GOVERNANCE WORLD WATCH

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

Compiled by Networking and Outreach Clusters   June 1999

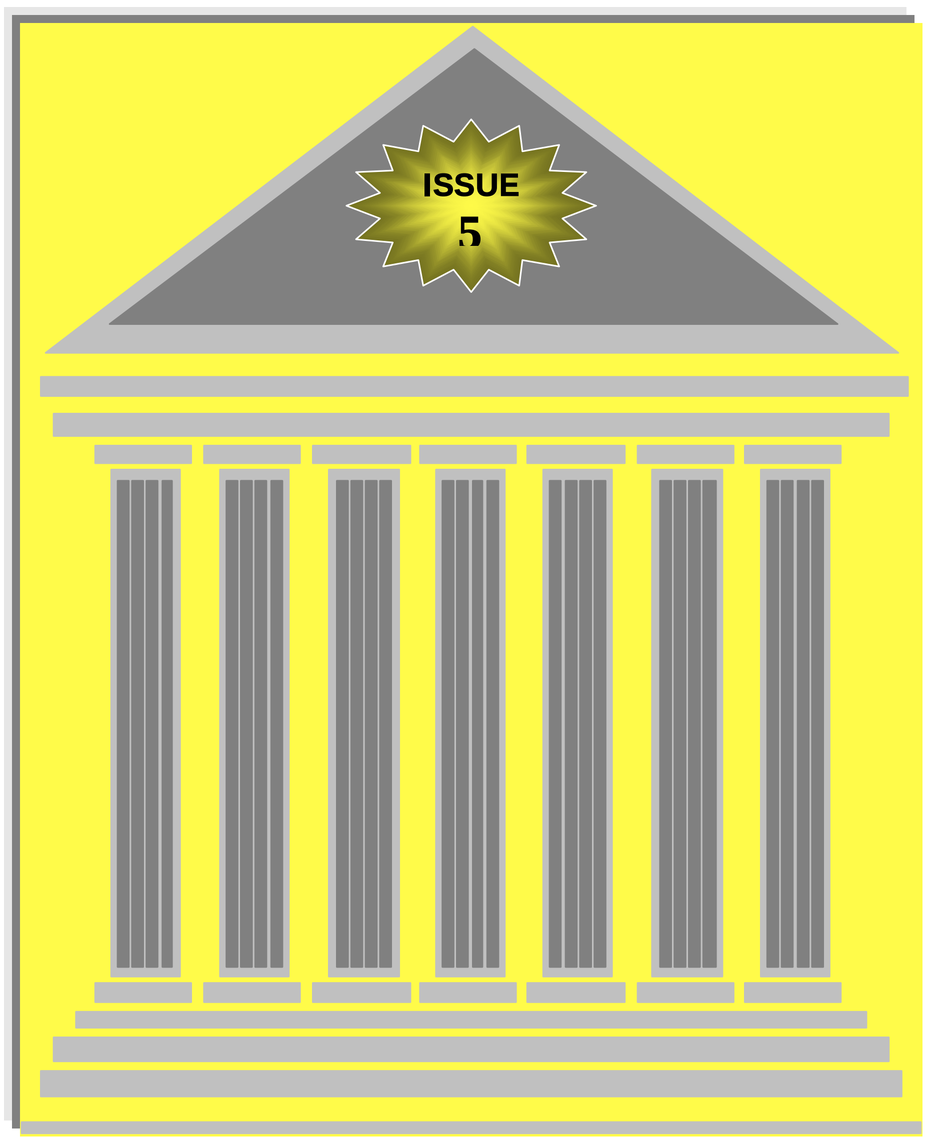

Table of Contents

Public Economics

Africa
- Ugandan Budget-IMF Praises Defense Cut ... 1

Asia / Pacific
- Recovery Undercuts S.Korea's Quest to Bail out Banks ... 1
- S.Korean President Promotes Allies to Bolster Reform ... 2
- Australia Reaps the Reform Harvest ... 2
- Japan's Jobless Rise Increases Pressure ... 4
- Cambodia PM Says No Choice but Push Reforms ... 5
- China Slows Free Market Reforms ... 6

Europe
- Russian Cabinet Focuse on Economy ... 6
- Issing Warns Germany to Reform Welfare State ... 7
- Italy Govt. Proposes Reform of Ministries ... 8
- Jospin Cool on Blair-Schroeder "Third Way" Appeal ... 8

The Americas
- US Airline Confident Can Ride Out Storm Over Suit ... 8
- Ottawa Takes Third Way Cue from Europe ... 9
- US High-tech Sector Creates Over 1M Jobs ... 11

Global
- OECD Asks Non-Members to Global Talks ... 12
- Financial Crisis Hits War on Poverty ... 12

Governance Systems and Institutions

Africa
- Niger Suspends Some Civil Service Reforms ... 13
- Nigerian Senate Demands CVs of Ministers ... 13

Europe
- Moscow Residents Invited to Call in Their Complaints ... 13
- Self-Government Threatened at Local Level in Russia ... 14
- Foreigners in Russia to Encounter More Red Tape? ... 14
- Institutional Building in Kosovo ... 14

Middle East
- Arab States Need More Transparency ... 15
- Top Egypt Academics Repudiate Draft Law ... 15

The Americas
- Mexico City Mayor Uses Facelift For Central Plaza ... 16

Global
- Armed Conflicts Rise Around World in '98 ... 17

Civil Services & Ethics in Public Sector

Africa
- Niger Fraud Team Recovering Money Owed to State ... 18
- Civil Servants Strike in Ivory Coast ... 18
- Zimbabwe Civil Servants Strike for Pay Increase ... 19

Asia / Pacific
- Anwar Convicted of Corruption Goes on Trial ... 19
- Malaysian Civil Servants to Get Pre-Election Bonus ... 20
- Hong Kong Freezes Civil Servant's Wages ... 20

Europe
- Ethics Debate Clouds New European GM Food Law ... 20
- Business Education Ethics ... 21
- EU Ministers Agree to Delay Cut in Jr. Doctors' Hours ... 21
- Adamkus Chides Parliament Failure to Remove Member ... 21

The Americas
- Antitrust Police Use Fear to Fight Greed ... 22
- Federal Government Awards Contracts ... 23
- Corruption Said Stunting Colombia's Economy ... 23
- US House Ethics Panel to Investigate Lawmaker ... 24
- Cuba Says Corruption Scandal Rumors Exaggerated ... 24
- Ethics Order Request Withdrawn ... 25

Management Innovation & Trends

Europe
- Miscounting People ... 26
- Counting on a New Measure of Success ... 27
- A Workable Europe ... 28

The Americas
- Latin America Bracing for Y2K Problems ... 29

Global
- Y2K Experts Poll Results to be Released ... 31

Public Finance

Africa
- New Nigerian Rulers to Review Financial Advisers ... 32
- E.Africa Urged to Address Infrastructure in Budgets ... 32
- Uganda Budget Boosts Social Spending ... 33
- Kenya Abandons Balanced Budget ... 34

Asia / Pacific
- India:Tax Crackdown Targets Foreign Firms ... 34

Europe
- Tax Crackdown Plan May Hit It Entrepreneurs ... 35
- Investors in Japan Show Euro Nerves ... 36
- Tax Reform is Russia's Only Hope ... 36
- Turkey Pledges Reform, Lower Inflation ... 37
- Russia Starts Session on IMF Tax Laws ... 38
- Russian Government Urged to Start Tax Law ... 38
- Estonian Government Succeeds in Changing Rules ... 38

Middle East
- Bahrain's Emir Names New Finance Minister ... 39

The Americas
- From Brazil to Wall Street and Back ... 39
- US Regulators Postpone Rules ... 40
- Mexico Acts to cut Deposit Insurance ... 40
- Three Convicted in $150M Money-Laundering ... 41

Global
- Banking Supervisors Clear Way for Basle Capital ... 41

Private Sector Development

Africa

- Kabila's Office to Oversee Congo State Enterprise 43

Asia / Pacific

- Japanese Construction-Private Sector Lags Behind 43
- Bangladesh Facing Major Investment Challenges 43
- Pakistan Privatization Going Slow 44

Europe

- Bulgaria to Sell State Steelworks for $1 45
- WB Urges Ukraine Sell-Offs to Pay Debts 45
- AMC Privatization Well Under Way 46
- Olympic Airways - BA to Take Over 46
- Italy Amato Hopes Enel to be Privatized 47

Middle East

- Egypt: Hollow Talk on Privatization 47
- Paribas Says Morocco's Privatization to Accelerate 48
- Morocco Cuts Privatization List to 20 Firms 49
- Investors Eager for Egypt Telecom Privatization 49

Global

- IMF Seeks Private Sector Role When Crises Bite 50

Public Economics

AFRICA

UGANDAN BUDGET - IMF PRAISES DEFENSE CUTS

The IMF has praised Uganda for its announcement this week that it would reduce defense spending to $177bn in the 1999/2000 fiscal year. The budget target marks a 9 per cent drop from last year's target of $193.5bn, and a considerable fall from actual spending of over $230bn, which spiralled because of war in the Democratic Republic of Congo and internal unrest. "We were very unhappy with the increase last year, but the budget this year is in line with what we agreed in the medium-term framework," said Dr. Zia Ebrahim-Zadeh, the IMF representative in Kampala. Gerald Ssendaula, the finance minister, said the economy had grown by 7.8 per cent last year, but also announced a budget deficit of 1.16 per cent of GDP in 1999/2000, up from 0.93 last year.

Ms. Zanelli's collection from Financial Times, 12 June 1999

ASIA/PACIFIC

QUICK RECOVERY UNDERCUTS SOUTH KOREA'S QUEST TO BAIL OUT BANKS

South Korea's efforts to enlist foreign capital and expertise in an overhaul of its rickety financial system have become bogged down in, of all things, the country's stunning recovery from economic crisis. On Monday, the Financial Supervisory Commission, the financial watchdog charged with cleaning up South Korea's debt-laden financial institutions, announced that it had extended negotiations over the final terms of the sale of Seoul Bank to HSBC Holdings PLC until June 30. "Both parties agreed that more time was needed, as due diligence of the bank took longer than initially expected," the commission said in a statement, referring to the need for the buyer to do more research. The tortured negotiations stand in stark contrast to the rest of the optimistic news sweeping the country and are thus fast shaping up as a litmus test of the Government's resolve to continue to push reform now that pressure in the form of imminent economic collapse, a sinking currency and a crashing stock market has faded. The commission also delayed for a third time the sale of Korea First Bank to a group of investors led by Newbridge Capital Ltd., a private equity group backed by two U.S. financiers, David Bonderman and Richard C. Blum. Both banks were nationalized as part of a $57-billion bailout by the International Monetary Fund in December 1997 when Korea teetered on the brink of default. Conditions have changed markedly since then. Today, Korea's economy is growing beyond all expectations, and its stock market hits post-crisis highs nearly every day, as foreign investors register their approval of the Government's reform efforts. "The economy is improving, people are feeling better and the sense of urgency is not as great," said Jeffrey D. Jones, the president of the American Chamber of Commerce in Korea. What is more, Jones said, the economic improvements do in fact reduce the need for foreign capital, although Korea is still eager to obtain it. "When you don't see that sense of urgency, that can be seen as a step back," he said. Maintaining the drive to change ways of doing business that are decades old, however, is critical, not only in Korea but also across Asia. Japan's seemingly intractable economic decline stands as a stark reminder of the perils of staving off the problems rather than moving aggressively to eradicate them. "It's maybe the biggest challenge Korea in particular and the rest of Asia in general faces, not lapsing back," said Wilbur Ross, a high-profile turnaround strategist at Rothschild Inc. He was recently appointed by the Korean Ministry of Commerce, Industry and Energy as the "Honorary Economic Ambassador" to the APEC Investment Mart being held in Seoul this week, an offshoot of the Asia Pacific Economic Cooperation forum that is aimed at enticing foreign investors to Asia. He remains bullish on the region, as he will demonstrate in a speech to the conference on Tuesday that will stress the importance of following up capital enhancements to financial systems with a complete overhaul of management practices.

APM Cluster's collection from the New York Times, 1 June 1999

SOUTH KOREAN PRESIDENT PROMOTES ALLIES TO BOLSTER REFORM PROCESS

President Kim Dae-jung yesterday named loyal aides and technocrats to cabinet posts in an extensive reshuffle intended to keep South Korea's economic reforms on track. The reshuffle, the first since Mr. Kim took office 18 months ago, affected 11 of 17 ministers and replaced a cabinet dominated by politicians from the conservative United Liberal democrats, the junior partner in Mr. Kim's coalition. The appointments strengthen the president's control over the economic ministries, which were headed by ULD officials, amid worries that the reform programme has slowed because of complacency resulting from Korea's rapid economic recovery. Several prominent reformers were named to leading posts, including Kang Bong-kyung, the senior economic presidential secretary, as head of the finance ministry. Mr. Kang has been a harsh critic of the big conglomerates, or *chaebol*, and recently threatened to strip the family owners of management control if they failed to cut large corporate debts by the end of the year. He is also known as a skilled handler of Korea's large entrenched bureaucracy because of his long career as an economic policymaker. "I will promote the openness policy in step with the era of globalization and especially will provide support for the restructuring of the top five chaebol to be promoted without failure," Mr. Kang told reporters. Mr. Kang replaces Lee Kyu-sung, who "wanted to leave office", said a colleague. "He felt he had accomplished most of his goals." While Mr. Lee focused on achieving economic stability following Korea's financial crisis in late 1997, his successor is expected to emphasize financial and corporate restructuring. As the president's chief economic adviser, Mr. Kang has cooperated closely with Lee Hun-jai, the head of the powerful Financial Supervisory Commission, which oversees corporate and financial reforms. Jin Nyum, another important reformer, was named to the new post of minister of budget and planning. He has supervised the privatization of state companies and efforts to reduce the bureaucracy in his role as head of the budget office. Chung Duck-koo, the vice finance minister, was promoted to head the ministry of commerce, industry and energy. The president also tightened control over the national security establishment, which has been skeptical of his "sunshine" policy of economic cooperation with North Korea. Lim Dong-won, the president's chief adviser on North Korean affairs, was named as unification minister. General Cho Sung-tae was named as defense minister to replace Chun Yong-taek, who is expected to be appointed as head of the intelligence agency.

Mr. Horn's collection from Financial Times, 25 May 1999

AUSTRALIA REAPS THE REFORM HARVEST

Australia has quietly and modestly created one of the strongest economies in the developed world - in spite of the recent Asian crisis. The dazzling performance of the Australian economy has come as a pleasant surprise in a country used to relative decline. But as the rate of growth outstrips the expectations of even the most optimistic forecasters, some pundits and policymakers are wondering whether it is all too good to last. In spite of the Asian crisis, growth in real gross domestic product last year came close to 5 per cent - faster than the US. Nor was this a mere flash in the pan. Over the decade so far, the growth rate has been 3.2 per cent. This is higher than all other countries in the developed world bar Ireland's 6.8 per cent and Norway's 3.5 per cent. Something has clearly changed since the dark days in the mid-1980s when Paul Keating, then the country's treasurer (finance minister), warned that Australia was descending towards banana republic status. There is a real possibility that Australians will become a republic after the November referendum, but there will be no bananas. The perception of relative economic decline has long been ingrained in the Australian national psyche. That is understandable, given the century-long adverse shift in the country's terms of trade. The amount of goods and services it has been able to buy with its natural resource exports has shrunk steadily. As a result, Australians are instinctively cautious about their country's recent achievements. Top officials at the Reserve Bank of Australia say that these have been unlike anything in the preceding 30 years. But they remain uncertain as to how far the recent combination of strong growth with low inflation reflects a lasting change in the economy. In the central bank's biannual statement on monetary policy earlier this month, the fanfare was confined to a suggestion that its forecast of somewhat lower growth in gross domestic product this year could turn out to be too pessimistic. And while last week's budget from Peter Costello, treasurer, was upbeat about the growth prospects, the language fell short of euphoric. In spite of such modesty, the Government and the central bank can claim some credit. Luck undoubtedly played a part in insulating Australia from the Asian crisis. Interest rates were significantly reduced in the 18 months before the crisis for purely domestic reasons. But the lags in monetary policy ensured a stimulus that was perfectly timed to offset the deflationary impulse from Asia. Since then, policy has been exceptionally well judged. Confronted with an assault by hedge funds on the Australian dollar, the independent central bank kept its nerve. It intervened judiciously in the currency market, and refrained from raising short-term interest rates from a level of 5 per cent. This was in contrast to the response of the New Zealand central bank, which raised rates from 4 to 10 per cent. Australian fiscal policy was also supportive at the crucial moment, in that the public finances had been returned to surplus by Prime Minister John Howard's conservative coalition. As with the UK in 1992, a large devaluation failed to precipitate a surge in inflation. Having seen off the hedge funds, the Reserve Bank is now showing a useful profit on its intervention. The robust performance of the economy also owes much to the longer-term structural reforms undertaken by successive governments. For want of an eye-catching label like Thatcherism in the UK or Rogernomics in New Zealand, these have attracted less attention than they deserve.

To the extent that reforms were put in place by earlier Labour administrations, there was a reluctance to crow about them for fear of upsetting the unions. And since much has been done at state level within Australia's federal system, it has been less visible to outside eyes. In the Labour market, a hopelessly complex system of centralized pay awards has been simplified, with the focus of wage bargaining being shifted from national to enterprise level. Even before the introduction of these reforms, the economy's ability to generate employment was impressive by European standards. Don Stammer, the director of investment strategy at Deutsche Bank in Sydney, says the number of jobs has increased by 38 per cent since 1980 - comparable with the US. Meantime a substantial programme of tariff reductions has been under way since the 1970s. Such trade liberalization measures typically have a very long-run pay-off. That harvest is now being reaped. Industry protection and centralized wage fixing have been cornerstones of the economy for most of the century. David Morgan, the former top Treasury official, who is now managing director and chief executive officer of Westpac Banking, argues that great progress has been made in dismantling them. Certainly the removal of barriers to internal and external trade has had a notable impact on productivity growth. Tougher competition policy and one of the world's most extensive privatization programmes have contributed to a more efficient allocation of resources. Most controversially of all, the Government is now attempting to address the distortions in what remains a baroque tax system. The central reform aims to replace 10 complex indirect consumer taxes with a broad-based consumption tax called the Goods and Sales tax. Because it takes in items such as food, it is still precipitating political furor. The fate of the tax reforms lies in the hands of two independents in Australia's overpowerful senate. But a successful passage through the upper house would help lower Australia's notoriously high marginal income tax rates, and so improve incentives for people to work and save. It would also remove numerous price distortions in the economy. Reforms of business taxation are also in the pipeline. Against the background of governmental resolve, Australian management has raised its game. When confronted with excessive exposure to the crisis-prone Asian region, business quickly diverted exports to the US and Europe. The industrial structure has also been changing fast, as manufacturing's contribution to total output has dropped. John Edwards, chief economist at HSBC Markets in Sydney, estimates that finance, business services and communications have contributed a third of economic growth during the 1990s.

In the banking sector, where the asset price boom and bust of the late 1980s and early 1990s exposed serious weaknesses, there is also evidence of greater prudence. This stood the country in good stead when the Asian crisis broke in 1997. As Mr. Morgan at Westpac points out, there remains a substantive reform agenda. In the labour market, for example, the budget forecast for unemployment in 1998-99 remains at about 7 **:** per cent, well above the US level. That points to the need for more flexibility. But the toughest questions concern the vulnerability of the Australian resurgence to future shocks. What could go wrong with this economic miracle? In the past Australia's Achilles heel has been the balance of payments. The current account deficit has tended to fluctuate from 3**2** to 6**2** per cent of GDP over the economic cycle. Since the cyclical deterioration has usually been associated with policy excesses or structural problems, the solution lay in a tough domestic policy response. But as Bill Evans, an economist at Westpac, says, the present deterioration mainly reflects the differential growth rates of Australia and its trading partners. Given the growing interest in the "new economy" story, Mr. Evans may be safe in predicting that currency markets will be patient. Any failure to implement the goods and sales tax, or setback in further labour market reforms, would admittedly knock confidence. But even if Mr. Evans proves wrong, currency weakness may not be harmful in the present climate where disinflationary pressure from Asia holds back prices and wages. That said, the current account deficit also reflects a very low level of household savings, since the deficit is the counterpart of the national shortfall of savings against investment. In the December quarter household savings touched an all-time low of 0.8 per cent of GDP. A powerful wealth effect from rising asset prices provides much of the explanation: in the English-speaking economies capital gains tend to stimulate growth in consumption. But there may also be a cultural explanation. Australians are frenetic gamblers and there has been phenomenal growth in the number of casinos during this decade. In what other country would the chairman of the biggest casino group be a director of the central bank? A move in 1996 to introduce compulsory pension fund saving appears to have had little impact. According to Mr. Stammer of Deutsche Bank people have reduced voluntary savings to compensate. The fall in savings and the growth in personal indebtedness together imply greater sensitivity to interest rate shocks than in the 1980s. Any return to the 4 to 6 per cent levels of household savings that prevailed earlier in the decade would - other things being equal - impose a sharp brake on the economy. The biggest worry of all to this very open economy must be its vulnerability to a slowdown or recession in the US. The two countries share an uncannily similar combination of asset price inflation, low households savings, current account deficits and perceptions of the emergence of a "new economy." When the cyclical downturn finally comes, these two countries will surely sink in sync. But with a decade and a half of successful structural reform in the bag, relative economic decline may be a less pressing concern for Australians in years ahead.

