

GOVERNANCE WORLD WATCH

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

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AFRICA

SOUTH AFRICA URGED TO SHIFT TOWARDS HIGHER GROWTH

South Africa should use its current economic upswing to launch a radical economic revival that will create a high growth platform for the next 10 years, Old Mutual Asset Managers said on Tuesday. The domestic economy is expected to grow by at least 3.5 percent in 2000 from the just over one percent forecast for last year as the country reaps the benefits of a low interest rate regime and improved foreign sentiment. "The economy is heading for its best growth performance in four years, presenting policy makers with an opportunity to speed up privatization, implement labour reforms and shrink the public sector," said Old Mutual chief economist Riaan le Roux. Leading banks and investors, including HSBC, Morgan Stanley Dean Witter and Templeton Asset Management, have already touted South Africa as the pick of the emerging market litter in 2000. The country's privatization drive launched in 1996 has so far only seen the partial sale of a handful of state assets and critics argue that it is at least one year behind schedule. Old Mutual also warned that South African labour laws were regarded as too rigid and would crimp investment and growth. "If these structural adjustments are not made soon, the economy will stay trapped within the international commodity cycle with the long-term growth potential capped at two to three percent," said Le Roux. Mining only accounted for six percent of South African gross domestic product in 1999, showing the distance the country has already travelled from its reliance on an industry that used to make up half of the economy. But the commodity cycle remains influential, with gold exports still accounting for almost a fifth of South Africa's crucial foreign exchange earnings. Le Roux said that if it failed to make structural changes, South Africa would disappear from the radar screens of investors as they sought other more dynamic emerging markets. "We need to sell off Eskom, Telkom and other parastatals. That's the only way we are going to make investors sit up and take notice," said Le Roux. The Government has ruled out the wholesale privatization of power utility Eskom, valued at 70 billion rand (\$11.1 billion), until many more poor blacks are hooked up to the grid. It has already sold off a 30 percent minority stake in Telkom to Malaysian and U.S. investors.

From Reuters, 08 February 2000

ASIA/PACIFIC

CHINA TO ACCELERATE HIGHER EDUCATION REFORM

The Ministry of Education (MOE) will continue to accelerate China's higher education system reform and push for changes in the college entrance examination system this year, a ministry official said on January 27 in Beijing. In its working outline for 2000, the MOE said that it would increase the college enrollment quota to three million this year, a rise of 300,000 over last year. The MOE will also spur the overhaul of the college enrollment method, hoping to raise the number of provinces, colleges, and examinees opting for on-line enrollment to more than half of the country's total. The MOE will help more universities to open their service departments to the market and become independent units. China will also spend more on its elite universities, in a bid to make them bases for cultivating talent. Basic research and high-tech industrialization are still the emphasis of MOE, which plans to start 15 university-based scientific technology parks in 2000. The outline points out that China's higher education management reform will enter a crucial phase in 2000. According to the State Council, MOE will complete the reform of 200 universities operating under China's ministries.

From China People's Daily, 01 February 2000

BE MERGED WITH TIDE OF ECONOMIC GLOBALIZATION

After its accession to the WTO, China is required to conduct relevant reform of the current system in accordance with the international common practices. These reforms are identical with the general goal of China's economic restructuring, they will help raise the government's management and control ability and strengthen enterprises ability to adapt themselves to international competition, they are therefore conducive to enhancing the competitiveness of China's economy, winning China initiative in the process of economic globalization featuring increasingly intense competition.

I. Economic globalization is becoming the mainstream of world economic development. So-called economic globalization refers to the continuous increase in the scale and form of the transnational flow of commodities, services, production elements and information, improving the efficiency of the allocation of resources within the scope of the world market through international division of labor, thereby increasingly deepening the trend of the degree of interdependence between various economies. The concept of economic globalization did not emerge until the 1980s, however, the world market featuring a high degree of trade and investment liberalization had emerged in the late 19th century. But this process was interrupted by the great depression of the capitalist economy and the two world wars. Since World War II, particularly since the past two decades, boosted by technological progress, the process of economic globalization has been gradually quickened and has become the mainstream of the world economic

development. With the diminishing of international trade barriers, international commodity trade has grown rapidly, with the average rate of growth reaching 5.6 percent between 1980-95. The average annual growth rate of service trade, which had risen as a new force, reached 9.3 percent, both higher than the rate of world economic growth in the same period; international investment became increasingly active, transnational corporations carried out activities of worldwide production and operation, their total capital exports had hit US\$3500 billion, becoming the mainstay of economic globalization; financial internationalization had undergone accelerated development, the volume of transactions on the international financial market had developed by leaps and bounds. The various international financial markets had formed transaction networks mutually connected in time and linked in price, the Internet has expanded rapidly, international information circulation is rapid and convenient, an "earth village" in the sense of information exchange is taking shape. There exist profound reasons for the formation and development of economic globalization. Firstly, economic globalization reflects the internal requirement of the development of productive forces. The rise in technological progress and the level of economic development objectively require the deepening of the division of labor and the expansion of the market scale. This requirement boosts the development of production from domestic regional division of labor to international division of labor and the extension of sales from the domestic market to the international market. At the same time, the enormous increase in the transnational investment, production and trading activities necessarily demands the rapid development of the international financial market, so as to guarantee the highly efficient operation of this kind of transnational economic activities. Secondly, change in the post-war international economic relations has created conditions for economic globalization. The developed countries, relying on their strong international competitiveness and economic strength, spare no efforts to push trading and investment liberalization in the negotiation on international bilateral and multilateral economic relations. After World War II, promoted by the demonstration role of the newly industrialized economies, more and more developing countries have conducted trade, investment and financial liberalization reforms. Implementing a trade and investment liberalization policy is the developing countries' initiative choice, aiming to pursue their own interests. The practice of a trade and investment liberalization policy by more and more countries has created greater market space for the transnational flow of commodities, services and production elements. Owing to the enormous differences in the developmental level of various countries around the world, it is impossible for the economic liberalization process to advance simultaneously. Because of this, countries and regions neighboring each other and having similar developmental level provide each other with trading and investment conveniences to promote economic integration, forming some regional economic organizations across the globe. Regional integration will also expedite the process of economic globalization from another aspect. Economic globalization can both bring huge benefits from international division of labor and contains risks. For example, the debt crisis erupted in Latin American countries in the 1980s and the Asian financial crisis broken out in 1997 brought disastrous consequences to the developing countries. Practice has proved that not all countries can be benefited from globalization. The key to whether or not a country or region can pursue benefit and avoid harm in the process of economic globalization lies in an open strategy which can both give full play to comparative superiority and can prevent and control risk. Over the past 20 years, under the guidance of Deng Xiaoping Theory, China has implemented a correct strategy of opening to the outside world. As a result, the scale of China's international trade has expanded for about 16 times during that period. Active participation in international division of labor and cooperation has forcefully boosted the upgrading of the domestic industrial structure, created numerous new employment opportunities, raised the operational efficiency of the national economy, enhanced overall national strength, thus enabling China to play a still greater role in international economic and political affairs. Of course, along with a higher degree of opening, the fluctuation of the international market has exerted increasing impact on the operation of the domestic economy. For example, the major ups and downs of international oil prices, the radical change in the exchange rates of principal currencies and the Asian financial crisis erupted in 1997 have all exerted negative effect on China's economy. Therefore, as we enter the new century, we should accelerate reform, further open to the outside world to greet the new opportunities brought about by economic globalization and meet new challenges.

II. WTO suits and spurs development of economic globalization: The formation and development of the World Trade Organization (WTO) and its predecessor GATT have met the objective demand of post-war economic globalization. It was only till 1995 that the WTO replaced GATT and became an official international organization that promotes international trading liberalization by meeting the need of the development of economic globalization and undergoing seven-year Uruguay rounds of negotiations. Because more and more countries and regions have been involved in the tide of economic globalization, the number of WTO member states has also increased from the original 23 GATT members to the present 135 members. China, Russia, and some former Soviet and East European countries have also applied to join this organization. It can be predicted that along with the further advance of the process of economic globalization, more and more new areas will be included into the scope of WTO negotiation, so this organization will become more important. The multilateral trading system has not only met the demand for the development of economic globalization, the expansion of its role and the elevation of its status have effectively pushed forward the process of economic globalization. Firstly, the WTO has provided international trade with universally accepted rules, the principles it follows, such as non-discrimination, more liberal and encouraging competition, have charted the orientation set for the development of global trade. Whenever there was the re-emergence of trade protectionism, GATT would launch a new round of negotiations, this has not only contained the tendency of trade protectionism, but has also pushed trade liberalization to a new stage. Secondly, enlargement of the WTO content has expanded the principle of liberalism to more areas. Thirdly, the WTO mechanism for the solution of disputes has made unique contributions to the stability of the global economy. This commentary, written by Wu Xin, focuses on the following three points: In short, the standardization of the series of multilateral organizations and agreements of the WTO has a fairly strong irreversibility in promoting the historical trend of economic globalization. However, the imperfection of the current international economic and trading rules remains to be further improved. Because some developed countries adopt an egoist and pragmatic stand in their formulation of international economic rules, therefore, the fight for leading power in the formulation of globalization

rules will be bitter. As a large developing country, China has, in its foreign economic relations, persistently adhered to the principle of equality and mutual benefit, initiated the establishment of a new international economic order. China's joining the WTO will make this world organization more complete.

III. Joining the WTO is China's strategic choice for merging itself with the mainstream of the world economy: After 20 years of high-speed development, China's economic strength has been notably enhanced, it has had the ability to participate in international division of labor and competition in many areas. However, due to the fact that China has long been excluded from getting into the world multilateral trade system, it has had to rely on bilateral consultations and agreements to coordinate its foreign economic ties, this abnormal state had subjected Chinese enterprises and products to many discriminatory and unfair treatments when they entered the international market. Economic globalization brings opportunities to and imposes challenges on each country. China can safeguard its legal rights and interests in the process of its participation in economic globalization only when it actively takes part in the formulation of global trading rules. After its projected WTO entry, China can enjoy the fruits gained by the multilateral trade system through long-term promotion of trading liberalization, but it must also undertake the duty of opening the market, this embodies the balance between rights and duties. After its accession to the WTO, China is required to conduct relevant reform of the current system in accordance with the international common practices. These reforms are identical with the general goal of China's economic restructuring, they will help raise the government's management and control ability and strengthen enterprises ability to adapt themselves to international competition, they are therefore conducive to enhancing the competitiveness of China's economy, winning China initiative in the process of economic globalization featuring increasingly intense competition.

From China People's Daily, 01 February 2000

CHINESE EXPERTS RECOMMEND PREFERENTIAL POLICIES FOR CHINA'S INSURANCE INDUSTRY

Although China opened its insurance market to foreign investment long ago, the impact of opening up on the industry is greater than ever before, especially with regard to human resources, the commercial reinsurance industry, insurance targets, business structure, business location and development approaches, reported the January 14 Zhongguo Baoxian Bao (China Insurance News). In the view of industry insiders, the impact of WTO entry, which seems imminent given media forecasts that China could reach a WTO agreement with the European Union early this year, will be greatest on the insurance industry's human resources. For several decades after the PRC was founded, there was only one insurance company, the People's Insurance Corporation of China (PICC). When competitors emerged, nearly all the professionals had to be headhunted from the PICC. When foreign insurance companies set up shop in China, most of their chief representatives also came from the former PICC. Attracted by the more flexible system of the new Chinese competitors that permitted individuals to work more independently, and by better compensation in the foreign companies, PICC personnel abandoned the state-owned company in droves. Therefore, much of the senior management and staff of various insurance companies and institutions in China have PICC backgrounds. Once China enters the WTO, more foreign insurance companies are likely to dive in. As a result, competition over human resources will get even hotter. Guang Guoliang, the president of Xinhua Life Insurance Company, has said that the state-owned company has no advantages in this respect. Foreign insurance companies will attract more insurance professionals with their better compensation packages and better working environments. Actually, foreign insurance companies have been making long-term plans. Although unable to foresee when they would be granted licenses to operate in China, foreign insurers have established generous scholarships in Chinese universities in order to attract top talent in finance and insurance. Some foreign insurance companies have expressly stated that they hope to get qualified staff immediately upon gaining access to China's markets. Therefore, as Guang noted, the key issue will be how to cultivate personnel and improve the working environment to retain competent professionals. Pan Lufu, the executive vice president of China Insurance Association, likewise believes that China's insurance industry's priority should be accelerating the cultivation of insurance and management professionals; with a bigger reservoir of talent to draw on, the outflow of personnel will not be so worrisome. Hence, Taikang Insurance Company is planning a training and continuing education program for its staff and seeking better incentive systems and means of staff selection. Compared to the life and property insurance businesses, the reinsurance business is facing more severe challenges. As yet, China has no foreign reinsurance company at all. Although China has only one Chinese reinsurance company (China Reinsurance Company), competition in this area began long ago. Currently, 94% of the China Reinsurance Company's business is official reinsurance, which means that the market lacks commercial reinsurance. One chief officer of an insurance company admitted that the company conducts reinsurance business outside of China because large international insurance companies can provide solid information and technology support, especially with respect to big projects such as nuclear power stations. Overseas reinsurance companies, thanks to their technical experts, are able to help underwriters fix insurance conditions, plan and rates. Domestic insurance companies hope to learn more about the international insurance market from reinsurance abroad. Foreign reinsurance companies can also provide training programs to national insurance companies regarding pertinent technology and insurance know-how. In accordance with the WTO agreement reached between China and the United States, the opening of China's reinsurance market may not be restricted. According to sources, in WTO negotiations between the EU and China, the EU is asking that China gradually reduce the proportion of authorized reinsurance business within five years. If the agreement is passed, China's insurance industry will face strong competition in this market. In addition to direct impacts, Chinese insurance companies will also be subjected to indirect influence from changes in the wider economy after WTO entry. Some less developed industries can survive and develop with government protection. But once such protection is removed, they will have to sink or swim. Although the Chinese Government is asking for a grace period after WTO entry during which protection will be gradually reduced, some insurance businesses will suffer as trade barriers are broken down. In the mean time, some debt-ridden state-owned enterprises and collective entities are going bankrupt from the competition with international

companies. The changing environment will affect insurance targets, business structure, business location and development approaches. The stability of insurance will also be affected by market fluctuations. Pan pointed out that currently all car insurance rates are the same except in Shenzhen, which will not be the case after China's WTO entry. The large influx of cars of different types, models, and levels of performance will make the flat insurance rate unsuitable. Some Preferential Policies Should Be Retained. Most Chinese insurance companies agree that the policies made for the industry upon China's WTO entry will greatly affect the development of domestic insurance companies. If policies allow in too much foreign competition, those companies will suffer. Hu Zhongwen, the deputy general manager of the PICC, says that the future development of the PICC depends very much on the establishment of policies and laws that protect emerging industries in developing country members of the WTO. Meanwhile, experts say, what is even more important are industrial guidelines adapted to the needs of new industries and the development of insurance companies. After China joins the WTO, the establishment of insurance industry policies suited to China's situation and the creation of favorable laws and finance and tax policies is essential for the healthy development of China's insurance industry.

From China Online, 02 February 2000

WEAK ECONOMY LEAVES JAPAN AWASH IN A TIDE OF VIOLENT CRIME

A 26-year-old motorist in a rural town in eastern Japan flies into a rage after a minor accident, beats another driver with a crowbar and runs over her body as he drives away. In urban Kyoto, a stranger approaches a group of children on an elementary school playground and slits the throat of a 7-year old with a knife. In the city of Hakaru in western Japan, a young mother is raped in her apartment by an 18-year-old, who leaves the strangled bodies of the woman and her 11-month-old baby stuffed in a closet for her husband to find. These chilling crimes in the past 10 months are part of a surge in murders, assaults, robberies and rapes throughout Japan, a trend that is arousing deep concern and eroding the country's long-standing reputation for extraordinary safety. Violent crime is at a 23-year high and rising. The upward march of violence is the bitter fruit of Japan's failure to fix its decade-long economic stagnation, as well as the unraveling of strong social controls that made the country a safe and orderly place, according to the police, criminologists and victims. While the murder rate is still one-sixth that of the United States, it is now higher than the rate in England and Wales and only slightly lower than those of most other European countries. "My daughter died in Tokyo, which is supposed to be the safest city in the world, at the busiest place in the city, in broad daylight," said the father of Mami Takahashi, 29, who was stabbed to death by a stranger who rampaged through a crowded shopping district in September. "The myth that Japan is safe was destroyed at that moment." The annual per-capita incidence of murder, rape, arson and assault in Japan increased by 11 percent in 1999 and has climbed by 50 percent in the past decade, according to National Police Agency statistics. The increase came even though the Japanese population on average has passed the youthful crime-prone years, a maturation that should be producing a drop in crime. Instead, analysts say, the advent of two working parents, fewer and "spoiled" children, increased mobility, materialism and the loss of family and community authority have led to higher lawlessness. "Nobody feels we are as safe as we used to," said Ryo Ogiso, a lecturer on criminal procedure at Komazawa University in Tokyo. "Things that never took place in Japan now are starting to occur. There's a sense of being perplexed; we don't know what to do." For example, youth gangs in the past few years have embraced what they call "uncle hunting." The gangs single out a lone man trudging home and pounce on him for his wallet, and, seemingly, the thrill of beating him. "When he came back to our home, he rang the doorbell, and his coat was full of blood," said the wife of a man who was attacked by five youths. She asked that her name not be used. "He washed his head, but there was a big hole in his skull, and he lost consciousness. He's been in a coma now for almost two years," she said. The economy plays a leading role. Armed robbery is the fastest-rising violent crime, police say. Economic stagnation has led to a gradual rise in joblessness, creating more desperate unemployed and leaving many would-be entrants to the job market - young men and women - with no work and few hopes for the future. "The nature of offenses committed by juveniles becomes more serious," said Toyo Atsumi, a criminologist at Chuo University. "Only a decade ago, we wouldn't find assaults committed by gangs of juveniles. But now it's very common." Other, longer-lasting changes in the society also are at work. In less than 40 years, Japan has changed from a mostly rural to a mostly urban society. Family sizes have shrunk, with parents now having an average of only 1.3 children. Also, more mothers are working outside the home. The result is that many social controls have crumbled. One result of the increase in crime is a growing demand for tougher prison sentences. Crime victims are now organizing a grass-roots campaign to give victims and their families a larger role in court. "The philosophy here is to care very deeply about the rights of the criminals," said Isao Okamura, a corporate lawyer who took up the cause after his wife was murdered in her home in October 1997 by a stalker with a grudge. "I regret to say the rights of victims have not been considered at all."

From International Herald Tribune, 11 February 2000

INDONESIA'S SHOWDOWN ON REFORM

To rein in the military, President Wahid may ask a top general for his resignation on Sunday. Indonesian President Abdurrahman Wahid will step off a flight at Jakarta's international airport Sunday and into a showdown with former Armed Forces Chief Gen. Wiranto, who has become a symbol of the military's dark past and reluctance to reform. When he returns from a 16-day trip abroad, Mr. Wahid is expected to summon General Wiranto, currently his security minister, and tell him to step down over a Government finding that he helped orchestrate the campaign of violence that followed East Timor's vote for independence last year. International pressure for a war-crimes tribunal over the apparently premeditated razing of East Timor is immense. Indonesia's political leaders understand that if credible steps aren't taken against those responsible, the United Nations could step in. Though the looming struggle has fueled coup rumors and fears the country's halting moves toward democracy could be rolled back, it's a battle Wahid - little more than 100 days into his presidency - is now expected to win. Both Wiranto and other generals have backed away from an

earlier belligerent tone. Wiranto today told reporters after a Cabinet meeting he would only ask the president to "let the law run its course." It looks as if at least some officers will be prosecuted over East Timor, perhaps even Wiranto. However, Wahid has promised to pardon Wiranto if he is found guilty. Air Force Rear Marshall Garito Usodo, the chief military spokesman, says he doesn't know if Wiranto will heed the president's request, though he reiterates recent assurances that there was "no chance of a coup." Wahid, speaking to reporters in New Delhi, has also softened his tone. While a peaceful removal of Wiranto would prove a major victory, the history of Indonesia's armed forces and the mind-set of its top commanders indicate it will only be the first step on a long, hard road. The generals remain intertwined with daily business and political life on this sprawling nation's fringes, despite a rollback of their influence in Jakarta since the fall of Suharto in 1998. Mr. Suharto, the former general who ruled Indonesia for more than 30 years, maintained his position by ensuring his most powerful generals prospered under his "New Order" regime. And he used a heavy hand dealing with dissent. Wahid, the country's first democratically elected leader in over 40 years, has the weight of that legacy to contend with. Human rights activists allege the military continues to commit crimes ranging from murder to torture across the country. In the Moluccan islands, where communal fighting has left thousands dead in recent months, allegations of the military's involvement in killings have begun to emerge. Predictors of how the military's role will evolve might be drawn from Indonesia's Southeast Asian neighbors, Thailand and the Philippines. Thailand's military has seen its influence wane since the 1970s; the Philippines' military has been weakened since the "people power" revolution that overthrew the Marcos dictatorship in 1986. But in both countries it's been a case of two steps forward, one back. "Where the parallel ends is that they never staged a coup [here]. The militaries in those other countries have been predisposed to staging coups," says a military analyst in Jakarta, adding that the Indonesian armed forces are more likely to express power through business dealings and military operations in the provinces far from the capital.

Though it might seem the frail Wahid is no match for Wiranto, he has been encircling the stubborn general since he took office last November. Advisers say it's always been his intention to clip the military's wings by using the investigation of the military's links to the militias that killed hundreds in East Timor and destroyed the territory's infrastructure. It is proving a delicate job. While the military's appointed seats in parliament have been cut, and the number of generals in the Cabinet has been reduced, the influence of the soldiers on the nation's fringes remains vast. Indonesia is a nation of thousands of islands. While national politics are played out on Java, home to Indonesia's dominant culture and one-third of its 210 million citizens, in the far-flung provinces, the military is the dominant political force. Poorly paid officers run businesses – predominantly natural resources extraction like logging and fishing – from Irian Jaya in the east to Aceh on the northern tip of Sumatra. "The current military structure almost demands the Army's political dominance in the regions," says the military analyst. There is going to be so much resistance if [Wahid] really tries to reel them in. It's a question of money and resources." The top brass has shown every indication of resisting efforts to prosecute soldiers over human rights. Wiranto has attacked the government commission that investigated East Timor as biased. In an interview with a Singapore newspaper Monday, he compared the violence in East Timor to the My Lai massacre by US troops during the Vietnam War. "I don't think the commander in chief of US troops in Vietnam or the joint chiefs of staff were asked to be legally responsible," Wiranto said. The military as an institution has also continued to deny that human-rights violations are widespread. "It's true that there are human rights problems here and there, but it's not systematic. You found these problems in every army. In America, your military has these problems," military spokesman Usodo says. "We are changing but nobody believes us." Human rights activists allege there are few signs of change. In Aceh, home to a strong independence movement, civilians are killed almost every day with no suspects ever coming to trial. Earlier this week, the military disclosed that Lt. Col. Sudjono, an Aceh intelligence chief awaiting trial for his alleged involvement in the killing of dozens of civilians last year, had disappeared. "There is a big possibility that Sudjono might have been kidnapped to prevent him from uncovering the truth in Aceh," says Munir, coordinator of the chief human-rights group investigating events in East Timor. For rights activists, exposing the truth behind past crimes and prosecuting those responsible extends beyond reforming the military. Impunity among officers has fueled independence movements in Aceh and Irian Jaya. "The perpetrators, whether soldiers or rebels, must be prosecuted," Joe Saunders, deputy Asia director of Human Rights Watch, said in a statement yesterday. "Otherwise, the low level of trust in government will be eroded even further."

From Christian Science Monitor, 10 February, 2000

PAKISTAN ARMY TO HELP DOCUMENT ECONOMY

Chief Executive, General Pervez Musharraf said on Wednesday that his Government was planning to use military force for the documentation of the economy, bankers said. "At the moment we are just showing carrot to businessmen and industrialists to declare their black money and assets and start paying taxes, but shortly we will involve military in our efforts to take action and help in documenting the economy," Musharraf has been quoted as saying by bankers. Musharraf was addressing a gathering of over 150 heads of financial institutions, which included state-owned banks, DFIs, private and foreign banks, investment banks, leasing companies, modarabas and stock brokerage companies. Replying to questions, Musharraf told bankers that the Government would soon carry out a crackdown on tax-evaders and black-marketeers to document the economy. He said the lowering of tax rates and limiting of taxes were all part of carrot to encourage tax-evaders but if these did not yield desired results, an action, with military's involvement would soon be in operation. To a question, Musharraf said the National Accountability Bureau (NAB) had been directed to take up cases against defaulters of private banks, leasing companies and modarabas as well. To another question, Musharraf said that the Government was giving key importance to micro enterprises. He urged the bankers to come up with innovative schemes for the promotion of micro enterprises. Earlier, in his address to bankers and heads of non-banking financial institutions (NBFIs), Musharraf urged them to give more loans to smaller borrowers. "Excessive concentration of credit to a selected few

among prime borrowers, large-scale enterprises and that too in a few cities, has led to a distortion in economy," Musharraf said. "Only 1.2 per cent of total borrowers get 76 per cent of the total bank credit," he said. Just 4 per cent of the country's 140 million people receive 83 per cent of total bank loans, he said while quoting central bank figures. "... (Because of this) a small group among Pakistan's elite were responsible for most of the country's defaulted bank loans," he said, adding that a few hundred large borrowers were responsible for the default of more than Rs145 billion (\$2.6 billion). He further said Pakistan's five largest cities received 71 per cent of bank loans. "The availability of credit to farmers and small-scale industries is very small," Musharraf said. He noted that there was almost no venture capital available for information technology firms. Musharraf also warned bankers to be more cautious in giving loans while noting many of the defaulted loans were given with little or no collateral in return. "This does not imply that banks should not carefully appraise their loan proposals or assess the risks involved or neglect to determine their capacity to repay the loan," he said. Musharraf also said the Finance Ministry and the State Bank were working on several initiatives, including autonomy and non-intervention in the banking system. Musharraf also tried to reassure bankers about the anti-corruption drive, led by the new National Accountability Bureau. "Let me assure you that nobody should fear the NAB except those who are corrupt, dishonest and indulge in malpractices," he said. He said the Government would keep trying to bring interest rates down to help sick industries. "We have already reduced interest rates on National Savings Schemes and will continue to rationalize these so as to remove distortions in the interest rate environment while keeping in view the interest of small savings holders," the chief executive said. Musharraf also asked bankers to develop an efficient system for Pakistanis working abroad to send their remittances as the present system was very slow. He asked bankers to find a sensible way of catering to the needs of the public in paying utility bills at bank branches and improve overall service quality. Musharraf said his government has successfully completed the loan recovery drive, debt rescheduling talks with the Paris Club and the London Club, controlled inflation, increasing agriculture and industrial production and brought a rise in stock exchange. "All (these) indicators (are) in right direction," he said.

