

# GOVERNANCE WORLD WATCH

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

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# Public Policies & Public Economics

## AFRICA

### GLOBALIZATION IS DETERIORATING TERMS OF TRADE FOR AFRICA

Economic globalization is deteriorating the terms of trade for Africa, said Vice-President Christon Tembo yesterday. Delivering the keynote address to the Regional Workshop on National Focal Points for Capacity Building being hosted by government in collaboration with the African Capacity Building Foundation (ACBF), Vice-President Tembo said Africa's economic development was facing various impediments. "To cap it all, there seems to be serious evidence of aid fatigue by many of our collaborating partners, this probably explains why shifting goal posts has become more apparent," Vice-President Tembo said. He said the main focus should be on utilisation of human capital and already established institutions because "the problems we face are solvable". He said the integration of the Partnership for Capacity Building in Africa (PACT) into the ACBF mandate had made it possible for African governments to develop an interface between public, private sector and civil society to maximise capacity building in macro-economic policy analysis and management. Vice-President Tembo further observed that Africa would continue to waste resources in appreciation of issues and in formulating and implementing interventions if research institutions are not strengthened. "In view of the world trend toward economic globalization, we face pressure in regard to regional or continental perspectives in addressing economic issues," he said. Vice-President Tembo asked the workshop being attended by several finance ministers from the region to address modalities of funding and also deliberate on the delivery of national focal points for stakeholder participation. ACBF executive secretary Soumana Sako challenged African countries to take ownership of developing and implementing their own strategies for capacity building. He disclosed that economic marginalisation as a result of globalization had seen a decline in Africa's share of world trade estimated at US\$70 billion a year over the past decades. Sako said this was reflective of the region's failure to diversify into new dynamic products, a falling market share of traditional goods and difficulties in accessing developed countries' markets. He further said the critical human capital flight and brain drain, estimated at an average of 20,000 professionals annually, was a major inhibiting factor to Africa's harnessing of positive aspects of globalization in the cause of development and poverty reduction.

*From AfricaNews Online, 29 June 2000*

### THE THREAT TO DEVELOPMENT: AIDS

The World Bank warned this week that HIV and AIDS represented the "foremost" threat to Africa and an "ominous threat" to the developing world as a whole. "Until the world has credibly addressed the epidemic we cannot regard anything else we do in development as secure," Debrework Zwedie, the World Bank's Global HIV/AIDS Coordinator said at the 13th International AIDS Conference in Durban. Zwedie said that AIDS was costing the "typical" African country more than half a percent of per capita growth every year, and in severely affected countries such as those in southern Africa, the figure was far higher "possibly even reaching two percent per person per year". "Considering that annual per capita growth in Africa has recently been 1.2 percent, this is a loss that Africa simply cannot afford," Zwedie added. The World Bank official said that one of the areas hardest hit was the education sector, where thousands of teachers are dying each year, and children are being forced out of school because they had lost one or more parent to the pandemic and could no longer afford the tuition fees. A study conducted in Guinea showed that for nearly 20 years, the number of pupils enrolling in school had been on the rise. In 1996 this increased to 36 percent and in 1997 to 40 percent. However, in recent years these achievements are being rolled back by HIV/AIDS with enrolment falling to pre-1996 levels. In Zambia, where UNAIDS estimates that nearly 20 percent of the adult population is HIV positive, a total of 1,300 teachers died of AIDS in 1998. Many of the hard-earned gains that African nations made in the first two decades of independence are being lost in just a few short years. The pandemic in Africa is also starting to have a devastating impact on the labour force. It is eroding productivity at a time when countries are being confronted by the challenge of globalisation. "In the public sector, it is depleting the already scarce supply of qualified managers and policy makers ... which is weakening the prospects for good governance," Zwedie said.

*From AfricaNews Online, 13 July 2000*

## ASIA/PACIFIC

### CHINA PUTS FORWARD PROPOSAL ON SOCIAL DEVELOPMENT

China put forward a four-point proposal Wednesday at the special session on social development at the United Nations General Assembly. The proposal, advanced by Chinese Vice Premier [Wen Jiabao](#) at the special session on behalf of the Chinese Government, comprises the following four points: 1) It is the shared responsibility of the entire human race to safeguard peace and promote development. China maintains that international affairs should be handled in accordance with the purposes and principles of the UN Charter and that every country has an obligation to safeguard peace. A peaceful and stable international environment is

the prerequisite for social development of mankind. Without peace, development would be impossible and people would not be able to live and work happily. The past century has seen monumental achievements unmatched in history in the social development of human society. It is a sacred mission for governments and peoples in the world to achieve greater economic and social development and seek common progress and prosperity of the entire mankind in the new century. 2) The right of a country to choose independently its path of development in light of its specific conditions should be respected. Given the differences among countries in terms of environment, history, cultural tradition and social system and the disparities in their economic development level, it is impossible to ask all countries to adopt the same development model. The world's diversity should be respected. The principles of sovereign equality and non-interference in each other's internal affairs should be upheld and nobody should be allowed to impose its development model upon others. The developing countries should have the right to choose, in light of their own conditions, a development path tailored to their specific national characteristics. 3) Economic globalization urgently calls for the establishment of a fair and reasonable new international economic order. Economic globalization is an inevitable trend of economic development and it brings new opportunities to countries in the world. Nonetheless, due to the hardened irrational international economic order, the globalization process has failed to benefit all countries evenly. To truly realize a social progress that benefits all requires the establishment of a fair and reasonable new international economic order. Countries, big or small, strong or weak, rich or poor, are all equal members of the international family and all have the right to take part in the discussion and formulation of the "game rules" for international affairs. The international organizations, the UN in particular, should play an even bigger role in addressing the reasonable propositions and demands from developing countries and in protecting their legitimate rights and interests effectively. Developed countries should, by taking into account the common interests of mankind, resolve the debt issue of the poverty-stricken countries in an equitable and reasonable manner and provide developing countries with capital and technical assistance without attaching any political strings. In fact, this in turn will help developed countries themselves develop further. 4) Economic and social development remains a central task for the developing countries. Poverty and unemployment are acute problems for developing countries. The key to their solution lies in economic development. Economic development provides the foundation for social progress. Without it, it is impossible to eliminate poverty, create more jobs and improve the lives of the people. Social progress in turn provides an important guarantee for economic development and facilitates a sustainable and steady economic growth. The developing countries must keep abreast with times, adopt a carefully-designed development strategy, always maintain social stability, seize the opportunities, accelerate development, reverse once and for all their backwardness and create a better tomorrow by relying on the hard work of all their people.

*From China People's Daily, 30 June 2000*

## **THAI GOVERNMENT STANDS DEFIANT – DETERMINED TO PASS BUDGET BILL, ELECTORAL LAW AMENDMENTS**



Senator Chumpol Silpa-archa speaks during an informal meeting at parliament yesterday.

SAROT  
MEKSOPHAWANNAKUL

The Thai Government remains defiant in the face of the opposition exodus and insists on passing the Budget Bill and amendments to the electoral law before dissolving the House. This will extend the life of the Chuan administration until September or October, spokesmen said yesterday. As the opposition continued to assail the Government for its stand, the coalition parties yesterday continued the first-reading debate on the Budget Bill, the second day of its deliberation. Only a handful of the remaining 45 opposition MPs rose to debate the planned 910-billion-baht expenditure. Some chose to criticise the Government for refusing to dissolve the House rather than touching on the content of the legislation. A total of 93 New Aspiration MPs—50 in the mainstream faction and 43 in the Wang Nam Yen faction—resigned from the House on Wednesday, hoping to force an early election. The opposition Social Action Party, upset by the Government's refusal of its demand to withdraw the Budget Bill, has threatened to follow suit but its members could not agree yesterday. Jurin Laksanavisit, PM's Office minister, said the coalition would carry on with the job in parliament regardless. He still believed there would be some opposition MPs left in the House. "There has been no indication yet that the mass resignation of MPs will leave us with only a single MP," Mr. Jurin said. He rejected the assertion the Government no longer has the moral justification to stay in power. At least 20 NAP MPs who plan to defect to coalition parties have refused to join their colleagues in the exodus. Mr. Jurin said it was the mutual wish of political parties to amend the electoral law to remove obstacles that would delay the outcome of the next general election, and he was confident the amendment would be passed soon enough if all co-operated. Prime Minister Chuan Leekpai said the Election Commission had already forwarded an amendment proposal to the cabinet secretariat. The cabinet would discuss it next week before forwarding it to parliament. A separate set of amendment proposals was also submitted to the Government yesterday, by the King Prachadipok Institute. A meeting of coalition leaders last night agreed to set up a panel to draft an amendment bill for presentation to the House next month. The bill will incorporate the proposals from the Election Commission and the King Prachadipok Institute. Bhichai Rattakul, the new parliament president, said the bill could be deliberated and approved in its first reading in one day. The committee stages would take about two weeks and it would then be returned to the House for the second and third readings. The electoral law amendment bill and the Budget Bill were expected to be passed by the House about the same time, he said. Pinit Charusombat, deputy interior minister, said he believed the amendment bill would complete its passage through parliament in September, after deliberation by the Senate. "The Government cannot dissolve the House now because the Senate still does not exist. We do not want to create a vacuum by dissolving the House," he said. Banharn Silpa-

archa, Chart Thai leader, said the Government had, by law, 105 days to complete passage of the Budget Bill, which meant it had until some time in October before going to the polls.

*From Bangkok Post, 29 June 2000*

## **CHINA WOOS EUROPEAN INVESTORS WITH REFORM PLEDGES**

Chinese Prime Minister Zhu Rongji wooed potential European investors on Tuesday with pledges to honour World Trade Organization (WTO) principles and further reform the country's creaking state-owned enterprises. Zhu told business leaders at a conference there should be "no doubt" China would observe WTO rules. He said a series of measures had been adopted to ensure they would be faithfully implemented. "No matter when China (becomes a full WTO member), it will continue to press ahead with reform and continue to cooperate with others," he said through an interpreter. In May the EU struck a bilateral deal with Beijing that removed the last major obstacle to China's 14-year quest to join the WTO. Zhu promised continued reform of state-owned enterprises, saying China's aim was to restructure them with a view to future stock market listings. He said China was ready to facilitate investment efforts by improving legislation such as to protect property rights. Ending a six-nation European tour to promote bilateral trade on the 25th anniversary of formal ties, Zhu said development of information technology would be at the centre of China's next five-year-plan. He repeated an invitation to the business community to visit China, invest in its economy and cooperate with their Chinese counterparts. Zhu drew attention to a coordination agency set up to deal with complaints from foreign investors. "To my knowledge this would represent a very effective monitoring mechanism," he said.

*From ABC News, 11 July 2000*

## **JAPAN FORUM CONSIDERS EDUCATION REFORM**

Participants at a forum here Thursday, organized by the Japan Federation of Economic Organizations (Keidanren), discussed reforming the education system to address adolescent problems including delinquency and so-called classroom collapse. During a session on the theme, Hiroshi Araki, chairman of Tokyo Electric Power Co., said companies can contribute to reforms by changing their employment system. "Most companies think much of the academic backgrounds of applicants when they hire new employees," he said. "We need to further promote a system that focuses on individuals' abilities." Minoru Makihara, chairman of Mitsubishi Corp., said volunteer work for communities can be an important factor in screening of university graduates who seek employment. While some participants called for the establishment of an elitist education system, others proposed introducing a mandatory program in which junior high students experience agriculture in groups for several months. "Students can learn about discipline and the wonder of nature from such a program, something that they cannot learn at schools or at home," said Ricoh Co. Chairman Hiroshi Hamada. More than 20 business leaders participated in the three-day annual Keidanren seminar that began Thursday.

*From Japan Times, 14 June 2000*

## **VIET NAM'S COMMITMENT TO REFORM IS QUESTIONED**

Although officials have cautiously welcomed last week's landmark Vietnam-U.S. trade deal, some analysts remain skeptical that the agreement will succeed in jolting Vietnam's moribund economy back to life. "Vietnam ultimately only signed the U.S. trade agreement because it feared it would languish behind longtime enemy China, since China got permanent normal trading relations," said one Hanoi analyst. The pact, completed Thursday after five years of wrangling, cuts tariffs between the countries by as much as 80 percent and is designed to foster competition in Vietnam's domestic markets while improving its protection for intellectual property. Leaders on both sides predicted the pact would spark Vietnam's economy and reshape its business culture. "Hundreds of U.S. businesses will open representative offices or set up joint ventures in Vietnam," the state news agency in Hanoi predicted optimistically. A Hanoi-based analyst said that in turn might force the Government "to make the financial and industrial sectors much more open, encouraging a more entrepreneurial Vietnamese business culture." Analysts say exports of textiles and shoes to the United States could increase by as much as 50 percent by the end of this year. Several major U.S. companies, including Nike, which was one of the first to open factories in Vietnam after Washington restored diplomatic ties in 1995, reportedly will expand its Vietnam operations by January, infusing capital into the country. But many financial analysts question whether the opaque, hard-line Hanoi Government is truly committed to liberalization. "There are still few signs that the Hanoi leadership has a serious commitment to reforming the business climate, and to cutting down on the red tape that weakens the financial infrastructure and hinders doing business in Vietnam," said a Hanoi business adviser. Despite a late-1980s policy of "doi moi," or economic opening, that was supposed to foster dynamic development, the country has never achieved sustained high-growth rates, as foreign investors have passed over Vietnam for other Asian markets. Because of corruption, red tape and a lack of responsiveness to investors, Vietnam remains a higher-cost investment venue than many other East Asian states, Dennis de Tray, representative of the International Monetary Fund in Hanoi, said at a recent meeting of Vietnam's aid donors. "Not that many foreign companies will soon enter Hanoi or Ho Chi Minh City, because Vietnam is more expensive than the region, and many businesses that might have gone there have already set up in China, hoping to take advantage of China's [U.S. trade] deal," said Southeast Asia politics specialist Sunai Phasuk. The World Bank has predicted that Vietnam's economy will expand 3.5 percent this year, a far slower rate of growth than many other emerging Asian states. Foreign investment peaked in 1996 and has spiraled downward since, falling 67 percent last year. The trade deal also may do little to help Vietnamese entrepreneurs. Vietnamese businessmen complain that the inefficient state sector, which still accounts for roughly 50 percent of gross domestic product, dominates industry and commerce and

prevents private entrepreneurs from mobilizing capital. "It is extremely unclear whether Hanoi plans to downsize the state sector, even in light of the trade deal," said one Vietnamese businessman. The Hanoi Government's unwillingness to allow domestic entrepreneurs open, instant access to information also hinders local private enterprise. On Friday, a day after the U.S.-Vietnam signing ceremony in Washington, Vietnamese state radio carried no news of the trade deal, leaving Vietnamese who do not have Internet access — more than 99 percent of the population — in the dark about the agreement. State radio in Vietnam began to release limited information about the deal more than 15 hours after the signing.

*From Washington Post, 17 July 2000*

## **BRUNEI ANNOUNCES ECONOMIC REFORMS**

Mindful that its vast oil resources will run out in 25 years, Brunei yesterday announced sweeping economic reforms, including plans to impose income taxes, slash subsidies and set up a regional financial hub. Officials said the Asian financial crisis in 1997 had jolted the sultanate into realising it has to shed its almost total dependence on oil and gas revenues. "We are now opening up to the world. We know we lag behind our neighbouring countries," said Mr. Wahab Juned, director-general of the Brunei Economic Council, an advisory body dominated by the private sector. He said at a news briefing here the financial crisis was a "blessing in disguise" because "it taught us in many ways in terms of preparing for sustainable growth in the future". He said estimates showed Brunei's oil and gas reserves, which have brought prosperity to the nation of more than 300,000 people, would last for another 25 years. The sultanate is in a race against time to restructure the economy before its most precious resources run out. Mr. Wahab said the Government was introducing tax reforms to widen the revenue base as well as to remove some subsidies. Brunei citizens do not pay income taxes, there is no interest on housing loans and health care is free. Mr. Wahab said an announcement would soon be made about privatising a key government-owned company, which he did not identify. He declined to list the Government's foreign reserves but said Brunei's financial position "is still strong". On his 54th birthday on Saturday, Brunei's ruler Sultan Hassanal Bolkiah said his kingdom had established a financial centre aimed at making the state a regional hub. The Brunei International Financial Centre "is designed to make our nation state the financial centre for monetary sector, banks, security and insurance", he said.

*From Singapore Straits Times-Asia, 17 July 2000*

## **EUROPE**

### **THE BRITISH ECONOMY**

Mr. Blair and Gordon Brown believe that Labour's credibility as manager of the economy is central to its re-election prospects. Twenty-seven of the manifesto commitments in 1997 concerned the economy, industry and employment. A year ago, the Government claimed to have fulfilled 17 of them and today it is likely to claim to have kept a further half-dozen. The central claims are about fiscal and monetary policy, in particular, the first, and possibly still most important, decision to make the Bank of England responsible for setting interest rates (which went beyond the more cautious manifesto pledge). The Bank has succeeded in holding inflation to 2.2 per cent. The Government highlights its pledges not to raise the basic or higher rates of income tax (the basic rate has been cut) or VAT. This is a partial picture, since many other taxes, dubbed "stealth" taxes by the Tories, have been raised and the tax burden increased in the first two years after the election. For trade and industry, the commitments were more about systems: a new competition law, regulation of utilities and regional development agencies. It is impossible to point to any measurable improvements here. The Government has implemented most of its commitments affecting the trade unions, though many of these (such as new rights of recognition and the like) have only just come into operation. The national minimum wage has been in operation since April 1999. Industry has accepted that there has so far been little adverse effect on jobs, but business has complained about extra regulations.

*From London Times, 13 July 2000*

## **THE AMERICAS**

### **GORE PROPOSAL ON LABOR STANDARDS FOR GOVERNMENT CONTRACTORS ADVANCES**

The Clinton administration is taking another step toward making good on a promise Vice President Al Gore made to labor unions three years ago. The White House on Thursday released a revised proposal for regulations that would bar companies from doing business with the federal government if there is strong evidence they aren't complying with labor, tax, environmental or consumer protection laws. "Private businesses routinely take into account a potential supplier's record of performance, reputation and integrity before deciding to do business with them; so should the federal government," said a statement from the White House Office of Management and Budget. Gore first promised the new government contracting rules in February 1997 during a speech at an AFL-CIO meeting. "If you want to do business with the federal government you had better maintain a safe workplace and respect civil, human and union rights," he said at the time. Republican senators raised strong objections, however, threatening to block the 1997 confirmation of Labor Secretary Alexis Herman over the issue. It did not resurface until last summer, when the White House issued a formal written proposal. That also met with strenuous protests from the GOP and business groups, who have called it a

"blacklisting" threat. The new, modified version comes as Gore is trying to solidify union support for his presidential campaign after a series of actions that have angered labor leaders. Among them: Gore's support for a U.S.-China trade deal and his decision to hire President Clinton's chief Capitol Hill lobbyist for the deal, Commerce Secretary William Daley, as his new campaign manager. Republican lawmakers said changes in the proposal were insufficient and accused the administration of political pandering. "It has taken Vice President Gore three years to deliver on his 1997 promise to the AFL-CIO leadership, and he has delivered just as the campaign for president begins to hit full stride," said House Workforce Committee Chairman Bill Goodling, R-Pa. The administration has long denied any political motivation. "This policy is obviously good for taxpayers and working families," said Gore campaign spokesman Doug Hattaway. "It's the Republicans on Capitol Hill who want to politicize everything under the sun." The modified proposal more explicitly delineates the corporate wrongdoing federal contracting officers could consider, and would require companies that are disqualified from competition to be notified and allowed to challenge that determination before a contract is awarded. It still includes provisions that would bar federal contractors from billing the government for expenses associated with activities intended to influence workers' decisions to unionize, such as hiring legal consultants or printing pamphlets. The revised proposal will be open for public comment for 60 days before it is finalized, the administration said.

