

GOVERNANCE WORLD WATCH

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

Compiled by Networking and Outreach Clusters June 2000



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Public Policies & Public Economics

AFRICA

AS POVERTY SOARS, HOW RELIABLE IS THE WB, IMF DEVELOPMENT POLICY?

The World Bank and the International Monetary Fund (IMF), major backers of economic reforms in developing countries, have once again unveiled a new poverty reduction approach which they claim gives borrowing countries an opportunity to determine their own strategies. However, critics have been quick to dismiss it as just one of the many faces of the Bretton Woods institutions, which have repeatedly failed to answer development needs of the world's poorest countries ever since they came into being more than half a century ago. Historically, development policies of the West towards the Less Developed Countries (LDCs) have usually led to a vicious circle of vulnerability and crisis, including reactive aid, which has not benefited the intended countries. Six countries from the Southern African Development Community (SADC) region - Lesotho, Malawi, Mozambique, Tanzania, Zambia and Zimbabwe - have adopted structural adjustment policies (SAPs) on the recommendations of - and under pressure from - the IMF. Generally, the enforcement of the IMF prescription has not achieved the desired results. Most countries, with the exception of Mozambique, are still grappling with under-achieving economies - high inflation, serious budget deficits and low gross domestic product (GDP). It is interesting to note, however, that Mozambique is one of the few African countries which has qualified for aid under the Highly Indebted Poor Countries (HIPC). Recent catastrophic floods earlier this year will undoubtedly also constrain the country's growth. Recognising the limited effectiveness of their SAP reform strategies, the IMF and the World Bank recently introduced initiatives "to mitigate costs, create social safety nets, improve the composition of public expenditures and the equity aspects of economic policies," a recent World Bank report says. The September 1999 annual board meetings of the IMF and the World Bank came up with a mandate to integrate objectives of poverty reduction and growth more fully into the institutions' operations in 75 poor countries. A new facility was the result, the Poverty Reduction and Growth Facility (PRGF) or the New Washington Consensus, in the language of the two institutions. The change in policy direction by the Bank and the Fund to PRGF is perhaps a recognition of the complementarity of macroeconomic, structural and social policies. It can also be interpreted as reflecting the realisation that a comprehensive policy approach is needed to make consistent and broad-based inroads into poverty reduction in developing countries. Under this new policy thrust, documents called Poverty Reduction Strategy Papers (PRSPs) will be prepared locally by government representatives, with active participation of civil society, NGOs, donors and international institutions. The Bank is currently training country teams, comprising government officials and the civil society. The exercise was launched at a seminar in Abidjan, Ivory Coast, in March. Locally produced PRSPs, the Bank and the Fund say, will help countries' own reform programmes, which may encourage them to be more committed to the process. This "consultative process" has already begun in many African countries including Tanzania, although it is still too early to measure the degree of its success. According to Gita Bhatt, NGO Liaison for IMF, "all policies will be determined in the PRSP process. Issues like the necessary level of government spending, tax burdens and structures, inflation targets, etc. will be open to debate. Fund staff will not come into this process with negotiating briefs, but with an analytical view, agreed upon with colleagues in the bank." By fostering stronger ownership of the strategy, broader participation of stakeholders is hoped to improve the prospects for successful and sustained implementation. Civil society can play an important role in monitoring implementation of the strategy and strengthening accountability. The Fund staff will, however, take the lead in promoting prudent macroeconomic policies, structural reforms in related areas, such as exchange rate and tax policy and issues related to fiscal management, budget execution, fiscal transparency and tax and customs administration.

In Tanzania, these experts are currently training country teams, from both civil society and government, who will be involved in drawing up its PRSP. Some debate has already started on the usefulness of these consultations, which though appearing to make the recipient country feel involved in the reform process, appear to be largely cosmetic. This can be supported by the fact that, despite claims for more autonomy, the extension of conditionalities into the political sphere is actually increasing control over governments, which have limited leeway in what they can present for Bank and Fund support. In the SADC this interference has already been manifested in the insistence on withdrawal of Zimbabwean troops from the Democratic Republic of Congo (DRC) conflict, clearly defined land policy and reduction of the size of cabinet as some of the conditions for renewed support. For Angola to be considered for support and undergo fully-fledged structural adjustment depends on the resolution of its internal conflict. In Mozambique, structural reform programmes, coupled with favourable commodity prices and good weather - until the recent cyclones - in the last few years have contributed to positive growth. Mozambique adopted structural reform in 1987, which it strengthened after the end of the civil war in 1992. This has involved extensive privatisation of banks and the cement industry, now largely Portuguese-controlled. South African companies have also acquired large stakes in tourism and breweries. The country has posted positive growth in GDP of about 10 percent per annum in the last four years, making it one of the fastest growing economies in the world by 1999. This trend cannot be sustained, however, without massive injections of aid. Tanzania adopted the Economic Structural Adjustment Programme (ESAP) in 1982. This has seen GDP rise by an average of three percent per annum. Inflation has been on a downward trend due to strict fiscal and monetary discipline from 1995, falling from 21 percent in 1996 to single digit level in January 1999. Despite more participation of the private sector, two-thirds of its imports are still financed through aid. Tanzania, like Mozambique, has qualified for assistance under HIPC and is currently being considered for some debt cancellation by the international community. Zambia started its IMF-sponsored reforms in 1992 which improved the policy environment. GDP

growth, however, has generally been on the decline, except in 1997, mainly due to declines in the world price of copper and to the drought. Inflation has been reduced to around 30 percent by 1998 from a peak of 183 percent in 1993. The country has undertaken massive privatisation including the recently completed the privatisation of Zambia Consolidated Copper Mines (ZCCM). Although this is seen as success story by IMF standards, this massive privatisation has left Zambia with almost nothing after getting very poor prices for its copper mines. The budget deficit has been reduced at a cost of serious deterioration of public service delivery, rapid build up of arrears and tight monetary squeeze. The economy is still unstable, critically depending on aid to service its high debt. Zambia has recently qualified for further US\$320 million from the IMF for Balance of Payment support. Zimbabwe has undergone structural reform since 1991. GDP growth has generally remained at about two percent growth while inflation has continued to rise, despite efforts to follow the IMF prescription. The IMF suspended aid to Zimbabwe in September 1999 until its conditions are met. Agricultural reform was the key element in Malawi's five-year programme of structural adjustment in 1981 as recommended by the World Bank. Fundamental bureaucratic and economic barriers to investment have been addressed to promote domestic and foreign investment. Privatisation has also taken place including Portland Cement, Chibuku Products, National Insurance, Auction Holdings and some sugar companies. These developments have not resulted in the envisaged benefits to the ordinary person as prices have continued to rise, making the poor poorer. In Lesotho SAPs have resulted in cuts in government expenditure on health resulting in a rise of 300 percent in hospital fees in July 1988. Other increases were effected in water and electricity sectors while housing subsidies were removed. Since 1995 emphasis has been on privatisation in the banking, telecommunications, water and electricity sectors resulting in further increases in tariffs, further worsening the plight of the Basotho. "The dependence on foreign aid since independence and the adoption of adjustment programme, in 1988, have not changed the reserve labour nature of the Lesotho economy, neither have they reduced its integration with the South African economy," according to the Labour Migration and the Economy in Southern Africa, 1995 report. In a new report, called New Leaf or Fig Leaf launched on 14 April 2000 by the Bretton Woods Project and Public Services International, Joseph Stiglitz, former chief economist for the World Bank, argues that: "The goal should not be only the reduction or amelioration of poverty but its 'elimination'. Where higher incomes are used for military aggression, the enrichment of a small ruling class, or the oppression of the population at large, growth is clearly seen as socially harmful. Strategies that exhibit these characteristics usually contain the seeds of their own destruction."

Unfortunately, the new call by Fund and Bank for governance and institutional reform is not cosmetic but real - and, potentially, less autonomous - for sovereign states. The worry now is that the new thrust could amount to the worst of both worlds. On the one hand, the new orientation by the two institutions encroaches too far into aspects of national policy development and institution-building, well beyond the economic sphere. On the other hand, the target of Bretton Woods reforms, regardless of the terminology used, remains a slash in expenditure on social services which has a direct, negative impact on poverty reduction. This has been worsened by the two institutions' refusal to grant poor countries debt relief. For instance, Mozambique's external debt has in many cases only been rescheduled either under HIPC or in response to the recent floods. Author of the New Leaf or Fig Leaf, Brenton Martin, argues that, through this new Washington Consensus, "the IMF would be given the additional role of imposing and determining the adequacy of, poverty-reduction programmes. Perhaps the greatest and most outrageous irony in the proposed debt-reduction plan is the far greater penetration that it would allow the Fund into the societies of its client countries. For decades, the Fund has imposed its will on the countries of the South, reshaping their economies with virtually no input from the millions of people affected by their policies. The Fund has ensured that governments are powerless by threatening to cut off international financing if its adjustment policies are not implemented. Now the institution that has undermined democratic processes around the world as it forces the adoption of poverty-inducing measures is set to be the arbiter of the adequacy of citizen involvement in the design of poverty-reduction programmes," New Leaf or Fig Leaf says. It is apparent that the reorientation of IMF and World Bank programmes towards institution-building, governance and participatory processes are designed not to change the currently unsustainable, undemocratic and inequitable path of global economic change but to overcome obstacles in the form of non-commitment by the recipient countries. The question is "who is to decide, within what parameters, and what content is best suited to the conditions of the country?" Development has reduced poverty, Stiglitz insists, but at the same time he acknowledges that there are now more people living in absolute poverty on less than a dollar a day, than there were when the Bretton Woods institutions began operations half a century ago.

From African News Online, 2 June 2000

AFRICA'S ECONOMY LAGGING

According to a report compiled by the World Bank, the African Economic Research Consortium, the African Development Bank, the Global Coalition on Africa and the United Nations Economic Commission for Africa, Africa's economy as a whole was better before independence in the 1960's than today. "The region's total income is not much more than Belgium's, and is divided among 48 countries with a median gross domestic product of just over \$2 billion, about the output of a town of 60,000 in a rich country." The report, *Can Africa Claim the 21st Century?*, said sub-Saharan African nations need to make an economic turnaround by implementing major fundamental policy changes, so they can be up to par with the rest of the world. The report said that with its rapidly growing population, the region needs to grow by at least five percent per year just to maintain current poverty levels. Nearly half the continent's people live below the poverty line. When it comes to world trade, "Africa barely accounts for one percent of global GDP and only two percent of world trade," the report said. "Its share of global manufactured exports is almost zero. Over the past 30 years it has lost market shares in global trade even in primary goods, and has failed to diversify on any scale." If it were not for South Africa, the statistics would be worse. "Excluding South Africa, the continent has fewer roads than Poland," the report said, adding that with 10 million telephone lines, half of which are in South Africa, most Africans live two hours away from the

nearest electronic communication. Less than one in five Africans has access to electricity, two-thirds of rural people lack adequate water supplies and three-quarters live without proper sanitation. Not all the news was bad. "Africa has huge challenges, but the good news is that in the past five years growth rates in some countries have been picking up and we are beginning to see greater participation and democratization in African countries," said Callisto Madavo, World Bank vice president for the region. However, the economic agencies say there's plenty of untapped growth potential within the continent. "Although the challenges facing Africa may seem insurmountable, the continent has enormous untapped potential and hidden growth reserves," added World Bank chief economist Alan Gelb. According to *Can Africa Claim the 21st Century?*, Africa requires decisive action in four main areas: Resolving conflict and improving governance to guide political and economic development; Greater equity and more investment in African people; Increasing competitiveness and diversifying economies; Better support from the international community. "One in five Africans still lives in a country severely disrupted by conflict," the report said. "Excluding the region's former wars of independence, nearly 20 African countries have experienced at least one period of civil strife since the 1960s." But the report does conclude that globalization and new technology offer great opportunities to achieve economic and social growth for a continent whose population have so far largely been excluded from information flows. "Though these factors also pose risks, they are far outweighed by the potential benefits," it said.

From CBS News, 1 June 2000

AFRICAN ECONOMIST MAKES CASE FOR AFRICAN CURRENCY

A Paris-based African economist has proposed the establishment of an African currency among the CFA franc zone countries. Nicolas Agbohohou made the suggestion in a book, 'The Franc CFA And the EURO Against Africa' published recently. He said the African countries concerned would forever be condemned to economic dependence and re-colonisation if they failed to float their own currency. He added that the domain of currency and financial stability were among the African problems that can be resolved neither through existing international cooperation mechanisms nor by way of Overseas Development Assistance. "That problem involves external forces that do not want to see Africans free themselves from external domination," the Ivorian-born economist told PANA. To make matters worse, some African leaders, he said, are accomplices of the external forces bent on the perpetual dispossession of the continent of its wealth. Agbohohou is an Associate Professor at the Cheikh Anta Diop Institute at the University of Gabon. He also lectures in sciences and economic techniques at universities in France. He said he is convinced that the creation of single currency, de-linked from the French franc and the euro, would lead to economic growth and enable the countries concerned to take their destiny in their own hands. He contended that the pegging of the CFA franc, first to the French franc and later to the euro, was a major blunder that African countries must correct by breaking that linkage. The CFA franc is currently in use in at least 14 west and central African countries. These are the countries of the West African Economic and Monetary Union or UEMOA: Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. The others grouped under the Central African Economic and Monetary Union or CEMAC are Cameroon, Central African Republic, Congo (Brazzaville), Equatorial Guinea, Gabon, and Chad. The Comoros franc is also attached to the French franc. The CFA link with the French franc dates back to 1945. The currency was devalued by 50 percent to the French franc in 1994 pegging its exchange rate at 100 CFA to 1 French franc from 50 CFA to 1 French franc. Agbohohou said the creation of the currency left the countries with only one market, the French market, as their produce became too expensive for other markets. "Through the CFA franc, France was able to economically 're-colonise' the African countries in the zone, since their products were shut off from the rest of the international market," he noted. He said African countries must industrialise and not stop at merely selling raw materials. They must begin to sell finished products through agro-based and other diversified industries in order to reap the full benefits of their sweat. "What happened during the colonial era is what continues to happen with the advent of the euro," Agbohohou emphasised. The UEMOA states and neighbouring Anglophone countries led by Nigerian and Ghana plan to float a single West African currency by 2004.

From Pan-African News Agency, 31 May 2000

'AFRICANS MUST BE THE OWNERS, NOT JUST THE WORKERS'

Zimbabwe: In a rare interview, President Robert Mugabe says he is determined to return ownership of all his country's resources to his people. President Robert Mugabe came across in a rare interview yesterday as a leader whose policies are informed by personal disappointment at what he says is a post-colonial economic conspiracy against Zimbabwe's black majority. Twenty years after the end of white rule – and 10 days before the ruling party faces its first weighty challenge in Zimbabwe's fifth parliamentary elections – he departed from the image of a despot clinging to power in the face of an unstoppable tide of popular dissent and told Independent Newspapers he was upset by "the failure of our people to realise that independence cost us so much and appreciate our achievements. Instead, said the 76-year-old President, Zimbabweans are "continuing to work with the very people that oppressed us. One might very well look at the whites, for example, the white Rhodesians. Yesterday they were oppressors and even though they pretended they had changed they have not." In response, the Zimbabwean President wants to instigate further action to wrest economic power from the white minority and from Britain, which he says still controls 400 companies in its former colony. "They are everywhere. This is why I tell the British that you are being stupid by wanting to impose sanctions on us. You will suffer much more. Our people can eat sadza and nyama [maize porridge and meat] and survive, but their whites here can't try." Despite overwhelming evidence that the ruling Zanu-PF party has brought Zimbabwe's economy to its knees, prompting the departure of international financial institutions and inflation of more than 50 per cent, President Mugabe said he was determined to press "for socio-economic transformation and delivering the benefits to the people". He said he would go beyond rectifying the land imbalance, under which about 4,500 white farmers are said to own one-third of the arable soil and produce more than 40 per cent of

export income. "The land question will be settled," he said. "But who owns our mines? We are gold, copper, asbestos and iron producers. But most of the benefits are enjoyed by the former colonialists. And of course the parent countries, that's where we remit our dividends. After land we must look at the mining sector. There must be Africans as owners, not just as workers, my brother. We have trained engineers of all kinds, skilled men, civil engineers, electrical engineers, mining engineers, mechanical engineers, geologists, agronomists, they're working everywhere! But ownership? Working for whom? At the end of the day you must be able to say the resources are ours – our people own the mines, our people own the industry." He said that when the struggle, politically, ended in 1980, another fight began. "And this struggle became very difficult because of the forces at play: the former colonial power has greater economic influence than you have. Your only influence is mainly political. So the economic field where your influence is very minimal becomes a breeding area of opposition elements." He said Zimbabwe's 12 million people had ended up producing for people in Britain. "And they are not grateful! "There is some fellow from Britain, Lord Something, he came here once and talked about funding for Zimbabwe. I said to him, 'You put our dividends and profits that we remit to Britain against the aid we get from Britain and tell me who is giving aid to whom?' We remit much more and they pretend to give poverty alleviation or little programmes like that. This is the war." Echoing the rhetoric of 1960s liberation struggles, he quoted the former Ghanaian leader Kwame Nkrumah: "A principle can never be surrendered on the altar of expediency. As Nkrumah was saying, if you are principled in doing that which is right you must never surrender. And if you don't surrender and sacrifice yourself, you will win and begin to believe in your principles much, much more. This is it. To fight for that which is right and to see people supporting it." He denied that the occupations of 1,400 white-owned farms since March would prevent a free election on 24 and 25 June and pledged to accept the outcome of the vote. He said the suggestion that the opposition Movement for Democratic Change (MDC) might gain a majority of seats was "an impossible proposition" but added: "If you want me to answer the impossible I'll tell you – the winner must be accepted and if you are defeated you must accept." Repeating his claim that the MDC – which says 30 of its members have been murdered – is a "puppet organisation", he said: "It is a very unfortunate product of the negative forces in the socio-economic sector. I can't see our people putting their trust in [the MDC leader] Morgan Tsvangirai. It would be a sad, sad day. We ourselves would lament ever having brought politics to our people." President Mugabe said whites in Zimbabwe should "become true citizens" and that "right now some of them aren't. We have Britons. People with two citizenships. They are Zimbabwean on the one hand and British on the other. In some cases they are South Africans. We just want monocitizenship. That's the law."

From UK-Independent-Africa, 15 June 2000

EXPERT GROUP URGES AFRICAN GOVERNMENTS TO LURE BRAINS HOME

The African Capacity Building Foundation (ACBF) Monday called upon African Governments to reverse the brain drain to Africa where an average of 20,000 professionals are lost annually through migration. ACBF executive secretary Soumana Sako threw the challenge at the opening of the ACBF regional workshop for national focal points on Capacity-Building Coordination in Africa. Sako said his organisation's interventions have placed emphasis on local ownership, leadership and responsibility to ensure sustainability of the capacity building process in Africa. This, he said, would in turn lessen over reliance on technical assistance and contribute toward reversing the brain drain in Africa. Sako said the ACBF has contributed to a reversal of brain drain through policy units supported by the foundation, which he said has created jobs, and helped to retain some professionals in Africa. "In several cases, ACBF-supported projects have attracted African professionals living and working overseas, thereby contributing to a reversal of brain drain," Sako said. According to Sako, the real challenge for Africa these days is to reinforce the promising trends that have emerged in several African countries and overcome impediments to accelerated development. The many challenges being confronted in Africa include a critical human capital flight that has resulted in the continent losing an average of 20,000 professionals annually through migration. Other challenges are reducing poverty at a sustained GDP growth rate of 6-8 percent per annum, a crippling external debt estimated at 35 billion dollars or 31 percent of exports. He also cited other challenges as economic marginalization due to globalisation, a process which has seen a decline in Africa's share of world trade, estimated at 70 billion dollars over the past decade, and the devastating impact of HIV/AIDS which is ravaging the productive labour force. Sako emphasised the importance of governments allowing civil society and the private sector to fully take part in the design of development strategies. He said a major part of capacity building is good governance and it is imperative that individuals and communities are empowered to unleash their capacity and become agents of their own change by participating fully in the development process. "It is time for African countries to arise and take hold of their own destiny. In this era of renewal, Africa must re-invent itself and truly bring about a meaningful African renaissance," he said. Zambian vice-president Christon Tembo opened the meeting calling upon African governments to support ACBF's desire to strengthen the capacities of regional institutions. Tembo said in view of the world trend toward economic globalisation, Africa faces pressure in regard to regional or continental perspectives in addressing economic issues. He observed that governments' policy decisions are based on advice given by institutions which analyse problems and propose solutions. He warned that if there is no synergy among the research bureaux in Africa, governments shall continue to waste resources in appreciation of issues and in formulating and implementing interventions. The two-day meeting, which is also being attended by finance ministers, African policy makers and experts, would endeavour to set up a framework for a network of national focal points.

From African News Online-PANA, 26 June 2000

ASIA/PACIFIC

CHINESE BANKERS SUPPORT GLOBALIZATION

Chinese bankers attending the 2000 Conference of "21st Century Forum" here have voiced their support for globalization in the financial sector. Speaking at a seminar in Beijing Thursday, the bankers urged to improve the country's financial system and accelerate financial reform to meet the challenges of globalization. Yi Gang, a deputy secretary-general of the Monetary Policy Committee of the People's Bank of China, said that opening-up in the banking industry has helped China attract huge foreign investment. Yi said that China's role in becoming increasingly part of the global financial system will be beneficial to China and help speed up the reform and development of the country's banking industry. Opening-up should bring local financial businesses into increasingly fierce international competition and lead to greater challenges to China's macro-control and supervision in the financial sector. Wang Xuebing, president of the China Construction Bank, said that China's financial industry must "keep in touch" with the rest of the world. China should open up its banking markets and play a part in the restructuring of the international monetary system, he said. He said China must step up bank reform focusing on the reforms of property and personnel systems, while reducing government interference in the banking system and easing control over the industry. He also called for strengthening the rule of law in the industry.

From China-People's Daily, 16 June 2000

CHINA WILL ENTER NEW STAGE OF DEVELOPMENT, SAYS ZHU RONGJI

Chinese Premier Zhu Rongji yesterday painted an economic picture of China for the next 10 years in which he said the country would see intensified strategic economic restructuring, rejuvenation through science and education and greater openness to the outside world as the country entered the World Trade Organization. "As the new century moves forward, China will enter a new stage of development in building a society in which people enjoy a fairly comfortable life and in basically achieving modernisation," he told about 500 participants of the 21st Century Forum. Singapore Senior Minister Lee Kuan Yew, former Australian Prime Minister Malcolm Fraser and former Botswana President Ketumile Masire were foreign leaders who spoke. Mr. Zhu said that China was heading in the right direction as its economy had improved, particularly this year, with accelerated economic growth, improved economic returns, increased foreign trade, rising consumption and stronger tax revenues and foreign-exchange reserves. Mr. Fraser called for an annual political conference of East and South-east Asian countries, including Australia and New Zealand, to address security, financial, economic and other regional issues. He said, without naming any country: "The interests of the countries within the region do not necessarily coincide with the interests of countries external to the region. In some instances, such forces divert countries from paying adequate attention to their own security. In the longer term, the relationship between countries of a region provides the only security that is viable and which can sustain itself." He said that the expansion of membership in the Asia Pacific Economic Cooperation forum to include several Pacific Rim countries had made it difficult to advance the specific interests of East and South-East Asian nations. Mr. Masire said world understanding and peace were prerequisites for successful economic globalization. "In this respect, the recognition and acceptance of the fact that we cannot wish each other away and that we have to work together for our collective prosperity is an essential milestone in our relationship. Most unfortunately, ours is still a world which is full of imperfections. It is still not, as yet, a faultless world. Man is still not at peace with himself and his neighbours," he added.

From Singapore Straits Times, 15 June 2000

CHINESE UNIVERSITY CASE REVEALS ETHICS POLICY CONFUSION

The case of the Chinese University professor who faces the sack for "immoral" conduct has revealed confusion about policies on staff ethics within the SAR's tertiary institutes. Baptist University said its lecturers could be sacked for personal misbehaviour considered disgraceful to the institution. If teaching staff were alleged to have done something "of an immoral, scandalous or disgraceful nature", and an investigation by the school confirmed it, offenders would face disciplinary action, or could lose their jobs. The Polytechnic University has an ethics committee, commissioned by a vice-president. It deals with professional misconduct in the workplace, or related to academic research, according to an ethics code. But the code did not cover personal conduct, a university spokeswoman said. The University of Hong Kong, City University and Hong Kong University of Science and Technology do not have a code of ethics for lecturers. Professors need not have their conduct governed by a code of ethics, a University of Hong Kong spokeswoman said. Only when alleged professional misconduct could cause disgrace to the university would an ad hoc committee be set up to launch an investigation, she said. There have been no cases where teaching staff were disciplined or dismissed for reasons related to moral conduct at the University of Hong Kong, Baptist University or the University of Science and Technology. Secondary schoolteachers are governed by the Code of Conduct set by the Council on Professional Conduct in Education. Council standing committee member and Pui Kiu Middle School principal Ip Cho-yin said the code did not directly address family violence.

From South China Morning Post, 27 June 2000

TENSIONS HIGH IN AUSTRALIAN PARLIAMENT OVER NEW TAX

Tensions are high in the Australian Federal Parliament in the lead up to the July 1 introduction of the new goods and services tax (GST), part of a wide-ranging overhaul of the tax system. Prime Minister John Howard yesterday cut question time in half and six MPs, including a minister, were suspended for unruly behavior. Speaker Neil Andrew faced a revolt by Labor opposition MPs, and Employment Services Minister Tony Abbott became the first minister to be expelled from the House since 1961. The Government exposed itself to Labor's claim that it was running scared. Opposition Leader Kim Beazley accused Mr. Howard of trying to avoid being held accountable for predictions that the GST would cause rents to rise and would hurt residents of boarding houses and mobile homes. Labor MPs also claimed Mr. Howard stopped questions because the Opposition had tried to embarrass him with claims of the special treatment given to sacked workers from National Textiles - the collapsed company run by his brother Stan.

From UK-Independent, 20 June 2000

EUROPE

CROATIA PUSHES PENSION REFORM BACK TO JANUARY 2002

The Croatian Government on Thursday drafted a new pension law, which pushes back the start of the second phase of pension reform to January 1, 2002, Hina news agency reported. Labor and Welfare Minister Davorko Vidovic said an additional 18 months were needed to build the necessary infrastructure. The previous government had planned to launch the new scheme on July 1, 2000. An agency will be established to supervise private pension funds, a central registry and database, and education of the population. The reform will cost the taxpayers some eight billion kuna (\$1 billion), Hina quoted Vidovic as saying. Croatia wants to replace the current pay-as-you-go system, where money for pensions is collected via mandatory overheads on those employed, with a three-pillar system that would include voluntary forms of savings.

From Croatia Today, 16 June 2000

EU SUMMIT EXPANDS REFORM AGENDA

The European Union Summit meeting in northern Portugal goes into its second and final day today, with discussions continuing on a wide range of subjects. Yesterday, the 15 leaders approved measures which included expanding the agenda of the ongoing intergovernmental conference, which is meant to reform the EU's institutions to prepare for eastward expansion. The agenda now contains references to concepts of "enhanced cooperation" - a measure which will allow closer integration of an inner core of EU members. The summit also agreed to a French initiative for a top-level EU meeting with the countries of the former Yugoslavia.

From Radio Free Europe, 20 June 2000

PARIS HOSTS DEVELOPMENT WEEK

A series of events and meetings organized to mark 'Development Week' opened in Paris Monday, providing the international community an opportunity to reflect on a series of development related issues including foreign aid, sustainable development and human rights. The week, organized by the World Bank and the French Economic Analysis Council, has drawn participation of various international development organizations as well as those concerned with human rights affairs. These include the UN Development Programme, the UN Human Rights Commission and the International Agency of the Francophonie. Coming up some 50 years after the creation of the Bretton Woods institutions, the meeting is viewed by the organizers as crucial in providing an opportunity for reflection on issues that impinge on development. During the round table discussion to be held Thursday, the UNDP's 2000 World Human Development report will for the first time be presented in Paris. UNDP Administrator Mark Malloch, Brown as well as the UN High Commissioner for Human Rights, Mary Robinson, will be among those attending the round table. World Bank President James Wolfenshon attended Monday opening meetings. He held discussions with the head of the French Development Agency, A. Poullieute, which focussed on reinforcing partnership between the two institutions. Among activities taking place during the week include the Forum 2000 'Partnership For A New Economy' organized by the Organization for Economic Cooperation and Development. The Francophonie organization is participating at the Forum where hundreds of organizations and international businesses have exhibition stands. The Francophonie stand features its initiatives to spread new information technologies to the countries of the South. Activities marking Development Week wind up Friday.