Mr. Horn's collection from Financial Times, 20 May 1999

JAPAN'S JOBLESS RISE INCREASES PRESSURE FOR ECONOMIC BOOST

The unemployment rate among Japanese men rose to a post-war record of 5 per cent in April, from 4.8 per cent in March, in another signal that the economic downturn is undermining Japan's culture of lifetime employment. The increase was partially offset by a fall in the female jobless rate from 4.8 per cent to 4.5 per cent, leaving the overall figure unchanged at a post-war record of 4.8 per cent. Business groups are now urging the Government to announce measures to help the unemployed later this month. Some Japanese media claimed the Government was also considering other measures to boost the economy, such as suspending the 5 per cent consumption tax. The ruling Liberal Democratic party denied these reports, but the rumours pushed long-term rates higher, after several weeks of decline, amid fears that the Government's budget deficit was spiraling. The yield on the benchmark 10-year Japanese Government bond closed 0.115 percentage points higher at 1.56 per cent. The yield was boosted by data published yesterday showing that national tax revenue declined by 8 per cent in the year to April, further straining the government budget. Economists yesterday pointed out that the different trends for men and women suggested that Japanese workers might be shifting from permanent "jobs for life" to more temporary contracts. Analysts believe this could erode consumer sentiment in the months ahead, even if the jobless total falls. The decline in male employment was largely due to companies cutting the permanent jobs that were the bastion of the jobs-for-life tradition, the Government's Management and Coordination Agency said. The rise in female employment is believed to reflect an increase in the number of temporary workers, who generally have less secure contracts. However, Kiyoshi Sasamori, Secretary-General of the Japanese Trade Union Confederation (Rengo), said: "The decline in the jobless rate for women only reflects more women giving up their efforts to find jobs." Some economists fear the current unemployment data significantly understate the total out of work. Under Japanese statistical methods, men and women are counted as employed even if they do only a few hours' work each week. A shift to temporary may also be reducing earnings, because part-time workers also tend to be counted as a single worker in the statistics, even if they are receiving limited pay. Real wages, which have been on a downward trend since the start of 1997, continued to fall last month. The job data contained a few hints of improvement. The number of new jobs offered grew by 3 per cent in the year to April, with almost all the increase occurring among small companies. Between January and April new job offers rose 10 per cent. However, the Government also revealed that for the first time since 1987 the proportion of employees forced to leave jobs overtook the proportion who had decided to leave voluntarily. Rengo insisted that the problem was worsening.

Mr. Horn's collection from Financial Times, 2 June 1999

CAMBODIA PM SAYS NO CHOICE BUT TO PUSH KEY REFORMS

Prime Minister Hun Sen told Cambodia's aid donors on Monday there was no choice but to push ahead with key economic reforms if the country was ever to rise from the mire of poverty. Hun Sen and his government reported progress in a reform package that included efforts to stamp out illegal logging, slash the size of the army and civil service, and revamp revenue collection in the first of its quarterly reviews with donors. "It is my conviction that Cambodia has no other choice than to implement scrupulously and rigorously the reform programmes or we will remain bogged down in poverty, underdevelopment and instability," Hun Sen said. Donors agreed on a new $470 million aid package in February but insisted on quarterly reviews to monitor government reform efforts. Diplomats and aid officials from donor countries said the Government was making progress and its programme was expected to win cautious approval. At the meeting, Finance Minister Keat Chhon revised upwards last year's gross domestic product (GDP) growth to 1.0 percent from the earlier assessment of zero growth. Growth this year was expected to be 4.0 percent, and the Government targeted a rise to 6 percent by 2002. Inflation was expected to decline to a rate of nine percent this year, compared with 12.6 percent in 1998. The Government targeted a fall to around 5 percent by 2002. Keat Chhon also reported a much-improved fiscal performance in the first five months of the year. Tax revenue was projected to rise to 7.5 percent of GDP this year from 6.0 percent last year. Domestic revenues increased by 41 percent in the first five months compared with the same period last year, largely due to the January introduction of a 10 percent value added tax (VAT). "The introduction of VAT has shifted Cambodia's fiscal structure from reliance on customs duties to domestic taxes," Keat Chhon said. "The VAT has become the cornerstone of Cambodia's fiscal system." But he said the collection of non-tax revenue lagged in the first five months, reaching only 24 percent of the annual target instead of the planned 42 percent. This was largely due to a fall in timber royalties after a hike in the royalty rate to $54 per cubic meter from $14. The Government stepped up efforts against illegal logging at the beginning of the year and said on Monday there had been a 95 percent reduction in illegal felling since then. Failure to capture logging revenues of around $60 million a year was a main factor behind an International Monetary Fund (IMF) decision to suspend a $120-million, three-year programme in 1997 after only half the loans were disbursed. An IMF team visited last month to begin talks on new loans. It said financial policy was strengthening and forestry management improving but gave no indication of when it would resume loans. Keat Chhon said in a paper presented to the meeting he was confident negotiations with the IMF would be successfully concluded. Keat Chhon also said the names of 12,868 "ghost soldiers" had been cut from the military payroll as well as 105,234 "ghost dependants," resulting in a saving of more than 9 billion riel ($2.4 million) this year. Ghost soldiers are non-existent military men whose pay is pocketed by corrupt commanders ($1-3,700 riel).

APM Cluster's collection from Reuters, 14 June 1999

CHINA SLOWS FREE MARKET REFORMS TO EASE JOB LOSSES

Reform to China's state-owned enterprises, a priority of Zhu Rongji, the premier, are being slowed to minimize the number of workers made redundant, said officials. The reorientation of the reforms is part of a series of measures being drafted to boost consumer spending and tackles deepening deflation, which policymakers identify as the country's biggest economic problem. Officials are also calling for significant wage increases for civil servants, hospital and school staff and others on the state payroll, and suggesting greater welfare payments for laid-off workers or those on minimum wages. The measures are intended to cushion the economic hardship that many in China are suffering as a result of an acceleration in free market reforms launched by the 15th Communist Party Congress in September 1997. The slump in purchasing power caused by surging unemployment, coupled with a widespread fear of redundancy, has been blamed for a vicious cycle of weak consumer demand, price wars and the worst deflation since the Communist revolution in1949. Retail prices fell 3.5 % in April compared with the same month a year ago. " It is more important now to try to solve the problem of deflation than to pursue long-term reform goals such as state enterprise reform," said one ministry official. The state council recently ordered that "ownership transfer centres" in which state-owned enterprises were auctioned or sold through private agreements should be closed said officials. The unpublished directive hardens last year's warning against the "random" sale of state assets. "We have been given until the end of June to close down. It is a state council order, so we will probably have to comply," said the head of a transfer centre in Zibo City, in the northeastern province of Shandong. The northeastern city of Shenyang, which last year put more than 1,000 enterprises up for sale - some for as little as one renminbi - has now stopped all auctions, said an official in the city's state asset management bureau. "A lot of asset stripping was going on and too many were being laid-off," said the official. Efficiency gains in state enterprise reforms will increasingly be sought by upgrading machinery, often through imported technology, and improving management. Mergers, in which stronger companies absorb those which otherwise would have gone bankrupt, are also being encouraged, said officials. Exports recorded their first monthly increase this year, climbing 4.2% to US$15.53bn. Policymakers said China's Rmb100bn infrastructure spending programme launched in August had failed to create consumer demand. The time had come for a more direct way of putting money into people's wallets.

Mr. Horn's collection from Financial Times, 15 June 1999

EUROPE

RUSSIAN CABINET FOCUSES ON ECONOMY

Russia's new Cabinet, which has been plagued by political infighting, convened Tuesday to tackle economic club of commercial creditors. It would be the latest in a string of missed payments since an economic crisis hit last August. The behind-the-scenes struggle over Cabinet appointments over the past week had left the Government's economic policy in limbo. President Boris Yeltsin and Prime Minister Sergei Stepashin on Monday made the final appointments of top economic officials, and the Cabinet has got troubles, including the country's worsening foreign debt problem. Russia is widely expected to default on a $578 million payment according to the "London to Work". Stepashin, whose authority was eroded by the political tug-of-war, called the appointments of Mikhail Kasyanov as finance minister and Mikhail Zadornov as liaison with international lending organizations an "optimal option," the Interfax news agency reported. "I have no fear that we would fail to work together well," Stepashin was quoted as saying by the ITAR-Tass news agency. Meanwhile, the Prime Minister warned his deputy for industrial policy, Nikolai Aksyonenko, that he won't allow any interference in the work of the finance team, Russian news agencies reported. Kasyanov pledged to continue the reform-market policies of his predecessor, Zadornov, who served as finance minister in the last three governments. He told the Cabinet that Russia's economic capabilities were running "at the limit," and that the country desperately needs new loans from the International Monetary Fund. New lending, which hinges on the approval of a package of economic reforms by the Communist-dominated parliament, would also help Russia secure a restructuring of its debts to other lenders. "Either we carry it off now, or we will be looking at renewed lengthy negotiations that would have rather drastic consequences for the domestic economy," Zadornov told the Echo of Moscow radio station. Unless the debts are rescheduled, around 90 percent of Russia's revenues this year would be needed to cover the payments, Kasyanov said. However, the country has already missed payments on several large debts in recent months, and few expect Russia to meet large payments that continue to fall due. Russia has indicated it won't be able to meet a big payment due Wednesday, when it is supposed to come up with $578 million to the London Club. It missed a previous payment to the London Club in December. Kasyanov formally requested last week that the London Club roll over the payments for six months, but the creditors have not agreed so far. "Everything is balancing on the verge of a fall," Zadornov said. Even if Russia gets the rescheduling it is seeking, debt payments would eat up close to half of the budget revenues, Kasyanov said, according to Interfax. The Lower House of parliament, the State Duma, planned to debate some of the IMF-mandated reforms on Thursday and Friday, Duma speaker Gennady Seleznyov said.

APM Cluster's collection from the New York Times, 1 June 1999

ISSING WARNS GERMANY TO REFORM ITS WELFARE STATE

Germany became the direct focus of criticism from the European Central Bank yesterday when the ECB's chief economist, Otmar Issing, said the country risked becoming "the sick man of Europe" unless it reformed its expensive welfare state. Mr. Issing, speaking in a German newspaper interview to be published today, said Germany and other European union countries shared the blame with Italy for the euro's weakness because they had failed to make their economies more flexible. He said the euro, which hovered around $1.0435 yesterday after falling below $1.04 last Friday for the first time in its five-month life, would strengthen only when the euro-zone's low inflation rate was supplemented by structural economic reforms promoting growth and jobs. Germany's pensions, healthcare and welfare benefits systems needed fast attention "so that the country does not end up as the sick man of Europe", Mr. Issing told the Rheinsicher Merkur newspaper. The German Government, under fire from conservative opponents for failing to generate confidence in Europe's new currency, wants this week's EU summit in Cologne to back stability for the euro, Reuters reported yesterday. Senior ECB officials have often spoken this year of the need for euro-zone governments to practise stronger fiscal discipline and to introduce social security reforms, but they have generally refrained from mentioning individual countries by name. Wim Duisenberg, the ECB president, said last week that Germany's economic problems were not cyclical in nature and stemmed from too little fundamental reform. But Mr. Issing's comments were worded more strongly and carried particular weight since he was the Bundesbank's chief economist before moving last year to the ECB. Commenting on last week's decision by EU finance ministers to let Italy relax its budget deficit target for this year, Mr. Issing said: "The more than understandable negative public reaction and the drop in the euro's external value should be sufficient warning." Politicians in Rome believe Italy has been unfairly blamed for requesting the right to relax its deficit target to 2.4 per cent from 2 per cent of gross domestic product. Germany's finance minister, Hans Eichel, who has described the German State debt as "a ticking time bomb", hopes to bring next year's budget deficit under control by slashing DM30bn ($16bn) from Government expenditure. Germany and Italy account for about half the euro-zone's economic output and were hit especially hard by last year's economic turmoil in Asia and Russia. At present, they are the weakest economies in the 11-nation single-currency area. Antonio Fazio, governor of the Bank of Italy, called yesterday for better management of the Italian public finances, but his attack on the Government's performance was more muted than in earlier years. In his annual address to the central bank's general assembly, Mr. Fazio warned the Government to bring its budget into balance rapidly, insisting that Italy, like other euro-zone states, "must not delay achievement of the balance required by the (EU's) Growth and stability Pact". But the thrust of his speech consisted of a challenge to the government of Massimo D'Alema, the Prime Minister, to introduce labour market reforms aimed at boosting economic growth. Mr. Fazio said he expected Italian growth this year to be little more than 1 per cent. However, labour market reforms introduced with immediate effect could boost growth to 1.5 per cent this year and 2.5 per cent in 2000, Mr. Fazio said.

Mr. Horn's collection from Financial Times, 1 June 1999

ITALY GOVT. PROPOSES SWEEPING REFORM OF MINISTRIES

Italian ministers on Friday agreed a sweeping reform of government structure, cutting the number of ministries to 11 from 18, but most changes were not expected to take effect until the start of a new parliament. A statement from the Prime Minister's office said the center-left government proposed that the current Treasury and Finance ministries should be incorporated under one portfolio called the Ministry of Economy and Finance. The foreign, interior, justice and defense posts would remain unchanged, the statement said. The proposals would be put to parliament and regional authorities for scrutiny. While most changes were expected to be made at the start of a new legislature, the new Ministry for Economy and Finance could play a role in parliament. A new Ministry of Production and Communications would combine four ministries -- Communications, Agriculture, Industry and Foreign Trade. One ministry would take charge of three current portfolios of labour, health and social affairs. Education, universities and research would also be brought under one minister. The Government proposed that environment and territories would come under one ministry, and a new Ministry for Infrastructure and Transport would deal with the work of the current transport and public works portfolios. One minister would also run cultural affairs. Italian Prime Minister Massimo D'Alema, who took over the institutional reforms portfolio when Giuliano Amato became treasury minister last month, has repeated on several occasions that he wants to push ahead with a series of changes to the country's political and constitutional structure.

APM Cluster's collection from Reuters, 4 June 1999

JOSPIN COOL ON BLAIR-SCHROEDER "THIRD WAY" APPEAL

France's Socialist Prime Minister Lionel Jospin said on Wednesday he didn't see a place for France in a manifesto for modernizing the left issued by British Prime Minister Tony Blair and German Chancellor Gerhard Schroeder. Jospin and other French leftist leaders insisted they were not bothered by being left out of Tuesday's joint Blair-Schroeder appeal for a new "Third Way'' approach to governing, similar to Blair's "New Labour'' ideas. "We are different, unique,'' he told reporters, when asked to comment on the London announcement. "We represent French socialism, the French left, but also a certain French tradition. We are less free-market, less attached to Trans-Atlantic ties; we favour global economic regulation,'' he said, reviving a common sense of "the French exception.'' In "Europe: The Third Way - Die Neue Mitte,'' Blair and Schroeder urged their fellow social democrats to discard old-fashioned leftist dogmas and embrace a regulatory easing. Earlier on Wednesday, Germany's traditional left accused the two leaders of betraying socialist principles in the paper. "If they expect this party's policies will be changed along the lines of this paper, there will be heated debates and a lot of resistance, ''said Detlev von Larcher, a leading left-winger in Schroeder's Social Democratic Party. The document rejects traditional social democratic policies of high spending and taxes in favour of tax cuts and a reduced role for the state. It even borrows a phrase from Jospin: "We support a market economy, not a market society.'' It was unclear whether Blair and Schroeder had snubbed Jospin or he had rejected an invitation to join them. But the French leader's absence from its presentation was striking in any case, as France and Germany have traditionally been known as the twin engines of European construction. Blair has been lobbying hard for Schroeder and his Social Democratic Party (SPD) to join his "Third Way'' drive. Jospin said his leftist coalition of Socialists, Communists and Greens was modernizing France but taking into account the country's existing political landscape and traditions. "Let's first of all be ourselves before going down the path of others,'' he said.

APM Cluster's collection from Reuters, 9 June 1999

THE AMERICAS

US AIRLINE CONFIDENT IT CAN RIDE OUT STORM OVER WASHINGTON'S ANTITRUST SUIT

You might expect American Airlines to be nervous about the landmark antitrust lawsuit filed by the US Government. In the first competition case since the deregulation of the air industry in 1978, Justice Department officials accused the airline last week of seeking to protect its monopoly at Dallas/Fort Worth airport with predatory pricing. But the reaction from the second largest US airline has proved supremely confident. Speaking after the annual shareholders' general meeting Donald Carty, the company's chairman, said: "What Justice has to do is go in and somehow argue that past precedent and past court cases somehow don't apply to the airline industry. I think that is a very tough thing for them to do." The lawsuit revolves around long-standing allegations that American has abused its market power over its main airport hub. In particular, it is accused of driving out three competitors - Vanguard, Sun Jet and Western Pacific - from Dallas by swamping their routes with new flights at reduced fares. When the rivals dropped out, American restored its high fares, according to government officials. American counters with legal ammunition, accusing antitrust officials of ignoring the standards set by the Supreme Court in a 1986 case between Matsushita and Zenith Radio. "Cutting prices in order to increase business often is the very essence of competition," the court said. "Thus, mistaken inferences in cases such as this one are especially costly, because they chill the very conduct the antitrust laws are designed to protect." Joel Klein, head of the antitrust division at the Justice Department, acknowledges that successful predatory pricing cases are thin on the ground. But he denies claims from conservative antitrust scholars such as Robert Bork that the American case is a return to pre-Reagan antitrust policies. "There have not been many predatory pricing cases and for obvious reasons," Mr. Klein said in an interview. "Most times, when people lower prices it is generally a good thing. Only when you think it is an effective way of perpetuating a monopoly in the long run, do you have any concerns about it. I always thought the complaint about the 1960s and 1970s was that the antitrust division backed competitors rather than competition, and did not worry about consumers. In this case, the harm to consumers is demonstrable. This case is at the core of what underlying antitrust policy must be about. People were paying almost half as much to fly when there was a new entrant into the market. American drove them out, raised prices and diminished the service considerably. That is real consumer harm." According to the lawsuit, one-way fares on the route between Dallas and Kansas City fell from American's $108 in 1995 to $80 when Vanguard entered the market. American cut its fares to similar levels, added new services, and forced Vanguard out of the route. When Vanguard withdrew, American progressively raised its fares to $147 in 1996. American was allegedly engaged in a recoupment strategy, operating its services at a loss to drive out competitors. It recouped those losses when rivals withdrew, and the airline was able to restore higher fare levels. As evidence, officials quote Robert Crandall, American's chief executive, saying that the cut-price policy was solely aimed at destroying his rivals' business. "If you are not going to get them out, then (there is) no point to diminish profit," he said. American claims this was no more than "tough talking". The Government's arguments have drawn criticism from antitrust lawyers who suggest it will be hard to measure American's losses on a particular flight. American argues that the Government has failed to prove it lowered fares below its variable costs - the incremental cost of adding the extra seat to the route. But the Justice Department counters that the Supreme Court's standards of calculating costs merely require "an appropriate measure of cost". Besides, antitrust officials say they have evidence to show that on each route American's revenues were below its variable costs as well as its more generous, internal measure of profitability. Antitrust officials believe the American lawsuit represents a deterrent to other big airlines from using predatory pricing to drive low-cost rivals out of their routes. For Mr. Klein, American's strategy was not just to scare its current rivals away, but also to prevent future rivals entering its home markets at all. "A sophisticated economist compared it to choosing between two fields with 'no trespassing' signs," he said. "One has two dead bodies in it, the other has no dead bodies in it. Which field would you feel ready to trespass?"

Mr. Horn's collection from Financial Times, 24 May 1999

OTTAWA TAKES THIRD WAY CUE FROM EUROPE

It is odd for such a large country as Canada to suffer from an inferiority complex. The United Nations has for the last five years rated Canada as the best place in world in which to live. The streets are safe, the schools are excellent, a fine public health care system looks after everyone equally, and in the last two years the economy has created more jobs than any other in the industrialized world has. Yet for all its success, Canada cannot help comparing itself to the economic juggernaut south of the border. With the worst of its fiscal deficits safely in the past, and the perennial problem of Quebec separatism unusually quiet, the political and economic debate is increasingly focused on a single question: what will it take to keep up with the Americans? "We're comparing ourselves with the best, which is always a good thing to do but which is not always the easiest thing to do, because the United States Is clearly number one by a long shot," says Sergio Marchi, international trade minister. That nagging sense of inferiority was captured by the recent revelation that the most popular car in the US last year was a Toyota Camry, with a basic sticker price of C$21,300. In Canada, the top choice was a Honda Civic at C$15,700. Why the difference? As John Manley, industry minister, put it in speech last month: "Most people will give you a blunt answer: they can't afford the mid-sized car; they stay with the compact." Canadian after-tax family incomes, which have been stagnant for two decades despite a strengthening economy in the last few years, are about a third lower than in the US. For Canada, the problem of keeping up with the Americans is not just a matter of bragging rights. The US-Canada free trade agreement signed in 1988 is now fully implemented, removing virtually all barriers to two-way trade and investment. The North American free trade agreement, launched five years ago, has created a continental market that includes Mexico. Much of the free trade story has been a positive one. Two-way trade between Canada and the US has increased 80 per cent since Nafta was signed. With a value of C$475bn last year, it was by far the world's largest trading relationship. The manufacturing economy of Ontario, the largest province, has boomed as a result of exports to the US. But free trade has also relentlessly exposed a number of Canadian weaknesses. Under the labour mobility provisions of the Nafta, many skilled Canadians are finding new opportunities in the US to earn more money and pay less tax. Canadian high-technology companies like Nortel Networks, a world leader in telecoms and data networking, are complaining of a shortage of skilled employees and blame Canadian income taxes. An engineer earning C$140,00 in Ontario, Nortel points out, could go to work in Texas at the same salary and take home an extra C$25,000, just because of lower US taxes. The low Canadian dollar, a well-educated labour force and sophisticated infrastructure should make Canada one of the most attractive investment locations in the industrialized world. Yet Canada's share of North American direct investment has declined over the last decade as foreign companies opted for the bigger market in the US or cheaper labour in Mexico. Ten years after the historic decision to embrace free trade with the US, Canadians are confronting the equally difficult question of what it will take to compete in this liberalized trading environment. Thomas d'Aquino, chief executive of the Business Council on National Issues, which represents Canada's largest corporations, says the first step must be to bring tax rates more into line with the US. But Canada, he says, should also be considering further integration with the US, including a greater degree of harmonization in areas not covered by the trade agreements, such as taxation, government regulation, banking, transportation and environmental protection. Some economists have even begun to argue for a common North American currency, arguing that it would bolster Canadian productivity and encourage investment by eliminating the costs of currency instability. Such prescriptions remain a distinctly minority view. While most Canadians admire the entrepreneurial energy of Americans, they are less eager to emulate US inequality, crime and social tensions, which they see as the dark underside of a country that rewards success handsomely but punishes failure harshly. "We are not the United States," said Jean Chretien, the Prime Minister, in a speech in Montreal this month. "We have different values and I believe a much better quality of life. Yes, we pay some more taxes, yes, we would like to have taxes reduced and we will reduce them, but not at the cost of our social safety net." His Liberal Government has tried to find that middle ground. In its most recent budget, the Government pledged an additional C$15bn over the next five years to bolster a healthcare system frayed by previous budgetary cutbacks. Ottawa also cut taxes modestly, particularly for lower and middle-income earners. The Government has continued an impressive record of paying down accumulated debt. Ottawa tabled a second straight surplus budget after three decades of high deficits, and is projecting that its debt to gross domestic product ration will continue to fall from 71 per cent in 1996 to 62 per cent by 2001. The solid support for Mr. Chretien's Government would suggest most Canadians agree with his approach. The official opposition Reform Party criticizes the Government daily for its failure to cut taxes more deeply, and has made much of the gap between US and Canadian living standards. But the party is bitterly divided over a proposal by its leader, Preston Manning, to form a "united alternative" with the Progressive Conservatives, the other right-of-center opposition party. Reform members will vote on the proposal next month, but there is little chance that the conservative parties will iron out their differences sufficiently to pose any electoral threat to the Liberals. Political parties seeking to exploit public anger over high taxes have had more luck in provincial than federal politics. The Conservative Government in Ontario has cut provincial income taxes by 30 per cent over the last four years, and is promising another 20 per cent cut if re-elected next month. And in Alberta, the Government has announced plans to introduce the first flat tax in Canada by 2002. But so far these provincial initiatives have had little influence in Ottawa. The lack of vigorous opposition may not make the federal government's decisions any easier, however. Competitive pressures from the US would argue for lower taxes, less regulation and incentives to encourage companies and skilled workers to locate or remain in Canada. Yet cuts in government spending to help shrink the budget deficit have already produced a growing gap between rich and poor, a problem that is likely to become more acute. In his Montreal speech, Mr. Chretien took a cue from European social democrats by saying that Canada is trying to establish a "third way between unrestrained, selfish capitalism and rigid, crushing socialism". This third way, he said, should be fiscally responsible but also capable of recognizing social and economic problems and courageous enough to invest in solving them. It will not be an easy task, but if Canadians can find this elusive path, then perhaps they could shed their inferiority complex once and for all.

