. Born of new constitutional rules, backed by a vibrant media, and buoyed by a public increasingly weary of corruption, bodies such as the Election Commission and a specially formed National Counter Corruption Commission are leading a crusade for reform. "The new Constitution is certainly changing things," says Pasuk Phongpaichit a social analyst and professor at Bangkok's Chulalongkorn University. "We have never had a Senate election. We have never had people disqualified for breaking rules. We have never had a single politician brought down by the official process." The latest reformists have already won some impressive battles. At the beginning of April, Thailand's interior minister, Sanan Kachornprasart, was an early casualty. The powerful minister, known as a "kingmaker" in the murky world of Thai politics, was forced to resign his post after the National Counter Corruption Commission filed charges that he had falsified financial statements regarding his personal wealth. Tearful before the nation's media, the interior minister denied that he had ever used his position for personal gain. For Thais, his resignation represented a constitutional first. Never before had such a powerful politician been so humbled by the rule of law. But while they're surely right to rock the boat, Thailand's reformers have also drawn flak for sometimes taking their crusade too far. In a move to ensure a fair race in the run-up to the recent senatorial ballot, the Election Commission decided it was

best to muzzle all the players, creating a level playing field. Candidates were banned from promoting themselves, from explaining their ideas or policies, and even from using a microphone to broadcast their views. But while it created an even playing field, Thai voters were left to sort through a confusing collage of campaign posters showing a candidate's portrait and his number. "My father told me I should choose candidate 208," says office worker Wanphen Kamwaboon. "But I don't have the faintest idea what he stands for." For their part, senatorial hopefuls were left to whisper and hint as to what they might stand for if elected. "Have you ever heard of elections where the candidates can't say what they stand for," grumbled a provincial official just before the vote last weekend. "We put a stage up for the candidates to present themselves to the people, but nobody turned up. They're afraid of breaking the rules. There's been virtually no campaign." If the measures look extreme, the extent of corruption in the political establishment may well justify the approach, political analysts say. But as Thais look ahead to national parliamentary elections later this year, they are asking themselves how many rounds it will take to fill the lower house with 500 corruption-free representatives. And if, as the apathy at last weekend's rerun suggests, fewer and fewer people will turn out to vote and Thailand's reformers may find themselves facing a bizarre democratic twist: they'll have cleaner elections but fewer voters.

*From Christian Science Monitor, 2 May 2000*

## **LEADER OF UPRISING WAS FIRED FOR ALLEGED CORRUPTION**

The man in control of Fiji is a failed businessman who has in the past year been under investigation by his previous employer and the Fijian Government for alleged financial irregularities. George Speight, the son of Sam Speight, a former MP, is believed to have been chosen as the front man for yesterday's coup by disgruntled indigenous Fijian politicians who have been sidelined by the Prime Minister, Mahendra Chaudhry, an ethnic Indian. Mr. Speight, a business graduate with degrees in marketing, management and finance from Andrews University, Michigan, was formerly managing director of a joint venture between Heath Fielding Australia, part of CE Heath Plc Group, the world's fifth-biggest insurance brokerage firm, and local interests. However, he was fired earlier this year and a special meeting of the Heath Group was to be held at the end of this month to discuss the results of an investigation into his directorship. Mr. Speight is also a former board member of a number of government-owned companies, including Fiji Pine Ltd, Fiji Hardwood Corporation Ltd and Telecom Fiji. He was fired from the boards of the timber companies by the Minister of Agriculture, Poseci Bune, when caught up in a controversy over the awarding of mahogany harvesting contracts last year. Fijians living in New Zealand said Mr. Speight was viewed as "part-European" rather than an indigenous Fijian, an important distinction in that country.

*From UK-Independent-Pacific Rim, 20 May 2000*

## **PAKISTAN SC MOVED AGAINST ANTI-CORRUPTION**

Lawyers for ousted Prime Minister Nawaz Sharif went to the Supreme Court on Thursday to challenge Pakistan's harsh anti-corruption law. The law, which bars the guilty from holding political office for 20 years and gives the authorities sweeping powers of investigation and arrest, was drafted by the army government to tackle corruption in Pakistan. The Supreme Court did not set a date to hear the challenge, although it is expected to be within the next month. Sharif faces several charges of corruption under this law. The military seized power in Pakistan last October in a bloodless coup that toppled Sharif's Government. The coup leader, General Pervez Musharraf, accused Sharif's regime of unbridled corruption as well as power-mongering that threatened to destroy Pakistan's institutions. Sharif and several of his colleagues were arrested. Sharif is currently serving concurrent life terms in prison on charges of terrorism and hijacking in connection with an incident on the day of the coup, last Oct. 12. On that day Sharif fired Musharraf as army chief and refused to allow Musharraf's aircraft to land in Pakistan. But the army revolted, took control, let the plane land and arrested Sharif. Sharif, along with dozens of other former politicians, bureaucrats and leading industrialists, have been charged with corruption. Former Prime Minister Benazir Bhutto is among those charged. Leading the crusade to clean up the corrupt in Pakistan is the army-led government's National Accountability Bureau, which was given sweeping powers under the law, now being challenged in the Supreme Court. Human rights groups and political parties have been sharply critical of the anti-corruption law, which they say tramples on the rights of individuals. Under this law anyone suspected of corruption can be held for 90 days without being charged, while the allegations against him are being investigated. Its author and the National Accountability Bureau's chief prosecutor Farooq Adam defended the law as the only weapon available to the state to tackle corruption, which has become endemic in Pakistani society. "I have said the law is draconian, but it is totally necessary," he said in an interview. "It is the appropriate measure to eradicate the evil that is corruption, corruption at such an endemic level as to erode the very roots of our state." Most Pakistanis, frustrated by relentless corruption, welcomed the army's promise to root out corruption and return stolen state wealth. Since the takeover, there has been growing criticism about the slow pace of the clean up, something Adam says is because white collar crime is difficult to prove and the accountability bureau wants to ensure its evidence will stand up in court. It also wants to avoid complaints of political victimization, he said. Another legal challenge of this law also has been filed with the Supreme Court by Sharif's Pakistan Muslim League.

*From Reuters, 26 May 2000*

## **THAILAND: SHIN CORP ACCUSES NATION MULTIMEDIA ON ETHICS**

The conflict over Shin Corporations' plan to buy its way into iTV escalated yesterday into open war between the telecom giant and Nation Multimedia Group, the station's shareholder leading the news production team. Apparently upset by the Nation's assertion that its entry into iTV may jeopardise the station's news independence, Shin Corp accused the group of exploiting its media image to

bargain for business interest. Boonklee Plangsiri, Shin Corp's chief executive, said the telecom giant had no conflict with Nation Multimedia over iTV news independence, only over individuals running the station. It was Shin's intention to retain executives to maintain iTV's style. Shin was interested in iTV because it had a vision for the technology business. News staff, led by Thepchai Yong, iTV's news director and younger brother of Nation Multimedia's editor-in-chief Suthichai Yoon, has campaigned against Shin Corp's plan to take up a 40% stake in ailing iTV. Both Mr Suthichai and group chairman Thanachai Theerapatvong have expressed concern over Shin Corp's possible entry into iTV. Nation Multimedia had earlier asked Siam Commercial Bank, a major shareholder, to take a "haircut" on its debt and sell new shares to a foreign investor. The plan was rejected. SCB, in turn, began negotiating with Shin Corp to buy 40% of iTV shares with the right to increase its stake to 80% in five years. Mr. Suthichai also proposed raising Nation Multimedia's stake to 12% from 10% and has negotiated a five-year news operation contract with iTV, instead of a two-year term proposed under the bank's restructuring plan. Sources said Mr. Suthichai also wanted the station vice-president Supharb Khleekhajai dismissed. Mr. Suthichai last year accused the former Nation staffer of being corrupt. Mr. Boonklee said the media was subject to public scrutiny and its independence would always be gauged by the viewer.

*From Bangkok Post, 26 May 2000*

## EUROPE

### POLAND'S OPPOSITION AND COALITION EXCHANGE CORRUPTION CHARGES

The opposition Democratic Left Alliance (SLD) believes that the current Government is largely responsible for flourishing corruption in Poland, PAP reported on 8 May. "Both the Solidarity Electoral Action and the Freedom Union (UW) have dirt on their conscience. In this respect there are no great differences between the two," SLD politician Wlodzimierz Cimoszewicz noted. UW parliamentary leader Jerzy Wierchowicz responded that "we are all responsible" for the spread of corruption. "Cimoszewicz's statement is to a large degree cynical and very impudent," an AWS activist Mariusz Kaminski commented, adding that it was Cimoszewicz's Government that passed one of the laws that has contributed the most to the breeding of corruption--namely, the law forbidding public officials from pursuing business activities. The SLD has suggested the signing of an "anti-corruption pact" to be observed by all forces in Poland that are opposed to corruption.

*From Poland Today, 10 May 2000*

## THE AMERICAS

### HARVARD KEEPS RESEARCHER ETHICS

Harvard Medical School officials have decided against easing strict conflict-of-interest rules, a move that would have allowed researchers to make more money through outside work. In a memo to faculty Thursday, Joseph Martin, dean of the faculty of medicine, canceled a June 1 meeting to discuss the proposed policy changes. "I believe that the most important role academic medicine can have in clinical research today is to try to bolster the public's faith in the veracity and ethical underpinnings of this noble endeavor," Martin said. Dr. Marcia Angell, editor of the *New England Journal of Medicine*, said she was delighted with the decision. "I was concerned that Harvard was going to relax its guidelines," said Angell, who last week wrote a withering critique of the research system, saying science is being compromised by the growing influence of industry money. Harvard researchers are prohibited from devoting more than 20 percent of their time to work outside of Harvard, holding more than \$20,000 worth of stock in a company for which they do research and receiving more than \$10,000 in fees or royalties. The ethics policy, widely considered the toughest in the nation, covers about 8,000 faculty members in 17 affiliated institutions in the Boston area. A committee assembled by Martin in 1998 recommended months ago that Harvard medical faculty be able to own larger amounts of stock and receive higher consultant fees, and still do company-sponsored research. In his memo, Martin called for a "national dialogue" involving top universities, government and industry to improve conflict-of-interest policies. Martin's decision came one day after the University of Pennsylvania said it would re-evaluate its policy following the death of a young volunteer in a gene therapy experiment and questions about a researcher's ties to a private company. Martin was a member of a panel whose report on the case was issued Wednesday. Earlier this week, federal health officials proposed fines of up to \$250,000 for scientists who violate medical research rules and fines of \$1 million for rule-breaking universities or hospitals. Health and Human Services Secretary Donna Shalala said the Government will hold responsible not just the scientist but the institution at fault. Any proposal must go through Congress, but Shalala announced additional steps that will start immediately: better training of the local medical boards primarily responsible for overseeing patient safety, tougher requirements that patients be fully informed of research risks, and improved monitoring of how patients fare day-to-day.

*From Associated Press, 26 May 2000*

## GLOBAL

### UN: NGOs APPEAL FOR GLOBALIZATION REFORMS

A large gathering of non-governmental organizations has adopted a declaration calling for reforms at the United Nations to more effectively deal with the world's problems. They single out the globalization of the world economy as a source of concern, as well as a potential benefit to the world, UN correspondent Robert McMahon reports. A global gathering of non-governmental organizations, or NGOs, has produced a document that calls on world leaders to make sweeping reforms to improve international controls on issues such as human rights, arms control, and economic globalization. The meeting last week at the UN headquarters in New York represented one of the world's largest gatherings of NGOs. It marked the first time that all of the major interests served by such organizations were considered at such a level. Nearly 1,000 NGOs from more than 100 countries attended the meeting, known as the millennium forum. The incentive was provided by UN Secretary-General Kofi Annan - the chance to influence the September Millennium Summit of world leaders at the United Nations, which is expected to be the largest summit of its kind. A 25-page declaration adopted at the close of the meeting last Friday pays special attention to the trend toward the broadening of world markets known as globalization. The document notes with concern what it calls "corporate-driven" globalization, which it says increases inequities between countries, undermines local cultures, and marginalizes large numbers of people. The paper says that states are becoming weaker, partly as a result of this kind of globalization, while the transnational private sector grows stronger. In the words of the declaration: "If the architects of globalization are not held to account, this will not simply be unjust. The edifice will crumble with dire consequences for everyone." But the declaration also says that globalization can be made to work for the benefit of all. It says this can happen if international financial institutions, global corporations, and governments are subject to democratic controls, via the United Nations and civil society. This is similar to a theme that dominated last autumn's controversial summit of the World Trade Organization in Seattle. The co-chairman of the summit, Techeste Ahderom says globalization was the most divisive item of debate among the NGOs. "The most heated discussions were around globalization. There were those groups that see nothing good about globalization. There was a very long list of negative aspects of globalization." The declaration indicates the NGO community's distrust of major world lending and trade organizations. One of its chief recommendations is to reform and democratize all levels of decision-making at the World Bank, International Monetary Fund, and World Trade Organization.