From African News Online, 26 June 2000

UK GOVERNMENT GIVES IN ON E-MAIL INTERCEPTION LAW

Under growing pressure, British Government ministers Tuesday agreed to several last-minute changes to controversial proposed legislation that gives the police powers to eavesdrop on private internet traffic. In the face of opposition from political, civil liberties and business groups, the Labor government is bringing its Regulation of Investigatory Powers Bill up for debate before the upper House of Lords Wednesday. Anxious not to have the measure shot down, the Government announced that the responsible minister, the Home Secretary, will now have to sign a warrant before anyone's e-mails can be monitored. Also, internet service providers will be given assurances that they will not face excessive costs. Earlier drafts required ISPs to share the costs of linking

their operations to a government-spying center in London. The links to the center - to be located inside the headquarters of the domestic intelligence agency, MI5 - will enable the authorities to monitor e-mail traffic and internet browsing taking place through the ISPs' servers. Smaller ISPs feared the obligation to help pay for the right for their customers to be spied upon could put them out of business or force them to relocate outside of Britain. In another concession, ministers agreed that company directors will have to be informed if members of their staff are asked to hand over passwords or encryption "keys" which are used to protect online confidentiality. The Government argues that sweeping snooping powers are necessary if police are successfully to fight terrorists, pedophiles and other criminals who use the Internet to carry out their activities. The proposed law will give law enforcement agencies the right to demand access to the "keys" needed to unscramble encrypted e-mail messages - including the type of programs used by e-commerce companies to safeguard online transactions. An independent report recently commissioned by the British Chambers of Commerce found that the proposed law could cost the British economy some \$73 billion over five years. The Government rejected the estimate. The RIP Bill, as it has become known, has already passed a third and final reading in the elected House of Commons despite challenges by the opposition Conservatives and Liberal Democrats. Conservative spokesman on home affairs, Oliver Heald, Tuesday welcomed the Government concessions, which he characterized as a "retreat in the face of our constructive opposition." "We have always supported the idea that crime fighters should have the powers they need to fight crime in the modern age, but this bill was introduced in haste and without proper safeguards for individuals or companies," he said. Heald said the Conservative Party had been concerned about the financial implications of the law as well as the civil liberties issues involved. "At last it seems that the Government is beginning to listen." One of the bill's most controversial elements is a provision making it a criminal offense, punishable by a jail term, for anyone to fail to hand over an encryption "key" if requested - even if it has been forgotten or lost. The onus would be on the suspect to provide evidence that the "key" cannot be obtained.

'Alternative Methods Cheaper, More Effective': A specialist independent watchdog, Cyber-Rights & Cyber-Liberties (UK), sent an open letter to House of Lords lawmakers Tuesday urging them to vote down the RIP Bill. The group said it did not believe the proposed law would effectively deal with criminal misuse of the Internet, but rather have a negative affect on citizens' and businesses' perception of their security and privacy online. "This, in turn, will have a highly detrimental impact on the development of electronic commerce in the UK," CR&CL wrote. Noting that it would cost an estimated \$48 million a year to pay for the technical requirements contained in the law, CR&CL told the Lords: "If the UK were to spend as little as one third of this sum, it would be possible to recruit more than 100 experts to support UK law enforcement authorities in the pursuit of criminals, pedophiles and others who misuse the Internet. "In our view, such an approach would be much less costly and infinitely more effective in countering criminal misuse than any of the measures embodied within the proposed legislation for this purpose. The Government's proposals are technically naive and cannot succeed against serious criminals who will find the measures easy to circumvent."

From CNS, 27 June 2000

HUNGARY MINISTER SAYS THAT HUNGARY MUST PARTICIPATE IN GLOBALIZATION

The annual ministerial conference of the Organization for Economic Cooperation and Development (OECD) opened in Paris on Monday [26th June]. Ministers of the 29 member states, including Hungary, are discussing the new developments in the world economy at the two-day forum. Hungary is represented by Minister of Finance Zsigmond Jarai, who said that a central issue that emerged on Monday was whether the current, new economy could already be considered as an information economy. Consideration should be given to how small and medium ventures can be supported amidst such new circumstances, and how they could be brought into a position that they, too, can enjoy the advantages of globalization. Jarai noted that this is a problem in Hungary as well. Telecommunications and IT development bring genuinely new economic challenges. "Hungary must participate in globalization; we have no other choice, and we cannot afford to turn away from this," said the finance minister. Jarai added this was one reason for setting up the government committee on IT in Hungary. The minister said the government is now examining what concrete steps should be taken to assist small ventures or private individuals in this area. "If the economy is on the upswing, as it is now, and we believe this is the challenge of the future, then a few billion or few tens of billions of Ft should be spent on enabling us to better meet this challenge," he said.

From Hungary Today, 27 July 2000

MADRID SHARES END WITH MODEST GAIN ON GOVERNMENT REFORMS

Spanish stocks ended slightly higher on Friday as investors reacted with moderate relief to a wide-ranging but largely expected package of liberalisation measures from the Government. The Ibx-35 main share index ended up 0.41 percent or 42.6 points at 10,533.1 points, with telecoms giant Telefonica down 0.43 percent. "The measures are difficult to evaluate at first sight. But the market was suffering because of the uncertainty linked to this package, so people are now relaxing," said a trader in Madrid. The index had been slightly down before the Government announced its package, which aims to boost competition in the telecoms, power and energy sectors, among others. Right after the announcement, the Ibx index climbed to 10,631 points and then receded from the peak. Trading was then suspended for nearly two hours due to technical problems. The package included restrictions on growth by electric companies. Spain's biggest power firm Endesa ended 0.56 percent higher and Union Fenosa gained 0.41 percent. Traders said Fenosa, the third-largest power firm in the country, should be favoured as its main two rivals, Endesa and Iberdrola, would face the most severe restrictions under the reforms. But Iberdrola added 1.40 percent and Cantabrico - the smallest of the four power firms - gained 4.11 percent amid expectations that a foreign player may soon launch a takeover bid. Oil

giant Repsol-YPF gained nearly two percent to 21.21 euros. The Spanish-Argentine group said that the Government's announcement was putting to an end a long period of uncertainty for the entire sector.

From Reuters, 23 June 2000

THE AMERICAS

'STEALTH' ADS REVIVE EFFORTS TO CHANGE U.S. ELECTION FINANCE LAWS

On Capitol Hill, lawmakers grapple with a measure to regulate the new cash cows of the 2000 election season. You're a political candidate catching a quick bite before the first event of the day, and you notice a campaign-style ad on TV with your picture in it. It could be praising you. It could be trashing you. The point is, you likely have no idea where it came from or who is funding it. Nor does the public. Sen. John McCain of Arizona was blindsided by such an ad campaign in the Republican presidential primary. House Rep. Marge Roukema, a 10-term GOP incumbent, was nearly defeated in last week's New Jersey primary after a similar mystery campaign. In both cases, the ads highlight the latest legal loophole in campaign-finance law - one being increasingly put to use in Election 2000. Using a provision of the US tax code, individuals and groups are spending unlimited amounts of money, without disclosing the names of their cash cows. Concern over this phenomenon - which critics decry as worse than the much-maligned soft-money donations to political parties - has unexpectedly revived a debate in Congress over campaign finance. Although the House and Senate came down on opposite sides of a reform measure in separate votes last week, the rise of these "stealth" political action committees appears to have led some lawmakers to put aside partisan fighting that has stymied election-reform efforts for years. Indeed, the House on Friday turned back a bill to require disclosure by stealth groups only after the Republican leadership promised to revisit the issue before the July 4 recess. Thursday's Senate vote in favor of tightening regulations on stealth groups came as something of a surprise, particularly to GOP leaders who opposed the move. The vote marked the first victory for a campaign-finance overhaul measure in the Senate since 1993. In the 1996 election cycle, big campaign contributions flowed as soft-money donations to the state or national parties, which then used the funds for "issue" ads or get-out-the-vote drives that would help their own candidates. While donors can contribute unlimited amounts of money, the parties must identify who they are. But Campaign 2000 could signal a shift to groups organized under Section 527 of the US tax code, which are not required to disclose donors or the size of their tax-exempt gifts. "The 1996 federal election is most commonly seen as the election that brought soft money to the public consciousness and to the policy agenda," says Francis Hill, visiting professor at the University of Pennsylvania Law School. "The 2000 federal election may be equally important in campaign-finance history for the flowering of the new Section 527 organizations." Washington-based Common Cause, a public-interest group, dubs the 527 loophole "the boldest, brashiest way to evade federal campaign laws today." "This is the emerging abuse, and if it is allowed to continue, it will make soft money look quaint by comparison," says Common Cause president Scott Harshbarger. What troubles many lawmakers is that well-financed 527 groups could hijack the 2000 campaign and further undermine public trust in the political process. "Money politics and secrecy is a dangerous mixture. The least we can do is address the secrecy ingredient in this potion," Sen. Russell Feingold (D) of Wisconsin said on the floor of the Senate. "There is no justification whatsoever for allowing these groups to operate under the radar. None." For Senators Feingold and McCain, who have sponsored legislation to ban soft money altogether, the 527 provision targeted a smaller - but flagrant - problem. They hoped a win could open the door to more sweeping reforms in the future. The new 527 groups escape control both from political parties and the Federal Election Commission. They run across the political spectrum, from peace and environmental groups to corporations and GOP consultants. Some recent examples: Republicans for Clean Air funded a \$2.5 million ad campaign in key presidential primary states to attack McCain's environmental record. The group, whose identity came out in press reports, was funded by prominent Bush supporters. The Club for Growth, loosely affiliated with the libertarian Cato Institute, is targeting moderate GOP incumbents who have "veered away from the limited government agenda that got them elected to the majority in Congress." The Republican Majority Issues Conference, directed by fund-raisers associated with House majority whip Tom DeLay, is reportedly amassing a \$15 million war chest to run issue ads this year. Shape the Debate, run by consultants associated with former California Gov. Pete Wilson, are running an ad campaign that charges Vice President Al Gore with "hypocrisy." Stephen Moore, president of the Club for Growth, insists that efforts to curb such groups are simply out to protect incumbents. "I'm skeptical of campaign-finance reform when the real agenda is incumbency protection. The 527s can be a way of attacking the incumbency-protection machine. Forcing disclosure of 527s would have a chilling effect..., and would shut a lot of folk out of the political process," he says.

From Christian Science Monitor, 13 June 2000

U.S. GOVERNMENT PREPARES FOR BATTLE WITH CREDIT CARD COMPANIES

Fresh from winning its antitrust case against Microsoft, the U.S. government is taking on the credit-card industry. The Justice Department opens arguments Monday in U.S. District Court in Manhattan in a trial that could force major changes in the way the Visa and MasterCard networks operate. "This case could have the same significance for the issuance of credit cards that the Microsoft case has for the computer industry," said New York antitrust lawyer Harry Davis. The Justice Department filed the lawsuit in October 1998, alleging Visa USA and MasterCard International Inc. violated antitrust law by limiting competition. The two companies currently control about 75 per cent of the credit-card market in the United States. American Express, which issues Amex and Optima credit cards, has about a 17-per-cent share, with Discover and other cards holding the balance. The lawsuit charged the same group of banks control both Visa and MasterCard, lessening competition between the two networks. And it said rules

adopted by both credit-card associations restrict the ability of banks to do business with other card networks, such as American Express and Morgan Stanley Dean Witter & Co.'s Discover card. The result, the department said, is reduced consumer choice and slowed technological innovations in the credit-card market. In a preliminary hearing Thursday, Melvin Schwarz, lead counsel for the Justice Department, said the Visa and MasterCard rules are designed to severely restrict competition. "There is no question that the output of American Express and Discover would go up if they had access to the banks," he said. Visa and MasterCard have repeatedly denied the allegations and suggested American Express, which will testify for the government, has been manoeuvring behind the scenes to try and force changes in the industry for its own benefit. Both Visa and MasterCard are set up as non-profit associations. Representatives of their 8,500 member banks sit on their boards and policy-making committees. Their rules allow banks to issue both Visa and MasterCard credit cards but bar member banks from issuing other cards. Davis, a partner in the law firm Schulte Roth & Zabel, said if the government wins the case, it is likely American Express and other independent card companies will move to create joint ventures with major banks to gain access to the banks' customers. That would give a company like Amex the ability to issue more credit cards, as well as introduce debit cards, which must be tied to chequing or other deposit accounts, he said. "In the short term, that would mean a greater degree of competition among banks to issue products to their customers, and a wider variety of alternatives for customers," Davis said. But it also could reduce the loyalty of large banks to the Visa and MasterCard networks, possibly weakening them in time, he cautioned. Bruce Brittain, a credit-card analyst in Atlanta, said he is not convinced of the government's argument that the current system limits consumers' choice. "From the consumer's point of view, there is a lot of competition in the credit-card world," Brittain said. "Being able to get an Amex or Discover card from your local bank doesn't make much difference to them. They can get them now if they want by calling an 800 number, picking up a form at a restaurant, going onto the Internet." He said the benefit for Amex of linking up with a big bank would be it could offer financial services beyond its traditional travel card.

From Capital Hill Blue, 11 June 2000

CANADIAN GOVERNMENT MUST PUT MORE EMPHASIS ON RURAL COMMUNITIES

The federal government must increase health-care funding with an emphasis on rural and remote communities to better serve almost one quarter of the Canadian population, says a nursing professor. "All policy must be viewed with a rural and remote lens," said Martha MacLeod, who teaches in Prince George, B.C., at the University of Northern B.C. MacLeod said rural residents who must travel to urban centres to see specialists often face hefty travel expenses. "When you have 22 per cent of Canadians living in rural and remote areas, that's 22 per cent of people who don't have the kinds of services necessary," said MacLeod, who was speaking at the Canadian Nurses' Association convention in Vancouver. MacLeod said she will have to travel 500 kilometres north to a Vancouver hospital next month so her daughter can see a specialist. "There's no financial reimbursement," she said. "You don't need to do that if you live in Toronto, you don't need to do that if you're living in Vancouver." MacLeod said there's an urgent need for the federal government to establish a strong rural health strategy. Federal Health Minister Allan Rock said Monday during a satellite address to the convention that there are discrepancies between rural and urban centres. "No one can pretend that we can put a tertiary care hospital on every street corner in northern communities and no one can pretend we can have specialists lurking behind every corner in remote parts of Canada," Rock said. "But we can do better." He said the Government's new office of rural health aims to improve medical services in rural and remote areas. So-called telemedicine will enable specialists in urban centres to advise doctors in small communities via satellite or the Internet. MacLeod, who is trying to get funding to conduct a Canada-wide survey of nurses working in rural and remote areas, said doctors must involve nurses to resolve long-standing problems. In Prince George, B.C., about 30 specialists have resigned their privileges from Prince George Regional Hospital, the health-care hub serving most of the province's central and northern regions. The doctors' departure has shut down services for all but the most severe medical emergencies. Fourteen patients have been airlifted to other facilities and about 80 surgeries have been cancelled. Doctors say they're fed up with the lack of funding, long waiting lists and overwork. Negotiations between doctors and a mediator broke off Tuesday. MacLeod said the doctors' dispute is a symptom of problems that have permeated the system for a long time and also involve nurses. "The physicians in Prince George have brought this issue to a head," she said. "There is a need for funding for both physicians and nurses."

From Vancouver Sun, 21 June 2000

CAMPAIGN DISCLOSURE BILL PASSES THE U.S. HOUSE

The House voted just after midnight this morning to require tax-exempt groups that secretly raise and spend money on elections to disclose their activities, as lawmakers tried to close what campaign finance experts describe as one of the biggest loopholes in campaign finance law. The vote amounted to a repudiation of Republican leaders on both sides of the Capitol, who have labored to block or dilute legislation aimed at lifting the veil of secrecy over millions of dollars flowing into congressional and presidential elections. It also marked a victory for Sen. John McCain (R-Ariz.), who made campaign finance reform a centerpiece of his unsuccessful presidential campaign. The plan approved by the House 385 to 39 closely resembles legislation approved by the Senate earlier this month at the behest of McCain, and supporters expressed hope that the two chambers would quickly work out their differences and send a bill to President Clinton. All 39 opponents were Republicans. "I hope we can agree voters have the right to know who is paying for any election ad and who is trying to influence their vote," said Rep. Michael N. Castle (R-Del.), a reform advocate. The legislation would amount to the first substantive tightening of campaign finance laws since 1979. At issue is the conduct of dozens of tax-exempt groups, on the right and the left, that are spending millions of dollars to influence elections this year through advertising, polling and other political activities. Under the law, such "527 committees" do not have to report their

political activities, raising fears among some lawmakers and good-government advocates that one of the central goals of post-Watergate campaign law – disclosure – is being circumvented. A group associated with House Majority Whip Tom DeLay (R-Tex.), for instance, is trying to raise \$25 million to assist conservative Republican candidates. Another group, Republicans for Clean Air, ran \$2.5 million in ads praising Texas Gov. George W. Bush and attacking McCain during the GOP primaries. More liberal groups, such as the Sierra Club, also have "527 committees," named after the section of the tax code that governs these tax-exempt organizations. The bill the House approved would require these groups to report their donors and how they spend their money to the Internal Revenue Service every three months during an election year. The information would then be made public and posted on the Internet. "We need to get something done," said Rep. Martin T. Meehan (D-Mass.), an advocate of the legislation. "527s have really overtaken soft money as the most egregious abuse of the campaign finance system." But critics, including some GOP lawmakers and the American Civil Liberties Union, said the plan is an unconstitutional infringement on free speech because it would intimidate tax-exempt groups by requiring them to list their donor and membership lists. "Some of our members were insistent on getting something done," said DeLay, who opposed the plan as "sham" legislation. "Let us get it done and move on to the real work of the House, not this silly incumbent protection plan." In recent days, GOP leaders have tried to block the "527" plan or dilute its impact by promoting rival legislation that would extend the disclosure requirements to labor unions, trade associations and other advocacy groups. Many proponents of campaign finance overhaul complained that such an approach was designed to drive away potential Democratic supporters because it would cover unions but not corporations. But the plan also angered some traditional GOP allies, such as the National Right to Life Committee and the Christian Coalition, because of the increased disclosure requirements. Under pressure to dispose of an issue many of their rank and file saw as an unwanted distraction from their efforts on tax reduction and other issues, the GOP leadership last night agreed to hold a vote on a bill more narrowly focused on the "527" groups. "There were too many people who had too many pieces that they hated," said Rep. Amo Houghton (R-N.Y.), who drafted the leadership plan. Fred Wertheimer, president of the group Democracy 21 and an advocate of tougher campaign laws, said House Republicans viewed the vote "as a way to cut their losses." During the debate on the bill, which began after 11 p.m., several Republicans impatiently called out "Vote!" and opponents decried the middle-of-the-night action. All Maryland and Virginia representatives except Herbert H. Bateman (R-Va.) voted for the bill. The legislation approved early this morning would require "527" groups to register with the IRS within 24 hours of organizing and to file a tax return if they raised more than \$25,000. They would have to report contributors of \$200 a year or more and expenses above \$500. The groups would also have to file reports 12 days before and 30 days after an election, and during non-election years they could file monthly or twice a year. The legislation would include monetary penalties for organizations and managers that fail to file with the IRS or make information public. It also would exempt party committees already required to file information with the Federal Election Commission. But even a supporter of the plan, Rep. Lloyd Doggett (D-Tex.), said the legislation offered only "a very narrow window" into these groups' activities, and Castle suggested the House may have to revisit the issue. "When you pass campaign finance changes, we better be prepared to do something two years from now, because they'll figure out a way around it," Castle said. McCain said he hopes the Senate will move quickly to pass the bill so that Clinton, who has already endorsed the concept, will sign it. "While only a first step toward reform, it is an extremely important step that is vitally needed as these '527' organizations are proving to be the new political weapon of choice," McCain said.

From Washington Post, 28 June 2000

GLOBAL

ANNAN: GLOBALIZATION HASN'T AIDED ALL

Globalization has largely failed in its promise to benefit the world's masses, U.N. Secretary-General Kofi Annan said Sunday during a special summit. Efforts to lower barriers to trade, investment and business around the world "can benefit humankind as a whole," Annan told organizations gathered to keep an eye on a special anti-poverty session of the U.N. General Assembly. "But clearly at the moment millions of people – perhaps even a majority of the human race – are being denied those benefits," he said. "Some have lost their jobs. Others see their communities disintegrating. Some feel that their very identity is at stake," he said. "Even in the richest and most democratic countries people wonder if the leaders they elect have any real control over events." He said governments have to work with people, organizations and corporations to turn the tide. "Private corporations produce most of the wealth in the world," Annan said. "If only for that reason, we would be foolish to ignore them." The weeklong U.N. gathering, dubbed the "Social Summit," kicks off today. It was called to review progress and failure since a similar meeting in Copenhagen, Denmark, five years ago set a goal of eliminating poverty. Since that 1995 session the number of people in absolute poverty – living on less than a dollar a day – has climbed about 200 million people to 1.2 billion, the United Nations estimates. Before Annan's speech, thousands of people protesting poor countries' debt burdens and other global problems demonstrated peacefully in the streets of Geneva. "The 'social summit' organizes social misery," some signs read. Police steered the protesters, many of whom vehemently oppose attempts to create freer trade among countries, away from the headquarters of the World Trade Organization. The WTO previously was a target of demonstrators' wrath in Geneva and Seattle. Some protesters' signs on Sunday denounced the WTO. An effigy of Mike Moore, the organization's director-general, depicted him as a vampire. Annan said organizations like the WTO, World Bank and International Monetary Fund were created "to help manage the world economy and ensure that its benefits are more widely enjoyed." "If some of them have pursued mistaken policies, haven't we all at one time or another?" he asked.

From Associated Press, 26 June 2000

GLOBALIZATION SHOULD WORK FOR POOR

Philippine Senate Majority Floor Leader Francisco S. Tatad yesterday called on governments of the world to make sure globalization works for the poor, and that the eradication of poverty and the empowerment of the poor, which failed to occur in the old economy, now take place in the new economy. In a major statement delivered at the Parliamentarians for Global Action meeting here in conjunction with the 24th Special Session of the United Nations General Assembly, which is reviewing the programs adopted by the 1995 World Summit for Social Development, the leader of the Philippine parliamentary group told the conference that "President Joseph Estrada has chosen to pursue a kind of 'poor man's capitalism' in order to level the playing field for the poor, despite attacks, threats and actual destabilization efforts against his government." The program aims to reduce the incidence of poverty from 32 percent in 1997 to 25-28 percent in 2000, and finally to half the original figure by 2015, pursuant to the United Nations development objective. Tatad said the poverty eradication program of the Philippines, and other developing countries, has been recognized by such multilateral institutions as the International Monetary Fund (IMF) and the World Bank, which have now begun to speak of poverty eradication as an urgent global concern. He called on the multilateral institutions to be more creative and forward-looking in helping debtor-countries redirect the use of their meager resources from the servicing of debt that can and should now be forgiven by the creditors, to the acquisition of new knowledge and relevant technologies. "Having seen the impact of the Internet, computers, mobile phones, land lines, etc., on the way people live, these institutions must help Governments make sure that increased investments in education, being no longer subject to acrimonious debates, should above all mean increased investment in information technology; that increased expenditures on infrastructure should mean deeper IT penetration in every layer of human society," Tatad said.

From Manila Times, 27 June 2000

Governance Systems and Institutions

AFRICA

TAKING STEPS TO IMPROVE AFRICAN CITIES

All African cities need face lifting, according to representatives of local authorities who recently gathered in Windhoek, Namibia. Over 1,100 central government officials, local authority executives, councillors and community leaders from all over Africa wanted to chart a fresh course for bringing about real economic and social change at the grass roots. Gathered under the banner of "Africacities 2000", they realised from the outset that their municipalities and cities faced common problems. These include inadequate financial resources, homelessness, poverty, poor sanitation, and rising crime. In order to make a fresh onslaught on these problems, they said managers of African cities require increased financial, material and expert resources. On top of these, however, every municipality must have innovative ways of financing its own development projects. It goes without saying that democratic governance and transparency must be at the core of every activity and undertaking of a local authority in order to maintain public confidence and foster greater co-operation. "There is a need for African cities to speak with one voice to the international community," the Secretary-General of the Union of African Towns, Badreddine Senoussi, said. He challenged delegates to identify reasons for making "very little progress" since the first African cities meeting, held two years ago in Abidjan, Cote d'Ivoire. During the 15-20 May gathering, delegates spoke lengthily about financing local and even suggested formation of a network for addressing issues concerning their inhabitants. Among their key concerns was the identification of issues, which needed to be addressed at regional, national or local levels. But the president of the Association of Local Authorities in Namibia, Priscilla Beukes, said slogans about decentralisation, democratisation, economic development and empowerment would remain meaningless if local governments were not strengthened and equipped to fulfil their functions. In the view of Mousse Daby Diagne, president of the municipal development association for western and central Africa, the continent has been subjected to a lot of "unjust clichés" by people opposed to real development in Africa. Cities and towns generally reflect the image of the countryside. In addition to that, Dr. Ken Kwaku, programme manager of the Multilateral Investment Guarantee Agency of the World Bank, said they have played significant roles as rallying points in the "social, economic, political and cultural advancement of human societies." He urged the delegates to formulate concrete and practical resolutions to ensure that Africa's potential was harnessed to the maximum. "It is estimated that in some cases, up to 60 percent of the Gross Domestic Product of entire nations has been generated from their capital cities," added Kwaku, whose organisation promotes investment in a number of African countries. At the end of the meeting, delegates issued a declaration expressing a common African vision on decentralisation. They appointed a five-member ministerial committee to co-ordinate the implementation of resolutions from the meeting. The declaration urges African Governments to uphold the spirit of devolution of political, administrative and financial powers in order to strengthen democratic values. It also recommends central governments to give sufficient autonomy to local governments in setting their priorities for infrastructure and service provision, especially when targeting the poor. Regarding donor agencies, the document says they should take note of the progress of decentralisation and the will of local stakeholders to take control of their own affairs, besides the need to adapt their practices to local realities. Plans for development of African cities cannot overlook the HIV/AIDS pandemic, which has engulfed the continent like wild fire. It has been recommended that a permanent regional secretariat for AIDS prevention be set up in Windhoek. The next such meeting will be held in two years' time. Before then residents of African cities remain anxious to see how the Windhoek declaration is implemented to minimise the prevailing woes in their neighbourhoods.