*From Associated Press, 5 July 2000*

## **FAMILIAR FOE FOR MEXICO'S NEW LEADER: CORRUPTION**

Minutes after Mexicans learned they had elected Vicente Fox Quesada as their president, they watched him glare into the cameras in his first nationally broadcast interview and issue a sober warning to drug traffickers. "To the criminals, those who commit violence and live outside the law, they should know the one thing we don't want in Mexico is criminality, violence, drug trafficking, organized crime," Mr. Fox said Sunday evening after Mexico's presidential balloting. "To them I say, this is the last call." In the days since, Mr. Fox has vowed that fighting organized crime will be one of his highest priorities, and he has outlined plans to overhaul Mexico's federal law enforcement institutions. His proposals would require several constitutional amendments, and, experts said today, they suggest that he intends to bring the power of the presidency to bear in the fight against crime more than his recent predecessors. Mr. Fox has pledged to tear down much of the tottering edifice of corrupt police forces and special prosecutors' offices that constitute Mexico's federal law enforcement system. Command of various parts of this bureaucracy is splintered among the attorney general, the Interior Ministry and the armed forces. The president-elect is not the first recent Mexican leader to announce grand plans for ending corruption. But none of the others have offered plans quite this ambitious, the experts said. "Fox's plans have to be sweeping because the process of rot and decomposition has advanced so far," said Ernesto López Portillo, a consultant to the Mexican Senate who co-authored a 1994 study of Mexico's criminal justice system. Historians say the corruption of the police and prosecutors traces back at least to the 19th century. But in recent decades, graft has worsened greatly as control over the police has been shifted, from scandal to scandal, between the Interior Ministry and the attorney general's office. Under Mr. Fox's proposals, the attorney general, who commands the federal police and oversees prosecutors, would be eliminated completely, and the interior minister would be stripped of police functions, the experts said. Control of the federal police would pass to a new cabinet-level Department of Public Security, and the work of thousands of federal prosecutors would be administered by a new, as-yet-unnamed agency. The changes are aimed at reducing the police corruption that grew dangerously in the 1970's, when Mexico faced several small guerrilla insurgencies. Successive presidents gave the federal police, especially an elite corps known as the Federal Security Directorate, license to wipe out the subversives using whatever means necessary. By the early 1980's, the guerrillas had been suppressed. But the Security Directorate, Mexico's political police, had acquired an array of extralegal skills they began to use in the service of drug traffickers. After agents of the Security Directorate, which was controlled by the Interior Ministry, were discovered to be involved in the 1985 murder of an American drug agent, that agency was abolished. President Carlos Salinas de Gortari opened his presidency in 1989 with two spectacular police operations, which brought the arrest of a top trafficker and a corrupt oil union leader. But the drug mafias nonetheless proliferated. The narcotics corruption continued under President Ernesto Zedillo. Various anti-drug agencies working for the attorney general's office have been abolished or restructured, and corrupted again in a cycle repeated several times during his tenure. If the governing party has had little success in fighting organized crime, Mr. Fox's National Action Party has done no better. Through much of the last decade, National Action governors controlled the states of Baja California and Chihuahua, and the narcotics violence only increased in both states, which are major staging areas for smugglers moving drugs across the border. Mr. Fox himself has little direct experience in combating organized crime because Guanajuato, the state he governed, lies outside the major drug corridors. Mr. Fox's proposal for a new Department of Public Security would lodge Mexico's federal police in a new agency, independent of both the attorney general's office and the Interior Ministry. The aim is to create a well-paid, modern and apolitical police force. The creation of a new agency to oversee the work of thousands of federal prosecutors would strip away the other half of the attorney general's duties. The new agency would seek to improve prosecutors' abilities to gather evidence. Currently, more emphasis is often placed on gathering intelligence on traffickers than on assembling court-worthy cases, aides to Mr. Fox said. Mr. Fox's proposals will require the backing of large majorities in both houses of Congress in order to enact several constitutional amendments after he takes office Dec. 1.

*From The New York Times, 6 June 2000*

## **MEXICAN PRESIDENT-ELECT PROMISES GOVERNMENT REFORMS**

Even though he doesn't take office until December, Vicente Fox, the president-elect of Mexico is already talking about the ways he wants to reform his country's government. As a former business executive, he's also concerned about the economy. He promises to create "hundreds of thousands" of jobs to curb Mexican migration to the United States. Speaking at a news conference in Mexico

City, Fox pledged to crack down on government corruption, reform the justice system and boost regional co-operation against drug trafficking. When Fox takes office in December, he will have a six-year term. His victory in Sunday's election ended 71 years of rule by the Institutional Revolutionary Party (PRI). However, Fox criticized what he called the United States' unilateral assessment of other countries efforts' to curb illegal drug trafficking. He believes the US policy of certification should be replaced by a regional anti-narcotics agreement because the present US policy has failed. "I don't think any country on its own can solve this cancer, it has to be a coordinated international effort," Fox said. Fox pledged to push for a regional anti-narcotics agreement -- including countries that produce drugs, countries that traffic drugs, and those that consume drugs -- "so we can check on one another." Fox also pledged that the present Mexican attorney-general's office will lose its power to investigate and judge cases and will be turned into what Fox called a "US style prosecutor's office." He also vowed to set up a citizens' commission to investigate past political crimes such as the 1994 assassination of PRI presidential candidate Luis Donaldo Colosio and the killing of Cardinal Juan Jesus Posadas Ocampo in 1993. On Mexican relations with Cuba, Fox pledged to "intensify them if possible." Mexico has friendlier relations with the Castro regime than the United States does.

*From CNS, 5 July 2000*

## **EPA UNDETERRED ON DIRTY RUNOFF RULES; OPPONENTS VOW TO FIGHT NEW POLLUTION REGULATION**

The Environmental Protection Agency said Tuesday that it would move ahead with a major new regulation to crack down on dirty runoff in an effort to make 20,000 rivers, lakes and estuaries safe for swimming and fishing. The regulation is aimed in large part at one of the biggest sources of water pollution: runoff, the sediment - and chemical-laden water that flows off farm fields, city streets and construction sites. Runoff from roads can carry oil and gas from engines and toxic copper from brake pads into waterways. Runoff from lawns can carry pesticides and fertilizer, which can cause algal blooms and harm to fish. Dirty runoff is a major pollutant source across the USA, from Louisiana's coastal estuaries to California's rivers to Maine's lakes. Until now, it has been relatively unchecked. The EPA's action would impose on states the responsibility of deciding who will bear the brunt of reducing runoff and other forms of water pollution. Businesses complain they will bear it in higher costs. EPA Administrator Carol Browner called the regulation "the most important water pollution rule in a generation." Browner's announcement infuriated many members of Congress from both parties who had sought to block the EPA from making the regulation final. Environmental groups were delighted. "We think the administration has done the right thing," said Daniel Rosenberg of the Natural Resources Defense Council. Business groups, foresters and others blasted the rule as unnecessary, onerous and a slap in the face to Congress. "It's government by regulators who weren't elected to govern, and it's time we put a stop to it," said Thomas Donohue, president of the U.S. Chamber of Congress. Opponents dispute the EPA's estimate that 20,000 bodies of water are too dirty to fish or swim in. They say that number was extrapolated from an incomplete survey. Business groups estimate that complying with the regulation will cost billions of dollars every year. The EPA hasn't estimated the cost of compliance but estimates that the rule will cost states \$20 million-\$30 million a year in administrative and research costs. Under the regulation, states would have 15 years to clean up their water. The regulation would force states to calculate how much pollution must be eliminated to make unsafe bodies of water healthy. States also would be forced to choose how to cut back on pollution. They could, for example, require farmers to reduce runoff from their livestock yards or ask factories to cut the pollution flowing out of their waste pipes. Last month, some members of Congress were so upset by the EPA's plans for the new rule that they added an amendment blocking it to a spending bill containing funds for military construction and aid to Kosovo and Colombia. The EPA dodged that restriction by finalizing the regulation Tuesday, well before Thursday's deadline for Clinton to sign the spending bill into law. The agency won't implement the regulation until October 2001. In response to complaints, the administration stripped the new rule of some requirements that farmers and the timber industry disliked. The administration also made the new rule subject to congressional approval. However, Congress historically has been reluctant or unable to muster enough votes to throw out such rules. Opponents in Congress vowed to attach a provision to an appropriations bill that would block the EPA from enforcing the rule.

*From USA Today, 13 July 2000*

## **GLOBAL**

### **G-8 MINISTERS PONDER CONFLICT PREVENTION, DEVELOPMENT AID**

The Group of Eight foreign ministers kicked off a two-day conference here on Wednesday to seek ways to deal with regional conflicts and tackle other challenges in the international political arena. Highlighted by measures to formulate a comprehensive approach to conflict prevention, their discussions were expected to cover nuclear nonproliferation, arms control and reduction, antiterrorism measures and United Nations reforms. In addition, the G-8 -- Britain, Canada, France, Germany, Italy, Japan, Russia and the United States -- was expected to discuss regional affairs, including the situation on the Korean Peninsula, the Middle East, Kosovo, Indonesia and Africa in separate discussions later in the day. Japan, as the chair of the gathering, has emphasized the need to comprehensively organize G-8 efforts toward conflict prevention. To this end, a senior Japanese official had earlier said Tokyo would make a proposal here to step up cooperation between governments and nongovernmental organizations working in conflict zones. "Although one single G-8 meeting will not bring perfect solutions in this field, Japan will address the need to combat poverty, which often becomes the cause of armed conflicts," the official said. To remove the cause of conflicts, Japan is attaching importance to enhanced cooperation between developed and developing countries in social policy fields through developmental

assistance, the official said. The G-8 ministers are expected to list these efforts in an action plan to be released today, calling for tightened curbs on the sources of income of warring parties, such as Sierra Leone's diamond trade. The efforts will also include pressing countries to stop recruiting children as soldiers, reducing poverty through development aid and beefing up restrictions on exports of small arms to war-torn areas. With UN reform another issue high on the agenda, Japan hopes to take the occasion to boost efforts to rehabilitate the Security Council, improve the UN treasury and streamline the overlapping functions of UN organs. The G-8 ministers are expected to agree that the UN Millennium Summit scheduled for early September must add momentum to reform efforts. The G-8 foreign ministers were also to pledge early enforcement of the Comprehensive Test Ban Treaty, while endorsing the outcome of the UN-hosted Nuclear Nonproliferation Treaty conference in May, which confirmed the declared nuclear powers' commitment to eventually eliminate their arsenals. The ministers were also expected to endorse North Korea's recent moves to improve its relations with the international community, highlighted by the unprecedented inter-Korean summit last month in Pyongyang. While expressing support for the two Koreas' agreement to pursue a reunification, however, the G-8 foreign ministers might underline a series of concerns that need to be resolved, including Pyongyang's nuclear and missile programs, before discussing steps to enhance ties with the country. Middle East peace talks will inevitably also become a center of focus. At their talks Tuesday, Foreign Minister Yohei Kono told U.S. Deputy Secretary of State Strobe Talbott that he expects Secretary of State Madeleine Albright to brief her G-8 colleagues on the Mideast peace talks now under way in Washington.

*From Japan Times, 12 July 2000*

# Governance Systems and Institutions

## ASIA/PACIFIC

### NEW LDP GROUP SLAMS FAILURE TO FIGHT CORRUPTION IN JAPAN

Members of a new group within the ruling Liberal Democratic Party agreed Thursday to decide by mid-July their stance on an opposition-proposed bill to prevent political corruption, a move that is likely to upset senior LDP members. The Group to Create the LDP of Tomorrow, which consisted of 42 members as of Thursday, criticized the LDP's executive board for not taking steps to prevent corruption – particularly in light of the opposition camp's quick move to jointly submit a bill to the Lower House on Wednesday banning lawmakers from receiving goods in return for political favors. The group will also discuss the controversial scheme to forgive debts held by Sogo Co., an ailing department store operator. Nobuteru Ishihara, the group's leader, emphasized that they are not aiming to create a power that will oppose the executive board. But he harshly criticized Secretary General Hiromu Nonaka and other senior members for appointing portfolios in Prime Minister Yoshiro Mori's new Cabinet based on factional pressures rather than ability. Ishihara also said the group will consider putting a candidate forward in future LDP presidential races.

*From Japan Times, 7 July 2000*

### NEW ZEALAND LOCAL GOVERNMENT CONFERENCE BEGINS

The country's mayors and councillors are in Christchurch for three days of focusing on the future. More than 550 delegates and the largest-ever contingent of MPs to attend are taking part in the Local Government conference. Nine ministers are among the participants, along with another 12 MPs. Minister of Local Government, Sandra Lee addresses the conference today. A seminar on Maori and Local Government was to have been led by Dover Samuels, but his name has now been removed from the agenda. Conference organizers are unsure which of the many potential Maori Affairs Ministers will take his place.

*From New Zealand Herald, 10 July 2000*

## EUROPE

### CONGRESSIONAL REPORT SAYS CORRUPTION IS STIFLING BOSNIA

Pervasive crime and corruption are blocking the success of the Dayton peace accord in Bosnia, and the Clinton administration should consider suspending its extensive aid until local authorities show a determination to fight such abuses, a General Accounting Office report concludes. The report by the investigative arm of Congress found that the failure of local authorities to curb graft, organized crime and other abuses could interfere with the eventual withdrawal of American and other NATO troops. According to a draft copy of the report obtained by The New York Times, top American and international officials asserted that "there has been no measurable progress in reducing crime and corruption in the four years since the end of the war." The final report is to be released to lawmakers on Friday. Authorities in Bosnia, the report said, "have not demonstrated a desire to eliminate corruption and develop a society based on the rule of law." Despite international efforts to establish a functioning legal system, "the Bosnians have chosen not to cooperate," opting instead to create ineffective committees, the report said. The G.A.O. said it would recommend that Secretary of State Madeleine K. Albright consider suspending additional monetary assistance until local governments demonstrate the willingness and ability to crack down. The report's findings come while there is wide skepticism in Congress about the progress of the international effort to rebuild a self-sustaining, multiethnic Bosnia based on the Dayton Peace Agreement, which was signed by Croatia, Yugoslavia and Bosnia's three major ethnic groups in December 1995. The report may also be seen as having implications for United States involvement in Kosovo. The report states that Congress may wish to condition future American assistance on State Department certification that the Bosnian Government has taken measurable steps to fight corruption, control smuggling and reduce tax evasion. "This G.A.O. report on Bosnia reveals that crime and corruption are so endemic at all levels of the Bosnian society that our goals -- and those of the entire international community - in Bosnia cannot be achieved until we confront this problem head on," said Representative Benjamin A. Gilman, Republican of New York, who is chairman of the House International Relations Committee. By last December, the United States, the European Union and other donors had committed more than \$4 billion to help reconstruct Bosnia after a war that killed more than 250,000 people and forced 2.3 million from their homes, according to international estimates. President Clinton has requested over \$100 million for assistance to Bosnia in 2001. The report said that the United States has not recovered nearly \$900,000 in operating funds for the American Embassy and loan payments it had deposited in a Bosnian bank, BH Banka, which was involved in illegal activity. And the World Bank lost \$500,000 in 1997 in a sophisticated fraud scheme involving false government procurement documents, the report said. Three years later, no arrests have been made, the report added. Bosnia's presidency rotates among its three prominent ethnic groups -- Muslim, Croat and Serb. Two members of the presidency are elected from the Muslim-Croat Federation and one from Republika Srpska, the two entities of today's Bosnia-Herzegovina. The G.A.O. found no evidence that American or other international aid is "being lost to

large-scale fraud or corruption." But it asserted that Bosnian authorities may be using the foreign donations to make up for income the Government has lost to crime. Bosnian officials have failed to collect "hundreds of millions of dollars" in income tax, the report said. Sounding a less dire note, foreign diplomats and aid officials in Bosnia asserted that economic and judicial reforms take time. While they note that they are powerless to crack down on abuses themselves, they insist that there are stringent safeguards to protect foreign aid and that additional financing is contingent on performance. "We are all being extremely careful now," said Wilhelm Schmid, the Swiss ambassador to Bosnia, whose nation has tightened its controls on budgetary support. "It would be unfortunate to stop help for the needy because of the criminal activities of a few." Administration officials said today that they have not seen a final version of the report. But a White House spokesman said the American investment, including the open-ended deployment of about 4,300 troops, is helping Bosnia to "rise above these problems." "Our presence in Bosnia helps build a stronger civil society, including respect for the rule of law and greater transparency in government," said the spokesman, P. J. Crowley. "Where we have seen evidence of corruption, we have worked with the international community to take appropriate action." Mr. Crowley said the administration would decide whether to maintain troops in Bosnia "based on what needs to be done, as opposed to an arbitrary pullout date." Under the Dayton agreement, NATO forces are to be withdrawn only after progress in reducing corruption and organized crime, including the elimination of illegal institutions, the creation of a democratic law enforcement system and judicial reform. The G.A.O. cited shortcomings in each of those areas, denouncing bribe-taking local bosses of political parties, police officers in the service of business interests who intimidate citizens or return refugees, and an underground economy that accounts for about half of Bosnia's entire economic output.

*From The New York Times, 7 July 2000*

## **NEW MINISTERS JOIN ALBANIA GOVERNMENT**

Prime Minister Ilir Meta welcomed to his government on Friday four new ministers after the Presidential decree was signed earlier in the day, and warned against mediocrity in state institutions. Ilir Gjoni, replaced Socialist Luan Hajdaraga as defence minister and Arben Imami of the Democratic Alliance Party, a junior coalition partner, replaced Ilir Panda as justice minister. Ilir Zela of the Socialists, who was minister of state, replaced Arben Demeti of the Democratic Alliance Party as public affairs minister. Ndre Legisi, another Socialist, becomes minister of state. "We should do away with the opinion that government changes should occur only in period of crisis or scandals," Meta said. "These changes come at a time when the Government was successful in general, but work was lagging in some sectors. A government is really successful when all the state sectors are working well," he added. Meta said that more work was needed in the constructing of roads, the restructuring of the army to meet NATO standards and in the reform of a justice system overwhelmed by corruption. "I won't hesitate to sack ministers when their performance is poor," Meta said.

