

# GOVERNANCE WORLD WATCH

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

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# Public Policies & Public Economics

## AFRICA

### SUDAN SAYS UGANDA SEEKS EMPIRE IN AFRICA

Uganda has an illusion that it can form an empire in the heart of Africa, the Khartoum daily quoted Sudanese Foreign Minister Mustafa Osman Ismail as saying. Uganda has helped the rebel Sudan People's Liberation Army, fighting since 1983 for autonomy for the mainly Christian and black African south from the Moslem, Arabised north. Sudan's Islamist-led government had been backing Ugandan rebels such as the Lord's Resistance Army, which has been fighting the Government of President Yoweri Museveni since 1987. Sudan's State Minister for Foreign Relations Ali al-Nimeiri is in Kampala to give Museveni a message from President Omar Hassan al-Bashir on bilateral ties and the Nairobi agreement.

*From Financial Times, 06 March 2000*

### AFRICAN AND CARIBBEAN WOMEN YEARN FOR DEVELOPMENT

African and Caribbean women residing in Paris are on the move to identify how best they could contribute to the socio-economic advancement of Africa with the aim of promoting empowerment of women. They initiated discussions on the matter at a meeting during the week-end under the aegis of the global 2000 Women's March Against poverty, violence and the fight for equitable socio-economic resource sharing world-wide in view of globalization trends. Organized by the Pan-African Alliance in collaboration with various African women's organizations in France, the women met Saturday to explore ways of ensuring a better future for Africa and women in particular. The global 2000 March is a major drive against poverty and non-violence, initiated by the Federation of Women in Quebec with support from UNESCO. The march is expected to arrive at the UN headquarters in New York 17 October, and will involve women's groups world-wide to promote a Culture of Peace. The president of the Pan-African Alliance, Afro-Caribbean woman, Mireille Pame Balin, urged participants not to mince words but to state the root cause of Africa's current economic decline in order to identify solutions. The theme of the meeting was African and Caribbean Women on the Onslaught for Economic Power. Through reading about Africa's past heritage, Mireille observed that the continent will take hold of the reality of its socio-economic natural resource potential, which she said, have hitherto been exploitation to its disadvantage. She called on the women to reinforce Pan-African solidarity by engaging in efforts that would change the lop-sided global socio-economic imbalances that disadvantaged poor regions, particularly in Africa. The women despised conflicts in Africa, saying that they negatively affected their role to mould children positively. "While women have vowed to ensure they take up their central role in Africa, men too must live up to their responsibilities and stop divisions through ethnic exclusions and genocide," Denise Ndzakou, an economist from Congo (Brazzaville), said. She said solutions to the various factors that combined to derail Africa from positive socio-economic objectives could only be found when the continent has peace and harmony. The women complained that the lack of financial resources hampered achievement of goals set by various women's organizations. Architect Amelie Essesse told the meeting that her organization - Architecture and Development - had taken interest in promoting African architectural designs adopted to the continent's various cultural traditions, life-styles and climatic conditions. "I have travelled widely on the continent and gained experience on what constitutes African architecture, unfortunately in architectural learning centres on the continent, one hardly hears about African architecture with a few exceptions such as Egypt and other countries in the northern Africa," she lamented.