From Africa News, 14 June 2000

'ENOUGH OF CORRUPTION, ENOUGH OF POVERTY, ENOUGH OF BRUTALITY, ENOUGH OF ZANU-PF'

At an exuberant final rally yesterday before next weekend's parliamentary elections in Zimbabwe, the leader of the main party challenging Zanu-PF's 20-year grip on power confidently predicted victory, saying that President Robert Mugabe was "history" and that he "does not love the people of this country, only power". Firm in his belief that only mass election-rigging or a low turn-out can prevent a win for his Movement for Democratic Change (MDC), Morgan Tsvangirai told 16,000 supporters in a Harare football stadium: "Zanu-PF is rotten and should be thrown away. We met here a year ago to launch ourselves as the opposition. Now Zanu-PF is the opposition." The lively gathering, which was blighted by some punch-ups, was in stark contrast to the Zimbabwe African National Union – Patriotic Front's final major rally in the capital on Saturday. Fewer than 4,000 people, many of them bussed in, heard a lacklustre speech by the 76-year-old president, brimming with anti-white slogans and memories of the liberation struggle of the 1970s. "Enough of corruption, enough of brutality, enough of poverty, enough of racism, enough of Zanu-PF," said Mr. Tsvangirai, 48, yesterday. "If you gave Mugabe a 'tuck shop' to run it would go broke," he said from the same spot in Rufaro stadium where the Zimbabwean leader had been inaugurated as prime minister in 1980 and Bob Marley had played to celebrate the end of white rule. Youthful, mainly black and largely male, the adrenaline-filled crowd at yesterday's MDC rally was a startling demonstration of the generational shift at the centre of Zimbabwe's move to multi-party politics. Holding up a red card – a football reference which has marked the MDC's campaign since its supporters won February's referendum on the constitution – Weston

Nyirenda, a 20-year-old electrician, said: "I want to give Mugabe a red card. We gave him a yellow card by voting against his constitution. Now it is time for him to go." There was a soaring sense that a diverse and unstoppable movement towards transformation has gripped Zimbabwe, compared by some to the South African shift towards democracy in the late 1980s. A white 16-year-old, Tom Spicer, gave a speech in Shona saying he was in the MDC because it accepted all races. When the MDC lined up its 24-strong executive, the four white and mixed-race members seemed to make a point of talking for as long as possible in Shona or Ndebele. Even the Socialist Workers brought a banner, a rejection of Mr. Mugabe's claim that the MDC is a puppet party for white, capitalist interests. Their leader, Edwin Simukai, said: "I agree with everything Mugabe says about sharing land and property equitably among the people. But he is 20 years too late." Many in the crowd waited until they were in the stadium to put on MDC T-shirts and bandanas. "It is too dangerous out there. When there is a Zanu-PF rally, I put on my Zanu T-shirt and I chant. But my heart is with the MDC," said Mr. Nyirenda. He said there were few women at the stadium because they were scared. "If you go to a Zanu-PF rally you will find many women and old men." It had indeed been these groups who made up the bulk of Saturday's Zanu-PF rally at the Zimbabwe Grounds in Harare and a later gathering of about 5,000 people, addressed by the President in the second city, Bulawayo. For the first time on Saturday, before surprisingly leaving the country for a two-day meeting in Cairo, Mr. Mugabe conceded that Zanu-PF faced a major challenge from the MDC in the cities. Despite the MDC leader's confidence and the excitement in Harare yesterday, it remains unclear whether the young opposition party can gain a majority of seats in parliament and carry through its stated intention to oust President Mugabe – whose term ends in 2002 – after next weekend's elections. Intimidation attacks – which according to the MDC have claimed 30 of its supporters' lives since February – are still continuing in rural areas. Even if there is no stuffing of ballot boxes, fearful voters in rural areas may abstain from voting, as 80 per cent did in the last parliamentary elections in 1995. A low turn-out in the country's 120 constituencies will favour the ruling party. Furthermore, Mr. Mugabe and Zimbabwe's judges appoint 30 members of the 150-seat parliament. Thus the MDC must win 76 rather than 61 seats to gain a majority in the chamber. With only 350 foreign observers in the country, many of whom do not want to take risks, policing 4,600 polling stations over two days will be impossible. More crucially, 24,000 election monitors drawn from Zimbabwean civil society do not know if they will be able to deploy as their accreditation has been thrown into doubt, by an apparently deliberately engineered legal confusion.

From UK-Independent, 19 June 2000

MOROCCAN GOVERNMENT IS AMENDING PRESS LAWS TO OFFER FREEDOM

In a discussion with the members of the Arab journalists union in Cairo yesterday, Moroccan communication minister Larbi Messari assured that his government is revising the press laws to cancel prison penalties for crimes related to publishing. He said the committee formed by Moroccan prime minister Abd El-Rahman El-Yusefi finished two days ago revising a new draft for the press freedom law and that it will be sent to the Moroccan parliament once the cabinet approves it. He referred that the new law also reduces the current executive authority concerning newspapers and will shift this authority to the judiciary. It is expected that the parliament will discuss another new law that allows establishing and running private radio and television stations in Morocco before the end of the current year according to commitments and controls of the private investment in the field of radio and T.V broadcasting.

From Arabic News, 22 June 2000

ASIA/PACIFIC

PHILIPPINES PRESIDENT REJECTS PROPOSAL FOR FEDERAL SYSTEM OF GOVERNMENT

President Estrada yesterday rejected the proposal of administration senators to change the present form of government to federal to solve the long-standing Mindanao problem. Mr. Estrada advised senators to instead focus on pending bills that would address the more important problems in the country. "There are more important problems in this country. I think that should not be the priority of Congress. They have more important pressing problems, important bills (to pass)," the President stressed. He did not specify what he considered as vital measures pending in Congress, but he was apparently referring to the omnibus power industry restructuring measure which has met stiff opposition in the Senate. Mr. Estrada said he was not convinced that changing the form of government from unitary to federal would solve the long-standing dispute in Mindanao, citing as proof the failure in the administration of the Autonomous Region in Muslim Mindanao (ARMM). "As of now, I don't believe so, because we cannot see any development in the administration of the ARMM. So (adoption of the proposed) federal (system is) far-fetched," Mr. Estrada said. Press Secretary Ricardo Puno, however, said the Chief Executive did not completely reject the proposal. All he was saying was that "it's not an immediate priority at this point," Puno said. Opposition Federal system is a form of government in which power is distributed among a number of constituent territorial units or states. Senators Miriam Santiago, Aquilino Pimentel, John Osmeña and Francisco Tatad proposed its adoption, saying this should help provide the long-term solution to the Mindanao problem. This proposal triggered senators to cross party lines in airing their opposition to the idea. Senate President Franklin Drilon, apparently taking his cue from Malacañang, has ruled out the chances of the proposal getting the Senate's nod, a view shared by senators Raul Roco and Sergio Osmeña III. Drilon said he considered the proposed federal system of government ill-timed and unfeasible as it requires an amendment of the Constitution. Roco warned that changing the present form of government to a federal one could further "split the government and drive more Muslims deeper into the jungle." Osmeña said that instead of changing the form of government, all efforts must be exerted to speed up the development of Mindanao which could address the prevailing mass poverty

in the region, particularly among the Muslims. "You solve mass poverty (via economic development), you solve the armed conflict in the area," he said. Sen. Juan Flavir of Lakas Party said he was keeping an open mind on the issue and would encourage a deeper and open discussion on the proposal.

From Manila Times, 17 June 2000

EUROPE

ARRESTED RUSSIAN TYCOON: GOVERNMENT AFRAID OF PRESS FREEDOM

Russian media tycoon Vladimir Gusinsky said in a handwritten note from jail Thursday that his arrest was the work of a government that feared press freedom and was moving toward dictatorship. "This is political intrigue, organized by high-ranking representatives of the government who consider freedom of speech a danger," Gusinsky said in the statement. The officials look on a free news media as "an obstacle to building a new Russia as they see it, which in effect means a return to the totalitarian past, complete with gulags," he said, referring to the Soviet-era system of brutal labor camps that were filled with political prisoners as well as convicted criminals. He did not name any officials. The statement was read by Gusinsky's attorney Genri Reznik in front of the Butyrskaya jail, where Gusinsky has been held since his arrest Tuesday. It did not address the question of whether President Vladimir Putin knew about the arrest plans in advance. Prosecutors said Gusinsky is suspected of taking part in the theft of \$10 million in state funds in a privatization deal. He has not been formally charged, but prosecutors promised to do so within 10 days. "During the first interrogation, I witnessed a laughable scene with two investigators quarreling and interrupting one another for half an hour as they tried to say what they suspect me of," he said. "I could only call that an absurdity." Gusinsky's lawyer Reznik referred to official statements accusing Gusinsky as "delirium" and said that the defense had filed an appeal in a Moscow court seeking his release. A hearing was scheduled for Tuesday. Reznik urged Putin to fire Prosecutor-General Vladimir Ustinov for "trampling the law." Ustinov has refused to discuss the case with the news media. Reznik said that confinement in a hot and cramped cell was bad for Gusinsky's health, which he described as not very strong. Justice Ministry officials said Gusinsky was allowed to have a television and a refrigerator. Gusinsky heads the Media-Most company, whose news organizations have been critical of the Kremlin. The arrest has been widely seen in Russia as the Kremlin's attempt to stifle criticism, and it has put Putin under fire during his trip to Spain and Germany. Asked by journalists why one of Russia's most prominent business and media leaders had been put behind bars, Putin said in Spain that he hadn't known about the decision to arrest Gusinsky and promised to look into the case when he returns to Russia. "The people who are carrying out the investigation don't know the law," said Pavel Astakhov, another Gusinsky lawyer. "Instead of encouraging business activities, they hamper it, they put in a jail a person who has created the largest private media holding." Russian newspapers continued to assail the arrest Thursday. "If the authorities continue to behave like an elephant in a china shop, nothing will be left of Putin's positive image abroad," said the popular daily Moskovsky Komsomolets. The newspaper scoffed at Putin's claim that he had been unaware of plans to arrest Gusinsky. "If they throw one of the most famous men in Russia behind bars ... it means the president is weak and not in charge," the paper said. And if Putin knew and approved ahead of time, the paper said, "that means he is the main persecutor of dissent." In Jerusalem, Israeli Prime Minister Ehud Barak asked Russian officials to reconsider Gusinsky's arrest, stepping up Israel's pressure to release him. Gusinsky is Jewish and is head of the Russian Jewish Federation. He also holds Russian and Israeli citizenship and owns 25 percent of Maariv, Israel's second-largest newspaper.

From Fox News, 15 June 2000

THERE ARE BETTER ALTERNATIVES FOR A GOVERNMENT OF TURKEY

The FP leader says that the Government's efforts to maintain stability are only working to the benefit of the IMF and power circles. Calling the present 57th Government of Turkey "incompetent and unsuccessful," main opposition Virtue Party (FP) leader Recai Kutan said on Tuesday that the Government cannot be saved by the International Monetary Fund (IMF) and power circles. "I believe that there are better alternatives for a government," Kutan stated at the FP's parliamentary group meeting. Kutan claimed that the country's economy had collapsed and that the foreign trade deficit had been widening. He said that the government's efforts to maintain stability are only working to the benefit of the IMF and power circles. Farmers, workers and civil servants are suffering and struggling with hunger. "Stability only serves a handful of people," Kutan added. Referring to unsolved murders, Kutan said that "Operation Hope" had failed and added that even Prime Minister Bulent Ecevit had agreed that there were shortcomings in the police operation. During the meeting Kutan also reiterated his claim that the Motherland Party (ANAP) Chairman Mesut Yilmaz and True Path Party (DYP) Chairwoman Tansu Ciller both would be cleared of corruption charges in Parliament. "Some political parties are part of the game, and sooner or later they will contribute to the clearing of these leaders because they're dependent on the government. They can't risk losing their presence within the government," Kutan said. Kutan stated that Turkey had lost power in Eurasia due to misguided foreign policy while Russia had reached the point where it would once again become a superpower. "The same danger also exists for Turkey's Middle East policy," Kutan stated. He said that Turkey should change its Middle East policy, which puts Israel at the forefront. Turkey should develop permanent policies according to its strategic targets instead of reacting to daily developments, the FP leader commented. Claiming that the new situation in Syria should be read very carefully, Kutan commented, "Or else, we might lose our power in Middle East just as we did in Eurasia." Kutan

ended his speech by expressing his faith that there are fresh alternatives to the existing government. Turkey's present government is a coalition between the Democratic Left Party (DSP), the Nationalist Movement Party (MHP) and ANAP.

From Turkish Daily News, 21 June 2000

COUNCIL REJECTS PUTIN'S BID TO RESTRUCTURE RUSSIAN GOVERNMENT

Russia's Federation Council on Wednesday overwhelmingly rejected President Vladimir Putin's proposal to strip its members of their legislative seats, a move that would also remove their immunity from prosecution. The members of the council, the upper house of parliament, voted down the bill by a vote of 129 to 13, with one abstention. It was the first major legislative setback to Putin's wide-ranging plan to restructure Russia's government. The lower house of parliament, the State Duma, approved the bill last week, and it can still override the Federation Council's vote. The Federation Council is made up of regional governors and heads of local legislatures. Putin wants to replace them with appointed legislators as part of a plan to trim regional leaders' powers. Regional officials were initially reluctant to criticize the plan, but by Wednesday the Federation Council members were practically unanimous in their criticism. Mikhail Prusak, governor of the Novgorod region, said Putin should avoid confronting regional leaders who, he said, had helped elect him as president in the March 26 election to replace Boris Yeltsin, who resigned. "We must not destroy the government. There should not be a confrontation between the president and the governors," Prusak told the chamber before the vote. "The president was elected with the governors' help." Pyotr Sazhinov, chairman of the Murmansk regional legislature, said that the Federation Council had been a steadying influence. Until the final months of Yeltsin's term, the chamber often backed the president in his confrontations with the formerly Communist-dominated Duma. "Thanks to the current Federation Council, we have been able to preserve the country and prevent it from sliding into chaos," Sazhinov said. In addition to stripping Federation Council members of their legislative immunity from criminal prosecution, the plan would permit Putin to remove elected governors who are determined by courts to have violated the law. Putin says strengthening central control is necessary to fix Russia's economic problems and keep the country from breaking apart. Russia's regional leaders have gained power at the expense of the central government in the decade since the collapse of the Soviet system. Wealthier regions are reluctant to share revenues, and some governors suppress dissent and political opposition. But critics claim that Putin's plan would concentrate too many powers in the Kremlin and put Russia on the road to dictatorship. After Wednesday's vote, the Federation Council began debate on whether to convene a joint consultative committee session with the Duma in an attempt to modify Putin's bill.

From CNN, 28 June 2000

MIDDLE EAST

A GOVERNMENT RESHUFFLE IN JORDAN TO ACCELERATE POLITICAL AND ECONOMIC REFORMS

A well-informed Jordanian source told the Lebanese Arabic daily al-Nahar that Jordan during next week will be witnessing a government reshuffle that would embody the attitude of King Abdullah to accelerate economic and political reforms in the Kingdom. The source stressed the King will assign a political figure from the young faces to form a new government in succession for the current Prime Minister Abdul Raouf al-Rawabdah whose government was formed in March 1999. For several days, Jordanian political sources have spoken about a nearby government reshuffle, while al-Rawabdah denies these news. People close to al-Rawabdah told al-Nahar that he (al-Rawabdah) telephoned the King on Wednesday who said that talks about the change are mere rumors and that he had renewed his confidence in the current government. But observers indicate that al-Rawabdah did not accompany the King to receive the Emir of Bahrain Sheikh Hamad Bin Issa al-Khaleifa who arrived in the Jordanian city of al-Aqaba on Wednesday. Al-Rawabdah also did not attend the official meeting between the two leaders (Bahrain emir and the King). The observers considered all these as an indicator that the al-Rawabdah government will be reshuffled - a government which had faced great criticism because of its hesitation in making economic reforms and slowness in measures intending to make al-Aqaba a special economic zone. Several sources expected that the King will ask parliament member Ali Abu al-Ragheb to compose a new government after the King had given several signals to this effect in the two past months. In April, the King assigned Abu al-Ragheb to chair a royal committee to study converting the city of al-Aqaba into a private economic zone. The King also chose Abu al-Ragheb in the same month as a member in the consultation economic council which is considered a shadow government in Jordan. The sources indicated that the King sided with Abu al-Ragheb who called in May to develop al-Aqaba city economically and cancel legislation preventing this process, while al-Rawabdah refused that and said it would convert al-Aqaba into a smuggling area and eliminate its Jordanian identity in confrontation with its Israeli neighbor Eilat on the other side of the Red Sea of huge tourism investments. Abu al-Ragheb is considered a member of the technocrat reformers in Jordan. Since 1991 he had several economic ministry posts and he is at the same time a member at the Jordanian parliament since 1993. In the Jordanian parliament he chairs

the financial and economic committee. Abu al-Ragheb did not deny possibilities of assigning him as a prime minister but he said that matters have not yet reached the official side: "Every thing is possible and the whole matter is at the hand of the King who is offered by the Jordanian constitution the right of quitting and forming governments." Recently political sources in the kingdom tackled the names of several other candidates to chair the government. Among them are the chairman of the royal court Fayez al-Tarawneh, the director of the Jordanian intelligence Lt. Gen. Samih al-Bateikhi and the minister of commerce and industry Muhammad al-Haleyqah. However, three ministers quit the al-Rawabdhah Government, two reshuffles were made, and some 54 Jordanian parliament members called for its resignation in April this year.

From Arabic News, 16 June 2000

THE AMERICAS

WALKERTON INQUIRY WILL PROBE GOVERNMENT ROLE

Ontario Attorney General Jim Flaherty says the head of the inquiry into the Walkerton water tragedy will be assured the freedom to examine all the issues. Flaherty announced the terms of reference of the inquiry Tuesday. Hearings are expected to begin in September. It will be led by Mr. Justice Dennis O'Connor. Flaherty has already introduced legislation, known as "whistleblower protection," so provincial workers can testify without fear of job-related reprisals. Nearly half of Walkerton's population of 5,000 got sick drinking water contaminated by a deadly strain of E.coli bacteria. People are still boiling water and it could be several weeks before their water is safe again. "My aim has been to see that the commissioner has a free hand to get to the bottom of this tragedy," Flaherty told the Ontario legislature. Opposition politicians and people who live in Walkerton have been arguing that the inquiry must be as broad as possible.

From Canada-CBC Newsworld, 14 June 2000

IS FAITH A GOVERNMENT TOOL?

Voters might well be alert to how the two main U.S. presidential candidates differ on a growing movement to use religious groups to administer social services. Gov. George W. Bush largely defines his "compassionate conservatism" around the idea of giving tax incentives to faith-based groups for such government-defined tasks as helping the poor and drug abusers. Texas is already a leader in testing the idea that local groups with spiritual purpose are the best social healers. Vice President Al Gore is more cautious. As a Democrat living with the legacy of the New Deal and Great Society, he sees government as the primary caregiver. Last year, he denounced the "hollow secularism" of liberalism and called for a "partnership" with religious groups. But they would be only a supplement to government, while Mr. Bush would try to have religious groups as the main weaver of the social safety net. These are not minor differences. Whoever wins the election will redefine the balance between church and state. Republicans in Congress have already launched the nation down Bush's path. They put a little-known provision into the 1996 welfare reform law that allows faith-based providers to compete for federal welfare funds. These groups can keep their religious character. And welfare recipients can choose to use a regular government office. The results have been modest, one study finds. More research is needed, however, to answer many difficult questions before this concept expands: 1. Can nonbelievers be protected from pressure to join a religion in seeking government services? 2. Will religious organizations be protected from government? And will their members end up reducing their donations of time and money? 3. Are there enough faithful to do what government does now for the disadvantaged? Are churches up to this civic task? 4. Will all religions be treated equally by government? Basically, voters need to decide if social welfare is a spiritual exercise. It was seen that way in the 19th century. In the 20th century, government saw it as just changing human behavior. What should it be in the 21st century?

From Christian Science Monitor, 19 June 2000

GLOBAL

GLOBALIZATION AND XENOPHOBIA

Governments which welcome the free flow of capital and goods across their borders increasingly are seeking to defend the advantages globalization gives their citizens by restricting immigration into their countries and rejecting the applications of those who request asylum. Such policies are frequently popular with those who see immigration as threatening their livelihoods or way of life. But this approach not only entails tragic consequences for the individuals who are involved but calls into question the widespread view that globalization by itself will promote tolerance and international understanding. Today (Friday) is International Refugee Day, and migration rights groups around the world are seeking to call attention to both things. Perhaps the most dramatic report comes from a Dutch group which points out that over the last seven years, more than 2,000 people have died while trying to reach the countries of the increasingly restrictive European Union. Many of them have succumb when their boats have sunk in the Adriatic or Mediterranean seas. In the first four months of this year alone, about 120 people lost their lives while attempting to cross the Straights of Gibraltar. And others have committed suicide while being held in detention centers near borders or at major European airports. Indeed, the group, United for Intercultural Action says, their deaths - documented at the group's web site at www.united.non-profit.nl - point to the emergence of what it calls "Fortress Europe," whose rich residents ever more often seek to

prevent others from participating in their prosperity. In a strongly worded appeal, the group argues that "it is impossible to shut down borders for people when capital and goods are moving freely." And it suggests that Europe's attempt "to keep out migrants and refugees is based on intolerance and xenophobia and needs to be stopped." Few people are prepared to argue that governments do not have the right to control their borders and regulate who can cross them and for what purposes.

Indeed, national control of borders is often viewed today as one of the most fundamental characteristics of state sovereignty. But efforts to maintain tight control over the movement of people even as there is increasingly free movement of capital and goods and services may have some unintended consequences. On the one hand, they may appear to provide government sanction for xenophobic attitudes. After all, if governments restrict migration, then many of those who oppose such migration out of ethnic or other prejudices may conclude that their views are thus legitimized. Some of those people in turn may thus decide to demonstrate their hostility against those they dislike who are already living among them in a variety of ways, and thereby poison the possibilities for democracy and human rights. And on the other hand, such anti-migration attitudes and actions simultaneously increase tensions among countries and undercut the hopes of those who believe that they could improve their lives by moving somewhere else. By increasing tensions among countries, anti-immigration actions could reduce the flows of capital and goods and thus reduce the benefits of globalization and support for it in some countries. And by reducing the chances of those who are oppressed or economically disadvantaged in one country from moving to another, such actions can trigger three political developments which could threaten the international system. First, authoritarian governments which conclude that their populations cannot leave and thus have no choice but to submit are likely to become ever less willing to make the kinds of concessions that they might be driven to in order to reduce population losses. Second, people who cannot migrate as individuals may decide that the only way they can achieve their ends is by directly challenging the governments they hold responsible for their misfortunes, sometimes peacefully but in other cases by extra systemic violence. And third, at least some of them may decide to secede as a group from the states that they feel are keeping them down, movements that by their very nature challenge the legitimacy of the existing international system and threaten the peace. Such risks do not mean that countries could or should refuse to control migration, but they do suggest that the imposition of tight restrictions on the free flow of people may backfire, hurting not only those who seek to enter but also those who may believe that keeping them out is the best way to defend the advantages of globalization.

From Radio Free Europe, 16 June 2000

Civil Services & Ethics in Public Sector

AFRICA

AFRICAN DEVELOPMENT FORUM ONLINE DISCUSSION ON AIDS

The Economic Commission for Africa, as organizer of the African Development Forum 2000, invites you to participate in a global online discussion on AIDS: The Greatest Leadership Challenge. The online discussion will be launched on 1 July 2000 preceding the Forum, which will take place in Addis Ababa, Ethiopia from 22-26 October 2000. The African Development Forum (ADF) is an initiative led by the Economic Commission for Africa (ECA) to position an African-driven development agenda that produces a consensus among major partners and that leads to specific programmes for country implementation. The aim of the African Development Forum is to present the key stakeholders in African development (governments, civil society, the private sector, researchers and academics, intergovernmental organisations and donors) with the results of current research and opinion on key development issues in order to formulate shared goals and priorities, draft action programmes and define the environment that will enable African countries to implement these programmes. The Forum meets annually on a different development issue. The 1999 Forum was the first, and was held in Addis Ababa, Ethiopia from 24-28 October 1999, on the theme "The Challenge to Africa of Globalization and the Information Age". The second Forum, ADF 2000, will be held in Addis Ababa, Ethiopia from 22-26 October 2000 on the theme "AIDS: The Greatest Leadership Challenge". Additional information is available on the ADF web site at: <http://www.un.org/depts/eca/adf2000>. Online discussions in the African Development Forum are open to participants from around the world interested in issues of AIDS and African development. The discussion list will be moderated. In order to ensure that those with limited Internet access can participate, the dialogue will be conducted by means of an e-mail list, with summaries of posted messages archived to the ADF web site. Summaries of the discussion will be posted to the ADF web site. Your contributions are sought on the following discussion themes: 1. Policy Themes of the Conference: AIDS and Development (July 1 to July 14) -

Macroeconomic impact and development implications for Africa - Extent of impact on various economic and social sectors and indicators - Impact on military and security personnel and systems that keep the peace - Increased poverty of victims, families and communities. Learning from country responses (July 15 to July 28) - Mobilize broad community support in the fight against HIV/AIDS - Showcase examples of sustained actions at national level - Overcome stigma and denial. Building on lessons learned from intensified responses to HIV/AIDS (July 29 to August 11) - Develop leadership at all levels - Develop partnership at different levels - Mobilize resources, set priorities and design and implement innovative financing mechanisms - Use local institutions, communities and public and private sector efficiently. Leadership role and approaches for effective HIV/AIDS responses (August 12 to August 25) - Partnership in leadership at international level for an emergency response to counter the spread and devastating impact of HIV/AIDS in Africa - Partnership in leadership at national and community level for a greatly intensified response to HIV/AIDS - Partnership in leadership with people living with HIV/AIDS (PWHAs). 2. Special Issues of Emphasis: In addition to the main conference themes, there will be five focus groups on: gender; youth; People living with HIV/AIDS; Diaspora; and Information and Communication Technologies (ICTs). The focus groups are special interest groups providing an opportunity for people to air their perspectives on the issues by reacting to the proposals to be made with respect to each sub-theme of the conference, report to the plenary their perspectives on the issues, and shape their own recommendations. The discussions will focus on: Gender issues in the fight against HIV/AIDS (August 26 to September 1) - The leadership role of People Living with HIV/AIDS (September 2 to September 8) - The role of the youth in the fight against HIV/AIDS (September 9 to September 15) - The leadership role of the African Diaspora in the fight against HIV/AIDS (September 16 to September 22) - The importance of Information and Communication Technologies (ICTs) in the fight against HIV/AIDS (September 23 to September 29). 3. Free Form Discussion (September 30 to October 22) - The topics of discussion from September 30 to October 22 will be determined based on the contents and direction of the discussions in the previous months. Although these discussions will not begin until July 1, we invite you to subscribe now to the list. All you need is an e-mail account. To join the list, please send a message to: join-adf2000-l@lyris.bellanet.org.

From African News Online, 20 June 2000

NIGERIAN IMMIGRATION TASKED OVER CORRUPTION

Officers and men of the Nigeria Immigration Service should brace up for the full implementation of all tenets of the anti-corruption bill recently signed by President Olusegun Obasanjo, Comptroller-general of Immigration, Mrs. Uzoamaka Nwizu said yesterday in Akwa, Anambra State. The Federal Government, she stated, will not tolerate any kind of malpractice within the service. Mrs. Nwizu told officers and men of the service at the state headquarters that high integrity and transparency are expected from them in the discharge of their duties. The service, she noted, will no more condone "bad eggs," advising those not ready to live up to the new requirements to resign honourably. All personnel of the service she stated must change any of their attitudes "that may be repugnant to the healthy climate we desire for foreign investment." As the service that deals with foreigners living within Nigeria, "I want you to sit up. Let the public see us as being serious. Let there be much improvement in our conducts. You belong to a disciplined service. And we deal with civilised people, not criminals. You have to be polite. You can still enforce all the laws on immigration and still be polite. I don't want to hear instances of assault on people in the course of your duty. We don't want to hear again of reports of any form of corruption, human rights abuses, acrimonious living and extortions of the public. She stated that henceforth, punitive measures shall be applied in case of unprofessional conduct by officers and men of the service. At Government House, Akwa, Mrs. Nwizu solicited state governments cooperation in monitoring of foreigners living within their states. According to her, with the relaxation of movement of persons at Nigeria's border in line with the ECOWAS protocol on free movement of persons, state government security network should report to immigration officers any foreigners who is flouting the nation's law or is involved in any criminal activity. Secretary to the state government, Bruce Osita Ezenwa, received Mrs. Nwizu on behalf of Governor Chinwoke Mbadinuju, who said the state motto: "Home for all" is not an euphemism for admitting all manner of people, including foreigners, some of whom he alleged are involved in armed robbery. Mbadinuju urged the Immigration Service to beef up security network in the state in order to check the activities of some foreigners who are taking advantages of the nation's relaxed border to cause mayhem to the citizens.