*From Albania Daily News, 8 July 2000*

## **UK GOVERNMENT PLANS TO SACK BBC GOVERNORS**

Ministers are preparing to scrap the BBC's board of governors because of its failure to stand up for the licence-payer. In one of the biggest shake-ups in 60 years in the way the BBC is regulated, Chris Smith, the culture secretary, is drawing up plans for an independent watchdog to maintain programme standards and handle complaints from the public. Smith believes the governors, who are responsible for monitoring and regulating the corporation, side too often with the BBC management, particularly over complaints, rather than with the public. He is also alarmed at plans by the BBC to "undermine the rich mix" of shows on BBC1 by switching some of its long-running programmes, including Panorama, Everyman and Omnibus, to BBC2. The proposals, which are being considered for a white paper on the future of broadcasting this autumn, are likely to provoke a clash with the BBC, which will see them as a threat to its independence. Its chairman, Sir Christopher Bland, who has been criticised for being particularly close to BBC management, said: "A BBC governed externally would mean that its independence is compromised." Under Smith's plans, the new watchdog would oversee the content of programmes, taking over the responsibilities of not only the BBC governors but also the Independent Television Commission (ITC) and Broadcasting Standards Commission (BSC), two bodies dealing with taste and quality. It could have a sub-committee or division that would deal with public service television - the BBC - and probably Channel 4. Smith is concerned about the rise of "tacky TV" on some independent channels, as well as the BBC's decision to switch high-profile programmes from BBC1 to BBC2. The radical plan by the BBC, to be detailed next month by Greg Dyke, the corporation's director-general, was drawn up without any consultation with the government. The Nine O'Clock News would also move to 10pm from autumn 2001. Although Smith has no objections to switching the news, he is worried that a BBC1 starved of some of its more serious programmes might become essentially a general entertainment channel. The changes would leave BBC1 without any arts programmes for the first time. The proposed shake-up would mean a tougher line against the BBC on complaints from the public. Its governors have been criticised for not taking strong enough action against the management over the "fake" guests on the Vanessa Feltz show and for failing to address adequately complaints about Watchdog, the BBC1 consumer affairs programme. Smith would expect the new regulator to guard against the "tacky" trend - most recently highlighted by a Channel 5 programme that featured a naked Keith Chegwin and 12 nude contestants in a quiz show. Smith felt it was in poor taste. There is also concern within the industry about ITV programmes such as The Streakers, Pleasure Island and When Celebrities Strip, as well as Channel 4's Something For The Weekend, with Denise Van Outen. The regulatory changes, which will relax the system of franchises and media ownership, are unlikely to be introduced before the general election, which is expected sometime next year. They would require legislation and amendments to the BBC's charter. Whichever of the two main parties wins, the BBC governors face an overhaul. Peter Ainsworth, the Tory's culture spokesman, said: "The time for self-governance has come to an end. We've got to stop the impression that the BBC - and by that I mean the governors - are both judge and jury. I'm particularly concerned about

complaints where the public get a very raw deal." Even those who have worked at the corporation doubt the governors' worth. Michael Jackson, chief executive of Channel 4 and a former controller of both BBC1 and BBC2, believes they should be abolished: "They are not an adequate or sustainable form of independent regulation," he said. Andreas Whittam Smith, the president of the British Board of Film Classification, also endorsed change. "The governors' regulatory role isn't working," he said. "They haven't represented the licence-fee payers. "Look at the way the governors went along with John Birt's reforms. Now they are being undone by Greg Dyke and yet it was they who agreed to something completely different before."

*From London Times, 9 July 2000*

# Civil Services & Ethics in Public Sector

## ASIA/PACIFIC

### CHINA VICE-PREMIER STRESSES EDUCATION IN ETHICS

Vice-Premier Li Lanqing has called on schools nationwide to further strengthen education in ideology and ethics among both students and teachers. Ideological and political work, the building of the Communist Party of China (CPC) on campuses and education in ethics in schools have direct bearings on the cultivation of the young and the success of China's modernization drive, the vice-premier said. Li, also a member of the Standing Committee of the Political Bureau of the CPC Central Committee, made the remarks at a national meeting on Party building in colleges and ethical education in primary and middle schools. In recent years, party building, and ideological and political work in colleges and universities have achieved notable results, and the main ideological trends on Chinese campuses are steady, healthy and positive. However, lots of problems still exist. The new situation and challenges demand that the party building and ideological and political work in colleges and universities must be further strengthened rather than weakened, the vice-premier said. Speaking of education in ethics among students and teachers in primary and middle schools, Li noted that it is imperative to combat the phenomenon of emphasizing intellectual development and book knowledge while neglecting education in ethics and social practice. The thinking on education in schools must be straightened out, and priority given to education in ethics in the nation's pursuit of quality education, the vice-premier said.

*From China Daily, 7 July 2000*

### KOREA FOREIGN MINISTRY INTRODUCES NEW SCHEME ON PERSONNEL MANAGEMENT

The Foreign Affairs-Trade Ministry has worked out a new scheme for personnel management, streamlining the ranking system of diplomats and introducing a new screening system in promotions and job qualifications. The finalized bill on the revision of the law on diplomats will be submitted to a Cabinet meeting and then the National Assembly next month. So far, the levels of diplomats, like other public servants in Korea, has been determined by two barometers, their titles and the nine-level ranking system. For example, an official holding the post of ministry director general is also called "Level 1" or "Level 2." If the law is passed, the rank of Level 1 will be eliminated. Because of the complexity of ranking systems, many have pointed out that government officials are too mindful of their promotion in both scales of ranks and titles, instead of devoting themselves to their missions. It is the first attempt to streamline the ranking system and if the Foreign Affairs-Trade Ministry's scheme is proven effective, it will also be introduced at other government agencies. Meanwhile, the "automatic retirement" system, which has been applied to mission chief-level officials, will be expanded to cover all diplomats higher than counsellor-level officials. So far, mission chief-level officials face retirement if they fail to be appointed to a new post after a lapse of one year. The civil exams for diplomats, which have been given to two different groups of applicants, will be integrated into one, while applicants will have to secure a superb command of English. For example, only those who earned 580 points or higher in TOEFL will be allowed to apply for the exam.

*From Korea Times, 7 July 2000*

### SEOUL ADOPTS 'INTEGRITY PACT' TO ERADICATE CORRUPTION

Seoul City yesterday announced a plan to sign a special anticorruption pact with private contractors in a step-up effort to eradicate corruptive practices. Under the plan, the city has decided to adopt the "Integrity Pact," which was devised by the Transparency International (TI). The city said that the Integrity Pact will be introduced in cooperation with the People's Solidarity for Economic Justice (PSPD), one of the nation's leading civic groups which are waging campaigns against corruption. "The Integration Pact is an agreement between Seoul City and companies submitting bids that bribes will neither be offered nor accepted in relation to bids for any public contracts," Mayor Goh Kun said in a press conference. Thus, bidders for the city's construction projects, technical services and procurements are required to sign the corruption-fighting pact in the process of concluding or executing a contract. Goh said the measure is designed to prevent corruption practices in contracts of the public sector. Any violators of the pact will be disqualified from submitting bids, or face termination of the contract. In addition, they will be banned from bidding for other contracts for at least six months to two years. The Integrity Pact stipulates that bidders shall not offer bribes, gifts, or entertainment to any related government officials and neither shall Seoul City and concerned officials receive them. The pact will be first introduced for a bidding for a 610-million-won waterworks project, which is scheduled for Friday. The metropolitan government plans to implement the Integrity Pact on a total of 62 cases of contracts worth 117.8 billion won by the end of this year. For the supervision of the successful introduction of the pact, the city will appoint five eligible citizens as ombudsmen at the recommendation of the PSPD. The municipal authorities said that all city contracts will be subject to the Integrity Pact for complete implementation next year. The Integrity Pact, which was developed by Germany in the mid-1990s, was adopted by some 10 countries, including Argentina, Colombia and Indonesia.

*From Korea Times, 10 July 2000*

## HONG KONG CIVIL SERVANTS BLAST PAY CUT

Thousands of Hong Kong's civil servants protested against government economic reforms yesterday, claiming that they faced a substantial cut in pay and working conditions. The protest in Chater Gardens -- the latest in a string of anti-government rallies - grouped representatives from 18 civil-servant unions who said the reforms would favour the private sector. They said government contracts would be awarded to the private sector at the expense of civil servants, leaving government workers with short-term contracts and no job security. The workers -- whom police said numbered 3,700 but organisers estimated at more than 10,000 - marched from Chater Gardens to Government House, where they presented a box containing 40,000 signatures. The civil servants chanted slogans "Treat you like a jewel before 1997, dump you like an old towel afterwards", and "Gone is the Pearl of the Orient, incompetents are ruining Hong Kong!" Mr. Man Yu Kwong, chairman of the Association of Government Technical and Survey Officers, said the reforms would mean a cut in salary and a shortage of job opportunities, and shorter-term contracts. He said workers were now offered contracts from six to 11 months, which he termed a "trick" to avoid awarding workers benefits that would normally be available to them once they had been working for one year. Local politician Raymond Ho, representing the Engineering Functional Constituency, said he supported engineers unhappy with the reforms, particularly recent graduates who joined the government two to three years ago. There have been numerous protests in Hong Kong in recent months. China-trained doctors protested against alleged government discrimination earlier this month, unions launched a three-day protest against rising poverty late last month and, in the same month, 12 people were injured when they clashed with police during a protest against the right-of-abode issue. In response to media enquiries into the protest, a Hong Kong government spokesman said none of the civil service reform initiatives would result in forced redundancy of serving civil servants or affect their terms adversely. He added that civil service reform had been launched to enhance flexibility and promote efficiency in the public service.

*From Singapore Straits Times, 10 July 2000*

## CHINESE POLICE ARREST LEGISLATOR ON CORRUPTION CHARGES

Police have arrested a local legislator in northeast China, accusing him of running a gang that killed or injured dozens of people to advance his business interests, a state-run newspaper said Monday. Three police officers who worked for the suspect, Liu Yong, were also detained in the city of Shenyang, the Beijing Youth Daily said. Liu, arrested last week, was a representative in the Shenyang People's Congress, a largely powerless body that generally rubber stamps government policies. Liu's membership in the legislature was canceled a week before his arrest, the newspaper said. A string of scandals has badly damaged the party's image in recent years. Seeking to assure the public that it is serious about cracking down on graft, the Government has occasionally announced arrests of high-level officials. An official with the Shenyang Public Security Bureau - who would only give his surname, Zhang - confirmed that Liu had been arrested, but the official declined to discuss the specifics of the case. He said reports of the arrest in state-run media were accurate. Liu, 40, founded the Jiayang Group, which was involved in the clothing, entertainment, real estate and food and beverage industries, the newspaper said. The company frequently used intimidation and other illegal means to expand its business, the report said. Dozens of people were either killed or injured by thugs working for Liu, the paper said, without providing a specific number of deaths. The company's main phone line was not being answered late Monday. The newspaper said when police were detaining Liu, he tried to kill himself by swallowing a bottle of sleeping pills. He was taken to the hospital for treatment.

*From Nando Times, 17 July 2000*

## PAKISTAN CABINET, NSC TO DISCUSS POLICE REFORMS

The federal cabinet and the National Security Council will discuss differences between the National Reconstruction Bureau (NRB) and the interior ministry on the subject of police reforms in the last week of this month, sources said here on Sunday. Efforts will be made at the meeting to reach an understanding on the subject before the formal unveiling of the devolution plan on Aug 14. The reforms include setting up of public safety commission at federal and provincial level, establishment of police complaint authority, introduction of police commissionerate system in the federal and all the provincial capitals, and matters relating to training, recruitment, welfare etc of the police force. Sources said the interior ministry was preparing a summary on the subject. The summary would mainly focus the recommendations formulated by the ministry's focal group. However, it would also reflect the controversy on the subject that came to fore after the NRB came up with its own idea of police set-up in the proposed district level governments. According to sources the interior ministry is suggesting to the top decision making bodies that if the government does not want to take a decision on police reforms at the district level owing to NRB's continuing deliberation, at least it should settle those aspects of the issue that pertain to central and provincial level. While the interior ministry is taking up its point of view with the NSC and the cabinet, the NRB chief Lt Gen (retd) Tanvir Naqvi will also attend these meeting to give his version about the nature of police reform that can fit in his district government plan. All the efforts have failed so far to convince the NRB that the interior ministry should be allowed to go ahead with its package of police reforms. In a recent high level meeting, the chief executive in principle agreed to the recommendations formulated by the interior ministry's focal group on police reforms, however, on the insistence of National Reconstruction Bureau (NRB) no decision was taken on the implementation of these reforms. A series of meetings between the interior ministry officials and the members of the NRB think tank were also held to remove the contradictions between their reforms but yet the two sides stuck to their point of view and could not reach any understanding. The interior ministry wants the police to be under an independent national/provincial/metropolitan safety commission to ensure the de-politicisation of the

policing and ensure its impartiality. But the NRB as publicised in the newspapers not only put the police under the proposed chief mayor's control but authorised him (mayor) and the district.

*From Pakistan-Dawn, 17 July 2000*

## EUROPE

### TURKEY CLEARS TWO EX-OFFICIALS IN CASE SEEN AS TEST OF ETHICS

The Turkish Parliament has cleared two former prime ministers of corruption in a case seen as a test of Turkey's campaign to weed out corruption and strengthen its bid to join the European Union. Some analysts believe that Tansu Ciller, Turkey's only female prime minister, and Mesut Yilmaz, a member of Turkey's governing coalition, were able to deflect the charges because of political horse-trading. Ciller was accused of siphoning \$71,000 from a covert intelligence fund in the early 1990s to finance her True Path Party. Only 145 of 550 lawmakers voted to indict her, far short of the 276 necessary. Parliament later voted against indicting Yilmaz for approving the sale of lucrative mobile phone licenses at artificially low prices. Only 151 deputies voted to indict Yilmaz, while 190 lawmakers rejected the motion. Yilmaz's premiership ended in 1998 amid allegations of ties with mobsters. Parliament must review allegations of wrongdoing by senior officials before sending the cases to the Supreme Court. Many Turks consider corruption endemic to the political system. The Government's efforts to confront official misconduct gained urgency with the EU's decision to make Turkey a candidate in December. "Turkey has proved reluctant to deal with corruption," said Bulent Aliriza of the Washington-based Center for Strategic and International Studies. "It's significant that the National Assembly is handling alleged corruption in such a public way. This is the kind of thing that will make a difference." But that campaign seems to be faltering. Members of Prime Minister Bulent Ecevit's party feared the Government would collapse if Yilmaz, a key coalition ally, had been indicted. But fighting for Yilmaz may have tarnished Ecevit's reputation as an honest politician. Also, legislators loyal to Ciller and Yilmaz abstained from voting against either candidate in what Aliriza described as "a deniable arrangement." The far-right-wing Nationalist Action Party, Yilmaz and Ecevit's coalition partner, is looking to prosecute Yilmaz. After the voting, Ecevit said he hoped Yilmaz would assume a cabinet post in the coming days. Yilmaz has refrained from entering the cabinet until he is cleared. The nationalists campaigned promising a clean government and might see their popularity boosted if the government falls. "The vote reflects politicians' awareness of the public's sensitivity to corruption," said Ilter Turan of Istanbul Bilgi University. "But all indications are that it is just a safe political exercise."

*From Associated Press, 5 July 2000*

### SLOVAKIA ANTI-CORRUPTION FIGHT DELAYED UNTIL SEPTEMBER

The World Bank survey cited the healthcare sector, the judicial system, customs offices, the National Property Fund privatization agency and licensing authorities as the most corrupt in the country, while the military, President's office and labor offices are the least corrupt. Despite the survey results, and evidence from several other polls showing that corruption has become one of the most important issues for Slovak voters, the government has put off its much-anticipated anti-corruption legislation. Although Dzurinda and Deputy Prime Minister for Economy Ivan Miklos had originally promised that a program would be ready by this month, they now say voters will have to wait until September to see laws that in Dzurinda's words "build a Slovakia where you won't meet corruption." "Corruption is a big problem in Slovakia," Dzurinda admitted at a press conference convened on July 3 to announce the World Bank's findings and the delays in the proposed legislation. "The Government as well as the people realize corruption is a negative phenomenon. But common people often find themselves in a vicious circle unable to resist corruption and they get involved in it. Therefore we decided to agree on concrete action plans to be produced by all ministries and submitted to the Government on September 13." Miklos added that the delays had been caused by lack of manpower in preparing the program. Ministry officials had been charged with preparing the legislation in addition to their normal duties, he explained, since no special group had been formed to script the program. Miklos added that further delays had occurred when the translation of the World Bank surveys from English to Slovak had taken longer than expected. But anti-corruption professionals said that the delays were another sign that the Government was not serious in its proclaimed crusade against corruption. Watch-dog group Transparency International Slovakia [TIS] called on the government to do more in its anti-corruption fight, while economic analysts warned that failure to do so would result in losses of potential direct foreign investment. "Not just the government, but the parliament itself should officially declare a fight against corruption," said Emilia Sicaková, head of the Bratislava-based TIS, which assisted the World Bank with its survey. "If the Government doesn't come up with a concrete and systematic program soon, it may endanger the implementation of such changes during this election term [1998-2002]." Ján Tóth, senior analyst with the Dutch ING Barings bank in Bratislava, said that an audit of companies under state control could lower the level of corruption. Otherwise, he said, Slovakia's economy would pay the price: "Potential investors expect a much larger profit when entering countries with high corruption indexes," he said. "They want big money as a compensation for entering a risky business environment, and furthermore, companies willing to invest in a country known for corruption are often rather dubious businesses." Duane Schultz, an advisor to U.S. Senator John Mica who organized a September 1999 tour of Slovakia by US businessmen, agreed that the legislative delay was as much a concern as the corruption itself. "Delays give the bad guys the opportunity to expand," he said. The World Bank survey, which was carried out with the assistance of the US Agency for International Development (USAID) and the Slovak Focus agency, did not claim to have presented a complete picture of corruption in Slovakia. According to survey leader James Andersen, the study did not present reliable information on high-level corruption since respondents were limited to households, state administration officials and

entrepreneurs - high level state officials were not canvassed. But Miklos assured journalists at the July 3 press conference that such a study would soon be undertaken, saying that he himself would initiate a survey on corruption covering the highest levels of the Slovak Government. It was in the interest of the current government to eliminate corruption hot-spots, he said, in areas such as licensing authorities, state administration bureaucrats and the judiciary. While Miklos said these areas of corruption would be eliminated through "reform and making their operations more transparent," he again offered no concrete plan of action. In support of their actions to date, both Dzurinda and Miklos said the passing of the Freedom of Information Law on May 17 (which secured the public's right to access information on state bodies, regional governments and other public entities) had been a huge step forward towards eliminating corruption in Slovakia. According to the World Bank findings, one third of state administration employees said that the law [which will take effect on January 1, 2001], would complicate their work. "Naturally, reforms in state administration will meet with some resistance," said Miklos. "They [state bureaucrats] realize that such changes will decrease the possibility of some currently lucrative activities." The World Bank's Anderson added that the survey showed public concern over the influence wielded by private companies on politics. "Respondents said that privatization was rather untransparent and were concerned about the unofficial sponsoring of political parties by private enterprises. In 1998, 11% of companies said they indirectly sponsored political parties. At the end of 1999, 8% said they did so," Andersen said.