From Pakistan International News, 10 February 2000

SERVICE SECTOR TO BE OPENED FURTHER, SAYS CHINA TRADE EXPERT

An official from the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) said recently that the service sector, especially finance, insurance, telecom and retail, should be the focus of China's absorption of foreign capital, the February 16 Zhongguo Gaige Bao (China Reform News) reported. Ma Yu from the Foreign Capital Research Department of the Institute of International Economics and Trade under MOFTEC said that attracting foreign investment to this sector is necessary in the interests of deepening domestic reform and promoting the sustained, rapid and healthy growth of the national economy while expanding the scale of foreign investment and improving its quality. Ma holds that the service sector has long played an important role in China's efforts to attract foreign investment. Historically, foreign investment focused first on hotel construction and then on real estate development projects generally. Although those investments were significant at the time, Ma said, their contribution to the overall national economy was quite limited. Overheated real estate development even caused some problems several years ago. Although the Government has experimented with the opening up of finance, insurance and retail sectors, it still restricts the geographic and business scopes of foreign participation as well as the equity composition. While these restrictions protect their respective industries, said Ma, they have retarded the positive function that foreign investment should play. At present, there are hundreds of foreign-funded financial institutions and retail projects in China, yet their business volume accounts for only a tiny portion of the market. Despite six years of experimentation, it is still hard to evaluate accurately, either qualitatively or quantitatively, the benefits and harm to the development of a certain sector and the national economy of allowing foreign participation. Consequently, it is difficult to arrive at a strategy for continued opening and to map out appropriate policies. Recently, the Government expanded experimentation with foreign-funded investment banks and retailers to China's central and western areas. It has approved the establishment by AT&T of a joint venture for mobile communications and IP phone business in Shanghai's Pudong district. The Government has also permitted the establishment of Sino-foreign travel agencies. These moves can be viewed as preparation for the further opening up of the service sector and as an indication that the service sector may become a focal point in China's efforts to attract foreign investment. Because of the low degree of openness in the service sector, the restructuring of foreign investment has been extremely slow. Foreign investment in the service sector, excluding the real estate industry, accounts for less than 10% of total investment.

From China Online, 23 February 2000

MORE REGULATIONS ON INFORMATION INDUSTRY TO BE PUBLISHED

After taking a major move in a series of reform and reorganization of the information industry, the Chinese government is now to further strengthen, not relax, the macroeconomic control and management over the industry. At the beginning of the new year, Wu Jichuan, Minister of Information Industry, reemphasized that after the separation of government function from enterprises management, the government department will not cease managing the economic work, but rather it will change its concepts and methods of management, further strengthen readjustment of the industrial structure and the formulation of investment plan and export policy, and step up the enactment and publication of relevant statutes and regulations and other macro-control measures and management. When talking about the current main tasks, Wu Jichuan stressed that the main responsibility of the Government is to draw up an overall plan and map out the development strategy. The Information Industry Ministry is stepping up the making of 10th Five-Year Plan (2001-05) under the unified leadership of the central government. The basic plans include: Under the unified plan and guidance of the government, the industry will introduce a competition system to spark the enthusiasm of various quarters and rationally allocate resources to avoid duplicate construction. Focusing on meeting the need of informationization and coping with

international competition, the industry will do a good job in the evolution of the existing network to the network of a new generation, and gradually establish a extra-large, highly flexible, safe and reliable broadband information network. Strengthening technological innovation, speeding up structural readjustment and fostering some internationally competitive enterprise groups and key product R&D bases in micro-electronic, software, computer, telecom and other major fields. Wu Jichuan said that as a pillar industry of China's national economy and a new mode of economic growth, China's information industry recorded a growth rate of over 20 percent in its business income last year. It is expected that the t pace of development will not be slow this year. In his opinion, as a level of governmental department, the Ministry of Information Industry is duty-bound to provide sure guarantee for the healthy development of the information industry, strengthening legal construction and doing administrative work according to law a part of the content.. Regulations on Telecommunication Management had been reported to the authority concerned for approval. The drafting work of the Telecommunication Law is being stepped up. Proceeding side by side is also the work of revising the Law of Post and the Detailed Rules for Its Implementation, and the Regulations on Radio Management, said Wu. In order to meet the need of China's joining the WTO, China will carry out the main work of drafting the Regulations on the Management of Foreign-funded Telecommunication Service and the Regulations on the Management of Computer Network and Information Security. Wu Chuanji also indicated that different levels and different forms of business competition should be gradually formed in the telecom field through macro-control and market supervision and a fair and effective market competitive pattern should be established. The current key task is to perfect the market access system, strengthen the telecom licensing management, improve the coordinating and adjudication mechanism, establish fair and transparent interconnection and interlink rules, heighten the management on the examination and approval on access of the telecom equipment to the net and the management of number sources, crack down on illegal business of telecom operations, and set up reasonable charge systems, promote sources sharing and avoid redundant construction. Meanwhile, China will tighten the supervision and inspection of the collection of fees, correct irregular price competition, resolutely investigate and prosecute the arbitrary charges and price rises, standardize market order, and safeguard State interest and the rights and interests of users. Wu disclosed that China is speeding up the construction of National Internet Swap Center. Beijing Interconnection Center will be completed in the first quarter of this year. More centers will be established in other areas. When taking about standardizing the market order of electronic information products, Wu stated that related units are busily improving the market management regulations, correcting illegitimate competitive actions, and intensifying the anti-dumping, anti-monopoly, and anti-smuggle efforts. Wu added that China's accession to the WTO presents both opportunities and challenges to the Chinese information industry. With firm confidence and steady and active advancement of reform, China's information industry will forge ahead without a hitch.

From China People's Daily, 22 February 2000

EUROPE

BRITISH MEDICAL ASSOCIATION DEMANDS REFORMS

Regulations governing the issue of death certificates must be changed in the light of the Shipman case, the leader of Britain's doctors has said. Dr Ian Bogle, chairman of the British Medical Association (BMA) council, also told the BBC that the medical profession had to act fast to restore public confidence. He said work to develop a new system for monitoring standards in general practice had to be speeded up, and run alongside new measures to assess doctors' fitness to practice at regular intervals. Dr Bogle said: "Doing nothing is not an option. We do support an inquiry. "Death certification must be part of the inquiry, as must the handling of drugs and the ability to get drugs in the way that Shipman did. "(Death certification) has to be one of the main things that is looked at in the inquiry, and I am quite sure it should be changed." Dr Bogle called for those dealing with deaths to be given adequate computer technology to allow them to spot unusual trends as they happen. He said: "Here we are, with technology in most parts of our lives, but there isn't the ability to actually select out trends with the sort of technology we should have. "It is a terrible day for humanity. Shipman was the one that was guilty, not British doctors, but it is a terrible thing for us all - tragic. "There has to be that element of trust between patient and doctor, and I do believe that patients will come to see this for the unique case it is." New legislation has given the General Medical Council the power to act more decisively on the kind of information that it had on Shipman in the 1970s, and meant that a repeat of the case was less likely, he said. But Labour MP David Hinchliffe, the chairman of the House of Commons Health Select Committee, said he was not so confident that the GMC was capable of acting in time to prevent future tragedies. He told Today: "There needs to be a much closer look at the role of the GMC. "I am not so convinced that the situation that happened in the 1970s could not be repeated. The Select Committee has put a report in to Government where we suggested the role of the GMC needs to be looked at very carefully. "That is one area that I think is fundamental to improvements." Dr John Chisholm, the chairman of the BMA's GP Committee, dismissed calls for doctors to be barred from working in one man practices. He said: "Single-handed GPs are greatly valued by their patients for the continuity of care and the personal care that they deliver, and I believe that single-handed practice is a choice that patients should continue to have because Shipman was an evil one-off. "But all doctors should be more accountable and open to scrutiny than they are at the moment." The BMA has called for a number of changes. They include: A better definition of the categories of death which the coroner is required to investigate a statutory obligation on doctors to notify such deaths directly to the coroner a similar statutory obligation on nurses, undertakers and others involved in the disposal of the dead to notify any concerns to

the coroner Changes to the system for registering deaths and recording cremations, which would allow better collection of data and monitoring of events that may cause concern Larger regional coroners' offices, controlled by coroners qualified in both medicine and law Improvements in education on forensic medicine at undergraduate and post graduate level for all doctors.

From BBC News, 01 February 2000

IMF WON'T LEND MORE MONEY TO RUSSIA WITHOUT SUFFICIENT STRUCTURAL REFORMS

The International Monetary Fund said Russia won't receive any new loans until it has made sufficient progress on "structural reforms," even after the Government met or exceeded all of its economic goals last year. The fund didn't specify the reforms it is seeking in a statement after an IMF team left Moscow. In the past, the fund has said Russia must increase collection of cash payments for electricity and natural gas, speed up bank restructuring, and improve bankruptcy laws. "Progress on the structural reform front has been limited," the IMF said in a statement released after officials completed talks in Moscow. "This remains a cause for concern since positive macroeconomic performance cannot be sustained without further significant structural reforms." Russia has been waiting since September for a \$640 million IMF loan installment. Earlier, IMF officials, including outgoing Managing Director Michel Camdessus, have said the payment was delayed mainly because of political pressure by the U.S. and other member nations over Russia's war in Chechnya. Before the war started, it was delayed by concern that Russian businesses had laundered money through Western banks including the Bank of New York Co. after reports in the New York Times and other U.S. media. Since September, the Government has made about \$2.2 billion in payments to the fund on previous loans. Russian officials said the Government and parliament must work together to approve laws to meet the IMF's requirements for structural reforms. "On some targets we didn't move at all, and on others, very little," said Alexei Mozhin, Russia's delegate to the IMF, in an interview with Russian daily Vremya. "It is about passing laws. All of these conditions remain and we just confirmed we intend to fulfill all of them." Russia will resume talks on the loan in April after presidential elections in March, Mozhin said. Russia's parliament is considering several laws aimed at preventing capital flight, including requiring registration of companies, and allowing banks to give banks powers to suspend suspicious foreign exchange deals for five days. The parliament's banking committee delayed discussion of the laws today. "If we had the chance to get an MF loan, we would make the decision next week," said banking committee Chairman Alexander Shokhin. "But now we have more time to work." The IMF will probably resume lending to Russia following the presidential election in March, said Kevin Moore, portfolio manager for the \$315 million USAA Emerging Markets fund, which has holdings in Russia. "Politicians tend to promise a lot of things," Moore said. "The IMF, having been burned once, is probably being as cautious as they can be. In the statement after the IMF team's visit, the fund praised the government for exceeding macroeconomic targets, including economic growth, inflation, and external reserves. Russia's gross domestic product expanded 3.2 percent in 1999 from 1998, after contracting 4.6 percent in 1998. The annual inflation rate fell to 36.5 percent last year, from 84.4 percent in 1998. "This positive outcome reflects both prudent fiscal and monetary management as well as favorable terms of trade owing to significantly higher energy prices," the IMF said. Russia boosted collections of tax and customs duties last year by increasing tax rates for oil, metals and gas exporters, beneficiaries of rising commodities prices. The Government also collected more taxes from domestic companies that boosted output last year to meet demand after the ruble's fall drove up the price of imports. The Government needs to keep revenue collection high to help cover about \$3 billion in foreign debt payments in the first quarter from its own resources in the absence of foreign lending. Central bank reserves totaled \$13.1 billion on Jan. 28. The IMF recommended the government seek financing from commercial banks and "non-bank sources" to cover its budget deficit, rather than borrowing from the central bank "in order not to strain the central bank's capacity to manage liquidity in the economy." The Government plans to borrow from the central bank in March to cover the budget deficit, Russian news agency Interfax reported citing Finance Minister Mikhail Kasyanov. Russia will pay the IMF \$200 million tomorrow in payments on previous loans, the agency said. Russia paid the IMF \$434.7 million in January. Russia is due to pay the IMF \$640 million in February. The Government's total debt to the IMF is about \$15 billion.

From Bloomberg, 07 February 2000

UKRAINE: HOUSE DIVIDED OVER REFORM

Ukraine's parliament split into two feuding factions last month, with the leftist minority occupying the parliament building. RFE/RL correspondent Askold Krushelnysky reports that the outcome of the struggle for parliament will determine whether Ukraine finally embarks on economic reform. The ideological division in Ukraine's parliament between pro-market reformers and pro-Communist leftists has become a physical separation of the two factions. The split happened on January 20, when a majority of the parliament's deputies walked out in protest after the leftist speaker, Oleksandr Tkachenko, refused to allow a vote to dismiss him. Since then Tkachenko and his mainly Communist supporters have been meeting in the parliament building. The center-right group, which numbers around 260 of the full parliament's 450 members, has been holding its own sessions at an exhibition center on the capital, Kyiv's, main street (Kreschtyk). The Justice Ministry, the president, and the Prime Minister all recognize the legitimacy of the majority faction. This week, the center-right majority elected a new speaker, Ivan Plyusch. He pledged that his faction will be in the parliament building by next Tuesday (Feb. 8), the day of its next scheduled session. That declaration looks likely to bring the drama to a head. On Wednesday, police surrounded the parliament building and have refused to allow journalists inside. It is unclear who ordered the police to take action. Their presence has been condemned by the leftists. Socialist Party leader Oleksandr Moroz denounced the police action as a coup d'etat. Communist Party leader Petro Symonenko called for mass civil disobedience. The leftists remain inside the parliament building holding meetings, which are broadcast through loudspeakers to supporters outside. Many leftist deputies have started camping inside the parliament building because they fear police will prevent them from returning

once they step out. The leftists seem to feel they have been outmaneuvered. Minority speaker Tkachenko, whose refusal to be dismissed triggered the crisis, literally broke down in tears when interviewed by RFE/RL. "I can't characterize this as anything but a parliamentary coup and we can see that the president and the cabinet of ministers has played a direct role in this coup." Tkachenko insists that he and his followers are the rightful legislature, and says that he will not leave the parliament building. He has applied to the Constitutional Court for a ruling. "I am confident that the Constitutional Court will approach the question with integrity and everything will be resolved and that Tkachenko Ivan Mykolaivich, that is me, as the legally elected speaker of parliament will preside over parliament. And if the question of my resignation or that of my deputy's arises, that it will be resolved in this building according to the constitution." A showdown has seemed inevitable since President Leonid Kuchma won a second term in office last November, after campaigning on a virulently anti-Communist ticket and promising to introduce sweeping economic and political reforms. Kuchma has enthusiastically supported the center-right faction. Under the Ukrainian Constitution, the president cannot dissolve parliament unless it fails to meet for a protracted period. But Kuchma has said that if parliament does not back his reform plans, he will hold a nationwide referendum to give him the authority to dissolve it. That referendum is scheduled for April. Whether the parliament is controlled by the pro-reformers or the leftists is of vital importance for Ukraine, which must pay \$3 billion in interest on its debt this year. The country has to convince its creditors, principally the International Monetary Fund, the IMF, that it is serious about economic reform if it hopes to get more loans to avert a financial meltdown. The budget for this year, prepared by the reformist Prime Minister Viktor Yuschenko, has the necessary elements to please the IMF but stands no chance of being approved by the leftists. But beyond the economic differences between the two camps, the present drama also smacks of political score-settling and outright revenge. Tkachenko was installed as speaker in 1998 with Kuchma's support. The deal was that financial corruption charges against Tkachenko would be dropped if he kept the leftists in line. Tkachenko reneged spectacularly on his part of the bargain during last year's presidential election campaign when he not only rallied the leftists against Kuchma but stood for the top job himself. Kuchma's other most formidable rivals, Moroz, Symonenko and ultra-leftist deputy Natalya Vitrenko are all leading lights in the leftist faction now ensconced in the parliament building. Although the parliament building is surrounded by police, few believe that the situation will degenerate into violence. There is no muscle in the armed services or security services that the leftists can call upon. Even the number of their supporters outside parliament had dwindled, from several hundred on Tuesday to 10 elderly ladies with one red flag between them on Thursday. Most people questioned by RFE/RL on Kyiv's streets backed the center-right majority. Typical was one woman, who said: "I think that what the majority has done is absolutely justified because it was impossible to tolerate any longer the situation that existed in parliament. All reforms were blocked, and besides political bickering, no legislation was being passed. Parliament was not carrying out its proper business and, as they say, all the steam was being used to blow the whistle instead of powering the engine." One way or another, the majority faction looks set to win the battle against their leftist rivals. Besides a majority in parliament, they have the support of the president and the prime minister. In a move loaded with symbolism, one of their first acts after electing their new speaker was to remove from the list of national holidays the one commemorating the 1917 Communist revolution.

From Radio Free Europe, 07 February 2000

EU CONGRATULATES CROATIA'S MESIC, URGES REFORM

The European Union congratulated Stipe Mesic on Friday for winning Monday's presidential elections in Croatia and urged him to break with his predecessor's autocratic nationalism. A statement issued in Portugal, which currently holds the rotating EU presidency, noted Mesic's "positive" statements since his second-round victory on February 7. "The EU looks forward to the support he will give to the necessary internal reforms, to new relations with neighbouring countries and his country's approach to full integration with European structures," the statement said. The West snubbed the regime of late Croatian President Franjo Tudjman for supporting Bosnian-Croat separatists and sending troops to join the 1993 Croat-Moslem war in central and southern Bosnia.

From Reuters, 11 February 2000

MINISTER SAYS NEW LAW OPENS ROAD TO CULTURE REFORMS

The Minister of Culture, Edi Rama, said that a new arts law approved by parliament on Thursday will open the way to fundamental reforms in the field of Art and pull the stagnant cultural and artistic life out of anarchy. "In the end this reform is being made in order to increase theatre productions by opening the way to free competition among all subjects that might contribute in this field," he said. The controversial law was voted in by the ruling majority parliamentarians, and rejected by the opposition, which consider it as "a step towards the destruction of cultural institutions." The law has also been contested by a major number of artists, who claim that introducing market economy rules of the game to the cultural activity would destroy the nation's values and send the theatre institutions towards bankruptcy. The Socialist majority group introduced new changes to the bill on Thursday as they considered the government draft and remarks by the protesting artists. Minister Rama, satisfied with the outcome of deliberations and the final version of the law approved by parliament, said: "We have done the maximum possible to open the way to a standard reform, not forgetting in every single article that this reform is made to increase theatre production, to protect and cultivate the nation's values in this field and enliven the cultural life of Albania." He said that the final changes to the law guarantee the protection and survival of the nation's unique art and culture institutions, such as the Theatre of Opera and Ballet, Assembly of Folk Songs and Dances and the National Theatre. Rama said the law included also all suggestions, remarks and concerns of the artistic community. He admitted that there would be some resistance to the law, but said the majority of the artistic community would support the drastic reform in art. "There is no law in the world that would get the approval of 100 percent of the people interested," he said. The law provides for state subsidies for the artistic programmes of the main cultural institutions. A nine-member National Theatre Council representing

the three main national culture institutions, as well as regional theatres, would be established to administer the state fund allotted for cultural activities. The artists claim the new package threatens the survival of the state's only Opera house by forcing the repayment of subsidies it receives to stage performances. They fear that since box office takings never covers the full costs, managers will be forced to rent out space to more lucrative entertainments, such as bingo. Addressing this concern, the law expressly does not allow the use of theatre buildings for non-artistic purposes or other commercial activities.

From Albania Daily News, 11 February 2000

EU ENTRY TARGET SEEN SPURRING ROMANIAN REFORMS

Romania's 2007 deadline for European Union membership will stimulate politicians to speed up reforms, chief negotiator Aurel Ciobanu Dordea said on Tuesday. "January 2007 is a realistic deadline and was set to stimulate politicians and the administration to solve all issues related to integration," Ciobanu-Dordea told a joint news conference with Enrico Grillo-Pasquarelli, the European Commission's chief negotiator with Romania. Romania started EU membership talks this month along with Bulgaria, Latvia, Lithuania, Slovakia and Malta. Some local analysts have expressed concern that the deadline is too tight given Romania's post-communist reform record. They say the centrist coalition may delay implementation of tough reforms while local, general and presidential elections are held this year. Opinion polls show the leftist opposition Party of Social Democracy of ex-president Ion Iliescu is ahead with some 40 percent followed by the four-party ruling centrist coalition with 25 percent. Slow progress in privatizing and restructuring loss-making industries over the past 10 years, and three straight years of economic contraction, have eroded living standards for Romania's 22 million population and average income is now \$100 per month. "We believe seven years will be enough for our economy to recover and register growth," Ciobanu-Dordea said. The Government and leaders of all parliamentary parties are working on a medium-term strategy which aims to restore growth and reduce inflation to single digits by 2003 from nearly 55 percent last year.

From Romania Today, 23 February 2000

FRENCH PRESIDENT CALLS FOR STRUCTURAL ECONOMIC REFORMS

President Jacques Chirac called on the French Government Tuesday to take advantage of the current period of robust economic growth to push through certain painful structural reforms. Chirac, a conservative, has been intensifying calls in recent weeks for reform on matters close to the heart of the leftist government. His comments come two years ahead of presidential elections that could pit Chirac against Socialist Prime Minister Lionel Jospin. Speaking at an awards ceremony on Tuesday, Chirac said that France must "give up its state-oriented approach to change in society." He criticized the government's flagship legislation to shorten the work week from 39 to 35 hours, saying the change would not be "without effect" on the French economy. Jospin's Government, which took power three years ago, has presided over a period of economic recovery. The economy is expected to grow by more than 3 percent this year, up from 2.8 percent in 1999. "It is during periods of growth that you have the margin for maneuver needed to reform," Chirac said. "For our country, to wait or not to take the steps needed to meet the challenges would be to lose an opportunity."

From ABC News, 22 February 2000

HOT ECONOMY BOOSTS PUTIN'S PRESIDENT BID

Russia issued a slew of favorable economic statistics on Monday which analysts said provided a boost for Acting President Vladimir Putin ahead of next month's presidential election. The State Statistics Committee said the 1999 trade surplus was \$33.2 billion, more than double 1998's, while January industrial output was 10.7 percent higher than a year earlier. RIA news agency quoted figures from the Government's Center for Economic Trends as showing industrial production this year would rise 1.6 percent compared with 1999. Analysts expected the economy, propped up by high world energy and metals prices, to show the same positive trend at least until the March 26 presidential poll in which Putin is a clear favorite. "The economy will be able to provide a good public relations service and a good flow of news for him (Putin)," Yekaterina Malofeyeva, an economist at Renaissance Capital, said. "He will be able to show that the economy is feeling better than half a year ago, or even a year ago," she said, adding that the upward trend looked sustainable in the near term. Sergei Voloboyev, an economist at CS First Boston, said a high trade surplus meant the government would be able to service its heavy foreign debt without too much strain and without damaging the rate of the ruble to the dollar. "The main economic indicator the electorate will react to is the ruble/dollar rate, and since export revenues are so high the central bank will have no difficulty in keeping the rate under control," he said. Analysts said that even if the Organization of Petroleum Exporting Countries decided to increase output at its policy-making ministerial conference on March 27, a day after the presidential poll, Russia would still show good foreign trade data for several months. Russia's 2000 budget is based on a \$17 per barrel price, and given the current price of around \$26 per barrel price the budget could still enjoy enough of a windfall to support economic growth for some time, Voloboyev said. But he warned high oil prices could lull the Government into inactivity, depriving it of an incentive to reform the economy quickly and radically. "The problem is if nothing is done the bright future will seem further and further away," he said. "Putin has a unique possibility to be able to do a lot without looking to the parliament and without any populist measures." Putin's economic program is still a mystery but he is expected to unveil his ideas this week. "If Putin intends to stay in power for more than one term than he must act right now," Volobuyev said. "Oil is a smile of fate which will allow him to do it less painfully than in other circumstances."