From Nigeria-Guardian, 26 June 2000

ABACHA LOOT: GOVERNMENT UNCOVERS MORE SECRET ACCOUNTS

The last word may not have been heard of the celebrated Abacha loot as more discoveries have been made by the government. Nigerian officials said over \$1.6 billion allegedly stolen under the late Head of State, Gen. Sani Abacha's regime was stashed away in several accounts in four European countries - Britain, Switzerland, Luxembourg and Liechtenstein. Although the officials did not give a breakdown of the amount found in each of the countries, they believe that more stolen funds still exist in their banks. For instance, in Liechtenstein, according to the *New York Times*, documents show that more than \$150 million had been transferred to two banks and that a third bank had five accounts where sizeable deposits had been made by members of the Abacha family. Negotiations to unravel the exact amounts are on with Vaduz, a small country between Switzerland and Austria. In the past, the tiny country between Switzerland and Austria did not report any figures. Legal procedures are on in parts of Europe, mainly in London and Geneva, to partly determine the validity of an agreement that the former Attorney-General, Mr. Godwin Kanu Agabi, reportedly entered into regarding a global accord on the recovery of some of the looted funds. Under the agreement, the Abacha family was to release \$150 million to the Federal Government as global settlement on all the alleged loot and end further inquiries thereto. President Olusegun Obasanjo was said to have revoked the pact. Meanwhile, over N1.2 billion stashed away by Abacha has been

frozen in Switzerland and Luxembourg. A Swiss lawyer and attorney for the Federal Government, Enrico Monfrini, told the Voice of America (VOA) that he was preparing to freeze \$40 million in Abacha's British account. Asked how much Abacha and his associates kept in foreign banks, he said: "I had no idea and I still have no idea. It can be N2 billion, it could be more, I have no idea. So far we have not identified more than \$1.5 billion". Monfrini said he was able to get the bank accounts because "we found banking documents in Switzerland and in Luxembourg which proved the evidence of account in Liechtenstine we have been able to find and we will find more." Asked what Mohammed Abacha is worth in Swiss Bank's, he said: "What he has in Swiss account as far as I know is \$400 million". He said he was approached by the Federal Government to do the job, because he has been a lawyer to many Nigerians for "many years." On whether he was aware that American lawyer Jonny Cockrain, has been hired by the Abachas and his entourage to defend them, he aswered: "I don't know, ask Jonny Cockrain." Concerning the arguements by some legal journalists who said the Abachas have a strong case if actually Cockrain is their defence lawyer as it may affect monies stashed in foreign banks, he replied: "Until they have a case, everyone in the whole world will need to defend it by taking a lawyer and I think Jonny Cockrain is one of them. "Monfrini said that though no other African country has approached him yet, for the same reason, "I'm sure there are lots of wrong money in Switzerland and time will show these things and time will show that this will really change..." because of the risk which the Swiss pose to that kind of money, more countries will come to Switzerland to do the same as Nigeria did because Nigeria shows the example and showed the roots and shows the way to go and is not only a fact in terms of money and there is a symbolic fight which Nigeria is performing. I'm sure that other countries will follow and things will really change." On how long it will take him to recover the money, the lawyer said: "Well I am completely confident that all the frozen money will get back to Nigeria. "It might take time because, of course, we are facing opposition and a lot of pleas and judicial incidence by the Abacha people but in the end the government will get its money back." He said it may take a few months or years depending on how fast the countries involved are reacting.

From Nigeria-Guardian, 22 June 2000

ASIA/PACIFIC

PAKISTAN GOVERNMENT EMPOWERED TO RETIRE CIVIL SERVANTS

Powers have been delegated to the Government to retire a civil servant on completion of 25 years of service, under an Ordinance promulgated on Thursday by President Muhammad Rafiq Tarar. An amendment has been made in Article 13 of the Civil Servants Act 1973, under the Ordinance. The Ordinance, empowering the Government to retire any civil servant after completion of 25 years has also solved the Government's problems in handling the cases of over 1,000 suspended officers of the Central Board of Revenue (CBR), who were recently suspended. Legal experts had questioned cover available to the Government to handle their cases. At the same time this Ordinance has also opened the way to cut down the size of the Government by announcing forced retirements in other divisions/ministries, aside from the CBR, and given the Government more tools to tackle corruption or inefficiency. The provinces will now also have to follow the law to deal with the employees in their departments. Originally, when the civil servants rules were framed in 1973, the Government under Section 13 of Civil Servants Act was empowered by the rules set down to retire any civil servant after the completion of 25 years service. However, during General Ziaul Haq's tenure, some civil servants approached the Federal Services Tribunal (FST) and pleaded that Section 13 of the Civil Servants Act was unIslamic, and so should be set aside. The FST agreed with the appellant and maintained their plea, setting aside governmental powers to retire an officer if charges were proven against him. After this, any civil servant could seek retirement from service after completing 25 years in service, but the Government could not force him to do so. Now the Government has again assumed the power to terminate services of civil servants after completion of 25 years, as per the original rules of the 1973 Act dealing with civil servants. The immediate reason for the swift promulgation of the ordinance, The News learnt through sources in the Federal Ministry, is the need to handle cases of suspended CBR employees. The Government was facing difficulties in framing chargesheets against these employees. They were suspended on reports of different agencies and on reports of senior officials of the CBR. Then Government would have had to pass through a long process to chargesheet these employees, appoint inquiry officers and defend their decision before the FTS and in the courts of law. Now the process has been shortened and the Government's hand in its efforts to eradicate corrupt officers considerably strengthened. In case a civil servant is retired on 25 years of service, he will be entitled to pension and other retirement benefits, as per the ordinance. The civil servant will also be given "a reasonable opportunity of showing cause against the retirement". The superannuation age remains 60 years, under the new Ordinance promulgated Thursday. The Ordinance comes in addition to the powers already available to the Government, under the Ordinance promulgated by the President on May 27, which enables it to dismiss, remove, send into compulsory retirement or demote civil officers found to be corrupt or inefficient.

From Pakistan International News, 2 June 2000

EUROPE

HUNGARY'S CIVIL SERVANTS TO DECLARE ASSETS

Prime Minister Viktor Orban told Hungarian Radio on 18 June that civil servants, police, border guards, and army employees will be obliged to declare their assets on a regular basis beginning 1 January 2001. The regulation is part of a bill on the civil service that

still has to be approved by the parliament. Orban said that if such "transparent and well ordered rules" had been adopted in 1990, many current cases involving a conflict of interests would not have occurred. The rule would affect some 100,000 people, "Magyar Hirlap" reported.

From Hungary Today, 20 June 2000

TAPES EXPOSE TRAIL OF CROATIAN CORRUPTION

Billions of pounds looted from state funds in Croatia by the former president, Franjo Tudjman, and his cronies were laundered through banks in London and offshore accounts in the Channel Islands and the Caribbean, according to transcripts of Tudjman's conversations obtained by The Sunday Times. One western diplomat said last week that the documents were being taken very seriously. "Quite frankly, what we have seen so far is amazing." Tudjman's use of Britain for laundering money centres on the corrupt privatisation of the Croatian newspaper Vecernji List in 1997. The president's party, the Croatian Democratic Union (HDZ), gained control of the paper illegally. In a meeting in the presidential palace in Zagreb on December 27, 1997, Tudjman's main political adviser, Ivic Pasalic, explained how a "smokescreen" of companies would hide the president's role. "I have prepared everything," said Pasalic. "It was all cleanly done so that nobody had a clue. The investment fund is registered in England and it will buy 55% of Vecernji List." "Who's buying it?" Tudjman replied, clearly not fully understanding. "The fund is doing the buying," replied Pasalic. "It's a trick. The fund is ours." When asked what he would say in public, Pasalic reassured the president, who died last November, that the secrecy of offshore havens would ensure that nobody found out who was behind the fund. The HDZ's looting of the country has left it deeply in debt, with 22% unemployment, rising inflation and a collapse in the banking sector. The stolen funds were used to buy companies that had recently been privatised in Croatia. The use of offshore accounts allowed the ultimate owners to remain hidden. One of the companies named is an investment fund, Caritas BVI, based in the British Virgin Islands. The two main shareholders in the company were Montmontaza and Auto Zubak, both closely linked to the HDZ. In another scandal, Tudjman and Pasalic arranged the sale of part of a national mobile telephone concession to Deutsche Telekom in 1999 for £60m. The proceeds were deposited in an Irish bank account. The conversations came to light following Tudjman's death, when the new president, Stipe Mesic, and his aides stumbled across a small room in the presidential palace stuffed with tapes and transcripts. In total, 830 audio tapes and more than 14,000 transcripts were found detailing the president's business and private affairs. Evidence has emerged that top Croatian officials enriched themselves and their families by manipulating the privatisations and by handing out lucrative state contracts and loans that were never repaid. According to one report, the intelligence agencies even spent government money spying on football clubs that competed against Tudjman's favourite team, Croatia Zagreb.

From London Times, 18 June 2000

STUDY SAYS CORRUPTION WIDESPREAD IN SLOVAKIA

A research study conducted by World Bank and USAID says corruption is widespread in Slovakia and that the situation has improved "only slightly" since Dzurinda's cabinet came to power in 1998. Presenting the findings to journalists on 20 June, Dzurinda said the study shows corruption is prevalent in the judiciary, the custom service, the National Property Fund, the police, and other state institutions. He said the government will discuss a program to combat corruption at its 21 June meeting, CTK reported. Meanwhile, AP reported on 20 June that the parliament has amended the law on bankruptcy to bring it into line with European standards. As of 1 August, creditors will have the right to appoint their own bankruptcy administrator, and proceedings must be finalized within 18 months.

From Slovakia Today, 22 June 2000

TEN SENIOR CROATIAN OFFICERS CHARGED WITH CORRUPTION

Croatian military police have filed corruption charges against ten former and current senior defense officials, deputy attorney general Dragan Novosel said Tuesday. Only the initials of the allegedly high-ranking army officers were revealed, but Defense Minister Jozo Rados told journalists that they were "well known public figures". The Jutarnji List and Vecernji List newspapers had quoted unofficial sources saying that among those charged were generals Ljubo Cesic Rojs, Matko Kakarigi and Vladimir Zagorec. They and others had served under the nationalist regime of former president Franjo Tudjman, and have frequently been mentioned in connection with other scandals. Amongst other charges, they stand accused of defrauding the defense ministry of 14 million kuna (1.3 million dollars).

From Agence France Presse, 28 June 2000

THE AMERICAS

VOTE COULD ASSURE COMPETITION FOR NEW HAMPSHIRE PUBLIC SERVICE CUSTOMERS

A compromise negotiated with Public Service Company of New Hampshire's parent company could all but ensure competition within a year for the utility's customers. The compromise legislation left virtually no room for state regulators to alter the deal negotiated last week between legislators and Michael Morris, chairman of Northeast Utilities. Northeast Utilities of Berlin, Conn., is Public Service's parent company. The House and Senate were to vote today whether to approve the compromise. Gov. Jeanne Shaheen

said she would sign it, and Morris said Public Service wouldn't challenge it. The utility would have until June 30 to notify state regulators it accepts the deal's conditions, effectively sealing it. A broad array of business groups announced support Tuesday for the settlement. They included the Business and Industry Association of New Hampshire, Cabletron, Ski New Hampshire, Enron, New Hampshire Lodging and Restaurant Association, New Hampshire Homebuilders Association and New Hampshire Grocers Association. Consumer Advocate Michael Holmes also endorsed the deal, saying he doesn't see a better resolution "based on where we are in the entire process." Holmes said he doesn't see an opportunity to get more through continued litigation. The deal would end Public Service's three-year legal battle blocking electric deregulation in its territory. The earliest Public Service customers could expect to pick energy suppliers would be fall, Rep. Jeffrey MacGillivray, one of the negotiators, said Tuesday. The bill's schedule calls for Public Service customers to start choosing energy providers by Oct. 1, provided state regulators concur, but others may challenge the deal. To sweeten the deal last week, Public Service promised to cut rates temporarily 5 percent on Oct. 1 if electric deregulation is delayed. Once competition starts, Public Service's rates would drop even more. The total initial cut would be an average 15.5 percent. Residential rates will drop about 17 percent. Deeper rate cuts would occur in years to come as ratepayers paid off the utility's stranded costs. Stranded costs are investments made when the state regulated rates that would be difficult to recover under competition. Residential customers aren't likely to have real choices in power providers immediately because other companies probably can't offer power cheaper than a low, transition rate capped for 33 months. Industrial and other large energy consumers are more likely to attract competitors for their business because of the large amount of energy they consume. After meeting certain conditions, the bill authorizes Public Service to refinance up to \$800 million of its debt at a lower interest rate and requires consumers to repay the debt, plus interest, over 12-14 years.

In exchange, Public Service promises to absorb \$450 million of its \$2.3 billion in stranded costs. The Public Utilities Commission must scrutinize the deal before the refinancing can take place, but the bill gives the commission little room to alter the proposal significantly. Public Service customers would be required to repay \$1.8 billion in stranded costs, including the refinanced debt. The commission also must issue a final order in the case acceptable to the parties. Public Service agreed to all conditions the commission placed on the settlement in an April 19 order except one. It is appealing a condition that it write off \$79 million, arguing that would violate federal tax rules. Morris said Friday the utility has not changed its position on the condition. MacGillivray predicted regulators will accept the negotiated alternative to achieving approximately the same average rate reduction for consumers. If Public Service fails to notify regulators it accepts the Legislature's conditions by June 30, the bill directs regulators to resume efforts to lower rates through the traditional method of determining which utility costs customers must pay, and through litigation. Under the deal, state regulators also would determine how much savings Public Service must share with consumers from a pending merger of Northeast Utilities and Consolidated Edison. Legislators had wanted to set a minimum amount in the bill, but Morris objected because no one knows what the savings will be. Public Service is the largest electric utility in the state with about 430,000 customers.

From Associated Press, UK-Guardian Unlimited, 31 May 2000

BUSH WOULD CUT 2% FROM BUREAUCRACY

Taking his presidential campaign to the cradle of American democracy today, George W. Bush attempted to one-up Vice President Gore on his signature issue: reforming the federal bureaucracy. The Texas governor, in a speech at Carpenters' Hall, site of the first meeting of the Continental Congress in 1774, proposed a 2 percent cut in the federal work force over eight years and spending cuts of \$88 billion over five years, or 1 percent of spending. In addition, Bush would open the functions handled by 450,000 employees, a quarter of the federal work force, to competition with private contractors. "I will open the government to the discipline of competition," Bush said, as a portrait of George Washington gazed down on the 70 invited guests. "If the private sector can do the better job, the private sector can get the contract." Bush, in his remarks, tackled Gore's "reinventing government" efforts, one of the vice president's pet projects (so much so that Gore often notes that "REGO," as his effort is known, is "Gore spelled sideways"). Bush said the administration's claim of success at achieving more efficient government "isn't really supported by facts." He cited a General Accounting Office report saying two-thirds of the administration's savings claims weren't supported by evidence. Bush gave grudging credit to the government's introduction of Internet services, another Gore favorite, "but even on this front, they lag far behind their counterparts in the private sector and at the state and local level," he said. President Clinton and Gore cut the federal work force by 370,000 jobs between 1993 and 1999. Gore's "rego" effort has also reformed government purchasing so that \$200 billion of government purchases of goods and services has been streamlined and made more customer-friendly. The administration also has made plans to shift \$20 billion of the \$110 billion in service contracts it makes each year to "performance-based" contracts, in which contractors are paid for results. Bush would expand on that by increasing the number of performance-based contracts to \$55 billion a year, and by reducing 40,000 senior and middle-managerial jobs through attrition. Bush's proposed paring of the federal bureaucracy is based on work by Paul C. Light of the Brookings Institution. Some experts have complained that the Government lacks an adequate managerial class. Gore has largely failed at thinning the managerial ranks, instead thinning lower-level workers. A Bush adviser, however, said the governor would have a "unique opportunity" to do this in the next eight years because of the retirement of baby boomers. Gore's campaign took umbrage at Bush's criticism, pointing out that the administration has reduced the federal work force to the lowest level since the Kennedy administration. "His proposals are as vapid as his facts are vacuous," said Chris Lehane, Gore's spokesman. The vice president's campaign noted that Bush has presided over an expansion of Texas government. Since Bush took office in 1995, the two-year Texas budget has grown from \$72.8 billion to \$98.1 billion, a 35 percent increase, compared with 21 percent on the federal level. Bush's speech came as the Republican National

Committee planned to unveil its first ad on the Texas governor's behalf, touting his plan to allow workers to invest Social Security savings in the stock market. The TV spot will begin airing next week in the same 15 states as a Democratic National Committee spot showcasing Gore. Bush, who delivered his second speech in as many days on how he would change the way Washington works, said his administration would "give citizens more options and fewer orders," imitating the innovation and competition of the private sector. He said this would restore confidence in the government. "When we find failure we must call it by its name, a waste of taxpayer money," he said. Bush's proposals were something less than far-reaching, however. They amounted largely to extensions and expansions of existing government efforts. Bush didn't propose the elimination of any specific programs, though he said he would like to review every federal program once every 10 years to see whether it should continue. Bush also said he would more rigorously enforce a 1996 law requiring audits of government agencies. Some agencies, he said, have failed three audits, "and yet, nothing happened; there were no consequences." One potential problem with Bush's reforms is that efforts to trim the federal bureaucracy under the Clinton administration have left the government without a competent managerial class to police contractors. Already, investigations have found that waste, fraud and abuse among contractors is common, particularly in the Energy and Defense departments. An adviser said Bush would seek to avoid waste and fraud by paying contractors only after the desired result was achieved. "If they don't get their result, they don't get their money," the adviser said. The governor's ponderous address was leavened by some mockery of bureaucratic excess. He noted the absurdity of having separate federal inspectors for cheese pizza and pepperoni pizza. He also talked about the proliferation of "titles like 'associate principal deputy assistant secretary' or 'principal deputy to the deputy assistant secretary.'" While Bush outlined ways for the government to save money, he continued to find ways to raise it for his campaign. On Thursday night and Friday, he collected \$3.6 million in hard and soft money for Republicans at various events. He also found time to take in dinner and the Stanley Cup hockey game Thursday night with Pennsylvania Gov. Tom Ridge (R), who is frequently mentioned as a vice presidential possibility. After a stop for a company tour and fundraiser in Connecticut, Bush left for his family vacation home in Maine.

From Washington Post, 9 June 2000

BAJA'S PAN OFFERS REFORMS AND CORRUPTION

Mexican politics got a jolt in 1989 when Ernesto Ruffo Appel, an upstart mayor from Ensenada, pulled off an astonishing electoral upset to become the first opposition-party governor in the nation's modern history. Ruffo and elated backers in Baja California promised a fresh style of governance, based on openness and efficient public services. Their goal: to reverse decades of graft and cronyism on the part of the Institutional Revolutionary Party, or PRI, whose grip across Mexico dated to 1929. "The system," Ruffo declared in triumph, "has fallen." He was partly right. Ruffo's pro-business National Action Party, or PAN, has easily held the governor's office and the mayorality of Tijuana, which it also seized in 1989. Two of Baja's four remaining cities, Mexicali and Rosarito, have PAN mayors. During the 1990s, the PAN chalked up wins elsewhere in Mexico, and it now holds sway in six of the nation's 31 states and about 285 of 2,400 municipalities, including many big cities. If Mexican voters carry out the equivalent of political revolution July 2 by electing as president the PAN candidate, Vicente Fox, Baja California will be where the first decisive skirmish was won. It is already where the PAN has logged its longest record in office. While Baja is a special case owing to its traditional independence, relative wealth and home-grown political realities, it offers a preview of how the PAN might make the shift from being the entrenched opposition to being the establishment. The state has seen important government reforms - from the creation of fraud-proof voting credentials to vastly improved tax collection - in addition to brick-and-mortar gains, such as the installation of hundreds of miles of water and sewer lines. The PAN's middle-class attitudes echo in its calls for greater local control and self-reliance among residents--an approach that one U.S. scholar calls a Mexican "compassionate conservatism." But the party also bears the taint of lingering official corruption, particularly within the police and court systems, and the rising crime rate in Baja dismays even residents sympathetic to the PAN. The PRI's presidential candidate, Francisco Labastida, has seized on the Baja crime problem as a sign of PAN ineptitude. Baja officials, meanwhile, recently confirmed the worst fears of those leery of the party's social conservatism and roots in the Roman Catholic Church - in contrast to the PRI's secularism: It came to light that Baja health and judicial officials had sought to dissuade a Mexicali woman from arranging an abortion for her 14-year-old daughter, impregnated during a rape. Though the officials eventually relented, the mother decided that the health risks of an abortion were too great and the girl gave birth. In addition, a new crop of young voters, born too late to recall the shortcomings of PRI administrations in Baja California, represents a potentially threatening wild card at the polls in upcoming local elections. Some analysts believe that the PAN, riven by factionalism, could be unseated in next year's gubernatorial race. Mexico's third major party, the center-left Democratic Revolution Party, or PRD, is a negligible presence in the factory-rich border state of 2.7 million residents. For PAN leaders, who have watched voter turnout decline from a record high in 1989, the giddy idealism that accompanied "Ruffo-mania" has given way to the reality of governing a complex region with vaulting population growth and a drug cartel that is arguably the meanest and most powerful in Mexico. PAN rule is now taken for granted. The excitement centers on Fox, who has the party's best chance in history of winning the presidency. "The revolution has occurred and been completed in Baja California. It has gone on to the next level," said David A. Shirk, a visiting professor at UC San Diego who has researched PAN governance. Some read the public's diminished participation in the electoral process as a sign of overall satisfaction. "Across the board, you've seen real advances in Baja California that simply haven't taken place where politics has stagnated in the hands of the PRI," Shirk said. Even critics acknowledge that the PAN-led state and local governments have operated with a bottom-line efficiency unseen in PRI bureaucracies, which are bloated by patronage and featherbedding. In addition, the PAN takeover in Baja has reconfigured local rule by snipping the weblike ties between PRI governments and a host of unions, grass-roots organizations and neighborhood chieftains who had enjoyed privileged access to government goods and services - and, in turn, delivered PRI voters. Services provided by this local leadership, such as the granting of taxicab licenses, became the sole province of City Hall. Some local

bosses who had led peasant squatters onto land illegally were jailed after the PAN took over. "They've begun to institute a politics of individualism," said Victor Espinoza Valle, a scholar at the College of the Northern Border in Tijuana. PAN governments have emphasized partnerships with neighborhood associations as a way to stretch public dollars in building streets, erecting street lights and restoring parks. In the Buena Vista neighborhood of Tijuana, a residents group rescued an abandoned, trash-strewn park by joining forces with the state and local governments and providing its own workers. The park now boasts trees, new ball courts, lights and sidewalks. "When the PAN came in, a lot changed," said the neighborhood association's president, Ernesto Barron, who describes himself as a political independent. "We used to ask for help, but [the PRI] never came through."

But the same bustling stretch of middle-class homes, beauty shops and bakeries reveals the PAN's greatest failing: a crime wave that residents say is worse than any under the PRI. Car thefts and break-ins are common. An increasing number of fearful merchants have hired private security guards. "We only ask God to help us and protect us," said the manager, who asked that her name be withheld because of concerns about her safety. "What else can we do?" Answering neighbors' appeals for better police protection, Tijuana Mayor Francisco Vega de Lamadrid and an entourage of city officials recently visited the park and, amid speeches and a recorded soundtrack, reopened a dormant police substation. Vega announced plans for 18 such facilities in troubled areas. Yet the fanfare disguises skimpy funding, slapdash planning and the nagging sense that the crime problem may be more than the PAN governments can handle. A long wait faces anyone who goes to a prosecutor's office to report a crime. The new Buena Vista substation, aimed at giving residents instant access to police, lacks even a telephone. The PAN's legacy is "changes that have set us back," said Alcide R. Beltrones, head of the local PRI. "The violence has grown in the state, and they have not been able to control it." Most observers say indications of corruption are less evident in Baja now than when the PRI was in charge, but the PAN has hardly been immune. A state attorney general stepped down in 1994 amid an investigation into whether Baja authorities were protecting members of the Tijuana-based Arellano Felix drug gang. Weeks earlier, a deadly shootout broke out between federal authorities and state police believed to be working for the gangsters. New charges of corruption cropped up recently with disclosures that a ranking state official had approved the sale of public land to the brother of suspected mafia lieutenant Jesus Labra Aviles when the official was in charge of a redevelopment agency. He has denied wrongdoing. PAN leaders insist they have made reforms, such as granting police pay raises and supplying cars and equipment to the force to eliminate the need for bribes. They say the blame for the drug violence lies with the PRI-run federal government, which prosecutes narcotics crimes. Ruffo's victory was born from an eruption among Baja voters tired of prior excesses and spotty services. A former fish-processing plant manager, Ruffo was a rebel as Ensenada's mayor, butting heads often with the PRI governor. The PAN's quixotic, half-century saga changed course with Ruffo's win over a little-known PRI state lawmaker in the governor's race - an outcome quickly acknowledged by then - Mexican President Carlos Salinas de Gortari. The president's recognition was significant, because at least one PAN gubernatorial candidate and two mayoral contenders were thought to have been robbed of victories previously. Ruffo took the experiences to heart, creating an independent state election institute and pioneering a fraud-proof voter credential to prevent cheating. Subsequently, PAN administrators in Tijuana prompted howls of protest when they overhauled property tax rolls, boosting assessments and adding owners who had not been paying. Property tax revenues in Tijuana jumped nearly eightfold between 1989 and 1998. But PAN officials grouse that they are shortchanged in federal revenue distributions, which nationwide make up the lion's share of local coffers. Steep hikes in local water fees helped finance new water lines to the multiplying shantytowns on the outskirts of the cities. The increases also fed complaints that the PAN disregards the poor and has let poverty climb. Elections are scheduled in Baja California next year not only for governorship but also five mayoralities. The outcome of the presidential race will go far toward determining the tone of those campaigns, agree officials in both the PAN and PRI. Even Ruffo concedes that the PAN is bound to lose in the state someday. That might offer a healthy lesson, he said during an interview, and validate the notion, central to his 1989 crusade, that handing over power is a sign of real democracy. "The PAN has to change," said Ruffo, who left office in 1995. "It has to suffer too. This isn't Disneyland."

From Hispanic Vista, 14 June 2000

PRICE OF PUBLIC SERVICE DEBATED IN KANSAS

The Haysville, Kansas school board considers whether to continue paying employees elected to the Legislature. Should a teacher continue to draw her school district salary while serving as a state legislator? That is a decision Haysville school board members are wrestling with as they consider revising their policy on school employees who want to enter the political arena. Current policy calls for an employee to take an unpaid leave of absence if elected to public office. Some school districts in the area, including Wichita, have similar policies. Lynn Stevens, superintendent at Haysville, proposes changes to the 13-year-old policy that would not financially penalize an employee seeking office. Kara Belew, a teacher at Campus High School and daughter of a board member, has filed to run for a House of Representatives seat. If elected, she likely would be the first employee affected by the proposed changes. But Stevens, comparing it to jury duty, wants the board to consider the changes in a broader sense. "Look at it from a philosophical position," he said. "It tends not to be affordable for employees to run." The board will again discuss the policy July 10. Stevens recommends that Belew, if elected, continue to be paid her salary by the district. But she would return her legislative pay to the district, he said, and not take a loss of income. Her current salary is \$32,475. But Dave Gregory, who represents the 94th House District and works for Star Lumber, sees a conflict of interest if Belew is elected and remains on the district's payroll. A teacher, whose salary comes from taxpayers, could vote to increase the state budget for education and school districts, too, he said. "School districts have an enormous interest in increasing taxes and funding schools at even higher levels," he said. "I do believe that teachers probably have as big a conflict as any state employee." Gregory, whose position at Star Lumber demands more of his attention, has chosen not to run for re-election. While serving in Topeka, though, his salary was reduced by what he was paid as a

legislator, he said. Rep. Dale Swenson said he and his employer, Boeing Wichita, have a similar arrangement. "I could not afford to serve under any other arrangement," he said. Melany Barnes, who took an unpaid leave of absence from the Wichita school district and the Service Employees Union to serve as a representative from the 95th House District, applauds the proposed changes to the Haysville policy, adding that "you give up a lot to work for the public sector." The hours can be long and miles driven even longer, she said. "There is an awful lot of sacrifice." Stevens said the current board policy "effectively ends most people's desire or even ability to serve in either the House or Senate." Barnes agrees. "If we truly are going to have a citizen Legislature, then people from all walks of life should be able to participate," she said.