Mr. Horn's collection from Financial Times, 25 May 1999

US HIGH-TECH SECTOR CREATES OVER 1M JOBS

The booming US high-technology sector created more than 1m high-paying jobs over the past five years, according to a report published yesterday by the American Electronics Association, an industry trade group. Now one of the biggest US industries, high-tech manufacturers and service companies employed 4.8m workers in 1998. Their average wages were more than $53,000, 77 per cent above the total private-sector average. The software and computer services segment, especially, has boomed over the past few years, adding 200,000 jobs between 1997 and 1998 to bring the total number employed in this part of the industry to 1.6m. While high-tech wages rose on average by 19 per cent throughout the US, private-sector wages in general grew by only 5 per cent from 1990 to 1997. Growth in the high-tech sector was seen in most states, with all but nine adding jobs. California remained the nation's technology powerhouse, with 784,000 high-tech workers, almost 7 per cent of the state's entire workforce. Average high-tech wages in California jumped 28 per cent between 1990 and 1997, to reach an average $62,700. California led in high-tech exports, with $64bn-worth of goods and services sold outside the US in 1998. This was down from $68bn in 1997, largely because of Asian economic woes. High-tech exports represented 61 per cent of total California exports last year. The state of Washington, home to Microsoft, led in high-tech pay. Average wages in that state were over $81,000, up by 79.5 per cent since 1990, reflecting high pay scales in the pre-packaged software industry, which topped industry segment charts for the highest paid workers. "The impact of the US high-tech industry on the health of the American economy is startling," said William Archey, AEA president and chief executive. The effects of the high-tech boom had been felt throughout the US, he added. North and South Dakota were the two fastest growing "cyberstates", with employment growing by 91 per cent and 172 per cent respectively, albeit from a small base. The high-tech sector also grew rapidly in Georgia. The US sector is expected to keep growing rapidly, but the industry faces challenges in finding high-skilled labour to fill new jobs, the report said. Graduates from US universities with high-tech degrees declined 5 per cent between 1990 and 1996.

Mr. Horn's collection from Financial Times, 3 June 1999

GLOBAL

OECD ASKS NON-MEMBERS TO GLOBAL TALKS

Mexico has persuaded the Organization for Economic Cooperation and Development (OECD) to invite non-members from the developing world for the first time to its annual ministerial meeting in Paris tomorrow. This marks a new opening to what was once one of the world's most exclusive clubs. At the initiative of Mexico, which is chairing the two-day meeting, the OECD has invited eight countries - Argentina, Brazil, China, India, Indonesia, Slovakia, South Africa and Russia - to take part in talks on the challenges of globalization. Their participation occurs alongside a debate within the 29-nation OECD about how to open further an organization that had no new recruits in 21 years before Mexico became its 25th member in 1994. Recently, Donald Johnston, OECD Secretary-General, said the Asian crisis had for the first time shown the need to bring non-OECD countries into the global economic policy debate. "You have more than half the world's population and a large percentage of GDP that was not represented," Jose Angel Gurria, Mexico's finance minister, said. "If you're talking about global issues, it's important to have the guys that count." Mexico has long been a champion of balancing global debate on economic issues between developed and developing countries. At the Paris meeting, it is expected to support a new round of World Trade Organization talks, provided the developing world has an equal say. Mr. Gurria said Mexico wanted to have more open access to views of developing nations in the OECD, but "the question of whether they are formal members or not is less relevant." The OECD is understood to be reluctant to over-expand membership. The OECD and the invitees were expected to be upbeat about the global economy this year after the emerging market turmoil of 1998, Mr. Gurria added. "The message people should take home is that the temptation to back-track (on economic reform), which is always there, should not prevail. If anything, it pays to accelerate."

Mr. Horn's collection from Financial Times, 25 May 1999

FINANCIAL CRISIS HITS WAR ON POVERTY

Efforts to reduce global poverty have been largely reversed by the financial turmoil of the last two years, according to a World Bank study released yesterday. "Countries that until recently believed they were turning the tide in the fight against poverty are witnessing its re-emergence along with hunger and the human suffering it brings," said James Wolfensohn, president of the World Bank. He said policymakers should reshape strategies for financial crises - particularly deficit-reduction programmes as prescribed initially by the International Monetary Fund - so that they did not inadvertently inflict long-term hardship on the poor by triggering lower investment in education and health. The World Bank report said it was important to prune spending for macro-economic stability. But as soon as there was a sustainable external balance, and inflation was contained, economic policy should be eased. Michael Walton, World Bank director of poverty reduction and economic management, called for public works programmes and subsidies to keep children in school and suggested the forthcoming Group of Eight meeting would "push in that general direction". According to the study the crisis in East Asia and its spillover effects in Brazil, Russia and other emerging markets have let do a surge in the number of people living in poverty. Globally, if the proportion of people living on less than $1 a day had remained the same as in 1993, their numbers would have climbed from 1.3bn then to 1.5bn this year. In Indonesia, for example, the estimated increase in the incidence of poverty is 10 percentage points - representing some 20m more people.

Mr. Horn's collection from Financial Times, 3 June 1999

Governance Systems and Institutions

AFRICA

NIGER SUSPENDS SOME CIVIL SERVICE REFORMS

Niger's ruling military council has suspended a measure that required civil servants to retire after 30 years service, according to a statement read on national radio on Tuesday. The measure, one of the reforms to the civil service demanded by the International Monetary Fund and World Bank in return for structural adjustment loans, was contested by labour unions. The main labour grouping in Niger, the USTN, had called a 48-hour strike for June 16-17 to protest against the measure. It would have been the sixth stoppage since the reform was passed by parliament in December 1998. The statement from the National Reconciliation Council, which took power in a coup in April, said the suspension was aimed at, "calming persistent social tensions." It called on the union to negotiate with ministers on the issue. Civil servants in the poor West African country generally prefer to work as long as possible given the absence of satisfactory pensions or alternative employment.

APM Cluster's collection from Reuters, 15 June 1999

NIGERIAN SENATE DEMANDS CVs OF PROPOSED MINISTERS

Members of the upper house of Nigeria's new national assembly said on Thursday they had sent back President Olusegun Obasanjo's list of ministerial nominees with a demand for more information. The request for more personal details will further slow the appointment of the first cabinet since 15 years of military rule ended in Africa's most populous nation on May 29. Obasanjo submitted the names of his 49 proposed ministers nearly two weeks ago to the 109-member senate. "We need information about the nominees and this is why we have requested the presidency to furnish the CVs," Senator Dansa Dau told Reuters. "We want to know whether they have paid their tax and this is why we are also demanding their tax clearance," he said. Vice-President Abubakar Atiku on Thursday defended the list of proposed ministers, which local media have suggested includes few fresh faces. "The ministerial nomination is not another case of finding jobs for the boys," Atiku said. He said only six of the nominees were former federal ministers, he average age was 49 and there were 11 women, the highest number ever in any federal cabinet.

APM Cluster's collection from PRNewswire, 16 June 1999

EUROPE

MOSCOW RESIDENTS INVITED TO CALL IN THEIR COMPLAINTS

Moscow mayoral candidate Sergei Kirienko, the leader of Novaya Sila (New Force) announced on 17 June that his party had set up a confidential telephone hotline for Moscow residents. Novaya Sila press secretary Andrei Kulikov told Ekho Moskvy that "we are interested more in the proposals of Muscovites than in reports of incompetence or corruption or abuses of power by Moscow administration officials." (Conditions for use of the hotline are described on the movement's official web site, www.kirienko.ru.) Nevertheless, newspapers close to Mayor Yurii Luzhkov, such as "Moskovskii komsomolets" and "Moskovskaya pravda," were apparently worried that the hotline might be used for gathering compromising material about the mayor and refused to run advertisements for the new telephone line, "Segodnya" reported. The previous day, the city government reached an agreement with its foreign creditors on restructuring its payments on one of the city's outstanding loans.

ENA Cluster's collection from RFE/RL Newsline, 17 June 1999

SELF-GOVERNMENT THREATENED AT LOCAL LEVEL IN RUSSIA

At the suggestion of Governor Ivan Shabanov, almost half of the raions in Voronezh Oblast have amended their charters and voters there will no longer be able to directly elect raion heads, according to "EWI's Russian Regional Report" on 17 June. Instead, local legislatures will select a chief from a slate of nominees compiled by the governor. In addition, Shabanov recently announced that it would be better if all mayors of cities in the oblast were elected the same way. According to the report, the trend away from direct elections in Voronezh is being duplicated in other regions, such as Kursk Oblast, where Governor Aleksandr Rutskoi has proposed that each raion hold a referendum on whether to abolish or keep local government.

ENA Cluster's collection from RFE/RL Newsline, 17 June 1999

FOREIGNERS IN RUSSIA TO ENCOUNTER MORE RED TAPE?

The State Duma passed on its first reading a bill that will increase the number of document foreigners living in Russia will need if it becomes law. According to "Izvestiya" on 18 June, foreigners who want to work in Russia will have to first negotiate a contract with an employer, and then apply at a Russian embassy or consulate for permission to enter Russia and for a work visa. Foreigners without the proper documents will be deported. Currently, foreigners can enter the country and find a job regardless of what kind of visa they have, according to the daily. The bill is aimed at reducing the number of foreign criminal groups in the country. The Finance Ministry estimates that deporting illegal immigrants will cost the Government between 470-570 million rubles ($19-24 million) a year. Former Prime Minister Yevgenii Primakov's government had argued that implementing the new rules would be too expensive.

ENA Cluster's collection from RFE/RL Newsline, 17 June 1999

INSTITUTIONAL BUILDING IN KOSOVO

Macedonian President Kiro Gligorov said in Prague on 21June that "NATO forces [must] stay a certain time in [Kosovo] in order to create a situation in which...democratic elections [can be held and] representatives...elected [to] form legitimate bodies," CTK reported. Gligorov thus rejected the participation of Hashim Thaci's provisional government in the new civilian administration for Kosovo. Macedonian Prime Minister Ljubco Georgievski recognized Thaci's provisional government last week. A UN spokesman said in New York on 21 June that Secretary- General Kofi Annan has appointed Dominique Vian, currently the prefect of French Guyana, as his deputy special representative for interim civilian administration in Kosovo. Vian will be responsible for various tasks, including police, telecommunications, and public transport. Annan also appointed Dennis McNamara, currently the UNHCR's special envoy for the region, as his deputy special representative in charge of refugee return and humanitarian assistance, AP reported. Under a plan that Annan unveiled on 14 June, the UN administration in Kosovo will have four deputies serving under a special representative. Annan said on 20 June in Paris that his special representative for Kosovo will be a European, thus ending speculation about a possible appointment of Jacques Klein, the U.S. deputy to the international community's High Representative Carlos Westendorp in Bosnia-Herzegovina. Currently, UN Under-Secretary-General Sergio Vieira de Mello of Brazil holds that position, pending a final appointment. Also open are the positions of the deputy special representatives for reconstruction--to be filled by an EU representative--and institution building, which will go to the OSCE. Neither body has proposed its candidate.

Ms. E. Armstrong's collection from "RFE/RL Newsline", 22 June 1999

MIDDLE EAST

ARAB STATES NEED MORE TRANSPARENCY

Arab countries must adopt greater transparency or continue to fall behind in the world economy, U.S. economist Gail Fosler said on Thursday. "The region lacks a body of objective information on which people can debate... It is useful to look at how other countries are tackling the issues of ethics (in business)," said Fosler, chief economist at the Conference Board, which comprises more than 3,000 corporate members from 65 countries. "Two years ago you would not get the time of the day to talk about corporate governance with Asian executives. Today they want to list on the Nasdaq or the NYSE. Transparency is on the lips of every businessman I met in India," said Fosler, who has just concluded an Asian tour. The spread of transparency attracts an increasingly competitive pool of foreign direct investment, argued Fosler. "Foreign direct investment is almost non-existent in the (Arab) economy. It brings funding, management, technology, and distribution systems - a whole economic infrastructure." Most of the $120 billion in FDI last year went to China and to Latin America, leaving little for the Arab world, she said. FDI into Arab countries declined from 10 percent of the world total in the 1980s to around one percent last year, according to the United Nations Conference on Trade and Development. Arab countries facing bleak prospects on many fronts, such as slow growth, huge trade deficits, and high unemployment, Fosler said. "Only one of the top 50 mergers and acquisitions in

Asia involved an Arab firm. I know times are hard but that (number) does not represent the potential to participate in these markets," said Fosler, a former chief economist of the Senate Budget Committee. The standard of living in the Arab world has fallen to 20 percent of that of the industrialized world, almost half the level it reached for some Arab states in the 1970s, said Fosler. "There is a huge reduction in the standards of the region, (especially) after oil countries failed to diversify. Virtually every country except the Middle East was growing very rapidly in 1996-1997," Fosler told executives and professors at the American University of Beirut (AUB). She forecast the world economy to grow three percent this year, but said growth in the Arab world was hampered by a legacy of politics and history that harms the economy. "Research reports about Arab countries start with (the headlines) Politics, Government and then something called the Real Sector. Successful economies have a reverse order. The Middle East must separate political heritage from economics."

APM Cluster's collection from Reuters, 8 June 1999

TOP EGYPT ACADEMICS REPUDIATE NGO LAW

Four leading academics involved in drafting Egypt's law controlling non-governmental organizations (NGOs) yesterday disowned the draft legislation presented to parliament, saying it had been radically altered to allow government control of the organizations. The repudiation of the law by two lawyers and two university professors marks a significant escalation of protest against the draft law on associations and private institutions. Protests began at the weekend when three civil liberties advocates began a hunger strike to demand the law to be redrafted. The four members of the drafting committee issued a statement yesterday seriously embarrassing the Government. The affair marks the first big test of Cairo's readiness to extend the reformist zeal it has shown in the economic area to civil society. "Many of the articles of the proposed law have been removed, deleted or changed, and new ones added. The draft proposed to parliament is not the draft we approved, and we are not responsible for any of the changes and deletions, which have deemed the law meaningless," the statement said. Fourteen NGOs on Sunday issued a letter of protest against the law. Many had been consulted by the ministry of social affairs prior to the draft being written, and had expected a radical break from current legislation, which dates from 1964. The new law would allow the ministry to impose directors on NGO funds, and deny NGOs the right to be active in areas deemed political by the Government. The Forum for the Promotion of Civil Society, an informal organization, yesterday said it would lobby parliament to force the assembly to reject the law, which was also condemned in an open letter signed yesterday by 20 writers and academics. The hunger strikers are all distinguished academics and advocates of a fundamental loosening of the Government's tight grip on society. They plan to continue the hunger strike, the first of its kind since 1954, until the draft law is reviewed. "If this law is passed, every single NGO will be a branch of the ministry of social affairs," said Aida Seif al-Dawla, one of the hunger strikers and a leading psychiatrist. "The whole point of the NGOs' independence is to allow them to monitor the Government," she said.

Mr. Horn’s collection from Financial Times, 25 May 1999

THE AMERICAS

MEXICO CITY MAYOR USES FACELIFT FOR CENTRAL PLAZA TO BUILD HIS REPUTATION

Since the Spanish conquered the Aztecs in 1521 and built the capital of their colonial empire atop the ruins of the great temple of Teocalli, Mexico City's central plaza has served as a stage for the nation's unfolding dramas. The place that once hosted public executions during the vice-royalty is now a favourite platform for striking union workers. But the square, known as the Zocalo, has recently moved into the spotlight itself over plans by the mayor, Cuauhtemoc Cardenas, to give the plaza and its surroundings a facelift. The project has attracted considerable scrutiny - and not just because of the sensitivities surrounding a renovation of historic importance. Mr. Cardenas wants to be Mexico's next president in 2000 but must first prove that he can run Mexico City, a sprawling metropolis of 20m people and the world's second largest city. As the first elected mayor of the city, following a landslide victory in 1997, Mr. Cardenas, a member of the opposition party of the Democratic Revolution (PRD), ousted the governing Institutional Revolutionary party (PRI) which his father, Lazaro Cardenas, helped to establish in the 1930s. From his offices on the Zocalo Mr. Cardenas is now eyeing the neighbouring presidential palace, a post denied him in two previous attempts. He has chosen to salvage the historical center, declared world heritage site by UNESCO in 1987, as a sign of his administrative abilities. But it is no easy task. An earthquake in 1985, which killed as many as 3,000 people, also destroyed many fragile buildings in the center, leaving others too dangerous to inhabit. Few have been repaired, leading to an exodus which has seen the population fall from 300,000 two decades ago to an estimated 180,000 in the center now. The fact that the city is sinking - it is built on two lakes sucked dry by the demands of an exploding population and has dropped nine meters this century - adds to the dangerous angles and the Metropolitan Cathedral, Latin America's oldest church and cornerstone of the Zocalo, is filled with scaffolding to keep it from crumbling. Long abandoned by the wealthy, the center's problems are compounded by poverty and crime; it is a magnet for the homeless and rural poor who come to the city in search of work. Drugs and prostitution flourish while many of the narrow, polluted streets are crammed with street vendors. At night the empty streets are a no-go zone. "The renovation of all this represents an impressive social challenge - the problems are overwhelming," said Enrique Cervantes, an architect and member of Mexico City's council of historical chroniclers. Nonetheless, Mr. Cardenas' greatest hurdle seems to be more of a political nature, say observers. Opposition to the renovation has been swift, with church officials, political rivals and architects coming out to attack the $15m project dubbed "pharaonic" and even sacrilegious. The onslaught is just the latest in Mr. Cardenas' short, embattled tenure. The budget of the city, as the national capital and a federal district, is in the hands of the federal Government, which has repeatedly denied requests by the mayor to increase debt levels and last year even cut the budget by $1.2bn. "The PRI has done everything possible to ensure he can't do anything," said Jaime Gonzalez Graf, political analyst with the Mexican Institute of Political Studies. "They fill the Zocalo with protesters, they encourage the street vendors and the media is in line with the PRI. There is a campaign to damage his reputation." Public opinion polls showed a high disapproval rating for Mr. Cardenas despite notable improvements in removing street vendors and illegal taxis as well as repaving the city, Mr. Gonzalez Graf said. Opposition to the Zocalo project calls into question the fate of an innovative plan commissioned by Mr. Cardenas to develop the inner core of the city. It envisages a cut in the number of buses in the center, renovation of plazas and more commercial and residential investment. The aim is to repopulate the center's 5,000 empty apartments with young professionals to counteract urban sprawl. There is a great deal at stake. Jean Francoise Prudhomme, professor with the Center for Sociological Studies at the College of Mexico, believes the mayor's success will have a direct effect on his presidential aspirations. How people evaluated the mayor's administration would "severely affect the national vote".

Mr. Horn's collection from Financial Times, 3 June 1999

GLOBAL

ARMED CONFLICTS RISE AROUND WORLD IN '98

The number of armed conflicts around the world rose in 1998 with Africa the hot spot of violence, a Swedish defense research group said on Wednesday. Stockholm's International Peace Research Institute (SIPRI) said its annual survey found 27 major armed conflicts in 26 locations in 1998, up from 25 conflicts in 24 locations in 1997 but down from 35 in 1989 when survey started. "World security has not made significant progress since the Cold War ended," SIPRI director Adam Rotfeld said in the group's yearbook which is considered the standard reference on world conflicts and disarmament. "Mass violations of human and minority rights and ethnic cleansing resulting from aggressive nationalism have become a matter of grave concern in different parts of the world." SIPRI said all but two of the major-armed conflicts last year were internal. A major-armed conflict is defined by the prolonged use of armed force with at least 1,000 battle-related deaths. The two interstate conflicts in 1998 were those between India and Pakistan over Kashmir and between Eritrea and Ethiopia over their common border. Six new conflicts broke out last year, one in Europe -- in the Yugoslavian province of Kosovo -- and five in Africa, the only region in which the number of conflicts is on the rise. In Africa conflicts broke out in Angola, Democratic Republic of Congo, Eritrea and Ethiopia, Guinea-Bissau and Rwanda. In total in 1998 there were 11armed conflicts in Africa, the highest number in any continent, and the outlook was bleak. "A root cause of the conflicts in Africa is to be found in the weakness of many of its states which became especially obvious after the Cold War," SIPRI said. "Corruption, lack of efficient administration, poor infrastructure and weak national coherence make governance both difficult and costly." This was the first year since 1989 that the number of conflicts in Africa has been greater than in Asia. There were nine armed conflicts in Asia last year with most low in intensity except in Afghanistan, India and Sri Lanka. Three conflicts, which were recorded in 1997, were resolved by or in 1998. These were in Northern Ireland where a peace agreement involving all parties was signed in April, in Bangladesh following a peace agreement for the Chittagong Hill Tracts, and with an end to the armed conflict in the Congo Republic when President Pascal Lissouba was overthrown. However SIPRI said in at least six of conflicts the intensity of fighting increased in 1998. "In addition to the 27 major armed conflicts, many international crises led to the brink of armed conflict or to armed action across borders in 998," SIPRI said. "Uncertainty and unpredictability remain as the most serious threats to international security," Rotfeld said.