ECONOMIC REFORMERS LOSING BATTLE FOR RUSSIAN BUSINESSES

Businessmen associated with the more egregious Kremlin graft of the 1990s are winning out in the struggle with the country's economic reformers for influence over acting President Vladimir Putin and for control of the country's major state-run businesses. Economic reformer Anatoly Chubais and his allies have suffered a series of reversals in the lower house of parliament — the State Duma — on votes coordinated between the Communists and the pro-Putin Unity party. They are also on the losing end of a battle for board seats on Russia's mammoth state-owned companies. Mr. Chubais himself risks losing control of the national electric company. The undermining of the Chubais-aligned Union of Right-Wing Forces and of the reform-minded Yabloko party augurs badly for U.S.-Russian relations, and for the International Monetary Fund's continuing efforts to get Moscow to cut back state control of the economy. Mr. Putin offered assurances last month that his deal with the Communists to let Gennady Seleznyov remain as Duma speaker would not develop into a long-term legislative alliance. But the cooperation between Communists and pro-Putin deputies has continued, prompting fears that parliament will block the opening of the economy to genuine commercial competition. Mr. Chubais, who was the architect in the 1990s of Russia's privatization program, has been outmaneuvered, not only in the Duma, but also by Boris Berezovsky, the business tycoon frequently linked to corruption scandals that marred the last years of Boris Yeltsin's presidency. Mr. Chubais has faced increasing Kremlin criticism of his stewardship of the national electric power company, Unified Energy Systems. Last week, Mr. Putin himself described UES as an "unstable and disorderly state mechanism" and said a proposed boost in its utility rates would not be necessary if the company had been better managed. The attack prompted speculation that Mr. Chubais could soon be stripped of his post as UES chief executive. The electric company is not the only state-owned economic colossus that is being targeted for change at the top. The huge natural-gas monopoly, Gazprom, and Aeroflot airlines are also the subject of behind-the-scenes maneuvering. Eight new candidates have been put forward for seats on Aeroflot's board — all of them allies of Mr. Berezovsky. The business daily Vedomosti predicted last week that Berezovsky pal Alexander Krasnenker would be appointed the airline's general director this spring. Mr. Berezovsky has also made himself useful to Mr. Putin by ensuring that ORT television, which he controls, provides favorable coverage of the acting president's military campaign to suppress separatist rebels in Chechnya. The battle for control of the resource monopolies and other big state-owned businesses — all of which work through influence and power rather than through the markets — is crucial to the management of the economy. In another sign of weakening power, Mr. Chubais acknowledged last week that he will not play a part in Mr. Putin's election campaign, either as an adviser or strategist. He made light of the fact by saying Mr. Putin was so assured of victory that he didn't need his help. But on the same day, Mr. Putin expanded his campaign team with several people who worked with him in the mid-1990s when he was deputy governor of St. Petersburg. It has emerged, meanwhile, that Mr. Yeltsin's daughter, Tatyana Dyachenko, an important Berezovsky ally, has been attending weekly campaign sessions in the Kremlin. She was dumped from her Kremlin post just last month along with the Kremlin's property manager, Pavel Borodin. Both are at the center of a major Swiss-kickback probe. Mr. Putin's spin doctors put out word at the time that her dismissal demonstrated how eager their man was to clean up corruption at the highest levels. Mr. Chubais is unpopular among ordinary Russians and blamed for overselling the benefits of capitalism and economic reform. Much of the criticism deals with the way he sold off state companies to insiders and former Soviet bosses. "I had to choose between the Communists and the robber barons," he explained at the time. Some see him as a robber baron himself, but he and his allies in the Union of Right-Wing Forces and Yabloko are the only ones arguing for deep economic reform and integration with the developed world.

From Washington Times, 21 February 2000

MIDDLE EAST

FRANCE SAYS BIG IRAN TURNOUT BOOSTS REFORM DRIVE

The large turnout in Iran's parliamentary elections made the lead taken by the reformists all the more significant, France's foreign ministry said on Monday. "It seems a large majority of voters has chosen to back the strategy of President (Mohammad) Khatami," said foreign ministry spokeswoman Anne Gazeau-Secret. "The results are all the more significant because there was a strong turnout," she told reporters at a regular briefing. French Foreign Minister Hubert Vedrine has said several times that he is confident there is a desire for change in Iran, notably during the Iranian president's visit to France in October, she added. Early returns from Friday's election showed a big lead for the pre-reform camp, including in the capital, Tehran, where the biggest pro-reform coalition is led by Mohammad Reza Khatami, brother of the president. While final results will take several days to appear, the poll already points firmly to the reformers taking control of a parliament previously dominated by conservatives.

From ABC News, 21 February 2000

THE AMERICAS

CLINTON URGES DIALOGUE ON GLOBALIZATION

In a wide-ranging speech designed to counter the humiliating disarray of trade talks in Seattle last month, President Clinton called on world political leaders and titans of business Saturday to resolve the growing controversy over globalization through a new dialogue with developing nations and environmental and labor dissenters. "Those who believe globalization is only about market economics are wrong," Clinton told a gathering of the elite World Economic Forum in this idyllic Alpine ski resort. "We simply cannot expect trade alone to carry the burden of lifting nations out of poverty." But the president warned that the forces attempting to block or roll back moves toward a globalized world are "dead wrong" too. Clinton assumed the role of peacemaker to recover from the calamitous week in Seattle, where protesters from dozens of environmental, humanitarian and labor groups disrupted talks among 135 countries about the World Trade Organization. In Davos, he appealed to the more than 2,000 world leaders and business executives assembled for the 30th annual forum to push for a new round of trade talks to jump-start a process deadlocked by divisions. I came here today in the hope that, by working together, we can actually find a way to create the conditions and provide the tools to give people on every continent the ability to solve their own problems and, in so doing, to strengthen their own lives and our global economy in the new century," he said. In stark contrast to the Seattle debacle, the behavior of dissidents who came to Davos was severely restricted by Swiss security forces. A few hundred protesters massed on the edge of this town of 13,000 and managed to break windows at McDonald's. A lone violinist played as they pelted snowballs at police armed with rattan shields, which looked more appropriate for warm Swaziland than the middle of a snowstorm in Switzerland. A police barricade held the demonstration back, however, and after a round of tear gas, the protesters dispersed. They never got anywhere near the president's entourage or members of the World Economic Forum. Inside the plush conference center where the participants were meeting, Clinton put skeptics about globalization on notice that the United States is "unambiguously" committed to open markets and trade as the "best engine we know of to lift living standards, reduce environmental destruction and build shared prosperity." He cited the importance of open markets for the developing world is reflected in the fact that developing countries that chose growth through trade from the 1970s to the early 1990s grew at least twice as fast as those that imposed protective barriers to commerce, the president said. In the most open countries, he said, growth was six times as great. Clinton questioned the fate of Bangladeshi textile workers or farmers in Uruguay and Zimbabwe without the prospect of industries able to market goods beyond their frontiers. "How can working conditions be improved and poverty be reduced in developing countries if they are denied these and other opportunities to grow, the things that come with participation in the world economy?" he asked. But to close the growing gap between the world's rich and poor, trade must be supplemented with greater aid and investment in human capital, education, health care and technology, the president said. He also called on the world's wealthiest nations to help lift poor nations' "crippling burden" of debt by debtor nations will have more to invest in their peoples and their futures. "Industrialized nations must see that the poor and those hard hit by changes are not left behind," Clinton said to an audience that included heads of state from poor nations in Africa, Latin America and Asia as well as many of the world's wealthiest business leaders. In turn, the president used his address to call on leaders of the world's poor countries to make government institutions more open and accountable, clean up corruption, improve access to education and solve basic social problems. He warned that there is "a limit" to what wealthy nations can do for countries that don't take basic steps to ensure that their own societies work.

"Many people suffer not because their Governments are too strong but because their governments are too weak," Clinton said. To close the gap in attitudes toward a globalized world, the president urged a new dialogue bringing together labor and environmental groups, developing countries and members of the World Trade Organization, the coalition that is now defining the framework for globalization. "The consequence of running away from an open dialogue on a profoundly important issue won't be more trade, it'll be more protection. We have got to find ways for these matters to be dealt with that the people who care about them believe are legitimate," he said. The U.S.-based Friends of the Earth, one of the dissenting groups that traveled to Davos, criticized Clinton's speech as a "public relations" gambit. While commending the president for asking the world to listen to critics of globalization and free trade, spokeswoman Jennifer Durbin said that Clinton and other world leaders are treating the criticism as a public relations problem. "This gathering has become one to do damage control in reaction to what happened in Seattle," she added. In a question-and-answer session at the end of his Davos speech, the president predicted that terms can be worked out with Congress to ensure that China will be admitted to the World Trade Organization, although he conceded that the negotiations will be a "big fight." To turn away China would be "a mistake of monumental proportions," he said. "You're almost 100% of the time better off having an old adversary that might be a friend working with you, even when you have more disagreements than being out there on the outside," Clinton said. Congressional opponents are concerned about China's past reluctance to open markets to American and European goods and about Beijing's demand that it be granted permanent status as one of America's most favored trading partners. That privilege would end the annual U.S. review of that status and remove any American leverage in persuading Beijing to improve its human rights and labor practices. Beijing accepted Washington's terms for entry into the World Trade Organization last November on condition that the United States upgrade its trade standing, which must be approved by Congress. "I believe that having them in the WTO will not only have economic benefits for the United States and other countries but will increase the likelihood of positive change in China and therefore stability throughout Asia," Clinton said at the Davos meeting.

From Los Angeles Times, 01 February 2000

USA HOT ECONOMY, BUT MORE HOMELESS

Ranks of homeless increased as much as 10 percent over last year in many US cities. As biting cold and snow blanket much of the eastern United States, homelessness is on the rise. This, despite the fact that this month the US economy set a record for the longest expansion in the country's history. From New York to Atlanta to San Francisco, shelter operators are reporting increases of as much as 10 percent over last year. The biggest hike is in families with children, many of whom recently had their welfare benefits

reduced or terminated. And the bitter winter weather is exacerbating the problem. At the Metro Atlanta Task Force for the Homeless, shelters are overflowing so much they've opened a warehouse to temporarily house 500 additional single men. More than 50 women and children are in the office "hanging out on chairs and sleeping on the floor" until beds can be found. "We find that people who don't normally come into the shelter system do in this terrible weather," says executive director Anita Beaty. Several studies over the past year have indicated the number of people needing shelter was on the rise. On Feb. 1, the Urban Institute released a national analysis of census data showing those increases are apparently part of a long-term trend. In 1987, the Government estimated as many as 500,000 to 600,000 homeless people used shelter services at any one time during the year. In 1996, that estimate jumped to as high as 842,000 people, even as the economy surged ahead. Families make up 34 percent of homeless. "Close to 10 percent of poor people in this country become homeless at some time during the year," says Martha Burt of the Urban Institute, whose analysis is considered by many to be the most comprehensive of its kind. "Certainly the conditions that generate homelessness have not gone away, even if the economy is booming." Critics note such statistics aren't always reliable. Reporting mechanisms vary around the country. And many homeless people don't use the shelter services unless absolutely necessary, making them difficult to count. But experts believe the reasons for the increases include: The economic boom, which has increased housing prices as the wages of the very poor have stagnated or dropped. At the same time, the stock of affordable housing has shrunk by 19 percent since 1990. The increased capacity in the homeless system over the past decade, which allows more homeless to be counted. Impact of welfare reform. Experts say the combination of these factors is changing the face of the homeless population. Thirty-four percent are now families with children, according to an analysis by the Department of Housing and Urban Development released in December. And 44 percent work at least part time, like Fred, who declined to state his last name. A bike messenger who works part-time earning minimum wage, he fell behind on his rent about "three or four months ago" and has been homeless since. He was sipping a bowl of free soup outside New York's Port Authority last Wednesday night as the temperature dipped below zero with the wind-chill factor. "The problem is that rents are outrageous around here. There are a couple of flophouses, but you can't really secure anything in there," he said. Experts say the likelihood of Fred finding an affordable apartment is smaller now than just a few years ago. "There are fewer housing subsidies targeted toward homeless people because of the new public-housing law," says Dennis Culhane, professor of social welfare policy at the University of Pennsylvania in Philadelphia. He says the law requires that most new subsidies go to the nonhomeless. At the same time, studies show that more of the working poor are getting pushed into shelters. Homes for the Homeless provides shelters for over 550 families in New York City. More than 50 percent of those it's helped over the past year were working poor who had never been on public assistance. "These are families with the mother and father working to make ends meet. They've got no medical coverage," says Dr. Ralph Nunez, of Homes. "Someone gets sick, they had to pay that medical bill, they can't pay the rent, bang! They're homeless." Ten years ago, 17 percent of the people who called the homeless hot line in Atlanta needing a place to stay were working. At the time, Ms. Beaty says, she and her staff were stunned. They had assumed that people lost their jobs first, before becoming homeless. Now, between 37 percent and 40 percent of callers asking for shelter have earned income. "We're seeing shelters fast becoming housing for minimum-wage workers," she says. Then there's the impact of the welfare reform on people like Delenna Price. A young single mother who had her second child just a week ago, she says increased paperwork and a snafu at the New York welfare department has kept her from receiving emergency housing assistance. She and her two children are staying with her mother and three other people in a one-bedroom apartment, but she can't live there much longer. "I need somewhere to live so I can get a job and support myself and my kids," she says. A survey of homeless shelters around the US last year by the Institute for Children in Poverty found that 37 percent of families on welfare had their benefits reduced or terminated. Of those, 20 percent said that contributed directly to their homelessness. "We're seeing a very direct connection," says Mary Brosnahan, executive director of New York's Coalition for the Homeless. "Certainly, between 30 and 40 percent [of welfare recipients] are graduating into employment, but the bottom 25 percent are falling deeper into poverty and many into literal homelessness."

From Christian Science Monitor, 02 February 2000

US EARMARKS \$5 MILLION TO BACK INDIAN REFORMS

US President Bill Clinton has allocated five million dollars for economic reforms and liberalization in India besides funds for several welfare schemes in his fiscal 2001 budget. The amount for India is "contingent on progress in our dialogue with India" and is part of 20 million dollars Clinton has provided for South Asia under Economic Support Fund (ESF), US State Department says in the budget document. "These funds would go toward improving the efficiency and transparency of the capital markets and promoting private financing of urban infrastructure," the budget document, presented Monday, says. Another five million dollars have been earmarked for women and child welfare programmes in South Asia like increasing participation of women in political decision making and ensuring their legal rights and checking trafficking in women and children in the region. Another one million dollars would go towards funding programmes to promote regional stability and confidence building between the peoples of India and Pakistan. Besides, Clinton has also sought from Congress 475,000 dollars for International Military Education and Training (IMET) for Indian defense personnel. IMET sought for other countries of the region include 460,000 dollars for Bangladesh, 245,000 dollars for Sri Lanka, 200,000 dollars for Nepal and 110,000 dollars for Maldives. Clinton has also requested 3.5 million dollars for narcotics control and law enforcement in Pakistan, and another five million dollars for democracy programmes in the region like promotion of impartial judicial systems, human rights commissions, and professional parliaments. Four million dollars are meant to fund "energy resource development and regional cooperation and US trade and investment in energy resources and environmental technologies," the document added. The fiscal 2001 US budget promotes seven national interests, including national security, economic prosperity, US citizens and borders, combating international terrorism, crime and narcotics trafficking, democracy and human rights, assistance to victims of crises and natural disaster, and global environment and stabilizing world population growth,

GLOBAL

WORLD: DEMONSTRATORS OPPOSE GLOBALIZATION

Demonstrators protesting globalization made their voices heard at the World Economic Forum this past weekend. RFE/RL correspondent Breffni O'Rourke reports from Davos, Switzerland, that many speakers at the international conference acknowledged that globalization could harm some poor countries in the short term, but they said its long-term effect would be to benefit all. The Swiss alpine resort of Davos presented two very different pictures to the world this week. One was of the rich and famous attending the World Economic Forum, discussing trends in economics and politics, particularly the phenomenon of globalization, meaning the integration of the world economy. The other picture was of demonstrators howling at Swiss riot police blocking the road in Davos with huge wire screens fitted to the front of jeeps. The two scenes are interrelated, because the demonstrators believe that globalization will undercut people's standards of living in the developed world and lead to environmental damage, largely through careless industrialization in the developing nations. The protests echoed -- but on a much smaller scale -- those that broke up a World Trade Organization meeting in Seattle in December. Few of the speakers at the forum, which is attended this year by some 1,000 political and business leaders, denied that social and environmental disruptions seem certain in the wake of globalization. Leader after leader, including Turkish Prime Minister Bulent Ecevit, and the head of the World Trade Organization, Mike Moore, said they recognized the difficulty in popularizing a policy which can entail job losses or a lowering of incomes. As Ecevit put it: "A society where wealth, education, and social order are excessively left to the discretion of the market mechanism, may eventually become uninhabitable, even for the wealthiest." King Abdullah of Jordan, noting the preoccupation of the Davos forum with the development of the Internet, said that the Internet and the new technology could become what he called a cruel disillusion. By widening the gap between the haves and have nots, it could in future make it appear that this divide can never be bridged. U.S. President Bill Clinton, who briefly visited the forum from Washington, also said he recognized the dangers of globalization. But he said that no economic mechanism yet devised had proved as clearly as the free market system that it is capable of creating wealth. Clinton said globalization is merely the extension of long-established trade patterns, and has the potential to spread financial well-being throughout the world. "Listen to this -- this is something that I think the people from the developing world who oppose the World Trade Organization should think about. From the 1970s to the early 90s, developing countries which chose growth through trade grew at least twice as fast as those who chose not to open to the world. The most open countries had growth that was six times as fast." Clinton recalled that in the period after the First World War, the nations of the world turned inward, towards protectionism, and that had led to a disaster of huge proportions. After the Second World War, the West had turned towards openness, and the economic benefits of that were indisputable. He also said that historically, great technological change has inevitably led to social disruption. The industrial revolution, which started some two centuries ago, had led initially to widespread fear, Clinton said, and its immediate effects were a rise in social abuses and a drop in the standard of living for many workers. But eventually, people gained from the changes, and became more prosperous than before them. Clinton prophesied that the same will be true of globalization. The thing to do, he said, is to compress, to speed up the period of disruption, so that the people will be willing to suffer the difficulties to get to the worthwhile goal. The organizer of the World Economic Forum, Klaus Schwab, and other speakers called for big corporations to shoulder the burden of social responsibility, to share a vision of how their operations can be used for the global common good. Schwab says that by acting responsibly, companies eventually will reap benefit for themselves. But such appeals illustrate the contradiction that appears to be at the very heart of the globalization debate. That is that the whole culture of business is oriented toward operating for profit in the most efficient way possible -- and profit is measured in the short term, year to year. Yet the speakers were asking businesses to abandon short- and mid-term corporate benefit in pursuit of long-term general benefit. That is one idea that may be difficult to sell. Looking after the well-being of the people has always been a task of government, not of business. That's why Clinton told his audience in Davos that the future will require not weaker government, but stronger.

From Radio Free Europe, 01 February 2000

THE NEW MANTRA OF GLOBALIZATION

British Prime Minister Tony Blair admitted recently that he was so inept on computers and the Internet that he enrolled in a public course to learn the basics. When he noticed a classmate growing increasingly nervous, Blair leaned over to say he hoped having the prime minister present wasn't causing the man's jitters. "Not at all," replied the classmate. "I'm nervous because you're not doing very well and you're the prime minister. I'm doing very well--and I'm unemployed." Blair told that tale at the annual World Economic Forum here, summing up the theme at this year's gathering of the rich and powerful: When it comes to globalization, the world is on a learning curve. The changes ahead are so profound that virtually everyone will be a part of them. And past prominence or performance doesn't necessarily guarantee an edge. Indeed, despite widespread recognition that the world is rapidly integrating its diverse economies and disparate societies, the conference in this Alpine ski resort underscored how little order and organization there is to that process of globalization. Yet this year's weeklong session, which ended last Tuesday, marked a seminal turning point for a process that has so far been awkward, bitter and even Darwinian in widening rather than narrowing the gap between the world's rich and poor. President Clinton set the tone in what may come to be viewed as a landmark speech. Beyond specific calls for action now, it addressed the two basics that globalization needs most: rules and structures. First, Clinton

pronounced that globalization has to be inclusive to work. It has to be different from the last attempt at globalization a century ago, when the process was dominated by empires, colonial powers and autocrats, when not a single country had an electorate that represented all quarters of its society, and when the process exploited rather than empowered. This time, he said, the first rule of globalization must be that it embraces and offers opportunities to all elements of all societies. The bottom line: E-commerce won't work unless there's also edemocracy. "The factor about globalization that tends to be underappreciated is that it will only work if we understand it genuinely means interdependence," Clinton said. "None of us who are fortunate can any longer help ourselves unless we are prepared to help our neighbors." Second, Clinton outlined a triangular structure for this new order--complete with checks and balances that constitute democracy writ global. One branch is made up of governments, the basic political unit that creates and enforces standards. The second branch is private business, the basic economic unit that generates livelihood. The third is so-called civil society--the amorphous network of special interest groups, from the Red Cross to the AFL-CIO to Friends of the Earth, that represent issues and people not fully protected or addressed by business and government. The sense of empowerment unleashed over the past decade by the demise of communism, apartheid and military dictatorships and by technological advances has opened the door for civil society to play as an equal on the international stage. While they're the wild card in globalization, these nongovernmental organizations--known as NGOs--are among the most energetic and outspoken voices in the world today. Nongovernmental Groups on the Rise Four decades ago, there were fewer than 1,000 NGOs that operated in at least three countries. Today there are almost 30,000, according to the United Nations. Within the U.S., there are about 2 million such groups. In the brief decade since communism collapsed, 65,000 independent organizations dealing with the full range of issues have formed in Russia. "We need a more unifying, more inclusive vision," Clinton warned in explaining the need for broadening a process of integration dominated by the globalized business sector. That theme was reflected extensively this year in Davos for the first time. In the labyrinthine underground conference center, where computer kiosks were set up at every corner, the world's rich and famous—including Microsoft's Bill Gates and AOL's Steve Case--attended sessions with the likes of President Joaquim Chissano of Mozambique, one of the world's poorest countries, and AFL-CIO leader John Sweeney. Both the expanded invitation list to the Davos conference, now in its 30th year, and the speeches by Clinton and other world leaders were clearly forced by the growing uproar about globalization, evident in the protests that disrupted the World Trade Organization gathering in Seattle late last year. The belated recognition that globalization must literally be global--and not dominated indefinitely by wealthy industrialized nations and their techno-wizards--was widely reflected in Davos.

"The opening of the 21st century has seen a move away from a very narrow, perhaps selfish individualism toward the idea of belonging, of community, of a self-interest that is mutual," Blair told the meeting. Principles still await action. But proposals emerged in Davos on the next steps. One idea called for a group of "eminent persons" to advise on how to build a global consensus and make groups such as the WTO more accessible and accountable. Other proposals centered on closing the development gap, reflected in the fact that 4.8 billion of the world's 6 billion people live in developing countries, 3 billion live on less than \$2 a day, and 2 billion have never made a telephone call. Suggestions ranged from conditional debt relief to having the most developed nations offer the least developed countries duty-free and quota-free access to nearly all goods. Blair urged the world not to make the same mistake with information, the most valuable resource today, that it did a quarter of a century ago with oil, then the most vital commodity. At least a decade of economic turmoil--whopping inflation, soaring interest rates, growing budget deficits, declining productivity and rising unemployment--was driven by quadrupling the price of oil in 1973 and putting it beyond the reach of many who needed it. To ensure that the information revolution--represented by access and ability to use the Internet--does not become exclusive, Blair urged the world to make its primary investment for the next 15 years in education. Education is the basic step in eventually helping personnel at African health clinics link up with medical knowledge in Europe and farmers planting crops in South America determine the needs of commodity markets in North America. Otherwise, Blair warned, the 150 million children of primary school age in developing countries who don't go to school, the more than 900 million adults who are illiterate and the 60 countries that can't keep up because they don't have an educated class will be left behind--and increasingly bitter about globalization. So far, as other speakers pointed out, the backlash is not really against the idea of a wired world that links virtually every aspect of life. It's really about how the process works, how change is undertaken and who will gain or suffer. But that could change. "Our success will depend," Blair warned, "on whether we can change as fast as the environment around us."

From Los Angeles Times, 08 February 2000

Governance Systems and Institutions

AFRICA

CONSTITUTIONAL REFORM DIVIDES KENYA

Politicians, lawyers, students, civic groups and even church leaders have been squabbling over Kenya's constitution for three years have achieved next to nothing to date, writes KIERAN MURRAY. Kenya's economy is in the gutter, poverty levels keep getting worse and everyone knows politicians and their cronies have robbed the country blind. But it is the country's constitution that really gets Kenyan blood boiling. In the last two weeks, rival groups have clashed in the streets and supporters of the man heading parliament's constitutional reform efforts attacked a prominent opposition figure and beat civilians with clubs, rocks and whips. Most citizens agree the country's problems can only be fixed if key constitutional reforms are made -- such as curbing the powers of the presidency and giving the judiciary its independence -- and the issue makes the front pages almost every day. The search for consensus, however, has been farcical. Politicians, lawyers, students, civic groups and even church leaders have been squabbling over the issue for three years and have achieved next to nothing to date. Virtually no one has even started making concrete recommendations on what constitutional reforms are needed -- they are too busy fighting over who should lead the task. The bickering is undermining hopes for a peaceful transfer of power in 2002, when President Daniel arap Moi is due to step down after 24 years in power, and is worrying Kenya's allies. "There is no common vision about where the country is going or what it needs," said one Western ambassador. "There are enough brains in this country. What is lacking is the political will to make this work." Two rival groups currently claim to lead the constitutional review process. On one side is a parliamentary select committee charged with laying out the mechanism for reform. It is headed by veteran opposition leader Raila Odinga, but critics say he has sold out and that the ruling Kenya African National Union (KANU) will use its majority in parliament to block democratic reforms. On the other side is a coalition of church leaders and civic groups which says the reforms are too important to be left to parliament. KANU questions their claim to be true representatives of the people and Moi has told the clerics to stop meddling in politics. The rival initiatives have polarized the country and recently led to violent scenes outside parliament. Anti-government firebrand James Orengo narrowly escaped an attack from knife-wielding Odinga supporters, who then viciously beat an office worker unlucky enough to be passing by. Two of the assailants were later arrested but Orengo was also picked up and charged with incitement to violence because he had urged people to disrupt the select committee's meeting. Odinga insisted his supporters were merely defending his committee from a possible attack. "You cannot blame the members of the public who responded to the incitement," he told Reuters. "They were in their democratic right to prevent a crime." Orengo said the attackers were nothing but "hired thugs". "Political leaders think the only way to maintain clout and control is by hiring armed youths," Orengo told the Sunday Nation newspaper. "Democracy loses meaning if people engage in such politics." If and when the politicians and civic groups get around to drawing up a new constitution, the key issues will include presidential powers, land rights, the independence of the judiciary, a possible bill of rights and the extent of local government or autonomy to be given to Kenya's regions.