From USA-Wichita Eagle, 21 June 2000

FAMILY PUTS MEXICO'S ANTI-CORRUPTION HOPES TO TEST

Opposition governor targeting cousin's administration - If family reunions aren't what they once were in the mighty Clariond clan of Monterrey, don't blame petty squabbles, financial disputes or illegitimate children. Blame democracy. The Clarionds once provided a model for the way relatives can support different political parties while happily taking turns in the governor's mansion. But they hit a rough patch recently when the current governor discovered some unsavory activity by the administration of his predecessor – and first cousin. Now, the nation's political elite is closely watching to see whether democracy really works, whether the old system of ubiquitous graft will finally yield to increased political transparency. At stake is what many Mexicans long for after the July 2 presidential election: clean government. Following 71 years of rule by the Institutional Revolutionary Party, or PRI, citizens are looking to the state of Nuevo León and its opposition administration to see whether switching back and forth between different political parties really keeps top officials from slipping their hands into the public cookie jar. Optimists say democratic alternation among rival parties will cut down on Mexico's legendary corruption. "This state is going through a historic moment," said José Santos González Suárez, the attorney general of Nuevo León, who is investigating the former governor's administration. "We must set a democratic precedent for this country, in which legal concepts replace corrupt practices. The law must be applied." The State Electoral Commission agreed, slapping the PRI this spring with the largest fine against any political party in Mexican history: \$4.8 million. An electoral court later threw the fine out, and the case is currently under appeal. The corruption saga goes back to 1997, when Fernando Canales Clariond took office as Nuevo León's first opposition governor in modern history. After a two-year investigation, he unearthed a political gem for his conservative National Action Party, or PAN. A former state treasurer had apparently pocketed \$18 million in federal subsidies earmarked to pay schoolteachers' salaries, fleecing taxpayers with the unwitting help of his housekeepers and gardener – who had juicy bank accounts they didn't even know about. He also gave a slice of it to the state office of the PRI, sending suitcases of cash to party headquarters. Mr. Canales Clariond arrested the former treasurer, Xavier Doria, last summer. He stunned the state's political establishment this year by calling his predecessor, Benjamin Clariond Reyes, to testify about what he knew and when he knew it. It seemed like a political slam-dunk. But there was a catch: Mr. Canales Clariond and Mr. Clariond Reyes are not only relatives, but close business partners. Both men sit on the board of a \$2 billion steel conglomerate called Grupo Imsa, although Mr. Canales Clariond temporarily resigned his position after his election. The current governor's brother, Marcelo Canales Clariond, is the company's top financial officer. The former governor's brother, Eugenio Clariond Reyes, is CEO. Company executives say business continues as usual. "My brother has been suffering a lot from this situation," said Eugenio Clariond Reyes. "But we all have excellent personal relations and business relations." But sources close to the family say things aren't quite so rosy. One Mexican newsmagazine dubbed the affair the "War of the Happy Family." Happy or not, the Doria scandal showed how blood isn't always thicker than politics. There is no indication that Benjamin Clariond Reyes knew of Mr. Doria's scheme, but the brouhaha has besmirched his record. Airing the dirty laundry is a big enough change for Nuevo León alone. But something similar has occurred in Mexico City, where the city government of the left-wing Party of the Democratic Revolution has accused the former PRI mayor, Oscar Espinoza, of embezzling \$45 million. Now all of Mexico may be on the verge of a national anti-corruption campaign. If Vicente Fox, the PAN's presidential candidate, wins the tightly contested July 2 election, he has pledged to prosecute any wrongdoing he detects in former administrations and to bring more transparency to federal spending. "The alternation [in government] of different political parties is one of the most important tools to reduce corruption," said Alfonso Zárate, a political expert in Mexico City. "A government from one political party tends to look very carefully for mistakes by the former government." True, democracy has not eradicated corruption anywhere in the world, as countless financial scandals in the United States and Europe demonstrate. But public knavery has been a way of life in Mexico for decades, experts say, not some aberration in a generally honest system. "Corruption is never going to disappear, because it's part of human nature," Mr. Zárate said. "But in previous years, all the agencies that were supposed to detect abuses were in the hands of the PRI. Now, with the increasing strength of opposition parties, those agencies are becoming more important." Not that everyone applauds Mr. Canales Clariond's efforts. Manuel Bartlett, a top adviser to PRI presidential candidate Francisco Labastida, has accused Mr. Canales Clariond of attacking the PRI but protecting his cousin. But most experts and ordinary voters say the case merely highlights the kind of pilfering they have long accused top officials of perpetrating. "With Doria, what we're seeing is something we always knew existed, but hadn't seen with so much evidence," said Aurelio Collado, a political scientist at the Monterrey Institute of Technology. "It's the classic corruption of the PRI." Nuevo León draws hundreds of millions of dollars in foreign investment each year, ships exports around the globe and counts a number of world-class manufacturers as native sons. The capital, Monterrey, looks more like middle-class America than Third World Latin America. But the Doria case has exposed the state's seamy political underside. "I hate politics – it's made us some of the worst-off people in the world," said Leopoldo López, a Monterrey taxi driver. "I prefer talking about soccer." Turmoil was already roiling Nuevo León's politics when Mr. Doria became the state treasurer in 1995. Benjamin Clariond Reyes had just become interim governor after the elected governor, Sócrates Rizzo, left under his own cloud of financial suspicion. From 1995 to 1997, Mr. Doria stole more than 173 million pesos, officials say, an amount equivalent to nearly \$18 million

at current exchange rates. The money came from federal subsidies to pay the salaries of elementary and junior high school teachers. Mr. Doria created lists of fictitious teachers, complete with phantom pay stubs. Then he simply harvested the federal subsidies as they arrived. Mr. Doria gave \$2.4 million to the PRI, literally regaling party elders with suitcases of cash. The party's state president then, Humberto del Bosque, personally signed for some of it. Mr. del Bosque is now under investigation for possible wrongdoing in the Doria case, said Mr. González Suárez, the attorney general. Mr. del Bosque, who is now the secretary of economic development in the neighboring state of Coahuila, says he thought the money came from legal sources. Mr. Doria kept more than \$15 million for himself. He deposited some of it in Texas under the names of two domestic workers and a gardener he employed, and \$6 million in Switzerland. Now he's trying to get out of jail by giving the money back. He has a chance: State law at the time when he was treasurer granted leniency to anyone who stole money from taxpayers but later reimbursed it. Mr. Doria's lawyers returned \$6 million this spring, carrying several suitcases of 500 peso bills – worth about \$50 each – to a neighborhood bank in Monterrey. Mr. Doria also signed over about \$1.5 million in real estate. If he could get his hands on the \$6 million in Switzerland and come up with another \$4 million or so, a judge might well set him free, experts say. Swiss authorities are conducting their own investigation. But whatever Mr. Doria's fate, authorities in Nuevo León say they have demonstrated the type of housecleaning Mexico needs – even if the price for doing so was some extra tension in the Clariond family. "If we want to advance as a democracy and a people, there needs to be a change," Mr. González Suárez said. "There's no choice."

From Dallas Morning News, 26 June 2000

DALLAS ETHICS CODE UP FOR FINAL COUNCIL VOTE

A two-year debate at City Hall heads for a final showdown Wednesday as the City Council votes on a proposal to toughen the city's ethics code. "The overwhelming majority of the council is somewhat pleasantly surprised - even though it was painful getting here - that we were able to work through our issues and come up with a very much strengthened ethics policy," Mayor Ron Kirk said Tuesday. He predicted that "10, 12, 13 members of this council" would vote to enact the rules governing the conduct of city officials. The proposal before the council was hammered out in an often-acrimonious, daylong session earlier this month. It modifies - in many cases, dilutes - the recommendations made to the council in August by a 15-member task force that was appointed to draft a new code. Council member Laura Miller, who initially spearheaded the effort to strengthen the code, derided the current proposal as "Ethics Light." "It couldn't be much weaker than it is," she said. "We gutted it." Ms. Miller said she planned to propose perhaps a dozen amendments Wednesday to address what she characterized as loopholes and shortcomings in the ethics proposals. However, Mr. Kirk and others said that the council worked hard to forge the compromise and that members should simply vote it up or down. "To say that we have gutted this is to say, 'Unless this is perfect, it is not acceptable,'" council member Sandy Greyson said. "You can hold out for something that is perfect and get nothing, or you can compromise and get a stronger code of ethics than we have now." Ms. Greyson, Ms. Miller and Donna Blumer were the only council members who favored adopting the task force's blueprint without changes. "Everybody made compromises," Ms. Greyson said. "But if the goal is to have a stronger ethics code, that is what we got." The major elements of the proposed code include: Creation of an ethics review board to hear complaints against council members and city officials. - A ban on appointing close relatives to some city boards and commissions. - Adoption of new financial disclosure rules. Members of Common Cause, a self-described citizens' lobbying group, sharply criticized the council's revisions to the task force's proposal at a City Hall news conference Monday. "The task force worked long and hard to bring about a good, strong code," said Anne Carlson, chairwoman of the group's Dallas County chapter. "It was watered down. All its teeth were pulled." The task force, for example, recommended a complete ban on council members' appointing close relatives to city boards and commissions. The council's proposal narrows the definition of close relatives and applies the ban to only major city boards. The task force recommended that top city officials be required to complete the same financial-disclosure forms as state officials. The council opted to use a less-detailed, less-comprehensive financial form adopted from San Antonio. The task-force chairman, former Mayor Pro Tem Max Wells, took issue with the Common Cause speakers and others who said the code has been gutted. "Even though I am disappointed in several of the changes, I think it's close to 90 percent of the value and intent that the task force recommended," he said. "It is a reasonable compromise." In some instances, he noted, the council strengthened the code. For example, it added a penalty for failing to complete the financial-disclosure form. The council also would empower the ethics review board to recommend a penalty after hearing a case. The task force made no such recommendation. State District Judge John Creuzot, a task-force member, said he, too, thought the compromise document was a significant improvement over the current code. Still, he said, some of the changes gnawed at him. In particular, he said, he greatly favored use of the state financial-disclosure form. "I have to fill the form out," he said. "I fill it out every year. It is the best financial-disclosure form we have in the state of Texas." In March, a poll commissioned by *The Dallas Morning News* showed overwhelming public support for the major provisions of the task force's plan. That support transcended ethnic, geographic and economic lines. After publication of *The News'* poll, a majority of council members said they would support the task force's top recommendations. Some of those members have changed their positions. For example, Mary Poss and Steve Salazar were two of eight council members who said they would support a ban on appointment of close relatives to all city boards. But both agreed this month to the limited ban. In April, Ms. Poss insisted, "I support the strongest ethics policy possible." Asked this week why she had modified her view, she said, "This is a compromise, but we still have a much tougher ethics policy." Don Hill, one of the most vocal opponents of the task force's recommendations, said he would vote for the compromise. "What we clearly have done is strengthen our existing code," he said. "We have given great weight to the task force's recommendations and in many ways incorporated their views into the proposed code." The council must decide when the new code would take effect. Most members have expressed support for Jan. 1.

From Dallas Morning News, 28 June 2000

TWO AUDITS TO PROBE DENVER CIVIL SERVICE

The beleaguered Denver Civil Service Commission will undergo a two-pronged audit - one by the city and the other by an outside auditor. Mayor Wellington Webb, Auditor Don Mares and the commission jointly announced Monday the formation of a Civil Service Commission audit committee to set the parameters for financial and performance audits of the commission. "I think due to many of the inappropriate activities that have taken place at the commission that were brought to light by The Post, it is important to restore the integrity and the image of that agency," Webb said Monday. "I believe that agency has not been audited since I was auditor, which was more than nine years ago." Mares said the commission's expenditures have been audited regularly, but he conceded that a top to-bottom audit hasn't been done recently. He said he is asking for additional auditors in his budget to be able to perform such audits on all city agencies. The audit committee has already had one meeting "to go as quick as they can to address a lot of the issues that have been raised," Mares said. "I do know there is an incredible sense of urgency on the part of this group." Neither Webb nor Mares would predict when the audit might be finished and a report issued. "I'm not going to put time lines on it," Webb said. "I think it's more important for them to be thorough." Paul Torres resigned as director of the commission in May, three days after a series of articles in The Denver Post disclosed that he had hired 50 people to administer police and firefighter exams who were related to or were friends of Torres', commission members or commission employees. The Post later uncovered a multiyear lease for the commission's new headquarters that had apparent political underpinnings. The building's owners have political and personal ties to commission president Paula Sandoval and Webb. The two audits will be conducted by the accounting firm of KPMG and Mares' internal audit staff. "We hope to identify areas for improvement, and once those areas are identified we'll work to improve and correct those areas," Sandoval said. "I think it's definitely a very good step forward for the city." Denver Councilman Ed Thomas, who wondered how much the probes would cost the city, questioned the timing of the audits, given that a new interim director, Michael L. Henry, was recently hired. "It would be nice if they would give him a chance to do his job before they say, 'Ready, aim and fire!'" Thomas said. The audit committee is composed of the auditor's Deputy Director of Accounting Beth Machann, who will chair the group, Manager of Revenue Cheryl Cohen, City Councilwoman Ramona Martinez, Civil Service Commissioner Christopher Olson, former Colorado state auditor Timothy O'Brien, and former Colorado state court administrator Steve Berson.

From Denver Post, 27 June 2000

Management Innovation & Trends

THE AMERICAS

ONLINE INNOVATION RAMPANT IN U.S. GOVERNORS' RACES

Minnesota Gov. Jesse Ventura helped put the Internet on the map as a political force in 1998, using the Web and e-mail to organize an under-the-radar constituency. So it should come as little surprise that some of the most impressive online innovators this year aren't running for president or Congress but rather for governorships. In North Carolina, former Charlotte mayor Richard Vinroot (R), who hopes to succeed term-limited Democrat James B. Hunt Jr., has found a novel use for one of the most common Internet gimmicks: the online poll. Visitors to Vinroot's site (www.vinroot.com) are greeted not with the traditional throwaway survey (Death Penalty: Mend It or End It?) but instead with a detailed questionnaire on likely issues: a state lottery, Internet taxation, school choice. Once the poll is completed, a pop-up window appears: "Would you like to review the results of our survey?" If so, you must first give your e-mail address and Zip code, something campaign manager Chris Neeley said most visitors are willing to do. "Nobody finds anything threatening about giving out their Zip code," he said. "We can use our database of e-mail addresses to blast one e-mail to the western part of the state and something different to the east. All at no cost." Neeley said "thousands" of North Carolinians have entered their Zip codes and e-mail addresses so far. In Missouri's open-seat contest, expected to be among the closest in the nation, GOP Rep. Jim Talent (www.talentforgovernor.org) has another approach to gathering e-mail addresses, urging visitors to not just sign up themselves but to also give e-mail addresses for three friends as well. And what if people worry that their friends might complain about getting unwanted spam from a politician? "Your suggestions will be kept in strictest confidence and we will NEVER use your name," the site assures visitors. The experience of Talent's Democratic opponent, Missouri Treasurer Bob Holden, illustrates one of the truisms of Internet campaigning: You can have the coolest site in the world but if people don't know it's there, it's not going to help. Between January and April, Holden's site, at www.holdenforgovernor.com, averaged around 5,000 page-

requests a month. In May, when the campaign's first ads went on the air, that nearly doubled. That was in part, his staff says, because the ads not only showed the campaign's Web address, as many political ads now do, but also urged viewers to visit the Web site to read Holden's 16-page education proposal. "We had a tremendous increase in Web traffic the day the ads started running," said Holden press secretary Katie Maccracken. "Questions posed through the site increased probably 150 percent. We went from five a week on average to about 10 a day. But the level has really dropped since the ads went off the air." Another theory about Internet campaigning holds that challengers often rely more for money and votes on the Internet than do incumbents. That theory appears to be playing out in Indiana in the contest between Gov. Frank L. O'Bannon (D) and his GOP challenger, Rep. David M. McIntosh. The O'Bannon campaign maintains a perfectly adequate site (www.obannon-kernan.com) that includes video of campaign ads and an electronic version of the candidate's campaign finance report (a rarity on the Web). But in late June, the latest "News" on the O'Bannon site was a press release dated May 3. McIntosh's campaign, by contrast, maintains an impressive site (www.davidmcintosh.org) that includes contact information for organizers in every Indiana county and on a recent visit featured up-to-the-minute reports written like actual newspaper stories - instead of in a press release format - replete with headlines and photos, a style employed by an increasing number of campaigns. While the Indiana race supports one theory, it debunks another: that the candidate with the bigger bank account usually has the better online campaign. As of April, McIntosh had raised \$3.5 million, compared with \$4.6 million for O'Bannon. Washington state radio talk show host John Carlson, who is favored in the Sept. 19 GOP primary for the right to take on Gov. Gary Locke (D), is another challenger making innovative use of the Web. Carlson's site (www.johncarlson.org) includes a "LockeSmith" section intended to "help unLocke Washington." Volunteers who sign up for the program through the site commit to raising \$500 in 100 days in what the campaign describes as the "first ever small donor finance committee." Eventually, participants in the LockeSmith program will be able to check the amount they have helped raise online through an "account status" feature. The security kinks of that part of the site have yet to be worked out. So far, about 300 Washington residents have signed up for the program, according to campaign Internet director Brian McNeill, who said Carlson came up with the idea because he wanted to get smaller donors more involved. "Any time you are a challenger you are not going to have the same level of financial support as an incumbent," McNeill said. "You have to find creative ways to leverage the support that you do have. The Internet is a great way to do that."

From Washington Post, 25 June 2000

FLORIDA BROWARD AGENCY GETS SENIORS CLICKING ON INTERNET

Virginia Marion slowly savors stories on the Internet, reading about her favorite basketball team, the Phoenix Suns. Larry Johnson daily checks out Internet bidding sites, hoping to find an economically priced bass guitar. And Bernice Hillsman wants to learn about the stock market online. Some are days into their new training, others have been practicing clicking and surfing on the Web for weeks at one of the two computers at the Highland Gardens Apartments in unincorporated Broward County near Deerfield Beach. The housing project for senior citizens is one of just several sites where the Broward County Housing Authority is introducing Internet access. Because residents on average earn \$9,500 a year, buying their own computers is not usually possible. Johnson also reads about his medical ailments on the computer. Although he only learned how to use the machine last month, he has become proficient enough to teach others. "We're at the cutting edge of technology," he boasted. Citing the need for poor children to have the opportunity to keep up in school and for adults to have an easier time looking for jobs, the authority will spend about \$600,000 each year, with much of that coming from private donations. "The concept is to give children (in public housing) an opportunity to compete with children in schools from well-to-do areas," said Seth Gelman, chairman of the authority. The 190-unit Crystal Lake Apartments in Hollywood received its first batch of computers earlier this year. A study by Florida Atlantic University released to the authority on Friday shows that students who have been using the Internet and other learning programs at the housing project improved on an assessment test in reading and math by one grade level, said George Gadson, the special projects coordinator. "That trend looks good, quite impressive," Gadson said. "This is preliminary, but based on what we're seeing, the kids being exposed to this show an increase." Encouraged by the positive feedback, officials expanded into the 100-unit Highland Gardens Apartments late last month. Officials hope to start a computer club to raise money for more computers and software. And that's just the beginning. The 50-unit complex of Meyers Estates Apartments in unincorporated Broward County near Fort Lauderdale could get 10 computers by the end of this week. The Griffin Apartments in Davie will get two computers for their 100-unit complex within days. So will the Schooler-Humphries Villas in unincorporated Broward County near Pompano Beach. That 112-unit project will receive 10 to 15 computers. Children at Crystal Lake Apartments have started teaching their parents how to write resumes on the computer, said Kevin Cregan, the executive director of the authority. For other children without access to the computers, "technology is passing them by," he said. This is part of a national trend. In January, computer centers that serve low-income residents of HUD-subsidized housing were expanded to every state, the District of Columbia and Puerto Rico. Ernest Belton, 65, of Highland Gardens, is excited at the prospect of keeping up with the news of his former haunt of New York City by reading the tabloids on the computer. And he's thrilled to think he can correspond with his brother in Poughkeepsie. "Can you write e-mail on that?" he asked. "That's what I want to learn. Can he write back? Yeah? So when's the next class?"

From USA-Sun Sentinel, 27 June 2000

GROUP OF YOUNG VIDEO MAKERS CAPTURES PUBLIC SERVICE PRIZE

Jenifer LeClerc, a recent Alvirne High School graduate, has always been interested in still photography. And when she got her hand on a video camera, her love spread to moving pictures. Borrowing a hand-held camera, LeClerc started making videos of her friends, adding in synchronized music. After tinkering around with her homemade videos, making them more realistic, she said that

she knew it was something that she would continue doing. "Hey, that's my thing," she said thinking back to the making of her first videos. But she never imagined her passion would win her an award, she said. A team of Alvirne High School students walked away with cash awards and the satisfaction of winning fifth place in the inaugural "Seeing Through Media Violence" video production competition at the beginning of June. The group involved in the making of the award-winning public service announcement includes LeClerc, William Henshaw, Thomas Darrien, Michelle Arenella and Jennifer Cline. The competition was supported by MediaOne. The New Hampshire Coalition on Media Violence started this competition to make students aware of the negative effects that television and film have on them and help them understand the complexity of the issue of media violence. Several New Hampshire high school teachers used this contest to talk about violence in such areas as music videos, news and even cartoons, and to use the knowledge to create a public service announcement concerning the adverse effects of media violence. Alvirne teacher Jane Moynihan-Cooney said when she heard about the contest, she immediately thought of a way to integrate it into her curriculum. She said she used the opportunity to raise questions about how much violence is seen on TV. After sharing the information with her students, she had her students analyze all types of media and the violence embedded in them. Although all of her students participated in the making of the videos for the contest, not all of them entered the contest, she said. Some videos didn't meet the contest requirements, Moynihan-Cooney said. But all of them spent about 50 hours of classroom time on the project, and worked about two to three hours outside of school, she said. Moynihan-Cooney was impressed by the quality of the videos produced in her Media Literacy and Production class. After her approval, they were entered into the contest, she said. "They were great," Moynihan-Cooney said. The entries were judged on creativity and visual production appeal, message appropriateness and production quality. Other awards were given to Concord High School, Milford High School, Keene High School and Winnacunnet High School.

From USA-The Telegraph, 27 June 2000

U.S. GOVERNMENT TO COMPILE ONLINE DATABASE OF CAMPUS CRIME STATS

High school students weighing their college options will soon be able to see campus crime statistics by tapping into an online database being compiled by the [U.S. Department of Education](#). The databank will include colleges and universities around the country and Canada. It will detail numbers of offenses - from hate crimes to homicides - both on- and off-campus. "It's going to be kind of one-stop shopping," said John King, head of security at Tufts University, and president of the [International Association of Campus Law Enforcement Administrators](#). "Instead of having to gather information from four or five different schools, now you can just go to one place and compare." Colleges have been required to compile and make available crime statistics since 1990, when a law named for Jeanne Clery, a Lehigh University freshman killed in her dorm room, was passed. The Clery Law was revised in 1998 to require the Department of Education to supply the data to Congress each year. Education officials will begin to compile their first round of statistics in August and plan to present the 2000 numbers to Congress in December. Security personnel from more than 300 campuses around the world were briefed on the database Monday during an annual conference in Boston.

From Associated Press, 27 June 2000

Information Technology for Development

AFRICA

AFRICA MUST EMBRACE NEW DIGITAL TECHNOLOGY

The information technology industry is perhaps the most productive engine for propelling the business world into a new economic era and will play a critical role in helping businesses become competitive and better able to meet customer needs, Kenya's information, transport and communications minister, Musalia Mudavadi, said Wednesday. He added that Africa could become part of the global revolution by embracing and harnessing the new technology. "All around us, in ways and forms we cannot fully appreciate, new digitally based economic arrangements are changing how people work together and alone; how they communicate and relate; how they consume and relax," he said in a message at the official opening of African Information Technology and Electronic Conference exhibition in Nairobi. Musalia said that the two facets of the digital economy - business on the web or electronic commerce and the information technology industries that make E-commerce possible - are growing and changing at breath-taking speed. "The electronic commerce wave is having a major impact on the world economy, thereby fundamentally altering the way we produce, consume and communicate, and that is why our continent must embrace, with all its might, the new technology," Mudavadi explained. The minister said that research shows that the number of users who buy and sell goods and services over the Internet will exceed 500 million users by 2003. This increase, he added, will drive commerce on the Internet to more than one trillion US dollars. "I would like to point out that the benefits that can arise from full participation in the information economy is not limited to the world's developed nations," he said. Musalia said that for much of the world, however, e-commerce and the movement to a digital economy in general are constrained by a lack of critical infrastructure. He pointed out that both at the national and transnational levels, developing countries are struggling to determine how they too can benefit from the emerging digital economy, given other needs and the state of their electric and telephone infrastructure. Musalia said the success of e-

commerce would require an effective partnership between the private and public sectors, with the private sector in the lead, adding that, however, the government's role remains crucial. Eighty-five major national, regional and international companies dealing in computers, communications and office equipment, including Transtel, Pentacom S.A., Hewlett Packard, Channel Africa Tours and Elabs are participating at the four-day event.

From AfricaNews Online, 14 June 2000

ASIA/PACIFIC

MOBILE INTERNET USE OFF TO SLUGGISH START IN CHINA

China's main cellular phone company has postponed plans to launch a commercial mobile Internet service this month because of lack of demand, the official China Daily newspaper reported on Friday. China Mobile Communications Corp currently allows mobile subscribers to log on to the Internet for free, and had plans to begin charging for the service this month, the newspaper said. But China Mobile decided to extend the free trial period until September 21 because of slow demand, it said, adding that there were fewer than 2,000 users of the service nationwide. Number two mobile company China Unicom began providing commercial mobile Web service last month, the newspaper said. Telecoms officials were quoted as blaming poor bandwidth and lack of online content and services for Internet phones as the chief reasons for the sluggish debut. Cell phones containing the wireless access protocol, or WAP, technology that permits Web surfing are also expensive and generally bulkier than many regular handsets available in China. With regular mobile subscribers expected to surpass 60 million in China by the end of the year, analysts expect WAP phones to become the main channel on to the Web within a few years.

From ABC News, 2 June 2000

ONE IN 6 JAPANESE USE INTERNET, SURVEY SAYS

About one in six Japanese are Internet users, and more than 14 percent of the nation's mobile phone owners use them to get online, a media research company said Monday. Approximately 19.4 million Japanese, or one-sixth of the population, had gone online by the end of February, Access Media International Inc. estimated on the basis of a nationwide survey. That was up 28.5 percent from the same month a year ago, the Tokyo-based research company said. It forecast the number to reach 20.9 million by the end of this month and 22.6 million by December. Internet use in the world's second-richest economy is taking off as once-prohibitive access charges have started to fall, and online companies have begun advertising their services using television and other traditional media. Access Media has been conducting nationwide surveys of Internet usage since 1996. On the basis of its February survey, which polled 108,000 households, it estimated 20.1 percent of Japanese homes were wired to the Internet, compared to about 37 percent in the United States last year. Mobile phone users are the fastest-growing segment of the online population in Japan. More than half of Japanese households are home to at least one mobile phone user, according to Access Media. Many of the newest handsets feature oversized display screens designed to allow users to send e-mail and browse specially configured Internet sites. Access Media said 14.5 percent of Japan's 49.9 million mobile phone owners use them to connect to the Internet. Japan's largest mobile phone service, NTT DoCoMo, was forced earlier this year to temporarily reduce shipments of its most popular Internet-compatible handset to ease pressure on its overloaded communications network.

From Nando Times, 13 June 2000

PAKISTAN BANKS TO OPEN INTERNET MERCHANT ACCOUNTS

The State Bank on Thursday allowed banks to open Internet Merchant Accounts to regularise the activities of business houses already engaged in e-commerce and to bring others into this fold. A SBP circular (F.E. 6) says Internet Merchant Accounts can be opened either in local currency or in US dollar. It says that those desiring to open these accounts will have to submit a copy of their national tax number (NTN) certificates to their bank. The circular says that the accounts can be opened only by the people who have a registered place of business in Pakistan. It says that those intending to export goods or services must also provide a copy of export registration certificate from Export Promotion Bureau. The SBP circular says that such holders of internet merchant accounts who want to transact business outside Pakistan would submit E-forms worth less than US\$ 500 each to their respective bank. The bank would submit the same in a consolidated form to SBP every month. Senior bankers say this particular clause of the circular is aimed at facilitating software exporters. The circular says banks shall recover charges on the Internet Merchant Accounts in accordance with Prudential Regulations. It says any clarification in this regard could be obtained from Banking Policy and Regulation Department. The circular says banks shall be responsible for reporting business through these accounts to Foreign Exchange Department of State Bank. Banks will be responsible also for reporting any suspected transactions against the laws of the country. Earlier this month the State Bank had asked all banks to set up separate units in their offices to ensure proper credit flow towards software exporters. It had also asked banks to provide export finance to these exporters against the collateral of LCs or confirmed orders.

From Pakistan-Dawn, 15 June 2000

EUROPE

INTERNET EXILES

Efforts to regulate the Internet are about to be challenged by the inhabitants of a Second World War concrete fort in the North Sea off eastern England. Residents of the fort, known as Sealand, claim the structure, 11 kilometres from the Suffolk coast, has been an independent principality (www.sealandgov.com) since Paddy Roy Bates took it over in 1967 and proclaimed himself monarch. Sealanders claim they will not be subject to the e-commerce laws coming into force in Britain and elsewhere, and plan to establish an offshore "data haven" for people avoiding government scrutiny. Together with HavenCo (www.havenco.com), an Anguilla-based company, they plan to establish a number of unregulated online services. Companies that don't want their data intercepted by government agencies will be able to store it on the island--for a price, of course. The company says it won't allow anyone to tout child pornography or issue spam mailings. Check out Slashdot's views at <http://slashdot.org/article.pl?sid=00/06/07/0153238&mode=thread>. Sealand, originally named Roughs Tower, was built as an anti-aircraft gun emplacement. Bates was able to claim it as independent because, at the time of his takeover, British territorial waters extended only 5 kilometres offshore. But in 1987 the limit was extended to 20 kilometres, so the fort is now firmly within territorial limits. The Home Office says it does not recognise Sealand as independent - and it seems unlikely that any other country will either, because it's deemed a "temporary structure". Oil and gas rigs could be declaring their independence next. And if Sealand reckons it can evade prying eyes, perhaps it hasn't heard of the Echelon network (www.aclu.org/echelonwatch/index.html). Sealand hit the news for other reasons last month, when Spanish authorities stepped in to stop gangsters buying more than \$50 million of Russian arms, while pretending to be defence ministers from Sealand.