APM Cluster's collection from Reuters, 15 June 1999

AFRICA

NIGER FRAUD TEAM RECOVERING MONEY OWED TO STATE

An anti-fraud team in Niger has recovered 1.13 billion CFA francs ($1.8 million) owed to the Government, its spokesman said. Lieutenant-Colonel Chekou Kore told reporters late on Tuesday that the team, set up on May 7, was investigating around 600 cases. Another 200 files have disappeared from police offices and the team is trying to find them, he added. The National Commission Against Economic, Financial and Fiscal Delinquency is investigating cases of fraud against the Government and trying to clean up the management of state assets, notably by recovering debts to the treasury. It has taken over the role of a committee dissolved by the military government that seized power in the West African State in April. Niger, one of Africa's poorest countries, has external debts of some 800 billion CFA francs ($1.3 billion) plus internal debts of 212 billion ($338 million). Civil servants are owed up to seven months in wages and are frequently on strike in protest against the failure of the state to pay them. The transitional military government, which has promised to hold democratic elections in November, drew up an emergency budget totaling 35.4 billion CFA francs for the May-July period but said government revenue would be only about half that. Niger relies heavily on foreign assistance but many bilateral donors, including former colonial power France, suspended their aid programmes after the April 9 coup. Finance Minister Ide Niandou appealed to the population last week to accept the sacrifices necessary to save Niger's structural adjustment programme with the International Monetary Fund and World Bank ($627 CFA francs).

APM Cluster's collection from Reuters, 9 June 1999

CIVIL SERVANTS STRIKE IN IVORY COAST

Civil servants in Ivory Coast began a four-day strike on Tuesday to demand an end to a freeze on incremental pay rises and to forced retirement after 30 years' service, witnesses said. The strike, called by two unions with the French acronyms FENASYFOP and FESACI, closed state schools in the West African nation's commercial capital Abidjan and brought some government offices there to a virtual standstill. But the unions, which earlier held talks with President Henri Konan Bedie and his government, said they would ensure a minimum service in key sectors. This included customs in the country's main port Abidjan. Both sides said contacts continued. The Government says that it has agreed to all grievances with the exception of those on which its hands are tied under an IMF structural adjustment deal promising major debt relief. It says it paid a general cost-of-living pay increase to civil servants of between 3.5 and 7.0 percent in May, following civil service pay rises in 1994, 1995 and 1996 in the aftermath of a 1994 devaluation of the CFA franc. Ivory Coast, which has a foreign debt at present of around $12 billion, has already fallen out once with the World Bank and IMF over various budgetary and governance issues. An IMF adjustment loan tranche due in March has not yet been disbursed. Successful conclusion of the latest three-year IMF programme in March 2001 should bring a big write-off under the Heavily Indebted Poor Countries (HIPC) initiative. The strike coincides with an extended but fitfully followed strike call by the main students union FESCI to demand the release of activists jailed for acts of violence.

APM Cluster's collection from Reuters, 15 June 1999

ZIMBABWE CIVIL SERVANTS STRIKE FOR PAY INCREASE

Zimbabwe government workers went on strike on Wednesday to press for a 20 percent salary increase granted to private sector workers last year, union officials said. President Robert Mugabe's cash-squeezed Government had on Tuesday awarded the 180,000 strong civil service a five percent increment backdated to January but said further negotiations were needed on a further pay increase. "Our members are on the streets right now and they will be on the streets until the negotiations are through," Zimbabwe Teachers Association President Leonard Nkala told a news conference. "As staff associations we feel that enough is enough. Our members are saying enough is enough," he added. Officials said apart from the capital Harare, civil servants had downed tools in the second city of Bulawayo and Chinhoyi in the northwest. Hundreds of the workers gathered at Harare magistrates' court, at the western edge of the city but most government departments appeared to be functioning normally. The Acting Minister of the Public Service, John Nkomo, said on Tuesday the Government wanted further talks with the workers' representatives regarding a 20 percent increment. Mugabe's Government has been hit by a spate of strikes over pay, prices and taxes in the past year amid declining living standards. With inflation at record levels analysts say more strikes are likely this year. Union officials are already fuming over government plans to incorporate a six month ban on strikes that expires this month into a new labour law.

APM Cluster's collection from Reuters, 16 June 1999

ASIA/PACIFIC

ANWAR CONVICTED OF CORRUPTION GOES ON TRIAL

Lawyers defending Malaysia's ousted deputy Prime Minister on a sodomy charge demanded a mistrial Monday after prosecutors changed the year they say the alleged offenses occurred. The prosecution originally said Anwar Ibrahim committed "carnal intercourse" against his former family driver, Azizan Abu Bakar, in May 1994. The state then changed it to May 1992. Prosecutors asked High Court Judge Ariffin Jaka Monday to amend and broaden the time frame for the alleged acts of sodomy, now claiming they took place between January and March of 1993. Anwar has repeatedly denied the charges against him, saying he is a victim of a political conspiracy to quash his challenge to his one-time mentor, Prime Minister Mahathir Mohamad. His defense team demanded that the prosecution supply specific dates. Anwar was sentenced to six years in prison on April 14 after another judge found him guilty on four counts of abuse of power. The prosecution claimed Anwar had illegal sex with men and women and then forced police to cover up his misdeeds. His lawyers in the new case demanded that if the trial goes forward, it be adjourned at least 10 days for them to find other witnesses who could give Anwar an alibi for the new dates. "These amendments by the prosecution are unwarranted and unfair toward the accused. They are still looking for a date," said Anwar's lead defense attorney, Raja Aziz Addruse. "The date is too general." Sodomy, illegal in the predominantly Muslim nation, carries a maximum jail term of 20 years and whipping. The trial resumes Tuesday with lawyers set to argue the defense's request for the judge to throw out the case. Anwar's adopted brother, Sukma Dermawan, is also being tried for allegedly assisting Anwar in the act of sodomy against Azizan. Anwar faces one count of sodomy and Sukma faces two. During the earlier trial, Azizan took the stand, claiming Anwar forced him into sexual slavery in 1992. Azizan is expected to be the prosecution's star witness in the new trial. When the Prime Minister ousted Anwar in September, accusing him of sodomy and claiming he was morally unfit to lead, an unprecedented anti-government movement erupted. When he was arrested and jailed two weeks later, his wife, Azizah Ismail, took over the reform movement and founded the National Justice Party. She and other opposition leaders have formed a coalition and intend to challenge Mahathir's 18-year leadership in the coming general elections, which must be held by June 2000.

APM Cluster's collection from ABC World News East, 7 June 1999

MALAYSIAN CIVIL SERVANTS TO GET PRE-ELECTION BONUS

Malaysia said on Thursday it will pay a special bonus of 600 ringgit ($157) each to its 900,000 civil servants to spur consumer spending and revive the economy. He move came ahead of Malaysia's general elections, which are widely expected to be called sometime this year. Prime Minister Mahathir Mohamad has to dissolve parliament by April 2000 and call national polls by June 2000, but analysts have said he was most likely to call the election this year. The national Bernama news agency quoted Finance Minister Daim Zainuddin as saying that the bonus would be paid over six months beginning in July. Daim said the Government was taking measures to generate demand and boost consumer spending to help the economy. The special bonus was in line with such efforts, he said. The government has separately announced that it was giving a cash advance of up to 1,500 ringgit to each poor student starting university this year. There was no immediate information on how much the civil service bonus would cost the Government. The money is on top of a special 400 ringgit bonus paid out to each lower and middle ranking government employee in December. That bonus cost the Government some 338 million ringgit. The Government in 1998 cut back on bonus payments due to the country's first recession in 13 years. Civil servants used to get annual bonuses of up to one month's salary. ($1 - 3.8 ringgit)

APM Cluster's collection from Reuters, 3 June 1999

HONG KONG FREEZES CIVIL SERVANTS' WAGES

The Hong Kong Government said on Tuesday it would freeze wages of all its 190,000 civil servants for a 12-month period starting April 1999. Secretary for Civil Service Lam W K said the move was to bring wage adjustments in the public sector in line with changes in the private sector. Many Hong Kong people in the private sector have lost their jobs or suffered pay cuts and freezes since the onset of the regional economic crisis in mid-1997.

APM Cluster's collection from Reuters, 8 June 1999

EUROPE

ETHICS DEBATE CLOUDS NEW EUROPEAN GM FOOD LAW

Sweden is calling for "ethical considerations" to be taken into account in the approval of new genetically modified organisms (GMOs), complicating efforts to reach agreement on a new approvals system, EU officials said Monday. EU diplomats met Monday to discuss the latest paper from the bloc's German presidency, which Germany hopes will allow ministers to agree later this month on plans to tighten rules on releasing GMOs onto the market. ``Sweden -- supported by Denmark, Greece and Spain -- wants the ethical situation to be taken into account, and this is making things a lot more complicated,'' one EU official told Reuters. Other EU governments argued that there is no place for ethical questions in this piece of legislation, and the dispute seems likely to make it even more difficult for ministers to find consensus on the new law, the official said. The EU is trying to amend legislation on approving new GMOs amid growing public concern about the safety of foods derived from crops altered by biotechnology. At the same time, Europe is under increasing pressure from trading partners such as the United States to open its market to GM crops grown by American farmers and marketed by U.S. life sciences companies. European lawmakers face the tricky task of streamlining a cumbersome process while reassuring a suspicious public. Sweden suggested the new law should have as its objective "to protect human health and the environment and to ensure that ethical considerations are taken into account,'' according to a draft obtained by Reuters. The Swedish proposal reflects concern in some quarters that it is not ethical to interfere with nature by changing the genetic makeup of plants and animals. A group of five countries led by Denmark also called for extra safeguards to ensure that GMOs, which could cause resistance to antibiotics, used in medicine could never be approved for commercial use. Most countries rejected a German proposal to create a semi-independent, centralized agency for authorizing new GMOs, saying the idea would detract from efforts to agree on the plans already on the table, officials said. Almost all countries also rejected Germany's attempt to reverse plans to give more power over GMO approvals to EU governments, at the expense of the unelected European Commission. German Environment Minister Juergen Trittin is still pushing for an initial agreement at a June 24/25 meeting of EU environment ministers, officials said. This would allow the European Parliament, which shares decision-making powers on environmental issues, to give the legislation a second reading in the autumn. "They're making some sort of effort to get a compromise, but the different countries remain a long way apart,'' one national diplomat said.

APM Cluster's collection from Reuters, 8 June 1999

BUSINESS EDUCATION ETHICS - GROWING DEMAND FOR A 'CINDERELLA SUBJECT'

British business schools have been criticized for devoting too little time to teaching business ethics. Too many of them, according to a new report published by the institute of Business Ethics, still viewed ethics as a "Cinderella subject". The report, The Teaching of Business Ethics, looks at the way the subject is covered at undergraduate, postgraduate and professional levels in the UK. The research is based on a survey of 105 British business schools and 47 professional institutions. It finds that although business ethics teaching is offered in just over half of undergraduate courses and nearly half of postgraduate courses, the coverage in most cases is relatively meager. Time devoted to business ethics on a typical course averages out, it says, at less than seven hours across the entire length of the course. Most courses are optional. The study, which lists the subject coverage school by school, also criticizes teaching provision, which it says relies too often on the enthusiasm of a few individuals with little support from business school management. Julian Cummins, the report's author, argues that the increasing interest in codes of ethics among companies is demanding greater awareness of the issue among management. According to the institute, the number of large UK companies with codes of ethics has grown markedly. In 1987 just 55 of the largest 500 companies had codes but by 1987 the figure had grown to 286. But the study finds little evidence of business schools meeting the growing demand. It says there is little or no career structure for business ethics teachers and few professorial chairs.

Mr. Horn’s collection from Financial Times, 24 May 1999

EU MINISTERS AGREE TO DELAY CUT IN JUNIOR DOCTORS' HOURS

Junior hospital doctors in the European Union will have to wait 13 years for their long working week to be cut to 48 hours. Europe's social affairs ministers reached an agreement yesterday that delayed the improvement in their working hours. The deal delighted the British Government but infuriated the European Commission, the EU's executive, as well as the medical profession. The Commission suggested the 48-hour target for doctors, already won by most other EU workers, should be implemented within seven years. Padraig Flynn, acting social affairs commissioner, who has championed working hours limits, said the deal was morally unacceptable.

Mr. Horn's collection from Financial Times, 26 May 1999

ADAMKUS CHIDES PARLIAMENT OVER FAILURE TO REMOVE CORRUPT MEMBER

Lithuanian President Valdas Adamkus scolded the parliament for not removing the parliamentary mandate of convicted member Audrius Butkevicius. Adamkus' spokesman said that the parliament has the duty to "revoke the mandate of a convicted deputy" and therefore must "shoulder [the] full moral responsibility for the decision [not to]," according to ELTA. The parliament on 15 June voted by secret ballot 70 to 29 to strip Butkevicius of his mandate, falling short of the three-fifths needed to remove him. Parliamentary chairman Vytautas Landsbergis called the decision a "humiliation and stain for the whole parliament." Arrested red-handed while taking a $15,000 bribe, Butkevicius said he would appeal his case to the European Court for Human Rights.

ENA Cluster's collection from RFE/RL Newsline, 16 June 1999

THE AMERICAS

ANTITRUST POLICE USE FEAR TO FIGHT GREED

The US justice department's key to cracking a mounting caseload of international chemical cartels has proved disarmingly simple: fear. Fear of prosecution, and the sight of record personal and corporate fines, have convinced executives and their lawyers to volunteer information on their co-conspirators in an attempt to negotiate a minimal sentence or amnesty deal. The amnesty programme is crucial in the quickening pace of prosecutions of global cartels. Several long-running investigations into international price-fixing are expected to result in record fines in the next 12 months, as antitrust officials broaden their sweep based on information from self-confessed cartel members. Joel Klein, head of the justice department's antitrust division, said: "There is a real fear among some companies that if they do not come forward with information, there could be significant harm. We have real credibility on this. People can see that these $100m fines are not a one-time experience, in addition to individual fines of $10m of very high-profile individuals. We prosecute to very high-level individuals on the corporate ladder, which means this activity is very high-risk." The turning point was reached with the Archer Daniels Midland case, in which three executives were found guilty in September of price-fixing. The food company had already paid a fine of $100m, a record, for its role in a global cartel controlling lysine and citric acid. But the real impact of the case came from the high political profile of ADM and the prosecution of Michael Andreas, vice-chairman and son of Dwayne Andreas, chairman. The Andreas family and ADM have given more than $3m to political parties in the last 10 years. Robert Litan, a former senior antitrust official at the justice department and now director of economic studies at the Brookings Institution in Washington, said: "The ADM prosecution had an enormous impact because when they realized that the son of one of the biggest campaign contributors in the US could go to jail, it put the fear of God into people. When everyone knows the cop is on the block they come and complain." Wall Street lawyers confirm that the aggressive enforcement tactics at the justice department - as well as the sheer scale of the fines - have proved successful in turning cartel members into informants. Robert McTamaney, antitrust partner at Carter Ledyard & Milburn in New York, said: "If an antitrust problem is uncovered, the race often goes to the swift. They speak to the people as low on the totem pole as they can and get them to implicate those higher up. It is very effective, particularly because each of the co-participants involved is well advised to secure their own lawyers, independent of the company." For antitrust officials, this progressive investigation is successful because companies tend to be serial offenders. The unearthing of one criminal cartel leads to the discovery of another at the same company. For example the ADM case involved producers of both lysine and citric acid, including Swiss, German, Dutch, Japanese and Korean companies. Mr. Klein said: "Each of the companies has come forward because they are not infrequently involved in more than one enterprise. It was true in lysine and citric acid. You almost have a situation where once it is a pattern incorporate behaviour, it may well extend to a second or third market." Just as important as the amnesty progrramme is the high level of international cooperation among competition officials around the world, culminating in a coordinated series of swoops on cartels. US officials were isolated in their investigation into the worldwide diamond industry, which ultimately failed to gain a successful prosecution in 1994. Today that problem has been overcome, particularly through joint investigations with EU officials. Antitrust lawyers say this change has come from a shift in political attitudes towards cartels, alongside the growth in global trade. Mr. McTamaney said: "Until 10 or so years ago, the perception was that cartels in Europe were often either ignored by national or EU competition authorities - or at least, they were not actively pursued. That helped to convince companies that so long as the cartel activity did not happen in the US, where everyone knows how rigid the antitrust laws are, they could somehow keep their crimes offshore. They thought they could be free of antitrust even if their actions had an impact in the US. Now if the offshore activities of a US company have a significant impact, they will exercise US jurisdiction."

Mr. Horn's collection from Financial Times, 20 May 1999

FEDERAL GOVERNMENT AWARDS CONTRACT TO MEASURE SATISFACTION WITH ITS SERVICES

The 30 federal agencies that serve 90% of Government's customers will be included in the American Customer Satisfaction Index (ACSI). The launch was announced by Vice President Gore through the National Partnership for Reinventing Government. ACSI is a national economic indicator of the quality of goods and services in the U.S. marketplace. It provides customer satisfaction scores for 34 industries and 200 companies with aggregates to economic sectors and to the nation as a whole. Student loans and social security are among the 30 government services that will now be added to the ACSI. Established in 1994, the ACSI methodology links customer satisfaction to economic returns for companies and to improved performance for the public sector. ACSI is produced through a partnership between the University of Michigan Business School, the American Society for Quality, and Arthur Andersen. Programs of the following government agencies and departments will be included in the ACSI: Agriculture, Commerce, Defense, Education, Environmental Protection, General Services Administration, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, NASA, Office of Personnel Management, Social Security, State, Transportation, Treasury, and Veterans Affairs. "Government service is a large part of the economy. It is important the quality of that service is measured in a uniform manner so that comparisons can be made to the private sector," said Claes Fornell, the Donald C. Cook Professor at the University of Michigan. The ACSI methodology was developed under the direction of Fornell. "The public sector is under great pressure to become more efficient. But efficiency is not always the same as good service. The Government has now taken a step to make sure that the quality of service does not get shortchanged." "Including these government agencies in the American Customer Satisfaction Index gives all of us a voice and also provides the agencies with a roadmap for doing the best job possible," Jack West of the American Society for Quality said. "ACSI scores customer satisfaction on a scale that allows comparisons among agencies and with private businesses." Research and statistical analysis will be done at the University of Michigan Business School's National Quality Research Center under the direction of Fornell and Barbara Everitt Bryant, former director of the Census Bureau. ASQ will provide expertise and logistical support and Arthur Andersen will assist with advising agencies on how to improve their customer satisfaction.

APM Cluster's collection from PRNewswire, 7 June 1999

CORRUPTION SAID STUNTING COLOMBIA'S ECONOMY

Public corruption in Colombia is stunting its economic growth and costs hundreds of millions of dollars a year, President Andres Pastrana said on Wednesday. Citing figures from a recent study by the National Planning Department, he said fraud, theft and other corrupt acts committed by public sector employees shaved at least one percentage point off Colombia's annual gross domestic product. That works out to more than $789 million a year, said Pastrana, who spoke at the launch of a high-profile government campaign to wipe out corruption. In his speech, Pastrana conceded it would probably be a few years yet before Colombia could eradicate its fascination with "easy money'' and become a more wholesome country where everyone has "clean hands.'' He said he was convinced the next generation of Colombians would live in such a place, "here the sun will set with the same certainty that transparency and honesty can give us.'' Colombia, South America's second most populous country, was ranked the seventh most corrupt country in the world in a survey released last year by corruption watchdog Transparency International. Paraguay and Honduras, countries with much smaller economies, were the only Latin American countries classified as more corrupt than Colombia in Transparency International's yearly Corruption Perception Index. Underscoring the extent of public sector venality, Pastrana said the office of Colombia's chief prosecutor had opened more than 18,650 investigations into cases of fraud and theft of government funds in the last four years alone. He did not say how many of those cases ended in arrests or convictions, but judicial officials say more than 90 percent of all crimes committed in Colombia go unpunished.

U.S. HOUSE ETHICS PANEL TO INVESTIGATE LAWMAKER

The U.S. House of Representatives Ethics Committee said Friday it would conduct a formal investigation of Florida Rep. Corrine Brown's ties to an African businessman convicted of trying to bribe a customs officer. The panel said it will look into West African millionaire Foutanga Sissoko's gift of a $50,000 Lexus LS 400 automobile to Brown's daughter and lodging Sissoko provided to Brown, both in 1997. Rep. Lamar Smith, a Texas Republican who chairs the Ethics Committee, said the investigation will explore "the relationship, if any, between the lodging or car and Rep. Brown's status or actions as a member of Congress." Sissoko's chief financial officer purchased the Lexus and gave it to Brown's daughter just months after Brown, a Democrat, lobbied to keep her friend Sissoko out of federal prison for bribing a customs officer. On the lodging allegation, the St. Petersburg Times has said federal prosecutors were investigating whether Brown broke federal law by staying in a $600,000 luxury condominium owned by Sissoko while trying to keep him out of prison. Brown, who denied any wrongdoing, wrote letters to Attorney General Janet Reno, lobbied Congress and met with foreign diplomats in an effort to have Sissoko deported rather than imprisoned. Sissoko, who had pleaded guilty to a bribery charge, eventually was sentenced to four months in prison. The ethics panel said it concluded no further investigation was needed regarding other allegations raised against Brown. Brown came under fire for failing to report the receipt of a $10,000 check from a secret bank account controlled by the Rev. Henry Lyons, president of the National Baptist Convention, who was convicted in federal and state court of crimes including fraud and tax evasion. Brown, of Jacksonville, said in a statement she looked forward to resolving the remaining allegations. "I am confident that these charges, like so many others dismissed today, will also be finally put to rest," she said.