It calls for them to be integrated fully into the UN system and make them accountable to the UN's Economic and Social Council, a chamber of the General Assembly. The declaration also calls for a UN global poverty eradication fund that would give poor people access to credit. Such a fund could be financed by contributions from the public and private sector. The NGO document covers the main sectors of work by civil society. In the area of peace and security, it recommends that the United Nations establish a corps of trained mediators who could be called on to provide more prompt and effective conflict prevention. It follows up the call of the recent non-proliferation treaty review for the world's nuclear powers to expedite the elimination of their atomic weapons. It suggests a worldwide missile-launch warning system and a conference to review ways of ending production of long-range surface-to-surface missiles and long-range bombers. The NGOs express general dissatisfaction with the way the UN Security Council has performed. The declaration calls for the immediate enlargement of the 15-member council, with newly elected members drawn from the member states of different regions of the world on a rotational basis. The NGOs also want the United Nations to move toward the creation of alternative revenue sources - such as taxing use of air and ocean routes - as a way of reducing dependence on key members such as the United States. Will these recommendations be heard? The UN Secretariat has promised to convey them to the Millennium Summit in September. UN Assistant Secretary-General Miles Stoby, who is coordinating the summit, told the NGOs on Friday that he would seek to make their declaration an official document of the summit. Stoby said the NGO forum last week was a milestone for international organizations. "The occasion of this meeting may well mark an important turning point in the collaborative arrangements of civil society organizations among themselves as well as forecasting a new direction for the relationship between civil society and the United Nations." But it is unclear how the NGO consensus paper will connect with world leaders. The forum's organizers said a number of poorer NGOs who wanted to attend last week's gathering were unable because of lack of money.

*From Radio Free Europe, 29 May 2000*

# Civil Services & Ethics in Public Sector

## AFRICA

### 20 PERCENT SALARY INCREASE FOR GHANA'S CIVIL SERVANTS

The Ghana Government has increased by 20 percent the salaries of civil servants, members of Ghana National Association of Teachers, Ghana Registered Nurses Association and the Judicial Service Association. According to a circular signed by the head of the civil service, Robert Dodoo, the increase takes effect 31 March. The information has been received with mixed reaction, as some criticised the percentage hike while others said it was better than nothing. Some civil servants said that in view of the present economic conditions and the additional 2.5 percent in the VAT rate, the increase is inadequate. "We feel so desperate about our situation. We cannot pay school fees, our rent, and other things; prices of commodities go up everyday. Therefore, we were expecting about 40 percent or even 35 percent. But now, I am so disappointed because 20 percent of my salary is just a pittance," one civil servant lamented. However, the second deputy executive secretary of the Civil Servants Association, Abubakar Joris, said the increment was a good bargain for a start. "The association would rather like to thank the Government for granting us the increase and not waiting for an industrial action. We, however, hope that consultations and negotiations will continue until our salary levels are brought to that of our counterparts in the public sector," he said. "The recommendations of the Ghana Universal Salary Structure must be implemented to ensure equity and fairness for equal value of work and pay. Those with misgivings about the structure must critically assess it and make recommendations, but not reject it entirely," he added. Joris, who is also director of Grievances and Disputes, stressed that the working conditions of Ghanaian civil servants were very poor and need improvement. "Until this 20 per cent increment, the least paid worker in the civil service was getting 80,000 cedis, while his counterpart in the public service gets between 200,000 cedis and 250,000 cedis. It is the value of work that must determine salary levels and not where one works," he explained. (1 US dollar = 4,800 cedis). Joris said though civil servants are prepared to make sacrifices in the interest of national development, it is at present difficult to accept that Ghana has no money to pay more wages when some government officials live in luxury. "We know what is happening because we live with them. There are some ministers who had nothing before their appointment but now they have five cars and big bellies," he added. Joris said because of the poor conditions, the service is no longer attractive to brilliant graduates. "The days are far gone when everybody who left school wanted to work for government. These days they seek greener pastures," he noted. He, however, urged civil servants to accept the increment and work hard to ensure prosperity, peace, and stability for the nation.

*From African News Online, 30 May 2000*

## ASIA/PACIFIC

### KOREAN HOLIDAY PLAN FOR CIVIL SERVANTS DEEPENS WORKWEEK DISPUTE

An inter-ministerial controversy over a proposal to give public servants alternate Saturdays off is deepening a dispute in labor and business circles, which are currently negotiating the possible introduction of a five-day workweek. "We welcome the proposal as a natural outcome of what is becoming an international and domestic trend," said Yoon Woo-hyun, an official of the Korean Confederation of Trade Unions (KCTU) in a public hearing yesterday, "Hopefully it represents a first step toward the introduction of a five-day workweek." The business circle, meanwhile, voiced opposition to the proposal, saying the nation's existing economic situation does not warrant the implementation of such a system. Business insiders said the system would put a damper on local businesses that have just begun to recover from the economic crisis. "If public officials start taking every second Saturday off, the unions will start making demands for a similar system as a step toward introducing the five-day workweek," said a company president who asked not to be named. "In that event we would have little grounds for rejecting such a demand." Though talk of introducing such a system is not new, the proposal was publicly made by Planning and Budget Minister Jin Nyum late last month during a briefing with President Kim Dae-jung. Under the proposed system, public officials would take every second and fourth Saturday off while working from 9 a.m. to 5 p.m. on the other Saturdays. Ministry officials said the system would help counter the "inefficiencies" of the existing system, under which civil servants work from 9 a.m. to noon on Saturdays. The officials also said the system would eventually help improve the quality of life for the nation's 800,000 public officials. Among the 29 OECD countries, Korea is the only one where public officials work on Saturdays, officials said, adding that the other member countries have already introduced the five-day workweek. Among the 100 largest local companies, 68 offered employees at least one Saturday off a month in 1998, officials said. The Planning and Budget Ministry's proposal prompted a backlash from the Ministry of Government Administration and Home Affairs, which is in charge of working conditions for public officials. Apparently disgruntled by what it viewed as a case of the Planning and Budget Ministry overstepping its authority, officials at the Home Affairs ministry voiced opposition to the system, saying that the time was still not ripe for such a move. Based on public opinion at the hearing, the ministry plans to make the final decision on the proposal after consultations with other related ministries.

*From Korea Herald, 10 May 2000*

## CHINESE CIVIL SERVANTS PUSH FOR PAY RISE

The largest civil service union has dropped its support for a pay freeze and is pushing for a 1.61 per cent increase across the board, despite the cut suggested by a private sector wage survey. The Chinese Civil Servants' Association attacked Liberal Party chief James Tien Pei-chun over his call for salaries to be reduced. "I suspect people like James Tien are ignorant of the civil service pay adjustment mechanism. But he just keeps talking and talking," said association spokesman Peter Wong Hyo. The private sector wage survey, which the Government uses to adjust pay for civil servants, found that salaries had fallen over the past year by 0.62 per cent for lower-ranking staff and by 0.7 per cent for middle-ranking staff, but had risen by 0.87 per cent for senior staff. After deducting the annual increments many civil servants receive based on seniority, the net indicator comes to minus 1.78 per cent for junior staff, minus 1.97 per cent for middle-ranking staff and minus 0.41 per cent for senior staff. But the association, which said last week it supported a freeze, yesterday said the 189,000 civil servants deserved a raise this year. Mr. Wong said civil service pay adjustments had been lagging behind the private sector over the past decade. Accumulated differences had reached a positive of 2.59 per cent for the lower band, minus 3.58 per cent for the middle band and minus 3.32 for the upper band, according to the association. "The Government's deficit budget is turning into surplus and the economy has recovered. It's time the Government repaid us some of the difference," he said. The group demanded a 1.61 per cent increase after offsetting the negative indicators with the accumulated difference over the past decade. But not all unionists agreed. The chairman of the Government Disciplined Services General Union, Wong Wai-hung, said a pay freeze was more acceptable. "After weighing up the economic environment as well as public sentiment, a pay freeze is a good arrangement," he said. Chan Cheung-ye, who represents junior ranks in the Model Scale I Staff Consultative Council, said he was shocked by the pay-rise call. "The general sentiment is to accept a pay freeze. What the association has proposed is rather surprising," he said, adding he would study the rationale before deciding whether to back the call. The Pay Trend Survey Committee is to endorse its indicators at a meeting this week.

*From Reuters, 12 May 2000*

## CORRUPTION AND INEFFICIENT CHARGES: 1,000 CBR EMPLOYEES DISMISSED

Chief Executive General Pervez Musharraf announced here on Thursday the dismissal of 1,000 employees of the Central Board of Revenue (CBR) on the charges of corruption. Speaking at a news conference here he said: "We need a real purging of the corrupt elements and as a first step 1,000 employees of the CBR belonging to excise, Custom and Income Tax departments have been removed from their jobs." He accused them of "plundering the wealth of the country," and warned "they cannot be allowed to continue working in their present positions". He said details in this regard will be provided by finance minister on Friday. He said the Government has chalked out a plan under which downsizing will be carried out in other departments also. Gen. Pervez Musharraf said downsizing would start from the ministry of information and as a first step 2,500 people including those working in PTV, PBC, APP and elsewhere would be relieved. However, he assured that "competent and honest people did not have to worry as they will not be touched." He claimed that his Government has achieved a turn around in many fields and that by the end of this year, things would further improve to put the economy back on track. He declared that documentation of the economy will start from May 27 through the distribution of tax survey forms to traders and employees of the Government and private sector. "I would urge traders not to oppose this campaign as nobody could deter me to undertake this job to increase revenues". Nevertheless, he assured that he would not allow the tax machinery to victimise the traders. "Both the tax payers and the tax machinery will have to behave", he said. Gen. Pervez Musharraf warned traders that he was not afraid of their strikes. "Let them close their shops for ten days but whenever they will open their shops, we will get the survey forms filled by them," he added. He said "there is no going back in this matter and the message should be loud and clear for the traders." Gen. Pervez Musharraf said he realised that there was a corrupt tax machinery and that was why the Government has deputed the army to go with the CBR people for tax survey. "Be rest assured I would not allow the CBR people to victimise anyone," he declared adding that tax survey was being started initially in 13 cities and that by December 31, the department would complete the survey. "My modest assessment is that we will get an additional amount of Rs 100 billion through this campaign." He said any trader whose income was below Rs 1 million did not have to worry. He said that a decision has been taken to reduce the number of taxes. There were 25 taxes in the provinces which were being merged to decrease this number. "We are also removing the discretionary powers of the tax authorities which will help remove the complaints of the traders". He said there was a potential of Rs 600 billion revenues. He said fudging of revenues had caused a loss of \$55 million which had been paid to the IMF because the previous government had indulged in the fudging of revenues to show a less budgetary deficit. He admitted that nothing much has been achieved on the economic front so far but asserted there could not be quick fixes and that people will have to wait for sometime to see the Government efforts bear fruit. The major problems, he continued, were the identification of the problems which were causing damage to the economy. He said it required Rs 19 billion for the golden handshake scheme to the employees of the Pakistan Steel. But he claimed now Pakistan Steel was working on a 100 per cent capacity. The economic revival programme, he pointed out, will continue to be the focal point of the Government's strategy and through good governance, corruption will be removed and revenues collected for the welfare of the people. The chief executive said that due to huge debt burden, the Government was paying Rs 180 billion as service charges on debt. "We have to restore our honour and dignity by generating resources so that we do not have to go to the IMF every month for checking of accounts," he added.

*From Pakistan-Dawn, 26 May 2000*

## EUROPE

### POLAND SETS UP TASK FORCE TO FIGHT CORRUPTION

Deputy Premier and Finance Minister Leszek Balcerowicz on 15 May announced the creation of a corruption-combating team subordinated to the cabinet's Economic Committee, Polish media reported. The team will be composed of representatives of the Justice, Interior, Finance, and Economy Ministries. Balcerowicz said he also invited representatives from the Supreme Audit Chamber and the World Bank as well as experts from nongovernmental institutions to cooperate with the anti-corruption team. The team is expected to propose by 20 June legislative amendments that could prevent or block corruption practices. A World Bank audit said loopholes in Polish legislation provide for the manipulation of privatization deals and irregularities in awarding state contracts, operating licenses, and tax exemptions.

*From Poland Today, 17 May 2000*

### SLOVAK POLICE FIGHTING CORRUPTION IN THEIR OWN RANKS

Slovak Police President Jan Pipta said today that if the police were to fight corruption in society, they themselves must be "clean." Anton Razga, director general of the Interior Ministry's internal inspection, said that his department last year made 220 proposals to investigate policemen on suspicion of corruption and 193 of them had been prosecuted. Razga said that nine policemen reported to the inspection last year that someone had tried to blackmail them. He added this was one of partial successes in fighting corruption within the police. The meeting of police presidium representatives and heads of regional police directorates was aimed to promote police participation in the program of nation-wide struggle against corruption which was launched by Premier Mikulas Dzurinda in late February.

*From Slovakia Today, 12 May 2000*

## MIDDLE EAST

### SYRIA CONTINUES ITS CAMPAIGN OF FIGHTING CORRUPTION

The Syrian authorities have continued their campaign in fighting corruption. It summoned on the former deputy premier Muhammad Haidar Haidar to be presented before the court. Meantime, the Syrian ministry of finance released two decisions for reserving transferred and non-transferred assets of former deputy premier for economic affairs Salim Yassin and the transport minister Mufid Abdul Karim. In the "official advertisement page," the Syrian state-run daily Tishreen published one advertisement from the chairman of the supreme state security court judge Fayez al-Nouri in which he called on Haidar to come back to Damascus to be tried for criminal charges against the state. The text of the court call said "the convict Muhammad Bin Haidar Haidar, as the place of your residence is unknown and you had fled the justice, it was decided to inform you, in the local media, to be present at the state's supreme security court to be tried for the case raised against you. The date of the trial is Wednesday, June 28, 10 a.m." The advertisement stated that if Muhammad Haidar will not attend the trial he will be tried in absentia. Since 1970 Haidar had moved in several Party and official leading positions, until he had become a member in the Baath Party national and regional leaderships, besides his post as member of the "national progressive front." Haidar was the deputy premier for economic affairs in the Government of Mahmoud al-Ayoubi (the al-Ayoubi Government was at the beginning of the 1980s, after which came the Government of Abdul Raouf al-Kasm and then of al-Zou'bi in 1987). Muhammad Haidar left Syria since 1983. In the context of the same framework, it was said that the executive authority in Syria released two decisions for reserving transferred assets of the former deputy Premier for economic affairs Salim Yassin and the transport minister Mufid Abdul Karim. The decision also reserves the assets of the two wives of both Yassin and Abdul Karim and their children. The Syrian ministry of finance released the two decisions on Saturday. However, Abdul Karim was suspended on May 22, the day when former Prime Minister Mahmoud al-Zou'bi committed suicide by shooting himself. Other well-informed news reports in Damascus said that others were suspended in various ministries by decisions released by the central commission for inspection and auditing. Among those were former directors general of companies. In May 1999 the Syrian ministry of finance reserved assets of the former director general of the Syrian Airlines Company, retired Lt. Gen. Omar Rida, at charges of losing US \$100 million on a maintenance operation for two planes for the company.