From New Scientist, 17 June 2000

THE AMERICAS

MOBILE INTERNET SEEN TAKING OFF SLOWLY IN MEXICO

Mexico's three major cellular phone companies are all launching wireless Internet services, but analysts say mobile Web services will catch on slowly and will not generate big revenues in the short term. Mexican cellphone use exploded in 1999, with subscriber growth of 128 percent to 7.6 million, but most of the clients buy blocks of "prepaid" calling minutes whereas analysts said the most likely wireless Internet customers are contract clients who are billed monthly. Given the small percentage of contract customers - 20 to 25 percent in the biggest Mexican cellphone companies - the impact of Internet services on the average revenues per user (ARPU) will be minimal in the first year, analysts said. "In terms of impact it's very premature. I do not see a huge impact on ARPU or the companies," said Ronald Aitken, Latin America Telecommunications analyst for UBS Warburg.

Analysts also said a relatively low number of cellphone users in Mexico have digital handsets equipped for Web surfing and exchanging handsets will be expensive and slow.

From ABC News, 1 June 2000

GOVERNMENT SERVICES SLOW TO GO ONLINE

Leading high technology countries have been slow to adopt e-government, according to a survey to be published on Monday. The US, Australia, Singapore and Canada lead the way in moving their government services online, according to the study published by Anderson, the consulting firm. But even the four trailblazers have yet to achieve more than 20 per cent "maturity" in e-government services, the consultancy says. E-government is the application of e-commerce techniques to government services to improve services to citizens. Online privacy concerns are one of the foremost reasons why governments have been reluctant to offer their services online, the Anderson study said. Other obstacles in the US include lawmakers' lack of understanding of e-commerce ideas and practices, and the scaling down of information technology budgets after heavy expenditure before the year 2000 roll-over period. "Congress needs to understand what electronic government means and right now they are struggling with that," says Stephen Rohleder, managing partner of the firm's US government practice. The survey has also found that less than 50 per cent of "publish" services performed by the US Government are available online. Meanwhile, France leads the way in "interact" services - applying for a job, for example - with one third of these services online, compared with just 8.3 per cent for the US. The report's authors say the sluggishness in adopting e-government will mean the US is unlikely to meet its target of having 500 essential services online by October, ordered by President Bill Clinton in a directive. Mr Rohleder says: "The progress against the presidential directive has been spotty at best." The survey studied 157 "essential" government function across 20 countries and measured how many of them were available on the internet. High scores were awarded to services where citizens and businesses could "transact" with the government over the internet, and low scores were given for those services where only information was available on the net. The report's authors also predict that the pressure on governments to provide more services online - as well as just information - will mount as the fastest growing group of internet users, 55 to 65-year-olds, are also the biggest users of government services.

From Financial Times, 6 June 2000

RURAL COLORADO RESIDENTS FINALLY GET INTERNET ACCESS FINALLY

A joint project that coordinates aid from federal agencies, private foundations and local community organizations has brought Internet access to residents in rural areas of Colorado - most of them Hispanic - for the first time. The San Luis Valley of southern Colorado and the expansive agricultural area in the state's northeast were listed as two of the 12 rural zones in the country that lacked access to new technology, essentially Internet access, according to a recent study by the National Telecommunications and Information Administration (NTIA), associated with the Commerce Department. That situation is about to change. In these areas the majority of residents are Hispanic. In the San Luis Valley, for example, some 70 percent of the residents there use Spanish as their dominant language. In fact, in some of the most isolated villages, the old Spanish spoken four centuries ago by (Miguel de) Cervantes is the dialectical norm. The historical connection is not coincidental. In the mid-16th century Spaniards and Mexicans together settled in the San Luis Valley and founded one of the oldest permanent settlements in Colorado. Many of those residing today in the Valley are descendants of those Spanish-speaking colonialists. Paradoxically, San Luis Valley is located only 400 kilometers (240 miles) south of Denver, the U.S. city with the highest percentage of workers employed in high-technology companies. The NTIA study found that "minorities and low-income wage earners, particularly those in rural zones or in certain cities, have less access to computer resources." According to the research, 56 percent of cities with populations of 100,000 and 65 percent of those with 250,000 inhabitants already have high-speed access to the Internet. However, less than 5 percent of residents in rural areas in towns of 10,000 inhabitants have access, owing especially to the high cost of running fiber-optic cables to areas of low population density that are far from urban centers. Commerce Secretary William Daley called for emergency measures to provide universal digital technology access to citizens living in rural areas of the country. "We must ensure that everyone in the United States participates in the benefits of the informatics revolution," he stressed. After six months of planning, the Management for Information in Rural Areas (MIRA) will provide access to some 200,000 Hispanics living in the San Luis Valley, thanks to the cooperation of the NTIA, the Kellogg Foundation and seven local community organizations. According to information provided by the Kellogg Foundation, the MIRA program will allow residents in the rural areas to decide for themselves what technology they need, as it provides them with new technology and special training programs for youths. The program also helps to improve the economic and social conditions in the zone. Kellogg will contribute 105,000 dollars to get the program off the ground in the 12 zones designated by the NTIA, which, in addition to the areas in Colorado, include portions of Texas, Hawaii, Virginia, Iowa, Idaho, New Mexico, Mississippi, Wisconsin, Pennsylvania and Ohio. NTIA, for its part, estimates that it will invest 12.5 million dollars in the MIRA.

From Latino.com, 12 June 2000

REGULATING THE INTERNET

There is nothing like an absence of regulation for stimulating innovation. Such was the creed of early Internet enthusiasts. As John Gilmore, a noted online activist, has put it: "The Net interprets censorship as damage and routes around it." The myth that the Internet has thrived only because it is anarchic is now firmly entrenched. Yet myth is what it is. In fact, cyberspace is highly organized and even regulated, and not just for technical standards. What is unique about the Internet is not that it is ungoverned; it is that its regulation has emerged from the bottom up and not the top down. "The Internet's true strength is that, as an institution, it exhibits characteristics of policy formation that appeal to one's sense of liberty," argues Joseph Reagle, a policy analyst at the World Wide Web Consortium (W3C), an Internet standards body. The process of policy formation on the Internet is not well known to the general public, or even to many avid Internet users. Besides the W3C, there is the Internet Engineering Task Force (IETF), which develops agreed technical standards, such as communications protocols, and its steering group, the IESG, which co-ordinates and approves them; and the Internet Corporation for Assigned Names and Numbers (ICANN), which oversees the system of domain-names such as .com and .org. These bodies have certain characteristics in common. They are largely self-created and self-governing. They are open in both membership and arguments, priding themselves on giving all voices a hearing. They are largely consensus-based in their decision-taking. And, so far at least, they have worked surprisingly smoothly, even surviving the wholesale commercialization of the net. Yet the expansion and internationalisation of the Internet are likely now to put new strains on its entire bottom-up system of regulation. None of this was on the minds of the small group of graduate students who, in the late 1960s, started to develop a new type of data network for the Pentagon's Advanced Research Projects Agency. On the contrary, they worried mainly about offending the senior engineers who were supposed to take over the fledgling Internet at some point (but never did). Not least to protect itself against later recriminations, the group documented its debates and decisions extensively. "I spent sleepless nights composing humble words for our notes," remembers Stephen Crocker, one of the graduate students. "The basic ground rules were that anyone could say anything and that nothing was official." This culture of cautious deliberation still prevails in most Internet organisations, particularly in the IETF. Its main mantra, expressed by David Clark of the Massachusetts Institute of Technology, is: "We reject kings, presidents and voting. We believe in rough consensus and running code." The approach has created what Michael Froomkin, of the University of Miami, calls one of the first legitimate international decision-making processes. Any individual can become a member ("no cards, no dues, no secret handshakes," says the task-force's website), just by signing up to a working group's mailing list. Anybody can also show up at the meetings that the task-force holds three times a year. Even network engineers, after all, need occasionally to meet face to face. That does not mean that all members are, in practice, equal. Unsurprisingly, the contributions of some carry a particular weight, not because they have been elected, but because they are so widely respected (although people can lose that status quickly if they rest on their laurels). The late Jon Postel was an example of such an elder. Until his death in October 1998, he had, more or less single-handedly, overseen the numbering system for Internet addresses. Even so, anybody, however lowly, can propose a standard to the IETF, and so start a process that is formal enough to ensure that all get a hearing, but light enough to avoid bureaucracy. Once a working group has reached a

decision, it submits it to the IESG for public review and ultimate approval. To become an Internet standard, a new technology must also operate in at least two working products, such as network routers. Decisions in working groups are not taken by formal vote, but by "rough consensus" - more than a simple majority, but not unanimity. The consensus is decided by any method the group chooses. One way is "humming" when a group meets (so nobody can tell who is in favour of a proposal and who against).

Those who believe that their arguments have been ignored can appeal to the IESG. The IETF is not the only example of a well-functioning, meritocratic online "community". Software-development groups known as open-source projects, sometimes comprising thousands of volunteer programmers across the world, are organized similarly. But they rely less on formal working groups and more on "benevolent dictators" to create consensus. The group around Linux, an increasingly popular operating system, for example, is run by Linus Torvalds, a Finnish programmer who wrote the first version of the software. When hackers write new code for Linux, it is scrutinised and discussed, mainly in online discussion groups. Mr. Torvalds has the final say about which "patches" will eventually go into the core program. Why do online communities like these seem to work better than their offline counterparts? The simple answer is that they are made up of like-minded individuals. Internet engineers or Linux programmers have a common culture and common interests, even if they live continents apart. And their decisions are, in most cases, straightforward: it is easy to tell whether one networking protocol or a piece of software works better than another. The Internet allows more direct and open communication than does the real world. False information can spread fast, but it can be quickly debunked. And since anybody can gain access to all proposals and e-mail discussions, the decision-making process is hard to manipulate. It is also easier for people to leave if they want. An analogy of sorts can be seen historically in Africa: if chieftains became too dictatorial, their underlings just moved on (or killed them). If a Linus Torvalds started behaving like a virtual Milosevic, Linux hackers would take themselves elsewhere. This decision-making process is certainly interesting fodder for social scientists. But sceptics say it is unlikely to survive the onslaught of the real world. What happens if technical issues, which in the past required little more than co-ordination to find the best solutions, become corrupted by commercial interests? And will it not be harder to find a "rough consensus" once it comes to policy issues that can affect millions of dollars' worth of business? So far, the Internet decision-making process, like the Internet itself, has been remarkably robust. That has surprised such insiders as Scott Bradner, an Internet engineer at Harvard and author of the IETF's "Internet Standards Process". In only a few cases, he says, has the process been bogged down by companies trying to submit an already-designed protocol merely to get the IETF's blessing. Yet there are early signs of trouble ahead. Last year, for example, a huge row erupted when IETF members discussed how far their organisation should help law enforcers to conduct wiretaps. Telecom-equipment makers worried that their products would be required to comply with federal wire-tap laws. But other members were preoccupied by images of Big Brother. In February, an IETF task-force decided not to "consider requirements for wire-tapping". Policy conflicts like these prompted Vint Cerf, one of the IETF's founders, to launch last year an Internet societal task force as a forum for deliberating social and economic issues thrown up by the spread of the Internet. Potential problems loom over the W3C too. So far, it has avoided being gummed up by competing commercial interests. Although it develops standards for the web, and many of its deliberations take place through e-mail, it is far from a traditional online community. Most of the 400-plus members of the organisation, which was founded in October 1994 by Tim Berners-Lee, the inventor of the World Wide Web, are companies that pay \$50,000 a year for membership. Mr. Berners-Lee first tried to standardise the web within the IETF. But progress in the working group was slow—as he put it in his book, "Weaving the Web", "partly due to the number of endless philosophical rat holes down which technical conversations would disappear." Because he wanted to move faster, he started his own group. The W3C is thus a rather different animal to the IETF. Although it also upholds the consensus principle, it is more top down, with Mr. Berners-Lee acting as a benevolent dictator. Yet over the years, the inner workings of the organisation have become more codified, to the point, Mr. Berners-Lee says, that its "process document" is more important than he is. So far, the W3C has developed more than 20 technical specifications. At a recent conference, it announced details of several important technologies nearing "recommendation status" (W3C-speak for standard), in particular XML (Extensible Markup Language), which enables computers to work out exactly what data on a web article represent and how to process them. Yet the W3C is no longer uncontroversial, because its decisions have more than technical implications. Critics such as Simson Garfinkel, a technology journalist, argue that the group has become a key maker of public policy—and that it ought to start acting like one, especially by opening its membership and meetings to a broader public. This criticism came over a "platform independent content selection", a technology meant to let parents and schools control the websites that children can reach, comparable to the V-chip that filters TV programming. The W3C's intent was to offer a technical alternative to the Communications Decency Act, a 1995 law criminalising the online transmission of "indecent material" to minors—a broad and vague piece of legislation that, many feared, would hamper free speech on the Internet. The law was declared unconstitutional by the Supreme Court. The new technology would make any further such laws unnecessary, argued the W3C, because websites would rate themselves, saying whether they contained nudity, for example—and parents could block access to them. But free-speech advocates feared that, far from making legislation unnecessary, the technology could achieve the exact opposite, making censorship easier and even allowing dictatorships to filter out unwanted content. Online elders admit that policy issues are becoming as important as technical ones. But the W3C is not the place to deal with them, says Mr. Berners-Lee. "Technologists have to act as responsible members of society, but they also have to cut themselves out of the loop of ruling the world." The remaining Internet ruling body, ICANN, has no choice but to become more than a club of citizen engineers. Its task sounds boringly technical: keeping track of the Internet's names and numbers. The organization oversees the domain-name system, which links the 12-digit numbers that identify servers connected to the Internet to addresses such as www.economist.com. But ICANN's challenges are now more political and economic than technical. It represents all Internet users. Although the net is highly decentralised, its naming system is hierarchical, as it must be if every computer is to be easy to find. Only 13 "root servers" know where one computer has to go to find the address of another. Anybody who controls these has a life-or-death power over the Internet, says David Post of Temple University in Philadelphia. To complicate

things, the economic stakes have become high. Trademark owners object to plans to create new "top-level" domains, the designations such as .com. They have invested a lot of money in their names and have often fought or bought off "cybersquatters", people who register web addresses only to sell them later. New top-level domains risk diluting these brands and increasing the costs of policing them. But because the Internet is international, ICANN also has to deal with geographical interests.

The European Union, for instance, would like to create a .eu domain for European websites, because the .com domain is dominated by American businesses and most recognisable English words have been claimed. This week a British company even started to sell .eu.com names, ahead of ICANN approval. Like other Internet bodies, ICANN operates by consensus. It has created a raft of committees, working groups and "supporting organisations". Even national governments have a voice, via a "governmental advisory committee". All these groups are supposed to talk things out. In theory, the 19-member ICANN board only ratifies the consensus, takes care of administration and makes sure that its decisions are implemented, for example, by signing contracts with domain-name registrars. So far, however, ICANN has made more headlines for controversy than for consensus. It got off to a bad start. In Mr. Postel, the organisation lost its benevolent dictator before it was even constituted. The selection of the interim board was perceived by many as shrouded in secrecy and tilted towards corporate interests. Its chairwoman, Esther Dyson, is not a typical Internet elder: although a leading thinker about the online world, she does not suffer fools gladly. And ICANN is in many ways a completely new institutional animal. It is a hybrid between an online community and a real-world governance structure, an untested combination. It is also a new type of international organisation: an industry trying to regulate part of itself, across the globe, with little or no input from national governments. For critics such as Jonathan Weinberg of Wayne State University, Detroit, ICANN still has to prove itself on all these fronts. It has had difficulties gauging the consensus of such a heterogeneous group. After protests, the board had to take back several decisions, such as a \$1 fee on every domain name. And it lacks features that produce accountability in offline institutions, such as an independent review board (one is now planned). Yet considering its meagre means (only seven full-time employees and an annual budget of \$4.3m), ICANN has not done badly. The organisation was successful in wresting the monopoly for domain-name registration from a company called Network Solutions, and also in introducing competition into name distribution. More than 120 registrars are now accredited to sell domain names. ICANN now has a uniform dispute resolution policy to help resolve controversies over who has the right to a domain name. The World Intellectual Property Organisation, one of four dispute-resolution bodies accredited by ICANN, recently ruled that Internet addresses bearing the names of a British author, Jeanette Winterson, and an American actress, Julia Roberts, should be returned to their rightful owners. Both had their names registered by squatters, who had argued that names of living people are not trademarks. These cases may now set a precedent for others who wish to establish their right to a domain name that has been registered by somebody else. Yet the moments of truth for ICANN are still to come. The issue of new top-level domains will show whether it can create consensus when the stakes are mostly economic – and what it does if no consensus can be found. If it adds only a token number of new suffixes, many users of the Internet will be disappointed. The consensus in the working group charged with the task is to roll out a few new domains and then evaluate what happens. The board will probably decide how to proceed at its meeting next month in Japan. Even more important for ICANN's legitimacy is the election of five board members in early November. Originally, the board had opted for an indirect election, with an electoral college to filter out incompetent representatives. But after many at ICANN's March meeting in Cairo had derided this procedure as undemocratic, the board settled for a direct election with candidates selected by a nomination committee, or self-nominated subject to a minimum threshold of support. There is still no guarantee that the new board members will be representative of the Internet community. What critics fear most is that the membership - anybody over 16 with a verifiable e-mail and physical address can sign up, at ICANN's website - will be captured by special interests. To some extent this is already happening: because German magazines and newspapers such as *Der Spiegel* or *Die Zeit* are running a voter-registration campaign, a fourth of the membership is currently German. Even if ICANN fails, this does not mean that the Internet's original decision-making process will lapse. No doubt, as the Internet matures, online communities such as the IETF will become more formalised, like offline organisations. Even the anarchic Linux group may have to give itself a constitution if the operating system becomes as pervasive as many in the computer industry expect. Governments might learn from online decision-making too. The Internet's real promise for democracy may be less the much-ballyhooed electronic voting than the fact that the medium makes it easier for citizens to debate and inform themselves. The Berkman Centre for Internet and Society at the Harvard Law School, for example, is working on software tools to organize "deliberative polls" online. The German government plans such a poll for a new data-protection law. Internet-governance bodies also provide a lesson in transparency. They document everything and make it accessible online. The IETF e-mail archives allow browsers to discover why certain decisions were taken, even if they date back years. The W3C has an internal rule that nothing really exists that is not posted on the consortium's website. And ICANN posts transcripts of all board meetings, even telephone conferences. If ICANN succeeds in gaining legitimacy, it might one day spawn similar international organisations for other online policy issues with worldwide implications such as privacy (to avoid having a patchwork of different rules for the protection of personal information). That was actually the plan of Ira Magaziner, Bill Clinton's point man for the Internet until 1999, who wrote the white paper that first called for the creation of ICANN. It would be absurd to assume that politics could be solved Internet-style, but governments would still do well to study the online decision-making process carefully. Something like it could, perhaps, help to narrow the gap between rulers and ruled - one more example of how the Internet may have a profound effect on the offline world. Announcement of the new program in the Valley was warmly received by the residents there. "It's well past time that the San Luis Valley entered the 21st Century," wrote one editorial writer for the *Denver Post* on Sunday, adding that "the new technologies will open up a new world for the residents of the Valley."

From The Economist, 10-16 June 2000

INTERNET AGE VS. INDUSTRIAL REVOLUTION

Computers have changed the world, but is their impact truly bringing about a new economic era? The following cartoon illustrates the point. It shows several office workers seated before their computers. One is downloading a new version of the videogame Space Kombat. Another is e-mailing a boyfriend. The third is browsing fall fashions. The headline says simply: "Economists wonder why computers haven't boosted productivity." The cartoon, accompanying an article in the normally unadventurous *Journal of Economic Perspectives*, hints at a debate that lies at the heart of the New Economy. The fundamental question: How broad are today's technology-driven productivity gains and are they permanent? The answer will help determine whether Americans will enjoy rising living standards, as well as what direction the Federal Reserve should take in trying to prolong the nation's record economic expansion. Throughout history, inventions have come along that have dramatically boosted worker output - from electricity that helped advance the Industrial Revolution to automobiles that helped change how goods are transported. But few have had the potential for changing how Americans work as much as computers, the Internet, and the explosion in telecommunications. Some economists, in fact, now think that the Swiss-watch precision with which these technologies allow companies to control inventories and the other benefits they bring are creating a permanent improvement in productivity. That, in turn, puts downward pressure on prices, making inflation less of a threat than the Federal Reserve may realize. Proponents of this theory say it's helping reinvent the economy - allowing low-inflation to coexist with relatively high growth. But others believe the productivity gains are only affecting a narrow band of industries and that they are ephemeral: Once the economy turns down again, so will the dramatic rise in worker output. Even Fed policymakers appear to be debating the issue. Last week, Fed Chairman Alan Greenspan argued in a speech to the New York Association of Business Economists that productivity gains were now not theoretical, but "irreversible." "The effect of these technologies could rival and arguably even surpass the impact the telegraph had prior to, and just after, the Civil War," he said. Some other Fed officials sound less hopeful. Governor Laurence Meyer and other policymakers subscribe to the school that recent productivity gains are cyclical, and thus the economy has reached its speed limits and needs braking to a slower pace. The issue will face Fed policymakers when they meet June 27-28 to decide on the need for another hike in interest rates. Because of fresh signs of a slowdown in the economy, most Fed watchers are expecting the Fed to either raise interest rates slightly - by 0.25 percentage points - or not at all. Others caution against reading too much into the productivity "revolution" as well. In his paper in the *Journal of Economic Perspectives*, economist Robert Gordon of Northwestern University in Evanston, Ill., argues that productivity has enjoyed a "dynamic explosion" in the manufacture of durables, such as cars and refrigerators. But it has bypassed 88 percent of the economy. Productivity growth there has decelerated - not risen, he argues. "The New Economy has been remarkably unfruitful as a creator of productivity growth," he concludes. As if to kick sand in its face, he concludes that the computer and the Internet don't match the impact on the economy of many other inventions, such as the electric motor, the airplane, the telephone - or even the indoor toilet. Moreover, though there has been an exponential growth in computer speed and memory, the new tools run into the limits of human time. The cartoon illustrates the nonwork uses of office computers. Internet surfing may be fun, Gordon notes, but it adds less to living standards than, say, the extension of day into night achieved by electric light. Much Internet activity duplicates existing activity, like mail order catalogues. Or it takes market share from existing companies, not adding much in social returns as versus private profit. Another skeptic, Irwin Kellner of Hofstra University in Hempstead, N.Y., notes that computer-related gadgets, such as pagers and cell phones, add to the hours of work. Employees get calls in the evening and on weekends. These on-duty hours are not much recorded in productivity statistics. Contrariwise, Gordon Richards, chief economist of the National Association of Manufacturers, is busy writing a paper maintaining that the gains in productivity are broad. Research and development throughout the economy, not only in the New Economy, has raised productivity, he says. So have large investments in business capital, including computers. As a result, the private economy could grow at a husky 4 percent per year after inflation, for five to 10 years. "We can sustain high rates of productivity," Mr. Richards says. "We don't have to tighten monetary policy." Others concur that today's gee-whiz technologies are helping to reinvent the old economy and creating a dynamic dot.com progeny at the same time. Indeed, Boyan Jovanovic of New York University, likens the New Economy to the boom times of the 1920s. By 1923, half the households in the US were plugged into electricity. The automobile age came into place. Today, half of households are connected to the Internet. In a paper written with Peter Rousseau of Vanderbilt University in Nashville, Tenn., he compares the rapid creation of new public companies in the Jazz Age - many which survived the Great Depression - with the blossoming of computer and Internet companies today. Many companies with their initial public offerings will not work out, he says. "But failure is the price you pay for Microsoft, Cisco, and Intel and other successful firms." What should perhaps be the great arbiter in this overall debate - the stock market - can't seem to agree with either side. The daily volatility of stock prices - particularly New Economy equities on the Nasdaq - is breaking all-time records.

From Christian Science Monitor, 21 June 2000

IN HISTORIC 'WEBSITE CHAT,' CLINTON UNVEILS ERA OF U.S. 'E-GOVERNMENT'

In a cyberspace-age version of a presidential fireside chat, President Clinton on Saturday went boldly where no weekly radio address has gone before, by using the Internet to tout a way for Americans to quickly locate federal government information on the World Wide Web. In President Franklin Roosevelt's day, Americans gathered around the fireside to listen to FDR's radio chats to the nation - and the tradition of presidential weekly radio addresses has lasted to this day. Clinton, in addition to his regular Saturday morning radio address, told Americans around their computers that a new Internet site - firstgov.gov - would be launched in about 90 days. It will be linked to all federal information Web sites - the world's largest collection, according to the president.