*From Africa-PANA, 06 March 2000*

## ASIA/PACIFIC

### JAPANESE ECONOMY SLUMPS BACK INTO RECESSION

The Japanese economy, the world's second largest, slumped back into recession during the three months to December, according to data released Monday. It is the seventh quarter of contraction in the past nine, a record that underlines Japan's difficulties in developing a self-sustaining recovery. The country's gross domestic product contracted 1.4 per cent on the previous quarter, compared with market expectations of a 1 per cent decline. In the previous quarter it had declined 3.8 per cent. On an annualized basis GDP fell 5.5 per cent. However, Taichi Sakaiya, the minister for the Economic Planning Agency, which released the data, insisted the economy would achieve growth in the financial year to March, and had a high probability of meeting the government's growth target of 0.6 per cent for that period. That would need the economy to expand by 2 per cent in the current quarter, during which the Government has invested heavily in infrastructure projects. Most private sector economists predict the economy will undershoot the government's target. Mr. Sakaiya has said he will resign if GDP fails to achieve any growth. The markets fell sharply on Monday, though the drop was led by high-tech stocks and not attributed to the GDP outturn, which had been widely anticipated. The benchmark Nikkei 225 fell 2.84 per cent to 19,189 at the close. All components of the economy, except private capital spending, fell during the quarter to December. Private consumption, which accounts for about 1 per cent of the economy, contracted 1.6 per cent quarter on quarter. A fall in employment and cuts in bonuses have meant most households' real income has

declined. In addition, the corporate sector's efforts to restructure have meant that the propensity of workers to spend their declining income has also declined. Private housing investment, which accounts for about 4 per cent of GDP, also declined by 5.8 per cent quarter on the quarter. This was worse than expected. Private capital spending was the only bright spot, up 4.6 per cent quarter on quarter. This was much better than expected and was probably due to a sudden upsurge in technology-related spending. Some of this will have been related to fixing millennium issues. However, the positive capital spending data will raise hopes that the corporate sector will finally be able to push the economy into some sort of self-sustaining recovery.

*From Financial Times, 13 March 2000*

## EUROPE

### ROMANIA EYES EU, NATO ENTRY, SAYS REFORMS ON TRACK

Romanian Foreign Minister Petre Roman said on Tuesday that he was optimistic Romania would win European Union and NATO membership, and that his country was past the worst of its economic reform programme. However, he said it was up to Romania to breathe fresh impetus into its drive to join NATO during the "second wave" expansion due in 2002, citing apparent resistance from the United States. "I would say the most difficult economic reforms and restructuring are behind us," Roman told reporters at the Romanian Embassy in London. "Romania is as eager to be a member of NATO as it ever was. Our aspiration to be invited to join is as strong as ever. But in the U.S. the dynamics of (NATO) enlargement are flat," he added. "It is up to us to relaunch and raise the dynamics in order to reach this political movement of the second wave." Romania was one of six countries to open talks with the European Union last month over possible membership -- but while the EU has said it will be ready to take on new members in early 2003, Romania has said it hopes to meet the qualifying economic conditions by around 2007. To make the grade Romania must continue to push ahead aggressively with market reforms and privatization plans in its key mining, metallurgy and petrochemical sectors -- a task EU enlargement officials have deemed "very very difficult, very complicated." Roman, who was due to meet his British counterpart Foreign Secretary Robin Cook on Tuesday, said Romania was pushing European Union countries to relax visa requirements for visiting nationals in the meantime. And his Government was also looking to foster stronger business links with Britain, he said. "We are very interested to increase British investment in Romania and show there are more (investment) opportunities there," Roman said.

*From ABC News, 07 March 2000*

### HUNGARY FREES DOMAIN NAMES TO BOOST INTERNET TRADE

Hungary liberalized the registration of domain names on the Internet from Wednesday in a move to boost electronic trade, the national patent registration office said. The move means that homepages ending with ".hu" -- signifying Hungary -- can have any domain name, independent of the sites' contents or the profile of their owners, the office said. "For example, you could have 'Clinton' or 'OPEC' as a homepage name, or register the name of your girlfriend or a rival company for your homepage," one Internet service employee explained. Before registration, Internet service companies plan to display domain name applications for two weeks on the Internet to allow the real owners of names to object, said Mihaly Ficsor of the patent authority.