*From Slovakia Today, 11 July 2000*

## **TURKISH GOVERNMENT FIXES CIVIL SERVANTS' PAY RISE AT 10 PERCENT**

Finance Minister says that pay rises add up to 31 percent, well over the 25 percent year-end inflation target. Labor leader says that a 10 percent rise is unacceptable and that the government is simply ignoring civil servants' protests and demands. The Cabinet has fixed civil servants' pay rise at 10 percent for the second half of the year. The Government defended the rise as being in compliance with past promises, while angry labor leaders denounced the hike as extremely low. Finance Minister Sumer Oral said that civil servants' pay rises for this year came to 31 percent when the 19.1 percent pay rise for the first half of the year is included. He said that the pay rise will be above the realized inflation rate in the second half of the year, as was the case in the first half. He pledged that if the inflation rate exceeds 31 percent for the year, civil servants' loss will be made good. He added that the Cabinet is empowered to authorize an extra pay rise. Oral indicated that civil servants' wages rose by 15 percent in January and then again by 10 percent in July, which adds up to 26.5 percent. When an extra raise for the first half of the year and a 2 percent welfare share is included, the rate reaches 31 percent, which is above the 25 percent year-end inflation target, said Oral. In response to a question over whether the pay rise is too high, Oral said that the government is implementing a stabilization program and has set limits for any wage hike. "We wish we could increase people's purchasing powers more. But we have to maintain this program, which aims to improve people's welfare," said Oral. "Our basic purpose is to make our citizens feel the effects of economic improvements directly," said Oral. "But nothing changes overnight. No matter what the trend is. This is a trend which is in line with program targets." With the pay rise, the ceiling wage for state economic enterprises (SEEs) has increased from TL 629.9 to TL 692.8 million. The lowest civil servant wage was increased from TL 128,128,000 to TL 141,080,000. Managing directors' wages have increased to TL 862,490,000. Meanwhile civil service unions denounced the 10 percent pay rise. The chairman of the Confederation of Public Workers' Unions (KESK), Siyami Erdem, said that 10 percent is unacceptable and that the government had simply ignored the demands civil servants have been voicing for months. He said that the 10 percent pay rise had proved that this government was anti-labor and anti-people. "We will unmask the economic and social policies of this puppet government of the International Monetary Fund (IMF)," said Erdem. Confederation of Civil Servants' Unions (Memur-Sen) head, Fatih Ugurlu, said that the 10 percent pay rise is "horrible and ridiculous." He said that this rise did not even represent a kilo of meat. Turkish Civil Servants' Union (Turkiye Kamu-Sen) chairman Resul Akay said that the government's 10 percent pay rise made it clear that civil servants and pensioners had no protection in Turkey. He said that although civil servants were not responsible for high inflation, they were paying the cost of disinflation. He said that while the disinflation program was being implemented a privileged retirement law enacted for deputies and high-level bureaucrats increased their wages by 23.7 percent for the second half of the year, showing the unfair treatment faced by civil servants. The Pensioners' Union (Emekli-Sen) general-secretary said that millions of pensioners, who are forced live on TL 104 million a month, are below the poverty line. He said that Turkey has one of the most unfair income distribution levels in the world. He said that in Istanbul the richest earn 1,437 times more than the poorest and that this gap scares even employers. He said that regardless of whether inflation rises or drops, the loser remains the same - the pensioner. He said that labor ministers have never kept their promises in the past and that the absence of a pensioner union law is the reason for pensioners' hardships.

*From Turkish Daily News, 13 July 2000*

## **SLOVAK CORRUPTION: RED HANDED, SCOT FREE**

Corruption, say Slovaks, is everywhere - in schools, hospitals, bureaucratic offices and the courts, people have to pay for services that belong to them by law, while others buy advantages that should not be a matter of commerce. These beliefs were presented in a World Bank corruption report made public this week. The media, meanwhile, document a similar story in high places. Political parties appoint nominees to steward state firms and banks, and do their best to ignore the fraud, clientelism and corruption that ensues. Whenever one nominee errs so egregiously that he has to be fired, another of the same ilk replaces him. In this environment, it is unconscionable that the government has once again put off its anti-corruption 'action plan'. When we first heard of this stirring call to arms in February, it was supposed to be followed by about six weeks of public debate and then translated into laws which would punish thieving bureaucrats. Instead, we were told at a July 3 press conference that the program would now not

be ready until September 13. A shortage of personnel needed to script the plan is apparently to blame. Shortages there certainly are, but more ones involving ethics and courage than idle bureaucrats (God knows Slovakia has enough of those). The main problem is that no one in power is motivated to change the system. Political parties, their private sponsors and Slovakia's several hundred thousand civil servants all profit from the way things currently run, and until some brave (and disinterested) soul cuts the painter, the ship of state will continue to wallow in murky practices. A case in point - this past week, Prime Minister Mikuláš Dzurinda fired Ján Odzgan, head of the State Material Reserves, a body which stockpiles essential supplies such as wheat for use in the case of a national emergency. A top secret Slovak Intelligence Service report released to the media last month had accused Material Reserves officials of selling off wheat for private gain. But instead of using the scandal to end the practice of political nominations to lucrative state posts, Dzurinda said he thought Odzgan should be replaced by yet another nominee from Dzurinda's own Slovak Democratic Coalition party. The prime minister's recent pronouncements on corruption, given these circumstances, are so cynical that it sends chills down one's back. That said, the government's task in exorcising corruption from a country which for decades encouraged it is unenviable. For every cut-and-dried case of bribery there are a thousand slippery instances of wrongdoing in which money changes hands but no laws are broken. Here is an example from Comenius University Rector Ferdinand Devinský, related to *The Slovak Spectator* last month: University entrance exams, in the public's mind, invite some of the coarsest forms of corruption around. Thousands of students every year compete for limited places at law and medical faculties, while poorly paid professors give out exam questions to those who can afford them. The reality, according to Devinský, is that schools have divided responsibility for setting exams among many different departments, making it impossible for any one professor to know all the questions. Meanwhile, computerized scoring and immediate posting of results have made it impossible for anyone to turn in an empty answer sheet to an exam invigilator with a nod and a wink. Some professors, however, have realized that the public still doesn't believe that rich parents can't buy their children a place in school. They thus offer 'preparation courses' to a select group of students for 100,000 Slovak crowns each and promise vaguely to 'arrange things' with the school administration. Given the average entrance exam success rate, two or three out of each group of 10 students are bound to pass the exam; the professor then returns the money of the unsuccessful applicants, claiming he tried but couldn't turn the trick, and keeps the money of the accepted students. The parents who get their money back admire the teacher for his honesty, while those who don't consider it cash well spent - after all, the professor must have greased some wheels given that their kids got in. How do you fight that kind of corruption? This is something the World Bank report didn't capture - while 56% of people feel that corruption in schools is high and 36% moderate, we have no way of knowing how many believe that corruption is here to stay and one just has to get used to it. The only way to change the system is to talk about it, day and night, and make the costs of getting caught taking bribes unbearable. But given the Prime Minister's own reluctance to start the dialogue, getting caught remains the least of anyone's worries.

*From Slovakia Today, 13 July 2000*

## **FIFTEEN MORE CROATIAN ARMY OFFICERS CHARGED WITH CORRUPTION**

Another 15 high-ranking Croatian army officers are to face corruption charges, only two weeks after similar charges were filed against 10 senior officers, the defense minister said in comments carried by the press Tuesday. The ongoing investigation in the defense ministry will not spare even members of the army's secret police (SIS), Defense Minister Jozo Rados said. The first 10 senior defense officials were charged with defrauding the defense ministry of 14 million kuna (1.3 million dollars). The new charges were filed against 15 high-ranking officers, mostly for misappropriation of ministry funds, the *Jutarnji list* newspaper said, quoting unofficial sources. Rados' clean-up of the ministry as part of his fight against corruption has been criticized as too slow by many, including Croatian President Stipe Mesic, according to *Jutarnji list*.

*From Croatia Today, 13 July 2000*

## **THE AMERICAS**

### **PUBLIC SERVICE AT CLINTON LIBRARY PROGRAM'S CORE**

For the past 18 months, University of Arkansas faculty members from Fayetteville to Little Rock have been quietly developing a proposal for a master's degree program in leadership and public service at the planned Clinton presidential library. They've made a lot of progress, but the program is probably another three years away from opening its doors. University of Arkansas System officials hope to enroll at least 24 students in the master's program in leadership and public service at the Clinton School of Public Service in the fall of 2003, said Pat Torvestad, the UA System's director of planning and development. Although university officials are still working out the details, faculty councils at two of the three participating universities - the University of Arkansas at Little Rock and the University of Arkansas, Fayetteville -- have approved preliminary curriculum proposals. The University of Arkansas for Medical Sciences, the third participant, has not done so. "I think more of the concern was we've never done this before," said Collis R. Geren, dean of the Fayetteville campus graduate school and associate vice chancellor for research. "Academic units are conservative, and any time you propose three separate campuses proposing to offer one program at a fourth site, that's controversial. Ultimately, though, I think it will be good for schools involved and for the state. It's an opportunity." Curriculum planning is more complicated at UAMS, which lacks some courses required for majors in other fields. A group of UAMS faculty members has been working with the graduate dean and the graduate council, but planning has been on hold for a while. "We had several other issues, such as budgets and stuff, so it got pushed back," said Larry Milne, interim vice chancellor for academic affairs. "With Clinton's initial involvement in health-care policy, we felt this campus had something to offer to that program, but we

have not put the course work down that would help with that system." The proposed program likely will be submitted to the University of Arkansas board of trustees for approval this fall, Torvestad said. All new programs also need approval from the Arkansas Higher Education Coordinating Board. The Clinton school would be in the Clinton presidential library center in Little Rock, slated to open in the fall of 2003. But degrees would be granted through one of the three participating universities since the UA System, which is an administrative unit, doesn't grant degrees. Students in the program would have to meet graduate school requirements at the campus through which they enroll and would have to demonstrate potential for community leadership and community service, according to the proposals. Students could take specialty courses at the degree-granting institution they have chosen. For example, UAMS would likely attract students with an interest in public health policies. The 30-hour master's program -- as proposed by UALR and UA, Fayetteville -- includes a 13-credit core of these proposed classes: decision making with a leadership and service model, which would address ethics, finance, planning, policy analysis, policy networks and policy process. Dynamics of problem and conflict resolution, emphasizing skills in each. Communicating the vision, which would emphasize ethics, technology/computer use and communication skills. Visions of community, including an introduction to visions of the world, interrelationships that constitute community and goals and techniques. Students also would be required to complete nine credit hours of specialty course work in their field of interest. They would work with a public service agency to complete a project for another three hours of credit, and the last five hours' credit would be a capstone project that includes a thesis and exam. The UA System plans to hire four faculty members who would also mentor students working on their projects, and a dean who, along with the faculty, would work at the Clinton library. Visiting professors would be hired as needed. A 12-member Clinton School Advisory Council -- made up of four representatives from each university -- would make recommendations about academic and policy issues and would report to the dean of the Clinton school. The system has also proposed hiring a chief information officer who would oversee delivery, installation and testing of hardware and software in the center and train faculty, staff and students in how to use the technology. While many students would live at the Clinton school, all would have access to library resources at all UA campuses, and all would use distance-learning technologies. The UA System plans to ask the Legislature for funding in its 2001 legislative session, Torvestad said. "When we have a final date on the completion of the library, we'll know whether we need a half year or full year of faculty," she said. "With three years, we still have time for planning." The UA System also plans to seek private donations to help pay for the project.

*From Arkansas Democrat-Gazette, 5 July 2000*

## **CANADA ETHICS OFFICE 'VIOLATES THE LAW' – GROUP THREATENS SUIT TO FORCE GOVERNMENT TO BROADEN COMMISSIONER'S ROLE**

An ethics advocacy group has threatened a legal challenge to the office that keeps an eye on the actions of cabinet ministers and senior government officials unless the justice minister gives the watchdog more independence. "We believe that the ethics enforcement system violates the law because the ethics counsellor lacks independence," said Duff Conacher, co-ordinator of Democracy Watch, a Canadian group that lobbies for ethical behaviour in government and business. At a press conference yesterday, Mr. Conacher said that federal ethics counsellor Howard Wilson, who's supposed to make sure senior bureaucrats and politicians follow the government's ethics code, lacks independence because he reports to Prime Minister Jean Chretien. "We are giving the Liberals one last chance to act with integrity, and keep their 1993 election campaign promise to have an independent and effective investigator of conflicts of interest," he said. The group will give Justice Minister Anne McLellan a few months to respond before asking the Federal Court to deal with its concerns, he said. The lobby group contends the ethics office did not fully investigate the group's concerns that Mr. Chretien's riding got more than its fair share of federal grants and contracts before the ethics commissioner absolved the prime minister from any conflict of interest. And Mr. Conacher says the group wrote to Mr. Wilson this spring to complain that the prime minister and other cabinet ministers regularly speak at fund-raisers for the Liberal party, which they consider a private interest, and that a \$75,000 fund-raising luncheon last fall for junior minister Jim Peterson was organized by a lobbyist. Mr. Conacher says they have yet to receive a reply. "If there's an appearance of a conflict of interest, then the integrity of the government has been compromised." Mr. Conacher said Democracy Watch would also like to see the creation of an independent "special prosecutor," such as was performed by Kenneth Starr and others in the U.S. to investigate allegations of high-level improprieties. But Mr. Wilson says the system is working well. He says he'll have to consult Justice Department lawyers before he can comment on the legal validity of the Democracy Watch petition, but it's important that he continue to report to the prime minister directly on matters of conflict of interest. "It's the prime minister who must stand accountable under our parliamentary system for the conduct of his government," said Mr. Wilson, who was appointed in 1994. Mr. Wilson says his response to accusations against the prime minister is complete, and his office is still investigating Democracy Watch's two other complaints. The bulk of his work, he says, is to help new senior government officials and politicians deal with assets and liabilities that may imply a conflict of interest. His office is also in charge of registering lobbyists. Even if people disagree with his decisions, Mr. Wilson says, he thinks the most important part of the process is that it's transparent.

*From Ottawa Citizen, 29 June 2000*

# Management Innovation & Trends

## EUROPE

### HELSINKI CITY LIBRARY RECEIVES RECOGNITION FOR SERVICES TO PUBLIC INTERNET ACCESS

Gates Foundation makes USD 1 million endowment - On Monday the Helsinki City Library collected an award worth USD 1 million for "its outstanding practices in increasing access for all people to computers and the Internet." The library is the first recipient of the annual Access to Learning Award given by the The Bill & Melinda Gates Foundation, the charitable trust established by the Microsoft owner Bill Gates. Helsinki City Library was selected as the first winner of the award by an anonymous jury of eight persons. According to Patty Stonesifer, Co-Chairperson and President of the Bill & Melinda Gates Foundation, "Helsinki has a marvellous public library, providing the entire community with access to the Internet in a useful and innovative way. The library network also had one of the first library internet pages in the world." The award was presented in conjunction with an international library seminar in Chicago and among those attending from Finland were the Director of Library Services Maija Berndtson. The Library were given no hard and fast rules on how the endowment money is to be spent, only that the work must go on. This means that the sum cannot be put to expanding the conventional book collections, for example. On Monday the discussion of possible objects for the money included the development of an Information Service Station. This is a movable "customer workstation", which customers can use for such purposes as obtaining answers to their questions. It will be based in the Cablebook Library. Berndtson reportedly also spoke to the American audience about a planned common library portal for the Internet, planning work on the content of which will now get under way. Helsinki's Mayor Eva-Riitta Siitonen, who made a speech in Helsinki on Monday marking the award, said that already a couple of months ago she had signed a pledge that the endowment money would not be surreptitiously removed from the library's annual budget funding.

*From Helsingin Sanomat, 11 July 2000*

## THE AMERICAS

### HAWAII STATE SERVICES AND INFORMATION ARE JUST A CLICK AWAY

By looking at government from the outside in, scores of state government's most dedicated paper shufflers are pushing and pulling Hawaii into a new age of communication. After years of being ranked at or near the bottom by national surveys, state government is getting wired and going online. To do it, the state brought in a private company, Hawaii Information Consortium, affiliated with the National Information Consortium, to find out what services the state can put on the Internet. The firm redesigned the state's Web site so it answers the questions asked by citizens, not bureaucrats. The old site is <http://www.state.hi.us> -- the new site is <http://www.eHawaii.gov>. The private company is motivated to work fast because it only makes a profit on what it can charge a service fee for. Already state freshwater fishing licenses are available online. You must add a dollar to the cost for the service of printing it out on your computer printer instead of standing in line at a fishing supply store. Some projects aren't designed to make money, but to get information out to the public. A new state law mandated that professional service contracts be available for inspection online. A team composed of Edward Rho, Dave DeWitt, John Pescador and Vic Macapagal with the state Department of Accounting and General Services, was told to get it up and running in two weeks. "Normally this is something that could have taken years, but we worked weekends and holidays until midnight, so once we were mandated to do it, we didn't have a choice," Rho said. The new system is at <http://hahalua.icsd.hawaii.gov/professionalservices/> It allows anyone to track who is getting what state contract and how much the state is paying for it. Kathy Matayoshi, Department of Commerce and Consumer Affairs director, who is coordinating the state Internet project, says the state is doing two things: first looking at government from the viewpoint of the consumer, not the bureaucracy, and second, moving huge amounts of information onto the Internet. "In our department (which handles licensing and business registration) we have a lot of paper; I have an entire basement of paper," she says. The paper is turned into information on the Internet as state officials review all their holdings and think about who would be interested in a government service or data. The Tax Department wants to get real tax services on the Internet, so citizens can file their taxes online and check for refunds. The state Budget Department wants to put its unclaimed property listings online so citizens can easily search it. But with both examples there are delays, Matayoshi said. "The Tax Department is very interested, but they are revamping their back-end database and it is taking time," she said. "B&F (Budget Department) has found that some of their information isn't kept on computers, they only have hard copies - paper - so first they have to get computerized." One service that both the state and the Legislature want to see online is the sex offender database, which will feature the names, streets and photographs of convicted sex offenders living in Hawaii. Online users will be alerted to convicted sex offenders in their neighborhoods by searching by name, street or even zip code. "The sex offender database is going through rigorous testing. What you don't want to do is make a mistake publishing the wrong name," Matayoshi said. Sen. David Ige, an electrical engineer, has been pushing the state for six years to get more involved with the Internet. "The whole purpose to have the portal (the state's new Internet site) is to have it easier to do business with the state," Ige said. "So you can do things like getting camping permits,

checking on taxes, pay library fines on online. "We have to make it more convenient," Ige said. Because of Hawaii's centralized state government, the state captures much of the government information in Hawaii, from school data to corporate registration and crime statistics. Aka DeMesa, general manager of Hawaii Information Consortium, wants to take the most in-demand information and offer it on the Internet. "We go out and talk to the state agencies, telling them what we have to offer," he said. The agencies come back with a priority list of what they have to offer and we look at what is of real service to people or what has a possibility of a transaction fee," he said. Because DeMesa's firm is not charging for the basic Internet portal for the state, he must make a profit on finding new services for government to perform. For instance, businesses now must send in excise taxes to the state, perhaps this can be done through a Web page that calculates and tracks how much a business owes. The amount could be sent to the tax collector electronically. Or perhaps you are a lawyer or real estate broker wanting to know who owns a specific parcel of land. DeMesa's firm could set up a way for you to search for property or corporate officers. If companies already offer a similar service, such as the Hawaii TMK company, DeMesa says he can add services to their existing businesses. "We are looking at putting convenience fees on new applications," he said. With all the excitement on new Internet moves, there are some old-fashioned government worries, Matayoshi said. For instance, if her department reaches its goal of becoming a "paperless agency" what happens when someone wants a record of correspondence. How long does the agency have to keep copies of email, and what specific information can be made available to court-ordered requests? Also, what about information tracking? A Web site is capable of tracking much information about a person that visits it, including who the person is, if they have to log on with a password. Can that information be turned over if it is subpoenaed? Matayoshi says various state task forces are working on those questions, but so far there is no specific policy on an Internet privacy.