APM Cluster's collection from Reuters, 12 June 1999

CUBA SAYS CORRUPTION SCANDAL RUMOURS EXAGGERATED

Cuba said on Thursday rumours of a high-level corruption crackdown in the military and tourism sectors were "exaggerated" -- but confirmed some disciplinary measures had been taken at one state-run tourist enterprise. "We have seen the press reports over-playing this matter, saying there is an anti-corruption campaign underway," Foreign Ministry spokesman Alejandro Gonzalez said. "It is a total exaggeration." Gonzalez announced, however, that various officials at the Government's tourism company Rumbos had been punished for committing certain "errors and indisciplines." "It's perfectly normal. An error is committed, a disciplinary measure is taken, and that's it. If it's necessary to replace an official, he is replaced, and it's over. Life goes on," Gonzalez added. His comments were the first public response from President Fidel Castro's Government to rumours swirling round Havana in recent weeks of a purge against various senior officials in the armed forces, interior ministry, and tourism sector. The rumours, and reports in some foreign media, have linked a series of alleged changes, dismissals and even arrests, to possible cases of corruption and disloyalty to the Government. Gonzalez said that apart from the measures in Rumbos, he had no knowledge of any other disciplinary measures in the sectors mentioned. He gave no more details of the Rumbos case, beyond saying he had no knowledge it was linked to corruption. "There is no reason to magnify this matter," he told reporters, who bombarded him with questions on the subject during a weekly briefing with foreign and local media. Rumbos is a company, which operates in hard currency, reporting to Cuba's Tourism Ministry and organizing tours, spectacles, sports and cafeterias. Unofficial versions in Havana have included another state tourism firm, Cubanacan, as having had a shake-up in its senior management. Those unconfirmed versions have added that certain army generals and interior ministry officials have also been purged -- with some possibly under house arrest or in prison -- due to cases of undiscipline and disloyalty to Castro. The rumours began soon after one of Castro's bodyguards defected in a neighbouring Caribbean nation, the Dominican Republic, during a regional summit in April attended by the veteran Cuban leader. The surprise replacement two weeks ago of Foreign Minister Roberto Robaina, a senior member of Cuba's ruling elite, with a young Castro aide, Felipe Perez Roque, has further fuelled speculation in Havana. Gonzalez, the Government's only fixed spokesman for the foreign media, denied outright one rumour -- that Robaina's wife, who works in the tourism sector, had been dismissed. He added that the ex-minister himself was "at home, taking some holidays" before receiving his next appointment. Some opposition sources in Havana claim to have confirmed some of the alleged military detentions through friends and neighbours of the people involved. "It seems they are involved in a corruption problem," one dissident source said, without, however, giving any evidence to back that up. Under the headline "Scandal in Cuba's economy," the U.S. newspaper, the Miami Herald, reported this week "several arrests and many more dismissals at government-run enterprises" citing reports coming out of Havana. Reporter Juan Tamayo wrote that it was the worst corruption scandal in four years in Cuba and reflected difficulty curbing the "dark side" of economic reforms the country has adopted. The Herald is known for its criticism of Castro, and circulates in Florida, the heartland of hard-line opposition to Havana from the large Cuban-American community. Cuba's booming tourism sector, an anchor of the economy generating $1.8 billion in revenue annually, employs many military and ex-military officials.

APM Cluster's collection from 10 June 1999

ETHICS ORDER REQUEST WITHDRAWN

A government group has withdrawn its petition asking the Arkansas Ethics Commission for a "declaratory order" interpreting state laws on gifts to public officials. The commission instructed its staff last month to prepare a draft interpretation in response to a request by Scott Trotter, spokesman for Common Cause/Arkansas. The commission was to have discussed the draft at its meeting Friday. "We're back to ground zero on this issue. If he's withdrawing his petition, we can't act on that," Bob Brooks, commission executive director, said Monday. Trotter wrote the commission Monday withdrawing the request for the declaratory order, saying Common Cause has always preferred that the commission conduct a formal rulemaking that provides for public comment. Trotter requested two months ago that the commission conduct a formal rulemaking, but submitted the request for a declaratory order after a commissioner asked him to consider that route instead. Trotter's letter comes in the wake of an attempt by an industry group to intervene in opposition to Common Cause's request for an order. The Associated Industries of Arkansas and its lobbyist, Ron Russell, accused Common Cause of putting forth a "political agenda" and having "embarked on a crusade" to make changes in the ethics laws that should only come through action by the Legislature. Associated Industries attorney Kevin Crass of Little Rock filed an intervenor's response to the Common Cause petition saying that rulemaking is the proper forum. Crass criticized Common Cause for its "attempt to bypass the established procedures for agency rulemaking" by asking for the order. In his letter Monday, Trotter said Common Cause takes "strong exception" to Crass' claim. Trotter reiterated that his group has urged rulemaking from the first and only submitted a request for an order after particular party. A rule could be applied more broadly. Trotter said the situation became too complicated after Crass objected to the request for an order and he would prefer the commission proceed with rulemaking. Currently the law requires public servants to list gifts received, but excludes anything worth less than $100 and any food, lodging or travel when an official appears in an official capacity. The law also requires lobbyists to itemize gifts with more than $100 in value and expenditures of more than $25 made on a public servant. That threshold is raised to $40 by a law that goes into effect July 30. Trotter suggested in his request for a declaratory order that a gift be presumed to be given to a public servant "for the performance of the duties and responsibilities of his or her office or position." He said the presumption can be rebutted by showing the gift was not given by a person who is conducting business or seeking to conduct business with the public servant's office or by a person subject to regulation by the public servant's office. It also can be rebutted by showing the gift was given because of a personal, professional or business relationship independent of the official status of the recipient. Trotter suggested that officials be required to report gifts if they exceed $100 in a year. He also suggests the $25 itemization limit (soon to be $40) for lobbyists be per quarter. Crass has said, "it would be nonsense" for the commission to interpret the law as meaning it prohibits gifts to a public servant simply because he is a public servant. Crass said public officials already are required to file statements of financial interest disclosing that they are not secretly being influenced in the performance of their duties.

APM Cluster 's collection from ARKANSAS DEMOCRAT GAZETTE, 15 June 1999

EUROPE

MISCOUNTING PEOPLE

You get what you measure. This timeworn principle of management is catching on with pressure groups and assorted do-gooders. They fear that desirable aims will remain unachieved unless progress towards them is quantified. Scarcely a day goes by without companies being urged to report more information to shareholders, and the general public. Energy accounting, environmental reporting, risk controls, ethics policies - companies are being cajoled to disclose all of these aspects of their activities. The latest such attempt is the International Symposium on Measuring and Reporting Intellectual Capital, sponsored by the Organization for Economic Cooperation and Development, in Amsterdam in two weeks' time. The thinking behind this meeting is that companies' financial statements record faithfully the value of every last nut and bolt, but fail to capture a company's intellectual capital. That can lead to mistaken management decisions - and mislead investors too. The OECD uses the phrase "intellectual capital" to describe companies' non-tangible assets, from human capital and production technology to marketing skills and information technology. Interestingly, the emphasis is not on assets like brands and patents, which are increasingly given market values and traded. Instead, the OECD is focusing on the aspects of corporate life that are harder to measure, such as business processes, training, and general knowhow. These are never going to make it on to the balance sheet - they are just too fuzzy to find a home in financial statements. But the hope is to persuade someone to draw up an international standard for non-financial reporting of intellectual capital, to be included in the management portion of the annual report. Well, lots of luck. Companies already feel oppressed by the amount of information they are obliged to report; they will not welcome another burden. That does not mean the issue is unimportant. On the contrary, as physical capital becomes less important in the 21st century, and financial capital less scarce, intellectual capital becomes a company's internal management accounts and external financial statements are focused on measuring physical and financial attributes; they pay little attention to the changing value of intellectual assets. That can lead, says the OECD's Greg Wurzburg, to companies reporting the cost-savings from a downsizing programme in their income statements, but failing to capture anywhere the leakage of knowhow caused by the job cuts.

This is one of those infuriating arguments that is simultaneously patently true and obviously false. There are lots of examples of mishandled downsizing campaigns that damage the companies involved. But the mere employment of lots of staff does not ensure the effective use of their talents. Know-how and business processes are a bit like the computer software in which they are so often embodied. Some parts of them are of enormous value to the company; other parts are not merely worthless, but actually destroy value. One of the things successful elements and insisting on transformation of the parts that do not help. So attempting to measure corporate intellectual capital is a mixed blessing. On the one hand, it draws attention to an asset that - in the internet-based company of the future - may be far more important than any tangible capital. On the other hand, by applying what will inevitably be a backward-looking template, it risks valuing damaging ways of working as highly as ones that hold the seeds of future prosperity. The hot book among Silicon Valley bosses for the past year or so has been *The Innovator's Dilemma* by Clayton Christensen. Its theme is that well-managed companies that do everything right, delivering a product that customers want, can be out-innovated by upstarts that exploit "disruptive" technologies. These attack the market from below, offering products that leave existing purchasers cold, but appeal to new customers. The best-known example is the rise of the personal computer, bought by departmental managers, not head office computer centers. The computer industry was transformed; well-run big companies like International Business Machines had to rebuild themselves completely in order to survive. Any dispassionate observer would have attributed enormous value to IBM's intellectual capital in 1983, the peak of the old computer era. Yet much of that set of intangible assets - training, knowledge, understanding of customers, business processes - was in fact a serious liability, because it blinded the company to the far-reaching changes to come. The notion of intellectual capital is seductive. It captures an important truth about the company of the future. But it is a mistaken emphasis because it implies a stability, a lasting value, to perhaps the most volatile aspect of every business: its ability to reconfigure itself as circumstances change. You get what you measure but only if you measure it right - and only if it is measurable in the first place.

Mr. Horn's collection from Financial Times, 25 May 1999

COUNTING ON A NEW MEASURE OF SUCCESS

Jack Welch, chief executive of General Electric, called it the "bane of corporate America". Bob Lutz, former vice-chairman of Chrysler, saw it as a "tool of repression", and Jan Wallander, former chief executive of Svenska Handelsbanken, the Swedish bank, as an "unnecessary evil." More companies recognize that the budgeting system is perhaps the greatest barrier to change. Ikea, the Swedish furniture group, SKF, the bearing maker, Schlumberger, the oil services company, Borealis, the Danish petrochemicals group, and Boots, the UK retailer, have abandoned budgeting in some way. Ericsson, the Swedish telecommunications group, Scania, the truck manufacturer, and the Swedish Post Office have also joined this trend. The CAM-I Beyond Budgeting Round Table, a pan-European research forum set up last year, has more than 20 members examining and adopting a new management model. For decades, accountants have planned, controlled and evaluated performance using budgeting measures such as product profitability, departmental costs, unit sales and capital efficiency ratios. But these tools are increasingly unsuited to modern business. Budgets reinforce command-and-control management and undermine attempts at organizational change. The annual cycle is unsuitable for companies facing rapidly changing markets. Budgets encourage incremental thinking and set a ceiling on growth expectations and a floor for cost reductions, stifling breakthroughs in improvement. They ignore important factors in improving shareholder value - knowledge or intellectual capital. Strong brands, skilled people, excellent management, clear leadership and loyal customers are not easily measured by an accounting system. Budgets fail to provide reliable numbers and are extrapolations of existing trends with little vision of the future. Finally, they discourage the exploitation of synergies across business units by encouraging parochial "defend your own turf" attitudes. Handelsbanken abolished budgeting in 1970. As Mr. Wallander once explained: "Either a budget will prove roughly right and then it will be trite, or it will be disastrously wrong and in that case it will be dangerous. My conclusion is to scrap it!" His views were reinforced when, as a member of the board of Ericsson, he saw the transition from electro-mechanical switches to electronic switches mismanaged. The company's budgets and forecasts gave the illusion of control but made it harder for managers to react quickly to business opportunities. What are the alternatives? Budgeting is so ingrained that many managers and management accountants cannot see how it might be replaced. The pioneering companies developed systems that share a number of characteristics. For example, they:

- Set targets to maximize long-term value and beat the competition, not the budget;
- Devolve strategy to the front line and make it a continuous process, not a top-down annual event;
- Challenge people to think radically, not incrementally;
- Manage resources on the basis of value creation over the lifetime of an investment, not short-term budget allocation;
- Coordinate by managing cause-and-effect relationships across business units and responsibility centers, not by using departmental budgets;
- Measure costs on the basis of whether they add value, not just by comparison with last year;
- Use key leading and lagging indicators to measure performance, not detailed historical reports;
- Base rewards on competitive performance, not personal financial targets;
- Give managers the freedom to act.

These mechanisms must be tailored to deal with certain pressures. At Handelsbanken, Mr. Wallander introduced league tables to measure the bank's performance relative to its competitors, and of branches relative to their peers. Branch managers work out their own improvement plans, hire staff and focus on selling customer solutions rather than products. Their accounting system provides information not only on branch, but customer profitability. This decentralization gives senior managers more time to stretch their managers' thinking. Companies with rapidly changing product lines such as Volvo Cars and Ericsson concentrate on innovation and fast response. Managers rely more on forecasts and "leading" indicators than historic accounting reports. At Volvo Cars, strategy and forecasts are updated several times a year in four distinct cycles. According to Ole Johannesson, vice-president of finance, "managers build competence in sketching the future and within that future lie the opportunities and threats that traditional budget-driven processes fail to see until it's too late." At Borealis, the emphasis is on managing performance over the business cycle. Targets are set by the "balanced scorecard" process; fixed costs are controlled through trend reporting activity-based management and cost targets; and higher levels financial and tax planning relies on rolling financial forecasts.

Mr. Horn's collection from Financial Times, 25 May 1999

A WORKABLE EUROPE

Here we go again. Here comes another European Union summit. They are getting to be almost two-a-penny. When the leaders of the EU foregather today in Cologne, just 10 weeks after they first met in Berlin, they are supposed to be thinking about the future. That is no bad thing. But they are sounding much more half-hearted than they might. They will be thinking once again, about their own constitution: about how to make the EU fairer and more efficient, as it grows ever larger and more unwieldy. But just one week before the European elections, which could well see the lowest voter turnout to elect a new European parliament, will they be worrying about what really matters? Will they talk about how to make the EU more relevant - and how to make it work - in the eyes of European citizens? That, surely, is what will persuade people to vote in the polls. The trouble is that the EU has become a victim of its own success, not failure. From the original club of six who signed the Treaty of Rome in 1957, it has grown and grown to 15, with at least as many more now knocking on the door. It is a club all Europe wants to join. It has launched the single market, and the single currency, and now it is set to powers, too. These are huge changes, in quality as well as quantity. And yet the Union is seeking to manage them all with essentially the same institutions, give or take a bit of tinkering, as it began with 42 years ago. And that is precisely what the leaders of the 15 are set to agree on once again: more tinkering. They will give the green light to a new inter-governmental conference (IGC to the cognoscenti), with a strictly limited mandate, to prepare for future enlargement. It will decide on a streamlined European Commission - the EU executive in Brussels; new voting rules to counter the excessive influence of small member states; and a bit more majority voting, to make decision-making simpler. It is supposed to be quick and clean, to start in the spring, and be over by December next year. At least, that is the theory. The danger is that it may prove hopelessly inadequate for the challenges ahead. On the eve of the summit, all the EU leaders were sent a little booklet, just 40 pages long, called *A European Union that Works*. With all the other official documents to read, they may barely give it a second glance. They should. For it focuses on how to make the EU work, so that its inhabitants can understand what it is all about. Produced by an eminent group called Friends of Europe, chaired by Etienne Davignon, former vice-president of the European Commission and now chairman of SociJtJ GJnJrale de Belgique, it attempts to set out why something much more radical than just another quick IGC is needed. It is much more than just a failure to adapt the EU rules and structures. "What is not keeping pace is the Union's capacity to govern itself effectively," the report says. The EU "risks paralysis from its short-term obsessions as it muddles through its crisis". It is precisely that paralysis that most frustrates the European in the street. According to the latest opinion poll, published by Le Monde and other newspapers this week, most people are relaxed about European integration. Even in Eurosceptic Britain, only 16 per cent think the government is "going too far" in pursuing European integration, compared with 22 per cent who say "not far enough", and a healthy 49 per cent who say it is about right. Indeed, the most hesitant are the once-integrationist Germans, 28 per cent of whom think their Government goes too far down that road. In France, the figure is 16 per cent, like the UK, and in Italy a tiny 8 per cent.

But the poll showed up a real frustration with the way in which the EU is doing its job, with low levels of confidence in the existing European institutions. The problem affects not just the commission, whose travails, before and after the crisis that forced its resignation last March, are well documented. The Council of Ministers - the hydra-headed body in which the 15 member states negotiate - is just as much in need of overhaul. For a start, the councils have become so unwieldy that many ministers do all they can to stay away, to be replaced by civil servants. They make little secret of their horror at having to listen to their colleagues read set-piece speeches. Then there is the problem of coordinating decisions between rival councils - say, agriculture and environment - which jealously guard their autonomy. An awful lot could be done without any constitutional change. The Friends of Europe suggests a radical reduction to just four councils: foreign affairs, to deal just with common foreign and security policy; economy and finance (which means the single currency); justice and internal affairs (the new growth area); and a new coordinating council, called "general affairs", to be headed by a senior government minister from each member state. They suggest the general affairs council should dare to sit in public. All the specialist councils would become working committees reporting to it. It is daring stuff. But there is no doubt that the present system is appallingly cumbersome. Many suggestions are made for streamlining the institutions, simplifying their roles and making them more intelligible. They are certainly steps in the right direction. But the EU needs much more to be loved. The trouble is that, ever since it was invented, it has been a top-down institution. Even the democracy is handed down like bread from the rich man's table. As long as the decision-making is remote, and not understood to be relevant to daily lives, bottom-up demands for democratic control will be lacking. That is why people don't bother to vote. This is where the Friends of Europe is calling for radical constitutional reform: it wants a new Messina conference (the last one in 1955 laid the foundations for the Treaty of Rome). It recognizes that an EU with 30 members will need much more than streamlining. It needs a bill of rights, and it needs a "master-treaty" - its words, not mine - to replace the current long-winded versions. I confess that the thought of a new Messina conference strikes fear into my heart. Do we really need more radical constitutional reform? I regret to say that the answer is yes. Decision-making is grinding to a halt. The new parliament will have co-decision powers over almost 40 areas of legislation, which could easily be a recipe for legislative gridlock. As for the trend towards opting in and opting out of EU policies, that is creating an *à la carte* complex which will have to be rationalized into a system of "variable geometry". That is the only way so many new member states, with very different levels of economic development, can possibly be taken into the club. It is a daunting prospect, but a short and sweet IGC will not fix it. If the EU is going to enlarge, and take in the new democracies of Eastern Europe, as it should, drastic surgery is essential.

Mr. Horn's collection from Financial Times, 3 June 1999

THE AMERICAS

LATIN AMERICA BRACING FOR Y2K PROBLEMS

Potential millennium bug problems in Latin America do not look really grim, but looks can be deceiving and detailed information on Y2K preparedness in the region is scarce. With testing on some large systems running behind schedule, no one knows whether to expect small power failures, days of telephone glitches or worse. The Y2K problem stems from a once-common practice of using only two digits for the year in dates, like 97 for 1997. There are fears 2000 will confuse computers and microchips embedded in machines, causing them to produce flawed data or crash. Government agencies and businesses throughout Latin America say they are working hard to root out the bug but there are no independent assessments of whether they are on schedule in testing, repairing and replacing computer systems. And the big power companies petroleum producers and telephone operators are tight-lipped about testing details. Many utilities in Latin America are only now beginning to run integrated, system-wide tests on large computer systems, a time-consuming process that experts say should have been started sooner if the companies are going to complete repairs and replacements in time for the New Year. Rodrigo Moraga, South American coordinator for the United Nations-linked International Y2K Cooperation Group, acknowledged that it was too late for many, including power companies and air traffic controllers, to run full tests and said they would have to concentrate on contingency plans. The region anticipated problems and the focus now was on planning a swift response to system failures, he said. "At this late date you ... can't do big projects. You need to replace the critical, the most essential points of your system and go immediately to contingency plans." On the other hand, Carlos Jarque, the Central America and Mexico regional coordinator, said Mexican energy; telephone and water systems are on schedule to complete testing this month. 'WE'RE WORKING ON IT' The official word in the region is "we're working on it." Many companies such as Mexican petroleum producer Pemex have Web sites with large sections on Y2K preparedness but they do little more than advise that the firm is aware of the problem. Analysts looking at the issue are frustrated by the lack of information in Latin America. "It's very difficult to get acceptable assessments ... data becomes increasingly speculative outside of (Europe, Canada and Australia)," experts said in a report on international preparedness for an U.S. Senate Special Committee on Year 2000. The report indicates that the largest economies in Latin America are behind schedule on preparedness, with Argentina 21 percent behind, Brazil 22 percent and Mexico 24 percent. The Gartner Group research firm said it was predicting a 33 percent failure rate for Brazil, Chile, Mexico and Peru, 50 percent failure for Argentina, Colombia, Guatemala and Venezuela, and 66 percent for Costa Rica and El Salvador. It says Mexico, Brazil and Argentina alone should spend $63 billion on total public and private Y2K preparedness. Mexico estimates it has spent a billion dollars so far. Moraga said South American estimates are for a total of $12-$15 billion to be spent on Y2K debugging. By all accounts banks are in better shape than other sectors, especially in large economies such as Argentina, Brazil and Mexico. A report by investment bank and brokerage Morgan Stanley Dean Witter on banks in those countries said internal failures would probably not cost them a lot of money. The worst case scenario, which the report called unlikely, would be that nonperforming loans would rise because of a lack of compliance by counterparts, affecting bank earnings. But Gilberto Calvillo, systems director of Mexico's central bank and coordinator for Y2K preparations in the country's financial sector, said nonperforming loans were nothing new. "In the case of Mexico, I don't think that's a 2000 problem. Mexican banks have a problem with bad loans that has nothing to do with 2000 and won't get worse with Y2K," he said. The Morgan Stanley report said banks in Argentina, Brazil and Mexico would spend a total of $321million on readiness. In Argentina and other countries authorities hope that as banks get prepared they will force providers, including telecommunications and power companies, to become compliant.