*From Hungary Today, 02 March 2000*

### PUTIN'S REFORMS PIVOT ON RUSSIAN GOVERNMENT LAND OWNERSHIP

What do the potato patches and dairy farms that ring this eastern Russian city have in common with the barren wind-swept steppes of Siberia? The Russian government owns them. Russia has more land than any country and the government owns nearly all of it. And that makes perfect sense to most Russians. So farmers were upset when acting President Vladimir Putin - the front-runner in March 26 presidential elections - suggested selling the fields and turning Russia into a nation of landowners. "Why should we sell our land? So that foreigners can buy it? So that (Russian) criminals can buy it and watch it disintegrate?" asked Alexander Zylev, director of the Molot collective farm, 150 miles northeast of Moscow. A portrait of Soviet founder Vladimir Lenin hung crookedly above his desk. The last decade has brought free elections, free media, and privatized many stores and businesses. But reformers say the country cannot be considered a real democracy or build a market economy until it abandons the Soviet system of state ownership of land. They also say Russian farms will never be productive until they move into private hands. But who would want to buy the much-abused land Russia has to offer? Most of the country's 370 million acres of agricultural land are still farmed collectively. Yet the farms produce a fraction of what they did in the Soviet era - and they were grossly inefficient then. Although it has some of the most fertile farmland in the world, Russia relies heavily on food imports. Record-low grain harvests in the past two years prompted Russia to beg for 8 million tons of food aid from the United States and European Union. Zylev's farm is cluttered with broken-down tractors, and half its cowsheds sit empty, filled with snow seeping through rotten roofs. Across Russia, farm workers often take home leftover vegetables as wages - or steal them. Farmers can't afford fertilizers, feed or equipment, and are diving deeper into debt. Putin recently suggested holding a referendum on "the land question," which he has called a key priority. And the parliament, which saw many hard-liners ousted in December elections, could finally give Russia a post-Soviet land code that would encourage private farming. "The question is whether Putin will be strong enough to overcome the public fear of free land sales, the conservatism among Russians - rural and urban," said Cameron Sawyer, who runs a Moscow-based real estate company. As bad as Russian agriculture looks now, many Russians fear private land ownership would be worse. Farmers worry

that serious reform would shut down unproductive farms and cost them their livelihoods, and city dwellers worry about food supplies drying up. In addition, most Russians are too poor to buy the land, and farmers fear rich Russians or foreigners will snap it up and take it out of agricultural production. Valentin Milto is a rarity in rural Russia. He wants to buy the land his Russian-Dutch company, Agronova, uses for growing potatoes. "I need permission from the local administration to do anything. To seek a loan, to sell seeds to a neighboring farm," Milto said, while inspecting a well-stocked Agronova warehouse west of Yaroslavl. But even his own employees are resisting his efforts to buy land. "I trust my bosses, they're good people. But if one foreigner buys land, then another will, and soon all of Russia will be foreign," said Tatyana Zhidkova, a seasonal worker stuffing beets into buckets. Working land leased from state farms around Yaroslavl, Agronova produced four times as many potatoes per acre last year as the national average. It was one of the region's few agricultural businesses to turn a profit. Its neighbors, including Zylev's Molot farm, were not pleased. Some complained to local authorities, and Agronova had to seek new land plots after one lease deal soured. Technically it's already legal to buy and sell land, thanks to decrees signed by Boris Yeltsin. But Russia still lacks a parliament-approved land code, keeping potential buyers away. Only about 6 percent of Russia's land is in private hands. Besides, the people with money aren't interested in taking over farms with bloated payrolls and mountains of debt. Demand for land is so low that the land Agronova wants to buy would cost about \$7 an acre, Milto said.