*From Honolulu Star, 13 July 2000*

# Information Technology for Development

## EUROPE

### WESTERN PRESS COMMENTARY TODAY FOCUSES ON TOPICS OF CONTROL – CONTROL OVER THE INTERNET

In the United Kingdom, Home Secretary Jack Straw has said laws to penetrate the Internet are needed to counter all sorts of tax evasion, financial fraud, and other skulduggery going on behind secret passwords and layers of encrypted script. In an analysis in the Daily Telegraph called "Does Straw know what he's taking on?" Adrian Berry says, "Straw seems determined to embark upon a struggle against the Internet, which is fast becoming one of the world's mightiest powers. His Regulation of Investigatory Powers Bill threatens to bring about a Draconian curtailment of our liberties. With the probably futile aim of catching criminals, it will force all service providers with bases in Britain to install connections to MI5, [the British intelligence service], allowing government officials to read our e-mails without a warrant, to see who is e-mailing whom and what they are saying." The writer says it will even be a criminal offence, punishable by up to two years in prison, to refuse to disclose passwords and encryption keys to officials. The British Government, Berry says, is mistaken if it thinks that tracking the Internet is as easy as the old-fashioned secret police method of tapping telephones. In his words: "Mr. Straw is likely to discover too late that regulating the Internet is about as easy as regulating the wind and rain. And his enemy, if attacked, can hit back, and hit back so hard that his government -- and all future governments - may be diminished, with their ability to collect taxes significantly impaired." The commentator points out that U.S. e-mail providers, such as Hotmail, make no distinction between British and American clients and would not abide by the proposed British laws. "To do so," Berry says, "would certainly violate the Fourth Amendment to the American Constitution, which protects the people against 'unreasonable searches' of their 'persons, houses, papers and effects'." Berry says that the proposed law could make the problem worse by arousing people's curiosity about the possibilities of secret codes. He warns: "The day will come, therefore, if Mr. Straw does not withdraw his ridiculous bill, when millions of people will suddenly discover that with anonymous encrypted email, they are absolutely free from surveillance. A libertarian dream will have been realized. Some will be tempted -- and this is what politicians and bureaucrats most fear - to conceal their incomes and under-declare them to the taxman. Tax revenue will shrink, and with it Whitehall [the British Government]. Perhaps income tax will become voluntary, and people will pay only for the degree of government that they want."

*From Radio Free Europe, 30 June 2000*

## THE AMERICAS

### MICROSOFT INTERNET VISION WINDOWNET

The emerging industry that delivers computing services over the Internet, rather than on PCs, will be a central part of the new economy. But might Microsoft dominate it too? Sick of the suffix ".com"? Get ready for ".NET". It may become as pervasive as today's nearly inescapable Internet address. That, at least, is what Microsoft hopes. On June 22nd the software giant unveiled with great fanfare its long-awaited strategy dubbed .NET, pronounced "dot-net" and formerly known as "Next-Generation Windows Services". This, says Bill Gates, Microsoft's chairman, is the firm's most important announcement since the launch of Windows, its PC operating system, in 1984. In fact, .NET is intended to replace Windows as the dominant computing platform in the years to come, just as Windows superseded its predecessor DOS. The announcement, however, left the computer industry nonplussed. For many, it is not clear what .NET actually stands for. Others wonder whether the strategy can succeed and fear that Microsoft may use its Windows monopoly to push the industry into adopting the new platform. And critics of the company ask themselves what all this means for Microsoft's long antitrust trial. Although Microsoft's make-over is not unrelated to the lawsuit, another battle is more immediately relevant. Microsoft may have crushed its rival Netscape in the "browser wars", but the epicentre of computing is moving slowly but surely from the PC to the Internet. As e-commerce grows, more applications will be developed not for a specific operating system, but for so-called middleware — a layer of software, such as browsers, that runs on top of the operating system. Free web-based e-mail or calendar services are just early examples of such Internet applications. Many more software services are going online. Some firms already offer word-processing or spreadsheet applications via the web. But the trend is more profound. Increasingly, computers themselves will have direct access to web services, in effect turning the network into a giant computer. Or, as Mr. Gates puts it, the Internet will "morph" from being a pure presentation network into a full computing platform. On the PC, Windows reigns supreme. But Internet computing is at present largely based on open standards. Web pages, for example, are written in HTML (hypertext markup language). Its successor XML (extensible mark-up language) and the less well-known but equally important SOAP (simple object access protocol) allow computers to talk to each other via the Internet. The .NET initiative is basically an attempt to create an alternative platform for online applications, controlled by Microsoft — a sort of Windows for the Internet. In contrast to the operating system, however, the parts of this platform will not reside on a user's hard disk, but be spread all over the Internet. There will be .NET software on servers, on database computers, on PCs and on appliances — all

closely integrated. Microsoft's vision of tomorrow's software also differs from the one that its competitors, such as Oracle or Sun Microsystems, have proposed. They predict that all applications will one day reside on servers and will be reached by simple devices with browsers, such as smart mobile phones or computer games consoles. Mr. Gates and his colleagues, on the other hand, believe that the devices will be more like scaled-down PCs, because that will be the only way to ensure a seamless integration of different web services. In this world according to Gates, the experience of computing would be transformed. Users would no longer have to shift between, say, a word processor and a website. All files and all services would be accessible via a so-called "universal canvas", an all-embracing user interface. Software would not come in one big piece, but would be delivered in modules and updated as needed. And data would often be held not on a PC's hard disk, but on a server where it could be reached by, say, a mobile phone. Users would also no longer have to transfer data manually from a website to a software application — if, for instance, they wanted to record the time of a flight they had booked in their diary. Because different websites should be able to talk to each other and to software on a PC, a travel site would automatically update the diary, which in turn would reserve a shuttle to the airport and a hotel at the destination. Software developers would have to adjust, too, but in many ways their world would remain the same. Microsoft owns the platform for which they write their products. But, as with Office, the firm's popular productivity suite, it intends to offer a number of key applications itself — so-called "building blocks" for web services such as messaging, personalisation or identification. One such is Microsoft's recently launched Passport service, which identifies users at e-commerce websites. To establish .NET, the firm is apparently counting on the same tactics that it used with Windows. Last week's launch was classic Microsoft: most of the applications presented were "vapourware" — software that does not yet exist, but is announced to deter customers from looking elsewhere. To get their ideas across, Microsoft executives showed several "vision videos", for example about a family planning its next holiday trip entirely online with minimal hassle. Most of the things shown will not be available until after 2002. The only pieces of .NET software to be released soon are, unsurprisingly, a set of tools for software developers. Microsoft has always put a lot of effort into making life easy for developers — to create momentum for its platforms. The more applications that are written for a platform, the more attractive it is for users; and the more users there are, the more appealing a platform is for developers. It is partly because of this happy circularity that Windows has 90% of the applications market. What now worries competitors and antitrust enforcers is that Microsoft might somehow use its Windows monopoly to dominate the brave new world of web services as well. At the .NET launch in Redmond, the firm's executives went to great lengths to insist that the platform will be based on open standards, mainly XML and SOAP—implying that they do not intend to use Windows to gain an unfair advantage. But other statements raise suspicions that Microsoft will try to tie the old and new platforms together. The experience for users of Windows is supposed to be "richer" than that for people with rival operating systems.

The protocols for the "building blocks" will be proprietary — as are the application program interfaces in Windows, the software hooks that other programs connect to. In other words: if developers do not write to the .NET platform, their users will be second-class citizens. Microsoft sees nothing wrong with this strategy—quite the opposite. Mr. Gates calls the migration from Windows to the .NET platform a "natural evolution". Indeed, say other Microsoft executives, to make the Internet live up to its promise, you need one company that pulls it all together, just as Microsoft did for desktop computing. Users and developers will want a solid foundation. This strategy may yet fail. Competitors already offer some of what Microsoft wants to develop. Last year, for instance, Hewlett-Packard launched e-speak, a technology that allows users to combine many different web services. But then again, it would not be the first time that Microsoft has come from behind only to triumph. For years, Apple's Macintosh operating system was far better than Windows—and on some counts, still is. The more serious barriers may be found elsewhere. Microsoft may not be able to deliver on its ambitious vision. Its forays into the Internet world, such as its online service MSN, have not been huge successes. The firm admits that it has little idea how to make money from the new platform. Its software has yet to prove that it can handle millions of users as reliably as competing products already do. Equally importantly, developers may refuse to follow Microsoft and prefer to work with established open standards. And then there is the antitrust trial. Judge Thomas Penfield Jackson's remedies, in particular the splitting of the firm into two, would make it far harder to implement .NET. But last week, Judge Jackson decided to suspend even his planned restrictions on Microsoft's business practices until all appeals are complete. Judge Jackson made this rather surprising move, experts say, in order to make it more likely that the Supreme Court would take the case directly, thus bypassing the appeals court. If it does not — the decision is expected some time in late summer — the case could drag on for years and the remedies become all but obsolete. If that happens, and if .NET is a success, even an eventual break-up might not hurt Microsoft much. Having established a new platform, the firm could do away with the old. Interestingly, on the slides shown in Redmond depicting .NET, Windows appeared as only one small box among many. That would not be a desirable outcome. The issue at hand is how the coming web-services industry, a central part of the new economy, will be organised: whether it will be dominated by one firm, as the PC software industry has been, or be based on open standards. Microsoft has delivered an elegant though scarcely original vision of the future. But its version is not the one most likely to foster competition and innovation.

*From The Economist, 1-7 July 2000*

## **TEEN'S DETERMINATION BRINGS INTERNET LEARNING CENTRE TO PERU**

When a 16-year-old Sewickley Academy student wanted to develop an Internet learning center for students in Peru, it wasn't far-fetched to think that a young man barely old enough to drive would have a difficult time maneuvering a maze of grant writing, charitable foundations and international relations. However, Nick Smyth knows the word difficult is not synonymous with the word impossible. Among his attributes is a can-do spirit that, along with a little help from his family, school and several foundations and community service groups, got him through those twists and turns. Tomorrow, Smyth will travel to Urubamba, Peru, to help set up the town's first Internet learning center. He raised more than \$20,000 for the project through his work with the Brother's Brother

Foundation, Visions Service Adventures, H.J. Heinz Co. Foundation and Sewickley Academy. Located in a building donated and refurbished by the Urubamba Government, it will house 10 to 15 computers and provide daily instruction and Internet access to the town's high school students. "I'm really happy. I think it's been a fun experience for me," said Smyth, whose typical teen persona belies his leadership skills. Talk to any of the adults who've aided Smyth, and inevitably the word "impressive" is used. But the accolades are not limited to that one adjective. "He's just an amazing young man," said Loretta Oken, program director of the Heinz Foundation, who helped Smyth tweak his proposal. The foundation donated \$5,000 to the project. "I do feel as though what Nick is doing is extraordinary," said Luke Hingson, head of Brother's Brother, which served as conduit for donations. "His tenacity is just wonderful to see." For the first five days of his two-week stay in Peru, Smyth will be accompanied by his father, Ted, senior vice president of corporate and government affairs for the H.J. Heinz Co. While there, the younger Smyth will have a hand in purchasing the computers, setting them up and hiring the center's administrator. Helping him with these tasks will be Rich Webb, a member of Visions Service Adventures, a Peace Corps-like organization for high school students through which Smyth made his first sojourn to Peru last summer. It was during that visit that the young man, who'd just finished his sophomore year, began contemplating what more he could do for the people of Urubamba. The Visions group of about 20 youngsters had built two community centers but there wasn't much available to put in them, Smyth said. "I came back and started talking to my dad and Rich and thought we could help them more," Smyth said. "We noticed they didn't have much connection to the Internet and what access they did have was basically too costly for the average person." The average wage in Urubamba is about 10 soles a day, according to Smyth. But it costs about three soles an hour, he said, for Internet access via the town's cyber cafe. He also felt the high school's outdated computers and the students' two-hour school days made for a woefully inadequate education. Smyth said the stay in Peru, which included physical labor and chores such as cleaning and cooking, helped him get out of what he calls "the Sewickley bubble." His father and mother, Mary Breasted Smyth, encouraged him to follow up his thoughts with action. "I think he was impressed when he met with Rich Webb, who himself is half American, half Peruvian," Ted Smyth said. "I said to him, if you're serious about this it's going to take a big commitment, and you're going to have to put together a plan, a business plan, basically." Nick Smyth spent weeks on the Internet doing research, looking for models, advice and funding leads. He'd already begun writing his proposal when his father asked Oken if she would look at it and offer some suggestions. "I was impressed by Nick, his age and just the caring and thoughtfulness he had in helping these people," Oken said. She advised him to visit the Carnegie Library of Pittsburgh's Foundation Center to get tips on writing a proposal, how to draft a cover letter and encouraged him to contact the Brother's Brother Foundation, an international charitable organization that Heinz has worked with for more than 30 years. "I'm extremely impressed. He definitely knew how to tap into his resources," said Tori Wolan, program director for Brother's Brother. In addition to approaching eight corporate and two private foundations, Smyth also approached Sewickley Academy parents for donations.

He received \$6,000 in private contributions and \$15,000 in foundation money. Smyth also got an assist from his Spanish teacher, Diane Mancini, who translated things for him, and computer teacher David Kosbie, a former Microsoft guy who specializes in long-distance learning. "We just wanted to have the future possibility of communication between students there and here," Smyth said. While Smyth was working on things here, Webb was in Urubamba conducting research and discussing the proposal with the town's mayor, Carlos Guillen. "I just, frankly, never, ever expected him to follow through with it and be so thorough with it and patient, as well," said Webb via cell phone from Peru. "I was most surprised when he had the proposal together, and that's when I realized he was on board." After communicating for months through e-mail and telephone calls, Webb flew to Pittsburgh from his home in New York City in February to discuss the project. During spring break the following month, he, Nick and Ted Smyth went to Peru to talk to Urubamba's mayor, school officials and the minister of education. "In the beginning [of the project] it was tough. Once we got to Peru, we pretty much knew we were going to do it," Nick Smyth said. That trip was Ted Smyth's first visit to Peru. He compared the beautiful countryside and wonderful people to his native Ireland. He's been amazed at his son's ability to develop a project that will bring a remote town into the digital age. "All a parent can do sometimes is stand back in amazement at the energy. Once they have a passion, whatever it is, they just unleash it." While his efforts have garnered enough money to get the enter up and running, he's looking for additional funds to keep it going. Anyone wishing to make a donation can do so through Brother's Brother Foundation at 1501 Reedsdale St., Suite 3005, Pittsburgh, PA 15233. Envelopes and checks should be marked Peru/Internet.

*From Pittsburgh Post, 29 June 2000*

## **WAITING FOR THE WIRELESS INTERNET**

It's big in Japan - but can third-generation networks deliver the wireless Internet of our dreams? At least one carrier is looking to the next generation. The wireless cellular industry is abuzz about the potential of third-generation networks delivering higher bandwidths that are expected to usher in a broadbandlike wireless Internet. The hope is that third-generation - or 3G -- networks will create the kind of buzz for a handheld, wireless Internet in the United States that the breakthrough iMode phone has generated in Japan. In just 15 months, DoCoMo has built its iMode service into a wireless powerhouse serving nearly 7 million users - subscribers who use the iMode phone, which has barely 19.2Kbps access to the Net, for everything from reserving karaoke rooms to downloading music. DoCoMo is expected to introduce 3G service within the next year. U.S. 3G phones won't be available until 2002, but analysts are already doing the math. The Yankee Group estimates that there are 1.3 million users of wireless data devices in the United States -- and predicts that number will mushroom to more than 60 million by 2005. But at least one analyst, Mike McGuire of Dataquest, feels that 3G has been hyped to the point where users are expecting it to do things that it was not designed to do. According to McGuire, rich multimedia experiences will not be possible via wireless until fourth-generation (4G) networks roll out in the next four or five years, although 3G wireless will be able to handle short, low-quality multimedia clips. Likewise, he said that, although the browsing of Web pages may be possible via in 3G devices, it won't be easy. "3G is not meant to

be a primary synchronization technology, rather query browsing was its focus. 4G with its wider pipes is more likely to be conducive to real browsing," McGuire said. The 3G family 3G is an arbitrary term because, like the different cellular technologies, it doesn't have one set definition. Many cellular carriers are simply defining 3G by significant jumps in access rates. AT&T Corp. (NYSE: T), for instance, will be using EDGE (Enhanced Data for GSM Evolution) to deliver 3G networks, providing a maximum rate of 384Kbps, according to AT&T. "But that's if you're the only person using the network in a clear field standing near a cell tower," countered McGuire. He has a point. 3G bandwidths will vary, depending on the number of users on the network at a given time and the distance from a cell tower. Rather than 384Kbps, McGuire anticipates users will typically get access at something more on the order of 56Kbps – the equivalent of current telephone modem connections. AT&T representatives would not give a specific figure. However, a recent tour of AT&T Labs in Menlo Park, Calif., revealed an interesting glimpse into the potential of the wireless Internet. AT&T officials said that 4G, which will evolve from EDGE, will provide downlink access of more than 384Kbps and uplink access of at least 384Kbps for wide-area networks. In some cases, rates can reach as high as 10Mbps, when the network is used in conjunction with other technologies that AT&T is developing, but typical rates are expected to be several megabits per second. "4G will help us realize one giant network where real convergence will happen. Cable TV, PC, cellular, basically any type of data transport all on one network, which you can access anywhere," said AT&T spokesman Ken Woo. 4G will be based on OFDM (Orthogonal Frequency Division Multiplexing), the key enabler of 4G technology. Other enablers include adaptive processing and smart antennas, both of which will be used in 3G networks and enhance rates when used in conjunction with OFDM. Whereas 3G networks' digital data is sent over a single channel, OFDM will send data over hundreds of parallel streams -- increasing the amount of information that can be sent at a time. 4G rates will vary depending on the number of channels that can be accessed and processed. However, the channels that can be used will be cleaner thanks to technologies such as adaptive processing, which accounts for interference on a channel and improves reception by dynamically switching channels to avoid interference. 4G networks will also benefit from smart antenna technology, which can steer the radio signal in the direction of the receiver in the terminal from the base station. When used in conjunction with adaptive techniques, multiple antennas can cancel more interference while enhancing the desired signal. The 4G plans are still years away, but transitioning from 3G to 4G should be seamless for customers because 4G will have evolved from 3G. Users won't even have to get new phones. 4G won't matter, though, unless AT&T gets its 3G act together. AT&T expects its 3G network to be up and running in one year in selected cities and nationwide by 2002. In the meantime, AT&T Wireless Services and Nortel Networks (NYSE: NT) have announced they will conduct noncommercial GPRS trials near several AT&T facilities this summer. The point of the trials is to gain experience with network design and deployment so that the 3G rollout will happen without a hitch. AT&T and its partners will test and run services and applications on the 2.5-generation (2.5G) network, which is an early attempt at high-speed wireless access, but they won't roll them out to consumers. They aren't investing in a nationwide network but by testing them they are better understanding how to prepare for 3G networks. GPRS is the intermediary technology, otherwise known as 2.5G, for GSM and TDMA networks. Wireless carriers using CDMA are planning on rolling out 2.5G, offering 144Kbps rates. Explaining AT&T's decision to leapfrog over 2.5G, Rod Nelson, chief technology officer of AT&T Wireless Services, said there won't be any services or applications available when 2.5G rolls out later this year to take advantage of the increased bandwidth. And, he said, users will have to buy new handsets when 3G comes out because the transition from GPRS to EDGE will not be seamless. Nelson also claimed AT&T is still ahead of its competitors because no other company can match its all-you-can-eat pricing plan. According to analysts, if AT&T is wrong and applications are made available for 2.5G wireless devices, the telco could find itself playing catch-up. In the short term, though, analysts say that all the carriers have to improve the number and quality of phones that will access the networks. For instance, currently there are only two phones using the AT&T Wireless Internet service, and their screens are text-based -- making navigation a continuous scroll session.