*From Arabic News, 23 May 2000*

## THE AMERICAS

### TEXAS SCHOOL OFFICIAL PUSHES ETHICS PROGRAMME

Accountability of teachers, administrators and other employees in the El Paso Independent School District might be enhanced soon, a district official said Monday. Joe Loya, the district's deputy superintendent, said he wants the school board to consider approving the development of the Districtwide Compliance Program, aimed at enlightening employees about legal and ethical standards. The

program targets local, state and federal guidelines, including regulations for expenditures, sexual harassment and curriculum. "I think the school district needs to have a program in which everyone has an understanding of what their responsibilities are - and at the center of this compliance program you have a code of ethics," Loya said. He said the program should help reduce incidents such as the one at Burges High School last week, in which a teacher allegedly altered the grades of a student. The district is investigating the allegation. "You have to have a full awareness of what your job and responsibilities and ethics really are," he said. Loya said it will cost \$190,000 to staff and operate the program. "What I'm looking at is beefing up the audit staff," Loya said. Trustee Dan Wever said he supports the philosophy behind the program. "It looks great on paper, but it shouldn't be costing us any money," he said. Wever said the district already should be enforcing and emphasizing rules and regulations. The board today also is expected to honor employees who have spent most of their careers in the district. Two employees -- Ernestina Garcia from Hart Elementary and Maria Montes from Crockett Elementary - will be honored for 45 years of work in the district. Ninety-seven employees with 30, 35, and 40 years of service also will be recognized by the board.

*From El Paso Times, 9 May 2000*

## **CANADIAN PUBLIC SERVICE UNION ON GUARD FOR 'RISE OF RIGHT WING PARTIES'**

The cash-strapped public service union says it will spend part of its communications budget on fighting right-wing parties like the Canadian Alliance, which it sees as a threat to equality in the country. Nycole Turmel, vice-president of the Public Service Alliance of Canada (PSAC), told a news conference kicking off the union's triennial convention that money will have to be spent to fend off parties seen as a threat to the organization. "When you look at (the Canadian Alliance's) agenda and their platform, it's really a threat for our membership, but it's also more than for our membership, it's a threat for the entire population of Canada for equality for everybody," Turmel said. "We've been fighting so many years to be equal, so we won't let it go like that, so we'll have the money for that." The union, which represents 140,000 federal civil servants, has spent years battling the Liberal Government on such issues as pay equity and access to the \$30-billion pension fund surplus, which is still before the courts. But now Turmel says PSAC is concerned that an even less union-friendly party like the Alliance might actually have a run at governing. The Canadian Alliance is the product of a recent merger between the Reform party and pockets of small-c conservatives across the country. Its newly drafted policy declaration calls for the elimination of affirmative action programs, and endorses "free and fair collective bargaining." "We're going to have mobilize our members, our delegates, to ensure we don't have a government in place that is going to go against our objectives and our priorities," said Turmel, who is running for the presidency of the union. Turmel said PSAC made a decision seven or eight years ago to no longer endorse a party during a federal election. But she said members would be encouraged to meet with candidates in their ridings, and decide who has the best policies. That would narrow things down to the Liberals, the NDP and the Bloc Quebecois, she said. This week's PSAC convention is expected to be heated, with the executive calling on members to support an increase in dues. Outgoing president Daryl Bean says the organization ran a \$7.9-million deficit last year, and is forecasting a \$5-to-6-million deficit for 2000. The union has gone over-budget for the past several years, and depleted its emergency funds in its successful battle for a \$3.6-billion settlement on pay equity, and negotiating collective agreements, he said. Delegates will be asked to approve an increase of \$4 per month in 2001, \$2.34 in 2002, and \$2 in 2004. A government worker currently pays an average of \$40 to \$50 per month in union dues. "With the dues increase, that would result in us getting back in a balanced budget and getting back our reserves," Bean told the news conference. But the increase won't necessarily go over well with members, some of whom complain that other organizations such as the Canadian Auto Workers union are more successful at contract negotiations. "How do you think we feel when the CAW is getting a good deal?" said Revenue Canada worker Beatrice Henderson. "I don't mind a dues increase, but I want good service for my money." The PSAC convention runs until Thursday.

*From Vancouver Sun, 1 May 2000*

## **TAB FOR LOS ANGELES CORRUPTION PROBE TO TOP \$17 MILLION NEXT YEAR**

City and county governments will spend at least \$17.6 million next fiscal year investigating police misconduct and improving police operations, a figure that officials say could rise as the corruption probe grows. The estimate does not include either the \$30 million Mayor Richard Riordan has proposed setting aside for potential liability arising from civil suits or the \$2.7 million already spent this year on the corruption investigation. The Associated Press requested current and estimated costs from the city and county departments involved in the investigation. Both entities are beginning budget debates for the 2000-2001 fiscal year, which begins July 1. The ongoing corruption probe centers on allegations that Los Angeles Police Department officers falsified reports, lied under oath, planted evidence and in some cases shot unarmed suspects. To date, 67 convictions have been overturned and about 30 officers have been relieved of duty, fired or suspended. The county is projecting additional costs from the scandal of \$6.5 million, including \$3 million to the district attorney's office and \$3.5 million for public defender services, said Los Angeles County Chief Administrative Officer David Janssen. The amount is just a fraction of the county's \$15 billion budget, but it represents more than 12 percent of the \$48 million the county expects to receive in additional revenue this year. Janssen said he would have preferred using the money to hire additional Child Protective Services or mental health workers, as well as adding sheriff's deputies and detectives to make up for previous cutbacks. "We have all kinds of programs that could use money," he said. "It's a draw on the money that we obviously would prefer we didn't have." The city's projected expense in the next fiscal year for investigating and cleaning up the police department is \$11.1 million. That includes \$1.4 million for the city attorney's office, \$6 million to implement improvements and \$854,000 for the police commission's review. Despite the costs, city programs aren't likely to be affected, officials said. Revenues to the city budget are expected to be \$150 million more than last year. "We're talking about a \$3 billion budget ... and the police



commission is about \$1 million," said Councilman Mike Feuer, chairman of a budget committee that began hearings Wednesday. "It's a tiny percentage."

*From CNN News, 27 April 2000*

## **DOMINICAN PRESIDENT VOWS TO ERADICATE CORRUPTION**

Dominican President-elect Hipolito Mejia said Sunday that he would wipe out government corruption and threatened to jail crooked public officials. "I have promised not to taint my hands with blood or money during my administration, but neither will I allow any act of corruption by any official or civil servant," Mejia said in the northern city of La Vega. "We will act in a firm and responsible way, strictly enforcing the provisions of the law and the constitution of the republic," the president-elect added. Mejia said he has the responsibility of changing the "course of ineptitude and corruption that have tarnished all sectors of the nation in recent years." The president-elect said he was also committed to ending the poverty that affects millions of Dominicans, who lack food, public services and decent housing. Mejia is visiting the northern part of the island with his wife, Rosa Gomez, and a group of Dominican Revolutionary Party (PRD) legislators to thank voters for his election victory last Tuesday. Mejia, who promised not to seek re-election, will be sworn in as president Aug. 16 for a four-year term.

*From Hispanic Vista, 22 May 2000*

## **NEW JERSEY JUSTICE'S CAREER TIP: THINK PUBLIC SERVICE**

State Supreme Court Chief Justice Deborah T. Poritz urged Monmouth University's Class of 2000 yesterday to consider public service as a possible career. "There is great satisfaction in public service," Poritz told the roughly 1,000 graduates at the school's 66<sup>th</sup> annual commencement. "Do not forget those who are less fortunate than you are. Most of you cannot remember a time when we have not had prosperity in this nation. Find ways to give something back of what has been given to you. Whatever you do, I urge you to find some way to serve." The graduates will embark on a "great adventure" now that they have completed their educations, she said. "My education was the foundation for everything I was able to do," she said. "You will play a part. None of us knows what the next day will bring. I never expected to become attorney general or chief justice. But I was and I am." Poritz received an honorary doctor of laws degree. Sunny skies and a brisk east wind kept the audience cool during the more than two-hour ceremony, held on the lawn behind historic Woodrow Wilson Hall. The graduates whooped and cheered when Dr. Robin Sakina Mama, program director of the Bachelor of Social Work program, was awarded the Distinguished Teacher Award. Her research and scholarship at the university have been in the area of professional practice, including violence at work and multicultural social work practice. "It is certainly an unprecedented event in my life and one that I will always cherish," Mama told the audience. "Graduates, your faculty congratulates you today on what you have achieved." Also receiving honorary degrees were Robert W. Lucky, Herbert L. Axelrod and James M. Oleske. Oleske, who received a doctor of science degree, is a professor of pediatrics and director of the division of allergy, immunology and infectious diseases at New Jersey Medical School. He is a co-founder of the Children's Hospital AIDS Program. Oleske underwent a multiple heart bypass operation 10 days ago. He urged the graduates to make a difference each day by doing acts of kindness. "Acts of kindness are really the fulfillment of the three great virtues of faith, hope and love," he said. "Every day in your daily activities you can improve the quality of life by performing those small acts of kindness for others." Lucky was recognized as an inventor and leader in the emerging high technology field, while Axelrod is a world-renowned tropical fish expert.

*From Asbury (NJ) Park Press, 18 May 2000*

## **BUDGET CUTS: CIVIL SERVANTS TARGETED**

In the coming days, and possibly as early as today, the Argentina Government will announce how and where it will cut the budget by 600 million dollars to ensure that a tough budget deficit target for this year is met. Although no official announcement has been made yet, all indications are that the cuts will be achieved primarily by reducing salaries for government employees, except those in the military and security branches. About 110,000 employees in all will be affected, and reductions - beginning with those in the 800-1,000 pesos range - will be graded, according to the employee's salary. To avoid problems, the Government will need some help from the Supreme Court. In 1995, the Menem administration also implemented salary cuts, which were subsequently challenged in the courts. By no coincidence, the court is expected to rule on one of those cases in the coming days. If it upholds the action taken by the Menem Government, that would essentially remove any grounds an aggrieved employee would have to challenge the reduction expected from the De la Rúa administration. Fortunately for De la Rúa, the court appears disposed to rule in his favour. The fact that the administration has been purportedly sounding out the court on the issue, not to mention the fact that the court has always been keenly aware of which way the political winds are blowing, does not exactly suggest that the separation of powers or the inviolability of the Constitution are enshrined values yet in Argentina, but some might argue that this is no time to become purists. And in a sense, a more immediate issue is at stake: finding a way to get the country out of the terrible sense of paralysis with which it has been stricken in recent weeks, as what appeared to be a steady, though unspectacular, economic recovery has ground to a halt. The budget cuts are not just intended to ensure that this year's budget deficit target of 4.7 billion dollars (including 200 million for the PAMI, the health insurer for the country's retirees) agreed to with the IMF is met, but to send a message to investors that the Government is serious about hitting that target. Put more plainly, the Government wants to send the message: "4.7 billion or bust!" Not surprisingly, the Government's commitment - opponents would say fixation - with meeting that target has sparked criticism from everyone from Peronist legislators to ex-President Raul Alfonsín to the Catholic Church. The basic

argument is that rather than concentrating on trying to satisfy international investors or the IMF, the Government should be doing more to relieve the truly deplorable situation much of the population faces, especially in the poorest provinces. And the way to do that, critics contend, is by spending more, or even renegotiating the country's debt. In the process, some of those critics - who are only worsening the situation with their panic-laden warnings of social upheaval - have displayed an exceedingly slender grasp of some fundamental economic issues. For instance, as numerous commentators have pointed out, the investors who would be hurt most by any waffling on the country's financial commitments would be the millions of Argentines who are enrolled in the country's private pension funds, or AFJPs, which hold around nine billion dollars in Argentine debt. The portrayal of the IMF as the bad guys in this situation also has a certain element of absurdity. Not only do the critics totally misunderstand - or worse, distort - the role of the multilateral agency, but they are unaware - or ignore - that political forces in the US, the country which has the biggest say over the fate of the IMF, are actually aligned against the organization for completely the opposite reason. That is, the most influential group of US critics, drawn principally from the Republican Party's conservative wing, oppose the IMF because they contend that the organization - by bailing out countries, no matter how badly they mismanage their economies - encourages irresponsible behaviour by countries and investors alike. Thus, when prominent Alliance politicians criticize the IMF by pointing out that Argentina's deficit nearly doubled during the Menem years, despite an agreement with the IMF, US critics wholeheartedly agree. But while Argentine critics want "more compassionate" policies - note that none of those critics has openly called for breaking with the IMF - US critics just want to get rid of the organization. Solving situations like Argentina's isn't just about maintaining Argentina's credibility, it's about maintaining the IMF's credibility. Ironically, however, De la Rúa's critics who argue that the solution is not increasing, but decreasing taxes, would actually find support from many of those same US-based IMF critics. The notion that cutting taxes would unleash the wealth-creating potential of the private sector formed the foundation of the presidency of Ronald Reagan, undoubtedly the most conservative President of the post-war era. And De la Rúa critics who contend that the solution is for the Government to spend more could draw sustenance from policies enacted during the presidency of Franklin Roosevelt. Taking office during the worst depression the country ever faced, Roosevelt immediately took measures to increase government spending - and thereby deficit - in an effort to reactivate the economy.