*From Reuters, 9 March 2000*

## **ECONOMIC REFORM RESULTS IN HIGH JOBLESS RATES FOR WOMEN**

With the economic tumult that free-market reforms have brought to former communist countries, many women in the region have been forced from their jobs. Since the fall of communism in 1989, unemployment rates for women across eastern Europe and the former Soviet Union have skyrocketed. According to a recent report by the United Nations Children's Fund (UNICEF), the women who have lost most jobs are in the countries that are furthest along the path of economic reform. In Hungary, a country of some 10 million people, women have lost close to one million jobs since 1989 - that's one-third of all the jobs they held under the old regime. The situation is similar in Ukraine and Russia, but in Azerbaijan and Uzbekistan, cautious reforms have protected state-supplied jobs for many women. Under communism, women's participation in the work force was outstandingly high by international standards. In the Baltic republics, Russia, Ukraine, Belarus and Moldova, the gender gap in labor force participation rates was as low as that in Sweden -- the leader in job gender equality among Western nations. Across the communist region, women in the work-place had access to an extensive state-run system of family and child-care supports. That included lengthy paid maternity leave, family allowances attached to wages, and nursery, kindergarten and after-school services for children. Levels of educational achievement among women were high and standards of health care were relatively good. Andy Newell, an economist at the University of Sussex in Britain, says that the large number of women working in the eastern bloc was part of a larger plan to increase the work force in communist countries: "The history of women in the communist period, especially in Russia but it's true in eastern Europe as well -- that the system was designed to ensure economic growth in the communist framework. And the way that they did that was extensive growth and that meant that they wanted to get as many people working as possible. Female participation rose very rapidly during the 30s, 40s and 50s. And that was deliberately designed." But despite these successes, gender discrimination still existed and it was never properly addressed by the communist authorities. Although women were encouraged to work, they often carried a double duty of home and work responsibilities. Data from the UNICEF report shows that the total workload of women in eastern Europe averaged close to 70 hours per week. As communism collapsed and countries moved into economic turbulence, traditional stereotypes begin to resurface.

The transition from communism immediately showed that there had been a real gender difference in employment. Not only were women the first to lose their jobs, when state companies began to collapse they also encountered limited avenues for future employment. State subsidies for childcare and maternity leave disappeared almost immediately, making it difficult for women to leave the home. Newell says that women are often crowded into professions traditionally open to them and shut out from industries where salaries are higher. "Employment practices are still very sexist. There's a great deal of occupational segregation in these countries still. So women will be crowded into feminized industries -- health care, education, primary education especially -- and they won't be at all in other industries." Like many other countries elsewhere, women earn less on average than men in former communist countries. According to a recent World Bank study, university-educated men in Poland on average earn about 40 percent more per month than educated women. In Latvia, women employed full-time bring home up to 32 percent less than men. In Croatia, women make up more than two-thirds of office workers and more than half of all low-skilled labor. The report says that the gender difference in pay is directly tied to a decrease in educational opportunities for women, which has resulted in women being clustered in low-paying jobs. The picture is far brighter when it comes to women involved in the rising number of small business. UNICEF recently examined the number of women among entrepreneurs across the region. Its data shows that about one-quarter of all entrepreneurs are women. The numbers are consistent with those found in many developed market economies. Newell says that women entrepreneurs are stepping forward to fill a huge service sector gap: "There's this terrific shortage in everyday services -- things that we in the West would treat as completely normal. From hairdressing to mail services, all those personal services and financial services as well. There just wasn't very much of that. And entrepreneurs were hardly encouraged in the system. And so there was a terrible shortage of that kind of activity. And those are activities that are predominately done by women, made by women, even in the West. And so as they've grown, as they start from small enterprises, that's where you would expect to find the women." Newell also says that before women's role in the workplace can improve, former communist countries must first build a stable economy. He says that women will survive the tumult of transition years. One major reason he cites is that, for him, they

cope better with adversity. That means, Newell adds, that women are less shocked by the transition to a free market and have tried harder to find out what it is they can do.

*From Radio Free Europe, 10 March 2000*

## **NEW BILL TO BAN CIGARETTE ADS IN PUBLIC**

The Government is expected to introduce soon a new revised bill to prevent the advertising of cigarettes and smoking in public institutions. Minister of Health Leonard Solis said experts from his ministry were giving the finishing touches to a new revised draft before sending it to parliament for consideration and approval. "In a few days time the draft of the 'smoking bill' will be sent to parliament for the third time," said Solis, who is frustrated by what he calls obstacles raised by several MPs and lobbyists with interests in the tobacco trade. "The law would establish an anti-smoking environment in the country," said Solis. The primary care department chief, Petrit Vasili, said that the anti-smoking law was necessary to protect the considerable community of non-smokers. "We are trying to create conditions to protect those that do not smoke from nicotine contamination, to protect the health of infants, school children and to set up a clean micro-environment in state offices and institutions," he said, adding that the law was not intended to prohibit smoking. The law is also expected to ban the advertising of cigarettes on television and in public places. He complained that the lack of an anti-smoking law seems to have negatively affected both private and public mentality, as numerous advertisements and posters continue to be seen in public places, as well in promotional messages on TV. "No European country allows cigarettes' ads. on TV or in public places," said Vasili, adding that the new anti-smoking bill would provide for severe sanctions against violators. Surveys say that 64 percent of adults in Albania are smokers, and among women, 12 to 24 percent.