*From Zdnet, 7 July 2000*

## **INTERNET IS NEWEST ARENA FOR U.S. POLITICAL BATTLES**

At the click of a mouse, a savvy voter can find out Al Gore's views on Social Security and what George Bush wants to do about taxes. Making a donation to Frank O'Bannon's or David McIntosh's campaign for governor is as simple as typing a credit card number and tapping a button. Like its impact on everyday life, the Internet is transforming politics -- never more so than in this year's campaigns. It has become more crucial in the new millennium than the bumper stickers and buttons of the campaigns of years past. Four years ago, neither O'Bannon nor McIntosh had a Web site. Stephen Goldsmith, the Republican candidate for governor in 1996, had one, but it was very limited. Today, every candidate for governor in Indiana -- Democrat O'Bannon, Republican McIntosh, Libertarian Andrew Horning and independent Terry Boesch, who's not on the ballot yet -- has a Web site. Even Winnie Baughn, Libertarian Party candidate for Owen County commissioner, has one. The fact a third-party candidate in a small, rural Indiana county is campaigning via the Web would seem to be proof the Internet has become not a luxury for campaigns but a necessity. "You betcha," said Baughn's husband, Jim, himself a Libertarian candidate for state representative. He designed the Web site he shares with his wife. Baughn said he's been working in computers since 1966 and until recently was in the Web-designing business. "The thing about politics and the Internet is, anyone can get on it and plead their case," Jim Baughn said. "That's the beauty of it all, the freedom we have no matter what the, ahem, standard news media has to say about it." Michael Cornfield has studied the growth of Internet politics as an associate research professor of political management at George Washington University in Washington, D.C., and as research director of the university's Democracy Online project. While it's impossible to be sure which politician was the first to go online, the first Web site he knows of was created for the 1994 campaign of Sen. Dianne Feinstein, D-Calif. In 1996, campaign Web sites were unusual, Cornfield said. The major presidential campaigns -- the Democratic ticket of Clinton-Gore and the GOP ticket of Dole-Kemp -- each had one but had few visitors. In 1998, he said, 46

percent of candidates running for the U.S. Senate, U.S. House or governor had Web sites. "This year, I wouldn't be surprised to see that double," Cornfield said. "It's hard for me to imagine a politician not having a Web site." The key, though, is making it a good one. On the cutting edge, he said, is Maria Cantwell. Cantwell, who grew up in Indianapolis, is a Washington politician running for the Senate seat held by Republican Slade Gorton. Cantwell ran for Congress in 1992 B.C. -- Before Computers. She won that race but lost two years later. She then went to work for a Seattle Internet firm, RealNetworks. She doesn't say it, but others do - she made millions in company stock. And she gained an education she has now applied to her Senate campaign. Slate, an online news magazine, praised Cantwell's Web site -- [www.cantwell2000.com](http://www.cantwell2000.com) -- as one of the most original in the country. What makes her site so innovative is her use of a relatively old tool -- listserv. Listserv lets people join a moderated, ongoing discussion. It's like a town hall meeting, conducted via the Internet -- grass-roots politics in a new e-world. This, Cornfield expects, will be the "next big thing" in politics -- if, that is, politicians, who tend to be control freaks, are able to accept a medium that does not allow them to dictate what people say and read. That doesn't bother Cantwell, even though sometimes the discussion has included comments critical of her. "Guess what? That's part of politics," she said. Her father, former state Rep. Paul Cantwell, D-Indianapolis, who died in 1997, would have been amazed at the kind of campaign his daughter is running. "I don't think he would have believed it," Cantwell said. "He was definitely old-fashioned. Go out. Knock on doors. Register voters, and get them to show up at the polls." The Web sites are no substitute for that kind of politics but instead are a tool to supplement it. Thad Nation, an O'Bannon campaign aide, who created the governor's political Web site, first did that task for then-Gov. Evan Bayh in 1995. Nation said Bayh was the first governor to have a Web page and added one to his political campaigns when he ran for Senate in 1998. But the changes from 1995 to 2000 are immense, Nation said. "It's like the differences between the paper airplane and a 747. There's no comparison whatsoever," said Nation, who spends about six hours a week updating O'Bannon's site. The campaign has spent \$300 for the page. Some of the ingredients haven't changed -- the candidate's bio, issue statements, news releases, a few pictures, maybe the text of a speech or two. Now, though, some sites have animation and audio and video capability, so voters can listen to and see the candidate. Some Web sites -- including those of O'Bannon and Republican U.S. Sen. Richard G. Lugar -- list their campaign contributors. Lugar, in fact, was the first senator in the nation to put his donors on his Web site. And numerous sites allow people to sign up as volunteers or make a contribution. Contributing via the Internet is a recent development that hasn't caught on much, despite the success Sen. John McCain, R-Ariz., had raising money online during his failed presidential campaign.

Nation said Bayh's 1998 Web site netted only about \$1,000 in online contributions in a campaign that collected some \$5 million. And few contributions have been made online to O'Bannon, he said, "maybe one or two a week." Chip Griffin, head of Griffin Strategy Group, designed and maintains the Web site for McIntosh, the Republican nominee for governor, as well as some other organizations and politicians. He also said online fund-raising has been limited but expects that to change when - and if - people begin to feel more comfortable giving their credit card information via computer. McIntosh's site tries to encourage that by having a separate box pop up that viewers can click on to donate. Web sites, Griffin said, also allow the public an unfiltered view of a campaign. Better yet is the access it gives the campaign to the public, at far less expense than more traditional tools of phone banks, direct mail and advertising. "The number we focus on is the number of visits," Griffin said. "David McIntosh had 20,000 visits (on his Web site) in the last four months." Many of those visitors sign on to get e-mails from the campaign -- and that is the most valuable tool the Web site provides candidates. "What matters to the McIntosh campaign is the ability to reach out to several thousand e-mail addresses, targeted by ZIP codes, for rapid response" on campaign issues, Griffin said. Ron Faucheux, editor of Campaigns and Elections magazine, said the Internet is transforming politics, with its ability for politicians to communicate with thousands of voters instantly and for voters to instantly contact a politician's office telling them to vote for or against some issue. It's also made information that used to be time-consuming to get -- such as campaign finance data - available at the click of a mouse. And the change will only continue, he expected. "Six years from now, we'll be reaching voters with information in ways we can't even imagine right now," Faucheux said. "And the changes that happen will not be predictable."

*From Capital Hill Blue, 12 July 2000*

## Public Finance

### AFRICA

#### **SOUTH AFRICA TAXPAYERS MUST 'PAY FOR PEACE'**

South Africans should be willing to help cover the cost of the country's peacekeeping mission to the Democratic Republic of Congo, President Thabo Mbeki said on Friday. "I don't think we can say considerations about money would override participation by South Africa in a situation where you save lives," Mbeki told reporters in Pretoria. South Africa should respond seriously to the challenge of peace and stability on the continent. This was an obligation the country should not shy away from. "It will cost us something," Mbeki said. "As South Africans, we ought to say we are prepared to pay that." Last week it was revealed that South Africa had budgeted R100 million for a year-long deployment of specialised military elements in the DRC. The bulk of this amount (about 60 million) would be used to buy equipment that would remain South Africa's property, Defence Minister Mosiuoa Lekota said. The remaining R40 million would go to operational expenses, of which R25 million would be reimbursed by the United Nations. This would leave South African taxpayers with a bill of about R15 million. Mbeki on Friday said it was quite legitimate for people to be concerned about the cost. But it would not be correct to "jealously guard" over the money that would be involved without caring what was happening in the DRC. "Nothing happens without expenditure," Mbeki said. He earlier met visiting Belgium Prime Minister Guy Verhofstadt, who reiterated his country's support for the peace process in the DRC. Mbeki said relations between South Africa and Belgium were very good, adding that he intended visiting Belgium in May next year.

*From S. Africa-News 24, 7 July 2000*

### ASIA/PACIFIC

#### **KOREAN FINANCIAL REFORM NOT MATTER OF CHOICE BUT ESSENTIAL FOR SURVIVAL**

Chong Wa Dae yesterday said that the financial reform is not a matter of choice but an essential task that must be carried out for the survival of the Korean economy. Presidential spokesman Park Joon-young made the remark as labor unions of major banks threatened a general strike next week. The spokesman called upon union leaders to behave themselves in accordance with democratic order, saying that the government would never tolerate illegal, violent strikes. He hoped that union leaders would come to the dialogue table, saying that the government and people should choose a path of hope, rather than avoid immediate difficulties. "A delay in reform would result in accumulation of bank deficit, which would lead to an ultimate collapse as well as increase of burden on taxpayers," Park said. He said few disagree with the task of reforming the Korean banking system, without which the Korean financial industry has no future.

*From Korea Times, 6 July 2000*

#### **INHERIT THE WIND – IT'S CHEAPER: CHINA CONSIDERS ADOPTING INHERITANCE TAX MEASURE**

More grief could be in store for Chinese citizens expecting a big inheritance. Government agencies have recently drafted inheritance tax regulations and submitted them to the State Council for examination and approval. Also, the Inheritance Tax Law has been included on the legislative agenda of the Ninth National People's Congress, which is expected to decide the issue within the next six months, the July 5 Touzi Daobao (Investment Guide) reported. China's consideration of an inheritance tax follows its recent adoption of other Western financial measures. On Nov. 1, China implemented a tax on residents' interest income from their savings accounts, and on April 1, the government started requiring private savings accounts to be registered in their owners' real names. Like the individual income tax, the inheritance tax is a way of regulating the incomes of residents, the newspaper noted. The inheritance tax mainly will affect China's wealthiest people, that is, the richest 1 percent to 3 percent of the country's population. The tax will be levied on inheritances worth a minimum of 1 million renminbi (US\$120,773), and the maximum tax rate will be kept at around 50 percent. The Government is considering three methods of inheritance taxes: gross inheritance, separate inheritance and mixed taxation. China might, according to its national conditions, adopt the separate inheritance method, under which the inheritor pays the tax on bequests, the article said. Wealth in China is increasing, and residents of the country now hold more than Rmb 6 trillion (US\$724.6 billion) in their bank accounts. In the early 1990s, banking sector observers said that 10 percent of China's residents controlled 60 percent of the country's negotiable securities and 40 percent of its bank savings. In the mid-1990s, specialists and scholars said 20 percent of China's people controlled 80 percent of its savings deposits. Then, by the end of the 1990s, China's wealthy residents, who are 3 percent of its population, held 47 percent of its savings deposits, according to a sample survey of the country's urban and rural residents. China's high-income stratum consists of movie stars; singers; fashion models; writers, athletes; some small-business proprietors and owners of private companies; mid-level and senior employees of foreign-invested enterprises and foreign institutions; managers of financial institutions; developers and managers in the real estate sector; some enterprise contractors and tech-stock shareholders; pioneers in high-tech and new-tech industries; and eminent economists

and lawyers. The aforementioned class makes up less than 1 percent of China's population, and its members' individual annual incomes usually amount to a minimum of Rmb 200,000 (US\$24,155), according to the newspaper.

*From China Online, 7 July 2000*

## **NOBODY LIKES PAYING TAXES, ESPECIALLY WHEN THEY ARE DEAD**

America's House of Representatives voted last month to phase out the country's estate tax over the next ten years. If the law passes the Senate and has enough support to override a threatened veto by President Clinton (unlikely but possible), America could become one of a handful of rich countries without an inheritance or estate tax, at least at the federal level. Opponents of the "death tax", as they have dubbed it, claim that its repeal would remove an unfair, immoral tax that adds to the pain suffered by mourning families. They say it prevents farms and small businesses from passing from generation to generation. And they claim that it penalises the frugal who pass wealth on to their children, reducing everybody's incentive to save and invest. Supporters of the tax, in contrast, retort that it is highly progressive (the more you have, the more, proportionally, you pay) and thus a small, but effective, counterweight to America's concentration of wealth. They assert that it has few disincentive effects since it is payable only at death. And they claim that repeal would generate a huge windfall to rich people. The truth probably lies somewhere in between. America's estate tax is levied at a high rate (a marginal rate of 55% for the biggest estates), but it kicks in only after a sizeable exemption (in effect, the first \$1.35m of gross estate per couple, rising to \$2m by 2006, goes untaxed). As a result, it is a tax paid mainly by the rich. In 1997, over half of all estate-tax payments were made by 2,400 estates with a gross value of over \$5m. Thus the tax in fact affects very few farmers and small businesses. Farms account for only 0.3% of gross taxable assets. Special provisions also ensure that small businesses and farms have a long period to pay. The estate tax touches relatively few people, but it still generates a noticeable share of tax revenue (around \$30 billion in 1999, about 1.5% of the total). It remains controversial, as taxes on the transfer of wealth have been throughout history. They were first levied by the Egyptians in the 7th century BC. Classical economists argued about their merits: Adam Smith was broadly in favour, David Ricardo (a rich man) against. But economists agree that, in principle, all taxes should be judged against three criteria: fairness, efficiency and simplicity. Fairness is hard to gauge. Clearly, the estate tax is at an extreme of progressivity, since the vast majority of taxpayers do not pay it at all. On the other hand the tax also has unfair aspects. The many loopholes and exemptions surrounding it mean that people of equivalent wealth often pay different amounts of tax, depending on their acumen at estate-tax avoidance. Moreover, "soaking the rich" is not a principle of good taxation. A progressive tax can also be a highly inefficient one. Efficient taxes should create minimal distortions to economic activity. How much the estate tax distorts behaviour—by, say, reducing the incentive to save and accumulate wealth—is a complex question. Unlike income taxes, which affect choices about how much of one's lifetime to devote to working, inheritance taxes affect incentives governing the choice between consuming now and bequeathing to one's descendants.

Understanding how these incentives work means understanding why people leave assets when they die. One theory is that bequests are simply an accident. People do not know how long they will live, and so they keep more money than they turn out to need. If bequests are an accident, the estate tax is quite efficient. However, if people are motivated to work by the idea of leaving their families an inheritance, the tax will be distortionary. Again, however, the impact of the distortions is unclear. People might accumulate less wealth in an effort to avoid the tax. On the other hand, if people have a specific amount they wish to leave to their children, the estate tax might have the opposite effect, increasing saving. Estate taxes also affect the behaviour of recipients. The children of the wealthy might work and save less, conscious that they were going to inherit. Some libertarians are in favour of confiscatory estate taxes on exactly these grounds: they see inherited wealth as affirmative action for the children of the rich. Others argue that in a system that has an income tax, the estate tax will always be less efficient than setting the income tax at optimal rates. Indeed, the estate tax's high rate suggests that it could have big disincentive effects. The top rate of 55%, combined with a top income tax of 39.6%, means that high income-tax payers, who intend to bequeath any new dollar they earn to their descendants, are taxed on it at the rate of almost 73%. A forthcoming paper by Joel Slemrod and Wojciech Kopczuk of the University of Michigan suggests that the estate tax does affect people's behaviour. By looking at changes in the rate, base and structure of the tax since it was introduced in 1916, the two economists tried to gauge whether these changes have affected the size of reported taxable estates. They found that a sharp increase in the estate tax in the 1930s coincided with a sharp decrease in the size of reported estates. By examining historical data on individual tax returns, they also found evidence that rich people reduce the size of their taxable estates as rates rise. That could be because people have less incentive to accumulate wealth; or it might be because their estate planning was more effective. Only the former affects overall capital accumulation, but both are indicative of the costs of estate taxes. So critics are right that the estate tax creates distortions. It also fails the simplicity test. These objections could however be partly met by reducing the tax rate and removing many loopholes. A lower tax on a broader base would be more efficient, though also less progressive. But it would certainly make more sense than abolition.

*From Reuters, 7 July 2000*

## **1999 CHINA SPENDING SOARED 27.8 PERCENT TO US\$99.5 BILLION**

China's economy might be stalled, but this circumstance has not prevented its government from collecting more in taxes or spending more of taxpayers' money than in did in 1998, said Ministry of Finance chief Xiang Huaicheng. Xiang addressed the 16th Session of the Ninth National People's Congress (NPC) on July 6, where he gave a final accounting on the Chinese government's finances for 1999. Xiang said China's central fiscal revenues in 1999 rose to 644.73 billion renminbi (US\$77.86 billion), up 17.5 percent over 1998. The finance minister also said the central government's spending last year soared 27.8 percent from 1998 to

Rmb 823.89 billion (US\$99.5 billion), the July 6 Hexun Caijing (Homeway Financial News) reported. According to the finance minister, the government's budget deficit for 1999 was Rmb 179.16 billion (US\$21.63 billion), which was Rmb 1.14 billion (US\$ 138.04 million) less than the adjusted budget deficit of Rmb 180.31 billion (US\$21.77 billion) examined and approved by the 11th Session of the Ninth NPC. Xiang also said that China's national fiscal revenues and expenditures in 1999 were Rmb 1.15 trillion (US\$138.22 billion) and Rmb 1.32 billion (US\$159.27 billion), respectively, meaning that spending exceeded revenues by Rmb 174.36 billion (US\$21.05 billion), the newspaper noted. In discussing China's debt, Xiang said the government's finance authorities last year issued Rmb 401.51 billion (US\$48.49 billion) in treasury bonds. Not including Rmb 30 billion (US\$3.62 billion) borrowed by local governments in 1999, the central government's revenues from debt last year totaled Rmb 371.51 billion (US\$44.86 billion), the finance minister added.