*From Buenos Aires Herald, 26 May 2000*

# Information Technology for Development

## AFRICA

### POST OFFICE STAMPING AROUND THE INTERNET

The South African Post Office is working on a pilot project to test the viability of selling postage stamps over the Internet. Spokesperson Brian Dean in a statement on Thursday said customers could expect to buy stamps on the Internet by the end of the year. He said the post office was being assisted by Kara Technology, a US-based development leader in online postage and security, and as well by Francotyp-Postalia, leaders in the areas of remote meter-setting technology and service. "These companies are helping the post office to deliver a secure, reliable and world class postal service," Dean said. Depending on the outcome of the project, customers could enjoy the convenience of buying and printing stamps "at the click of a mouse". Only a personal computer, a laser or inkjet printer and an internet connection were required for buying and printing stamps. Dean said the new postage imprint would include a bar code security feature. "Customers will have the access of buying stamps anytime," he said.

*From S-Africa-IOL, 25 May 2000*

## ASIA/PACIFIC

### AUSTRALIAN NEW RULES TO GUIDE INTERNET TRADE

The Federal Government has unveiled what it hopes is a world-class code of conduct for Australian businesses operating on the Internet. The Minister for Financial Services and Regulation, Joe Hockey, said the model code reinforced the Government's objective of establishing a world-class "consumer sovereignty environment in Australia". The code translated best practice in consumer protection and industry self-regulation to the online marketplace, he said. The code's recommendations include: A qualified "opt in" arrangement for commercial e-mail whereby businesses can forward e-mail only to existing customers and those who have requested it. A requirement that businesses clearly identify themselves to match their offline contact and ID details. Requirements that businesses use secure payment methods and respect consumers' privacy when handling personal information. The issuing of the code coincides with that of the Government's proposed federal privacy legislation for businesses operating in Australia. Attorney-General Daryl Williams told an Australia-Israel Chamber of Commerce function on Friday that businesses that did not adopt privacy codes of their own would be bound by new national privacy principles. These would provide that personal information could be used or disclosed only in a way that was consistent with people's expectations, or where it was in the public interest to use or disclose it. Mr. Williams said the legislation's requirements would cover all forms of personal information, including e-mail addresses, names, credit-card details, and purchasing habits linked to an e-mail address. "People are justifiably concerned about the way their personal information is collected and where it will end up," he said. Consumer confidence and privacy concerns could have a significant impact on the balance sheet. The negative impact the issue could have had been demonstrated by the consumer backlash to Double-Click's proposal to cross-reference people's names and addresses with data relating to their online shopping habits, Mr. Williams said.

*From Australia-Canberra Times, 22 May 2000*

### AUSTRALIAN INTERNET LAW THREAT TO TV

Every television set in Australia could become a lightning-fast Internet screen under new government legislation, creating the potential for a new breed of high-technology media companies to compete with traditional TV operators. The plan appears to be a significant concession to media companies like John Fairfax - owner of The Age - and Mr. Rupert Murdoch's News Ltd, who have been lobbying the Government to allow them to connect viewers to the Internet to make their proposed "datacasting" channels more attractive. But the owners of the big commercial TV networks - Kerry Packer's Nine, Kerry Stokes's Seven and Canwest's TEN - fear they will lose viewers to the massive array of video and audio entertainment available on the Internet. The biggest worry for the commercial broadcasters is that it will become possible to watch the latest full-length movies on the Internet - a clear challenge to their stranglehold on TV drama. The legislation prevents datacasters from providing content in "genres" regarded as the province of free-to-air television such as drama, current affairs, sport, light entertainment, variety and game shows. But it is unclear how this could be enforced once the datacasters give customers access to the Internet on their home TVs - a task the Australian Broadcasting Authority must sort out within 12 months. The federal Communications Minister, Senator Richard Alston, revealed the Government's latest plan to revolutionize the home TV when he released the Broadcasting Services Amendment (Digital Television and Broadcasting) Bill yesterday. It overturns draft legislation which would have prevented prospective datacasters from connecting customers to the Internet, and restricted them to offering services such as home shopping, e-mail, on-line banking and limited news bulletins. Senator Alston said yesterday that datacasting licensees would be allowed to operate as Internet service providers under his legislation. "In common with all other means of accessing the Internet, this would allow users of datacasting services to have

access to programs such as video clips of news stories, or streamed audio and video services where they are made available on Web sites," he said. "However, there is currently some uncertainty whether services such as streamed audio and video obtainable on the Internet are, legally, broadcasting services." The Australian Broadcasting Authority would give the matter "detailed consideration" over the next 12 months. John Fairfax spokesman, Mr. Bruce Wolpe, said the company was pleased with the Government's decision to allow datacasters to provide access to the Internet. "Senator Alston listened very carefully to our arguments about allowing datacasters to become Internet service providers and we appreciate the fact that he has listened to us," Mr. Wolpe said. The managing director of the Federation of Australian Commercial Television Stations, Mr. Tony Branigan, made clear the major networks had significant reservations. "Provided the datacasters do not use access to the Internet to circumvent the laws which prohibit them from broadcasting traditional programming, then we are fairly relaxed about the decision to allow datacasters to become Internet providers," Mr. Branigan. The legislation prevents the two national broadcasters, the ABC and SBS, from broadcasting more than one TV channel each. The big commercial channels will be able to use new digital technology to dramatically enhance their coverage of sporting events. Viewers will be able to watch simultaneous coverage of other matches, instant replays, a choice of camera angles and facts and figures, all with a flick of the remote control.

*From Australia-Melbourne Age, 11 May 2000*

## **SYMPOSIUM HELD ON INFORMATION TECHNOLOGY AND WESTERN DEVELOPMENT**

The Chinese Ministry of Science and Technology held a symposium Tuesday in Xi'an, capital city of northwest Shaanxi Province, on information technology and the development of the country's vast west. Over 100 participants, including over a dozen noted experts and professors, exchanged their views on how the western regions should explore information technology to achieve leaps forward in development. Information technology is beginning to demonstrate its enormous powers of propulsion for the economic development of the country's west, the symposium was told. For instance, the country's information network of productive forces has been welcomed by western enterprises for bridging the enterprises in the western and eastern regions. The pilot digital library project is enabling people in the west to read books stored in libraries in all parts of the country. Space information technology, such as remote sensing and the geological information system, has offered technical support to the program to revert farmland into forests and grassland.

*From China Daily, 24 May 2000*

## **BEIJING INTERNET RUSH CAUSES RENT EXPLOSION AND OFFICE SHORTAGE**

The month was July 1999, and most commercial office buildings in Beijing were plagued by low rents and plentiful vacancies. Today, however, not only have rents doubled and tripled again and again, but the Internet rush has left the municipality with almost no vacant rental properties, according to a May 23 story in *Caijing Ribao* (Financial Daily). A *Caijing Ribao* (Financial Daily) reporter recently posed as a representative of an Internet company and contacted seven or eight of Beijing's medium- to high-end office buildings to "lease" a 500 to 1,000 square-meter (5,382 to 10,764 square-foot) office. The reporter was surprised to find that only the Nanyang Building could meet his request. At some of Beijing's office buildings where Internet companies have concentrated, all available space has been snatched up and monthly rents have increased to as much as 248 renminbi (US\$30) or more per square meter. Several years before the Internet rush, Beijing experienced little increase in the demand for commercial office space because of factors such as the Asian economic crisis. Back in July 1999, average rents in Beijing's office buildings fell to less than Rmb 165 (US\$20) per square meter. Since the start of last year's fourth quarter, however, the municipality's commercial rents have begun to rebound because of the influx of Internet companies of all types. According to industry insiders, office buildings are now enjoying the best of times, with average monthly rents exceeding Rmb 248 (US\$30) per square meter. This rate was typical only before 1996—but in the early 1990s, Beijing's office space totaled only 450,000 square meters (4,843,800 square feet). The total today is about 10 times higher. Ms. Huo of the Guanghua Chang'an Building's sales department told the reporter that her building now houses about a dozen Internet companies, including Sohu and Alibaba. The building has had no vacancies since March 2000, and its monthly rent is Rmb 165 (US\$20) per square meter (construction area)—which does not include property management fees. These management fees—Rmb 30 (US\$3.63) per month per square meter—increases the cost of actual usable space to more than Rmb 248 (US\$30) per square meter. The rent at Beijing's Jiali Center is even more expensive, and that location now houses famous Web sites such as Netease, Eachnet, CapitalOnline, Kubide and Yitang. The center's monthly rent currently is Rmb 289 (US\$35) per square meter (construction area), which does not include a monthly property management fee of Rmb 29 (US\$3.50) per square meter. On top of this, the building is not responsible for fixing up its interior spaces. Despite its high rents, however, many Internet companies have moved in gladly, and the building's only available space is an office that exceeds 600 square meters (6,458 square feet). According to sources in the industry, the occupancy rates at Zhongliang Square, the Henderson Center, the Guanghua Chang'an Building, the Jiali Center and the World Trade Center Building No. 1 now all exceed 95 percent. The rate is even as high as 99 percent at the Fanli and Lianhe Buildings and in Fenglian Square, which is located in the embassy area in the Chaoyang District. However, according to an executive with a Beijing Internet company, some office buildings are now taking a conservative approach in this frenzy by refusing to lease space to any more Internet companies. The executive said these commercial renters do not want a large percentage of their tenants to be Internet companies. This is because the buildings' owners fear that if Internet companies, which are funded by venture capital, are all affected by unfavorable market conditions, this will have too great an impact on rental properties.

*From China Online, 25 May 2000*

## INTERNET MADE EASY FOR PRIMARY 1 PUPILS

A project at Singapore's Radin Mas Primary has the school's youngest pupils using e-mail, graphics software and digital cameras. Radin Mas Primary 1 pupil Sharon Ngan Kar Yee used to be a stranger to the Internet, but a new project initiated by the school and Futurekids Singapore, which provides technological solutions to schools, introduced the six-year-old to the confusing world of e-mail and online forums. Called It's a Small World After All, the project is the first to formally introduce Internet facilities to Primary 1 pupils in Singapore. The lessons, conducted jointly by Futurekids staff and Radin Mas teachers, will help the pupils in the school to correspond with those from E-Hale Curran Elementary School in the United States. It was at this school that Radin Mas Primary School principal Jenny Yeo, while on a visit to the US, saw kindergarten pupils learning to use the Internet. The pupils use an Internet-enabled engine called Postkid, which is integrated into the Radin Mas school's website, to send e-mail. The sessions last one hour every week and involve a total of 680 Primary 1 and 2 pupils. They will also learn to manipulate graphics using Kidpix, a piece of commercial software, create colourful journals, use digital cameras and send e-cards with their class photographs attached. The boys and girls at the school computer lab appeared enthusiastic during a learning session last week. Some of them had developed their interests further by visiting Blue Mountain, an online greeting-card site, and Alfy, a web portal for children. "I felt it would be good for young children to realise that there are many other countries in this world," said Mrs. Yeo. "This program teaches them how to use a powerful communication tool and would definitely widen their perspective."

*From Singapore Straits Times, 30 May 2000*

## MIDDLE EAST

### GULF ARAB STATES LACK E-COMMERCE SKILLS

Gulf Arab states are lagging behind other countries when it comes to the skills needed to make use of e-commerce and this will remain the case for some time to come, the head of an IBM subsidiary in the region said. "There is a big shortage of skills for the implementation of e-business. The Gulf states are at an elementary stage and will stay (there) for some time," Gulf Business Machines Chief Executive Officer Eric Arnaud told Reuters in an interview. GBM, a subsidiary of International Business Machines (NYSE:[IBM - news](#)), operates in Bahrain, the United Arab Emirates, Oman, Qatar and Kuwait. Arnaud said that coupled with the lack of skills there was an increasing demand on the part of both businesses and private citizens for more services and facilities on the Internet. "You need a lot of skills you do not have here in order to analyze the demands, and then a lot of skills to implement what people want," Arnaud said. "How to cope with that demand is the problem," he added. He said that making the Internet easily accessible to people and improving the efficiency of business-to-business services on the web would play a vital role in boosting usage and awareness, so increasing people's Internet skills. He added that there was also a need for telecommunications companies to increase their investment. But Arnaud also said there was an understanding among Gulf Cooperation Council (GCC) governments that the Internet was the way forward and that they should be moving in this direction. The GCC is comprised of Bahrain, Oman, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates. Arnaud pointed to examples in Qatar and Dubai, where Governments are starting to develop a policy of putting some public services online. Dubai Crown Prince Sheikh Mohammed bin Rashid al-Maktoum announced last month that top civil servants must bring public services online within 18 months under a plan to streamline local government or risk losing their jobs. The emirate is also setting up Dubai Internet City, a million free trade zone for e-commerce. The move is part of efforts to make Dubai, already a major Gulf trading hub, a regional center for information technology.