*From Albania Daily News, 13 March 2000*

## **OECD CALLS FOR ECONOMIC REFORM IN REGIONS IN RUSSIA**

The Organization for Economic Cooperation and Development released an unflattering report on the Russian economy today (Wednesday). RFE/RL correspondent Tuck Wesolowsky reports that the organization says the Russian regions, in particular, need to improve tax collection and allow failing companies to fail. The Russian economy continues to make progress, but will not take off without "further, deep reforms." That's the overall conclusion of an economic survey on the Russian economy, carried out by the Organization for Economic Cooperation and Development, or OECD. The report was released Wednesday in Paris. Economist John Litwack is one of the authors of the OECD report. He says that, in general, Russia has taken appropriate measures to stabilize inflation and the ruble exchange rate following the country's 1998 financial crash. "We generally think the macroeconomic measures, and macroeconomic policies, taken by the Russian Government in the wake of the crisis, have been effective in restoring at least some degree of stability and providing a foundation for some economic recovery." But the OECD survey notes that poverty and social distress have increased for a large segment of the Russian population following the 1998 crash. The report says unemployment rose substantially in the early months of the crisis, although it has subsided somewhat along with the industrial recovery. Litwack says this OECD economic survey of Russia -- the group's third -- has more of a regional focus than previous surveys, partly because of concerns that the Russian regions are failing to create the conditions needed for economic growth. He says the report faults the poor division of fiscal responsibilities between officials in Moscow and the outlying regions. "That problems in fiscal federalism, or the division of fiscal authority between different levels of government in Russia, are central in creating poor incentives for responsible policies at the regional and local levels." Litwack says regional governments, facing their own crushing social and federal tax burdens, have devised schemes to cheat the Kremlin taxman. "So, for example, an enterprise will owe taxes to their regional government, but the regional government will arrange for the enterprise, in agreement with the regional government, to, instead of paying taxes, this enterprise will make a delivery of goods to another enterprise and maybe somewhere at the end of the cycle, someone makes a payment to someone who's a budgetary recipient. So, in this way, the budget is fulfilled, and avoids using cash altogether." The lack of cash transactions and the frequency of barter agreements in Russia's economy is another focus of the report. Non-cash barter accounts for nearly 40 percent of industrial trade in Russia. The OECD says monopolies, such as those in the gas and electricity industries, are particularly prone to resort to barter agreements. One of the reasons for that is that energy suppliers are not allowed to simply cut off non-paying customers at will. Among its recommendations, the OECD says Russia needs to reform tax laws and force through bankruptcy of indebted companies and even regions. The OECD says bankruptcy and the threat of it could be used to force companies to pay taxes on time and in cash. But it warned that the policy needs to be accompanied by budgetary reforms. The OECD report says the federal government should shoulder more social costs, continue new policies to allocate some funds to regions on the basis of need. It recommends sending temporary fiscal managers to those regions that fail to meet their financial obligations.