From Daily Mail & Guardian, 01 February 2000

SOUTH AFRICA WILL SEE LESS CORRUPTION IN FIVE YEARS

South Africa will see a decline in corruption in five years' time, Public Protector Selby Baqwa predicted on Wednesday. "This is not idle optimism," he told Sapa in Pretoria, adding that: "Three years ago, I felt things were not going right. But things are now being done that will make sure that corrupt criminals are as uncomfortable as possible." Baqwa said he could only smile at statements by some public figures that corruption would be rooted out by the end of the year, but expressed confidence that the picture would change in the next five years. "Five years down the line we will definitely see less corruption." He especially welcomed the approach of prosecution-led anti-corruption investigations adopted by the National Director Public Prosecutions (NDPP) and the Scorpions police unit. This would end what he described as the syndrome of separation between the work of the police and that of the justice system, with police cases often collapsing in the country's courts. "Never mind the upsets of the Assets Forfeiture Unit (in the NDPP offices) are experiencing in court. It's only a teething problem," said Baqwa, adding: "We are going in the right direction." The Pretoria High Court on Monday ordered the unit to return the assets of Pretoria businessman David Alexander, who was in December last year arrested in connection with charges of fraud and corruption. Baqwa said the drive against corruption should include correcting the balance between the human rights of criminals and that of law-abiding citizens. At the moment this was skewed in favour of criminals. South Africa should not be one of the countries where criminals enjoyed almost the same rights as honest people. "We have come to the realization that there should be an appropriate balance." On his office's role in the anti-corruption campaign, Baqwa reported good results. The reaction of some Mpumalanga legislators to his recommendation that provincial premier Ndaweni Mahlangu be censured was an exception, Baqwa said. "Authorities try to resist our recommendations in only about three percent of the cases we deal with." Baqwa probed Mahlangu for saying last year that it was acceptable for politicians to lie in certain circumstances, recommended that he be censured. The provincial legislature responded to his

recommendation by accepting Mahlangu's earlier personal apology to the African National Congress. Some Mpumalanga lawmakers suggested that Baqwa had been prejudiced, and said he could have been on a "frolic of his own". Baqwa on Wednesday said: "The Mpumalanga legislators who made that allegation have the dubious distinction of being the first ever to accuse this office of frolics of our own." This accusation reflected a misunderstanding on the Public Protector's function, which included investigating such matters. "It seems that some of our lawmakers need to be educated about such matters."

From S. Africa-News, 09 February 2000

SOUTH AFRICA TAKES ON LEADING ROLE 10 YEARS AFTER MANDELA FREED, A 'RENAISSANCE'

Ten years ago today Nelson Mandela walked free from 27 years in prison, and this country is now taking stock of the extraordinary transformation that followed. South Africa, for almost half of the past century a bastion of white privilege and racial segregation, has become the continent's most powerful black African state. Formerly a pariah nation, it is at the forefront of a major thrust to turn this continent from post-colonial dependency to 21st century self-reliance, with Africans solving their own problems and engaging in the much-vaunted "African Renaissance." Democracy is firmly entrenched after the country's second free election produced last year's peaceful transfer of presidential power from Mandela to Thabo Mbeki. Mandela, 81, has now become an elder statesman and international peacemaker for the continent's conflicts. In a continent where political leaders frequently view power as theirs for life, Mandela took the unusual step of retiring after one five-year term, which was dedicated to reconciliation of a nation divided by racial, economic, social and cultural issues. He succeeded to the extent that the transition from white minority to black majority rule here has remained largely bloodless, although whites remain more pessimistic about the future than blacks. "There is a big gap in levels of confidence," said Gregory Houston, researcher at the Human Sciences Research Council. Mbeki's priorities are clean, efficient government and accelerated delivery of basic services -- water, electricity, housing, schools and clinics -- to those known here as "the previously disadvantaged," meaning mainly blacks and people of mixed race who were treated as second-class citizens under apartheid. Much of the bitterness of the apartheid era has been expunged by the Truth and Reconciliation Commission hearings, chaired by Desmond Tutu, who was sometimes reduced to tears by evidence of the atrocities committed by both sides in the name of white supremacy and black revolution. The country's last white president, F. W. De Klerk, who freed Mandela and lifted the ban on his African National Congress party in 1990, said last week that his only mistake was to agree to an amnesty for politically based crimes, which enabled perpetrators of "the most gruesome actions against human rights" to escape prosecution. "People should have stood trial for their crimes," he said in Parliament, adding that he had succumbed to pressure from Mandela's African National Congress and his own National Party on amnesty. Marthinus van Schalkwyk, who replaced De Klerk as National Party leader, told Parliament, "I believe the most exciting development in South Africa today is that we are starting to see the vague patterns of a strong centrist middle ground emerging." Many of the government's economic policies are markedly centrist. The ANC, a party with strong socialist roots, has pursued free-market initiatives, enabling the Finance Ministry to predict -- optimistically, most economists say -- that growth this year could reach 4.5 percent. The government's market-oriented thrust has created strains with its partners in the tripartite ruling alliance, the South African Communist Party and the Congress of South African Trade Unions. Speculation about how long the alliance can last is widespread. Labor has embarked on a prolonged protest campaign against job losses, which it blames on ANC economic policies, and the Communists are constantly lamenting the government's retreat from the left. Tony Leon, leader of the major white opposition Democratic Party, called on Mbeki last week to stop trying to hold the alliance together by "political egg-dancing." He urged increased privatization and less rigid labor laws to attract investment. "It means staring down the unions, rolling back the regulatory state, and rethinking the role of the government in the economy," said Leon. "It is a full decade since South Africa crossed the political Rubicon. It is time for President Mbeki to cross the economic Rubicon." Mbeki must spur growth to deal not only with the explosively high rate of unemployment -- advancing toward 40 percent -- but also with myriad other social problems.

The country's education system is in crisis, its health service is ailing, its rate of violent crime is frightening, and the continuing division between the rich and poor is so wide that Mbeki has talked of "two nations." In four of the past five years, the number of high school graduates has declined. Last year, 48.9 percent passed their final examinations. Rural schools, frequently ill-equipped and poorly staffed, had the worst results. That prompted Mbeki to warn school principals that they would be fired if they failed to improve student advancement, although, given the strength of the unions, that is probably easier said than done. South Africa's cash-strapped public hospitals have suffered from funding cutbacks and staff shortages, which are frequently blamed for the poor treatment given to patients. Long waits to see a doctor, maltreatment by nursing staff, lack of equipment and medicines, and the use of soiled linen were included in a list of complaints at a recent public hearing into the state of hospitals in Gauteng, the province that includes the political capital, Pretoria, and the commercial capital, Johannesburg. In a move reflecting the dire situation, Mandela appealed to British hospitals to stop recruiting South African nurses who were joining the brain drain in alarming numbers. If there is an area to which almost everyone agrees the Government must give priority, it is fighting the criminal violence that undermines national well-being and frightens off foreign investment and visitors. With a homicide rate eight times that of the United States, the world's worst recorded incidences of rape and violent robbery, and daily gunpoint carjackings, South Africa can be a dangerous place. The local council in northeastern Johannesburg, which includes the richest white suburbs, authorized residents last month to control access to their streets with gates and guards. Most wealthy suburbanites already live a fortress existence, behind high walls topped by electric or razor wire, with burglar bars on their windows and doors, and private armed security patrols the press of a panic button away. To bring crime under control, Mbeki has appointed the tough-talking Steve Tshwete, a former sports minister who has advocated amending the constitution to reduce the rights of criminals. Tshwete stirred up controversy when he told a police audience, "Criminals must know the state possesses the authority -- moral and political -- to ensure by all means,

constitutional and unconstitutional, that the people of this country are not deprived of their human rights." The major human right restored under what is called "the new dispensation" here has been the right of all South Africans -- black, white, of mixed race and Indians -- to be treated as equal citizens. But many of the old apartheid-era disparities are still there for all to see: the ramshackle townships and the wealthy suburbs; the poor schools without windows and the private institutions with manicured playing fields; rural blacks fetching water from the river and urban whites in fountain-splashed malls. A decade after Mandela walked free, South Africa is a mosaic of problems and opportunities. It remains hostage to human need, racial division and economic shortage. But with its democratic institutions, political stability, rich resources and advanced industrial base, it has its sights set on success in a continent more familiar with failure. Last week, in his first presidential state-of-the-nation address to parliament, Mbeki was optimistic on that point. "At no point during its entire history has our country been in a better position to confront the challenges we face today," he said. "At no other point in time have we ever been so well placed to take decisive steps toward creation of a humane and people-oriented society."

From Baltimore-Sun, 11 February 2000

ASIA/PACIFIC

FALL OF AN EMPIRE - A HIGH-LEVEL SMUGGLING SCANDAL LAYS BARE THE CORRUPTION THAT IS PLAGUING THE PEOPLE'S REPUBLIC

When they sold their cars in 1994, China's ruling élite had a point to make. Current and former premiers Zhu Rongji and Li Peng, among others, traded in their Mercedes stretch limousines not because they preferred more demure Audis, but to set an ascetic example for a Communist Party grown fat on perks and a half-century of untrammelled power. Ordinary Chinese appreciated the gesture. Businessman Lai Changxing appreciated the opportunity: he snapped up Li's former ride at a state auction and used the sleek limo to chauffeur favored--and impressed--contacts around the bustling port city of Xiamen in Fujian province. Only now is Lai learning the intended lesson, for his ostentatious ways have landed him squarely in the middle of the biggest corruption scandal in the history of the People's Republic. For the past five months, hundreds of investigators from Beijing have flooded Xiamen, taking apart a shadowy operation that they say smuggled nearly \$10 billion of oil, cars, mobile phones, cigarettes, rubber and guns into China. The chief of police, head of customs and dozens of other local, party and military officials have been hauled into custody. Others—including alleged mastermind Lai and a vice mayor--have fled overseas. In Beijing, a member of the Politburo and protégé of President Jiang Zemin was initially reported to have divorced his wife before she was arrested for involvement in the smuggling ring. The rot in Xiamen runs so deep that the crackdown itself could even pose a threat to Beijing. The scandal is emerging as a lesson in capitalism's excesses as practiced in the Middle Kingdom--a Horatio Alger tale with Chinese characteristics. "Lai was an illiterate peasant," says a Xiamen lawyer who has met Lai several times. But the Fujian native quickly learned how to exploit China's stop-start flirtation with free enterprise. Running his first business in the early 1980s, at a time when most Chinese could only dream of foreign-made goods, he tempted clients by giving away imported leather briefcases. As the scale of his operations grew, so did the gifts: lavish banquets, prostitutes, jobs for relatives, mountains of cold, hard cash. After he established a base for his Yuanhua group of companies in Hong Kong in 1994, according to a source in Xiamen's business community, Lai routinely handed out thousands of dollars to visiting mainland officials to ensure their loyalty. "Each of them, whether a mayor or a division head, would get the same amount," says the source. "That way if one official retired or was sacked, Lai would still have ties to the subordinate who replaced him." Investigators suspect that Lai, who spent a total of \$21 million on a luxury apartment and offices occupying two floors of a Hong Kong skyscraper, used the former colony as a transfer point for goods that were then smuggled by ship into Xiamen, the deepwater port directly opposite Taiwan. The operation would have required even larger kickbacks: Lai allegedly paid huge bribes to officials for import licenses, possibly including to Lin Youfang, wife of Beijing party chief and Politburo member Jia Qinglin. (Lin, who has denied the charge, ran the largest state-owned import-export firm in Xiamen while her husband served as local party chief; in 1995 he was transferred to Beijing to replace the disgraced Chen Xitong, who was brought down in a corruption scandal of his own.) Navy ships reportedly escorted Lai's cargoes; when the net began to close in last fall, Xiamen sources say that the city's police chief alerted him in time to flee. The smuggler oiled these relationships with money and the girls at his Red House--a private club set in Yuanhua's corporate compound. That Lai commanded respect in Xiamen--where he bought the city's soccer team, built a 30-story hotel and planned to build its tallest building, an 88-story office complex—is clear from the awed tone in which his exploits are recounted. According to the Xiamen lawyer, local trade officials once seized a shipment of Lai's black-market cigarettes; he simply phoned an army friend, who dispatched a squad of soldiers to recover the consignment and beat up the officials. On another occasion, when a customs officer rebuffed Lai, he arranged to have the man entertained by a prostitute at a Xiamen karaoke bar. Then he had police raid the place. "Lai came to the man's rescue and offered to get him off the hook if he came to work for him," recalls a Xiamen source familiar with the case. But if Lai was audacious, he wasn't unique. Smuggling is rampant up and down the Chinese coast. As a result, many in Xiamen don't understand why Lai was singled out for investigation. "What's wrong with selling smuggled petrol?" says a local taxi driver, noting that the price of gasoline has risen by nearly 50 cents since the crackdown began. "It's not like smuggling drugs." Xiamen has a long history as a smugglers' paradise: four hundred years ago, when the city was known as Amoy, merchants bribed Ming eunuchs to allow foreign goods through the port. Only when traders balked at paying kickbacks were they branded pirates, and imperial troops sent to punish them. Lai, too, may have thought himself too powerful to be touched. At one point his oil accounted for a sizable chunk of the Fujian market and cost half the official rate. He was eluding millions of dollars in tariffs on his shipments, at a time when the famously incorruptible Zhu was under pressure to ease the burden on the millions of state employees his reforms were putting out of work. According to one version of

events, Zhu began investigating Lai after visiting Xiamen in early 1998, just before taking up his post as Prime Minister. Lai sent him a lavish package of gifts, which prompted Zhu to ask: "What kind of person can afford to send such expensive things?" Some say that angry state petroleum companies raised the alarm; others that one of Lai's deputies--upset that Lai wouldn't pay his gambling debts--rattled on him. One Hong Kong report says that Lai tried to bribe Zhu directly, which prompted the infuriated Premier to order his arrest. Nabbing Lai has proven impossible. Xiamen law enforcers, says a local professor, "were the lawbreakers themselves." Everyone from the army and navy brass who work in the city because of its proximity to Taiwan, to civilian bureaucrats, to top party officials had a hand in Lai's cookie jar and an incentive to thwart investigators. The team dispatched last August from Beijing's secretive Central Commission for Discipline Inspection met a wall of uncooperative witnesses and outright harassment. Xiamen security officials tapped the agents' phones, allegedly warning Lai and other suspects before they were arrested. That reportedly prompted team leader Liu Liying, the woman who helped bring down former Beijing party chief Chen, to call in the big guns. Zhu turned to Jiang for help, and the investigation quickly gathered steam. The Chinese President has good reason to come down hard on Xiamen. Since 1998, Jiang and others have warned that official corruption--one of the primary complaints of the student protesters who filled Tiananmen Square in 1989--may pose the greatest threat to the Communist Party's grip on power. "Corruption is the root cause of the lack of trust and respect for the Chinese leadership," says Joseph Cheng, a political scientist at the City University of Hong Kong. (In 1999, corruption replaced unemployment and social disorder as the issue that concerned Chinese most, according to a poll conducted by Beijing firm Horizon Market Research.) By some estimates smugglers are costing the Government as much as \$2 billion a year in unpaid tariffs; an additional \$15 billion may be lost to embezzlement. Periodic crackdowns, however, cannot hope to solve the problem. Authorities say they punished 132,447 corrupt officials last year, including 17 at the ministerial level. In one high-profile case in Guangdong province, six officials were executed for evading a combined \$400 million in taxes. However, discipline commission chief Wei Jianxing said recently: "Rampant corruption has not been effectively curbed, and the situation remains severe." Indeed, it's hard to see how things can change unless China overhauls its political and economic system. Under the current regime, artificially high prices tempt black marketeers to sell illicit goods for less. The need for licenses will tempt those who dole them out to demand bribes. Jiang and his lieutenants, however, are tackling graft precisely to avoid implementing more substantial political reforms. In the past year, with official encouragement, dozens of websites have been set up across the country for citizens to report instances of local corruption. Last week, as Beijing published stringent guidelines on the dissemination of "state secrets" over the Net, it warned sites against posting leaks from the Xiamen investigation. The new wariness may be a sign that the scandal is veering too close to Jiang himself, given the persistent rumors about Jia and his wife Lin. Last week the President posed for the cameras in Haidian, Beijing's "Silicon Valley" district, with Jia by his side, and Lin later appeared on Hong Kong television to deny that she had been arrested, or even divorced. The support may mean that the investigation has gone as far as top officials want it to go. If so, Beijing may have made one point only to miss another.

From Time-Asia, 02 February 2000

THE AMERICAS

AMERICAS IOC 'IGNORED' 1991 CORRUPTION WARNING

The Olympic corruption scandal shows no sign of abating with allegations that the International Olympic Committee (IOC) ignored claims about corruption made by Canadian officials eight years ago. Organizers of Toronto's bid for the 1996 Olympics have published a 26-page report into allegations of misconduct by visiting members of the IOC in 1991. Toronto eventually finished third, behind Atlanta and Athens. The report says: At least 18 of the 69 IOC visitors cashed in the first-class airline tickets the Toronto organizers had provided and found cheaper ways to come to the city, pocketing the cash. Many expected gifts which were "way above and beyond what anyone would accept to be courteous and gracious". Several demands were made for money, jewellery or other items that could be converted into cash. The organizers were harassed by requests for special favours, including jobs for relatives and even free plastic surgery. But what is perhaps more embarrassing for the IOC is that, according to the Toronto bid organizers, the complaints were ignored by the Swiss-based IOC. The organizers raised the conduct of visiting members with the IOC but never even received a reply. The report does not identify individual IOC members and the organizers have refused to name names. Two weeks ago a Finnish IOC member, Pirjo Haeggman, resigned after being linked with the original Salt Lake City bid scandal. It was later revealed that the Toronto organizers helped her husband Bjarne get a job with the Ontario Government. The report's disclosure will undoubtedly raise more questions about the leadership of the International Olympic Committee's president, Juan Antonio Samaranch, who was in charge eight years ago. The Toronto Olympic bid committee has admitted using bad judgement but has denied it did anything illegal.

From BBC News, 02 February 2000

LAPD CORRUPTION FIGHT COULD COST MILLIONS

The city's police chief says he needs at least \$9 million and hundreds of new employees to prevent a recurrence of a corruption scandal that has rocked the department, the Los Angeles Times reported Sunday. If steps are not taken to improve supervision and adherence to policies, "it is not a question of 'if' but 'when' these deplorable circumstances would recur," Chief Bernard C. Parks says in a budget request that the Police Commission is to consider Tuesday, the Times reported. The scandal erupted in September when a former officer implicated himself and other officers in the Rampart Division in a host of alleged crimes, ranging

from improper shootings and false arrests to witness tampering, evidence planting and perjury. Almost 100 bogus convictions Parks has said at least 99 people were wrongly convicted of crimes because Rampart officers planted evidence or perjured themselves. Among his budget recommendations, Parks says he needs an additional 200 officers and civilians in the Internal Affairs Division over the next five years, along with improvements in the screening process for new recruits. He also wants to conduct secret "integrity" stings to ensure that officers are honest.

From APB Online, 06 February 2000

JOURNALISTS CONTINUE TO GRAPPLE WITH ETHICS, CREDIBILITY ISSUES

There is no such thing as the Ten Commandments of Media. Yet. Print and broadcast news organizations are working on it, however, wrestling with ethics and credibility in a 24-hour marketplace that calls their craft either "news product" or "brand." Watchdog groups pester them over content and accuracy; there are forums, dialogues, guidelines. The Society of Professional Journalists maintains a 37-part Code of Ethics, based on tenets established in 1926. It's still a work in progress. Ethics is a matter of accuracy and context, of course, along with methods of news gathering, packaging, timing, sources, political bias, compassion, polling, sensationalism, personal conduct, community relations and security matters — among other things. Scripps Howard offered the latest round of soul searching at a recent National Press Club forum, when a dozen media heavies broached the topic, "Media Ethics: Doing It Right," under the civilized auspices of C-SPAN's Brian Lamb. The 90-minute discussion yielded diverse theories. "People distrust big media and trust little media," said Steve Yelvington of Cox Interactive Media. "We need more ethics and less glamour," noted Drew Barry of WMAR-TV in Baltimore. "Everyone talks of a 24-hour media," sighed Louis Boccardi, president of Associated Press. "That's what the AP has been into for 150 years." "The media should aspire to be trusted, not loved," said Rem Reider of the American Journalism Review. Does the public hate the press? In times of high-intensity coverage — the Monica Lewinsky matter, for example — quickie polls showed folks got downright annoyed with caterwauling, self-important journalists and saturation coverage. Yet the National Credibility Index, a five-year study from the Public Relations Society of America, found the public tolerates the media just fine. Reporters and news anchors are "trusted" more than governors, lawmakers, mayors, the president and professional athletes. They are outranked by religious and military figures, teachers and "ordinary citizens." There is still confusion. Last year, the Pew Research Center interviewed more than 500 media members and found most thought reporting had gotten sloppy, sensational, rife with hidden agendas and tainted by the financial pressures of ratings and readership. At almost the same time, however, the Newspaper Association of America advised members to use fierce marketing to attract readers — despite the "high calling" of journalism. Others lowered the boom. Gannett Co., the nation's largest newspaper company, issued guidelines to its 73 papers governing "news-gathering conduct" after its own Cincinnati Enquirer agreed to pay Chiquita Brands International Inc. more than \$10 million and apologize in print when accused of basing an investigative report on stolen voice mail. Ethics issues have also caused problems for the Boston Globe, CNN and the New Republic. The guidelines included the most old-fashioned tenets of journalistic integrity: Reporters should not misrepresent themselves and their intentions and editors need healthy skepticism. Horrific live TV coverage of the Columbine High School massacre in Littleton, Colo., last year inspired the Radio and Television News Directors Association to offer a 15-point guide for news organizations faced with hostage or terrorist situations. The Media Studies Center followed suit with a "fairness handbook" for live coverage and the use of hidden cameras. Media evolution continues as the players try to balance out the financial, creative and ethical needs. Still, integrity counts, agreed the folks at the recent Scripps Howard forum. "As the media goes through radical changes, people must stay true to their journalistic integrity," said Bruce Sanford, a lawyer who specializes in the First Amendment.

From Washington Times, 21 February 2000

AFRICA

ZAMBIA'S 400 UNIVERSITY LECTURERS STRIKE OVER PAY

More than 400 lecturers and researchers at Zambia's largest state-run university have gone on an indefinite strike in protest against the non-payment of their January salaries, a senior union official said on Thursday. University of Zambia lecturers and researchers union vice-president Douglas Syakalima, told AFP, that academic staff at the institution decided to strike late on Wednesday because of the Government's failure to pay their salaries on time. "This idea of not getting our salaries on time is not acceptable. And because of that, the members have resolved to stop reporting for work until they are paid their monies," Syakalima said. He said all the lecturers and researchers, who took the decision at an emergency meeting on Wednesday, were also protesting at the way the institution is being run, saying standards at the university, based in the capital, had gone down due to lack of teaching equipment. "The laboratories are all in a mess. They are non functional," Syakalima said, adding "we can't continue teaching in such deplorable conditions." The Government has not yet responded to the latest work stoppage at the country's main university, which is coming on the heels of a doctors' strike that crippled hospitals in the country. The strike by academic staff has disrupted classes barely a month into the university's new semester. In December, over 300 junior doctors at the government run major hospitals in the country went on an illegal strike, demanding better working conditions and greater availability of drugs in the dilapidated health institutions. The Government sacked all of them for their action.

From Reuters, 03 February 2000

SOUTH AFRICAN PUBLIC SERVANTS JOIN JOB POLICY PROTEST

South African public sector unions on Monday joined a campaign organized by the country's biggest labour federation against Government and business policies which it says are putting people out of work. The Congress of South African Trade Unions (Cosatu) launched a month of industrial action last week to demand the Government slow down tariff cuts, revise its macro-economic policies and make it harder for firms to sack workers or close down. Cosatu, which with the Communist Party is allied to the ruling African National Congress, has organized five weeks of protests in different sectors, which it says will culminate in a general strike in May if its demands are not met. Workers in the automotive, textile, metal and leather industries staged lunch-hour pickets and marches last week and up to half a million public sector workers were expected to take up the baton this week, with protests due to climax on Friday. "Our intention is to make sure we minimize any job losses," Cosatu President Willie Madisha told Reuters. "There is a very serious problem. Jobs are being lost on a daily basis leading to a high level of poverty in the country." Cosatu opposes the government's plans to reduce the size of the public service, speed up privatization and hold down wage demands by introducing inflation targets. "The public sector has lost 170,000 jobs in the past four years. The crisis generally reflects the narrow approach taken to restructuring which centres on establishing a minimalist state and cutting budgets," Cosatu said in a statement. But President Thabo Mbeki gave the union federation little cause for hope last week when he used his State of the Nation address to stress his commitment to investor-friendly policies including "rightsizing" the public service. Madisha said government should not even contemplate reducing the size of the public sector until it completes an audit of numbers and skills. He also said government's planned inflation target should not be used to enforce wage restraint. The alliance between the ANC and its left-wing partners has come under increasing strain in recent months as the Government pursues market-friendly policies it hopes will attract investment, boost growth and eventually help create jobs. Last year, hundreds of thousands of public sector workers took to the streets in the biggest strike since the end of apartheid to protest against government's refusal to bow to their demands for an above-inflation pay increase. Some 500,000 jobs have been lost since the ANC came to power in 1994, opening an economy protected under apartheid to the challenges and opportunities of international trade. Analysts say the 1.8 million member federation is taking a risk with its programme of action, because its already waning influence within the governing alliance could suffer a further blow if its membership does not respond positively.

From Reuters, 7 February 2000

GAUTENG TACKLES PRISON CORRUPTION

Special measures have been put in place at Gauteng prisons to eliminate corruption and drug trafficking, the Gauteng correctional services department said on Thursday. The department said it was time to take action against irregularities which occurred in prisons. "These (measures) include regular searching of cells and confiscation of any contraband. The national anti-corruption unit's telephone number is available on all notice boards," the department said. Staff members, prisoners, their families and members of the public were urged to report incidents of corruption. The department was reacting to allegations of corruption by its staff members. Fourteen cases involving corruption by correctional services officials were reported to the police last year. As a result, 12 officials were suspended and five were dismissed after being found guilty. "This is once again an indication that the

measures that the department has embarked on to root out corruption are taken seriously by our personnel."