*From Reuters, 18 May 2000*

## EUROPE

### FRENCH LEADERS SAY INTERNET SELF-REGULATION NOT ENOUGH TO FIGHT CYBERCRIME

A Group of Eight (G8) conference on cybercrime opened here Monday to warnings from French leaders that the phenomenon could not be fought by the Internet industry alone, but needed the help of governments and police forces. Touching a sensitive nerve, French Prime Minister Lionel Jospin and Interior Minister Jean-Pierre Chevenement declared that vandalism and crime on the Internet could not be tackled only by self-regulation, as many people in the industry contended. "New forms of crime are developing, sometimes helped by the technical characteristics and worldwide dimensions of the Net," Jospin said in a message to the conference. "They call for a mobilisation and collective responses on a global scale. This is first and foremost a responsibility for public authorities in each country." Jospin insisted the freedom of the Internet was vital, but predicted the sector would inevitably become subject to "coregulation" embracing the "public authorities," industry and individuals. Chevenement called for beefing up "policing cooperation," with closer coordination among national investigators, improvements within Interpol and the setting in place of an international legal framework on cybercrime, a draft version of which has been circulated by the Council of Europe. "We cannot, as some people envisage, depend entirely on self-regulation" of the Internet, said Chevenement. "Many private groups which are present here today have already worked hard on these questions, which are technically complex and are also linked to ethical considerations. I am thinking of incitement to race hatred and child pornography, especially." Self-regulation is one of the thorniest questions facing the future of the Internet. Many companies, from e-businesses to online publishers, are viscerally against

government involvement in the Internet, seeing in it a potential form of censorship and an invitation to let states meddle with the sector's organic growth. They generally believe cybercrime can be combatted by technical innovation, educating users and companies about security risks and making better use of existing laws. The G8 talks, co-hosted by France and Japan, follow two hacker attacks, costing billions of dollars, that have highlighted the technical flaws of the Internet and the legal loopholes of cyberspace, where there are no borders or single authority. Other crimes, such as copyright piracy, credit-card fraud, cyberstalking and industrial espionage, are also rising but are unquantifiable, as most cases go undiscovered or unreported, experts say. Jospin said, without elaborating, that France would ask its European Union partners to take "actions" on cybercrime when it assumes the EU presidency on July 1. Chevenement also announced that a new agency to fight cybercrime, unveiled last August, would start operations on Tuesday. It will gather several dozen computer experts and representatives from French law-enforcement agencies and be the contact point with foreign police forces. A conference delegate, Stephanie Perrin, chief privacy officer at a Canadian company, Zero-Knowledge Systems, Inc., told AFP that firms, while keen to uphold the law, were suspicious of "extending the arm of law enforcers into the private sector." One idea "being bruited about" in industry circles was planned laws to require companies to keep backlogs of data on Internet business, transactions, communications or client profiles in order to help any investigation. That kind of data would become a security risk in itself and collecting and maintaining it would add to company costs, she said. The G8 meeting is the first international gathering of law enforcers, business representatives and government officials to address the burgeoning problem of cybercrime. It will report its conclusions to the G8 summit in Okinawa in July. The G8 comprises the G7 group - Britain, Canada, France, Germany, Italy, Japan and the United States -- plus Russia.

*From French-Tocqueville Connection, 15 May 2000*

## **TWO RUSSIANS SENTENCED FOR INTERNET THREATS OF MISSILE ATTACKS**

Two college students were sentenced Monday for sending false warnings about a missile attack on Europe over the Internet as a prank, the ITAR-Tass news agency reported. The students sent messages saying officers of a Russian army missile unit were threatening to attack western Europe unless their salaries were paid, the report said. Living conditions in the military are grim, and soldiers often go months without pay. After receiving questions from authorities in Austria and the United States, Russian police located the two students at a vocational college in Kaluga, 125 miles south of Moscow, the report said. The report did not name the students or give other details. The Kaluga district court sentenced the students to one year of hard labor in a penal colony, with the sentence on the younger student suspended because he was underage, the report said.

*From The Associated Press, 12 May 2000*

## **THE AMERICAS**

### **AMERICA RIDES THE WIRELESS WAVE**

It is never easy for Americans to imagine that anybody can beat them technologically. That makes the current consensus in America that Europe is far ahead in wireless all the more surprising. From Los Angeles to New York, analysts, investors and the press agree that America's technology companies will find it hard to make up the ground that they have lost. Behind this consensus lie Europe's high mobile-penetration rates. They are in part the consequence of a decision by European governments to impose a single standard, GSM, on squabbling mobile-phone companies. Once mobile phones could talk to each other, penetration steamed ahead, and Europe built a stable of powerful mobile companies, such as Vodafone, Ericsson and Nokia. In America, disunity dogged the industry and slowed the pace of take-up. Yet before America's pessimists write off their compatriots, they should look at what happened in another industry. In the early 1990s, Europe, with services such as France's Minitel, had a lead in packet-switched networks and services. Then along came the Internet, and all the might of Europe's Governments could not maintain its lead in that technology. One reason for doubting the current consensus is that Europe's lead has been somewhat exaggerated. Granted, in some Scandinavian countries, two out of three households have cellphones—more than twice the rate in America. But rates in big European countries such as France and Germany are actually lower than in the United States, and penetration in some of America's urban areas now reaches Scandinavian levels. What is more, America is still far ahead in Internet use, which means that Americans are likely to take up wireless Internet services faster than Europeans. Existing Internet firms can simply extend into the new wireless world. True, Europe and Japan have rather better networks. Even in Silicon Valley, coverage can be patchy. Japan, in particular, is pushing ahead to deploy the next generation of wireless networks, known as 3G, which will make possible new bandwidth-intensive services such as real-time video. American carriers, however, are busily deploying transitional technologies such as GPRS and EDGE that are powerful enough for most services—and a lot cheaper. Many subscribers in Europe and Japan do use their handsets for more than voice calls. In Europe, 12 billion short text messages were sent last year. But that does not mean that wireless data is non-existent across the Atlantic: Americans have pagers for their messages. Anyway, at the end of the day, these differences will hardly matter. All industrialized countries will soon have similar wireless penetration rates and infrastructure. What will count is how the new networks are used. And this is where America has two great advantages. First, it has an "innovational complex"—those thousands of entrepreneurs, venture capitalists and engineers - unmatched anywhere in the world. They are now beginning to do for wireless what they have already done for the Internet. Secondly, America has more money than anywhere else. AT&T raised \$10.6 billion from its sale of shares in its wireless division this week, making it the largest initial public offering ever. And as Internet retailers have fallen out of favour, so venture capitalists are pouring money into wireless firms. Recently, for instance, Brence, a San Francisco firm, raised \$200m to develop wireless data software for broadband services

- one of the largest investments ever in a software firm. These advantages have allowed America to forge ahead in three crucial areas: •Hardware. Two years ago, Motorola lagged far behind its Scandinavian rivals, Ericsson and Nokia. Now, after a big push, the company has shipped 1m web-enabled phones, while its competitors are only now starting to sell handsets with a browser. Qualcomm, a company based in San Diego, owns important patents for a radio technique called CDMA which will most likely become the standard in wireless networks, and currently makes 90% of the chips that run CDMA networks. It could become a sort of Intel of the wireless age. America has also taken the lead in wireless devices that are not telephones. Last year, 3Com's handheld division, since divested, launched the Palm VII, which allows users to surf a limited number of websites. Research in Motion (RIM), a Canadian firm, has been successful with its Blackberry - a pager-sized wireless device that can send and receive e-mails. •Software. WAP, short for wireless application protocol, the standard for connecting cellphones and the Internet, is all the rage in Europe. But it is based on technology developed by an American company, Phone.com - a small piece of software installed in a cellphone, known as a microbrowser, that can display data sent from a WAP server. In 1997 the firm convinced the telecoms industry to make WAP the de facto standard for the wireless Internet. Among companies developing ways to use wireless Internet is 724 Solutions, which is based in Toronto. It is a leading provider of software allowing financial institutions to offer services over wireless devices. Citigroup is planning to implement the company's technology worldwide. InfoSpace, based in Seattle, is establishing its product as the platform of choice for wireless content and commerce. So far, 25 carriers worldwide are using the firm's software, including Vodafone and AT&T. •Services. AirFlash, a Silicon Valley firm, has developed algorithms that find the closest hotel or cinema to a user's cellphone, taking into account geographical barriers such as rivers and, in the future, traffic conditions. OracleMobile.com and Strategy.com, respectively subsidiaries of Oracle, a database supplier and MicroStrategy, a data-warehousing firm, allow users to select information they want to receive on their wireless devices from corporate websites. If a flight is arriving late, the shares of a company drop below a certain level or a favourite team has won, alerts are automatically sent out. Yodlee, also based in Silicon Valley, allows consumers to aggregate information from websites where they have an account, such as their bank or their brokerage. Originally launched as a web-based service, it now allows consumers access to the data via a WAP-enabled cellphone. IQorder and Barpoint have come up with a new kind of comparison shopping. When users are in a store considering whether to purchase an item, they can punch in its bar code number on their phones. The service then provides information about that product, such as a list of the lowest prices—and a way to order it. Vicinity is planning to use its database of more than 4m physical businesses, which already helps web surfers find the nearest Levi's store or FedEx drop-off point, to allow retailers to transmit discount coupons to the cellphone of a consumer who happens to walk by—and lure her into the store. Trapped in a walled garden - In building a standardized infrastructure, it has served Western Europe and Japan well to have strong governments, national carriers and dominant cellphone makers. But the Silicon Valley innovation model, with its start-ups financed by venture capital, has generally done a much better job of developing innovative applications. Much depends on whether the big telephone companies will allow start-ups to flourish. The Internet's success is due not least to the inability of telephone companies to control what services were offered over their networks. Similarly, i-mode has taken off in Japan because NTT DoCoMo, the country's leading wireless carrier, has adopted an Internet-type model: anybody can set up a site which is then easily accessible with a browser phone. There are now thousands of i-mode sites. The service has proved so popular that NTT DoCoMo said last week it would stop selling i-mode-enabled handsets to ease the load on its infrastructure. In Europe, on the other hand, carriers appear to be leaning towards a "walled garden" model akin to the early versions of online services such as America Online and CompuServe, where access to the web was possible but difficult. Such arrangements have their attractions in the short term. They allow carriers to control which services a subscriber can receive and to make money from service providers by charging for placement on a mobile phone's display. In the long run, though, such restrictions hamper competition and innovation, so both consumers and companies suffer.

*From The Economist, 29 April - 5 May 2000*

## **U.S. HOUSE EXPECTED TO EXTEND BAN ON NEW INTERNET TAXES**

The Republican-controlled House is expected to approve a bill today to extend a general moratorium on new Internet taxes. The measure, approved by the House Judiciary Committee by a vote of 29-8 last week, also would block Texas and a number of other states from assessing taxes on the fees computer users pay to access the World Wide Web. Sponsored by Rep. Chris Cox, R-Calif., the bill would extend an existing ban on new Internet taxes for five years to 2006. The current moratorium is slated to expire in October 2001. The White House, however, supports continuing the moratorium for only an additional two years. "Five years is a very long time in the fast-moving virtual world," the administration said. The bill would not interfere with a state's ability to assess sales taxes on goods sold over the Internet, as long as those taxes are calculated using the same rules as those for mail-order catalogs and telephone solicitations. Proponents argue the bill will help feed the already exploding growth of electronic commerce. Sales over the Internet are expected to approach \$350 billion a year within the next two years, supporters say. Opponents argue the measure would rob states of a lucrative new area for taxation and place unfair burdens on traditional retailers to carry the tax burden. The issue pits supporters such as the National Association of Manufacturers against unusual opponents like the National Retail Federation. The measure also would torpedo a Texas law that allows the state and local governments to assess taxes on the fees computer users pay each month to Internet service providers to access the Internet. Texas has been taxing access fees since 1987. But last year, the Texas Legislature exempted the first \$25 per month in access fees from taxation. Texas continues to tax any fees above that amount, at a rate of 6.25 percent, with cities then tacking on as much as 2 percent in additional Internet access taxes. The Texas Comptroller's Office estimates the state will collect about \$50 million this year in Internet access taxes. Texas Gov. George W. Bush, who had supported the \$25-a-month exemption last year, favors eliminating the tax on Internet access altogether, Bush spokesman Scott McClellan said. But Rep. Sheila Jackson Lee, D-Houston, who opposes the moratorium, plans

to propose an amendment today to allow Texas and other states to continue taxing Internet access. "The amendment I propose allows states to maintain the ability to generate vital tax revenues that fund essential state programs for the public," Jackson Lee said in a written statement Tuesday. "Many states across our nation already rely on these crucial revenue streams." By approving a five-year moratorium, lawmakers would be following a key recommendation last month made by the Advisory Commission on Electronic Commerce. A group of 36 governors, who sent a letter to Congress voicing their objections to the commission's conclusions, however, argue the commission's proposals would interfere with states' sovereignty. Bush, the presumptive Republican presidential nominee, did not sign that letter. While the Internet moratorium bill is moving quickly through the House, a comparable measure has stalled in the Senate. The Senate Commerce Committee, chaired by one-time Republican presidential hopeful John McCain of Arizona, has held a hearing on the issue but has scheduled no further action. Sen. Phil Gramm, R-Texas, said Tuesday he favors a permanent ban on Internet taxes, including fees for accessing the Internet. "That's like taxing people to go into a shopping center," Gramm said. "I want people to use the Internet. This is a tax on freedom. This is a tax on the ability of people to communicate, and I'm just not for it."