Energy and Telecoms

"In general the electric companies are pretty well prepared for Y2K, better than the average company in the economy," said South America electricity sector analyst Stephen Graham of Donaldson, Lufkin & Jenrette. He said many of the large companies in bigger countries are in post-testing phases. Mario Epelbaum, a Morgan Stanley analyst, said it was very hard to get independent information on test results. "The problem is you get reiteration of the official word.

You hear the same things from different people." The same frustration surfaces among analysts trying to gauge readiness in the regions telephone companies. "It's difficult to get a straight answer on telecoms. They say, 'We're doing a lot of work but we don't want to tell you about it,'" said Lew Tablewski of the Dante B. Fascell North-South Center at the University of Miami. In Ecuador, Telecommunications Superintendent Hugo Ruiz told Reuters Andinatel and Pacifictel, the state-owned telephone companies, were racing against the clock, casting doubt on whether they were on time with trials and planning. Venezuela has been singled out as one of the least prepared countries in the region, perhaps because officials there are being very frank about the huge difficulties facing them. Gustavo Mendez, head of Venezuela's Central Office of Statistics and Information, the government body heading the Year 2000 conversion project, said it was one of the world's worst-prepared countries. Presidential Chief of Staff Alfredo Pena said Venezuela was seriously behind and needed $1.5 billion for nationwide preparations, with the electricity sector the most vulnerable. An industry executive this month said Venezuela's electrical network had spent only half the roughly $100 million needed to make conversions, and "the majority of companies in general are still completing the diagnostic stage," which would put them way behind in the time-costly testing stage. But Venezuela's oil industry, the third biggest exporter in the world, said it is on track to complete preparations by the end of this month, having spent $400 million so far, according to the state oil company Petroleos de Venezuela (PDVSA). Several experts and industry insiders mentioned that Y2K problems could hit rural or poverty-stricken areas that are already accustomed to stretches without power or telephones. "The worst problems will be in places that already have unreliable infrastructure and people (there) already count on disruptions," said Paul Saffo, a director at the Institute for the Future in California. Peru is typical. Accustomed to regular power blackouts caused by leftist rebel bomb attacks in the early 1990s, inhabitants generally take instability in their stride. Perhaps that is why the authorities and experts say panic, hoarding, hysteria and rushes on banks in the region are unlikely. "Latin America has basic priorities that keep people's attention on other things," Moraga said.

APM Cluster's collection from PRNewswire, 16 June 1999

GLOBAL

Y2K EXPERTS POLL RESULTS TO BE RELEASED

An informal public-interest coalition of CIO magazine, Information Systems Audit and Control Association (ISACA), and Dr. Ed Yardeni's Y2K Center is presently conducting a Y2K Experts Poll. Results will be released at a news conference on Friday, June 18, 1999 at 11:00 AM. The news conference will be held at the Deutsche Bank in New York City -- 31 West 52nd Street on the 5th floor. [Limited seating. Advance credentials necessary.] The Y2K Experts Poll is being conducted among Y2K professionals around the world, with first-hand knowledge of the Y2K problem. The survey specifically addresses Y2K corporate issues of readiness, confidence, third party failures, contingency planning, legal issues, economic impact, and the personal at-home actions of executives close to the process. Sample Poll questions include: How far along is your organization completing the Y2K problem? Will any of your mission-critical systems fail or malfunction as a result of Y2K? -- On the basis of an assessment, rate your confidence in your electricity service? Personally, how does your overall assessment of Y2K compare to three months ago? Personally, do you plan to stockpile extra food at home; have extra cash at home; and how will Y2K influence your stock investments? Personally, indicate the likely economic impact of Y2K. Poll results are expected to help the public and their policy officials assess the readiness of organizations around the world. Y2K Experts Poll partners joined together to create the poll as leaders in the technology industry and experts on the Y2K issue. CIO Communications, Inc. was formed in 1987 to help chief information officers (CIOs), information technology (IT) executives and other senior management executives succeed in their enterprises through the use of information technology. The company publishes CIO magazine, a publication of International Data Group (IDG). Dr. Ed Yardeni's Y2K Center is a public service of the Chief Economist of Deutsche Bank Securities. ISACA is a recognized global leader in Information Technology (IT) governance, control and assurance with more than 20,000 members in 100 countries. SOURCE CIO Communications, Inc.

APM Cluster's collection from PRNewswire, 16 June 1999

Public Finance

AFRICA

NEW NIGERIAN RULERS TO REVIEW FINANCIAL ADVISERS

Nigeria's elected civilian administration is expected to review as early as next week a controversial list of financial advisers appointed by the outgoing military government to assist its privatization programme. The list includes Nigerian merchant banks and stock-broking firms named last week as advisers to manage the flotation of 10 state-owned companies on the Lagos stock market. It also confirms the earlier appointment of 12 foreign banks and consultancy firms to work with Nigerian partners on selling off the main utilities and some of the larger state-owned companies. Bankers, members of the incoming administration and even some officials involved in the privatization programme were dumbfounded by the appointments that come only days before the scheduled handover to Olusegun Obasanjo, president-elect, on Saturday. Senior officers and bureaucrats allegedly pushed the list through without proper consultation with the National Privatization Council, the body supposed to govern the programme. Lagos bankers said at least one ailing bank had been included, while leading local stock-broking firms have been left out and some of the big international players awarded companies too small to interest them. They also alleged that a senior military officer had significant shares in a merchant bank given one of the most sought-after roles. "The Obasanjo camp is very upset. They have said that as early as next week they are going to review not only the list but also the terms on which the international companies are paired with their local partners," an official in the privatization programme said yesterday. After more than 15 years in power, Nigeria's military will be handing over a virtually bankrupt state, ill able to afford the 1,500 or so companies it owns. Soon after assuming office last year, Abdulsalami Abubakar, the outgoing head of state, listed more than 40 of these for sale. He has won plaudits for respecting his political transition timetable. However, his administration will leave office under a cloud of allegations of mismanagement. It has also failed to meet its own targets both on the privatization programme and on other economic reform commitments made in agreement with the International Monetary Fund. General Obasanjo was due to meet the IMF and officials from the outgoing administration yesterday in an attempt to agree on a new timetable for a staff-monitored programme. A senior official said if Gen. Obasanjo accepted new targets, full deregulation of fuel prices and an accelerated privatization, his administration could be on line for a funded programme by September, followed by Paris club negotiations on debt relief in December.

Mr. Horn's collection from Financial Times, 26 May 1999

EAST AFRICA URGED TO ADDRESS INFRASTRUCTURE IN BUDGETS

East Africa needs to put the region's crumbling infrastructure as well as rampant corruption at the top of its agenda when its three finance ministers present their budgets on Thursday, business leaders say. Ministers from Kenya, Uganda and Tanzania will read their budgets on the same day for a second successive year as a gesture toward regional integration, but few concrete measures are expected to reduce trade barriers this year despite plans eventually to create a common market. Instead, the governments are being urged first to address the problems that are holding East Africa back and putting off foreign investors. "The roads are in a pathetic state of repair, the (Kenyan) port (of Mombasa) is not efficient, there is no railway transport to write home about," said Chris Kirubi, chairman of the Kenya Association of Manufacturers. "All these issues require addressing." "If people can't be guaranteed a clean power supply and a clean telephone line, why should they invest?" asked Nikhil Hira at consultants Deloitte and Touche in Nairobi. Hira says an increase in armed robberies in the Kenyan capital as well as a culture of corruption are also turning investors off a region that boasts 80 million people but has an average annual income of less than $300 per person. "This is not a conducive environment if you have to grease that many palms," he said. "But if these things are addressed, I can see this region being the region of the future, at least in Africa." The region's three presidents are scheduled to sign a treaty in July paving the way for a common market in East Africa, but their ambitious plans are already running into trouble. At a meeting in the Tanzanian town of Arusha last month, officials decided to delay the implementation of the free trade area for a year, until July 2000, and even then to allow Uganda and Tanzania to impose a 10 percent surcharge on Kenyan goods for a further four years. Ugandan and Tanzanian industrialists say they are not yet ready for stiff competition from the Kenyan goods that already dominate regional trade. "We are committed to regional integration -- but you realize that Kenyan manufacturers are well ahead of our own, and we have no plans of crippling our industry," Ugandan Finance Minister Gerald Sendaula told Reuters last month. "That is why we have to slowly seek co-existence." Ravi Chande of the Confederation of Tanzania Industries says his government needs to improve infrastructure, reduce power tariffs and cut taxes before businesses can compete regionally. "There are certain transaction costs to doing business here," he said. "We need to ensure all players in the three countries are playing on the same playing field, and that is something that takes a bit of time." Ugandan and Tanzanian finance ministers will have to fill big holes in their respective budgets when tariffs are eventually removed, a fact that Nikhil Hira says will seriously delay the onset of a free trade zone. "Import duty is a pretty substantial proportion of revenues in Uganda for example," he said. "Without it, how is its budget going to work?"

APM Cluster's collection from Reuters, 9 June 1999

UGANDA BUDGET BOOSTS SOCIAL SPENDING, CUTS DEFENSE

Uganda's Finance Minister Gerald Sendaula announced a sharp increase in social spending, a cut in defense spending but little in the way of tax cuts for the business community in his 1999/2000 budget on Thursday. Sendaula said Uganda ran a budget deficit including grants of 0.93 percent of gross domestic product (GDP) in 1998/99, above last year's projection of 0.3 percent, and blamed higher defense and social spending as well as pay rises for teachers. He said the deficit would rise to 1.16 percent of GDP in 1999/2000. The rise in defense spending, thought to be linked to Uganda's involvement in the war in the neighbouring Democratic Republic of the Congo, had alarmed many foreign donors, and was cited by the International Monetary Fund as a reason for a delay in disbursement of a key loan in January. But the IMF said earlier this week that Uganda had agreed to contain defense spending, and said it would resume lending soon. Sendaula said defense spending would be cut to 177 billion Ugandan shillings ($122 million) in 1999/2000, from 193.5 billion in 1998/99, but said security remained a priority. "It is imperative that the issue of security continues to be accorded the highest priority in the budget," he said. "Regional security and the need to provide security to national parks will require additional funding by way of salaries for new recruits for the (army)." Sendaula said tax revenue collection had exceeded forecasts by three percent in 1998/99, and projected an increase of 19 percent to 1,119 billion shillings in 1999/2000 from this year's 942 billion shillings, thanks to better tax administration. He said the economy had grown by a healthy 7.8 percent in 1998/99, up from 5.5 percent in 1997/98. He announced an 85 percent increase in funding to the Poverty Action Fund to 154 billion shillings. The fund was set up last year to improve provision of social services and infrastructure. The Government will continue "supporting targeted interventions for enhancing the potential income generation of the poor and improving their quality of life," he said. But Sendaula dismissed appeals from the business community to reduce taxes. "While I fully appreciate that excessive tax rates can undermine compliance, and as a result reduce collections, this argument is no longer valid in Uganda," he said, arguing that Uganda's income and corporate tax rates were among the lowest in the region. The minister however announced some relief to the aviation industry. In a bid to make Entebbe International Airport more competitive he reduced the levy on jet fuel to $0.05 a gallon from $0.095 and also cut airfreight cargo taxes. The lower ranks of the civil service were awarded pay rises of up to 10 percent. ($1 - 1,450 Uganda shillings)

APM Cluster's collection from Reuters, 9 June 1999

KENYA ABANDONS BALANCED BUDGET, ECONOMY IN TATTERS

Kenyan Finance Minister Francis Masakhalia on Thursday announced tax cuts to try to alleviate poverty and resuscitate the moribund economy, but admitted he could not balance the budget in the 1999/2000 fiscal year.
He also promised to tighten up on spending, repair the country's battered infrastructure and improve the quality of public administration. While some analysts welcomed the tax cuts, they said many of his words rang hollow after years of broken promises, and said the projections underpinning the budget appeared optimistic. Masakhalia said he expected to run a budget deficit of 1.5 percent of gross domestic product in 1999/2000, although he did not factor any direct budget or "programme" support from foreign donors. The International Monetary Fund suspended programme lending to Kenya in 1997 to protest against rampant official corruption, and the World Bank and other donors soon followed suit. Masakhlia also told parliament the Government ran a budget deficit of 2.6 percent of GDP in 1998/99, after targeting a balanced budget this time last year. "The budget deficit for 1998/99 will be 2.6 percent of GDP," he said. "The domestic borrowing requirement in 1999/2000 will be 1.5 percent of GDP." He promised to stamp down on ministries overspending their budgets and to eliminate corruption. "The Government intends to make corruption intolerable," he said. He set his four priorities this year as upgrading and repairing the economic infrastructure, particularly roads and the power supply, improving the provision of basic services such as health, education and water, improving security and the administration of justice, and alleviating poverty. "It is now recognized there is an urgent

need to reform the public sector both in the central and the local government levels,'' he said. He also promised to push through privatization of state interests in telecommunications, ports and railways this year. Masakhalia said he would cut the top rate of income and corporate tax to 30 percent from 32 percent, and top rate of Value Added Tax to 15 per cent from 16. Nikhil Hira, a tax partner at Deloitte and Touche, said the measures could have some positive impact on growth, but were not significant enough to revive the economy. "(But) in a time of economic crisis and budget deficits, it is quite radical to reduce tax rates,'' he said. There was a less positive reception for Masakhalia's plan to increase the road maintenance levy on petrol by one shilling a liter, which economists said would push up inflation, especially as world oil prices were rising and the shilling was falling. Masakhalia said he was expecting real economic growth of 2.5 to 3.0 percent in the coming fiscal year, after growth of just 1.8 percent in calendar year 1998. But economists said this was unlikely to be achieved. "It is pie in the sky,'' said Robert Shaw of the Institute of Economic Affairs. "We'll be lucky if we make 1.5 percent in the coming fiscal year." Shaw said the budget, like many of its predecessors, acknowledged some of the important problems facing the country, but failed to make enough specific promises to tackle them. "There were all the nice-sounding pledges, but of course the track record in terms of implementation is very poor,'' he said.

APM Clusters collection from CNN Headline News, 10 June 1999

ASIA/PACIFIC

INDIA: TAX CRACKDOWN TARGETS FOREIGN FIRMS

Under Indian law a person residing in India pays tax on his worldwide income. A person is not a resident only if he has been out of India for 182 days out of the financial year (starts April 1st) or if he has spent two consecutive tax years abroad. There is no exemption for expatriates. Employers are required to deduct income tax from salaries and deposit it with authorities. They are also required to deduct tax from rental payments, fees for professional services, and so on. While India's top marginal tax rate, at 30%, is not high, it kicks in once income exceeds a mere US$3,500. Indian income tax authorities are cracking down on corporate tax evasion, with foreign companies high on the list of suspects. Authorities have so far recovered over Rs4.8bn (US$112.3m) in unpaid taxes and interest from 73 Japanese, South Korean and European companies. Some of them are now being penalized or prosecuted, notes a recent article in the EIU's daily online service, most of the problems have to do with tax payable on expatriate salaries and perquisites. Surveys by the income tax authorities of tax deduction at source (TDS) disclosure by foreign companies have revealed a number of problems, such as: failure to include certain allowances and perquisites for purposes of TDS; failure to deduct tax on payment made to contractors, on rents, on fees for technical and professional services, etc; failure to deduct tax on salaries paid abroad to expatriate employees for services rendered in India; failure to deduct tax on payments made to non-resident Indians; failure to deduct tax at correct rates; and failure to deposit the tax deducted with the government on time. Typical defaults unearthed by the tax authorities included: A South Korea company paid thousands of dollars in school fees for employees' children studying at an international school in Delhi. The amounts were not shown as part of the employees' salaries, nor was tax deducted at the source. A telecommunications company kept royalties payable to its parent company in an Indian account. The payment was not declared to the Reserve Bank of India and TDS was not deducted; and oil companies rented warehouses but failed to deduct tax at the rate of 20% or deducted it at the rate of 2%. What will happen to those who have fallen foul of the law? There are three possibilities: interest will be charged for the delayed payment; penalties will be levied; or the company will be prosecuted. In the event of voluntary disclosure by the company, penalties may be waived. In cases where the tax is paid as a result of a survey carried out by the authorities, penalties may be invoked. Indian companies and joint venture companies have also been targeted for TDS defaults. Included in the income tax department's survey was the state-owned Indian Oil Corp. In March this year, officials investigated Maruti Udyog, a joint venture between the Government of India and Suzuki, and questioned its Japanese directors. The company is alleged to have evaded taxes of Rs500m by not fully disclosing the income received in Japan by its directors since 1993. Not surprisingly, the Japan Chamber of Commerce & Industry and the Japanese embassy in New Delhi have protested that the Japanese are being targeted. The Minister of Industry, at least, is sympathetic. He has written to the Ministry of Finance that the surveys may send the wrong signals to foreign investors. However, the chairman of the Central Board of Taxes has said he intends to step up monitoring and investigations of TDS defaults and prosecution proceedings against foreign companies will continue on a case-by-case basis.

APM Cluster's collection from EIU View wire India, 2 June, 1999

EUROPE

TAX CRACKDOWN PLAN MAY HIT INFORMATION TECHNOLOGY ENTREPRENEURS

More than 30,000 of the UK's computer and engineering entrepreneurs could leave the country if the Government goes ahead with plans announced in the last Budget to crack down on the taxation of service companies. Andy White, of the Professional Contractors' Group, said that at least 10,000 entrepreneurs were threatened by the proposed legislation. Of 3,500 who answered a questionnaire on the group's web site, 32 per cent said they would go abroad if the plans went ahead. A brain drain on this scale would cost the Treasury , 760m ($1.2bn) a year in lost tax and would wipe out the forecast , 450m benefits of stamping out what the Inland Revenue has described as widespread abuse of the fiscal advantages of companies. The PCG said a brain drain would also have a big knock-on effect as research indicated the sector supported more than , 50bn of economic activity. The estimated cost to industry of the measures was , 8.48bn. The PCG fears the law will crack down on personal services companies set up by entrepreneurs. These companies issue bills for work done and paid without deductions. The individual is paid by the company or through dividends. The Revenue says it wants to prevent people abusing the tax law by resigning as an employee on a Friday and starting work as a consultant on a Monday. It wants to lift the corporate veil to see if the taxpayer is really an employee. The PCG is supported by the English Institute of Chartered Accountants, which has seen a draft of the plans. At the time of the Budget the Revenue said it wanted to see legislation in place by April next year. "In its eagerness to catch perceived tax avoiders the Revenue is drawing into its net many who are in long-established, non-contentious business arrangements," said Frank Haskew of the institute's tax faculty. "The measures will hit the most entrepreneurial who specialize in knowledge-based skills. These people tend to be mobile and many countries would be keen to offer incentives to encourage a brain drain," he added. The Revenue, in correspondence with the PCG, said: "This legislation is not targeted at the IT sector." Wide consultation would be undertaken it said, adding: "The Revenue is only concerned with engagements, which are, in effect, disguised employment."

Mr. Horn's collection from Financial Times, 24 May 1999

INVESTORS IN JAPAN SHOW EURO NERVES

While the European Central Bank worries about whether or when to intervene to stop the euro's slide in value against the dollar, in Tokyo Japanese investors are already voting with their feet. Since the launch of the new currency in January, the level of funds held in euro-dominated products by Japanese consumers has fallen as investors have taken fright at the tumble in the currency. There are also signs that Japan's huge institutional investors are becoming nervous about the European currency. "The euro's decline against the yen, and Kosovo, has led to a lot of selling by those investors who were piling into the euro last year," says one trader at a Japanese bank. The trend is a blow for European groups that have been trying to market the euro to Japan's savers, who hold the largest pool of assets in the world. Data from the Investment Trusts Association show that the total value of euro funds held in all Japanese investment trusts, including mixed accounts, fell from Y1, 330bn in January to Y1, 219bn ($10.1bn) in March, faster than the decline in any other leading currency. More recent data are not available, but banks and brokers report that the trend seems to have continued since then. One official at a Japanese brokerage yesterday said: "Consumers are putting their money into other currencies, such as dollars instead." One reason for the fall is that the euro remains a "theoretical" concept not easily understood by Japanese consumers, brokers say. Fears of oversupply also have damped down demand. Japanese investors have already seen the value of their domestic government bond holdings plummet amid concerns about over-supply. "In Europe, euro-denominated issuance was also going up quickly - we were concerned about oversupply," said Kazuya Seki, treasury division manager at Mitsui Trust and Banking in Tokyo. Another important factor in the rush to sell loss-making euro investments lies in a stricter regulatory environment in Japan. The Financial Supervisory Agency, the banking watchdog, has now started an inspection into the life and non-life insurance sectors, following its inspection into city and regional banks. **$**Giuliano Amato, Italy's Treasury minister, said yesterday his country's budgetary balance "could be better than expected" after the figure for public sector borrowing in May was smaller than expected, James Blitz writes from Rome. At a meeting of European economic and finance ministers last week, Italy requested it should be allowed to raise its deficit target this year from 2 per cent to 2.4 per cent. Agreement to that request caused a further slide in the euro's value. However, the Treasury announced Italy's state sector deficit in May was L10,000bn ($5.4bn), down from the L16, 300bn figure recorded in the same month last year. Separately, Jacques Santer, the outgoing European Commission president, said yesterday he was not worried about the euro's recent slide against the dollar. Such "stabilization" since the "euphoria" that followed the currency's January 1 launch had left it around the levels indicated by its constituent currencies in December 1997.

Mr. Horn's collection from Financial Times, 2 June 1999

TAX REFORM IS RUSSIA'S ONLY HOPE

From Mr. Henri J. Bardon. Sir, I read with interest the letter from Prof. Stepan Soulakshin, a member of the Russian Federation Duma (May 27), and can only say that his letter simply adds to the despair of most foreign investors like us. It appears that no one in the Russian Government understands what the real problems are in Russia. East Asian Investment Corporation has invested directly and indirectly more than $10m in the last two and a half years in a Russian enterprise that is overburdened by an insane tax regime instituted by the Duma. According to Price Waterhouse, which performed the financial analysis of this enterprise, the effective total taxation is 73 per cent of net operating income. Although I follow Prof. Soulakshin's misguided logic on productivity, the issue is not productivity but taxation of the Russian people that leads to their impoverished state, to the lack of purchasing power and to poor productivity. There is no point in criticizing reforms that have not been instituted or in making comparisons with other capitalist economies of the world. A Russian worker who works for an over-taxed corporation and earns $1 today must then pay 35 per cent of his salary to the state before he purchases any goods - which carry a valued added tax rate of 20 per cent. The net effect of this taxation on the most impoverished workers of this nation is that on the 65 cents left after state tax they must then pay another 13 cents on any and all goods they purchased. This is nearly 50 per cent of their net income. With all due respect, Prof. Soulakshin, this is not rocket science; you can now understand why the Russian Federation is having such a dismal record in collecting taxes. You only have to drive on Russian roads at night to notice how dynamic the "grey" economy has become. It is now time to establish true reforms in Russia. Russia should take this leadership by taking courageous and significant measures to reduce and simplify tax for individuals and corporations. This is the only hope for Russia.