From S. Africa-News, 24 February 2000

ASIA/PACIFIC

ETHICS CLASSES NEEDED TO COUNTER 'EVILS', SAY CHURCH LEADERS

Schools should run ethics lessons to counter the erosion of Chinese family values that has led to increasing crime and divorce, religious leaders said yesterday. In a joint message to mark the Lunar New Year, the heads of six faiths said a drift away from traditional culture and a growing emphasis on economic success was behind such "evils" as gambling and drug-trafficking. "We earnestly appeal to the educational authorities to lay greater stress on the importance of Chinese culture and ethics in their future planning of curriculum development," they said. "Our society puts great stress on economic success and monetary achievements, which in turn promotes a psychology of speculation leading to gambling, drug-trafficking and smuggling. These evils damage both body and mind." The Reverend Li Ping-kwong, chairman of the Hong Kong Christian Council and one of the signatories to the multi-faith statement, said all school children should attend religious classes or ethics lessons. "The Chinese culture means respect for each other and family life - children should learn to respect their parents and to help each other," he said. An Education Department spokesman said officials "welcome and support" the call for greater stress on Chinese culture and ethics in education. "This is being actively pursued in light of the current education reform by the Education Commission," he said. The New Year statement is signed by Mr Li, Hong Kong Confucian Academy president Tong Yun-kai, Catholic Bishop Cardinal John Baptist Wu Cheng-chung, Chinese Muslim Cultural and Fraternal Association chairman Ayyus Tuet Che-yin, Hong Kong Buddhist Association president Kok Kwong and Hong Kong Taoist Association president Tong Kwok-wah.

From South China Morning Post, 02 February 2000

CORRUPTION CASES READY AGAINST SEVERAL POLITICIANS

The first lot of corruption cases against 6 politicians and officials will be sent to the accountability courts within this week, with MQM's Farooq Sattar case to be tried in a court to sit at Attock Fort. "We are going to set the ball rolling," said a senior official, who confirmed that cases against Naveed Qamar, Anwar Saifullah, Manzoor Wattoo, C.M. Anwar, a former senior official, and Farooq Sattar will be sent to the accountability courts. Recently, Chief Executive General Pervaiz Musharraf announced sending corruption cases to the courts, and now the National Accountability Court (NAB) has done its homework in cases against these accused. "We will refer Farooq Sattar's case to a special court to be established at the Attock Fort, because of the peculiar nature of the case," said a senior official. Under the NAB Ordinance, the cases referred to the court should be disposed of within a period of 30 days. Meanwhile, a reference is seemed to have been finalized against deposed Prime Minister Nawaz Sharif for concealing, or giving wrong information in the declaration of assets he had filed with the Election Commission of Pakistan when he filed his nomination papers.

From Pakistan International News, 09 February 2000

SUHARTO NAMED IN CORRUPTION SCANDAL

Indonesia's attorney-general's office named former President Suharto as a suspect in a corruption investigation. The former president will be questioned on Monday over allegations that millions of dollars were misused by seven charitable foundations that he set up during his 32 years in power. Meanwhile, Indonesia's army chief said the military would never stage a coup against the civilian government. His comments came amid mounting tension between Abdurrahman Wahid, the president, and General Wiranto, the former armed forces chief, who has refused orders to quit his ministerial post after an inquiry implicated him in last year's violence in East Timor.

From Financial Times, 10 February 2000

SHARIF'S FINANCE MINISTER HELD FOR CORRUPTION

Ishaq Dar, finance minister under deposed Pakistani premier Nawaz Sharif, has been formally arrested and charged with corruption, officials said Wednesday. Dar was arrested here late Tuesday from his home, where he had been confined since the October 12 military coup. "He has now been formally arrested and charged with corruption and money laundering by the national accountability bureau," said a military official, who declined to be named. The details of the charges will be known when the case comes up before one of the 13 accountability courts set up by the military rulers last month. Some 16 people, mostly politicians and former bureaucrats, who have been accused of corruption, are currently in custody of the accountability bureau in Lahore, officials said. The bureau is spearheading General Musharraf's anti-graft crackdown. Corruption is punishable with imprisonment for up to 14 years, besides disqualification from politics, under a tough accountability law introduced by Musharraf. The accountability bureau has also been entrusted with recovering unpaid bank loans. It has so far retrieved around 200 million dollars from defaulters out of total outstanding loans estimated at around four billion dollars. Politicians have described the accountability law as a Draconian measure and criticized the country's rulers for not applying it to the military. Businessmen have expressed fears the crackdown would discourage investors.

MEDIA GROUPS UNVEIL KEY ETHICS CODE

The first code of ethics for journalists has been unveiled by the industry in a last-ditch attempt to restore credibility. But representatives admitted there was no consensus on how to handle non-compliance. And Professor Raymond Wacks, who chairs the panel proposing a statutory press council, said the guidelines were too vague and had defects. "It contains the bare bones of a normative framework. It needs much more flesh," he said. "In the absence of some machinery to enforce the code, it is merely an exhortation to better practices. The community deserves more." The three-page draft released by four news associations will be recommended to newspaper owners and reporters after consultation ends in May. Hong Kong News Executives' Association director Cheung Kwai-yeung hoped the code would restore public trust in the media. "This is the first joint effort by four groups and a new milestone in Hong Kong's media history. I hope all will respect the code," he said. The draft comprises five basic principles, 11 dos and don'ts, and specific rules for press photographers. Journalists should report on the private lives of individuals "only in ways that would not exacerbate unnecessary additional damage to the individuals". "Reasonable grounds" are required for reporting the behaviour and personal particulars of public figures. The privacy of children should not be infringed upon purely because of the social or political status of the minors' family or guardians. Journalists may go beyond the code to expose unlawful activities, abuse of power, neglect of duties, misconduct or to protect public security and health. News involving violence, sex-related crime or suicide should not pander to "prurience, indecency and sensationalism". Association chairman Cheung Kin-bor dismissed suggestions the code would be ineffective if snubbed by leading mass dailies. "The circulation doesn't count. If we get majority support, the code can be implemented," he said. Hong Kong Journalists Association chairman Mak Yin-ting admitted the industry was split on whether a press council was necessary. "But if this code is acceptable to the public and proves to be practical, I don't see why we need a mechanism to control the media," she said. Professor Wacks said the code was an encouraging first step, but believed it should be strengthened to deal with intrusive conduct. "Until the majority of the media observe ethical norms of behaviour, any code is likely to dwell in the realm of the Utopian," he said. The privacy subcommittee of the Law Reform Commission is expected to further explore its proposal of a statutory press council against privacy intrusion in April. The other two groups behind the scheme are the Hong Kong Federation of Journalists and the Hong Kong Press Photographers' Association.

From South China Morning Post, 28 February 2000

EUROPE

ALBANIAN CUSTOMS REVENUES INCREASE AS CORRUPTION CASE GETS NEW DIMENSION

Customs across the country received higher revenues last year, though not as much as expected, while pro-government circles have launched a hostile campaign against sources of Italian and political opposition criticism of corruption in the sector. In another move, Prime Minister Ilir Meta publicly responded to his administration's critics in a piece run by the major dailies in the capital. Meta said customs revenues last year had been the highest registered during the last decade in the country. Figures, as served, confirm this. The 1999 figures for customs increased, especially for the 'strong goods' - coffee, tobacco products and spirits - which are excised at the customs, Tirana daily Gazeta Shqiptare reported. This year's budget plans to increase them by a fifth. In short, revenues doubled compared to the bleak 1997, with more than 179,000 tons of fuel, 2,185 tons of cigarettes and 2,355 tons of coffee going through customs last year, but the sector recorded a Lek7bn (\$50m) deficit from what the Government aimed to collect from those import dues calculating domestic production and consumption. Revenues in the fuels market (88,200 in 1998) increased by half compared to a year earlier, quadrupled for cigarettes, of which 579 tons paid customs duties in 1998, and significantly increased also for coffee (173 tons in 1998). In 1997, those figures were 67,600 tons of fuel, 116 tons of cigarettes and 95 tons coffee. Customs officials said the results were explained by the cut in customs duties from about 30 percent to 20 percent last year, and the cut in the excise tax also made last year. They said they received higher revenues in the second part of last year, when the new changes became effective. Meta targeted Berisha, whose tirades 'against the corruption of the administration' joined the Italian press reports. And while all politicians in the country have started to blame each other as thieves, Meta joined the line. Commenting that customs revenues were higher this year, he accused Berisha of theft when he was running the country until 1996. "I want to ask Berisha: where did the money go for the 80,000 tons of fuel for which customs were not paid in 1996," Meta asked. But many argue that customs still remain the most corrupt segment in the administration, linked to companies run by proxies to several politicians. Italian investigators are now questioning the head of the EU Customs Assistance Mission, Natalina Cea, on recent attacks she made against several ministers in the Albanian administration. According to daily Koha Jone, Cea's claims were being closely observed even in Brussels, which runs the programme. The last two years, due to aggressive threats she received, Cea was accompanied by three bodyguards. She said she received threats against her family last month. Customs remain a delicate sector, as they provide about 60 percent of the revenues for the government budget. Lower-than-expected revenues would increase the country's debt and therefore its cost to economic recovery.

From Albania Daily News, 08 February 2000

FRANCE STARTS TALKS ON CIVIL SERVICE WORKWEEK CUT

The French Government began talks on Monday on shortening the working week for its five million civil servants to match a cut introduced in the private sector. Emile Zuccarelli, minister for the civil service, met union representatives at his office for what were expected to be marathon talks. Labour and government leaders disagree on whether the scheme, which would cut the work week to 35 hours from 39, would create jobs. Unions, demanding more staff and fearing lower wages, have staged job actions in hospitals, public transport and postal services ahead of the talks. The plan, which government officials say will create jobs, is an important part of the Socialist-led government's fight against unemployment. A law cutting the working week in the private sector came into force on February 1 for firms with 20 staff or more, although they were given a year to work out details. Smaller firms were given until 2002 to implement the scheme.

From Reuters, 08 February 2000

MIDDLE EAST

HUGE WAGE EXCESSES AT TOP OF PUBLIC SECTOR

Irregular salaries totaling between one and two billion shekels were paid in 1998 to senior officials in the public sector, according to a report released yesterday by the Finance Ministry covering some 700 bodies of various kinds. All told, about 40 percent of these bodies were found to be paying inordinately high and, in some cases, illegal salaries to top officials - down from 50 percent in 1997. The worst offenders were local governments, 60 percent of which paid senior officials excessively high salaries. According to the report, the top earner in the public sector was Ya'akov Rosen, the deputy director-general of the Israel Electric Corporation, who was paid an average gross salary of NIS 54,957 per month. By comparison, the salary of the director-general of the company, Rafi Peled, was NIS 34,834 in 1998 (not including reimbursements and other payments). In last year's report, Rosen was in second place - a spot that is occupied this year by Haim Harari, the president of the Weizmann Institute. Rosen climbed to first place largely due to the fact that the director of wages in the treasury, Yuval Rachlevsky, decided not to detail the salary scales in the various health maintenance organizations, for which a separate report will be issued. Of the bodies that are obliged to report to the director of wages (all bodies that are fully or partly funded by the state are required to do so), the Electric Corp. leads with an average monthly wage of about NIS 45,600 for its senior officials. Irregular wages for senior officials were also found in the Clalit HMO and the Bank of Israel. Rachlevsky said there was nothing he could do in the way of criminal prosecution, as "the law in Israel does not recognize criminal responsibility in connection with irregular wages.

From Israel Ha'aretz, 22 February 2000

THE AMERICAS

ETHICS PANEL PROPOSING TOUGHER LAWS

The state Ethics Commission is proposing to end the long-standing practice of allowing candidates for governor to solicit the backing of state employees during visits to government offices. The proposal is part of package of commission-drafted bills that would prohibit the use of state time, equipment or facilities for campaign purposes and tighten conflict-of-interest provisions. "Our law does not currently mention the word 'campaign,' " although other ethics guidelines have been used to restrict on-the-job political activity by public employees, said Dan Mollway, commission executive director. A 1986 commission policy allowed candidates to make campaign visits to offices as long as all candidates were given equal access. At the time, the commission viewed this as a way to give state employees the same opportunities as private sector workers to meet the candidates, Mollway said. "However, given the experience over the last 14 years, we just don't think that it is fair. In practice, I don't think it can be fair," Mollway said. "Now we're trying to stop all campaigning in state agencies." Other commission-backed bills would: Stop public employee unions from using informational meetings during working hours for partisan political purposes. Union members are allowed to attend four two-hour meetings each year during working hours for educational or informational purposes, but during recent elections these have been criticized as blatantly partisan gatherings. "I believe the legislative intent was to enhance the job skills of employees and for no other purpose," Mollway said. "I don't think by any stretch of the imagination that partisan politics was the original intent." Prohibit the use of Washington Place, the governor's residence, for events "intended to solicit funds, support, or votes for any candidate for elective public office." Mollway said the bill wouldn't prohibit the governor from making campaign-related telephone calls or meeting with campaign officials. Prohibit state employees from taking official action on a business in which a brother, sister, parent, emancipated child, or household member has a significant financial interest. Current conflict-of-interest laws only apply to decisions involving the business interests of an employee's spouse or dependent child. Require public financial disclosures by members of boards which control four state agencies: the University of Hawaii regents, and land, agriculture, and Hawaiian Homes boards. The commission also has drafted a resolution calling on the Legislature to study additional measures "to address the conflicts of interest of its

members." Mollway said he had discussed the package of bills with a few legislators, but has not lobbied for their adoption. "Generally, our policy is not to contact anybody (at the Legislature)," Mollway said.

From Honolulu Star-Bulletin, 02 February 2000

FEDERAL GOVERNMENT SETS ASIDE \$50 MILLION FOR MERCHANT NAVY VETERANS, EYES OTHER CIVILIAN SERVICES

Veterans of Canada's merchant navy ended a 55-year battle Tuesday when Ottawa announced it would become the first Allied Government to compensate civilian sailors for wartime service. Cabinet set aside \$50 million for the program, including lump-sum payments of up to \$24,000 in lieu of benefits sailors did not receive before 1992. The seamen were declared full-fledged veterans last year. "This marks an historic occasion for these veterans and for our country," said Veterans Affairs Minister George Baker, who made the long-awaited plan a priority when he was appointed to cabinet last August. "I went looking for precedents in the world for what these organizations were advocating and I could find none." Tax-free compensation, available immediately to veterans or their spouses, is graduated according to service aboard cargo ships, primarily between 1939 and 1945: - \$20,000 for war-related service of more than two years. - \$10,000 for war-related service of between six months and two years. - \$5,000 for war-related service of between one and six months, or for less than one month if captured, killed or disabled. - An additional 20 per cent for any prisoner of war. "It's been a long time coming," said Aurele Ferlatte, head of the 1,800-member Canadian Merchant Navy Veterans Association. "I only feel so sorry that a lot of the people who started this are not here today." Canada's merchant mariners, many of them too young or old to serve in the military, supplied Europe during the Second World War. Nearly 1,500 died in the Battle of the Atlantic - a higher casualty rate than any armed service. No one knows how many survive. Estimates of those eligible for payments range between 2,400 and 7,400, including Newfoundlanders who served in the British merchant marine prior to the dominion joining Confederation in 1949. Researchers have been scouring archives to track down "manning lists" from which convoy crews were assembled. The Government has also set up toll-free numbers and a Web site. There are 48 Korean War veterans or their widows eligible for the package. The program is open to applications until July 31, though Baker said that six-month window may be expanded to a year. To ensure recipients get their fair share, all payments but those to prisoners of war are being made in two disbursements - the first of 80 per cent; the second if money is available. "I'm sure most of our members will be satisfied with it although, I must say, that after a period of 55 years' struggle, it's quite a small token," said Allan MacIsaac, head of the Merchant Navy Coalition for Equality. "I'm satisfied that this is as good a package at this particular time that we could get." The package is virtually identical to one Baker negotiated with veterans groups and first took to cabinet in December. The minister said he's now turning his attention to home care for 1,500 other civilians who served - members of the Red Cross and ferry command, foresters and firefighters. Baker said applications for merchant marine payments should be turned around within 48 to 72 hours of their arrival in Ottawa. The money will be available as soon as it's needed. "It is coming out as fast as we can spend it," said Baker. "You ask which budget? Whatever budget is around." Governments and merchant navy groups in Britain, Australia and the United States have been watching the Canadian process with interest. The situation is particularly pressing in Britain. Newfoundland veterans are now being compensated by Canada for service in the British merchant marine, while British veterans are not. Newfoundlanders are also in the unique position of potentially receiving compensation from two Governments should Britain follow Canada's lead. Baker, Newfoundland's man in cabinet, said he won't stand in their way. Merchant marine compensation was the subject of a hunger strike by several veterans last year. The groups entered talks seeking flat payments of \$20,000 for each veteran and widow, and an additional \$20,000 for prisoners of war. Different sides estimated between \$45 million and \$60 million was needed to cover program costs. Baker's tack received all-party support throughout negotiations. Reform MP Peter Goldring said the Liberal minister stood in "stark contrast to his predecessors Canadians can hold their heads a little higher as a result." Said Tory Elsie Wayne: "There can be no prouder day for a parliamentarian like myself than a day when an injustice so close to your heart is finally corrected."

From Vancouver Sun, 02 February 2000

CIVIL SERVICE SEEKS RAISE

Officials who oversee the state's civil service system want Gov. Mike Foster and the Legislature to find \$85 million next fiscal year to give most state workers a 5 percent pay hike. Pointing to increasing difficulty attracting and keeping employees, the Louisiana Civil Service Commission called Wednesday for the first general civil-service pay hike since July 1990. Commission members and staff acknowledged the request to hike the pay of the state's approximately 66,000 civil-service employees comes at a time when the state is struggling to make ends meet. "The governor will say, 'You can have this 5 percent pay raise; now cut employment by 5 percent,'" commission member Lee Griffin said. Commissioner of Administration Mark Drennen, the chief money manager for the Foster administration, said he would like very much to fund the 5 percent pay raise but doesn't know where he'll find the money. Louisiana budget officials are projecting a \$540 million gap between projected state revenue and desired spending, and that does not include money for the general pay hike. The Foster administration is looking into some combination of budget cuts and possible tax hikes to close that gap. Drennen said he appeared before the Civil Service Commission a few months ago and encouraged the commission to come forward with a pay-raise proposal. "I think state employees deserve it and that they've earned it," Drennen said. "I hope we can get it in the mix for discussion." Statistics from the Civil Service Commission show state government has had a 15 percent to 24 percent annual turnover in its workforce since 1994. "And that doesn't count internal movement of people from one job into another; that runs another 4 percent or 5 percent a year," Civil Service Director Allen Reynolds said. "Our turnover has been very high. It's been a struggle." The average salary of state civil service workers is second from the bottom among Southeastern states and 8.5 percent below the regional average, said Lisa Lusk, compensation manager for the Department of Civil Service. Lusk said state workers make an average of 20 percent to 29 percent less than their private-sector counterparts in the Baton Rouge and New Orleans areas. Drennen said he continually hears from state agency heads about the trouble they have

recruiting and keeping people at current pay scales. "And, after you get them recruited and trained, they are lured away by someone who pays more money in the public or private sector," Drennen said. The commission's resolution seeking the pay hike said a 5 percent general pay raise would be a first step toward bring state-employee pay closer to market rates. Commission member Burl Cain said it's important for the commission to get its request into the budget mix. "We've got to get that on the table while they're dealing out the money, before the special session," Cain said. Reynolds said lawmakers know the problem state agencies face at recruiting and keeping workers. "I know they are concerned about it and that they will be willing to help us," Reynolds said. The civil-service pay raise request came the day after Gov. Foster warned of the possibility of cutbacks in the state government workforce. In an appearance before the LSU Academy of Politics, Foster said he hopes budget cuts and any necessary downsizing can be done through attrition and not layoffs. Foster said that, if layoffs are necessary, the administration will ask the Civil Service Commission if some sort of early-retirement option can be found to help thin the workforce.

From Baton Rouge Advocate, 03 February 2000

STEWART LIED TO THE HOUSE ABOUT THE STATE OF HER DEPARTMENT: REFORM

A chorus of opposition MPs called Monday for Human Resources Minister Jane Stewart to take the fall for the bungled administration of federal grants and resign. It was the first day back for parliamentarians after a seven-week break and the first time opposition parties could face off with the Liberal Government over the controversy. Internal audits in Human Resources Development Canada found millions in grants and contributions were paid out without standard paperwork to back them up. "If the Human Resources minister had any respect for Canadian taxpayers and respect for the principle of ministerial accountability, she would rise in her place and resign from cabinet," said Reform Leader Preston Manning. "Will the minister do the honourable thing and resign?" asked Bloquist Paul Crete. Prime Minister Jean Chretien fielded the first volley of questions, while Stewart sat red-faced in her seat. She later pointed out that she has a plan to fix the problem and the money isn't missing. The grants are supposed to create jobs, provide training and literacy courses, and help youths, the disabled and aboriginals. Government House leader Don Boudria slipped Chretien files on nearly every MP who asked a question, showing what grants had been doled out in their ridings. "I know that the honorable member does not care about the people who receive this money," Chretien shot back at Manning. "I know they (Reform) want to cut the taxes of the rich and they don't want us to give money to the poor, but I will not change my policies on that." Manning's caucus team have been talking about the first day back in the Commons as their chance to needle the Government over what they call a monumental boondoggle. But about a quarter of Reform's caucus members were not in the House on Monday. Officials cited problems with airline cancellations. Ousted house leader Randy White was absent, and Liberal MPs seized the opportunity to chant: "Where's Randy, where's Randy?" Manning replaced White with MP Chuck Strahl last week, saying he needed a strong team in the Commons that backed his leadership and vision for the party. Reformers maintain Canadians are furious over the mismanaged Human Resources grants, and they'll capitalize on that in the weeks to come. Tuesday, they'll present a motion in the Commons to debate the issue. They accused Stewart of lying to Parliament late last year when she said the approvals process of a specific program, the Transitional Jobs Fund, was working effectively. "The Government decided to stonewall on this, but it's very clear to us that the minister misled the House last fall, and our job is to hold them accountable for that, both in the house and even more importantly out in the public," Manning told reporters. But Stewart pointed out that she was responding to questions about only one program within her department, not the massive grants and contributions structure covered in the internal audit. Stewart has had a rough ride over the grants controversy. Last week, she struggled through a barrage of questions from reporters as she left a cabinet meeting before the prime minister took over. The internal audit, made public last month, looked at 459 Human Resources grants drawn at random from thousands of programs collectively worth \$1 billion. Eighty per cent were flagged as having sloppy or missing paperwork. Auditors singled out 37 grants that could potentially involve criminal wrongdoing. On Monday, department bureaucrats announced they had tracked down missing paperwork from three of those grants worth about \$11.7 million and found no evidence of overpayment or fraud. The Government has repeatedly insisted officials know where each cheque was sent and to whom. Human Resources says it has a plan in place to better equip and support its staff and ensure accountability. But that's simply not enough information, say opposition MPs. "The question is whether there has been political interference in how and where and when the money got spent and whether there is accountability," said NDP Leader Alexa McDonough. Tory Leader Joe Clark called for an independent inquiry. "It should be undertaken by experts who are independent to the House of Commons, independent to the department and it should be answerable to the House of Commons."

From Montreal Gazette, 08 February 2000

CIVIL SERVICE UNIONS ASSAIL OVERHAUL PLAN

Public employee unions and top state managers squared off yesterday in hearings that show Gov. Ben Cayetano has a fight on his hands to pass his bill to overhaul civil service and collective bargaining systems. Hawaii State Teachers Association President Karen Ginoza called Cayetano's bill "flawed, confusing, careless and a direct attack on our public employees." Hawaii Government Employees Association Executive Director Russell Okata said union officials worked with the administration to find ways to improve civil service, but "this bill mocks our honest efforts to improve government operations, and insults our dignity." United Public Workers State Director Gary Rodrigues said the bill attempts to end negotiations with the unions on many issues "because some legislators want state and county employees to be treated as servants rather than citizens of this state." The extent of union opposition to the bill disappointed some observers, including House Majority Leader Ed Case, DManoa. At the very least, "the current leadership of the public employee unions appears to be of the mind that this reform simply has to be stopped," Case said after a House hearing yesterday morning. "I really thought that by describing the problems that we face in issues such as civil

service and collective bargaining, and describing and facing up to the problems in areas such as the cost of public employee health benefits, that eventually everybody would kind of come out of the bunker and sit down and try and solve it," Case said. "But that's not happening, and that's too bad." He predicted the House will pass some version of the bill because improving state government operations is an important issue to House Democrats and Republicans and to their constituents. In fact, almost all of the testimony on the bill yesterday came from an assortment of unions, and from the state and county managers. Otherwise there was little comment apart from a handful of individual public workers and a few business groups, including the Chamber of Commerce of Hawaii. Each of the business groups supported the bill, while the individual workers opposed it. Cayetano also made rare appearances at morning and evening hearings on the bill to argue that lawmakers should pass it. Cayetano said he testified before each committee to stress the urgent need for reform. "We have to be very careful we don't allow this recovery to lull us into a sense that we've done enough, and nothing further needs to be done because I think that would be a disservice to the people of this state," Cayetano told lawmakers. Rodrigues said the bill attempts with one stroke to reverse the outcome of 30 years of negotiations between the state and counties and the public worker unions. Among its provisions, the 184-page bill would limit new employees to 14 days of sick leave and 14 days vacation. Public workers already on the job would retain the more generous existing benefits in place now, which provide for 21 days a year of sick leave and vacation. Cayetano said 21 days of sick leave and vacation are far more than employees receive in California and Washington state. That's one reason why Hawaii's state employees are less productive, the governor said. In his testimony later, Rodrigues countered that if the state wants to take away vacation and sick leave benefits, it should increase Hawaii public workers' pay to match wages offered in California and Washington. The bill would also overhaul drug testing procedures as well as the discipline used when public workers fail drug tests. The bill's language would allow public workers to be fired after they fail two drug tests. Workers are fired now after they fail three times. Under the bill, all public workers, except firefighters and police, would again have the right to strike. That would end the present system of binding arbitration used for resolving pay and other issues when the state, counties and unions cannot agree in contract negotiations. Cayetano has said he believes that the state fared poorly when it went up against the public worker unions in arbitration proceedings. He wants to end the system. The House Finance and Labor and Public Employment Committees and the Senate Labor and Environment Committee deferred action on the bill yesterday.