*From Capital Hill Blue, 10 May 2000*

## **SURVEY DISPUTES NOTION THAT INTERNET ENCOURAGES ISOLATION**

Far from encouraging social isolation, the Internet improves communication with friends and families, according to a study released Wednesday. The Pew Internet and American Life Project also indicates that more than 9 million U.S. women logged on to the Internet for the first time in the last six months, closing the gender gap among Web surfers and raising the total number of Americans who use the Internet daily to 55 million. "It's clear that the Internet is being woven into people's most important relationships," said the project's director, Lee Rainie. The survey results are based on telephone interviews conducted by Princeton Survey Research Associates among a sample of 3,533 adults in the United States from March 1-31. The survey has a margin of error of plus or minus 2.5 percentage points. In February, a study by professors at Stanford University and the Free University of Berlin found that spending a lot of time online made some people reclusive. The Pew study contradicts those findings. It found that 72 percent of Internet users visited a relative or a friend a day earlier, compared with 61 percent for nonusers. Internet users also were more likely to have phoned friends and relatives. Fifty-five percent of Internet users say e-mail has improved communications with family, and 66 percent believe contact with friends has increased because of e-mail. Among women, 60 percent reported better contact with family and 71 percent with friends. "E-mail is a tool that many people now use to deepen and improve their ties to family and friends," said Rainie. "Use of the Internet actually enlarges and enriches most users' social worlds. And that is particularly true for women." Steven Jones, a professor of communications at the University of Illinois-Chicago, said the Pew findings confirm his own research that Americans are using the Internet as a communications tool as fundamental as the telephone. The Pew study found that while the Internet may increase the frequency of contact between friends and relatives, most keep the content light - e-mailing jokes, news tidbits or family announcements. The study found that most e-mail users are reluctant to use the Internet to discuss upsetting or worrisome topics with friends and relatives. And although contact increases, it does not necessarily bring relatives emotionally closer. Only 40 percent found e-mail bringing them closer to family, and only 25 percent said they learned more about their family since using e-mail. The numbers are higher for friends. Rainie said families and friends are close to begin with, so it made sense that the Internet would not always make them closer. The important finding, he said, was the increase in contact. The survey also found online use among women reaching that of men. Women now make up 50 percent of the online population, although men go online more frequently. Women also are more likely to go online to search for health information, jobs or just to play games. Men were more likely to search for news, sports and financial information, as well as shop and trade stocks online. The Washington-based Pew Internet and American Life Project is a new research center funded by the Pew Charitable Trusts. Its mission is to explore aspects of the Internet relating to children and families, communities, schools, the workplace, and civic and political life.

*From CNN, 10 May 2000*

## **PRESIDENT VISITS NORTH CAROLINA TO URGE WIDER INTERNET ACCESS**

Declaring the Web as vital to rural areas as telephones, electricity and roads, President Clinton appealed Wednesday for companies to bring high-speed Internet access to underserved parts of the country. "This is the future of America," he said. The president came to illustrate the need for better, faster Internet connections - and the high-tech jobs they bring - in this sleepy town, where first-run movies arrive weeks late and the downtown rail station sits empty beside long-neglected tracks. From here he headed for his former hometown, Little Rock, Ark. Clinton toured a company that uses the Internet to monitor wetlands around the world, even in far-flung Australia. Along with Gov. Jim Hunt, Rep. Mike McIntyre and former White House chief of staff Erskine Bowles, he touted the advantages of the Information Age before thousands of people squeezed between the rail station and a shopping strip anchored by a dance school and the Whiteville Cash & Carry. "I have pleaded and begged with people to invest in places like this community," Clinton said. "I can only think of two more things we can do: Give people the same incentives to invest in you we give them to invest in poor areas overseas, and make sure the Internet is universally available at affordable prices." Clinton highlighted an agreement between three major communications companies - BellSouth, GTE and Sprint - to provide high-speed access to all of North Carolina within three years, and local dial-up Internet access from every North Carolina telephone exchange within one year. Those connections, already common in cities, are expensive in rural areas; the White House said the cost of high-speed broadband access here goes as high \$1,700 a month, compared to \$200 a month in cities. "We're kind of on the back burner because we're kind of rural, down South. But we don't need to be on the back burner. The Internet can change business like crazy," said Jeanene



Lee, a middle school science teacher in nearby Tabor City, N.C. "What does the Internet do? It collapses time and distance," Clinton said. "If you never thought about this in your life, I want you to think about it. I don't care if you don't have a college degree. I don't care if you never finished high school. You need to figure out how to get on the Internet ... because this is the future of America." Wednesday's journey to Whiteville was the fifth in a series of "New Market" tours the president has made to stress the need for economic development in depressed areas. Whiteville, located in Columbus County, N.C., has an unemployment rate of 12 percent, one of the state's highest. Hunt recalled the jobs Whiteville lost as textile mills shut their doors, and the economic pressures of farmers who have seen the prices they get for tobacco and other crops plummet wildly. "What are we going to do about it?" Hunt said. "Some of you can remember when the telephones came. That connected us up. The question is, what's it going to take for us to be connected up so we can have the jobs again?" Clinton toured Remote Data Systems Inc., a 7-year-old company that designs and makes devices for scientists and environmental regulators. To keep growing, the company needs faster access to the Internet, something that doesn't come as cheaply in Columbus County as it does in more urban areas of North Carolina. RDS President Ben Frink showed Clinton one of the company's monitoring devices, and said it had to be animal-proofed because "bears love to chew on this." "I could use that in Washington," Clinton deadpanned. Using two e-mail hookups, Irwin Jacobs, chairman of Qualcomm Inc., a telecommunications company, showed Clinton how slow a wired connection is compared to a wireless one. It was minutes vs. seconds.

*From Nando Times, 27 April 2000*

## **HOUSE PASSES INTERNET ACCESS CHARGE PROHIBITION ACT**

Internet consumers can claim another victory, following Tuesday's vote in the US House to block the federal government from charging them access fees to surf the web. "The Internet Access Charge Prohibition Act", approved by voice vote, would block the Federal Communications Commission from imposing per minute charges on Internet access services. The bill now goes to the Senate. "What our bill did is that it pulled the plug on the authority of the FCC and the telephone companies and any other providers that in fact wanted to charge per minute on the use of the Internet," Michigan Republican Congressman Fred Upton said. Upton, who sponsored the legislation, told a Capitol Hill news conference that per minute charges would not be good for the future of the Internet or the future of the country. "Per minute charges fall disproportionately on lower income families. We should do everything in our power to keep the Internet affordable for all Americans," Upton said. Texas Democratic Congressman Gene Greene, a co-sponsor of the bill, said its passage indicated that Congress does not want to see the Internet encumbered, but wants to see the Internet continue to grow. Virginia Republican Bob Goodlatte, Chairman of the Congressional Internet Caucus, also praised passage of the bill. "One of the reasons the United States is by far the world leader in the Internet is because we do not have these per minute charges to access the Internet. If you look at Europe, almost every European nation has local per minute charges for telephone service that means that every time they hook up to the internet via their telephone, the meter is running," Goodlatte said. Goodlatte continued, "It's like going to Nordstrom's department store and being charged for how much time you spend browsing in the store, whether you buy anything or not." Upton doesn't expect any problems with Senate passage. "We're hoping that by the end of the week, we will have lined up a Senate sponsor and begin to see the legislation move over there as well," Upton said.

*From CNS, 17 May 2000*

## **NO PRIVACY ZONES ALONG INFORMATION HIGHWAY**

New York state's attorney general, Eliot Spitzer, has a gift for succinct summation: "You used to have to worry about Big Brother. Today you have to worry about Big Browser." Fear of government intrusion into our personal lives - still somewhat present - has been superseded by a spreading computer-age anxiety. This time, it is about the ability of either businesses or information-age crooks - using the broad scope, blinding speed, and shamefully easy access of the Internet - to explore the secret little pockets of our existence. And we don't even know it. "There's an invasiveness here," said Spitzer, "that none of us thought possible." Not much seems safe, least of all two traditional areas of American confidence - monetary and medical. Prosecutors in California, Minnesota and New York have uncovered recent and shocking cases in which the attorneys general of those states found themselves focusing not so much on con men and thieves as on big, respectable banks. Spitzer last year discovered the huge Chase Manhattan Bank - in exchange for 24 percent commission on eventual sales - was violating its own privacy policy by transferring 20 items of information on about 20 million credit card customers and mortgage holders to Web and telemarketing companies that sell everything from magazine subscriptions to Burpee seeds. The information included home addresses, credit card purchases, finance charges, balances and available credit totals. Spitzer accused Chase of deceptive business practices, but bank officials insisted they had done nothing illegal. They did agree in formal settlement, however, to stop sharing customer financial information. Only name, address and phone number will be released to marketers - and bank customers must agree in writing. In Minnesota, Attorney General Mike Hatch sued U.S. Bank, accusing it of making \$4 million in commissions from third-party marketer Member Works in Stamford, Conn., a company that offers computer consumers health and dental discounts. The bank settled and agreed to stop selling fiscal data. About 30 other states are trying to negotiate similar out-of-court settlements with U.S. Bancorp. Spitzer and Hatch - testifying two weeks ago before the new bipartisan Privacy Caucus on Capitol Hill - blamed last fall's controversial Financial Services Modernization Act for some of the abuse. The new law gave banks much more power to buy and control all sorts of affiliates in traditionally non-banking services and to share information with them. Last year's bill "legitimizes a lot of bad activity," Hatch said. "The banks have everything. In the future, I'm afraid there are no mistakes you or I will be able to make. What Joe McCarthy did with politics in the '50s, banks are doing with privacy today." Hatch also is going after telemarketing firms "for picking on seniors." He plans to use prosecutions under the powerful Racketeer Influenced and Corrupt Organizations Act

against telemarketing firms that use such banking information in dealings with senior citizens. Sen. Richard Bryan, D-Nev., co-chairman of the Privacy Caucus on Capitol Hill, said personal consumer information including "their bank records, their health records, and so on, is being passed around corporate America like a bag of Halloween candy." These examples pale in comparison to what happened last fall in California. Charter Pacific Bank sold 3.7 million credit card numbers compiled from merchant accounts to Kenneth H. Taves, 47, a convicted felon (check counterfeiting, accessory to murder). Taves was accused of billing about 900,000 of them a total \$45 million for access to his X-rated Web sites, most of the access unrequested. The Federal Trade Commission calls it the largest credit card scam in history, and filed a civil complaint against Taves. The FBI got involved, and last month a federal grand jury indicted Taves for misleading regulators and concealing \$23.5 million in Cayman Islands accounts. Charter Pacific, which apparently did nothing illegal, said it sells such data in bulk to merchants who want to verify customer credit card numbers in online transactions. Americans also are coming to understand that their medical records no longer are confidential. The storied "doctor-patient" mutual silence needs strong medicine -- several things happened to all but destroy it. Computers provided easy access to health records; managed-care insurance companies started to demand justification of treatment; oversight agencies demanded them to spot medical errors and physician faults; insurance companies started checking your health history at the Medical Information Bureau, an industry clearing-house with medical files on 15 million individuals. Today, medical researchers, public health officials, state and federal bureaucrats, military commands, and police agencies all have easy online access to your medical records. Contrary to popular belief, no federal laws or regulations protect the privacy of that data. The Justice Department has authority to subpoena every health file in the country if it wishes. The Health and Human Services Department plans to issue final regulations this summer on a privacy plan, but it won't take effect until 2002. The new regulations, aimed at health plans, care providers and data clearinghouses, would institute an HHS privacy officer, allow patient inspections and corrections of records, and track all medical data disclosures other than for treatment and payment. But the HHS changes will not affect everyday problems many Americans are running into when medical and financial privacy violations overlap. Louis R. Mizell Jr., a Maryland privacy consultant, had a client recently who was turned down for three straight government jobs, despite a pristine employment record, a doctorate in her field and great recommendations. "Someone in government had improperly gotten a hold of her credit card records, noticed she bought an enormous amount of booze, and concluded she had a drinking problem," Mizell told Gannett News Service. Somehow this conclusion made its way into a medical prediction on her job applications. It turns out the woman ran a successful catering business on the side, in which she used ample recipes calling for alcohol. "It's scary that something like this can get into the system," Mizell said. "It goes into a black hole and lives there forever." The woman sued her prospective government employers and settled. "We couldn't prove who did it, but we proved they did do it," Mizell said. Even everyday consumers can run into the sharp edge of privacy invasion. Robert Gellman, a privacy adviser here and member of the National Committee on Vital and Health Statistics, warns that once you order something through the mail, forget about keeping it confidential: "Men get direct mail offers from all these 'urological institutes' that promise to help those with erectile problems. Once you buy from them, they sell the lists," Gellman said. "Who would buy that if they knew their names were being sold? American business has no shame. They'll sell stuff like that in a minute if someone will buy."

*From New York Times, 15 May 2000*

## **CONSERVATIVES TELL CLINTON: ENFORCE INTERNET PORN LAWS**

In the wake of Monday's Supreme Court decision that removed barriers designed to keep children from viewing sexually explicit programming on television, lawmakers and family activists urged the Clinton Administration on Tuesday to enforce existing obscenity laws involving the burgeoning Internet porn industry. Calling the multi-billion dollar per year Internet pornography industry "America's dirty little secret," Representative Steve Largent (R-OK) said, in an interview, that the Justice Department, under President Clinton and Attorney General Janet Reno, has been noticeably lax in enforcing obscenity laws. "In certain areas they've been hyperactive and probably need to take a little Ritalin," said Largent. "But in other areas, they probably need to turn up the heat, and this is one of them." According to Traditional Values Coalition Executive Director Andrea Lafferty, there has been a sharp decrease in obscenity law prosecutions since 1994, the year after Clinton and Vice President Al Gore took office. "Even the pornography industry's own trade magazine, *Adult Entertainment Monthly*, has published articles 'about the benevolent neglect' that the industry has enjoyed under Attorney General Reno," said Lafferty. Largent does not understand why the Justice Department has done so little to enforce obscenity laws and keep adult material, particularly that which is sent over the Internet, away from children. "I really don't know why they have not addressed this. It's clearly a serious problem that's doing great harm and damage to our country and families," Largent said. However, Largent pointed out that Clinton has a close relationship with adult magazine publisher Hugh Hefner, who is hosting a huge fundraiser at his Playboy Mansion for the Democratic Party when they have their national convention in Los Angeles this August. "You start wondering if there isn't some unspoken agreement that, you let us hold fundraisers at your mansion and we won't prosecute the illegal aspects of your business," said Largent, who described Hefner's *Playboy Magazine* as "legal indecent material." Other Congressmen also blasted the Clinton Administration for largely ignoring the explosion of pornography over the Internet. "The Internet is used by pornographers as an aggressive and corrupting tool. It literally has the ability to reach into our homes and touch our children," said Representative Joe Pitts, (R-PA). "Unfortunately, the Clinton Administration has shown very little interest in pursuing this problem." According to Pitts, the Justice Department's own records show that federal obscenity law enforcement has dropped more than 80 percent during the Clinton Administration. "Why is the Administration ignoring these laws?," asked Representative Billy Tauzin, (R-LA), whose subcommittee on Telecommunications, Trade and Consumer Protection held a hearing Tuesday on Internet pornography. The Justice Department contends that it is enforcing obscenity laws as they apply to the Internet. "We do investigate and prosecute transmission of obscenity over the Internet, where appropriate," said Deputy Assistant Attorney General Alan Gershel in a statement before Tauzin's committee.