*From China Online, 10 July 2000*

## **FINANCE MINISTER TALKING TO SMALL BUSINESS AND FARMERS**

The Government is continuing its charm campaign with the business sector. Finance Minister Michael Cullen is talking to small business and the farming sector in Palmerston North. He's defended the Government's changes to ACC, claiming 70 to 80 per cent of employers are better off under ACC than they were under private insurers. He also says the Government wants the final form of the Employment Relations Bill to reflect the objectives of the original bill. He says the fundamental philosophy driving the legislation is not up for sale.

*From New Zealand Herald, 17 June 2000*

## **EUROPE**

### **RUSSIA PRIME MINISTER WORRIED ABOUT FATE OF TAX REFORM**

Russian Prime Minister Mikhail Kasyanov said he was worried over the fate of a revolutionary tax reform plan after parliament rejected one of its key components. Kasyanov said in a television interview broadcast on Sunday that the State Duma, parliament's lower house, would be asked to reconsider its decision to keep a tax on turnover, which the government believes is inefficient and an avenue for fraud. He made it clear the government wanted the entire tax bill passed as a package. "The latest Duma decision fuelled concerns and...led us to the thought that this event raised worries about the fate of the tax reform," Kasyanov said in the interview with state-run RTR television recorded on Saturday. President Vladimir Putin said in his state of the nation address on Saturday that one of the Russian economy's biggest problems was its ineffective tax system, which was provoking capital flight and discouraging investment. Starting tax reform was among the first steps he made after his election in March. So was trimming the powers of the leaders of Russia's 89 regions, which benefit from the turnover tax. The Duma, where pro-government parties gained ground in December's parliamentary polls, quickly passed most of the new tax laws, including a revolutionary flat 13 percent income tax. But on Wednesday the deputies were staunch in defending the one percent turnover tax - which the government wanted to dump altogether along with other taxes it deems ineffective. The Federation Council, Russia's upper house, which is made of the regional bosses, appealed to the Duma to raise the turnover tax to two percent. Kasyanov said that only 60 percent of the existing turnover tax, which in theory should bring in 50 billion rubles (\$1.8 billion) annually, could be effectively collected. Of that he said more than half was not paid in cash but with so-called means derivatives - payment in supplies to the government or one of agencies or by settling unrelated debts. Kasyanov said that was forcing businesses into grey areas, something which the government could not approve. He hinted that behind opposition to the tax reform were those who benefited from the complicated deals currently used to negotiate payments. "It is inexplicable why replacing this tax with a transparent excise duty, which is fully paid in cash and then goes to governors to be used for similar aims, should not work," he said. Kasyanov admitted that problems with the turnover tax were the first serious crisis in so far smooth relations between the government and the Duma, but he was cautious not to attack the deputies outright. "I do not want to call it a mutiny," he said. "I want to believe that this was the result of fatigue and lack of time to work out details." He said the Duma would be asked to give the law a second reading on July 19 after government amendments, but warned there was little room for compromise. "The Government wants to be consistent," he said. "When we discussed the (economic) program we agreed that there should be a systematic approach and one step cannot be torn from the others. Otherwise our government will face the fate of its predecessors who ended in half-hearted steps, watered down programs and a deteriorating economic situation."

*From Russia Today, 10 July 2000*

## **MIDDLE EAST**

### **ISRAELI FINANCE MINISTER TO SUBMIT TAX REFORM IN AUGUST**

Finance Minister Avraham Shochat is pressing ahead with his tax reform package, planning to bring it to the Knesset for a preliminary reading in the first week of August, the last week of the current Knesset session. Sources in the minister's office yesterday reiterated their rejection of all the speculation that Shochat decided to postpone the legislation until the political atmosphere clears. They said that the treasury is going ahead with the plans as they were originally prepared. Thus, last Sunday,

the treasury gave ministers and members of the Knesset Finance Committee a new set of tables showing them the impact of the tax reform on both wages and the economy. Even after all the changes in the original reform package as proposed by the ministry's director-general Avi Ben-Bassat, the reform will be a "revolution in the Israeli tax system," say the sources, noting it will total some NIS 8 billion. The reform has three main elements - capital gains tax, the international tax, which changes liability from territorial to personal, and the inheritance and gifts tax. Sources close to the minister said that even prior to the crisis with the Histadrut labor federation, which is vehemently opposed to some elements in the original tax reform package, the plan was to begin the legislative process in the last week of the Knesset's summer session. Shochat believes there is a clear majority in the Knesset for the reform bill, because substantial portions of the opposition support it, particularly the capital gains and international law aspects of the reform. The problems are with the inheritance tax. But in any case, the treasury plans to hand the dispute over to the Knesset Finance Committee after the first reading, so the bill can then be brought back after the recess to the house for second and third readings in the fall. Former tax commissioner Doron Levy told Ha'aretz yesterday that if the inheritance tax doesn't pass the Knesset, it could seriously damage the overall package, because the inheritance tax portion of the reform package is worth some 20 percent of the overall deal, starting in 2002, when it will bring NIS 1.6 billion a year into state coffers. If the inheritance tax fails, said Levy, it will mean a drastic reduction in the size of the increase in net pay that wage earners are expecting after the reform. Treasury sources said yesterday after hearing Levy's comments that precisely because of the danger that workers may not see a rise in their take-home pay, the Knesset will be loathe to kill the inheritance tax. In any case, said the sources, the government may help the reform package by cutting the state budget.

*From Israel Haaretz Daily, 13 July 2000*

## THE AMERICAS

### U.S. LAWMAKERS FACE FULL AGENDA ON TAXES

House and Senate lawmakers will likely face a busy tax week as they return July 10 from the Independence Day recess, with each side expected to complete floor action on a marriage tax relief reconciliation bill (S. 2839, House number not yet available). The Senate also will attempt to begin consideration of the House-passed version of an estate tax repeal bill (H.R. 8) July 11, while the House Ways and Means Committee is expected to mark up a bipartisan pension reform package July 13 or July 14. Senate Majority Leader Trent Lott (R-Miss.) said June 30 that he would seek to complete by July 15 Senate action on a reconciliation bill that would provide \$55 billion in tax relief to married couples and other taxpayers. As a reconciliation measure, the Marriage Tax Relief Reconciliation Act will be provided extra protection against filibuster in the Senate.

*From the Bureau of National Affairs, 10 July 2000*

## GLOBAL

### G-7 TARGETS TAX HAVENS – CANADA JOINS IN EFFORT TO CURB 'ABUSES'

Canada and the other members of the Group of Seven major industrial nations will throw their weight this weekend behind the crackdown on "abuses" of the global financial system, including offshore tax havens and international money launderers, a Finance Department official says. At their pre-summit gathering this weekend in Fukuoka, Japan, Finance Minister Paul Martin and his six colleagues will "endorse" the OECD's naming of 35 tax havens and its threat of economic sanctions against those that don't bring their practices up to acceptable standards within one year, said an official who spoke on condition of anonymity. The countries named by the Organization for Economic Co-operation and Development include several Caribbean and Pacific islands as well as Bahrain, Belize, Gibraltar, Liberia, Liechtenstein, Monaco and Panama. The ministers are also expected to support a G-7 task force's criticism of 15 other countries, including Russia and Israel, that have banking secrecy provisions that are undermining the fight against international money laundering. The finance ministers from Canada, the U.S., Germany, Japan, France, Britain and Italy, have not yet decided whether to release their report on money laundering and tax havens at their meeting, or wait until it gets the stamp of approval from G-8 summit leaders two weeks later in Okinawa, Japan, the official said. A potential problem for the leaders, however, is that Russia is a participant with other G-7 countries in that summit. Still, Canada is among another group of industrial countries slapped on the wrist by the report for tax policies that are "potentially harmful" to the global financial system, including tax breaks for foreign banks, shipping and investment corporations that are viewed as unfair investment subsidies. Canada has informally agreed to ensure that its tax rules will be adjusted if needed to make them acceptable to the international community. The much more serious concern for the G-7 finance ministers is the loss of billions, possibly even trillions, of dollars in potential tax revenues to "black holes" in the financial system. However, Canada's Finance Department has no estimate of how much potential tax revenue it is losing to tax havens. Their nasty business aside, the finance ministers will present what the official said is "pretty much a good news story" on the state of their economies, except for Japan whose economy remains "sort of flat."

*From Ottawa Citizen, 6 July 2000*

## G-7 MINISTERS TO DISCUSS FINANCE, E-COMMERCE AND JAPANESE ECONOMY

Finance ministers from the world's richest countries arrived here Friday to discuss reforms of the international finance system, regulating the global explosion of e-commerce and Japan's fragile economic recovery. The talks, which begin Saturday in this southern Japanese city, come in advance of the annual summit of leaders of the eight major industrialized nations to be held later this month on the island of Okinawa. President Clinton, Russian President Vladimir Putin and the leaders of England, France, Germany, Italy, Canada and host Japan will attend the Okinawa summit. Though the global economic picture is generally encouraging - "good overall," U.S. Treasury Secretary Lawrence Summers told reporters earlier this week - the finance ministers are likely to push Japan to redouble efforts to pull out of its economic doldrums. Japan has shown signs of emerging from its deepest slump in decades, but the economy remains dependent on massive infusions of spending by the government because near-record unemployment and falling wages have left Japanese consumers reluctant to make big-ticket purchases. The United States and Europe want reassurances the Japanese Government plans to continue its aggressive public-spending campaign, which has been criticized domestically by opposition parties for dragging the nation ever deeper in debt. Sustained economic growth "is an absolute, critical priority for Japan," Summers said before arriving here. Summers was to meet with his Japanese counterpart, Kiichi Miyazawa, on Saturday morning before the official summit began. Perhaps the most complex issue to be taken up at the summit Saturday was the rapid development of the Internet and its implications for the global economy. Though the Internet has powered economic growth in the United States and other countries that have been quick to embrace information technology, the development of e-commerce has raised a number of controversial regulatory issues. Foremost among them is how to tax consumers and businesses online. The ministers are expected to call for cooperation in devising frameworks that will allow governments to regulate e-commerce without stifling it. Another issue to be discussed is how to tune the rules of the international financial system to prevent a repeat of the economic crisis that jolted Asia in 1997 and 1998. Speaking at a symposium here Friday, Eisuke Sakakibara, one of Japan's most influential economists, warned that stronger regional financial frameworks are required if a similar crisis is to be averted, particularly in Asia. "Although globalization continues to advance, alongside that we need better regional cooperative frameworks to cope with volatilities and future crises in the international financial system," he said.

*From Nando Times, 7 July 2000*

# Private Sector Development

## AFRICA

### GERMAN BUSINESSMEN HEAR PRESENTATION ON PRIVATIZATION OF MOROCCAN PHONE OPERATOR

Moroccan minister of public sector and privatization, Rachid Filali, explained before a panel of German businessmen modalities in the projected privatization of Morocco's telecom operator Maroc-Telecom. "After Morocco decided to liberalize its telecom sector, followed by the successful cession for \$ 1.08 billion of the second mobile phone license to a Portuguese-Spanish-Moroccan consortium, it is now projecting to privatize its telecom operator Maroc-Telecom," the minister told a telecommunication workshop of the German-Arab economic forum. The minister added that Maroc-Telecom privatization will enjoy all conditions of transparency, providing equal chances for all bidders. In another session of the 3rd German-Arab economic forum held by the German-Arab economic chamber, the minister expressed Morocco's will to consolidate cooperation with Germany on the basis of balanced and permanent partnership. He explained that the kingdom, belonging to the Euro-Mediterranean space, is a credible and open partner, a country committed to the principles of international solidarity and willing to develop its cooperation ties with Germany. Morocco's legislative measures to encourage private investments, endeavors to clean public finance, restore general balances, liberalize external trade, adhere to the World Trade Organization, and to set up a free trade area with Europe by 2010 have yielded positive results, said Filali. Indeed, foreign private investments went up from an annual \$ 30 million in the 80s to \$ 500 million in the 90s, particularly in the last three years when Morocco attracted over one billion dollars in investments. Since the privatization program started in the early 90s, The Moroccan state has sold 59 companies for a total value of \$ 1.6 billion and investment commitments of \$ 650 million. The German-Arab economic forum is attended by delegates of 22 Arab states, German officials and businessmen.

*From Arabic News, 1 July 2000*

## ASIA/PACIFIC

### CHINA ECONOMIST TO GOVERNMENT: GIVE PRIVATE INVESTMENT A CHANCE – AND SOON

A noted Chinese economist recently said China must make attracting and sustaining non-state investment much more of a priority, and he called for almost the entire national economy to open itself to both private and foreign investment. Zhao Zhijun, who is a member of the Chinese Academy of Social Sciences' Economic Research Institute, said that "parties concerned" have suggested new methods for accomplishing these goals. The economist said that aside from areas related to national security and fields that require a state monopoly, all other sectors of China's economy should be opened to private funding. Zhao additionally said that this policy also should apply to the sectors in which foreign investment is permitted and encouraged, the Zhong Xin She (China News Service) reported on July 10. Zhao explained that private investment in China is accomplished through sole proprietorships, cooperation accords, joint-stock companies and franchise operations, according to the news agency. The economist then discussed the steps he said China should take in using private investment to restructure its economy: 1.Improve the investment environment by clarifying and modifying the relevant regulations that run counter to the central government's policies. Revoke various articles and clauses that restrict or discriminate against private investment. Rigorously put an end to the arbitrary imposition of fees, fines and charges on the private sector. Create laws that protect the rights, interests and property of the private sector. Stipulate policies and measures to strengthen and steer private investment. Treat equally enterprises of various types in terms of their land use, credit, taxation, discounts on interest rates, and imports and exports. 2.Improve channels for raising capital. Create state-owned commercial banks credit departments that especially serve the needs of medium - and small-size companies. Create lending and management policies targeting medium- and small-size companies to make them the main customers of local financial institutions (especially urban commercial banks), as well as urban and rural credit cooperatives. Consider establishing credit-guarantee institutions and risk investment funds for medium- and small-size enterprises. Support qualified medium- and small-size enterprises in raising funds directly by issuing corporate bonds and applying to launch an initial public offering. 3.Improve China's environment for the service sector. China should consider its cardinal tasks for achieving economic development and combating unemployment to be attracting private investment to its medium- and small-size enterprises. Zhao said if the aforementioned suggestions can be achieved through specific policies, regulations and implementation, then China's prospects are good.

*From China Online, 12 July 2000*

## EUROPE

### RUSSIA: SMALL BUSINESS CONFRONTING CORRUPTION

In most industrialized countries today, about half of the gross domestic product is created by small and medium-sized businesses. Not so in Russia, where some 30 million people working in modest enterprises account for only one-tenth of the country's GDP. In part one of a two-part series on Russia's small businesses, RFE/RL correspondent Sophie Lambroschini examines the burden of local corruption. Russia's giant utility monopolies and its "oligarchs" -- the rich businessmen with influential government contacts -- are said to benefit greatly from state help. But the country's small business men and women -- whose work ranges from brewing beer to selling shoelaces -- get little, if any, such aid. According to one recent poll, more than 90 percent of them say they have never received any help from the state. Nor do most of Russia's small entrepreneurs have financial or political contacts to help them out. Many of them are at the mercy of well-connected local officials who habitually demand bribes. Small business owners say paying bribes can be a prohibitive business expense. Take Tatiana Vinogradova, for example. She is a former factory worker in Tula, a city 200 kilometers south of Moscow that had lots of defense-oriented jobs until the defense industry crashed along with the Soviet Union in the early 1990s. As a result, in 1992, Vinogradova joined trainloads of poor Russians who traveled to Poland to buy cheap goods and then returned to sell them in Tula's cold and dreary outdoors markets. Two years ago, after many such trips, Vinogradova finally was able to close her outdoor stall and open a counter inside Tula's main children's store, Children's World (Detsky Mir). She thought her efforts had finally paid off -- until, five days after she had set up her business, an official from the government's trade inspection bureau came by to look over her display of Mickey Mouse sweaters and colorful bibs. Vinogradova told RFE/RL that the official made an all-but-impossible demand: "You know how she did it? My goods are from Poland. So she starts with, 'It's a Polish label, where's the translation into Russian?' I can't translate them all -- a thousand baby sweaters! But she doesn't threaten me with the law, she simply asks for a bribe. And I actually agreed to go on her leash and gave her the bribe. I gave her about \$1,400 a month [a few times], thinking that then it would be over. But there was no end to it. So I told her I was closing my counter. But she said, 'Yes, but I know you have another stand in the main shopping mall.'" When the trade inspector showed up there, too, Vinogradova feared that her business would soon be gobbled up and decided to take her chances with another law-enforcement organ - the anti-mafia police. The police equipped Vinogradova with marked bills and a hidden microphone to trap the corrupt official. At the last minute, Vinogradova said, she almost felt sorry for the woman: "When she took the marked bills, I thought, 'Wow, you've signed your own death warrant. The directors of Children's World and other stores all knew her very well. They literally drank to my health for three days, isn't that something? Because she had terrorized the whole city -- everyone paid, and everyone kept quiet about it.'" Tula's small-business community was lucky to receive cooperation from the police. In Moscow, that kind of help is not often forthcoming. Nikita Kuznetsov is a lawyer who works for a small-business support group called the Moscow Region Movement for Markets and Small Businesses. He says that in the capital, law-enforcement officials represent the greatest menace to small businesses. Kuznetsov points out that Russian laws are often imprecise and unreasonably demanding, making them ideal tools for corrupt law-enforcement officials. He cites unrealistically high federal and local tax rates that force small businessmen to resort to "creative accounting" -- that is, lies and fraud. What's more, Kuznetsov says, the same high tax rates also make small businesses quite vulnerable to official bribes. Russian law allows any police officer -- including a traffic policeman -- to check the price list of any business. According to Kuznetsov, that opens the door to official bribes. He recounted a typical case to RFE/RL: A man has a store, an ordinary store -- what is called a 'trade kiosk.' The economic crimes police come to see him and confiscate his goods, worth about 60,000 rubles (\$2,200). They inventory the goods and take them away, so you have a store without goods. The next day, the businessman is ordered to appear at a police station.