From Honolulu Advertiser, 09 February 2000

FACULTY GROUP QUESTIONS CIVIL SERVICE SALARY INEQUITIES

The University Professionals of Illinois, the largest organization representing faculty and civil service staff in Illinois public universities, responded today to a study released by the Illinois Board of Higher Education calling attention to the historically lower salaries received by civil service employees in public universities. According to a study released by the IBHE today, civil service salaries at public universities continue to lag behind salaries of their counterparts in other state agencies. Mitch Vogel, UPI President, pointed to an interesting discrepancy within agencies monitored by the IBHE asking the question, "Why has the Illinois Student Assistance Commission offered its civil service employees increases amounting to 105% since 1985 while public universities have only mustered 77% during that same period? The Illinois per capita income has increased 94%." According to Vogel, UPI will seek legislative support for a resolution calling on public universities to reexamine their budget priorities. "We are troubled by the serious salary inequities that persist among staff at our public universities. On some campuses the salaries for certain full-time workers are so low, they qualify for public aid. Meanwhile, public university CEOs and top administrators in Illinois receive salaries significantly higher than those of their peers in other states. We believe its time to work toward salary equity for all university employees, especially those who are currently earning the lowest salaries. Without these hard-working civil servants, our universities could not function."

From Reuters, 08 February 2000

LAWMAKERS TO TARGET CORRUPTION

Good-old boy politics, corrupt influence and just plain-old graft are being targeted by the people who best know how corrupting power can be: elected lawmakers. The Legislature is taking aim at itself, and other elected officials in a package of reforms aimed at curbing corruption, and restoring voters' confidence in the system. "I really believe in many people's minds ... all politicians are crooks," said Sen. Jim Sebesta, R-St. Petersburg. Sebesta, a former county elections supervisor, thinks voter turnout is so low because of a perception that good-old-boy schemes, under-the-table deals and graft are the norm. He doesn't believe most politicians are crooked and wants the Legislature to change public perception by going after those who are. It's a goal Gov. Jeb Bush said he had in mind when he formed a public corruption commission to recommend ways to get tougher on crooked politicians and state government employees. Sebesta served on that commission and now will try to shepherd a package of bills through the Legislature (SB 368, SB 946, SB 1106, SB 1108 and SB 1110) that take up its recommendations. Some predicted an uphill battle because supporters of the measures are asking elected officials to invite closer scrutiny of themselves. But all the bills sailed easily through their first Senate committee Tuesday. Primarily, they toughen penalties for wrongs such as bribery, bid tampering in public contracts, and lying under oath about official duty. If the bills become law, many of those offenses could bring jail time, which they currently don't. Also, under current law, elected officials who leave office before the year's financial disclosure form is due, don't have to say where they got their money. That would change under the plan, eliminating a past loophole for some officials finishing up their terms. One bill would make it a crime, punishable by jail time, for a government official to "corruptly" use his or her office to secure a benefit not generally available to the public. "We are saying to all government officials, elected and otherwise in the state of Florida, we are through messing around," said Sebesta. "If you violate one of these statutes, you're going to jail." One bill also

requires all elected and appointed public office holders to take a three-hour class on ethics, public records and public meeting laws. Those parts of the package drew no opposition Tuesday, but a section on public records is controversial. State public corruption prosecutors say when someone comes forward with an allegation of corruption, they need to be able to keep the file closed even if they can't gather enough evidence to bring charges. That would keep the name of the informant secret. Prosecutors say that would protect the whistleblower from retaliation. The proposal would allow such records to remain closed three years. But open government advocates say there are already such protections for informants in the law, and that normally when a member of the public is accused of something and the case is closed the accusation becomes public record.

From Florida-TCPalm.com, 09 February 2000



ASIA/PACIFIC

SOARING POPULARITY IN CHINA FOR COMPUTER, IT PUBLICATIONS

According to China's State Journalism and Press Office, there were 1,804 kinds of electronic publications in 1999. Publications on CDs, DVDs and diskettes that focused on computer technology had the most titles, 689, accounting for 38% of the total, the Xinwen Chubao (Press and Publishing News) reported on February 15. Publications in the fields of culture, science, sports and education ranked next with 252 titles, while the number of titles for entertainment, natural science, and economics total 112, 105, and 99 respectively. Total titles over the years have exceeded 5,000. There are 62 manufacturers of electronic publication CDs, DVDs, and diskettes now in China (including 4 that are in the process of being established), 2 of which are joint ventures, accounting for 34% of the total. And publishing units have shares in one half of these manufacturers. 154 disc production lines are now operating in China with an annual capacity of 300 million discs (excluding blank discs), including 111 CD production lines and 10 DVD production lines.

From China Online, 21 February 2000

EUROPE

UK GOVERNMENT PLUGS INTO DIGITAL TELEVISION TO IMPROVE PUBLIC SERVICE

The British Government switched on to digital television on Thursday, vowing to make it a key tool in tackling social exclusion and improving public services. It also said an advisory group of leading media and commercial companies, yet to be announced, would ensure the Government is getting the most out of the new technology. Every government department and agency will be asked to identify which services could be delivered through digital TV. "Digital TV is set to become one of Britain's most powerful and prevalent new media," Cabinet Office minister Ian McCartney said. Commercial television companies, which have spent millions developing digital technology, welcomed the Government's support but called on Prime Minister Tony Blair to ditch a planned digital license fee which they said would have the reverse effect of stifling demand. "We are increasingly concerned that the Government seems to be promoting digital television on the one hand and taxing it on the other," Malcolm Miller, chief executive of set-top decoder maker Pace Micro Technology Plc, said in a statement. The Government plans to introduce a new annual digital fee of 12 pounds (\$20) and raise the analogue license fee to help fund the BBC's move into the new medium. "A digital license fee would seriously undermine the Government's objectives of ensuring we have a fully inclusive information society," Miller added. "The development of interactive TV therefore offers enormous opportunities for government," McCartney said. "By making public services and information available from the comfort of people's armchairs, we can unlock the door to Government for thousands of socially excluded people." For the unemployed and disabled, the technology could revolutionize their daily lives, McCartney said. At present, about 10 percent of British households have digital TV, a government official said. That figure is predicted to rise to 47 percent by 2003 and 76 percent by 2008. McCartney said in future, the public could get information on health, jobs and education, renewing a driving license, claiming benefit or even voting through their television set.

From Reuters, 08 February 2000

BOSNIA ELECTION RULE TO CURB CORRUPTION - OSCE

Bosnia's top election body said on Monday it had adopted a rule that would prevent officials elected in April's municipal elections from holding positions in firms that are over 25 percent state-owned. Officials of the Provisional Election Commission (PEC) told a news conference that the rule has been designed to help fight criminal activity and corruption at the local level and speed up the long-delayed privatization process. The commission said it was incompatible to hold elected office and be a director or member of a managing board in an enterprise in which more than 25 percent of capital is owned by the Government. "This rule will be an important tool in the fight against corruption, discrimination and political patronage," said Robert Barry, head of the mission in Bosnia of the Organization for Security and Cooperation in Europe (OSCE). The OSCE, which chairs the PEC, has supervised all Bosnian polls since the end of the 1992-95 war. Barry said that one of the main obstacles to badly needed economic reform in the impoverished Balkan country has been the unwillingness of elected officials and political parties to yield control over publicly-owned firms. He added that local officials appointed by the ruling nationalist parties have used the privatization process to consolidate their hold over key economic assets in Bosnia. Post-war Bosnia consists of two highly autonomous territories -- the Moslem-Croat federation and the Serb republic. The federation Government announced last weekend it would replace the steering boards in 48 large state-owned firms before they have been privatized to protect the state capital. It said government ministers and their deputies, as well as judicial officials, would not be allowed to sit on their boards.

From ABC News, 21 February 2000

THE AMERICAS

CITY-PRIVATE PARTNERSHIP IS CENTERPIECE OF STREET'S 'YEAR OF THE CHILD' PROGRAM

The children came from city shelters, those imperfect havens for victims of abuse, neglect and poverty. Yesterday morning, the two dozen or so youngsters sat in the same comfortable chairs upon which Mayor Street and a host of government, business and civic leaders sat. Not to mention Eagles star quarterback Donovan McNabb. It was more than just a day in the spotlight for the children - it was the beginning of their year. Street officially declared 2000 "The Year of the Child" during a City Hall ceremony. He also announced the establishment of the city's Office of Childcare, its Commission on Children and the Philadelphia Coalition for Kids, a non-profit public-private partnership headed by his wife, Naomi M. Post. "We have long understood that too many children in this city are living under circumstances that are not only less than optimal, but leave too much to be desired," he said. Yesterday's announcements were the fruition of Street's Jan. 3 inaugural pledge to focus greater governmental attention on the problems facing children. Among those lauding him for the effort was Greater Philadelphia Chamber of Commerce President Charles Pizzi. "There's a term in business called R.O.I - return on investment. There is no bigger investment that we have to make than in our children," Pizzi said. Director of Social Services Estelle Richmond will head the Office of Childcare and supervise the Commission on Children. A new, yet-to-be determined "children's budget" - taken from the budgets of departments that already serve children, such as the Department of Human Services - will fund the initiative. Other money is expected to come from partnerships the commission forges with the private sector. From the childcare office, the administration will develop and implement child-care policy and planning. The office will also oversee programs and activities designed to provide affordable pre-school, expanded after-school and summer school programs. Members of the commission, including Post, will be advisers to, and promoters of, the child-care office. They will not be paid. Said Richmond: "Any community that fails its children can never call itself a success. And with all of the programs and all of the activities that we have, if we cannot say that we made way for every child to be a success, we still as a city have not succeeded." The Philadelphia Coalition for Kids brings together businesses, such as First Union Bank, child advocacy groups like the Philadelphia Coalition for Children and Youth and community leaders, to improve the well being of young people up to age 24. It will also release an annual report card measuring city progress on overcoming teen homicide, pregnancy and other risk categories. The Eagles' McNabb is the honorary chair. Richmond said the report card will tell businesses and foundations that donate money "whether we're getting As, Bs, Cs or Ds." The first-year budget is \$1.5 million, with \$200,000 to come for the city and state. To date, \$670,000 has been raised, said Post, who also is executive director of a similar 10-year initiative called Safe and Sound. The William Penn Foundation has already signed on. Janet Hass, its president, noted that it already gives half of its grants to programs helping children.

From Philadelphia Daily News, 02 February 2000

NIAGARA MOHAWK AT 19 MONTH LOW ON NUKES CHALLENGE

Niagara Mohawk shares were trading at the lowest level since June 1998 on Friday afternoon following news late Thursday that the Public Service Commission questioned the sale of Nine Mile Point nuclear power plants to AmerGen. AmerGen, owned jointly by British Energy Plc and PECO Energy Co., agreed in June to pay Niagara Mohawk \$135 million for Nine Mile Point Unit 1 and its 41 percent stake in Nine Mile Point Unit 2. The venture also agreed to pay Energy East Corp. \$28 million for its 18 percent interest in the Unit 2 power plant. Both Nine Mile Point power plants are located near the town of Oswego, east of Rochester on Lake Ontario. In late December, RGS Energy exercised its right as a minority owner in Unit 2 to challenge the sale, saying it would acquire the plant and hire Entergy Nuclear to operate the facility. RGS owns about 14 percent of Unit 2. This week the New York Public Service Commission staff said Niagara Mohawk's proposal "is not consistent with the public interest," and called for an expedited review of alternatives to quickly resolve "the uncertainty this (proposed) transaction has created." The staff went on to say it intends to seek dismissal of the utility's request and explore "other scenarios for the future ownership and operation of the Nine Mile Point nuclear plants." Niagara Mohawk was off 3/16 at to 12-1/4, its lowest price since June 4, 1998, shortly after announcing plans to buy out independent power contracts for stock and cash as part of the state-ordered restructuring of its electric utility operations. Energy East was up 1/16 and RGS was unchanged in a generally lower market which left the Dow Jones Utility Average down 1.73 and the Philadelphia Utility Index down 2.69.

From Reuters, 08 February 2000

CBC PLANS TO MAKE WEB SITE MOSTLY AD FREE TO REFLECT ITS PUBLIC SERVICE ROLE

The Canadian Broadcasting Corp. plans to remove a majority of the advertising on its popular Web site -- just as the on-line ad market is set to explode. John Lewis, executive director of CBC's New Media unit, said sections of the Web site dedicated to news, culture, children's programming and education will stop accepting advertising on April 1. "It reflects the public-service type of organization that we are," he said. "If we look at [CBC] English radio, it has no ads and the audience is extremely loyal and receptive to it. "We have been quite successful in the banner ad game, but we need to look at our strategic direction. We concluded our best chance of success is emphasizing the public-service nature, just as CBC radio does." CBC's decision to step back from the fast-growing on-line advertising market comes less than five months after it redesigned the Web site as part of a strategy to become the country's leading information source on the Web. It is also happening at a time when the CBC is trying to reduce costs. The Crown corporation said yesterday that 173 employees will be laid off -- 28 from CBC radio and 145 from English television. While most dot-com companies are struggling to generate revenue through advertising, electronic-commerce and sponsorship opportunities, Mr. Lewis said the Web site's mandate does not include profits. "We are not in it to make money," he said. "We are in it to make sure our content is in front of as many Canadians as possible. It may sound cliché, but we really are here to serve Canada, and that's what we try to do." To that end, CBC.ca has been a success. It ranks among the more popular Canadian sites with 18 million page views a month. Its advertisers include CDPlus.com and Altamira Investment Services Inc.

Peter Swain, chairman of Media Buying Services Ltd., said it is surprising that the CBC is pulling away from a sector poised to see strong growth as the Internet becomes a mainstream advertising vehicle. A possible explanation, he said, is that the CBC is grappling with the question of remaining a public broadcaster or becoming a commercial entity exploring news areas. "There are those in CBC who say, 'We should stick to our knitting and be a broadcaster, and the costs of mucking around in the new world may be peripheral,'" Mr. Swain said. "There had been some retrenchment from that position under the previous president [Perrin Beatty] who had been very aggressive in new technology." The Internet Advertising Bureau of Canada and Ernst and Young Consulting expect that on-line advertising revenue in Canada will double this year to \$109-million from \$55.5-million. Jay Aber, president of 724 Canada Inc., which sells ads on more than 100 Web sites, said CBC's move is puzzling because the on-line market is just starting to gain momentum as advertisers get a better handle on how to use the medium. "What surprises me is that I would think they would want to outsource [their advertising] to us, for example, rather than get out of it," he said. Mr. Lewis said the CBC will continue to accept on-line advertising on its Web site for its sports and Olympic areas, and will also continue to pursue sponsorship deals. "We are not getting completely out of it, but the site will mainly be non-commercial," he said.

From Global and Mail, 11 February 2000

GOVERNMENT FACES NEW QUESTIONS ABOUT ITS ABILITY TO KEEP TRACK OF COMPANIES THAT GOT HUMAN RESOURCES GRANTS

Eight numbered companies that got \$3.9 million in federal grants can't be traced through corporate ownership lists, say Conservative MPs Jean Dube and Peter MacKay. "There doesn't seem to be any indication that these companies even exist," a frustrated Dube said Wednesday after raising the matter in the Commons. Tory researchers tried unsuccessfully to find listings for the firms in databases compiled by Dunn and Bradstreet, Statistics Canada and other organizations. MacKay maintained this raises serious questions about the Government's ability to track its spending and ensure that job creation and other projects are achieving desired goals. "What's dodgy about numbered companies, as everyone knows, is you can set these companies up very quickly - there's no level of accountability," he said. "These companies can be dissolved literally the same day that they're set up or the same day that they receive their money. This distances the (Human Resources Department) even further from their ability to see where the money went." Ghislain Charron, a department spokesman, said the fact that cash went to a numbered company does not mean bureaucrats don't know who is getting it or what is happening to it. "The project can be (listed) under a numbered company, but the cheque is always sent to an accountant somewhere," he said. Contracts are signed with individuals, not anonymous numbers, and the department has their names, addresses and telephone numbers. An internal audit at Human Resources, made public last month, suggested up to \$1 billion a year in grants for job-creation, training, literacy and other projects was being spent without adequate monitoring by officials. But none of the companies listed by Dube and MacKay were among the 459 projects audited. Charron said that, in principle, officials can track money awarded to a numbered firm, even if it later dissolves or if project sponsors reorganize under a new name and take the money with them. There still must be a regular flow of payroll lists, invoices and other documents, he said. The Government also faced questions Wednesday about discrepancies in two lists of grants awarded under the Transitional Jobs Fund, one of the department's most controversial job-creation programs. MacKay noted that 20 companies, listed in December 1997 as receiving \$8.1 million, were dropped from a later list compiled in December 1999. "We're wanting to know why," he said.

"Is there some insidious reason or is there some reasonable explanation?" Brigitte Nolet, a spokeswoman for Human Resources Minister Jane Stewart, said one of the firms - based in Montreal and known as EnviroPro - went bankrupt after receiving \$18,200 of an intended \$120,000 in federal funding. Ten companies that had won grants totalling about \$4.9 million cancelled their projects for various reasons and received nothing from Ottawa. The other nine companies, with grants worth about \$3.1 million, are still operating and are going ahead with their projects although the company names have changed in some instances. The controversy overshadowed an announcement by Prime Minister Jean Chretien that auditors reviewing several other contentious files had closed the books after finding only minor errors. At issue were seven grants worth a combined \$11.9 million. In five of the seven cases everything turned out to be in order. In the other two, combined overpayments of \$251.50 were found and the money will be recovered by the department. Thirty other cases, worth \$21.3 million, remain under review. Officials say they have found no sign of fraud or other criminal wrongdoing, but if they discover such evidence they will call in the RCMP. When the Conservatives pressed Stewart for detailed answers on the numbered companies, Chretien took them to task for expecting the impossible on short notice. "A minister cannot be asked to get up and give information about one of the thousands and thousands of cases that are handled in a department," he said. The place to air the matter is at the Commons human resources committee, Chretien suggested. Stewart will be there to testify Thursday, along with her senior officials. The Government is working behind the scenes, pointing blame for lax financial management in Human Resources at a senior civil servant who, during the mid-90s, instructed staff to focus on "service to clients" even if it meant "breaking bureaucratic rules," the National Post reported Thursday. Jean-Jacques Noreau, now an OECD official in Paris, denies ever using the words "breaking the rules" but concedes he gave regional managers more discretion on local spending, the Post reported from Ottawa. "This was a period of empowering the regions and partnering with local community-based groups," he said. "Obviously, when you give local managers more decision-making flexibility to handle grants within a set of guidelines, and be responsive to local conditions, those managers are going to be more vulnerable to political pressure and arm-twisting," he said. But Noreau said the results were a more effective use of grant money.

From Vancouver Sun, 10 February 2000

FED GOVERNOR ADVOCATES SELF-REGULATION FOR RISK MANAGEMENT

Federal Reserve Board Governor Laurence Meyer said Feb. 25 that policymakers should encourage banks to self-regulate their risk management, but should not prescribe solutions in the current volatile economic climate. "Markets currently are in tremendous flux, and policymakers cannot foresee the needs in future years," Meyer said. "Thus, the soundest course is to create a legal and regulatory environment within which market participants can develop risk management tools as needed. In some instances, rather than mandating certain steps, policymakers might provide proper incentives for risk-reducing steps through capital requirements or disclosure regulations." The President's Working Group on Financial Markets late last year issued recommendations to reshape the regulatory framework for over-the-counter derivatives. Meyer said he did not see any obstacles to those proposals getting adopted because they are "very uncontroversial" and because most passed unanimously.

From Bureau of National Affairs, 28 February 2000

GLOBAL

INTERNET PROMISES SALVATION – OR AN EVEN BIGGER KNOWLEDGE GAP

The gap between schools in the developing world and schools in the west used to be measured in terms of textbooks, teachers, blackboards and desks - the basic tools of education. Now technology is entering the equation, and the United Nations has warned that as computers spread throughout western classrooms, the knowledge gap is widening. Last year's UN human development report talked of a new digital divide, with poor countries facing the prospect of being further marginalized in an increasingly knowledge-based global economy. The internet, the world's fastest-growing communications tool, is still largely a western phenomenon - so being connected to the web is becoming a new demarcation line between the rich and the poor. In the United States, President Bill Clinton has pledged that every American classroom will be hooked up to the internet by the end of this year; there are already more computers in America than all the rest of the world put together. Tony Blair has similar aspirations for Britain. Meanwhile, south Asia, which is home to 23% of the world's people, has less than 1% of the world's internet users. And in Africa, there are seven internet hosts for every one million people, and 40% of people in developing countries have never made a phone call. At a conference last year in Florence on the so-called Third Way - the political school of thought that seeks to chart a course between the traditional ideologies of the left and right - Clinton suggested that technology itself could be the key to reducing global inequality. "The people in Africa are no different than the people in America," he told fellow social democrat leaders. "If you give people access to technology, a lot of smart people will figure out how to make a lot of money." Clinton agrees with the UN: the technological gap between the developed and developing world can only reinforce global inequality. His solution, therefore, is to get schools in Africa and Asia on to the net, just like those in the west. There is a powerful distance-learning lobby pressuring Tony Blair to put technology at the heart of Britain's contribution to solving the third world education crisis. The net's enthusiasts believe it could solve many under-resourcing problems in third world schools; textbooks could be replaced by web pages and poorly qualified teachers by a long-distance tutor who could look after many more students. But some development groups see a danger of looking for an easy techno-fix and ignoring the realities on the ground. There is no point putting African classrooms on the net when some of them lack roofs and electricity, according to one Oxfam official. Technological solutions are premature, he believes. "The first challenge is to provide children with a decent quality, basic education and the scale of this challenge appears to have escaped internet advocates," he says. Access to the net requires a telephone line, another utility in short supply in the developing world. In Bangladesh, there are fewer than three telephone lines for every 1 000 people; in Afghanistan, the ratio is less than one in 1 000. And the barriers are not just physical - a net user has to be literate. "Even if telecommunications systems are installed and accessible, without literacy and basic computer skills, people will have little access to the network society," according to the latest UN development report. "In 1995, adult literacy was less than 40% in 16 countries." As cost is the single biggest barrier to tackling these problems in the third world, a return to basics is required. Until governments switch resources from military spending and debt servicing, school fees will remain the only way to keep third world schools open. Most aid officials believe technology can play a part in ending the third world education crisis, "but no number of internet hosts and mobile phones can compensate for mass illiteracy", says one.

From The Guardian, 1 February 2000



AFRICA

ZAMBIA'S BUDGET DISAPPOINTS THE ANALYSTS

Zambia's 2000 state budget focuses too much on foreign interests at the expense of domestic manufacturing and agriculture, analysts said on Monday. "Mining and tourism were the main winners in this budget," said private economic consultant Gordon Murray. "But my overall reaction is one of disappointment. There have not been sufficient concessions for two key sectors -- agriculture and manufacturing." Finance Minister Katele Kalumba's budget, presented on Friday offered wide-ranging concessions to the mining and tourism industries, both key to an economic recovery programme focused on export growth and foreign direct investment. The sale of Zambia Consolidated Copper Mines (ZCCM) and efforts to gain debt relief under the International Monetary Fund's Highly Indebted Poor Countries initiative are at the centre of what Kalumba calls the rebirth of Zambia's economy. Other analysts also expressed concern at changes designed to benefit the mining industry. "The exemption of customs duty on consumables (for mines investors) could have a devastating effect on domestic suppliers," said Dr Inyambo Mwanawina of the University of Zambia in Lusaka. "If the exemption for the ZCCM successor companies is the only concession granted, then the mining companies will be encouraged to source all their requirements abroad, to the detriment of the local industry, local employment and domestic revenue," he told Reuters. But Kalumba defended his actions, saying the huge mining concessions, including a \$151 million provision to ZCCM to offset debts, would save the mining industry from collapse. With \$14 million in mines' losses out of the way, Kalumba expects growth to pick up, with gross domestic product (GDP) expanding by four percent in 2000 from 2,0 percent in 1999. He also forecasts a decline in inflation to 14 percent in 2000, from 20,6 percent in 1999, and a reduction in the budget deficit to 1,3 percent of GDP compared to 1,8 percent. Analysts were also concerned by the budget's apparent lip service to fighting the Aids epidemic and reducing poverty. "Poverty reduction is glossed-over in the budget," said a spokesman for the Catholic Commission for Justice and Peace. "There is scant mention of Aids, which has plundered Zambia's professional community. Not committing cash specifically for Aids makes a mockery of the pledged combat against poverty," he said.

From Reuters, 31 January 2000

SOUTH AFRICA: NOT JUST CUTS: NO MORE NEW TAXES

Economists and tax experts believe that Trevor Manuel, the finance minister, will this week go further than cutting personal income tax by refraining from introducing new taxes and holding back on sharply increasing most existing taxes. Statements by Manuel, President Thabo Mbeki and Trade and Industry Minister Alec Erwin in recent months have fuelled widespread expectation of significant tax cuts as the government pushes ahead its drive to encourage savings and investment. One of the first clear signals of the government's intentions came in the medium-term budget policy statement at the end of last year when the finance ministry disclosed that national revenue had exceeded the revised budget estimate by more than R4,5-billion in 1998/99. This meant there was scope for lowering the burden of tax on citizens and the economy. An additional fillip has been the recent series of cuts to interest rates, reducing the burden of government debt which is passed on to tax-payers. Budget 2000 could be the first of a series of "good news" budgets for tax-payers, with the budget framework allowing for a moderate reduction of the tax-gross domestic product ratio over the next three years. A key element of government fiscal policy is to lower the burden of tax on the economy. David Clegg, of accountants Ernst and Young, said he was expecting no changes to corporate tax, secondary tax on companies, estate duty or VAT. The top marginal rate of tax, that is the percentage paid by "high-income earners", could drop from 45 percent to probably 42 percent or maybe even 40 percent, although Clegg believed this last figure to be optimistic. Manuel could also raise the entry level for this top rate from the current R120 000 a year to R150 000 a year. About 90 percent of tax-payers earned less than R120 000 a year. Clegg did not expect substantial changes to taxation on fringe benefits like transport and other allowances. Colin Wolfsohn, of accountants and management consultants Kessel Feinstein, said he was expecting a good Budget. Expressing his personal views, he made the prediction that the top marginal rate of tax would drop to 40 percent. There would be no change to value-added tax because the issue was "too political". Wolfsohn said the annual increases in "sin taxes" - the excises on tobacco and liquor which have been raised every year in moves which have as much to do with health policy as with fiscal policy - could be above inflation.