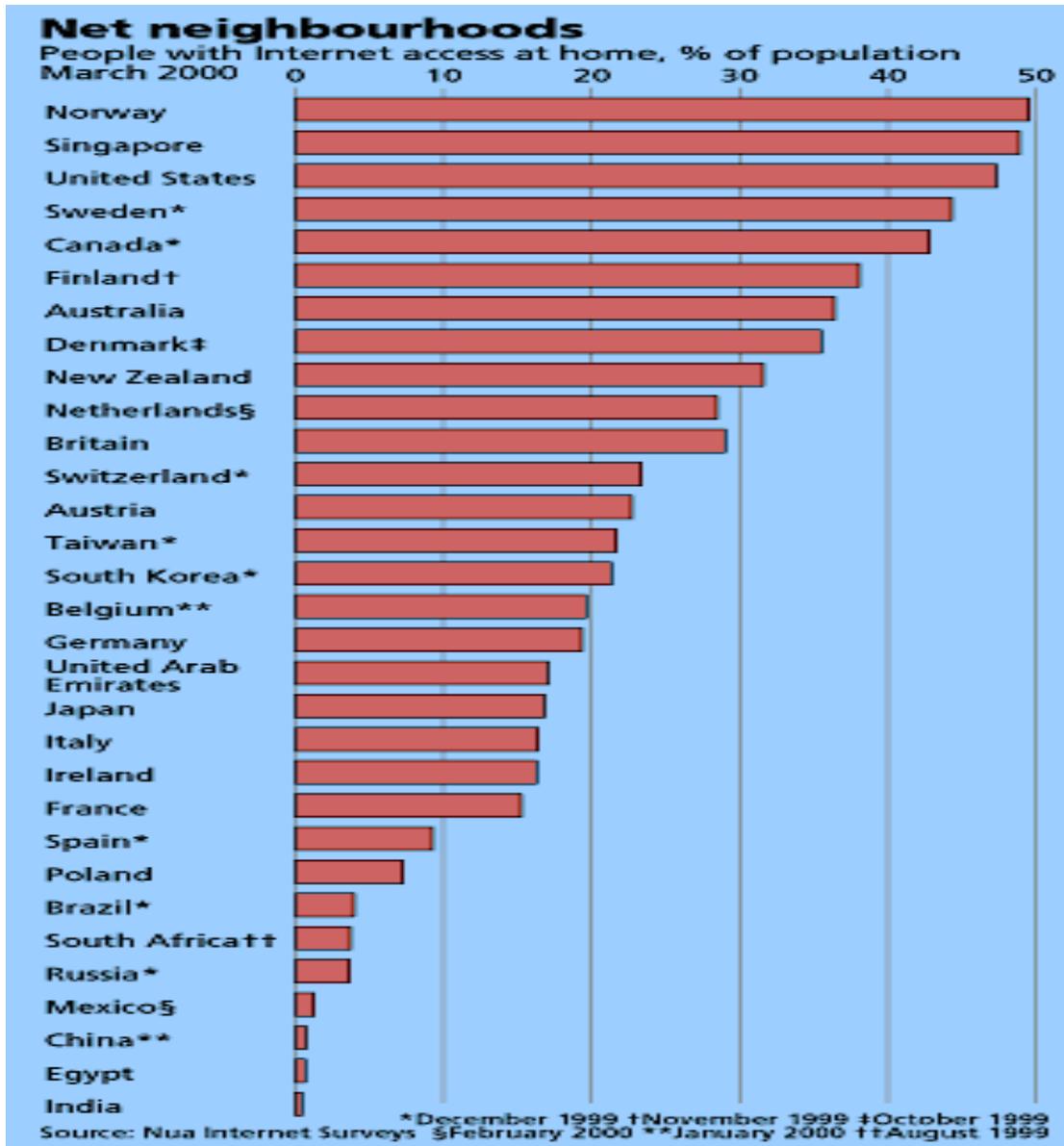
From CNN, 24 June 2000

SURVEY GOVERNMENT AND THE INTERNET

In downtown Phoenix, Arizona, people are queuing in a grubby municipal office to renew their car and truck registrations. They are visibly bored and frustrated, but what can they do? All over the world, people dealing with government departments and agencies are having to engage in dreary and time-consuming activities they would much rather avoid. What is unusual about Arizona is that the locals have a choice. Since 1996, a pioneering project called ServiceArizona has allowed them to carry out a growing range of transactions on the web, from ordering personalised number plates to replacing lost ID cards. Instead of having to stand in a queue at the motor vehicle department, they can go online and renew their registrations 24 hours a day, seven days a week, in a transaction that takes an average of two minutes. What is more, ServiceArizona has not cost taxpayers a cent to set up, and is free to users. The website was built and is maintained and hosted by IBM, which is being paid 2% of the value of each transaction—about \$4 for each vehicle registration. But because processing an online request costs only \$1.60, compared with \$6.60 for a counter transaction, the state also saves money. With 15% of renewals now being processed by ServiceArizona, the motor vehicle department saves around \$1.7m a year. That allows Penny Martucci, the decidedly ungeeky grandmother behind the project, to devote extra resources to improving her department's offline service. But perhaps even more gratifying for her are the e-mails she gets from satisfied customers. In a recent survey, the Arizona motor vehicle department scored an 80% approval rating for its service, head and shoulders above other departments. John Kelly, the state's ambitious chief information officer, is pushing other departments in the same direction, and has put out to tender a contract for building a portal that will link them all together. There is nothing spectacular about ServiceArizona, but it is a straw in the Internet wind that is beginning to blow through government departments and agencies all over the world. Within the next five years it will transform not only the way in which most public services are delivered, but also the fundamental relationship between government and citizen. After e-commerce and e-business, the next Internet revolution will be e-government. With few exceptions, governments have come late to the Internet. Although the net was born out of a project sponsored by America's Department of Defense, most governments have seen their job as creating a benign environment in which the hoped-for economic and social benefits of the Internet could unfold, rather than actively harnessing the fancy new technology to their own ends. There have been some good reasons for reticence, as well as bad ones. Governments, even more than commercial enterprises, were deeply worried about the potential impact of the millennium bug (known as Y2K) on their computer systems, and the social disruption that might follow. Much of the available IT funding and expertise was channelled into forestalling millennium disaster. But even without the distraction of the Y2K threat, governments and their agencies would have lacked many of the private sector's incentives to adopt the Internet. As monopoly suppliers, they are not worried about being "Amazoned"—waking up one morning to find a new web-based competitor with the potential to destroy their business. Transactions with government are rarely a matter of choice, and agencies collecting tax or managing entitlement programmes do not see the Internet as a challenge to their existence. Nor are the people running government services likely to be rewarded—with share options for, say, devising an innovative Internet strategy. There is also the question of access. Even in America, the proportion of people with an Internet connection at home is still under 50%, and in most of Europe it is less than half that. Governments cannot choose their customers; the services they provide must be for everyone, and much of what they do involves dealing with the poor, the less-well-educated and the elderly—precisely the people least likely to be wired. Lastly, security and trust are even bigger concerns for government than for the private sector. Banks and insurance companies may know quite a lot about their customers, but nothing matches the range and detail of information that governments require from their citizens. Unless the integrity of that information can be guaranteed, the scope for governments to make constructive use of the Internet will remain limited. But despite the late start, the pressure is now on to catch up fast. The spur may not be competition in the conventional sense, but talk to public servants and politicians almost anywhere, and the sense of urgency and excitement is tangible. Helped by the big IT vendors, governments are realising that by applying much the same technologies and principles that are fuelling the e-business revolution, they can achieve a similar transformation. More prosaically, the starting point for most e-government projects is the desire to reduce costs and make tax revenues go further. The potential for savings comes from the sheer scale of public-sector spending and from the opportunities to make internal processes more efficient. American federal, state and local procurement spending on materials and services this year will be around \$550 billion. Some big private-sector companies are now achieving annual savings in the region of 20% by putting their supply chains on the web. If government services in the United States could replicate that, they could save \$110 billion a year. In the European Union, where the member states' combined procurement spending is about euro720 billion (\$778 billion), savings could be of a similar order. As with commercial businesses, the benefits come from the way the web can slash purchasing and fulfillment cycles, lower administrative costs by up to 75% and halve stocks. Governments are also under pressure to meet rising expectations of service. Not many people enjoy dealing with their government; they do it because they have to. But that does not mean the experience has to be as dismal as it usually turns out to be. As increasing numbers of consumers become used to the quality of service offered by the best web retailers and service providers, their willingness to accept slum standards in the public sector is coming under strain. If the same 24-hour, seven-days-a-week availability and convenience, fast delivery, customer focus and personalisation became the norm in the public sector, it would not just make life easier, it would fundamentally change the way that people view government itself. One of the greatest problems for anyone who has dealings with government, whether as a citizen or a business, is its sheer complexity. The average government has between 50 and 70 different departments and agencies. Just finding out which is the right one for the task in hand can be hard enough. Worse, even for fairly straightforward matters such as licensing a business, selling a house or registering the birth of a child, a number of different agencies requiring a plethora of different forms may be involved. Moreover, they expect users to communicate with each of them in turn rather than being prepared to communicate with each other. One of the basic reasons for public-sector inefficiency—"bureaucracy"—is that, whereas departments are vertically organised, many of the services that they have to deliver require complex collaboration between employees across departments. The British government has for several years been preaching the need for "joined-up government", but has found that the underlying structures of government conspire

against it. The Internet offers a solution to both problems. Increasingly, governments are coming round to the view that they will need to construct Internet portals, similar to consumer portals such as Yahoo!, that can provide a one-stop shop for all of a citizen's needs. A central government portal of this kind has just been launched in Singapore; another is being developed in Austria. In Britain, BT has recently won the contract to build UK Online, a portal to offer government services that should, in a basic form, start up in the autumn. These government portals are being designed to allow users to find what they are looking for by using questions such as "How do I...?" or asking about so-called "life events", such as a change in marital or employment status.

The citizen does not need to know about the organisational complexity behind the scenes because the portal will take him smoothly to where he wants to go. And the same technology infrastructure that is built to link and integrate services for the citizen can provide the platform for a secure government intranet that allows common access for government employees and enables them to work better together across all departments. Governments have also realised that although a sluggish and half-hearted approach to e-government will not put them out of business, they may not be as immune from competition as they thought. True, the first thing they have to do is to create the right regulatory and public-policy environment for the digital economy—a competitive communications market, universal access, digital signatures, light taxation, online privacy, consumer protection for web shoppers and so on. But they are also becoming aware that their own e-government strategies can have a powerful catalytic effect on business in general. Just as Ford and General Motors can push their suppliers into doing business with them through online exchanges, so can governments, thus galvanising thousands of small firms into becoming e-businesses. By harnessing the efficiency, transparency and accountability that is inherent in the web to improve all aspects of government-to-business and business-to-government transactions, they can deliver a big economic boost. And by ensuring access for all to the Internet as the main channel of dealing with government, they can be a powerful force in bridging the "digital divide" between the haves and the have-nots and stimulating online education. Last but not least, by improving the quality of their relationship with citizens, they can make a big difference to the attractiveness of their country, region or city as a place to live and work. This goes beyond the delivery of services through the Internet, and to the beginnings of digital democracy. The first signs are already there: a Democratic primary in Arizona (again) in which online voting boosted voter turnout to six times its usual level; more accountability for elected officials, thanks to e-mail and web-casting; and online campaigning and fundraising, as in this year's American presidential election. Yet making e-government a reality will be extraordinarily difficult. Britain's e-minister, Patricia Hewitt, points to one of the more obvious reasons: "If Jack Welch says that GE is going to become an e-business, it does, and pretty quickly. Government is different." Politicians can be as visionary as they like, but unless they can get the machinery of government to take notice, nothing much will happen. And persuading public servants to abandon their paper-shuffling ways and embrace change on a hitherto unimagined scale will require relentless pressure—as well as some of the carrots and sticks that keep people going in the private sector. Jay Nussbaum, who heads Oracle's service industries business in Reston, Virginia, has a mantra for e-government: "Start small, scale fast, deliver value." In other words, it is important to bank some quick wins from smaller projects that achieve what they set out to do, like ServiceArizona, before moving on to bigger things like the all-embracing portals that cover every aspect of government activity. The potential is enormous, but governments will need committed leadership, a full understanding of e-business principles and a clear strategy for overcoming the barriers to change: the departmental rivalries, the hostility of unions, the fears of individuals and the sheer size of the thing. For once, the technology—although crucial to making it all possible—is the least of the worries.



From The Economist, 24-30 June 2000

DELL, MICROSOFT IN INTERNET SERVICES DEAL

[Dell Computer Corp.](#) said on Tuesday it entered an alliance with [Microsoft Corp.'s](#) MSN to offer consumers a co-branded Internet service called Dellnet by MSN. The service will connect a Dell customer immediately to the Internet once they take a new computer out of the box and plug it in, rather than having to configure the printer and sign up for a service first. Dell's Chief Executive Officer Michael Dell told reporters on Tuesday that Dell customers would still also be able to opt for America Online Inc. or other Internet service providers.

From Reuters, 27 June 2000

NEW INTERNET PRIVACY GUIDELINES FOR U.S. FEDERAL AGENCIES ISSUED

A day after the White House ordered its drug policy office to stop tracking Web users through anti-drug advertising, the Clinton administration issued strict new rules regulating federal use of the Internet technology, which can surreptitiously collect personal information. The Office of Management and Budget on Thursday directed all agencies to review immediately their compliance with existing Web privacy policies. Additionally, agencies will have to submit descriptions of how they handle Internet privacy issues with their budget requests this fall. The memo from White House budget chief Jack Lew also expanded the rules concerning "cookies,"

small software files often placed on computers without a person's knowledge that can track their movement on the Web. The Office of National Drug Control Policy had been using these files through advertising sold by an Internet ad company. With a few exceptions, Lew said, "Cookies' should not be used at federal Web sites, or by contractors when operating Web sites on behalf of agencies." Federal agencies will have to demonstrate a "compelling need" to gather the data, publicly disclose how any collected personal information would be safeguarded and get the authorization of the agency head. For example, using a cookie on a State Department Web site would require the approval of Secretary of State Madeleine Albright. Some critics of the government's privacy policies prefer to wait and see if the new regulations make a difference. "The OMB has historically not been able to use the budget to enforce information policy," said Ari Schwartz, a policy analyst for the Washington-based consumer advocacy group Center for Democracy and Technology. Following the White House's order Wednesday to cease using the software, the drug policy office told its contractors to stop using the cookies as soon as possible, said Don Maple, who helps run the office's anti-drug advertising campaign. "We had obviously underestimated the administration's sensitivity to the use of this technique," he added. House Majority Leader Dick Armey, R-Texas, denounced the drug policy office for using the tracking software. "The government should not be in the business of cybersnooping," he said. "These sites ought to be an essential link for citizens who want to become more involved in our government." Various Web sites displayed the anti-drug ads, which also appeared on Internet search engines when users typed in key words related to drugs. Users clicking on the ads were taken to a drug policy office site called "Freevibe," which targeted young people. Upon entering the site, a cookie was placed on users' computers. The tracking totaled the number of people clicking on ads, which ads they clicked on and what pages they viewed on the Freevibe site, Maple said. This type of monitoring is used to assess the effectiveness of the advertising. For the campaign, reported by Scripps Howard News Service this week, the drug office used the firm Ogilvy & Mather, which in turn contracted with DoubleClick, the nation's largest Internet ad agency. DoubleClick spokesman Josh Isay said the tracking technology wasn't used to create profiles of Web users. "It's totally anonymous," he said. "It's not shared with anyone else." However, Schwartz contended that even the most innocuous form of Web tracking contains some minimal identifying information. "We're talking about tracking people on drug sites," he said. "It's not too far of a step to assume a law enforcement agency could come asking for this information and track down individuals." The new White House directives explicitly pointed out that the administration's privacy policies include all contractors operating Web sites on behalf of the government. Isay said he didn't know if other government agencies had contracted his company for similar advertising services.

From CNN News, 23 June 2000

U.S. HOUSE MOVES TO BLOCK ANY INTERNET ACCESS FEES

The House of Representatives on Tuesday passed a bill blocking the Federal Communications Commission from any attempt to set fees for using the Internet. The legislation passed on a voice vote but not before some lawmakers criticized the haste and effort applied to addressing what they said was a nonexistent problem.

From ZDNet, 13 June 2000

GLOBAL

EXPERTS URGE UN TO ASSURE INTERNET ACCESS TO EVERYONE BY 2005

By 2005, everyone in the world should have access to the Internet, even if they have to walk for half a day to the nearest computer or cell phone in order to log on, experts said in a report to the United Nations. "It is incumbent on us, and we feel that it is entirely possible ... that by the end of 2004 a farmer in Saharan Africa should be able to get to a point of access, let's say in half a day's walk or riding on a bullock cart," said Chuck Lankester, a U.N. consultant on information technology. But Lankester's panel warned that action was urgently needed to reach this goal and to stop the rapidly growing "digital divide" between rich and poor countries. The panel, which included government ministers from Africa, Asia, Eastern Europe and representatives of private businesses and foundations, presented its report at a news conference Monday. Currently less than 5 percent of the world population is benefiting from the tens of billions of dollars of E-commerce, the report said, and developing countries risk not "just being marginalized but completely bypassed" by the new global market. "The panel calls on all actors to unite in a global initiative to meet the following challenge: provide access to the Internet, especially through community access points, for the world's population presently without such access by the end of 2004," the report said. The experts, invited by the U.N. General Assembly to recommend a plan of action to develop information and communication technologies, urged the United Nations to create a task force to coordinate efforts between international organizations, the private sector and foundations. They called on governments, international organizations, voluntary groups and foundations to donate \$500 million to improve access to the Internet and other new technologies in developing countries. The private sector, the panel said, would raise another \$500 million. "There is a vast untapped potential out there and a huge incentive for industry and foundations to pursue that," said Lankester, who organized the panel. Governments would meet every dollar invested in their country with another dollar, "so effectively, a dollar raised by the donor community would leverage four dollars in terms of action on the ground," he explained. The panel recommended that world creditors write off 1 percent of debt of developing countries which invest an equivalent amount in new information and communications technologies. To fend off any criticism that other forms of aid - such as food or health - should come first, Lankester said leaders of developing countries were themselves demanding that technology and aid come hand in hand. "What they said was please continue to give us fish, but do give us ... the fishing rods so that we can help ourselves, because this is a technology that will enable us to pull ourselves out of the

desperate situation which we now find ourselves," Lankester said. Among other things, new technologies can be used for exports, to improve administration in the public sector, for education, and to reach wider audiences with health care information, the report said. The world's seven leading industrialized nations and Russia will review the report when the Group of 8 summit takes place in Okinawa, Japan, in July.

From Nando Times, 20 June 2000



Public Finance

AFRICA

AFRICAN FINANCE MINISTERS MEET WITH DONORS IN PARIS

African finance and planning ministers and representatives of multilateral and bilateral donors will hold a two-day meeting from Thursday in Paris, France, on the one-billion-US-dollar Africa Framework Development project. The project is being managed by the Harare-based Partnership for Capacity Building in Africa. According to a statement from the organisation, the meeting would also include the 9th annual meeting of the board of governors of the African Capacity Building Foundation, ACBF. The board of governors meeting, the highest policy making body of ACBF, is expected to examine the foundation's annual report and audited financial statements for 1999. Membership of the board is made up of three multilateral donors that are the major sponsors of the foundation. These are the African Development Bank, UN Development Programme, and the World Bank. A total of 14 African countries and nine non-African bilateral donors are also represented on the board. A major issue on the agenda of the talks revolves around the forthcoming African Capacity Building Forum scheduled for early 2001. The forum, expected to declare 2001-2010 the decade of capacity building in Africa, also intends to adopt a resolution confirming capacity building as a development priority for Africa. According to the ACBF, the forum is expected to attract participants from African heads of states and government, African development partners, key regional and international organisations, representatives of the private sector and civil society. It will seek to provide a framework for mobilising additional resources for capacity building in Africa. The African Capacity Building Foundation was founded in 1991 with the aim of training managers for Africa's public and private sectors. Recently, the organisation established a link with the Partnership for African Capacity Building, and benefited from additional financial commitment from the World Bank. Former Malian finance minister Soumana Sako was designated the organisation's executive secretary 24 January to carry out the body's expanded mandate. To date, the foundation manages a portfolio of 33 projects. Twelve of these are training projects and 21 involve economic policy units spanning 23 sub-Saharan African countries. At a special meeting held in May in Washington, the foundation's board approved 17 new projects for capacity building estimated to cost 23,739,163 USDollars. In addition, eleven countries each received funding support of 50,000 USDollars over a two-year period, for the establishment and strengthening of national focal points for capacity building. These included Botswana, Chad, Cote d'Ivoire, Democratic Republic of Congo, Gabon, Guinea, Mali, Nigeria, Rwanda, Swaziland, and Zambia.

From African News Online, 13 June 2000

TANZANIA TO RECTIFY TAX REGIME TO MATCH NEIGHBOURS'

Tanzania intends to rectify its revenue collection mechanisms, to bring them in line with those of Kenya and Uganda, finance minister Daniel Yona has said. The Government would consequently launch a programme of action aimed at plugging tax evasion loopholes and increase taxation compliance amongst the population, he announced Thursday when tabling the country's year 2000/2001 budget. The efforts are intended to ensure that revenue collections exceed 11.3 percent of the GDP estimated for fiscal 2000/2001, as well as provide enough financial cushion that would avoid internal borrowing by government. In case of a deficit, Yona said Tanzania's bilateral donors would provide soft loans and grants to balance the budget. Revenue collection under the present tax regime will earn the Government slightly over 1.06 billion US dollars with expenditures estimated to rise above 1.7 billion dollars. "However, owing to the basis and the intentions of the next budget, new revenue areas shall have to be sought," Yona told parliament. He said that several areas of taxation would be improved in order to boost revenue collection and increase the amount of money in government's coffers. To start with, petroleum dealers, long known to deny the Government millions of dollars in revenue, will pay VAT (Value Added Tax) beginning 1 July. Excise duty was maintained on petrol and luxuries like beer, cigarettes, drinks, and vehicles with engine capacity of over 2000 cc. Bulk of the revenue is to be injected into alleviating the badly wanting education, health, water, agriculture and road sectors, Yona said. The Government will exert efforts to subdue inflation by reducing it from the current 6 percent to 4 percent by 1 June 2001, he added. Tanzania has in the past four years established an impressive record of accomplishment in macroeconomic stabilisation, which has earned it accolades from the international community. Yona said the Government would therefore be embarking on a far-reaching new programme that will complete the stabilisation effort, carry structural reforms much further, and make a substantial start on designing and implementing policies, specifically targeting poverty reduction.

From Africa News Online-PANA, 16 June 2000

MOROCCAN MINISTER CALLS FOR SECURITY COUNCIL OF ECONOMIC AND SOCIAL DEVELOPMENT

Moroccan minister of social development, solidarity, employment and vocational training, Khalid Alioua, proposed on Monday the creation of a security council for economic and social development with the mission of managing in a fair way the orientation of north-south financial flows. The minister told the Geneva 2000 Forum, which opened Sunday in the presence of Swiss authorities and the UN Secretary-General, such an institution is needed to correct the present imbalances where most capital flow goes to

north markets. Alioua also wondered on the efficiency of the present international organizations and institutions system in handling negative effects of globalization and in ensuring a better distribution of resources. Today, it appears that the Bretton Woods institutions fail to adapt to the new context and even the recently born World Trade Organization is taking the same path, consolidating a process that creates development inequalities. For the Moroccan minister, a security council for economic and social development, enjoying the same powers as the UN Security Council, will not only enact laws but also manage, in a more equitable way, the north-south capital flow as today, more than 85% of capital flow is taking place in northern markets. He further argued that the proposed mechanism should create a guarantee fund to build investors' confidence in developing countries and support a more equitable circulation of capital. Alioua was speaking before about 400 participants in a panel, mostly non-governmental organizations, former officials, government delegates and representatives of international institutions. The Geneva 2000 forum is held by the Swiss Government to associate NGOs and other civil society components in the Copenhagen summit (UN extraordinary General Assembly on Social Development held this June 26-30).

From Arabic News, 27 June 2000

ASIA/PACIFIC

SHUFFLEBOARD: SEVERAL TOP CHINA BANKS REARRANGE SENIOR MANAGEMENT

Several of China's large banks have announced shake-ups of their senior management. The [Everbright Group](#), which is one of China's leading financial-services companies and is directly controlled by the Government's State Council, recently announced at its headquarters that Liu Mingkang, governor of the [Bank of China](#), would no longer serve as chairman of the Everbright Group. In addition, Wang Mingquan, the former president of the Bank of Communications, reportedly will assume the posts of Everbright Group chairman and president, while Kong Dan, former vice chairman and president of the Everbright Group, will accept a position with the China International Trust and Investment Corporation, the June 16 *Hexun Caijing* (Homeway Financial News) noted. Wang Mingquan recently started working at the Everbright Group, the newspaper said. In addition, Fang Chengguo, executive vice president of the Bank of Communications, will assume the bank's presidency.

From China Online, 19 June 2000

JAPAN FINANCE MINISTER TAKES JAB AT MOODY'S

Japanese Finance Minister Kiichi Miyazawa warned international ratings agency Moody's on Tuesday not to take any action it would regret amid speculation the country was heading for another sovereign rating downgrade. The yen slid overnight on talk that a downgrade was imminent from the influential ratings agency, Moody's Investors Service, which in February placed the country's Aa1 rating for yen-denominated debt on review for a possible downgrade. "It would be best for Moody's to think and not do something it would regret," Finance Minister Kiichi Miyazawa told reporters at a regular news conference. The debt and currency markets have been hyper-sensitive to talk that Japan's credit status may be blighted after Moody's shocked markets in February by announcing its review of the quality of debt issued by the world's number two economy. In November 1998, Moody's downgraded Japan's sovereign debt rating to the current level, one step below its top-notch triple-A rating. Rival rating agency Standard & Poor's triple-A rating for Japan remains intact. Japanese officials bristle at the suggestion that Japan, the world's biggest creditor nation with some 1,300 trillion yen (\$12,310 billion) in private savings, could be even remotely considered a credit risk. Prime Minister Yoshiro Mori's administration, returned to power on Sunday with a slimmer Lower House majority, is expected not to hesitate to spend more money - and take on greater debt - to ensure Japan recovers from its worst postwar recession. After a decade of economic stimulus packages, Japan's government debt burden has already bloomed to around 130 percent of gross domestic product, the worst in the industrial world. This is Moody's primary concern. In late April, Vincent Truglia, Moody's managing director of sovereign credit ratings, told Reuters the Japan review could take longer than markets expected, noting that the previous review had taken five or six months. Foreign exchange traders note the current review has lasted 4 1/2 months so a decision looks likely in the next month or two. Although Moody's and other big credit agencies said overnight they had taken no action on Japan's credit ratings, the yen slipped to 105.75 in offshore trade from around 104.49 on Monday. Miyazawa declined to comment on foreign exchange. "I have no comment on that," he told reporters. Asked whether the yen's fall overnight on such fears indicated that action may be necessary, Miyazawa said that the yen weakened despite a lack of intervening action. "I was looking at it this morning, I thought that there might be a line (of resistance for the yen at 105 yen) after all, although we have done nothing," Miyazawa said, referring to his view that the market is wary of that level. On Tuesday, the yen struggled to get back on its feet and was changing hands close to its lows in late Tokyo trade, while gaining support from those betting that Japan's economy would improve enough for the central bank to begin raising rates. Japanese officials continued to warn, however, that they would step in to the market to prevent rapid movements and an excessive appreciation of the yen, which they believe could derail the economy's fragile recovery. Zembe Mizoguchi, head of the Finance Ministry's International Bureau, said it would be unfavourable for the yen to rise, taking into account global economic fundamentals. "Comparatively speaking, the situation has not changed. It is not favourable for the yen to strengthen," Mizoguchi said. The Bank of Japan's policy of keeping short term interest rates at zero percent was also under scrutiny Tuesday, after the OECD urged Japan to continue the accommodative monetary policy in a communique. Asked for his view on whether the Bank of Japan (BOJ) should continue its 16-month old policy of guiding short term rates to a virtual zero percent, Miyazawa said: "That is up to the BOJ." The BOJ is widely expected to maintain its ultra-easy monetary stance at its Policy Board

meeting on Wednesday, but debate on when and how to terminate the policy has been heating up amid signs that the economy is gradually improving.

From Financial Times, 27 June 2000

EUROPE

POLAND TO DECENTRALIZE GOVERNMENT BUDGET

WA Poland's cabinet on Tuesday approved a bill which grants local governments a larger share of revenues from taxes, deputy finance minister Jerzy Miller said. "This is to encourage local governments to boost economic activity on their territories and take better care of taxpayers," Miller told a news conference. Under the bill, which now goes to parliament for approval, Poland's three-tier local governments - communes, powiats and voivodships - will receive 60 percent of personal income tax, rather than 30 percent as is the case now. The share of the corporate tax revenue that goes to local governments will increase to 60 percent from five percent now. In exchange, the bill, which is to take effect at the beginning of the next year will scrap numerous subsidies and grants for local government. "So the whole operation would be neutral to the central government budget," said Miller. He said the bill would offer financial aid for poorer communities to liquidate inequality between rich and poor regions.

From Poland Today, 14 June 2000

EU TO BARGAIN WITH U.S., OTHERS BEFORE TAXING SAVINGS

The European Union will put off an EU-wide interest disclosure requirement until Switzerland, the U.S. and offshore tax havens take similar steps, in a compromise that left the bloc far from its goal of taxing cross-border savings. Austria nearly blocked even that watered-down understanding, winning EU consent to retain its banking secrecy law for Austrian residents and, at least temporarily, for non-residents. Both Austria and Luxembourg forced the bloc to delay any savings levies until tax havens from the Caribbean to Liechtenstein sign up to a bank-interest reporting system. "We will be really surprised if they all agree to implement information exchange," Finance Minister Karl-Heinz Grasser said after EU leaders reduced the tax plan to little more than a strategy for negotiations with other financial centers. "The probability is not really very high." Six months after Britain blocked an EU interest withholding tax, the decision to negotiate, not to tax, reflected the diminishing powers of the taxman in the era of global capital flows. The compromise may also help repair the ruptured diplomatic ties between Austria and the rest of the EU. Britain stymied the 20 percent withholding tax when it insisted on an exemption for London's \$3.3 trillion bond market, the hub of European finance. The measure was intended to crack down on tax evasion and help shift the tax burden away from taxes on labor. U.K. Chancellor of the Exchequer Gordon Brown claimed a victory in his campaign for information exchange between banks and tax authorities, saying the real problem is with countries that shield bank accounts from the tax inspectors. In a sign the debate is moving Britain's way, the Organization for Economic Cooperation and Development launched a campaign against banking secrecy in April, saying it provides fertile ground for money laundering. London's multi-currency bond market was itself the product of U.S. taxes on foreign securities which drove business to London in the 1960s. Britain warned against repeating that mistake in an age of rapid global flows of capital. The EU agreed to outline the "substantial content" of an EU savings tax law by the end of the year. They set a deadline of the end of 2002 for getting "key third countries" to adopt an information-exchange system. The EU law would kick in after they provide "sufficient reassurances," and even then Austria or any other EU country could block the measure. Switzerland, Liechtenstein, Monaco, Andorra, San Marino, the Channel Islands, Isle of Man and dependent EU territories in the Caribbean as well as the U.S. made up the "key country" list, raising doubts about the feasibility of the EU strategy. An international accord would be followed by a seven-year transition period, in which five EU states - Luxembourg, Austria, Greece, Belgium and Portugal - would be permitted to withhold the interest tax from non-residents and others would report the income to the taxpayer's home government. After that, Austria would drop its bank-secrecy protections for non-residents and the overall bloc would switch to information exchange. "If, in all the banking centers in the world, banking secrecy would disappear, then I don't see what argument Luxembourg or Switzerland could have against doing it," said Prime Minister and Finance Minister Jean-Claude Juncker of Luxembourg, which relies on banking for a fifth of its economy and a tenth of its jobs. "The question of Luxembourg abolishing its banking secrecy is linked to strict conditions," Juncker added. "We'll see if all of these conditions can be met. Luxembourg won't abolish banking secrecy before 2010 or 2011 and to do that all conditions must be met." The size of the temporary withholding tax remained undecided with most countries preferring a rate of 20 or 25 percent. Austria denied that the price of the diluted accord was an agreement by the other 14 governments to end their symbolic diplomatic boycott imposed in January to protest the entry of the right-wing Freedom Party into the Austrian coalition. However, Chancellor Wolfgang Schuessel said the summit cleared the air, and predicted that the EU will get back to business as usual soon. "We see in this summit a step toward normalization," Schuessel said. While Austria has retained full rights as an EU member, the other 14 countries have refused to meet Austrian ministers except at EU gatherings.