However, family advocates such as Janet LaRue, who is the director of legal studies at the Family Research Center and specializes in pornography law, said the Justice Department is doing little to stem the tide of pornography that is flooding America, and now, because of the Internet, has even invaded public libraries. "In addition to the many other serious problems caused by the proliferation of hard-core pornography in our country, its accessibility via the Internet is turning America's public libraries into virtual 'peep shows' open to children and funded by taxpayers," LaRue told the subcommittee. "This is primarily due to the failure of the Department of Justice to enforce federal obscenity laws."

*From CNS, 24 May 2000*

# Public Finance

## AFRICA

### DEPARTURE TAX COULD BE DELAYED

The introduction of a R100 departure tax may be delayed by three months following objections from airline companies operating in South Africa. The companies could be given more time to familiarize themselves with the new regulations, South African Revenue Service's law administration general manager Kosie Louw said on Tuesday. He told Parliament's finance portfolio committee the introduction of the tax, which applies to international air travel, could be pushed back to 1 November. In terms of the proposed regulations, announced by Finance Minister Trevor Manuel in his Budget speech in February, all international passengers were to start paying the levy from 1 August. The tax would be collected by the airline companies. Louw said the about 70 airlines - which had requested a six month delay - would be given more time to incorporate the new legislation. "The possibility is there to accommodate them," he said. Louw said the department of finance had dismissed a request for the airlines to be paid a commission for collecting the tax. He said this would set a "dangerous precedent" for tax collection in South Africa. The tax has also come under fire from the International Airline Transporters Association (IATA), which says it contravenes the Chicago Convention governing international air traffic. IATA believes the tax, which will not apply to domestic travel, will discriminate against international airlines. Louw said South Africa could lose its membership of IATA if it contravened the convention. The departure tax was expected to generate about R270 million a year, which would be used to fund national and provincial tourism promotion.

*From S. Africa-News24, 23 May 2000*

## ASIA/PACIFIC

### CHINA PROMOTES REFORM OF BANKING INDUSTRY

China will continue to pursue the objectives of its monetary policy so as to prevent both inflation and deflation, and to maintain the stability of Renminbi, Vice Governor of People's Bank of China Wu Xiaoling said in Beijing Tuesday. She made the remark at the China Financial Industry Reform International Summit that opened in Beijing Tuesday. Wu said that China's financial reform has several major objectives. The country will shift the priority of the monetary policy to indirect control methods, such as open market operations, rediscounting and interest rate adjustment, she said. China will also properly handle the balancing acts of defusing financial risks and maintaining stability of the Chinese currency, and preventing financial risks and promoting economic growth. Wu pledged that it will adjust the strength of the monetary policy and improve its pre-emptive capacity in a timely fashion; it will establish an interest rate system driven by market forces and centered around the bench mark of the interest rate of the central bank; and it will coordinate fiscal and monetary policies. To counter the challenges of international competition, China will further reform the system of state-owned commercial banks, improve the regulatory mechanism and accelerate the establishment of a modern banking system. Wu said that the reform measure of capital fund supplement will include forming a regular supplement channel and improving the level of capital adequacy. She said that the country will reform the reserve withdrawing system for loan losses and the system of writing off bad debts. The move is aimed to give commercial banks more incentives to put aside adequate reserve funds for loan losses and greater power to write off bad loans. The country will also encourage innovations and vigorously develop intermediary financial services in a move to increase revenue sources and spread risks. She noted that opening to the outside world is a basic policy of China. China's accession to the World Trade Organization (WTO) will accelerate the pace of opening of the country's financial industry, she stressed. She pointed out that the process of opening the financial industry to foreign investors depends on the demands of China's economic development, progress of financial reform, development of the financial market and regulatory power of the financial sector. Whether or not China joins the WTO, the country will continue to open further to the outside world according to its own timetable. By the end of 1999, 87 foreign financial institutions and group corporations from 22 countries and regions in the world had set up 182 operating entities in China. In addition, 166 foreign banks from 38 countries and regions have set up 248 representative offices in the country. Branches of foreign banks had US\$31.8 billion worth of assets in China, accounting for less than two percent of the total assets of financial institutions in the country. Foreign banks had lent 21.8 billion US dollars in China, accounting for about one-fifth of the country's total foreign exchange loans.

*From People's Daily, 17 May 2000*

### PHILIPPINE SENATE SEEKS TAX BREAKS FOR MEDIA OUTFITS

An opposition law-maker has filed a bill seeking to grant tax incentives to mass media operators and their advertisers who promote educational programs. Under Senate Bill 1231, newspaper publishers as well as television and radio producers shall be allowed duty-free importation of all machinery and equipment for direct and exclusive use in educational features. The tax break shall also cover the importation of other tools of production, spare parts, supplies, materials, transportation and communication facilities for

actual use in educational programs. The bill, authored by Lakas Party Sen. Loren Legarda, also proposes to grant tax incentives to advertisements "with educational impact," as approved by the secretary of Education, Culture and Sports. Costs incurred in the production of such advertisements shall be considered tax deductible, provided the amount should not exceed 10 percent of the advertisers' gross operating expense. The bill also requires media firms to provide 10-percent lower cost of print space and airtime to paid features with educational content, as approved by the head of the education department. The 10-percent discount shall be deductible from the 10-percent value added tax on advertisements. It also allows the tax deduction of donations in support of educational features. However, the deduction should not exceed 10 percent of the individual or corporate donor's annual income. "With this measure, we hope to encourage media entities and their advertisers to invest more in educational programs," Legarda said, adding: "The media industry is always in constant contact with our people. Thus, it offers an effective alternative vehicle for the delivery of much-needed educational services." Previous consultations made by the Congressional Commission on Education showed that "the media industry in general is practically helpless in relation to the forces of economics," according to Legarda. "It is not easy to enlist media's cooperation in promoting educational features. Media entities are essentially business operations. They have to cater to the reading or viewing public to stay in business," she said.

*From Manila Times, 16 May 2000*

## **ARRANGEMENTS FOR PAKISTAN TAX SURVEY FINALIZED**

An inter-provincial meeting here on Thursday decided to go ahead with the plan for conducting a tax survey from May 27, and finalized arrangements in this regard. The meeting was presided over by Interior Minister Moinuddin Haider and attended by Finance Minister, CBR chairman, principal secretary to the chief executive, interior secretary, provincial chief secretaries and other officials. It was decided that, to counter a shutter-down strike by traders, supply of essential items to the masses would be ensured through weekly bazaars, utility stores, army canteens and fruit and vegetable markets which would remain open every day, including public holidays. It was also stated that the Government would not allow anyone to disturb peace. According to a government handout, the interior minister told the meeting that the tax survey operation would be a well-planned and coherent exercise. The teams conducting the survey, consisting of income tax and sales tax officials, magistrates and army men, had been instructed to be polite. The minister asked concerned officials to make it look like a national campaign by their exemplary conduct and professional commitment. The survey teams, he explained, would be going to houses, markets, industrial units and private offices to deliver data forms, to be filled in by the public and returned to the same team within five to seven days. Mr. Haider made it clear to the participants that there was no possibility of survey date being extended. He hoped that the public would cooperate with the survey teams. Mr. Aziz said that the purpose of the tax survey was to collect financial data about everyone living in 13 big cities. "The purpose is not to target any particular segment of society but to contact everybody related to economic sectors of the country," he added.

*From Pakistan-Dawn, 26 May 2000*

## **EUROPE**

### **GREEK PM WANTS TIGHTER SPENDING**

Inaugurating a round of ministry visits, Prime Minister Costas Simitis called in on the National Economy and Finance Ministry yesterday, where he spoke of the need to keep routine control of expenditures to curtail the deficit, as well as the public debt and inflation. A meeting Simitis chaired in the ministry - attended by the ministry's political leadership, including National Economy and Finance Minister Yiannos Papantoniou - presented the course of the current year's state budget and the basic directions for next year's, which according to Simitis is to be tabled earlier than last year. In a statement following the end of the session, Simitis said that efforts in recent years have produced a desirable outcome. "This positive outcome is now confirmed by the procedures for the drachma's admission to the euro zone," he said, adding that "We should be cautious and indeed must look at a number of issues of concern to the Greek economy and society." The Government's electoral pledges have placed a considerable added burden on this year's budget, and the ministry is trying to make ends meet. The costs of most of the measures announced prior to the elections were underestimated, an indicative example being the case of the so-called "10-thousand drachma" pay rise to the lowest wage earners in the form of alleviating those workers from social security contributions. The measure had initially been estimated to cost around 20-30 billion drachmas, but this figure has risen to 60-70 billion drachmas following more accurate calculations. Similar budgetary pressures arise from a series of expenditures which, strangely enough, were not taken into account when finalizing the budget. One such case is the allocation of 10 billion drachmas to be used for the second part of a pay rise to military officials to be given as of June. A highly ambitious set of targets has been established by the Government's economic staff in the 2001 budget, including a surplus of 0.5 percent of the GDP, up from a deficit of 0.2 percent of the initial estimates. Simitis said the current year would be characterized by the implementation of the EU's third Community Support Framework. "We now have more funds," said Simitis. "There will be new, tough rules, there will be new actions." He said economic policy will seek to boost growth and include structural reforms - a mix of privatizations, part-floats and market deregulation. The state will keep its majority control of the Public Power Corp. (DEH) which is slated for a part-float, Simitis added.

*From Greece-Kethimarini, 24 May 2000*

## **PUTIN BACKS RUSSIAN TAX REFORM IN LETTER TO DUMA**

Russian President Vladimir Putin backed radical tax reforms including a single income tax rate in a letter sent to the lower house of parliament on Tuesday, Finance Minister Alexei Kudrin said. The State Duma needs to pass the bills before a July break if next year's budget is to include the changes, since a budget by law has to be based on acting law, he told a news conference. The cabinet would look at main 2001 budget parameters on June 1, he added. But Kudrin backed away from plans to press parliament to pass a second set of changes criticized by a senior Duma member, liberal budget committee chief Alexander Zhukov. Zhukov's committee has already begun considering proposals for a new tax code's second part that sets tax rates. Russian tax reforms aiming to plug loopholes and ease the tax burden are based on the code, which has been in the works for years. Recently parliamentary blocs have been waiting for Putin to take a stand on various proposals. "Vladimir Vladimirovich Putin has written the following goals: a decrease in the tax burden... (and) equal terms for all tax payers," Kudrin said. Putin backed a flat income tax designed to encourage the wealthy to pay taxes, dropping a tax based on a company's turnover, rather than its profits, and cutting social taxes. Kudrin said that meant the income tax rate would be a flat 13 percent instead of the current scale rising to 30 percent. In sum the Government wanted to cut the nominal tax burden, now 41 percent of gross domestic product (GDP), by two percent of GDP for each of the next two or three years, Kudrin said. Foreign and domestic companies for years have called for changes to the tax system, cobbled together after the breakup of the Soviet Union. Recent economic growth, helped along by the 1998 ruble devaluation which made domestic manufacturers competitive and high prices of key exports, energy and metals, has left some wondering if the state would shrug off reforms. Kudrin said it would not: "These factors are temporary and economic growth cannot be considered dependable. The Government must take measures so that the economic growth is stable." But he backpedaled on pledges by his first deputy, Sergei Shatalov, who heads the ministry's tax reform efforts. Shatalov had said changes to a first part of the tax code previously passed would also be rushed through by parliament's July break. "After we finish work on the second part, we will turn our attention to and put the accent on the first part," Kudrin said.

*From Russia Today, 24 May 2000*

## **FRENCH FINANCE MINISTER PLEDGES "SIGNIFICANT" TAX CUTS IN 2001**

French Finance Minister Laurent Fabius pledged Monday "significant" tax cuts in 2001, although he warned it would be smaller than this year's 80-billion-franc (12.2-billion-euro/11-billion-dollar) drop. "This year taxes, and it's without precedent, are dropping by 80 billion ... Next year we do not have the exact figures, it will probably be a little bit less but it will be significant," the minister told France 2 TV station. "For next year the exact decision will be taken in September," he said, adding that the cuts would be in direct taxation. He did not rule out a further drop in value added tax next year as well, but said it would depend on state revenues. Commenting on France's job market he said he expected the number of unemployed to drop below the two million mark within the next two years. Earlier this month, the employment ministry announced that private sector employment rose one percent in the first quarter of 2000 from the previous three months, bringing year-on-year growth to 3.1 percent, a 30-year record.