From Reuters, 21 February 2000

ASIA/PACIFIC

TOKYO GOVERNOR'S PLAN FOR BANK TAX MEETS HEAVY RESISTANCE

Faced with slumping revenue and a staggering debt, Tokyo's governor is looking for new income for his city and believes he's found a way to get it: Tax the banks. Gov. Shintaro Ishihara's proposal to slap banks with a new tax of up to 3 percent came out this week - and was met with an avalanche of criticism from bankers, bank regulators and the national Government. Regulators fear such a tax could set back the recovery of the financial system, which is just getting back on its feet after years of malaise. Even the prime minister has urged Ishihara to think again. "The plan has a lot of problems," Akitaka Saiki, spokesman for Prime Minister Keizo Obuchi, said Wednesday. Saiki added that the Government was worried that other municipalities would follow with their own taxes. The plan, announced on Monday, would require about 30 of the top banks in the city to pay a special tax for five years starting April

1, pulling in about \$1 billion a year. The proposal, which now goes to the city legislature for consideration, would affect banks that are headquartered in Tokyo or maintain branches in the capital. Most major banks have not been paying corporate taxes over the past two or three years because of losses linked to the write-offs of bad loans. But Ishihara's proposal targets gross operating profit, or profits plus costs, meaning the city could collect taxes from a bank even if it posts a net loss. Ishihara has shown no signs of backing down. "We have no plans to change the contents of our original plan," Katsuaki Meguro, an official at Tokyo's Tax Department, said Wednesday. Bank shares ended mixed in Tokyo trading Wednesday. Bank of Tokyo-Mitsubishi closed up 4 yen, or 0.29 percent, at 1,379 yen (\$12.68) and Daiwa Bank rose 5 yen, or 1.81 percent, to 281 yen (\$2.58). Dai-ichi Kangyo Bank, however, fell 2 yen, or 0.21 percent, to 945 yen (\$8.69). It's not hard to see why Ishihara is looking for money. The city faces a \$6.4 billion deficit, in part because the national economic slump has taken a major bite out of tax revenues in the city, where much of Japan's business is based. Meguro said the plan would allow the city to tap into the plentiful profits that don't show up on banks' bottom lines because writing off bad loans allows them to declare losses. Banks counter that the plan would weaken their businesses, damage their global competitiveness and undermine financial liberalization. They also object to being singled out. "Imposing corporate taxes on specific financial institutions is not fair," the Federation of Bankers Associations of Japan said in a statement. Some officials worry the new tax could reverse the progress banks have made in recovering from the bursting of the speculative "bubble economy" in the early 1990s. Also in jeopardy, critics say, could be the banks' ability to pay back public funds spent to put them back on their feet. The Government has poured \$71 billion in bailout money into 19 banks since March 1999. "The plan in question could have an inestimably severe impact on the financial system," said Hideichiro Hamanaka, deputy commissioner of the Financial Supervisory Agency. The national government has been particularly vocal in its criticism. Cabinet ministers have criticized the plan and pledged to look into whether the central Government could block its implementation.

From Nando Times, 10 February 2000

JAPAN'S TOP FINANCE REFORMER QUILTS OVER BANK INSPECTIONS

The chief of Japan's financial reform agency resigned Friday after he was widely criticized for remarks suggesting he would be lenient when inspecting bank operations, news reports said. Michio Ochi, the head of the Financial Reconstruction Commission, handed in his resignation hours after he insisted he would not quit, Kyodo News agency and national broadcaster NHK reported. "The fact is my comment caused this situation, and it caused a lot of trouble," Ochi was quoted as saying by Kyodo. The FRC could not immediately confirm Ochi's resignation. The furor began Saturday when Ochi spoke to a crowd of officials from credit unions and other financial institutions in a town north of Tokyo about upcoming inspections. "If the method of examination is strict, please bring it to the attention of my office. The utmost consideration will be given," Ochi said, according to a tape released by the opposition Democratic Party. The comments were controversial because the government has pumped massive amounts of public money into the banks to help them bounce back from a bad loan crisis. The crisis has been blamed on bad management and poor oversight by government regulators. The Financial Reconstruction Commission is the government body overseeing efforts to clean up the industry, and inspections of the institutions are to be conducted from March to July. The opposition has jumped on Ochi's comments, calling for his resignation and using the scandal to pummel Prime Minister Keizo Obuchi's coalition government. Before Ochi announced he was stepping down, three opposition parties stormed out of a Budget Committee meeting in the lower house of Parliament this morning in protest. "It's time for you to resign," Democrat Kazuhiro Haraguchi railed at Ochi, accusing him of pandering to the banking industry. Opposition members then walked out of the conference room. Obuchi's government acknowledged Ochi's comments were troublesome. "It is undoubtedly true that (his remarks) have caused misunderstanding among the Japanese people, and that is regrettable," said Chief Cabinet Secretary Mikio Aoki, who met with Ochi this morning. The resignation defused a conflict that could have complicated upcoming Parliamentary discussions on the national budget for the fiscal year starting in April.

From Nando Times, 25 February 2000

TAX OFFICE OFFERS CHEATING AMNESTY

The tax office yesterday made an extraordinary promise not to prosecute tax cheats as it urged business to develop a "sense of urgency" to get ready for the GST. With just four months until the 1 July tax overhaul, the tax office said specially trained staff were available to visit businesses to explain how the tax changes would affect them. The personal meetings take two or three hours and include handouts such as free computer software. As a further sweetener, the tax commissioner, Mr. Michael Carmody, promised that any tax cheating uncovered during these visits would be ignored. Mr. Carmody said if any taxpayer believed tax staff had not turned a blind eye during a GST visit, they could complain to the ombudsman and if the complaint was upheld the prosecution would be stopped. "The guarantees that I have given have teeth to them," Mr. Carmody said. "If by any circumstance, one of my people doesn't live up to that guarantee then notwithstanding anything else, all action will cease on any of those other matters." The promise is an attempt by the tax office to win the confidence of businesses which might be suspicious about inviting the tax office to look at their books. Mr. Carmody said it was critical that businesses understood how the GST would affect them. The tax office had predicted it would make 250,000 visits by June, but Mr. Carmody yesterday said there had been only 15,000 so far. "But the number of requests for advisory visits in the last two weeks doubled." Mr. Carmody also said more staff had been allocated to answer telephone information hotlines and the waiting time slashed to 42 seconds. The tax office will launch phase two of its \$49 million GST education and advertising campaign in response to concern about the slow response by some businesses to the tax changes. Mr. Carmody will also write to all businesses that have not registered for the new Australian Business Number, the

gateway to the tax changes. "If you don't have an Australian Business Number, you can't register for the GST and claim back the GST your business pays or claim a credit for wholesale sales tax paid on stock on hand at 30 June."

From Australia-Melbourne Age, 23 February 2000

FINANCE MINISTRY TOLD TO REFORM STATISTICS DIVISION

The military Government has directed the Finance Division to take immediate steps aimed at restructuring the Statistics Division. Sources told Dawn that the directive issued last week, demanded reforms in the economic and financial data system so that it could be fashioned on modern lines. These instructions were issued last week after the restructuring of the National Database Organization (NDO) functioning under an apparatus manned by senior officials of the armed forces. This reorganization was conducted after numerous presentations from the economic related organizations, financial institutions and some foreign data-monitoring organizations with regard to revamping the country's data collection system. The military Government asked the senior officials submitting economic and financial data on manufacture, trade, inflation, external trade and the financial institutions' condition vis-a-vis their portfolio and monitoring strength to conduct a review of the federal data collection system. The review was completed in the last week of January, resulting in the immediate reorganization of the NDO. However, the cell set up at the chief executive's secretariat to monitor the results of the steps taken so far for the revival of the manufacture and financial sectors, told the CE that the data was "misleading". Some senior finance ministry officials, directed last month to look into the system of economic and financial data collection, submitted a report to the CE stating that the current methods applied for collecting data in these sectors, were antiquated, un-scientific and un-probing, thus causing a slump in the market and a slowdown on the production lines. These senior officials based their review on facts and figures collected over the past one year by the customs, the export promotion bureau, the state bank of Pakistan, the ministry of commerce, and the statistics division. They reportedly found out that reports on external trade, loan operations, property/assets, bank accounts, manufacture and product-movement, submitted by different sources, did not tally. Some of them, basing their inferences on similar situations, clashed a great deal to the extent of negating one another. It also came to light that the recent computerization of the Statistics Division also proved of little assistance in improving the data-gathering system, and the electronic tools were being simply used for cataloguing and reporting of the facts and figures received through the same un-scientific operating channels. The revamping and modernizing idea is now reportedly based on improving the survey and fact/figure-gathering techniques, and application of the most modern methods of analyzing the data for inferences closer to the reality. The problems caused by the misleading data and the antiquated techniques applied for their collection, are now increasingly proving as "the biggest impediment" in the way of chalking out a new strategy for the social sector allocation, said officials. The allocations to be made for a new system needed completely updated facts and figures, scientifically gathered and analyzed, for which the data system was needed to be totally reformed, said officials. They added that a committee of senior data-conversant officials was being set up to look into the matter and submit their suggestions and proposals as early as possible.

From Pakistan-Dawn, 21 February 2000

EUROPE

BIG BUSINESS IN LINE TO GET LARGE TAX CUT FROM SCHRODER

Germany Inc., the tightly knit economic machine that built this country's postwar prosperity but has struggled of late to remain competitive, took a giant step today toward disbanding itself. Chancellor Gerhard Schroder's Government approved draft legislation that would slash taxes and open the way for German corporations, particularly banks and insurance companies, to sell off the extensive cross-holdings that have tended to hinder the rise of open competition and a shareholders' culture. The bold step from the time-honored "social market" model toward one that looks more market dominated clearly reflects the new-found confidence of the chancellor, a Social Democrat who has long wavered over economic reform. His popularity has been increased by a financing scandal that has severely hurt the Christian Democrats. Almost 18 months into his four-year term, Mr. Schroder is gambling that his decisive measures to open and deregulate Germany will revitalize the economy and bring down an unemployment rate that has stubbornly exceeded 10 percent. The reform occurs as Germany's self-image is changing radically. The crisis of the long-dominant Christian Democratic Party has created an end-of-era feeling as an elaborate system of hidden financing has come to light. In general, a new openness seems to be taking hold. "This is a major step toward the modernization of the German economy," Michael Wolghast, senior economist at Deutsche Bank, said. "More transparency, more openness to foreigners, more scope for private enterprise and the individual." Under the draft law, which goes before Parliament this month, corporate taxes would be reduced, to 25 percent from the current 40. Personal income taxes would gradually be cut, to 15 percent from 23.9 for the lowest paid and to 45 percent from 53 for the wealthiest individuals. The term Deutschland AG., or Germany Inc., arose from the closed system of cross-holdings that saw banks and insurers holding large stakes and board positions in the most diverse businesses that in turn resorted to banks for loans rather than going to the stock market. The system has been fortresslike in its hermetic insularity and almost masonic in its obscurity. Mr. Wolghast estimated that the cross-holdings were worth "several hundred billion dollars." A precise figure is elusive, because companies have tended to mask the real worth of the assets. Up to now, big corporations had been discouraged from selling the holdings because they were taxed about 60 percent for doing so. The measures approved today would eliminate that tax. It appears inevitable that the character of Europe's largest economy will change as banks and insurance companies begin selling their vast holdings and foreigners scour the German market for opportunities. Shares on the Frankfurt

stock exchange, already at record levels, soared on anticipation that a wave of acquisitions was imminent and that a reinforced chancellor now had the authority to push the measures through a Parliament where he enjoys a comfortable majority. German culture has been shaken in recent weeks by the takeover of a pillar of the nation's industry, Mannesmann, by Vodafone Airtouch of Britain, a \$178 billion transaction that began with a hostile bid by the British telecommunications company. Such hostile corporate practices had long been seen as Anglo-Saxon or American aberrations, unacceptable in the traditionally more closed and clubby world of German industry. If approved by Parliament, the measures would lead to an overall tax cut of \$22 billion by 2005, on top of cuts of \$15 billion already agreed for this year. With less revenue coming, and a soaring deficit, the Government is sharply cutting back state spending in a bid to dismantle what it has described as a "nanny state." Small industry and some state governments that will lose tax revenue have been highly critical of the proposals, saying they are too favorable to big banks and insurance companies. "It is not right that large insurance companies will take in billions tax free, while states receive less," said Premier Heide Simonis of Schleswig-Holstein. Some resistance is also expected from unions, because the old cross-holdings used to mean that banks often rescued failing companies that would otherwise go bankrupt. But Mr. Schroder seems to have the conviction and majority to ensure approval of the draft law. After having hesitated for more than a year over what the "New Middle" he promised in his election campaign might be, he appears to have decided that it lies well to the right of traditional German social democracy.

From New York Times, 09 February 2000

BROWN TO CUT TAXES IN 'BUDGET FOR BUSINESS'

Radical plans to slash taxes on new businesses are to be introduced in next month's Budget as part of a campaign to turn Britain into a haven for risk-takers. Gordon Brown will tell a business audience in New York today that he plans to shake up Britain's capital gains tax regime to create "the most favourable environment for long-term capital investment the country has seen". The Chancellor is understood to be planning a Budget package costing hundreds of millions of pounds under which the 40 per cent rate of capital gains tax will taper down to 10 per cent after a business has been in operation for five years, rather than ten as at present. Mr. Brown also intends to make it much easier for employees and investors to qualify for the lower rates of CGT. The percentage of shares an employee must own to qualify will be cut from 5 per cent to 2 per cent and the figure for outside investors will fall from 25 to 5 per cent. Mr. Brown is following the American example where similar tax cuts to help new firms have attracted venture capital and Internet start-up schemes. In his speech to the British American Chamber of Commerce today, Mr. Brown will go out of his way to emphasize the importance of Britain's place in Europe in turning this country into the best place in the world to invest. And his address will also be seen as an attempt to meet the worries of some American companies that Britain is not yet in the single currency. Next month's Budget, Mr. Brown will say, will be a "Budget for British enterprise designed to make Britain the best environment for new business, hi-tech business and start-up business in the world". And he will promise potential investors that the Government is "on the side of the inventor, the innovator and the risk-taker". Appealing to more American firms to come to Britain, he will continue: "Britain, far from being hostile to outside investment, is more open to it than ever before."

From London Times, 22 February 2000

THE AMERICAS

CANADIAN REFORM FLAT TAX PLAN PRAISED BY ECONOMIST

The Reform Party's controversial flat-tax plan would provide a powerful stimulus to the Canadian economy by boosting personal incomes and consumption, a prominent economic firm says. Ottawa-based WEFA Inc. has reviewed Reform's flat-tax package and concluded that it would not throw the Government back into deficit, as Finance Minister Paul Martin has said. Reform's flat-tax plan was approved by delegates at the united-alternative convention last weekend and will become the cornerstone of the Canadian Reform Conservative Alliance's election platform if Reformers approve the creation of the proposed right-wing party. Reform says it would slash taxes by \$34-billion within five years, in part by creating a single tax rate of 17 per cent. The current system taxes all income between \$29,000 and \$60,000 at 26 per cent, and income above \$60,000 at 29 per cent. Reform has calculated that a dual-income family of four with income of \$80,000 would save \$3,721 in taxes under its plan but did not calculate what more affluent families would save. Critics said the flat tax provides windfall benefits to the rich, but relatively little to the middle class. "There is no doubt that the vast majority of the benefit goes to the wealthy Canadians, and that the proportion of taxes under that circumstance that would be borne by middle-income Canadians would go up," Mr. Martin said on Monday. "In our view, that is simply unfair." Reform finance critic Monte Solberg conceded yesterday the flat tax would provide larger savings to higher-income people, but said that's because they pay so much tax. He said lower- and middle-income people would also benefit from the change. On behalf of the Reform Party, WEFA economist Dale Orr examined the economic impacts of the flat tax. Mr. Orr was one of several economists who worked with the Department of Finance to reach a consensus on the size of the impending surplus. "The flat-tax proposals of the Reform Party are well focused on the needs of Canadians today," he wrote in his report, which Reform released yesterday. "They expand the economy and, most powerfully, personal disposable income, consumption and our standard of living. They create jobs." He calculated that the tax plan would create 66,000 jobs over five years and boost economic activity by a full percentage point. In an interview yesterday, Mr. Orr conceded that other plans that combine tax cuts and increased spending would also stimulate the economy. Economist Michael McCracken said that reducing personal income taxes is a relatively ineffective way to boost the economy, particularly when aimed at upper-income Canadians, who tend to save a higher portion of their incomes. "You pick up a much bigger bang for your buck out of direct spending compared to personal income tax cuts," Mr. McCracken said in an

interview. Mr. Orr rejected Mr. Martin's charge that the Reform tax plan would either throw the federal Government back into deficit or force major cuts to health care and education. The Finance Minister has forecast a \$30-billion surplus by the end of five years, while the Reform package would deliver \$34-billion in tax cuts. But Mr. Orr said the tax cuts would leave Ottawa in surplus in each of the next five years, given the package's stimulative impact. Mr. Solberg said Reform would not even rely on that greater economic growth to balance the budget. Its plan would instead virtually freeze spending.

From Canada-Global and Mail, 02 February 2000

TAX, ENERGY REFORM PENDING FOR WHOEVER RULES MEXICO

Whoever wins Mexico's presidential elections next July will receive a buoyant economy with inflation under control, but will also have to deal with some burning pending issues -- tax reform, energy sector privatization and a bad-debt burdened banking sector. Francisco Labastida of the Institutional Revolutionary Party (PRI) is widely favoured in opinion polls to extend his party's near-71 years in power. His likely victory is viewed as promising economic continuity -- free trade, tight budgets and growth. Trailing the former interior minister and state governor is Vicente Fox, a former Coca-Cola executive carrying the banner of the conservative, pro-business National Action Party (PAN) and the self-styled environmentalist Green Party (PVEM). Further behind is Cuauhtemoc Cardenas of the leftist Party of the Democratic Revolution (PRD) representing a left-leaning coalition. Cardenas, who became Mexico City's first democratically elected mayor in 1997, has recently toned down his criticisms of the free market. But whoever wins, the economic priorities appear to be the same, political analysts and economists said. "The most urgent issue is to advance with fiscal reforms, which they haven't been able to do this year," said Javier Murcio, Latin America economist at Credit Suisse First Boston. "They also have to continue with privatizations, especially in the energy sector." President Ernesto Zedillo's Government has acknowledged the need to expand the tax base of Latin America's second largest economy in order to reduce its dependency on oil revenues. The Mexican Government depends for around 30 percent of its income on oil sales, and suffers every time crude prices drop. Last October, Mexico tried to crack down on tax dodging in order to increase its source of revenue. But the measure has fallen far short of its objectives and economic analysts agree that increasing the small number of people who pay tax is the only real, long-term solution. "We have one of the lowest tax receipts in the world," said Antonio Castro, head of the CAPEM economic think tank in Mexico City said in referring to tax collection as a percentage of gross domestic product (GDP). "That makes the public finances very vulnerable to oil income." Economists said one of the other great challenges facing Mexico's next government, which will take power in December 2000, is continuing with a major clean-up of the banking sector. Mexico's banks were virtually all brought to their knees after the botched devaluation of the peso in December 1994 sent interest rates and defaults soaring. Zedillo's Government has started to clean up the mess, bringing in new rules on capital to force weak banks to strengthen their balance sheets and taking over two large, troubled banks in preparation for their sale. But its attempts to persuade Congress to approve new bankruptcy and loan guarantee rules, in order to kick-start dormant lending, have met with mixed success. And it has still deal with the enormous \$100 billion cost of saving the banks from collapse. "We have to rebuild the financial system," Castro said. That said, Mexico deserves to be proud of its macroeconomic figures -- growth of 3.8 percent in 1999 and perhaps 4.5 percent in 2000, 12.32 percent inflation in 1999 after 18.6 percent the year before and a budget deficit of just 1.25 percent of gross domestic product last year, expected to narrow to 1.0 percent of GDP in 2000. That means it can focus on more complicated problems, such as an expected shortfall in electricity output in the coming years as industrial demand for energy expands, analysts said. The Government has sent a bill to Congress that would allow more private sector involvement in electricity production. But the proposal has met deep-rooted resistance from legislators in a country where the 1938 nationalization of the petroleum industry is still regarded with deep pride. To great fanfare in 1960, Mexico nationalized its electricity industry, which then had foreign investment. Legislators say that before the elections it is unlikely they will risk approving what amounts to the privatization of electricity production and distribution, possibly opening the way to foreign investment. The July vote will elect a new Congress as well as president. "They (the next government) must advance in the sale of electricity and petroleum companies," said Ernesto O'Farrell of Mexico City consultancy Bursametrica Management

From Reuters, 08 February 2000

WTO RULES AGAINST U.S. ON TAX

In a decision that could strain US-European trade relations, the World Trade Organization's appellate body ruled that a US tax programme affecting hundreds of billions of dollars of US exports violated international rules, trade officials and industry groups said on Wednesday. The decision could force the US Congress to change current law to bring the 16-year-old US Foreign Sales Corporations (FSC) scheme in line with the world trade watchdog's rules. Failure to do so could oblige the United States to pay compensation to the European Union or face trade retaliation, though an EU source said retaliation was unlikely. It was a stinging blow to the Clinton administration, and threatened to send shock waves through US business and spark a backlash from Congress. Opposition to the WTO and the administration's trade agenda has increased since the collapse of global trade talks in Seattle last December. "We strongly disagree with the appellate body's ruling. Our view remains that the FSC is completely consistent with US WTO obligations," US trade representative Charlene Barshefsky said. "We respect our WTO obligations and will seek a solution that ensures that US firms and workers are not at a competitive disadvantage with their European counterparts." FSCs are usually subsidiaries of US corporations located in tax havens such as the Virgin Islands, Barbados or Guam. US firms exporting through them qualify for income tax relief. Dividends paid by FSCs to parent companies are not subject to US tax, according to the EU. A WTO dispute panel ruled in September 1999 that the FSC scheme violated the trade body's subsidies code and agricultural agreement. Barshefsky said the WTO panel had erred, and appealed the decision. But trade officials and industry groups said the

appellate body brushed aside U.S. arguments and upheld last year's ruling. The original WTO dispute panel report gave the United States until October 1 this year to withdraw the FSC system. "The decision is very bad news for thousands of Americans who work for a business that exports, for a transportation company that handles exports, or on a family farm," the US Chemical Manufacturers Association said in a statement. "The ruling puts their jobs at considerable risks." "The Clinton administration should move quickly to settle this dispute before it costs even one American his or her job," the association added. US trade officials sought to play down the political implications of the ruling. "It is in neither the interest of the US nor the EU to allow this case to damage our bilateral relationship or to impede progress on a range of the US-EU activities," said Barshefsky, President Bill Clinton's top trade negotiator. But earlier this month, Barshefsky had warned that the FSC case, if not resolved in Washington's favor, could "dwarf" heated trans-Atlantic disputes over bananas and beef. Republican Rep. Philip Crane of Illinois, chairman of the House Ways and Means subcommittee on trade, also said the dispute could become a "dangerous and destabilizing conflict" between the United States and the EU. Like the Chemical Manufacturers Association, many US lawmakers urged Barshefsky to settle the case. EU officials estimate that around half of all US exports are made through FSCs and that all major U.S. corporations, including Microsoft Corp, Ford Motor Co and Exxon Mobil Corp, export through the scheme. EU officials say FSCs are shell companies, allowing exporters to reduce their tax bills by between 15 and 30 percent. A defeat in the WTO which forced Congress to change the FSC law could be highly sensitive in a US presidential election year. In a few months, the U.S. House of Representatives is expected to vote on legislation calling for the United States to withdraw from the WTO, and congressional sources said the FSC decision could embolden anti-WTO forces on Capitol Hill. The EU has already felt the sting of retaliation in high-profile WTO cases. The United States won WTO authorization last year to impose more than \$300 million a year in sanctions on EU exports after winning WTO cases against the EU's banana import rules and its ban on the import of hormone-treated beef. But European trade officials insist they are not looking to retaliate in the FSC case. "We expect the US to implement the report. Retaliation is not something we are expecting to introduce," an EU source said.

From Financial Times, 24 February 2000



AFRICA

NIGERIAN PRIVATIZATION BODY TO REVIEW ENRON DEAL

Nigeria's privatization agency said on Friday it would review a controversial Enron deal to provide emergency electricity for power-starved Lagos and invest about \$500 million in new generating capacity. Foreign businesses and diplomats say the failure of the deal to take off on time because of political wrangling between Lagos State, the central government and state-run power firm NEPA has sent worrying signals to other potential investors. "The Power Purchase Agreement has now been referred to the Electricity Power Sector Implementation Committee for necessary review within the context of the National Emergency Power Project," Nasir Ahmad El-Rufai, director-general of the Bureau of Public Enterprises, told a news conference. Enron and the Lagos State Government reached a deal in August under which the U.S.-based firm was to provide 90 MW to the city from two barges as a stop gap to end chronic shortages until a 560 MW gas fired power plant is completed. Agreement on power pricing was reached in December. But although the barges have long since arrived, the city of at least eight million is yet to benefit while power cuts grip the commercial capital daily. Some officials in President Olusegun Obasanjo's Government argue that if Lagos is to benefit from additional power generation then so should other parts of the country of at least 108 million. But Lagos State says it is the biggest user of electricity and that if Nigeria's other 35 states are able to negotiate power deals to improve their own supplies they should be free to do so.

From Reuters, 08 February 2000

ASIA/PACIFIC

PRIVATE ECONOMY BLOSSOMING IN EAST CHINA

The private sector has blossomed into an increasingly powerful force for economic growth in east China's Jiangxi and Zhejiang provinces. Private entrepreneurs in Jiangxi Province paid 2.83 billion yuan in taxes last year, a rise of 21.5 percent over 1998 and accounting for 18.1 percent of the total provincial fiscal revenues for 1999. In addition, more than 70,000 workers laid off from state-owned enterprises in Jiangxi were re-employed in private enterprises or became self-employed last year. Jiangxi's 10,654 privately owned companies with limited liabilities have registered assets of 9.79 billion yuan in total, and these companies account for 41.9 percent of all local private firms. Local private undertakings in the province exported 650 million yuan worth of goods in 1999, six times the 1998 figure, and invested 300 million yuan on 68 technology-innovation projects and nearly 180 million yuan to develop new products. Jiangxi Province now has 45 privately owned hi-tech enterprises involving 70 million yuan of total investment. In neighboring Zhejiang Province, the number of private enterprises engaged such fields as machinery, chemicals, bio-chemicals, and electrical facilities, has reached around 600. Private entrepreneurs in Zhejiang are giving priority to technology improvement and market share increase as new strategies to further develop the private sector. Private enterprises in Zhejiang spent 4.95 billion yuan on technology upgrading last year, 5.1 times the 1998 level, and 966 million yuan to develop new products, almost double the 1998 figure.