There, they tell him confidentially, 'We confiscated your goods worth 60,000 rubles. Give us 30,000 rubles, and the goods are yours.' Does he give them the money? Yes, he does -- because there is no other way. Recently, Kuznetsov's movement organized a demonstration against a Moscow municipal decree obliging all market stalls to install cash registers. The decree was aimed at better control over what is called "gray market" commerce -- small sales that can evade taxes because there is no means of checking the accounting. The cash registers, which cost up to \$400 each, were to be equipped with electronic chips to record the sales. Kuznetsov says: "This means the little babushka who might starve by living only on her pension -- but is making ends meet thanks to a little stand where she sells cigarettes -- will have to invest in a machine that will eliminate her profit." For Kuznetsov, Russia is far from ready for complicated, Western-style business regulations. He says that the best way to reduce the country's small-time -- but extensive -- police corruption is to reduce government rules to a minimum: "Reduce the powers of the state as a controlling organ -- that's a classic free-market principal. How can you fight bribe-taking? Only by eliminating the pretexts for taking bribes -- or at least reducing them to a minimum. We need a law that clearly states the conditions under which official intervention - and eventual confiscation of goods - is authorized. If a regulation simply says that a militiaman is allowed to verify suspected business fraud, then that's what he'll do -- with almost unlimited powers." But in Russia today, state intervention in business seems to be growing, not diminishing. One new difficulty for small businesses is the growing monopolization by regional officials of highly profitable economic areas. Nikolai Petrov, an analyst with the Carnegie Endowment in Moscow, cites the example of small vodka distilleries, a booming local business. Petrov says that not only do regional officials try to keep factories within their territory -- so as to collect their revenues -- but they also try to control the overall market, by setting up companies that squeeze competitors out of the regions. They introduce requirements for all kinds of excise stamps and quality certificates that prevent others distilleries' vodka from entering the local market. Petrov notes that complying with these bureaucratic requirements usually takes so long and costs so much in bribes that by the time a competitive distillery actually collects all the necessary authorizations, the regional official's

distillery is already solidly in place. In Moscow, the high cost and instability of property leases pose another major problem for small businesses - the difficulty of obtaining loans. This is especially true of loans needed for investment in production -- for which, in the eyes of Russian banks, there is no valid collateral. Kuznetsov of the Moscow Region Movement says: "When the property is not privately owned, no one will extend you long-term credit because the only stable collateral for loans is land. [That means] if the land is not yours, your business is not considered stable." Three months ago, the State Duma finally adopted an aid program for small businesses intended to provide them with technical assistance as well as financial support. Its aim is to reduce all the administrative obstacles that hold back the development of small businesses in Russia today -- a very tall order, indeed.

*From Radio Free Europe, 29 June 2000*

## **INSTITUTE URGES FASTER PRIVATIZATION FOR ALBANIA CEMENT INDUSTRY**

A think-tank in the capital said only privatization could recover the ailing cement industry, just days after the Government announced the sale of a big factory in Fushe-Kruja, north of the capital. Seament, a Lebanese-British group that has dealt with cement import into Albania the past four years, bought the factory of Fushe-Kruja on Monday last week for \$13m. Albania produces only four fifths of the cement for the booming construction industry into the country. The industry collapsed after the fall of communism. In 1989, the country produced 820,000 tonnes per year. "The cement industry is in a crisis and there is no serious step to reestablish it in the near future," Zarif Dervishi, the director of the Institute for Construction Technology, said last week. "At present, several gross traders have monopolised the market with imported products, and the consumer has been turned into a mere gambler." The factory of Fushe-Kruja is one of four large cement factories that were built in Albania during communism. Three other ones had different fates. A factory in Elbasan, ECF, is being managed by a foreign company and boosted its production to cover a fifth of the country's needs. The factory of Shkodra was privatized but closed as no investment was put in. The Government did a gaffe by giving it in 1993 to the owners before 1944, who came as poor as anybody else from communism. Another factory in Vlora has been all but abandoned. "Higher cement production would create higher security and credibility for the construction industry," said Dervishi. "It will be good news for the consumer, and increase the producer's responsibility." Dervishi said the consumer was not able to control the quality of the cement, which in many cases had been low. "Imported cement has never been accompanied with the producer's report, which registers the type of cement, the chemical composition of the clinker used and other technical qualities that the producer must necessarily give to the purchaser." Dervishi said that 78 percent of the companies that work in processing inert materials for the industry, especially gravel, were illegal. "We have made a study showing widespread irregularities in the sector," he said. "Most of the companies had irregular documentation." He said this will further damage the ecology of the country. Gravel of the river is being sold for \$12 to 15 per cubic meter, from \$2 that it really costs. Construction Police fined and confiscated all working equipment of five companies dealing with the trade. Three months before the local elections are due to be held, administrative reform of the institutions is the Socialist Party (SP)'s strongest asset and a victory for that party would be a progressive step for Albanian society. Confident of victory, the SP's Secretary for Public Relations, Luan Rama, in an interview with daily 'Albania' on Sunday, assured the Albanian electorate that his party would defend all the victories and achievements that have become a reality since 1997. According to Rama, the SP platform is aimed at taking forward the institutionalisation and democratisation of local organisms, and more safety for investments, especially in infrastructure, water and electricity, etc. Over recent years the local government institutions have been the weakest chain in the Albanian state and the successes achieved give the Socialist the right to demand the mandate of the Albanian electors, he said. For the senior SP leader, the weakest point of the SP was the failure to make the local institutions compatible with the law adopted on the civil service, while its strongest point was its determination and responsibility not to be separated from the electorate. Segments from Rama's interview follow:

- The SP is preparing for the local elections and for the running of the electoral campaign. How are they different from those of 1996? - Firstly, there is the engagement of the SP's structures to face the electoral campaign, and we will win these elections because a victory is also our obligation to the Albanian voters to continue the road of reforms, to consolidate democracy in Albania and to continue the partnership with the international community. Secondly, we are holding this campaign against another background because now we are a ruling party, not one in opposition. We have succeeded in changing the concepts of governance and have created a new environment of cooperation. Furthermore, the institutions are functioning normally and therefore we have the legitimate right to demand from the Albanian voters the mandate for the local government, because that is the weakest point of the state. Actually, we are aware what we have done, which is why we have many things to tell the electorate. But we also know what has not been done and we have the civil courage to tell the voters why we have not met all our obligations. - Has the atmosphere for the SP changed, compared with 1996? - The environment is positive, especially when it is compared to 1996, and there has been a significant change. The party structures are prepared to face the whole burden of the electoral campaign. The spirit of debate and polemics within the party is not like that of 1996. Now there is more emancipation and as a result there is a greater responsibility and engagement of the party structures to guarantee victory. The recent changes in the party were targeted at making it an electable party, which means that the party's structures should correspond to the electoral structures. To make things more efficient, we have made changes in the party's statute, aiming at it functioning as a coherent organism to achieve the final aim. All party leaders and local militants and activists are aware of their responsibilities and the elections are also a final test to prove that Albania has entered the irreversible trends of Euro-Atlantic integration. - What are the weakest and the strongest points of the SP, five months before the elections? - The weakest point of the Socialists has been the institutional reform in administration. We have adopted a very important law, i.e. the law on the civil service, but we have not succeeded in making the administration compatible with the law. The strongest point is our determination and responsibility, which have not separated the party from the electorate. Any victory achieved by the SP is not considered as ours alone, instead we consider it a victory for the entire Albanian society.

Everything is being done in line with the success of all the steps undertaken to construct a solid and democratic state with stable and reliable institutions. - What are the promises the SP will make to the electorate? - This is a broad field, but on top of all the SP guarantees that it will defend the victories and changes made since 1997 up to now. There will be a promotion of local government and its institutions. We want to confirm that Albania has entered an irreversible path to Euro-Atlantic integration. The SP is determined to defend the achievements made so far, especially in the field of its Euro-Atlantic integration, and the SP has guaranteed higher indicators in investments, water and electricity. In short, we aim at changing completely the face of our cities. - The international community, OSCE and the US are concerned about the local elections. How do you see their great engagement? - We have required since the beginning international monitoring of the whole electoral process, starting with the drafting of the Electoral Code up until the moment the results of the elections are published. Through this, we want to tell them that things have changed in Albania and that the atmosphere of 1996 and 1997 has gone. Furthermore, we guarantee that the SP has taken all measures for free, correct and fair elections to be held, uncontested to anyone. This has also been done to institutionalise the highest institution, the free vote of the people, because that vote has previously been violated. I do not want to predict that there might be troubles, and the Democratic Party militants and activists have already understood that the path of conflict and unrest is to the detriment of Albania and the Albanians. I think there will be no room for the logic of conflict.

*From Albania Daily News, 11 July 2000*

## **HUNGARY PREMIER ATTACKS MOL'S PRIVATIZATION**

Hungarian Prime Minister Viktor Orban on Wednesday criticized the privatization of oil and gas group MOL under the previous cabinet and said the government would not give up the idea of buying back MOL's gas business. Orban, speaking on Hungary's Kossuth Radio, said the Hungarian oil and gas industry was privatized without the previous government having a clear idea what the country's gas and oil business should look like in the future. "I had the feeling... then, and now I see this proved that a very serious privatization decision was made without consideration for the future," Orban said. The government and MOL are at loggerheads over gas prices and the future of MOL's gas business, with the cabinet capping this year's gas price rise in an effort to curb inflation and avoid social tensions. MOL's chairman resigned in the aftermath of a decision of the government to allow only a six percent gas price rise, which the company says will result in heavy losses on its gas business and has caused a sharp drop in its share price. MOL fell Ft 150 to close at Ft 3,650 on Tuesday, extending its recent sharp losses. Orban that by re-nationalizing the gas business, MOL could keep and strengthen its leading role in the region without pushing Hungarians, who now pay a considerable part of their income on gas bills, into a hopeless situation. "That the government buys back the gas business as a result of a lengthy bargaining process is one of these possible solutions. I have not given this up, I see a possibility for this," Orban added. Orban said it was in the interests not only of MOL's owners but also the country for MOL to remain a strong company in the longer term. "If the price of MOL's stocks is low now, this only leads to one thing - that this is the time to buy because this way one can acquire a stake in a company that will strengthen further," Orban added. "There will be an agreement and I think we will be able to agree with MOL's management in a way that serves the interests of Hungary, MOL and Hungarian families," Orban said.

*From Hungary Today, 13 July 2000*

## **PRIVATIZATION AUTHORITY SELLS OFF TURKISH PORTS**

The Privatization Administration (OIB) yesterday held sell-off tenders to lease operation and management rights of ports for 30 years. The best bid for Cesme Port was seen at \$26.3 million, the Anatolia news agency reported. The bidder, Cesme Port and Tourism Operation joint venture must pay 20 percent of the price in cash and the rest over a three year period with an annual interest rate of 12 percent. A Marmaris joint venture offered \$14.9 million, the best bid for Marmaris Port. The group must pay 25 percent of the price in advance. Dikili Port and Tourism Enterprises joint venture offered the best bid with \$5.2 million for Dikili Port. Advance payment is 25 percent of the price. The sell-offs are subject to the approval of the Supreme Privatization Board (OYK).

*From Turkish Daily News, 13 July 2000*

# **MIDDLE EAST**

## **JORDANIAN GOVERNMENT PERMITS PRIVATE MEDIA**

The Jordanian Government has taken an important step towards permitting the private sector to establish private TV and radio stations in the Kingdom. The Jordanian minister of information Taleb al-refaa said in conclusion of a session for the Jordanian Cabinet that the Cabinet had made an amendment on the law of the Jordanian TV and radio establishment which used to give this establishment the right to monopoly TV and radio broadcasting inside the Kingdom and availed itself the chance to offer licenses to local and foreign investors to set up private TV and radio stations according to precise and definite specifications. During his meeting on Thursday with foreign correspondents, al-refaa said the Jordanian Government will permit the establishment of radio and TV stations to "break the monopoly of the official mass media."

*From Arabic News, 7 July 2000*

## THE AMERICAS

### PRIVATIZATION OF FLORIDA STATE AGENCIES MOVING SLOWER THAN EXPECTED

The freight train of privatization at state agencies appears to be not quite the juggernaut it seemed a few weeks ago. Two key social service programs that were due to be privatized this month - vocational rehab and children's welfare services - have hit serious snags. Both now look to be months away from making the transition, and the Vocational Rehabilitation Division plan is at least temporarily derailed. The problems are less extreme at children's services, even though delays in the transition have caused a shortage of caseworkers. According to Steve Sally, who heads the private, nonprofit group involving several agencies poised to take over children's welfare services in Volusia/Flagler counties, the coalition is still involved in initial contract negotiations with the district office of the Department of Children and Families. Sally explained Friday: "It's a matter of a lot of information the department needs from us and we need from the department in order to proceed. We are scheduled to reconvene (negotiations) on the 18th of July." He said he doesn't actually expect the recently formed Partnership for Community Based Care to assume responsibility for services - which will include foster care and adoption services - until Jan. 1. Pat Thigpen, a spokesman for the Department of Children and Families' District 12, which encompasses Volusia and Flagler counties, agreed the turnover from public to private administration of services won't take place for several months. "There never was going to be an official changing of the guard situation on July 1," she said. Meanwhile, professional child welfare workers in the district are reported to be struggling with increasing caseloads caused by a shortage of available caseworkers to fill openings, as qualified staff leave. "I feel very badly right now about the situation," Sally said, adding, "Yes, the department and the staff have admitted they are overwhelmed. It is difficult to recruit new staff for openings when the job doesn't have any specified length of service. We as a group have spoken to Christine Davenport (District 12 director) and told her we are willing to step up to the plate to do what we can to alleviate the situation." Sally said some of the individual agencies in the partnership had already sent staff to the district offices to help out and that they hope to work out a more definitive plan to provide support. Another possible solution being considered, he said, would be for the partnership to work with the district in the interim to recruit and hire caseworkers. Those hired under the joint process would be assured employment with the private partnership after the transition. Meanwhile, as of Saturday, employees at the state Division of Vocational Rehabilitation are under new management, as the entire division was transferred from the Department of Labor to the Occupational Access and Opportunity Commission spokesman Ken Baer said, "The change is in governance only at this point." That's because the statewide plan to privatize the 70-year-old Division of Vocational Rehabilitation hit a roadblock earlier last month. The commission has been forced to abandon its aggressive push to turn the state's vocational services over to private providers after the federal government, which puts up 80 percent of the funds for the services, rejected the plan submitted for its approval in late spring. Backing down was not the commission's first reaction, however. In fact, last week's vote reversed a vote to resubmit the plan to the federal government at a meeting June 14. In the wake of that meeting, three members of the 13-member commission resigned. However, the flip-flop still doesn't mean Florida won't end up with a privatized vocational rehabilitation system. Baer explained, "The intent is to work with the feds to come up with a demonstration model. The law has not changed - it still asks us to privatize and use private providers for services. "Florida is a bellwether on this. The trend is away from centralized to decentralized programs. Vocational Rehabilitation hasn't changed much in 75 years. Without change, you never move forward," he said. Steve Howells, director of Florida's Advocacy Center for the Disabled and a former commission member, said, "I resigned when they voted not to withdraw the state plan even though they knew the plan was out of compliance with federal regulations." Howells said the commission's vote last week to reverse that decision was prompted by advice the group got from a Washington, D.C., attorney they consulted. Howells added that he worries the commission's decision last week does not eliminate the dangers to the nearly 100,000 disabled citizens that would be affected. "We will take steps to protect the rights of the disabled in this state," he said, adding that the advocacy center would consider going to court if necessary.

*From Daytona Beach, 3 July 2000*

### BUSINESSES ASKED TO HELP LOUISIANA GOVERNMENT

Gov. Mike Foster said Thursday he hopes to enlist the aid of the business community to help find ways to streamline state government. During an impromptu news conference, Foster said that since the business community is unwilling to pay more taxes right now, he will press business leaders to help him find ways to free up money for education by cutting the size of government. Foster said he will assemble an informal group of advisers from such organizations as the Louisiana Association of Business and Industry, the Council for a Better Louisiana and the Public Affairs Research Council. Foster said he's going to urge those advisers to remember the political difficulties associated with cutting spending. "Don't come up with stuff that is not politically doable," Foster said. "Be practical." Foster said he hopes to get the process in the works "within the next 45 days or so." The governor said he's not backing away from his desire to come up with additional money for education from kindergarten through college. Foster said he will urge voters to approve a constitutional plan to swap higher income taxes for lower sales taxes as a step toward improving the state's revenue base and helping fund education. Foster said the income/sales tax swap would create a growth-oriented tax method and generate an estimated \$206 million a year in new revenue for the state. The new revenue would be used to give pay raises to public school teachers and college faculty members, the governor said, but the raises wouldn't kick in until July 1. Foster said he is cautiously optimistic about the chances of the income/sales tax swap winning voter approval Nov. 7. "Most people are going to realize they are not getting hit by this very hard," Foster said. "And they're going to like the idea of getting rid of the sales tax on food and utilities. "Hopefully, there will be some pride out there and what little (new revenue) is generated will go to

education, and that's a good reason to do it." Foster said he might spend some of his personal campaign funds promoting the idea. Foster and some business leaders, particularly those with LABI, have blocked talk of new business taxes in recent months. LABI President Dan Juneau has downplayed the rift between LABI and the governor, chalking it up to a difference of philosophy on tax matters. Juneau said last week LABI already is planning a study of its own on state spending. "If they'll come with some politically doable ideas that will help us streamline government, that's a great idea," Foster said of LABI's study. State Sen. Jay Dardenne, who chairs the powerful Joint Legislative Committee on the Budget, said the governor's talk of shrinking state government coincides with the wishes of many conservative legislators. Dardenne, R-Baton Rouge, said he plans to appoint special subcommittees of the Budget Committee soon to hold hearings on how to reduce the size of government. The hearings will take place this fall. Dardenne said reducing the size of government is much easier to talk about than to accomplish politically. "If we are really going to downsize government, you have to talk savings in the magnitude of hundreds of millions of dollars, not just a million here or a million there," Dardenne said. "And that is not at all easy to do." CABL spokesman Barry Erwin said his organization welcomes the idea of helping the governor find ways to streamline government. But Erwin said CABL doesn't have the expertise to suggest exactly how to do that. Erwin said the governor might want to enlist the assistance of someone who really knows the inner workings of state government, such as former State Budget Officer Steve Winham, who retired early this year. Foster said state government needs to take a lesson from the petrochemical and manufacturing industries that have used technology to make dramatic cuts in their work forces. "You go into a factory today, and there's nobody there," Foster said. "Sugar mills that used to take 100 employees take 10 today." Foster's comments came after he taped a TV program that will air at 7 p.m. today on Louisiana Public Broadcasting. Foster answered questions from voters who submitted e-mails to the program.

*From Baton Rouge (LA) Advocate, 7 July 2000*

## **HONDURANS PROTEST PRIVATIZATION OF PHONE COMPANY**

Tens of thousands of union workers, peasants, teachers and students held protests in Tegucigalpa and across Honduras against government plans to privatize the national telephone company, among other industries. The march on the capital city, the largest of the protests, was expected to draw some 18,000 people, a protest organizer said Wednesday. Similar protests were held in San Pedro Sula, La Ceiba, Choluteca, Santa Barbara, Tocoa, La Paz, Juticalpa, Danli and Comayagua. Honduras agreed to privatize some state-owned enterprises under an agreement with the International Monetary Fund to, among other objectives, relieve the Central American country of \$4.3 billion in foreign debt. The Government, under President Carlos Flores, also plans to sell the national electric company to private investors. Maximiliano Perdomo, the president of the Union of National Electric Energy Company Workers, said the privatization of the energy industry would lead to mass layoffs.

*From Hispanic Vista, 6 July 2000*