*From France-Tocqueville Connection, 22 May 2000*

## **MIDDLE EAST**

### **ISRAELI FINANCE COMMITTEE OKAYS TRANSITIONAL REGULATIONS FOR TAX REFORM**

The Knesset Finance Committee yesterday approved transitional regulations which would retroactively put some of the Ben-Bassat committee's tax-reform proposals in effect from yesterday, if they are approved in the Knesset later this year. However, there is growing concern that the proposals will not be approved in their current form, which would hinder the reform's ability to carry out its goal of reducing the tax burden on the vast majority of Israelis. Even as the vote was being approved 9-5 (with three abstentions), Knesset Finance Committee Chairman Elie Goldschmidt warned that the committee would not be a "rubber stamp" for the final piece of legislation, if and when it comes through around October. Finance Minister Avraham Shohat expressed his satisfaction with the vote, which was opposed only by three Likud committee members, Shinui MK Yossi Paritsky, and UTJ's Meir Porush. He said that this, in essence, begins the legislation process and that now it is imperative for the ministerial committee headed by Justice Minister Yossi Beilin - entrusted with refining the proposal - to work as quickly and efficiently as possible. Meanwhile, opposition to the proposal from within the coalition has refused to subside. Foreign Minister David Levy and influential Histadrut leader Amir Peretz, who also heads the Knesset's Am Ehad faction, are both opposed to the continuing-education funds (kranot hishtalmut) tax, without which the proposals would be ineffective. There is a long list of MKs that have said they favor the reform in principle, but need to see modifications before they vote in favor of the legislation, including ministers Shlomo Ben-Ami, Natan Sharansky, Yitzhak Levy, Dalia Itzik, Yossi Sarid, Ran Cohen, Eli Yishai, and Eli Suissa, as well as Knesset Speaker Avraham Burg and coalition chairman Ophir Pines-Paz. Their gripes cover a vast array of components in the proposals, including the elimination of tax breaks for women, the need for a minimum threshold for taxing savings, and the need for a higher tax bracket, among others. Criticism in the opposition has increased as well. Paritsky yesterday said that the reform is "a hot air balloon which has been inflated by public relations," insisting that there is no reform involved and that the story would appear on the back pages of newspapers in other countries. Likud leader Ariel Sharon, as well as MKs Limor Livnat and Silvan Shalom, have also voiced their displeasure with the proposals. The Arab parties are also expected to oppose the reform proposals. The Federation of Israeli Chambers of Commerce -

opponents of the reform - yesterday issued a press release claiming the cost of implementation of the Ben-Bassat committee's proposals at NIS 1 billion.

*From Jerusalem Post, 10 May 2000*

## THE AMERICAS

### STATE OF CALIFORNIA MAY EXEMPT TEACHERS FROM TAXES

For several years, the question of just how valuable teachers are to society has been implicit in the opinion polls and political discourse that have made improving public schools a national priority. Now that question is about to become explicit. California - frequently an innovator in public policy, but a laggard in school reform - is proposing exempting teachers from state income taxes, distilling the national debate to these questions: Are teachers more valuable than entertainers or professional athletes? How do they stack up against police officers and nurses? What about firefighters? And if they rank at the top of the list, should they get preferential tax treatment? While many states and school districts across the country are developing ways to aid teachers, the California plan goes further and on a larger scale than anything yet tried elsewhere. For critics, it's a harebrained attempt at social engineering that will strip fairness from the tax code and create a backlash as other low-paid workers wonder why they don't get special treatment. But supporters say it will, at a minimum, crystallize the issue of a teacher's worth to a society that values and increasingly depends on top-notch education for its technology-driven economy. "We welcome the focus" on the comparative worth of teachers to other jobs, says Mary Bergen, head of the California Federation of Teachers. "A backlash may come, but I'm not too worried about that." Bruce Fuller, a professor of public policy and education at the University of California at Berkeley, reckons that the initial reaction from middle-class voters distressed about the state of education will be favorable. "They'll like the idea because of what it says about the importance of teachers," he says. But over time, Dr. Fuller says, the move will begin to look like "special-interest politics at its worst." The special interest involved here is the state's powerful teachers union, which has criticized Gov. Gray Davis's education reform program to date as too timid. That's not a description anyone will attach to this proposal. The idea is financially feasible because of California's flush budget. Soaring tax revenues will give the state \$13 billion more in income this year than expected. That has given the governor an enormous pot of gold to sprinkle over favored projects and issues. Already, Governor Davis has promised to boost state education funding by about \$2 billion, which in one fell swoop will raise the state's per pupil spending close to the national average. California has lagged well below average, and the teachers union had threatened to put the issue on the November ballot. In addition to eliminating state income taxes for public-school teachers, Davis has also proposed a one-time tax rebate to all taxpayers. If approved, single filers would get a check later this year for \$150 and joint filers a rebate of \$300. Both proposals show a savvy approach to easing the tax burden, say analysts. In California, and the US as a whole, there is no evident groundswell for lower taxes. Yet a number of states have enacted tax relief, usually with one-time rebates or lowering targeted levies, like the automobile excise tax. That is a far different approach than the broad reduction in income - and property-tax rates that were demanded in the late 1970s. Indeed, Davis was chief of staff when Jerry Brown's administration was blindsided by California's tax revolt in 1976. Some analysts see that painful experience at work in Davis's carefully targeted move on taxes this year. Whatever the motive, the proposal faces some tough sledding. Influential members of the Democratic-controlled legislature have called the idea bad tax policy and unfair to many other important categories of workers. Using the tax code for social ends has become more common at the federal level, with tax credits aimed at the poor, children, and a host of other categories. But it is a relatively unused tool at the state level. "It has appeal because it's neat and clean," says Fuller. It puts more money - in this case \$500 to \$1,300 - directly into the pockets of teachers, rather than just giving it to school districts. Still, Fuller doubts this approach will really entice more teachers to enter or stay in the profession. And he's also worried about the fairness issue. But Davis makes no bones about wanting to be fair. As he noted in announcing the proposal, "I say to you now that being a teacher is the most important thing you can do for your country in the year 2000."

*From Christian Science Monitor, 16 May 2000*

# Private Sector Development

## THE AMERICAS

### PARTIAL PRIVATIZATION A KEY ISSUE IN CAMPAIGN

Vice President Al Gore wasted no time Monday in lashing out at Texas Gov. George W. Bush's proposal that would allow U.S. workers to take some of their Social Security dollars out of the plan and invest them in stocks and bonds. Should Social Security be modified to allow individuals the right to control how part of their payroll tax is invested? "He's proposing the partial privatization of Social Security, which would break the contract between the generations. It's bad for families and its bad for the economy," said Gore. Gore downplayed polls that show many Americans seem open to the idea of having more control over their own money. "Risky ideas that look good in good times don't look so good when times change," he said. At the core of Bush's proposal, to be outlined in a speech within the next two weeks, is an Individual Investment Account. A voluntary program, it would allow younger workers to invest a small share — maybe two percent — of their payroll tax in the stock market. Bush hopes these changes will help shore up the Social Security shortfall as more and more baby boomers retire. The program's trust fund is due to run out of money by the year 2037. Nearly 45 million people receive Social Security benefits now, with an average monthly payment of just over \$730. The Bush campaign insists the plan would not reduce benefits for anyone in or nearing retirement. And the Texas governor believes the account, which individuals would own and could leave to their children, is especially good for the working poor. "I believe in a personal Social Security account which will give millions of low-income Americans, just not a check, but an asset to own, a stake in our prosperity," Bush said in a speech last month. Aides said Bush will not offer a lot of details on his plan, only a set of principles that will form the basis of bipartisan negotiations if and when Bush is elected president. The vice president and his aides called the plan fiscally irresponsible and insisted it would take badly needed money out of the Social Security system without replenishing it. And, they said, while Americans may like the idea of having more control over their money, they don't like the idea of losing guaranteed income. "The main thing that scares people about individual accounts is that benefits will have to be cut," said Evans Witt, who has polled extensively on the issue. Some economists also warn the plan could be risky in a volatile market. "These investment accounts really depend upon the choices that people make with their investments, how lucky they are with the stock market," said Edith Rasell of the Economic Policy Institute. According to Witt, Americans may like the concept of individual accounts, but they don't like the downside. "This is an issue that can break apart an existing coalition," said Witt. "It can change political dynamics, it can have a huge impact on a campaign." Gore is taking no chances. His plan for Social Security is costly, but conservative. Under his proposal, he would: Use the current budget surpluses to pay down the national debt. Pour the savings in interest payments into Social Security to prop it up for now. Refrain from raising the retirement age or income requirements for benefits, two items that are always controversial, but may be necessary in the future. Critics call Gore's plan a temporary fix at best and say the vice president is unwilling to take the political risk of doing more. While Bush hopes to use his proposal as an important campaign issue against Gore, the vice president is also looking to do the same. "It is clearly the sharpest and clearest contrast to emerge thus far in this presidential campaign," said Gore. It is also a political difference the Gore team thinks it can effectively exploit especially among older Americans. The vice president's aides point out that the Midwest, which is expected to be a critical campaign battleground, has an especially large senior population. As one Gore advisor said Monday, "Imagine this fall. The Bush team will run ads criticizing the vice president for fundraising at a Buddhist temple. We'll have ads asking voters whether they want to risk their retirement. Which do you think more people care about?"

*From MSNBC, 1 May 2000*

### HOW PRIVATIZATION WILL AFFECT POCKETBOOKS

Sometime this week, George W. Bush will outline a radical revamp of the one federal program that Americans almost universally revere. Treading where no one in his place has gone before, his pitch could split voters along generational lines - and make or break his candidacy for president. His target is Social Security, and while other politicians have proposed changes, Governor Bush will be the first major-party nominee to risk a White House bid on the issue. His success may hinge on this question: Will Americans fixate more on the plan's risks - or its potential rewards? Bush will propose a plan that lets individuals put a portion of their Social Security tax into a personal retirement account, which they could then invest in the stock market - an idea that would have been thought radical just a few years ago. The stakes - both for the presidential election and the nation's fiscal health in the decades to come - are massive. Social Security accounts for a quarter of federal expenditures now, a figure that is growing. And after political sniping over the issue ignited last week between Bush and Vice President Al Gore, observers expect Social Security to be a defining issue of the fall's campaign for the first time in decades. Voters are left to decide whether partial privatization of the system is an idea whose time has come. "It's almost guaranteed to be a major issue," says Bush pollster Fred Steeper. As millions of baby boomers start to retire, and thus receive payments rather than paying Social Security taxes, it will create a strain on the system. The Clinton administration predicts that the Social Security Trust Fund will run out of money in 2037. Keeping the system solvent is the underlying goal of both candidates' reform plans. Others doubt the severity of the crisis, arguing that forecasts of events decades in the future are unlikely to be correct. "There may be some basis for long-term concern," says Dean Baker of the



Economic Policy Institute here. "But we're really shooting in the dark because we don't know what the world looks like 30 years from now." Details won't be announced until later this week. But aides say that under the Bush plan a worker would have the option of dedicating some portion of his or her 12.4 percent Social Security tax - probably 2 to 2.5 percent of income - to a self-managed retirement account instead of to the Social Security Trust Fund. The benefit: Unlike the existing system, the income in the retirement account could pay higher returns, due to the relatively large returns historically generated by stock investments. Moreover, those who favor privatization see it as a way to fix long-term money problems with Social Security. Personal accounts, they hope, will bolster the system by lowering the government's financial responsibility. "It not only helps put the program on a course toward long-term solvency," says Michael Tanner of the Cato Institute's Project on Social Security Privatization, "But it also will help raise the rate of return to young workers and provide them with higher retirement benefits." For the individual retiree, the potential for high returns in the stock market comes at the risk that the account could lose money. (Although in some plans, the Government would mitigate that risk by guaranteeing a certain level of benefits.) Moreover, skeptics believe privatization would actually weaken the financial shape of the system by diverting into private accounts tax revenue that is needed to pay obligations to retirees. "Unless the loss of money going into the trust fund is offset by a reduction in how much Social Security has to pay off in future years, Governor Bush will just be making a bad situation worse" says Gary Burtless at the Brookings Institution. Mr. Gore portrays himself as a defender of the current system, characterizing privatization plans as risky schemes. He favors putting budget surpluses into the Social Security Trust Fund, and expanding benefits slightly. He announced recently that he would increase benefits for women who take time off work to raise children and for widows. Gore characterizes the Bush plan as a risky attempt to undermine Social Security and his own approach as essential to preserving it. "Democrats had to fight to create Social Security, and there are still those who want to cut it, tear it down, or take it away," said Gore in a speech last month. Privatization advocates see risks in Gore's conservative approach. "Al Gore has sort of adopted the Alfred E. Neuman school of Social Security reform," says Mr. Tanner. "What, me worry? He hasn't proposed any real long-term reforms." It's anybody's guess. In public opinion polls on reform, the results can differ wildly with the language used. "I'm positive Bush could phrase his plan in such a way as to appeal to two-thirds of the public, and Gore could phrase his opposition to it in such a way as to appeal to two thirds of the public," says Mr. Burtless. Bush is helped by widespread participation in the stock market and a belief among young Americans that Social Security won't be there to support them once they hit retirement age. On the other hand, recent turmoil in the markets might make voters less inclined to support a plan that hinges on strong returns from those markets. Moreover, polls find that Americans trust Democrats more than Republicans on issues involving Social Security. In a Zogby poll sponsored by the pro-privatization Cato Institute, 44 percent of voters said they would be more likely to support a candidate who favored some form of privatization, versus 22 percent who would be less likely. While Republicans were more likely to favor privatization than Democrats, more union members also favored privatization than did not, as did women who work. The Gore camp believes that those numbers will swing as their campaign highlights the problems with privatization. But with prominent Democratic Senators Bob Kerrey and Daniel Patrick Moynihan endorsing private retirement accounts, momentum could be on the side of privatization advocates. Still, previous Republican efforts to change entitlement programs - as with Medicare in 1995 - have proven to be losers at the ballot box. Says Mr. Steeper, the Bush pollster: "There's a real difference between the candidates on this issue, and neither one is going to back off their position. Both think they're right, both substantively and politically. This will be interesting."

*From Christian Science Monitor, 15 May 2000*