Mr. Horn's collection from Financial Times, 3 June 1999

TURKEY PLEDGES REFORM, LOWER INFLATION

Turkish Prime Minister Bulent Ecevit said on Friday his new Government would push ahead with vital structural reforms while slashing inflation to single digits from its current 50 percent. The Government's programme, presented to parliament by Ecevit, pledged to narrow wage and regional inequalities, ensure stable economic growth and keep fiscal policy in line with a "competitive market economy." "The Government is determined to solve the economy's urgent problems, achieve structural reforms, and bring inflation rapidly down to single digits," Ecevit told parliament. The programme further boosted positive sentiment on the Istanbul Stock Exchange. Shares were up 7.4 percent. A new banking law, social security and agriculture reform, as well as privatization are top policy priorities which are seen as crucial to Turkey's ability to secure financial support from the International Monetary Fund (IMF). According to the programme, the new three-way coalition Government will seek to cut the country's gaping budget deficits through financial discipline and reining in the black economy. The Government would further explore foreign borrowing opportunities to supplement domestic debt resources and maintain a "realistic" foreign exchange policy. The central bank generally keeps lira depreciation in line with inflation. As part of the social security reform, the Government aims to raise retirement ages to the highest sustainable levels. The unusually low retirement ages of 38 for women and 43 for men fuel an annual social security system deficit of $6 billion. The Government would ensure that privatization would be conducted rapidly, but only as long as they are in the public interest as part of a "new strategy" for sell-offs. The far right partner in the coalition had previously called for sell-offs to be suspended this year in response to allegations of previous irregularities. Turkey's costly agriculture support prices, a cause of concern for international financial institutions, would be fixed in line with world prices, producer costs and expected inflation, the programme added. Treasury Minister Hikmet Ulugbay said earlier on Friday that the coalition, formed after elections on April 18, expected political stability to boost economic activity in the second half after a sharp slowdown last year. He said no revision was expected of the three percent growth forecast for 1999 after 3.8 percent gross national product (GNP) growth last year and 8.3 percent a year earlier. The three-way coalition between Ecevit's leftist Democratic Left Party, the ultra-right Nationalist Action Party and the conservative Motherland Party is expected to survive a confidence vote next Wednesday. Subsequently, it is set to hold talks with the IMF from June 17 on an anti-inflation programme as part of plans for financial support to supplement an existing staff-monitoring accord. A further agreement is seen improving Turkey's international standing, enhancing its ability to raise foreign funds at lower interest rates, reducing dependence on expensive domestic debt. The government did not specify a time frame for single-digit inflation but received a boost on Thursday with the release of lower-than-expected May inflation data. May wholesale prices were up 3.2 percent month-on-month, after forecasts of 3.8-4.5 percent. Year-on-year WPI was up 50.0 percent. Consumer prices climbed 2.9 percent, below predictions of 3.5-4.0 percent. Year-on-year CPI was 63.0 percent.

APM Cluster's collection from Reuters, 4 June 1999

RUSSIA STARTS SESSION ON IMF TAX LAWS

Russia's lower house of parliament began a session on Wednesday at which Prime Minister Sergei Stepashin is expected to urge deputies to back unpopular taxes to help secure International Monetary Fund loans. But Stepashin, in his job just three weeks, faces a tough task winning the support of the opposition-dominated State Duma several months before a parliamentary election. The IMF wants the laws passed before it releases loans worth $4.5 billion, which would help Russia meet huge debt payments and boost hopes of political stability before December's parliamentary vote and a presidential poll due in mid-2000. "The main burden of debt payments piled up by all the previous governments is coming (in 2000)," Stepashin told reporters after meeting President Boris Yeltsin in the Kremlin on Tuesday. The new laws include taxation of some cars and on the number of petrol pumps at each filling station. Other legislation covers central bank bond issues and bank restructuring. Stepashin, a former interior minister and security chief, is expected to address the Duma at 12.30 p.m. Several economic ministers are also due to attend the Duma session. The toughest challenge is likely to be over a tax on petrol pumps, which many people fear will force up prices when filling station operators try to cover their increased overheads. Stepashin told parliamentary party chiefs on Monday he might try to freeze petrol prices, but such a move would hardly please the IMF as it seeks evidence of the new government's market-reforming credentials. Sounding a populist, pre-election note, Communist Party leader Gennady Zyuganov promised support for some new laws but said: "We will not support anything aimed at a further worsening of the socio-economic situation of our people." Andrei Neshchadin, acting director of the expert institute of Russia's Union of Industrialists and Entrepreneurs, said on Tuesday he saw the rouble, now 24.33 to the dollar, falling to 30 by July or August if Russia failed to win the IMF loan. He said the rouble, which stood at around six to the dollar before last August's financial crash, could still sink to 30 by September-December even with the credit. Neshchadin said the key to Russia's economic recovery after more than a decade of steep declines lay in tapping the population's estimated $50 billion worth of savings kept in jars and under mattresses at home. He said there was no other real source of funding at home or abroad. Russia's economic travails have also battered its once mighty but now sadly demoralized armed forces. On Wednesday Defense Minister Igor Sergeyev was due to brief a closed session of the upper house of parliament, the Federation Council, on the situation in the military. Underlining its decline as a world power, Russia has just agreed with Western nations a UN draft resolution on Kosovo which gives its arch foe NATO the dominant role in the shattered Yugoslav province.

APM Cluster's collection from Reuters, 4 June 1999

RUSSIAN GOVERNMENT URGED TO START FROM SCRATCH ON TAX LAW

State Duma Chairman Gennadii Seleznev on 18 June said that the draft law imposing a new tax on gasoline stations, which was rejected overwhelmingly by legislators the previous day, is "dead" and that a completely new version of the law must be drafted. The law was part of a package of legislation drafted by the Government in accordance with its agreement with the IMF. "Komsomolskaya pravda" speculated the same day that since State Duma deputies' summer vacations are imminent, the Government may be forced to adopt some of the measures in the package by presidential decree. According to AFP, MFK Renaissance Bank experts believe that the government may be forced to ban gasoline price increases by presidential decree in order to persuade Duma deputies that higher pump prices would not be inevitable if the tax law were passed.

ENA Cluster's collection from RFE/RL Newsline, 17 June 1999

ESTONIAN GOVERNMENT SUCCEEDS IN CHANGING RULES FOR BUDGET DEBATE

The Estonian parliament on 16 June approved a change in its rules to allow the linking of the hotly debated negative supplemental budget to a confidence motion in the Government (see "RFE/RL Newsline," 16 June 1999). The motion carried by a 52 to zero vote, as the opposition walked out of the chamber. With this decision, all the proposed amendments to the budget will be decided by the Government, with the budget bill to face a single vote for passage.

ENA Cluster's collection from RFE/RL Newsline, 16 June 1999

MIDDLE EAST

BAHRAIN'S EMIR NAMES NEW FINANCE MINISTER

Bahrain's Emir Sheikh Hamad bin Isa al-Khalifa named a new finance minister on Monday in a limited cabinet shuffle that kept most key portfolios unchanged. An emiri decree named Abdullah Hassan Seif as new finance and national economy minister, a move seen as part of a pledge by the emir to give the country's economy top priority after he took over on the death of his father in March. The other key positions of oil, interior, foreign and defense were retained by members of the ruling al-Khalifa family who served in the previous cabinet. "The formation of the new Government stresses Bahrain's keenness to continue its policies towards achieving more development and stability in the country," a government official told Reuters. Seif built a good reputation in his previous post as governor for many years of the Bahrain Monetary Agency, the island's central bank. He replaced Ibrahim Abdel-Karim, who left the government. Bankers in Bahrain, the Gulf's main financial and banking hub, welcomed his appointment as finance minister. "He is the right person in the right place and will, I can say, certainly boost banking business," a senior banker said. "He is well experienced. His appointment is greatly welcomed," another said. A cabinet shuffle had been widely expected since Hamad took over on March 6. The new emir last month promised political and economic changes on the island, the least wealthy Gulf Arab states, saying the development of the economy would be top priority. He said Bahrain, a small oil exporter, planned to open its doors for foreign investment in development projects. The decree, carried by the official Gulf News Agency (GNA), named 17 ministers, only three of whom are new. Two ministers left the cabinet and a third was given another portfolio. The newcomers included Sheikh Daej bin Khalifa al-Khalifa, who was appointed electricity and water minister. He had served as head of Civil Aviation. Former Bahraini diplomat Ali Ibrahim al-Mahrous was appointed as Public Works and Agriculture Minister, replacing Majid Jawad al-Jishi who was appointed minister of state. The old cabinet resigned on Sunday and Hamad asked outgoing Prime Minister Sheikh Khalifa bin Sulman al-Khalifa to form the new cabinet. Khalifa has headed Bahrain's cabinet since 1973 and several ministers have held their posts since then. The prime minister reshuffled his cabinet in 1995 after nearly 20 years in power at the height of anti-government unrest by members of the majority Shi'ite Moslem community seeking political and economic reforms.

APM Cluster's collection from Reuters, 31 May 1999

THE AMERICAS

FROM BRAZIL TO WALL STREET AND BACK

The United States has had only two Federal Reserve chiefs in the last two decades, but boom-and-bust Brazil has had 20, an average of one a year. Now, three months into the term of the newest head of Brazil's central bank, Arminio Fraga Neto, a soft-spoken former hedge fund manager for the billionaire investor George Soros, Brazilians hope that the roller-coaster ride is smoothing out. They also hope that Fraga, like the United States' departing Treasury secretary, Robert E. Rubin, can use his experience from the high echelons of finance to forward his government's goals. "The market was in need of a respected trader, and Fraga filled this gap," said Fernao Bracher, a former president of the central bank who is now the head of Banco BBA Creditanstalt, an investment bank here. But Fraga, who is 41, brings more than trading experience to his new post. While overseeing emerging-markets investments for Soros, he also taught part-time at Columbia University. Now, back in Brazil, he has been credited as the driving force in restoring Brazil's credibility with foreign investors in the wake of a currency crisis earlier this year. Fraga's course in bringing the country back from the economic brink was relatively straightforward: Knowing that the devaluation of Brazil's currency would make imports more expensive, he sought to pare consumer demand by raising interest rates to 45 percent. The high rates also helped attract foreign capital. Fraga, who holds both Brazilian and United States citizenship, then traveled to the United States, where he convinced large banks to renew credit lines to Brazil. Since then, interest rates have declined rapidly, to a nine-month low, and Fraga has signaled that they have further to fall. But with last week's 10 percent tumble in Brazil's stock market, more work may be needed before they do so. "Arminio was very bright and very tough, and he had a hard time choosing between university and the private sector," said Winston Fritsch, his former colleague on the faculty of Pontifical Catholic University here and now president of the Brazilian operations of Dresdner Kleinwort Benson, an investment bank. In fact, Fraga has kept a foot in both camps since receiving a Ph.D. in economics from Princeton University in 1985. Before working for Soros, he was at Salomon Brothers and Banco Garantia, a leading Brazilian investment bank now owned by Credit Suisse First Boston. In 1984, he worked for the Federal Reserve's research division in Washington. The international finance course Fraga taught at Columbia illustrates how his varied experience helped him prepare for leading the central bank, where he worked in a lower-level job in the early 1990s. Students wrote a hypothetical memo to the finance minister of a country of their choice, diagnosing the country's problems and proposing solutions. Next, they wrote an investment report about a country. "Factoring in this whole globalization thing helped people to think of how markets would react," Fraga said in an interview at the central bank's branch here, his relaxed manner and careful choice of words seeming more suitable to a professor than a fund manager.

APM Cluster's collection from the New York Times, 2 June 1999

US REGULATORS POSTPONE RULES ON DERIVATIVES ACCOUNTING

US regulators yesterday postponed implementing rules for a year, which would have forced companies to account for derivatives - following complaints that computer systems and staff would not be ready in time. Members of the Financial Accounting Standards Board (FASB) voted to delay the new standard - the first of its kind in the world aimed at tracking the impact of trillions of dollars worth of derivatives - to fiscal years beginning after June 15, 2000. Several large corporations had said they could not get computers ready for the complex new rules in time because millennium- or Y2K - compliance required not altering systems in the run-up to January 1, 2000. Ed Jenkins, FASB chairman, acknowledged that companies still had "questions about applying" the standard and needed to "educate their people internally about the new standard's requirements". It would require derivatives to be shown at market value on the balance sheet and gains and losses - not linked to hedging - shown directly in reported earnings. The FASB appears determined the delay will not give opponents a fresh opportunity to derail the standard. But there is speculation that a fresh campaign may be waged to modify the rules. The delay may also affect progress towards finding global derivatives accounting standard. A joint working group of leading standard-setters is understood to be struggling to find a long-term solution. World stock market regulators are considering a third option - a standard developed by the International Accounting Standards Committee. The FASB also decided to scrap proposals to introduce a presumption that acquired goodwill should be written off in 10 years - unless it could be demonstrated a period up to 20 years was appropriate. The board voted instead to have a 20-year maximum period - replacing the present 40 years. The board had been under pressure from companies to alleviate the impact on earnings of goodwill following its announcement that it intended to remove the option by January 1, 2001 that allows US companies to use pooling of interests accounting which avoids goodwill charges.

Mr. Horn's collection from Financial Times, 20 May 1999

MEXICO ACTS TO CUT DEPOSIT INSURANCE

Landmark measures came into effect in Mexico yesterday designed gradually to reduce government-sponsored deposit insurance and cushion the clean up of the country's fragile financial sector. Victor Corta, executive secretary of the week-old Institute for the Protection of Bank Savings, presented a seven-year scheme this week to drop insurance levels to 1m pesos ($100,000) per account, representing 95 per cent of all accounts, by the end of 2005. The programme, aimed at protecting the savings of small and medium-sized depositors, will bring the standards of Mexico's financial system in line with its closes trading partners, said Mr. Corta, particularly the US. Currently, all deposits are insured by the government. The true effects of the reduction will not be felt until 2003, when deposit insurance drops to $2.5m per account, still significantly higher than the $60,000 ceiling in operation in the US for all deposits, analysts said. The Government insurance plan is widely held to be responsible for weakness in Mexico's banking sector, because it has not forced deposits to be discerning when choosing which bank to place their money. With the new legislation the IPAB is hoping to encourage corporations in particular to deposit their funds only in financially sound institutions. In the meantime, the Government will eliminate its coverage of non-deposit liabilities ranging from derivatives and market trading to tax collection, until now entirely underwritten as part of a 1995 bank bail-out. The slower than expected reduction is likely to moderate a flight to more financially secure banks anticipated by analysts as part of the eventual consolidation of the sector. Of Mexico's six largest banks, four are insolvent by US standards, said Lisa Riley, bank analyst with Lehman Brothers in New York. "This gives banks more time to clean up their act before the solvency issue becomes a fact a life," said Ms. Riley. The banks have been slow to recover from the crisis triggered by Mexico's 1994 peso currency devaluation. Observers see the reforms as the first positive signal for the industry since the bad loans which brought about its collapse were placed with a government agency, Fobaproa, in exchange for government bonds. The fate of Fobaproa and its assets, many of questionable origin, has remained in limbo awaiting the creation of the IPAB. The IPAB, which wants to encourage acquisitions by foreign banks in the sector, was also lenient with fees the banks are obliged to pay the autonomous body. The institute opted for the minimum 0.4 per cent of liabilities versus the maximum 0.8 per cent outlined in the new legislation. The funds will be used to recover some of the $70bn that the bailout has so far cost the Government, with the rest going towards a contingency fund, said Mr. Corta.

Mr. Horn's collection from Financial Times, 2 June 1999

THREE CONVICTED IN $150M MONEY-LAUNDERING CASE

Three Mexican businessmen caught in the largest money laundering case in US history were convicted of helping launder tens of millions of dollars for a Colombian drug cartel in a federal jury trial. Six defendants were among about 40 Mexican and Venezuelan businessmen, bankers and alleged drug cartel members arrested under Operation Casablanca, a three-year US Customs sting that spanned several countries. The three found guilty of conspiracy and money laundering were Jose Reyes Ortega Gonzales, a former manager of banking operations for Bancomer in Tepatitlan, Mexico; Manuel Barraza Leon, a Bancomer branch manager in Tijuana; and Alfonso Labrada Gurrola, who worked at a Tijuana law firm that represented banks. During Operation Casablanca, authorities seized $US100 million ($151.40 million) from 14 banks and dozens of individuals for laundering money for the Cali drug cartel in Colombia and the Juarez cartel in Mexico. The operation raised tension between the United States and Mexico when agents arrested 167 people, including top Mexican bankers and executives. Attorney General Janet Reno has called it "the largest, most comprehensive drug-money-laundering case in the history of US law enforcement".

APM Cluster's collection from NewsTracker, 11 June 1999

GLOBAL

BANKING SUPERVISORS CLEAR WAY FOR BASLE CAPITAL ACCORD REFORM

Banking supervisors from around the world have settled a bitter wrangle holding up agreement on a far-reaching overhaul of the Basle capital accord, which sets the rules for how much capital banks must hold. William McDonough, president of the New York Federal Reserve and chairman of the Basle Committee of supervisors, will announce proposals for reform today in London, almost two months later than planned. The proposals will open the way for banks to use assessments of credit rating agencies in determining how much capital needs to be set aside against different types of loans. In some circumstances, banks will be allowed to use their own internal credit ratings to determine the capital requirement. Supervisors will be consulting on the planned reforms at least until next spring, so banks will have some time to suggest modifications and adapt their own systems to handle the new rules. The 1988 Basle rules require banks to set aside capital equivalent to at least 8 per cent of their assets, weighted according to risk, with at least half of the cushion taking the form of "core capital" such as equity. The risk weightings are crude, however. Everything from an individual's credit card debt to a bond issued by IBM is counted as bearing the same risk. As banks have become more sophisticated in measuring the returns they receive on the capital employed in different business lines, the Basle rules have become more of a hindrance to efficient operations. It is hoped that using weightings more accurately reflecting the risk of a particular type of debt will remove some of the perverse incentives, inherent in the current rules, to make riskier loans. After high-level diplomacy involving central bankers and finance ministries, supervisors have settled a standoff between Germany and the US over the treatment of commercial mortgages. The proposals will stipulate that commercial mortgages should in principle receive the full 100 per cent risk weighting. This wording is thought to leave room for German regulators to accept lower weighting in practice. German supervisors were worried that their banks could be at a disadvantage to US counterparts because only 175 German companies have ratings from external agencies.

Mr. Horn's collection from Financial Times, 3 June 1999

Private Sector Development

AFRICA

KABILA'S OFFICE TO OVERSEE CONGO STATE ENTERPRISES

President Laurent Kabila has given his new cabinet director the job of supervising all state enterprises as part of an attempt to curb interference by ministries and make such companies more independent. Georges Buse, named Director of Public Companies by Kabila, told state television on Tuesday that the presidency had decided to take over the job to improve control and boost productivity. "The president wants state companies to become more independent from the state less interference from ministries so that the (companies') boards can play their role fully," Buse said. Buse, appointed as Kabila's Cabinet Director last week, takes over the new job from Prosper Kibwe, who moved from Acting Minister of Public Companies to Minister of Posts and Telecommunications in the last cabinet shakeup in March. The sprawling Central African nation's minerals-based economy has been severely hit by a war against Rwandan and Ugandan-backed rebels who took up arms against Kabila in August 1998.

APM Cluster's collection from Reuters, 9 June 1999

ASIA/PACIFIC

JAPANESE CONSTRUCTION - PRIVATE SECTOR LAGS BEHIND AS ORDERS FALL

Construction orders received by Japan's 50 leading contractors fell in April, in spite of a sharp rise in public sector orders, according to the construction ministry. Orders fell 15.1 per cent in April to Y723.6bn ($5.8bn) compared with April last year, even though government orders soared 58.8 per cent to Y202.4bn. Orders from private industry fell 26.5 per cent to Y434.1bn year on year. The gap between public and private sector construction orders reflects the wider investment picture in Japan. While the Government is pouring money in to lift the economy out of recession, private industry is reluctant to increase capital spending at a time of stagnant demand and falling sales. Housing starts in April rose 1.1 per cent year on year to 107,204 homes, the first increase in more than two years, largely due to low interest rates and tax breaks for homebuyers.

Mr. Horn's collection from Financial Times, 1 June 1999

BANGLADESH FACING MAJOR INVESTMENT CHALLENGES

Bangladesh faces a daunting task in raising private investment and privatizing loss-making companies to achieve reasonable economic growth and a subsequent reduction in poverty, officials and experts said on Wednesday. The country, with a large and relatively cheap manpower-based, and natural resources such as gas, expects higher investment in coming years despite poor infrastructure and lengthy official procedures, they said. "The investment is certainly picking up, but there are also limitations standing in the way of faster progress," Zahid Hossain, executive member of the Board of Investment (BOI), told Reuters. He said the BOI registered investments from both local and overseas worth about $3.0 billion in 11 months to May in fiscal 1998/99 (July-June), against $2.2 billion in 1997/98. But he that said nearly 70 percent of the projects registered in 1997/98 were still under implementation. Full implementation of the approved projects is expected to create jobs for 225,938 people. Hossain said the current year's projects were expected to provide jobs to another 350,000 people. Hossain said foreign direct investment was worth $1.5 billion in 1997/98, and it was expected at $2.5 billion in 1998/99. Oil and gas, textiles, hotel and cement sectors attracted most of the foreign investment in Bangladesh, he said. Bangladesh's central bank governor recently said the country would need investment in the economy to reach 25 percent of gross domestic product (GDP) to achieve seven percent GDP growth a year. "If we want to achieve economic growth at 7.0 percent a year our domestic savings should be 14 percent of the domestic product and investment should be from 20 to 25 percent," Mohammed Farashuddin told a meeting of Foreign Investors' Chamber of Commerce and Industry. The country's present annual rate of investment is between 14 and 16 percent of GDP, while the savings rate ranges between nine and 10 percent. Farashuddin said: "Without the FDI, the country in the long run cannot survive as it has to spend $450 million each year on debt servicing and this amount will treble in the year 2015." The Government said the GDP might grow at 5.2 percent in 1998/99 against 5.7 percent in the previous year. Kazi Zafarullah, Chairman of Privatization Board, on Wednesday said the Government must address the problems about privatization of State-Owned Enterprises (SOEs) that drained huge government resources. He said the SOEs incurred losses worth more than $515 million a year. "Indeed, SOE losses cost Bangladesh the equivalent of a new Bangabandhu Jamuna Bridge every 18 months," he told a seminar on privatization. Zafarullah referred to Bangladesh's longest bridge over the river Jamuna. The bridge was built at a cost of about $900 million. Officials of the board, set up in 1993, said only 17 SOEs had been privatized so far and 50 more were identified to follow suit. They said the privatization process had been slow due to opposition by restive labour unions, which feared job losses and cuts in wages and benefits under private management.