From Bloomberg, 20 June 2000

FINANCE MINISTERS LOOK FOR TAX COMPROMISE BEFORE EU SUMMIT

European Union finance ministers failed to find a compromise on how to tax interest on savings earned in other countries, but agreed to meet again early Monday for a last-ditch effort to present a plan to EU leaders at their summit opening here. All 15 EU

members agree something has to be done about the cross-border tax dodge whereby citizens of one country earn tax-free interest on savings in another, costing the treasuries of EU countries billions in lost revenue. British Chancellor Gordon Brown says he is keen to crack down on tax avoidance, but has vowed to do nothing which harms the interest of London as a main financial and investment centre. The UK has rejected the option of levying the tax directly. Mr. Brown is however willing to exchange information on savers with other member states – if they do the same and if those with banking secrecy requirements fix a firm timetable for ending the arrangement. He also wants the information exchange to be joined by other worldwide financial centres like New York and Geneva. Germany had been leading the calls for a common withholding tax on interest from savings accounts held in banks anywhere in the EU. Now, however, EU officials said 13 of the 15 countries think the best solution to the problem is for member countries to send information about account-holders' interest to their home countries so they can be taxed there. Austria and Luxembourg – countries with strong bank-secrecy regulations – were the holdouts, officials said. Many nations had supported allowing a choice between a 20 percent withholding tax or sharing information on foreign savers. The withholding-tax idea now has been dropped by a large majority, officials said. Other topics on the agenda of the two-day summit include defense and enlargement of the EU, including a reform of the organization's institutions to be able to deal efficiently with a dozen new members. With the EU's efforts developing for a rapid-reaction military force to act in humanitarian and peacekeeping situations in which NATO isn't involved, leaders will look at plans for developing the civilian side of crisis management. The EU plans to have a 60,000-man military force ready by 2003, capable of deploying it on 60 days' notice and maintaining it in the field for up to a year. But, as the NATO-led operation in Kosovo has shown, the real weakness in peacekeeping operations often is the civilian side, particularly lack of police. To this end, EU leaders will endorse a plan to prepare a civilian force of up to 5,000 police officers available for international missions. These officers must be specifically trained for this kind of mission. The EU wants to be able to deploy police, perhaps as many as 1,000, within 30 days. "The shortage of high quality police officers, of judges and prosecutors as well as the overall shortfall in staffing continue to undermine the work of (the United Nations) in key areas," Javier Solana, the EU's foreign and security policy chief, says in his report to the summit on the Western Balkans. "Efforts to make up existing deficits must remain high on the agenda," he said. Planning on the military side is progressing. Military and political committees already are up and running, and formal relations between the EU and NATO are taking shape. French Defense Minister Alain Richard said recently that the force pledging conference for the EU rapid-reaction force will be held in November, during the French presidency of the EU. Also on the leader's plates when they meet in this northern Portuguese town will be the question of reforming the EU's institutions to prepare to for enlargement to as many as 28 members over the next decade. They are faced with such tough issues as dropping unanimity for more majority voting in EU decision making; how to apportion seats on the 20-member EU Commission; and how to reorganize the 626-seat European Parliament. None of these issues is close to resolution, even though the EU says it will be ready to begin accepting new members as early as Jan. 1, 2003.

From UK-Independent, 19 June 2000

TROUBLE IN UKRAINE FORMER PRIME MINISTER ACCUSED OF MONEY LAUNDERING AND MURDER

On the eve of the visit by President Clinton to Ukraine on June 5th, an American federal grand jury indicted a former Ukrainian prime minister, Pavlo Lazarenko, on charges of money laundering \$114m. The case raises serious questions. Lazarenko will face seven counts of money laundering, one count of conspiracy to commit money laundering and 23 counts of transporting stolen goods. The indictment alleged that Lazarenko "would seek, demand and receive payment from individuals and entities as a condition of doing business in Ukraine". The ex-premier is fighting back. Lazarenko is also wanted by Switzerland on charges of money laundering. Of the \$114m, \$20m was allegedly laundered through American bank accounts. Another \$70m apparently went to a bank in Antigua, a small Caribbean island. Lazarenko had been awaiting an American decision on whether to grant him political asylum. The ex-premier had been allowed to leave Ukraine in February 1999 after having been accused of stealing \$2m and being stripped of his parliamentary immunity. After arriving in America, he has been staying in a detention centre near San Francisco (where he is said to have bought a house formerly owned by the film star Eddie Murphy for \$6.5m). Lazarenko was personally brought to Kiev, Ukraine's capital, by President Leonid Kuchma from their home base of Dnipropetrovsk in Russia and served as prime minister from 1996 to 1997. As head of Government he was awarded medals for outstanding government service by Kuchma and was never subject to criticism by his patron. It was after the Ukrainian Government came under pressure from the United States that Lazarenko stepped down. According to the indictment, Lazarenko is accused of amassing a fortune from the re-sale of Russian oil and gas. He appears to have broken with Kuchma and to have formed a political party Hromada strongly opposed to the president. Lazarenko's business partner left him and formed a pro-Kuchma party, Fatherland, after he fled the country. The indictment says that this partner headed the favoured fuel company when Lazarenko was prime minister and now holds a senior government post. On the eve of Clinton's visit to Kiev, the Ukrainian state prosecutor added other charges against Lazarenko of organising the assassination of top rivals. One of these was a fellow member of parliament from Donetsk and one of Ukraine's wealthiest businessmen, Yevhen Shcherban. "It's not just me", Lazarenko has counter-attacked on four fronts. Firstly, he has testified to American congressional committees about the supposedly high level of corruption in Ukraine. Lazarenko claims to be in possession of documents on bank accounts and remittances proving the involvement of high-ranking Ukrainian officials in illegal financial transactions. Secondly, Lazarenko claims that in 1995-1998 Kuchma was a direct beneficiary of proceeds from commercial enterprises that he controlled. Lazarenko alleges that Kuchma therefore backed his business operations and, in effect, took part in them. It was only after they fell out in 1997-1998 and Lazarenko created his anti-Kuchma Hromada party that Kuchma began to initiate criminal proceedings against him. Thirdly, he has accused his former partner of being an accomplice in money-laundering operations. Fourthly, Lazarenko alleges that 'oligarchs' close to Kuchma, such as Alexander Volkov and Alexander Medvedchuk,

who are also political party leaders, continue the Lazarenko tradition. They are said to have contributed to Kuchma's re-election campaign last year. Meanwhile, the Russian gas company Gazprom has alleged that Ukraine stole 7 billion cubic metres of gas in 1999 and 2 billion cubic metres so far this year. This is in addition to the large volume of gas officially imported which has led to a Ukrainian debt to Russia of \$2.1 billion. If true, this gas must have been sold somewhere. Where has the money gone?

From Foreign Report, 22 June 2000

EU PATTEN LOOKS SOUTH-EAST

Cooperation between the European Union and the countries of the southern and eastern Mediterranean must be boosted, says Chris Patten, commissioner for external relations. Both sides believe it is "time to take stock and shift up a gear," he told Foreign Report. "We can and should be more creative. For me it's a priority." Patten underlined Europe's position by relating it to the United States' plans for a national ballistic missile defense. "There's a US view that you can deal with a dangerous world by investing in technology," said Patten, the last British governor of Hong Kong who took up his present post last September. "Geography does not allow us that as an option. We have to live with potential instability on our doorstep - in South-Eastern Europe, the Caucasus and the Mediterranean." Patten sees the way forward to be through the Barcelona process, so named after the 1995 foreign ministers' meeting in the Spanish city which created a framework for contacts across the Med through "association agreements". These include trade, cultural exchanges and the issue of human rights. Association agreements have been signed and ratified by Morocco, Tunisia and the Palestinian Authority; one with Israel will enter into effect shortly; one with Jordan had been signed but not yet ratified; and one with Egypt had been negotiated but not signed. On the negative side, negotiations on association agreements with Algeria, Syria and Lebanon have been slow, as have disbursements of EU aid. "In short, there's more for us to do in ensuring that we're helping to create an autonomous zone of strong growth tied to us with free trade and, wherever possible, common standards", affirmed Patten. Countering sceptics who see the Barcelona project effectively as a formalisation of European domination of the Mediterranean, Patten stressed that this zone of growth should not merely constitute 'hub economies, there just to service European markets'. Patten spelled out a series of key strategic objectives: Encouragement of trade between Mediterranean countries; A boost should be given to regional economic co-operation; European financial resources should be mobilised more effectively for major infrastructure projects; A dialogue should be started on 'more sensitive issues', such as agriculture, where Europe has been notably protectionist; The issue of rules of origin, which determine rates of import duties on goods entering Europe, should be tackled; Further work is needed on the Charter for Peace and Stability, a draft agreement on joint political and security measures which is scheduled for promulgation by the end of this year. He stressed that reducing 'the embarrassing gap' between the EC's spending commitments and actual outlays was a key priority: "I want to be judged by my ability to increase spending". Patten's External Affairs Directorate had proposed a 47% increase in spending under the MEDA programme - the financial underpinning of the Barcelona process. "But how much will that be worth if we're still only spending about 40% of what we commit? How seriously will people take us?" he asked. Procedural reforms in Brussels aimed at speeding financial flows would be approved "by the autumn", he said, adding: "We have to persuade one or two of our partners to help as well". Patten stressed, however, that staff numbers in Brussels had not increased in correlation with the expansion of air programmes. Without more staff, "these problems of huge overhangs are going to continue".

From Foreign Report, 22 June 2000

THE AMERICAS

CANADA'S FINANCE MINISTER ANNOUNCES NEW BANKING RULES

The federal Government introduced sweeping legislation Tuesday morning to overhaul Canada's banking system and allow the banks to compete more effectively in a rapidly changing, global financial playing field. Finance Minister Paul Martin introduced the 900-page bill in Parliament, a bill that he said "strikes a balance" that would allow banks to evolve and meet worldwide competitive forces, while giving added protection to consumers. Key among the changes is a clear procedure banks must follow should they wish to merge: there will be a regulatory review, there will be a competition board review, the banks must prepare a public interest impact assessment, the Minister of Finance will have the final say. A year and a half ago Martin rejected two mergers that would have involved Canada's biggest banks. Since then, the government has allowed the merger of Canada Trust and the Toronto Dominion Bank. Ownership limits for an individual shareholder of a major bank will be upped from 10 to 20 per cent of the voting shares. And smaller banks, like National Bank and Laurentian Bank, would be allowed to have controlling shareholders.

The new rules make it easier for foreign banks to set up branches in Canada. There are also provisions to change the corporate tax structure for Canada's banks. If approved, the new rules will allow banks to reorganize their affairs under a holding company structure. This change would give banks more flexibility to operate some parts of their business with less regulation. Canada's major banks have reacted favourably to the proposed changes, saying they give them greater flexibility to compete in a rapidly evolving global marketplace. Consumers were also considered under the new legislation: banks will be forced to open accounts for low-income customers, an ombudsperson position will be created to handle complaints from clients and small businesses, banks will have to give at least four months



Finance Minister Martin

notice before closing a branch, banks must give all customers access to a basic, low-cost account, whether the client is employed or not, the bill would also establish the Financial Consumer Agency of Canada to ensure that consumers are protected, to promote consumer awareness and respond to general inquiries. As well, credit unions will also be allowed to expand nationally to offer greater alternatives to the big banks.

One thing that will not change is that banks will continue to be barred from getting involved in the lucrative auto leasing business or selling insurance directly from their branches. They will still have to set up separate subsidiaries to sell insurance, even though they say that makes it costlier to do business. That's good news for the insurance industry which worried that banks, with their numerous convenient branches, would have been able to dominate the sector. The Government hopes the bill will be passed by the end of the year.



Will consumers be able to cash in on finance reform?

From Canada, CBC World News, 13 June 2000

'COST OF GOVERNMENT DAY' IS 16 JUNE

The Americans for Tax Reform has declared June 16th as 'Cost of Government Day'. According to ATR, this means that the average American worker has earned enough in gross income to pay off his or her federal, state and local government-imposed financial obligations. "This year people worked till May 3rd just to pay their taxes on average. But you have to also add the cost of regulations to get the real cost of government. This year, it takes us till June 16th to work and to pay the taxes for the true cost of government, federal, state and local," according to Grover Norquist, President of ATR. But the news on the 'Cost of Government Day' front is getting better, Norquist said. "The Cost of Government Day has been moving over the last several years. The good news is it's been getting a little bit better because the economy has been growing faster than the federal, state and local governments have been spending," Norquist told a Capitol Hill news conference. In its report on the 'Cost of Government Day', ATR said the total cost of government in 2000 is estimated at \$3.86 trillion, up from \$3.72 trillion in 1999. That equates to a cost of \$14,400 for the average American. ATR also estimates that the average American will work 167 days to pay for his or her share of the government. That means the average American worker spends 46 percent of the calendar year working for the government. Total government regulatory costs will take \$1.1 trillion from taxpayers in 2000. That's \$4,105 for every man, woman and child in America. Besides that, the average American will work 38 days to pay for the cost of federal regulations and 59 days to pay for their share of state and local spending and regulations. Adding further to the cost of government, ATR says, "The federal government employs nearly 130 workers to issue and enforce federal regulations through more than 50 departments and agencies. This regulatory army costs taxpayers almost \$20 billion per year." 'Cost of Government Day' last year fell on June 22. In 1998, it fell on June 21. House Republican Leader Dick Armey (R-TX) told the news conference, "It is a disgrace that the cost of government eats up every penny that the American people earn for the first 167 days out of each year." However, Armey says things are improving. "When we (Republicans) became the majority in 1995, the 'Cost of Government Day' was July 2nd, now its June 16th. Why?: Because we Republicans are eliminating government waste. Maybe not enough soon enough, but at least enough so it's starting to show up in our lives as working Americans," Armey said. Armey went on to say, "We (House Republicans) believe that if we continue to eliminate government waste, we will reduce the burden of bloated, wasteful and inefficient government on working Americans." Peter Sperry, an economist with the Heritage Foundation, had some "bad news" for the American people on this 'Cost of Government Day'. "Unfortunately, I'm sad to report that your tax overpayments are coming in even faster than the federal government can spend them. We did a study of the buildup in the cash accounts at the Treasury Department and found that they've reached record levels because they can't pay off the national debt as fast as the surplus revenue is coming in the door," Sperry told the news conference. "They (the Treasury Department) are reaching the point," Sperry continued, "where they're going to have \$60 billion in cash on hand. Now, most people, when the tub is overflowing, turn down the faucet. Nevertheless, Congress has tried their best, but the President continues to say that tax relief is "risky." But what we recognize as risky is leaving this amount of cash on the table, unobligated in a fashion where it's going to sooner or later get spent on something frivolous that will do the American people no good." Sperry called on Congress to reform the nation's tax code so that people "would not be sending too much money to Washington to build up in these accounts which basically just sit there and don't even gather interest." Steve Moore of the conservative political action group, "Club For Growth," thinks the figures that ATR found for 'Cost of Government Day' are grounds for the impeachment of both President Clinton and Vice President Gore. "You look at these numbers, and you realize that Bill Clinton and Al Gore should be impeached. Impeached not because of obstruction of justice or perjury but because of violating the constitution. The role of the government and the constitution is supposed to be very small and defined, and yet, if you look at the Clinton-Gore budget proposal that came out in January, Bill Clinton and Al Gore proposed \$10 trillion of new spending over the next five years," Moore said. Moore went on to say, "We all know the television show 'Who Wants To Be A Millionaire'. If you were on the show and won a million dollars every night, you'd have to be on that show for over 300 years before you accumulated \$10 trillion." Moore said, in order to move 'Cost of Government Day' earlier than June 16th in the future, Congress should eliminate the death tax (the bill is now before the Senate), reduce the capital gains tax and allow workers to put their payroll tax money into individual accounts.

From CNS, 16 June 2000

GLOBAL

TOBIN TAX REVIVAL

Discreetly buried in the draft of the main document that should be adopted at a UN meeting in Geneva at Geneva 2000, on June 26-30, is a Canadian proposal that could have long-term, far-reaching implications. It is about reviving the idea of a taxation on speculative capital movements, known as the Tobin Tax (after the Canadian Nobel Prize-winning economist James Tobin). About \$1,500 billion change hands everyday for speculative purposes only. The Tobin Tax, which its proponents said could be set at 1%, could be used to help poor countries and be handled by the World Bank or the International Monetary Fund (IMF). It could bring in \$15 billion a day. The Geneva draft proposal is a start. It recommends "further study of the implications of a currency transaction tax, including the potential advantages and disadvantages". The move is supported by European countries such as France, Belgium and Denmark, and Germany has recently decided to follow suit. Poor countries would like stronger language. The next step would be to have a more detailed proposal discussed at a UN conference on financing for development in 2001.

From Foreign Report, 22 June 2000

Private Sector Development

ASIA/PACIFIC

BRITISH JOINT VENTURE TO INVEST US\$100m IN CHINA'S PRIVATE SECTOR

Two British companies, CGNU and Commonwealth Development Corp (CDC), formed a joint venture on June 15 in Beijing to invest US\$100 million in China's new economic sectors, especially the IT industry, according to the June 16 *Zhongguo Zhengquan Bao* (China Securities). An executive from CDC suggested that each investment could be as much as US\$10 million to 15 million. The target enterprises range from IT start-ups to well-established companies. To qualify, they must operate under good business models, have excellent management and show great development potential. After merging with Norwich Union, CGU has changed its name into CGNU. It has a worldwide premium income of US\$41.6 billion and manages US\$320 billion assets. Since 1994, the group has set up representative offices in Beijing, Shanghai, Guangzhou, and Chengdu. In recent years it has undergone great efforts to win a life insurance license in China. CDC was established by the British Government in 1948. The company has invested US\$500 million in East Asia, covering sectors such as energy, traveling, mining, processing agricultural products, and financial service.

From China Online, 20 June 2000

EUROPE

SEVENTEEN GREEK COMPANIES HEAD FOR PRIVATIZATION

National Economy Minister Yiannos Papantoniou said yesterday that 17 state companies would be privatized partly or entirely within the next 12 months, adding that the same had been done with 16 companies within the past two years. Those sales had brought in state revenues of three trillion drachmas, the equivalent of 7 percent of GDP, Papantoniou told the General Confederation of Greek Commerce's general meeting. He also expressed pleasure at the deal reached on Friday for France's Credit Agricole to buy a 6.7-percent stake in state-controlled Commercial Bank for 100 billion drachmas. "We have found a credible partner" for Commercial, Papantoniou said. "We achieved a high price and beneficial conditions for the bank and the country's banking system." He said that this showed that "we are not selling out cheaply and we are moving ahead with transparency and effectively." Papantoniou said that Greek commerce had entered a new era and that the decade looked bright. He assured his listeners that the Government would support business, and promised to get funding for commerce from the EU's third Community Support Framework as well as to introduce tax breaks soon.

From Greece-Kathimerini, 12 June 2000

CZECH GOVERNMENT PLEDGES TO HELP BANK IPB

The Czech Government said on Wednesday it would step in to stabilize bank IPB a.s. which has suffered heavy withdrawals following unconfirmed newspaper reports of significant losses. The reports have said that a 1999 audit, due out on June 26, will reveal that IPB, the country's third largest bank, 46 percent owned by a unit of Japan's Nomura, has insufficient reserves. "Scenarios of stabilization are being worked out... all of them include certain participation of the state," Finance Minister Pavel Mertlik told a news conference, which was also attended by central bank Governor Josef Tosovsky. Mertlik declined to elaborate on scenarios for future development. The Government has previously refused to provide any aid to IPB. A source close to negotiations between the state, the bank and Nomura told Reuters on Wednesday that one option was for the state to buy Nomura's stake for the symbolic amount of one crown, recapitalize the bank and sell it to a new investor. The Finance Ministry and the central bank subsequently issued a joint statement reiterating that the bank would continue to function and depositors would not lose their money. Clients took out 1.35 billion crowns (\$36 million) in deposits on Monday alone, as queues formed at branches. IPB spokeswoman Barbora Tacheci said on Wednesday the withdrawals continued but she gave no new figures. IPB shares fell to an all-time low of 72 crowns on Wednesday before closing at 74, down from Tuesday's close at 81. The central bank, which performed a separate audit of IPB's selected loan portfolio transactions, has called for an increase in equity capital, but has so far taken no regulatory action. Under Czech law, the central bank may put a bank under forced administration and suspend shareholders' voting rights if the owners fail to keep capital adequacy at required levels. Nomura has pledged to boost capital by up to 20 billion crowns. IPB plans a rights issue of up to 13.4 billion crowns, but that has been held up by a minority shareholder suit. Nomura has been trying to bring on board other partners through the sale of its stake or by increasing equity. IPB has said Allianz was close to taking a small stake, and that it was also in talks with Italy's Unicredito. Ceskoslovenska Obchodni Banka a.s. (CSOB), a unit of Belgium's KBC, is also rumored to be interested. CSOB spokesman Jan Stolar said on Wednesday that CSOB was planning to expand on the Czech market if "a suitable acquisition opportunity" appears. Nomura bought a 36 percent stake in IPB from the Government in 1998, and later raised it to 46 percent. Daily Mlada Fronta Dnes reported on Saturday that IPB lacked at least 21 billion crowns in

reserves, but the figure could not be confirmed by Reuters. Analysts say IPB's burden of non-performing loans is likely comparable to those of Ceska Sporitelna and Komerčni Banka, which both received tens of billions of crowns in state aid in 1999 and 2000 ahead of privatization.

From Czech Today, 15 June 2000

ALBANIA MINISTER DEMANDS SPEEDY PRIVATIZATION IN SOCCER

Minister of Culture and Sports Edi Rama on Thursday called for a big reshuffling of the Football Federation in his third public attack to soccer officials this year. "Things are very bad with it," Rama said in a hearing in Parliament. "There are huge and serious problems with the federation." Rama had earlier called for new elections in the federation, not held since 1997, and accused the main officials, the president and the general secretary of corruption. He personally attacked Mico Papadhopolli and Sulejman Starova, the two top officials of the federation, who had built a reputation as some of the finest soccer players of Albania. "It does not mean anything that acknowledged soccer players are leading the federation," Rama said. "We had the example of a very good doctor who turned the Albanian politics into a Macedonian salad," he continued, attacking both the soccer officials and the chairman of the opposition Democratic Party, Sali Berisha, who was a noted cardiologist. He also called for fast privatization of the soccer clubs in the country, which are still state-owned.

From Albania Daily News, 23 June 2000

THE AMERICAS

SHACKLING JAIL PRIVATIZATION IN OKLAHOMA

If Keating signs a bill making it harder for county jails to turn private, Tulsa's could be the only one. Tulsa County may be the only county in the state with a privately operated jail, if a bill passed by both houses of the Legislature becomes law. House Bill 2296, which now awaits the signature of Gov. Frank Keating, could make it all but impossible to privatize jails in other counties, a Tulsa County official says. The bill requires that any county wanting to privatize its jail first form a "county jail trust authority" under Title 19. That section of state law mandates that the sheriff be appointed as chairman with the county's presiding district judge and three citizens appointed from the community filling out the panel. If such a trust authority votes against privatization of the jail, the county's commissioners would then have to call for a countywide vote on the matter to achieve privatization. "The effect of this is that Tulsa County will be the only county in the state to privatize," said Jim Orbison, the attorney for the Tulsa County Criminal Justice Authority. Orbison said it is unlikely that the sheriff of a county, especially one in the role of jail authority chairman, would ever agree to privatizing a county jail. The Oklahoma Sheriff's Association, which requested the legislation, has repeatedly denounced privatization of county jails. Further, it's even more unlikely that county voters would approve privatization of the jail, Orbison said. "The whole purpose of the bill was to prevent county jails from being privatized with little or no input from constituents," said Rep. Joe Sweeden, D-Pawhuska, who sponsored it on behalf of the Oklahoma Sheriff's Association. Sweeden acknowledged the proposed law may have the impact of stopping privatization of county jails in Oklahoma. He said, though, the bill was especially necessary in light of several counties considering sales taxes to build new jails. Under the proposed law, "a county that votes for a sales tax for a new jail - the jail won't just be taken away without any input," the lawmaker said. He said Tulsa County's example was not the impetus for the legislation. Tulsa did not use Title 19 to form its jail authority, something Sheriff Stanley Glanz and his deputies cited in lawsuits as proof that the privatization arrangement with Corrections Corporation of America was not legal. The Tulsa County Criminal Justice Authority comprises the three county commissioners and the mayors of four municipalities within the county. Glanz, who has adamantly opposed privatization, is not a member of the authority. Ultimately, the Oklahoma Supreme Court ruled the jail authority was formed properly and that privatization of county jails is constitutional. Orbison said one of the last drafts of the bill would have prevented Tulsa County from continuing to contract with CCA once the Tennessee corrections company's contract comes up for renewal in two years or so. With less than a day before the final version of the measure was passed by both houses, Orbison drafted a provision to be inserted in the bill grandfathering in Tulsa. "I did this language in 15 minutes," he said. "It was a real fire drill."

From USA-Tulsa World, 1 June 2000

AEROLINEAS ARGENTINAS: PRIVATIZATION MAIN CULPRIT, DE LA RUA SAYS

A botched privatization of flag carrier Aerolineas Argentinas and mismanagement by Spain's Iberia are behind the crippling debt that threatens to bankrupt the airline in four weeks, President Fernando de la Rúa said on Wednesday. "This was the worst privatization that could have been done. It ushered in the destruction of Aerolineas Argentinas," De la Rúa told reporters at a news conference on his return from the G-15 developing nations summit in Egypt. "Without a doubt, the main responsibility falls on Iberia." Former Peronist President Carlos Menem privatized the airline in 1991 when Spain's flag carrier Iberia took the main stake in the company. The state-owned Spanish carrier then transferred much of its stake to Spain's state holding company, SEPI, which remains the largest shareholder to date. Sociedad Estatal de Participaciones Industriales, or SEPI, last week warned that Aerolineas would go bankrupt by July 24 if its employees did not agree to pay cuts of up to 20 percent and to trim a third of the jobs at the airline in exchange for an injection of 650 million dollars bet.

From Buenos Aires Herald, 26 June 2000

U.S. GOVERNMENT BLOCKS TELECOM MERGER

A reinvigorated U.S. Justice Department has taken up Sherman's antitrust march to the scene of a mega-merger again, this time moving to thwart WorldCom's \$129 billion purchase of Sprint. Flush from its legal victory over Microsoft, the department filed suit Tuesday to block the WorldCom merger, arguing that the massive deal combining the two companies would undercut efforts to spur competition, especially in long-distance service and transport of Internet data. "If WorldCom were allowed to acquire Sprint, large and small businesses and millions of individual consumers would have to pay higher prices and accept lower service quality and less innovation," said Assistant Attorney General Joel Klein. The department is wielding powers provided by the 1890 Sherman Act, named for Ohio Sen. John Sherman, younger brother of the Civil War general who burned Atlanta. The law is meant to protect consumers and companies alike by blocking corporate domination of markets and is not often invoked, said Benjamin Wolff, a specialist in telecommunications law and a partner in the Portland, Ore., office of Davis Wright Tremaine. "Justice is looking at reduced competition in the market place, the effect of the merger. The number of times you see them actually raise an issue is infinitesimal." Within moments of the Justice Department suit, WorldCom withdrew its merger filing with the European Commission. A revised filing is possible, but the commission's antitrust chief said that "only under exceptional circumstances" could the companies modify plans to make the merger acceptable. Most analysts expect the apparent collapse of the deal to mean that someone--presumably more acceptable to regulators--will make a bid for Sprint. The failed deal also raises the specter of a big-ticket bid for WorldCom. Among ambitious outsiders with cash to spare are Deutsche Telekom, France Telecom and Japan's NTT. "We finally got an answer to the question, how big is too big?" said Jeffrey Kagan, Atlanta-based telecom analyst. "Long term there will be several global telecom super-carriers who are going to be measured in the hundreds of billions of dollars. Short term however is apparently a different story."

From Cox News Service, 28 June 2000