From China-People's Daily, 02 February 2000

INDIA MARKETS RIPE FOR PRIVATIZATION

The Indian Government should take advantage of bullish domestic stock markets and speed up the privatization of state-run companies, the chairman of JM Morgan Stanley said. "I feel that the Government would consider very strongly the privatization programme after the budget and they will improve that substantially," Nimesh Kampani, who heads the joint venture between Morgan Stanley and JM Financial and Consultancy Services, told Reuters in an interview on Saturday. The Government is due to present the federal budget in the lower house of parliament on February 29. "I think there is going to be an opportunity as the markets are good," he said in the southern Indian city of Hyderabad, where he attended a conference on banking sector reforms. The investment banker said the Government's intent to privatize was clear. India's four-month-old Bharatiya Janata Party-led government has passed a slew of reformist legislation in recent months. The state-controlled insurance sector has been opened to foreign investors, derivatives trading has been permitted, and strict foreign exchange control laws have been relaxed in an effort to boost foreign investment inflows. Last month, Finance Minister Yashwant Sinha said India may miss its target of raising 100 billion rupees in 1999/2000 (April-March) through its sale of government stakes in state-run firms. "The Government has a fiscal deficit and it needs funds. The markets are willing to pay, so I think this is a great opportunity for the Government to move fast and I think this Government will move fast," Kampani said. Indian stock markets are trading slightly below record highs hit in January. In calendar 1999, the Bombay Stock Exchange's bellwether 30-share index surged 64 percent and hit an all-time high of 5,668.28 in January this year. Kampani said he was hopeful Sinha will give a further boost to the markets, after the investor-friendly measures taken last year, particularly incentives given to mutual funds. "I think that the Finance Minister will do something innovative. He will take care of the markets, as I see it," Kampani said. A rising fiscal deficit and shortfall in Government revenues have led to some fears Sinha will raise taxes and cut spending, but Kampani believed the taxation fears might be overblown. Indian Finance Minister Yashwant Sinha said last Friday there were no soft options left for the Government. "There may be some tough measures in the budget. It could be reducing government expenditure," Kampani said. "Tough does not necessarily mean higher taxes. I don't see much problems (in the budget)," he said.

SHANGHAI ECONOMIC LEADERS URGE INCREASED PRIVATIZATION

Many leaders in Shanghai's economic, financial and corporate sectors are calling for experiments on private capital's role in the municipality's state-owned enterprises. These people, who head SOEs and financial and economic research institutes, say the state needs to pour RMB 22.5 trillion (US\$241.84 bln-302.3 bln) into these SOEs. This is more than Shanghai and its SOEs can provide. Meanwhile, individual deposits in China have reached RMB 6 trn (US\$726 bln). In Shanghai alone they total almost RMB 300 bln (US\$36 bln). Currently, people in Shanghai can invest in two areas: the stock market and small enterprises. Both of these options are very risky, however. Instead, Jingji Cankao Bao said, it would be safer and more efficient to use private capital rationally to aid "equity diversification reform." [i.e. SOEs to get funding from sources other than the state.] Many of the aforementioned officials say SOEs' process of equity diversification remains slow because of macro-policy limitations, the article said. Shanghai has 3,698 state-owned and partially state-held industrial enterprises, of which 51% remain wholly state-owned. Private capital's role in enterprises that have undergone equity diversification remains very limited, according to the newspaper. These officials recommend strengthening the equity diversification of Shanghai's SOEs by converting wholly state-owned enterprises into state holding enterprises and state-invested enterprises. This would inject non-state shareholders, including corporate and individual shareholders into the ownership of SOEs. Shanghai has abundant private capital and acts as the collection and distribution center for this capital. The municipality's capital, currency and equity markets also are relatively perfect and standardized, the newspaper reported. Based on these factors, the officials suggest that Shanghai begin three experiments on using private capital to aid SOEs' equity diversification: 1. Attract private capital from all sides to establish an industrial investment fund and a venture capital fund, and then become broadly involved in the domestic economy's competitive sectors. 2. Establish asset-management companies with private capital to aid SOEs' debt-for-equity swaps. Shanghai has a large number of non-profitable SOEs with heavy debts. Its small-scale state-funded asset-management companies cannot meet the needs of these enterprises. Shanghai could use equity listings and bond issues to attract private capital to establish local asset-management companies. Establish more multi-structure enterprises; sell some equity to attract private capital; sell some competitive state enterprises to private enterprises and allow them to operate independently; sell some SOEs shares to employees "to ease the burden on enterprises," the officials said.

From China Online, 09 February 2000

FOUR ASSET MANAGEMENT FIRMS OPEN SHOP IN CHINA'S WUHAN

Great Wall Asset Management Firm, which specializes in handling problem loans of state owned firms, will open its first branch in Wuhan within the month, the Feb. 17 Changjiang Ribao (Yangtze Daily) reported. China set up its four AMC's (Huarong, Xinda, Dongfang and Great Wall and the State Development Bank) last year to recover huge amounts of problem loans the country's four big commercial banks made to loss-making state-owned enterprises (SOEs) over the past several decades. The four AMC's also assist companies in debt in efforts such as debt reorganization, asset regrouping, going public and packaging for public listing. China Xinda Asset Management has already set up its branch office in Wuhan, and two other asset management firms-Dongfang (Eastern) and Huarong-will also establish their presence in Wuhan this year. The goal of the AMC's is to strengthen banks' abilities to compete and face post-WTO challenges. The four asset management firms' Wuhan branches will each take on the delinquent assets of one of the four provincial, state-owned banks-Industrial and Commercial Bank, Agricultural Bank, Bank of China and Construction Bank.

From China Online, 21 February 2000

GOVERNMENT REVIVES CABINET COMMITTEE ON PRIVATIZATION FOR SPEEDY SELL-OFF

The Government revived the Cabinet Committee on Privatization (CCOP), here on Wednesday to accelerate the privatization process. Chief Executive Gen Pervez Musharraf gave the approval for replacing the Privatization Board of Pakistan and the Committee of the Privatization Board of Pakistan with Cabinet Committee on Privatization (CCOP). The Cabinet Division also issued the notification for a 9 member CCOP to be headed by the Minister for Finance, Shaukat Aziz. Ministers for commerce, industries and production, communication, petroleum and natural resources, railways, environment, local government, rural development, labour, manpower and overseas Pakistanis, deputy chairman Planning Commission, chairman Privatization Commission and chairman Board of Investment will be the members of the CCOP. At present there is no deputy chairman for Planning Commission. The secretary general, finance and economic affairs, secretary industries and production division, secretary communication division, secretary water and power division, secretary petroleum and natural resources division, secretary railways division, secretary labour, manpower and overseas Pakistanis division, secretary law, justice and human rights division, secretary Privatization Commission and secretary Board of Investment (BoI) would also be invited by special invitation for all items of the agenda for the CCOP. The CCOP could invite such other officers to its meetings as many be required from time to time. The terms of reference of CCOP shall include the formulation of privatization policy for approval of the government/ cabinet, to approve the state-owned enterprises (SOEs) to be privatized on the recommendation of the Privatization Commission or otherwise, to take policy decisions on inter-ministerial issues relating to the privatization process, to review and monitor the progress of privatization, to instruct the privatization commission to submit reports/information/data relating to the privatization process or any other matter relating thereto, to take policy decisions on matters pertaining to privatization, restructuring, deregulation, regulatory bodies and privatization fund account, to approve the reference price in respect of the SOEs being privatized, to approve successful bidders, to

consider and approve the recommendations of the Privatization Commission on any matter and to assign any other task relating to the process to Privatization Commission. The CCOP was created during the second PPP government and it was retained by previous Nawaz Government for about more than two years. However, it was replaced by Privatization Board of Pakistan and the Committee of Privatization Board of Pakistan by the ousted prime minister on the complaints that some of the ministries did not want the privatization process to be accelerated. Former Chairman Privatization Commission Kh Asif had been criticizing the role of ministries of petroleum and finance for obstructing the process. He used to request the former premier in every important meeting to remove CCOP. Later CCOP was replaced with Privatization Board of Pakistan which too did not help to achieve the desired results. Now the military government has revived the CCOP but the concerned officials did not believe it will help to foster the process of privatization. "You need to create an environment for disinvesting state entities", said a concerned official. When contacted he said that unless the confidence of the local and foreign investors was restored, there could not be any meaningful privatization in Pakistan.

From Pakistan-Dawn, 23 February 2000

EUROPE

WEST WANTS BOSNIA PRIVATIZATION PROGRESS BY SUMMER

Western donors on Thursday urged the Government of Bosnia's Moslem-Croat federation to speed up the delayed privatization process in order to achieve significant progress by summer. "The international representatives requested the Government to do all in its power to conduct significant privatization through both tenders and public share offerings by July," said a statement from the U.S. Embassy. Western diplomats, including U.S. ambassador and heads of the Bosnian missions of the World Bank and the International Monetary Fund, stressed that the privatization process should accelerate while there is still international support. "The group underlined that transformation to a market-oriented economy is key to establishing economic growth and reversing negative trends now becoming more apparent," they said in the statement. Bosnia's economic recovery after the devastating 1992-1995 war has been fuelled by a generous international \$5.1 billion aid package for 1996-1999, but the Balkan country has often been criticized for lagging behind with free-market reforms. The long-delayed sell-off of state assets in the federation began last May with the distribution of vouchers aimed at compensating citizens for war-related losses such as unpaid salaries and pensions and frozen bank accounts. But progress has been slow with only some 70 out of a total of 300 small federation companies sold so far, prompting the U.S. Government in December to suspend its privatization assistance, citing political obstacles. Privatization has been delayed partly by technical problems, such as pre-war debt, unresolved property issues and the amount of privatization vouchers to be distributed, but also by bickering between Moslem and Croat politicians. In a bid to speed up the slow-moving process, the federation privatization agency announced last month it would take legal action against those state firms which failed to submit their privatization programmes by a February 10 deadline. It said that cantonal privatization agencies would have to fine those companies that missed the deadline and take over the preparatory work for them. The Western diplomats supported the move but warned that the process needed to accelerate. "The longer this reform process is delayed, the more difficult it will be for the economy of the federation to pick up," they said in the statement. Post-war Bosnia also comprises the Serb republic, and Western officials said that its leadership seemed more committed to implementing the sell-off of state assets than federation authorities.

From Reuters, 08 February 2000

AUSTRIAN COALITION PLANS PRIVATIZATION DRIVE

A proposed Austrian centre-right coalition would undertake an extensive privatization programme, a source in the Conservative People's Party, the more moderate of the potential allies, said on Wednesday. The source said his party had agreed with Joerg Haider's Freedom Party on a sell off of the state's entire residual stakes in tobacco group Austria Tabak AG, airport operator Flughafen Wien AG, Telekom Austria AG and post office savings bank Postsparkasse (P.S.K.). In addition, the state would also reduce its holdings in other enterprises. Haider and People's Party leader Wolfgang Schuessel were meeting President Thomas Klestil on Wednesday to seek his authorization to form a government despite mounting international protests against the Freedom Party entering government. The privatization plan differs little from the final draft of an abortive coalition accord approved by the Social Democrats and the People's Party last month. As a first step OelAG, the main state industrial holding agency, will be merged with Post- und Telekom Beteteiligungs-AG (PTBG), which controls the state's shares in Telekom Austria and PSK, and with Post- und Telekom Austria AG. This would enable all these bodies debts to be bundled together. "The idea is to use the receipts of privatization to pay off the debts and release the state from liability once and for all," the source said. OelAG now controls 41 percent of Austria Tabak, and 17.85 percent of Flughafen Wien while Telekom Austria, the old telecommunications monopoly, is 75-percent owned by PTA. The remaining 25 percent belong to Telekom Italia. Further candidates for a 100-percent selloff include the state publishing and printing house and the Dorotheum auction house. The coalition will consider reducing the state stake in other state-run companies to below 25 percent, but will seek so-called syndicate deals with domestic banks or other shareholders to ensure strategic decisions are made in Austria. Syndicate arrangements, under which several shareholders agree to act in concert, are already in force for oil group OMV, whose main shareholders are OelAG and the International Petroleum Investment Corp of Abu Dhabi. The main companies in which the coalition envisages reducing the public stake to under 25 percent are OMV, steelmaker Voest-Alpine Stahl and Austrian Airlines. Schuessel said on Tuesday he planned to unveil an ambitious privatization

plan that would yield up to 130 billion Austrian schillings (\$9.17 billion). Lukas Stipkovich, a senior analyst with CA IB Investmentbank AG, welcomed the proposed privatization. "This will bring liquidity and increase the free-float of shares," he said.

From Reuters, 08 February 2000

UKRAINE TO SPEED UP INDUSTRIAL LAND PRIVATIZATION

Ukrainian President Leonid Kuchma has signed a decree to speed up privatization of non-agricultural land in a bid to boost budget revenues, the presidential press service said on Monday. Only Ukrainian residents would be able to buy the land under Kuchma's decree. Foreign legal entities would only be able to rent it. "The decree has been approved with the aim of implementing the right of (Ukrainian) citizens, companies and the state to own land, to attract investment and replenish budget revenues," the press service said. The decree called on the government and regional authorities to draw up by July a plan for rapid sales of state-owned non-arable land and lots on which industrial companies are located. Kuchma issued a similar decree in January 1999, but the lack of accompanying enabling mechanisms hindered implementation. The former Soviet state's constitution enshrines the principle of private land ownership but very little land is held privately. Kuchma said such sales should raise a sum equivalent to no less than one percent of the country's annual budget revenues. The sale of more than 200,000 hectares of land could raise more than 50 billion hryvnias (\$9.09 billion), the decree said. Official data show almost none of the former Soviet republic's 10,000 privatized large and medium industrial firms were privatized with the land they stand on, so they cannot use the land as loan collateral.

From Reuters, 07 February 2000

ROMANIA BA BANK MOVES AHEAD FOR SALE

Romanian state-run commercial bank Banca Agricola (BA) is will accelerate its restructuring to fulfil ambitious plans to complete privatization by mid-2000, BA president said on Friday. "We expect the consortium comprising France's Lazard Freres and Reiffeisen Bank to present the due diligence report this week as the first step towards privatization," Eugen Radulescu told Reuters in an interview. "We and BA's main holder, the State Ownership Fund, are making all efforts to stick to the over-ambitious mid-2000 sell-off target," he said. Radulescu, previously central bank manager, was appointed to head the BA late last year as part of moves to speed up its restructuring and privatization -- a key demand under Romania's accords with international lenders. The BA, formerly a main channel of soft loans for farmers, revealed a large non-performing loan portfolio in 1997, when it received a state bailout of about \$450 million. "The bank was too dependent on the state's farming policy," said Radulescu. "The bailout was in fact an admission of the cost of that policy. There was also mismanagement, with an over-expansion of the network and unsound credits, but the BA's troubles have been generated mainly by the farming policy." Restructuring started in 1997, but Radulescu said it was done in a "too-little, too-late manner" and the bailout came four months after the rotten portfolio had been revealed. "The bailout only delayed the admission of losses and failed to solve problems," he said. "It was not followed by fast restructuring and losses kept piling up." The process quickened only last year with the number of units and outlets across Romania falling to about 250 from 350 in 1995 and staff numbers slashed to 5,800 at end-1999 from a peak of 12,000 five years ago. "There will be at least 1,000 more layoffs by mid-year and the number of units and outlets will fall to 200," said Radulescu. Implementing a modern IT system was also a key issue, with BA seeking to improve and shorten communication flows within the bank and with customers, make its units profitable by expanding services and even sell its 100-year old historic headquarters. "We aim to leave the door open for each (lending) area, we are not focused on a certain segment although the most appealing is retail banking for which the BA is equipped," said Radulescu. "The main goal is to turn the bank into a profitable structure." The bank's lending is limited at present but over the past years it was re-oriented, with credits for farmers accounting for around 16 percent last September. Radulescu said losses had been cut significantly to a monthly average of 50 billion lei from 250-300 billion over January-October 1999. The BA had overall losses of some three trillion lei last year after a balanced result in 1998 when it benefited of state coverage. The bank also transferred around 3.7 trillion lei in non-performing loans to the asset recouping agency last year. "We no longer have non-performing loans," said Radulescu. "The share of doubtful loans in the total portfolio is normal for any bank." Restructuring has trimmed down the BA's share of the local banking market. It accounts for some 4.8 percent of banking assets and 7.4 percent of household deposits, compared to 15.7 and 24 percent in December 1996. "This is the result of a continuous and severe clean-out to restore soundness," said Radulescu, insisting that investors should be lured by the BA given its new shape. "They will get a bank with a sound portfolio, fine network across the country, modern IT systems and banking procedures, well-trained and experienced staff and last, but not least, a name on the local market," he said. Radulescu said cited several variants for the sell-off of 56 percent of the BA's 108 billion lei capital, including a recapitalization by the state ahead of the sale.

From Reuters, 08 February 2000

TURK TELEKOM WORTH OVER \$10 BILLION SELL-OFF CHIEF

Turkish privatization chief Ugur Bayar said on Friday that state-owned Turk Telekom, whose long-delayed sell-off has finally been cleared, was worth well over a \$10 billion earlier valuation by Goldman Sachs. "We'll certainly be far higher from that 10 billion dollar level," Bayar told Reuters on the sidelines of the World Economic Forum's annual meeting in Davos. "We're doing everything to maximise that value." He was speaking just a day after the Turkish parliament passed legislation to allow an eventual 49 percent sell-off of Turk Telekom, the national fixed-line monopoly. Bayar said that Turkey would make a 20 percent block sale of Turk Telekom by the end of the third quarter of 2000. The newly-passed legislation created an independent regulatory body and undertook to liberalize the Turkish telecommunications market by 2004. Telekom's monopoly on infrastructure and voice

communications will remain until the end of 2003. Turk Telekom will cease to be a state enterprise and will become subject to private law regulations. The state will retain a 51 percent stake, supervise the company and play a role in defining policies and basic principles and practices, but an autonomous five-member telecommunications board will be set up to supervise policy implementation. "These developments will definitely maximise the value of the (Turk Telekom) shares," Bayar said. Bayar did not say when the \$10 billion valuation of Turk Telekom by Goldman Sachs would be revised. Turk Telekom has also announced that Turkey aims to complete by April tenders for three new GSM licences, one of which is set aside for Telekom. Aside from the block sale, 14 percent of stock in Turk Telekom is set aside for a domestic and foreign offering, five percent for employees and 10 percent for postal services to which Telekom was previously linked. Bayar declined to give a forecast but officials have said Turkey aims to raise 1,350 trillion lira (\$2.45 billion) from the sale of the stake in Telekom this year. Under a three-year, \$4 billion accord with the International Monetary Fund, Turkey must meet pre-set privatization targets.

From Reuters, 08 February 2000

EASTWEST: LAWSUIT OVER AZERBAIJANI VOUCHERS SHOWS RISKS OF PRIVATIZATION

Viktor Kozeny, the Czech businessman who made millions of dollars by manipulating loopholes in Prague's privatization laws, is once again embroiled in a privatization scandal. This time, the scene is Azerbaijan, with the apparent losers Kozeny himself as well as some influential U.S. investors. A lawsuit by a Wall Street investment fund against Czech businessman Viktor Kozeny has once again focused international attention on the risks of voucher privatizations across the former East bloc. Leon Cooperman, chairman of Omega Advisers, charged in a London court last week that Kozeny defrauded the Wall Street fund of \$126 million. At the center of the affair are voucher coupons in Azerbaijan's stalled privatization program. Vouchers give average citizens the right to shares in state firms. Typically, each adult receives coupons that are redeemable for shares at a later date. But in the early stages, coupon holders don't know from which firms they will be allowed to choose. In Russia, Bulgaria, and Azerbaijan, many people have sold their voucher booklets --potentially worth anywhere from almost nothing to hundreds of dollars -- for as little as \$5. Four years ago, Kozeny apparently convinced Cooperman and other influential U.S. investors to buy up vouchers from Azerbaijani citizens. The investors paid out more than \$450 million for the coupons and the special so-called "options" needed by foreigners to redeem the vouchers for shares in Azerbaijani assets. Kozeny told his investors they could redeem the coupons for stakes in SOCAR -- the lucrative Azerbaijani state oil firm whose vice chairman is Ilham Aliiev, son of President Heidar Aliiev. But so far, the paper vouchers have not been redeemable for any of Baku's most valuable industrial assets. And President Aliiev announced recently that vouchers will not be accepted for shares in SOCAR. Meanwhile, the options bought up by Kozeny's Baku-based firm, the Oily Rock Group, are due to expire in August. Kozeny has filled a warehouse in Baku with vouchers and options. The apparent losers in the endeavor include Kozeny himself -- as well as influential investors like Cooperman, former U.S. Senate majority leader George Mitchell, and Richard Friedman, a U.S. real-estate magnate said to be a friend of President Bill Clinton. The U.S. ambassador to Azerbaijan, Stanley Escudero, urged Baku last week to extend the expiration date of the options. He also said that the interests of foreign investors should be taken into account in legislation on the second stage of privatization -- which is expected to include large industrial firms. Escudero's remarks brought criticism from President Aliiev's supporters as well as from the opposition. Former Premier Ali Masimov, who now heads a democracy group linked to the opposition Popular Front, said Escudero's comments were inappropriate: "[Foreign ownership of vouchers] does not give any foreign ambassador the right to give directions to Azerbaijan's government on [privatization]. This kind of advice should be coming from the international institutions [like the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development.] Ali Hajiev, vice chairman of the pro-government Ana Vatan (Motherland) Party, also complained about the U.S. ambassador's remarks. Hajiev told RFE/RL that the paper bought up by Kozeny's Baku fund are not worth anything close to \$450 million: "Options and vouchers owned by foreigners are not [even] worth \$5 million [now]. Despite this, those vouchers will be used for the second stage of privatizing Azerbaijan's economy. I think that all of these issues will be taken into account in the second stage of privatization." In London, Britain's High Court has sealed Cooperman's lawsuit and forbidden the parties to discuss it publicly. But Kozeny had previously admitted there is a great deal of uncertainty surrounding his Baku-based Oily Rock Group voucher fund. Kozeny said he never asked anyone to invest in the fund. He said U.S. investors begged to participate, regarding it as a way to make money quickly. Kozeny also said all the U.S. investors knew from the start that the endeavor would be risky. In fact, according to Kozeny, he stands to lose \$150 million on the investment -- more than anyone else. Questionable stock dealings in the Czech Republic during the early 1990s left Kozeny with a reputation as one of Central Europe's most notorious rogue traders. He earned hundreds of millions of dollars for himself at the expense of 800,000 small-time Czech investors who chose to pool their vouchers into his now defunct Harvard Investment Group. Kozeny's manipulation of loopholes in the Czech privatization laws has been closely studied by economists and legal experts in other East European states that have since launched their own voucher programs. In the case of Azerbaijan, however, Baku appears to be beating Kozeny at his own game. The voucher program brought

foreign investment worth hundreds of millions of dollars into the country, and it did so without giving away anything more than a warehouse full of paper that could become utterly worthless in six months.

From Radio Free Europe, 24 February 2000

THE AMERICAS

LAWMAKERS TO CONSIDER PRIVATIZING HAWAII PRISONS

Rep. Garcia favors building a facility here with a focus on treatment for drugs. State legislators today were to begin discussing privatizing prisons in Hawaii with options such as hydroponic gardens or a drug treatment center. "The governor explicitly stated if you want a prison in the state you have to privatize it. I said fine," said House Public Safety Chairman Nestor Garcia (D, Waipahu). Garcia wants to keep the prison here in Hawaii and focus it on drug treatment. "I'm no longer interested in another Halawa (High/Medium Security Facility). I want to build a treatment center," Garcia said yesterday. An estimated 80 percent of Hawaii prisoners have a substance abuse problem, according to state officials. Yet less than 10 percent receive drug treatment. "I want to stop the revolving door," Garcia said. He doesn't mean building "a Betty Ford treatment center or a resort," he said, but rather a prison that has a primary goal to treat substance abuse, similar to several mainland prisons. Garcia said the state must resolve overcrowding problem in the prisons. The contract with mainland prisons ends in a year and a half. The governor's argument to send more Hawaii inmates to the mainland centers on cost, Garcia said. It costs \$42 a day to care for a prisoner on the mainland, compared to \$100 a day in Hawaii. "It's not just a dollars and cents argument. If you can break the cycle, you win in the long run," Garcia said. The last murder-suicide in Ewa Beach and suicide in Nanakuli involved people with drug problems, Garcia added. "I'd like to think we can win over support for it," he said. "It's not strictly a criminal issue. It's a public health issue." Sam Monet, owner of Greenhouse USA in Honolulu, wants to build a hydroponic greenhouse next to a privately run Hawaii prison. Prisoners can learn a skill and market a product to help pay victim restitution. He was to present his idea to the committee at today's hearing. "The prisoners get out of their cells and work around plants and music. It's a positive reinforcement," Monet said. The prisoners learn how to make a hydroponic garden, one of the country's fastest growing agricultural markets. The farming technique grows vegetables, such as vine tomatoes, without soil. "I want to put an end to the cycle of prison, release, crime and prison again. Our system has an educational aspect." An inmate who works three years in the greenhouse leaves with a growers second-class certificate. An activist in native Hawaiian issues, Monet said native Hawaiians make up about 70 percent of the state's prison population, yet only 19 percent of the population. "If we're going to prison, we're going to be treated well, not like hell, and when we get out we want to have job skills."

From Honolulu Star Bulletin, 08 February 2000