APM Cluster's collection from Reuters, 9 June 1999

PAKISTAN PRIVATIZATION GOING SLOW

Pakistan's top salesman entrusted to divest loss-making state-owned companies acknowledged the privatization pace has been slow but said he hoped it will pick up in the new fiscal year. Privatization "is going on very slowly, but I think that on four or five transactions we have moved ahead," Khawaja Asif, chairman of the state Privatization Commission, told Reuters ahead of the 1999/2000 fiscal budget to be announced on Saturday. Pakistan's privatization programme, launched in 1990, has been criticized as too slow, lacking transparency or simply not being to deal with the sale of huge public utilities. Plans to sell major stakes in Pakistan Telecommunications Co Ltd (PTCA, Habib Bank Ltd and United Bank) by the end of the current fiscal year were dashed by unfavourable circumstances. U.S.-led economic sanctions, imposed after Pakistan's nuclear tests last year, a lingering tariff row with the independent power producers that has clouded the investment climate and a lack of political commitment were a few of the factors holding back fast privatization, analysts said. Sanctions were partly lifted in December, paving the way for resumption of the International Monetary Fund programme in January, but the row with power producers may still take months to resolve. Asif acknowledged the problems, but said he was still hopeful the telecom company and the Karachi Electric Supply Corp (KESC) would be sold soon. "I am hopeful that by end of this year or early next year we will have two to three transactions done," he said. Finance Minister Ishaq Dar is likely to detail Pakistan's privatization plans further on Saturday when he announces the budget for the fiscal year beginning in July. "We are moving ahead, but you have to realize that these are very valuable assets. We have to move cautiously and given the circumstances which we have been through in the last one and half years, we are recovering from that state," Asif said. "It is a difficult thing given the resistance also from my own colleagues, the politicians. And bureaucracy is always there to perpetuate their hold" on state enterprises, he added. Asif said most of the state-owned companies were running high losses and privatization was the only way to stop that. "It will on one hand reduce losses. And on the other hand, it will give revenues to the Government because the new owners would be paying taxes," he said. The Government originally set a deadline for last year to sell off several state firms, but preparations are still not finished. Foreign investors say to enable a speedy and successful privatization Pakistan has to lay down a regulatory framework and mould public opinion to accept private or foreign ownership. Asif said the Government was working on regulatory issues so that tariffs could be fairly arranged when utilities are sold. "The rationalization of tariffs will facilitate privatization. The transactions would become a little better, it would sweeten them," he added.

APM Cluster's collection from Reuters, 11 June 1999

EUROPE

BULGARIA TO SELL STATE STEELWORKS FOR $1

Bulgaria has agreed to sell the state-controlled Kremikovtsi steelworks, one of the country's biggest industrial concerns, to a local metals trading company for $1 in an attempt to meet a privatization deadline agreed with the International Monetary Fund. Kremikovtsi is among a group of about 20 loss-making state enterprises due to be sold or placed in liquidation by June 30. The Government is anxious to keep the privatization timetable on track to avert a collapse of investor confidence in Bulgaria. The war in neighbouring Yugoslavia is damaging Bulgaria's economy. The Government has cut its forecast for economic growth this year from 4.5 to just over 2 per cent, amid weakening prospects for increased foreign investment. Daru Metals, a Bulgarian company, offered to take over $200m of debts owed by Kremikovtsi to the Bulgarian Government and an Austrian bank. It plans to set up a joint venture with Marcagaglia, an Italian steelmaker, which would participate in a $450m programme to modernize Kremikovtsi's plant near Sofia and would take over management. Valentin Zachariev, executive director, said Daru had been Kremikovtsi's main customer for several years. Daru supplied raw material and fuel for the plant and sold most of its output, mainly in European and Asian markets. The Erdemir group, a fast-growing Turkish steelmaker that was the only other bidder, pledged to invest $300m in modernizing Kremikovtsi but said it would take over only $100m of debts. Analysts said that although Kremikovtsi had been hit hard by the sharp decline in world steel prices, it had kept operating with the help of favourable treatment from the Government.

Mr. Horn's collection from Financial Times, 28 May 1999

WB URGES UKRAINE SELL-OFFS TO PAY DEBTS

The World Bank on Wednesday urged cash-short Ukraine to accelerate privatization and use proceeds to service the burdensome foreign debt. "The need to finance Ukraine's foreign debt next year should be reason important enough for privatization," Gregory Jedrzejczak, World Bank resident representative in Ukraine, told a news conference. Ukraine is struggling this year to pay $1.17 billion to service its external obligations. Government experts say the country must spend up to $2.3 billion on debt service next year. Foreign investors have hardly rushed to Ukraine and so fiscal revenues, loans from international financial institutions and several donor states remain the main support for the budget. "Ukraine is still well behind its neighbours regarding foreign direct investment," Jedrzeiczak said. "If you take two Central European transition economies Hungary and Poland, Ukraine is at the level of some 10 percent (of investment in them). Globally speaking, this (proportion) is even worse for Ukraine." Foreigners have invested just over $2.8 billion in Ukraine since independence in late 1991 - a meager amount taking into account the country's favourable location in Europe and its 50 million population. Johannes Linn, World Bank vice-president for Europe and Central Asia, advised what should be done to attract investors. "The issue number one is to ensure that the privatization process is very transparent and clearly competitive," he said. Linn said numerous government commissions and inspections should reduce their interference in the work of privatized companies.

APM Cluster's collection from Reuters, 9 June 1999

AMC PRIVATIZATION WELL UNDER WAY

Albanian Mobile Communications (AMC) is well under way to being privatized, said official sources at this company. In fact, the first step in this drive was made when the Inter-ministerial Committee of Economic Policies approved the relevant draft-law to be adopted by both the Albanian Government and parliament, although no fixed deadline has so far been set for the action. It has been said, however, that AMC's privatization must be completed by the end of the year, according to a timetable compiled by the Ministry of Public Economy and Privatization in co-operation with the World Bank and the International Monetary Fund (IMF). Albania's mobile telephone monopoly will be privatized through an international tender in the next few months, Privatization Minister Ylli Bufi said on Tuesday. A decision on the timetable would be made on June 21, by which time parliament will have approved the necessary legislation, he told a news conference. The bidding process could then take place at the end of July or at the beginning of September. A draft law envisages 85 percent of the shares being sold to international strategic investors, while 15 percent will be offered to staff and other Albanian interested parties. At least 51 percent of the total will be sold to one or more companies in the telecoms sector. AMC covers 25 percent of Albanian territory with the capacity to serve 8,000 clients. World Bank representative Onno Ruehl said the bank was optimistic about the prospects for privatization of AMC and other strategic sectors in Albania. The Bank had been keen to ensure that the privatization process was "legally well founded and transparent" and based on competitive selection. "There is such a process in place," Ruehl said. The Government will be advised on the AMC privatization by Aeris Consulting Group and Italy's Banca IMI Spa, the investment banking arm of San Paolo IMI. Bufi said Albania's GSM market would be liberalized immediately after the AMC privatization, with the first new license probably going to Albatelecom, the state-owned fixed-line monopoly, in order to boost its market value. Privatization of Albatelecom will start as planned in the second half of the year, Bufi said, but the market will not be liberalized until 2003. The AMC privatization was originally planned for April but was delayed because of the Kosovo conflict. Officials declined to indicate which foreign companies had expressed interest in a stake in AMC. Companies with experience of Albania include Alcatel, which supplied AMC's existing equipment, and Sweden's LM Ericsson, which is financing an $800,000 project to extend mobile coverage to Kukes, northern Albania, to help Kosovo refugees. In February, New World Telecom of the United States agreed in principle to invest $325m in a joint venture with Albatelecom to provide mobile phone and radio communications for rural areas. Mobile telecommunications have become a vogue in Albania in recent years. Cellular phones first started to be used here in June 1996 with the establishment of AMC. Even though tariffs for this service are higher than in all other European countries, the demand for "cellulars", as mobile phones are called in the country, is rapidly growing. "Tariffs for mobile phones cannot be reduced, even after privatization of AMC, unless the eventual buyer(s) of the company do not make significant investments, " said Ardian Shehu, former head of AMC. For the moment, its maximum capacity is 8,000 subscribers, of which about 5,500 have regular contracts, whereas there are 1,700 "roaming" (foreign) subscribers. The company is expected to invest some $3m in the extension of the center which will operate telephone traffic for some 20,000 subscribers, while 13,000 others may well be able to use the facility under normal conditions.

APM Cluster's collection from Albania Daily News, 10 June 1999

OLYMPIC AIRWAYS - BA TO TAKE OVER MANAGEMENT

Greece's Government has reached agreement with Speedwing, the consulting arm of British Airways, to take over the management of Olympic Airways in a last-ditch effort to rescue the struggling state carrier. Speedwing will try to make the airline profitable over the next two years. If it succeeds, British Airways would have an option to acquire an equity stake of about 20 per cent stake in Olympic under the Government's privatization programme. The economy ministry has threatened to shut down Olympic if the consultants fail to turn it around. Speedwing would spend two months preparing a strategic plan aimed at ensuring Olympic's survival. The consultants would make day-to-day operating decisions but longer-term plans to cut loss-making routes and negotiate new labour agreements would have to be approved by the board.

Ms. Zanelli's collection from Financial Times, 12 June 1999

ITALY AMATO HOPES ENEL TO BE PRIVATIZED IN 1999 OR 2000

Italian Treasury Minister Giuliano Amato said on Saturday he hoped the privatization of Italy's electricity utility ENEL would go ahead at least by next year after power tariffs are published. "I continue to hope for 1999 or 2000 at the least. There are still obstacles but at the latest I will get the operation on the road within these two years," Amato told reporters after a meeting of Group of Seven finance ministers in Frankfurt. The minister said the Government was still awaiting the release of future tariffs for users of ENEL's electricity -- a prerequisite for the privatization. "Each privatization has its institutional problems. The independent authority must fix Enel's tariffs. I'm still waiting for that," Amato said. The Government has previously said it intends to start the privatization process by the end of the year for a sale of around 15 percent of ENEL. A board member of Italy's energy authority said earlier this week the body expected to receive a prospectus by the autumn. ENEL produces three quarters of Italy's electricity, a share which is due to fall to 50 percent by 2003 under a decree bringing Italy in line with a European Union power directive.

APM Cluster's collection from Reuters, 12 June 1999

MIDDLE EAST

EGYPT: HOLLOW TALK ON PRIVATIZATION

The Egyptian Government has recently given strong signals that it will move ahead with the long-awaited privatization of both the state telecoms firm, Telecom Egypt, and the four public-sector insurance companies. However, in reality the situation is less clear. Policy implementation in Egypt is likely to remain in limbo until after the October presidential elections, as the Government wants to avoid any unnecessary and damaging rows in parliament.

Rising criticism

The president, Hosni Mubarak, is likely to re-shuffle his cabinet immediately after the election, mainly focusing on the economic portfolios. This expectation is reinforcing the trend towards government inaction, notes the EIU's fortnightly newsletter. The Government is also coming in for increased criticism at home and abroad over restrictive trade practices, the chronic dollar shortage, and a widening current-account deficit. This has added to the suspicion that the timing of recent privatization announcements may be designed mainly to reassure the international investment community that the economic reform programme remains on track. The minister of economy's senior adviser, Mahmoud Mohieddin, said on May 24th that Egypt plans to privatize 10-20% of Telecom Egypt through an initial public offering (IPO). However, the Government "may look at a management concession or anchor investor later." A leading local broker, InterCapital Securities, notes that, at Telecom Egypt's 1999/2000 budget meeting in early May, it said 5-10% of the company would be sold before the end of the year. InterCapital says the company's asset valuation is complete, with assets worth EP24bn, of which the maximum that can be sold under the Telecom Act of April 1998 is 20% (EP5.4bn). Any further tranches would require amended legislation--and the Government would have to be prepared for the draft law to undergo a stormy ride through the People's Assembly. The sale of a small stake in

Telecom Egypt now appears to have greater priority. And it will allow the Government to test both pricing and market demand. But officials warn that the problem of imposing a corporate structure on an opaque state corporation means any sale will take time. Senior officials point out that it took three years to corporatise Deutsche Telecom and Egypt is highly unlikely to move any faster.

Best rated

Insurance privatization will take a similar amount of time. The Government plans to sell the four state insurers: Misr Insurance, Al Chark Insurance, National Insurance, and Egypt Reinsurance. It also wants to sell the two joint-venture insurance companies in which the state holds a majority shareholding. As a preliminary step, an international insurance rating agency, AM Best of the US, has assessed the four public-sector companies. It only released its ratings for Al Chark and National Insurance--ratings are not made public unless the client agrees. Somewhat surprisingly, the ratings were highly positive. Both were graded at A- (excellent). In the interests of transparency, the ministry of economy then published the agency's ratings for Misr Insurance (which controls 50% of both life and non-life business in the domestic market) and Egypt Reinsurance; the two companies were rated A and B++ respectively. However, market sources note that the ratings are based on the companies' financial rather than operational strength and should be viewed against the background of an entrenched, structured and government controlled market. Nevertheless, favourable ratings should help to attract international investor interest once privatization gets under way. AM Best says Egypt wants anchor investors to take an initial stake in the state-owned insurers and actively manage them. Once their competitive positions are enhanced, the Government will sell its remaining shares. But the local market expects no sale during 1999--and there is some concern that political constraints may even preclude a privatization in 2000. Any such delay is looking increasingly risky.

APM Cluster's collection from EIU Middle East, 2 June 1999

PARIBAS SAYS MOROCCO'S PRIVATIZATION TO ACCELERATE

Morocco's Socialist-led cabinet will accelerate its privatization programme, including a $1.0 billion stake in the telecoms sector, in 1999/2000, Paris-based banking group Paribas said. In a report received on Tuesday, analysts at Paribas said: "Morocco's privatization programme is expected to accelerate in the 1999/2000 fiscal year, because there are many public enterprises ready and waiting to be sold." The report, which was based on analysts research in Morocco said several sectors such as telecommunication, airline, banking, tobacco and fertilizers were ready for sale. "One of the major ones would be the sale of a 20 to 30 percent in state telecoms monopoly Ittissalat al-Maghrib (IAM) by mid 2000 and the second GSM mobile phone license by July 1999," it said. Sale of the two telecom units would bring up to $1.0 billion, it said. Other units on the privatization list are Credit Immobilier et Hotelier, Banque Nationale pour le Developpement Economique, Banque Centrale Populaire (BCP) and fertilizers firm Fertima. "Morocco adopts a very cautious approach in its privatization process to make sure that a proper framework is set up so that the public firms sale entails a socio-economic impact, and to avoid privatization being used to cover excess current spending rather than increasing capital expenditure," it said. The authorities realized the importance of reducing the role of the state in the economy because they believe that the private sector is well equipped to adapt in a competitive environment, it said. The 1993-98 initial privatization plan only managed to sell 56 enterprises out of 114 that were shortlisted because "the bulk of these firms were not in shape to be sold and had to go through a heavy restructuring process," it said. In April, a new privatization law was adopted by parliament, which set no deadline for a firm to be privatized after it eliminated 30 companies from the list of 58, it said. "The move should be taken as a positive development in the sense that it reflects the government realism with regards to privatization," it added.

APM Cluster's collection from Reuters, 8 June 1999

MOROCCO CUTS PRIVATIZATION LIST TO 20 FIRMS

Morocco's Socialist-led government put 20 state-owned firms up for immediate privatization, including two banks, while eliminating 38 others slated for sale since 1993, a senior official said on Tuesday. "As part of its realistic policy, which aims to accelerate the privatization process by targeting good opportunities the Government has reduced to 20 the number of firms to be privatized soon," the official who declined to be named told Reuters. Morocco's ambitious 1993-98 privatization programmed managed to sell only 56 enterprises. Out of those enterprises, quite a few were not in shape to be sold, he said. Last April, a new privatization law was adopted by the parliament. It set no deadline for state-owned firms to be privatized. "The need for heavy restructuring and extra spending were the main reason behind the decision to eliminate these firms from the list," a Casablanca-based analyst said. The 20 firms "ready for immediate sale" include: BNDE (BNDE.CS) and CIH (CIH.CS) banks, sugar plants SUCRAFOR, SUNABEL, SURAC and SUTA, textile firms COTEF and Setafil, and fertilizers company Fertima (FERT.CS). They also comprise mining research firm SACEM and six hotels comprising Riad and Asmaa in northern Morocco, and Saghro, La Rose du Dades, Modayeq and Ibn Toumert in the south. The privatization ministry had said earlier it would launch soon a privatization evaluation of half dozen other state enterprises, including tobacco firm Regie des Tabacs, maritime navigation firm COMANAV, car assembly plant SOMACA and ports utility Office de Developpment et Exploitation des Ports (ODEP). It also launched a study to determine the privatization strategy for telecoms monopoly Ittissalat al-Maghrib (IAM), through what it described as "opening IAM capital" to private operators. IAM, which is expected to be partly privatized by the year 2000, would generate up to $500 million in proceeds for the state treasury, officials said. In the budget for the financial year ending June 30, 2000, the Government forecast 3.5 billion dirhams ($350 million) of privatization receipts, up from 2.0 billion dirhams in the 1998/99 fiscal year.

APM Cluster's collection from Reuters, 15 June 1999

INVESTORS EAGER FOR EGYPT TELECOM PRIVATIZATION

International and local investors said on Tuesday they were eagerly awaiting the promised sale of part of Egypt telecom, the state fixed-line monopoly. Kristina Peterson, ABN Amro's vice president for structured finance, told a regional telecommunications conference that Egypt was expected to offer 10 percent of Egypt Telecom's shares as early as July and sell another 30 percent later. Egypt, which announced in May this year its plans to privatize Egypt Telecom, is currently studying tenders by local and international firms to evaluate Egypt Telecom assets in order to decide on a share price. "I think the privatization of telecommunications here is one of the first major steps to liberalize some of the business practices here," said Simon St. Paul, managing director of Motorola Advanced International Electronic Equipment (MOT.N). "This could open similar opportunities in other sectors run by the state," he told Reuters at the conference. He said his firm would be among the first to come forward once Egypt Telecom shares are offered. "We already know from some of our local partners they are interested also in participating in financial investment in the privatization." Nabil Khodair, first undersecretary of state at the transport and telecommunications ministry, said bids from consultants to evaluate Egypt Telecom assets had been opened on June 12. He said privatization was likely to allow Egypt Telecom to operate more efficiently under better management. "We are one of the institutions interested to work with Egypt Telecom and help and assist in the execution of this process of privatization," said Noman Siddiqui, ABN Amro's director corporate finance for the Middle East and North Africa. "It's a good step, a step in the right direction," Siddiqui said of the expected privatization. Telecom Egypt is the only fixed-line operator. Private companies operate mobile and payphone services.

APM Cluster's collection from Reuters, 15 June 1999

GLOBAL

IMF SEEKS PRIVATE SECTOR ROLE WHEN CRISES BITE

The head of the International Monetary Fund on Friday urged debtors and creditors to work together when crisis looms, but said debtors should not use IMF cash to bail out the private sector. IMF Managing Director Michel Camdessus, speaking to the Council on Foreign Relations in New York, said loan contracts had to be honoured, although troubled countries might at times find it hard to pay their debts. "In such cases it will be important to ensure that public money is not used to shield private creditors from adverse outcomes," he said, according to a text released in Washington. "The debtor country must be able to meet with its private creditors to discuss continued public sector involvement." Camdessus also repeated IMF pleas for new clauses in new bond contracts to prevent individual bondholders from blocking much-needed rescheduling deals. "Rescheduling could then take place with the consent of a majority of creditors, rather than requiring unanimous assent as at present," he said. The IMF put together rescue packages worth tens of billions of dollars in Asia, Russia and Latin America. It has long been trying to find ways to ensure that the private sector shares some of the costs of these rescue deals and it wants to ensure debtor nations like Ukraine, Pakistan or Romania do not use IMF money to repay private sector debts. Camdessus said borrowers and official lenders, including the IMF, had already introduced changes designed to ease the chance of new financial crises. Countries and lenders were drawing up new standards and making more information available, and it was time for the private sector to play a role. "Just as the public sector is being asked to adapt its crisis, so too the private sector will need to change," he said. "This will mean an increase in its own transparency and governance developing more effective evaluation and management of risk." The world financial crisis, which started in Thailand almost two years ago, stretched IMF resources to the limit, although funding problems eased after member countries approved a cash injection late in 1998. Camdessus said the IMF still needed money to pay for a debt relief programme and for concessionary loans to poor countries. He hoped IMF members would soon complete a deal to sell some gold from IMF reserves. Most major IMF member countries favour sales of up to 10 million ounces from the IMF's 103 million ounce gold stockpile. The money would be put in a trust fund and interest earned on this cash would be used to pay for the two programmes. The United States backs the idea of selling gold, but its representative at the IMF cannot vote in favour of the idea unless the U.S. Congress gives the sales its seal of approval. Camdessus did not mention any of the obstacles to IMF gold sales by name, but stressed the need for speed in order to keep the concessionary lending programme running without interruption. "I would hope to see a resolution of his question ahead of the IMF annual meetings in the fall," he said.

APM Cluster's collection from Reuters, 4 June 1999