*From Radio Free Europe, 08 March 2000*

## **THE AMERICAS**

### **GOVERNORS SCRAMBLE TO TAP STATES INTO NEW ECONOMY**

The nation's governors are investing billions of dollars in technology this year, from registering cars online to providing seed money for Internet startups, in a concerted and sometimes frantic effort to tap into the new economy. What works and what doesn't remains a puzzle. Coming together for a weekend devoted to the challenges of the digital age, the governors rushed to follow the

private sector. "Government is always the last to catch up," said Illinois Gov. George Ryan, who wants to spend \$1.9 billion on technology in his state over the next five years. "If we don't invest now, we're going to be behind." Governors heard from a parade of software and corporate executives, professors and commentators at the winter meeting of the National Governors' Association. Some governors shared stories of their successes. "Some get it, some don't," said Eric Schmidt, head of software manufacturer Novell Inc., who spoke to governors Sunday about technology's place in global competition. But in a world where "the fastest learner wins," things can change fast. In New Jersey Gov. Christie Whitman's state-of-the-state address this year, she proposed \$165 million toward technological initiatives from new training for welfare recipients to Internet incubators that help launch new companies. "You can't just let it happen," she said. "You've got to be driving it." She is not alone. Almost all the governors have laid out spending initiatives emphasizing new technology. South Carolina Gov. Jim Hodges wants \$500,000 to add a chief technology officer to his cabinet; California Gov. Gray Davis proposed \$75 million for research at public universities to focus on the next generation of technologies; Ryan's hoped-for \$1.9 billion would go to education programs, government services and venture capital investments. In part, the spending proposals result from the booming economy itself and the record revenues flowing into the states. They also are the governmental version of Wall Street's fascination with the e-world. The governors' gathering mixed policy and how-to lessons: expanding broadband access, launching state World Wide Web sites, reinventing postsecondary education, managing the reams of government information. One model is Washington state, home to giant Microsoft and for two years ranked the top "Digital State" by the Progress and Freedom Foundation and No. 4 in the Progressive Policy Institute's "New Economy Index." Businesses in Washington can calculate and pay taxes online through a program provided free by the state. Similar ideas - taxes to car registration to social services benefits - are being considered or put in place nationwide. "How long will people wait in line at your driver's license bureau if they can buy the whole bloody car online?" New York Times columnist Thomas Friedman asked the governors. "If the United States of America doesn't become as efficient as America Online, government will become irrelevant." Obstacles do remain, particularly the same questions of privacy and security that recently plagued the nation's biggest ebusinesses. For government agencies that maintain sensitive personal information, the question is crucial. "Some hacker who had a lot of fun hacking into an ecommerce site (will say) it'll be even more fun hacking into the police department and posting the names of all the johns arrested for soliciting a prostitute," said Jeff Eisenach, president of the Progress and Freedom Foundation, a group that once helped fund Newt Gingrich's college classes. Privacy problems weren't ignored, but economic issues dominated for the governors. Economic development is a top priority. Sales tax on the Internet remains unresolved. The four-day meeting began with a stern warning: The NGA's report on the new economy concluded that states must aggressively refashion their governments if they want to continue to compete. The NGA chairman, Utah Gov. Michael Leavitt, laid it out starkly: "States can fight the changes and die, accept them and survive, or lead and prosper."

*From Votenet, 01 March 2000*

## **LAWMAKERS CONSIDER OPENING DATABASE ON DOCTORS TO PUBLIC**

While Congress is pondering whether to let consumers have access to a secret government database about disciplinary actions taken against doctors, lawmakers are hearing from patients who say they were harmed by physicians. "Six months ago I delivered a girl in Beth Israel hospital by emergency Caesarean," Liana Gedz told the House Commerce subcommittee on oversight and investigations Wednesday. "After the completion of the surgery, doctor Allan Zarkin carved his initials on my abdomen." She said if she had been allowed to see the government file on Zarkin, she would have learned of other patients' complaints and chosen another physician. Gedz, a dentist, also told the panel that keeping the National Practitioners Databank closed perpetuates "a white wall of silence where hospitals protect doctors and doctors protect their peers." Zarkin was suspended from the hospital, but he continued to practice medicine for five months. He has since lost his medical license and is now awaiting trial. His lawyer says Zarkin suffers from a brain disease that impairs his judgment. The National Practitioners Databank was created by Congress a decade ago to keep physicians disciplined by the medical board of one state from avoiding detection if they moved to another state and applied for a medical license. The system is accessed 3.5 million times a year by hospitals, HMO's and state medical boards. But despite the fact that the database is funded by taxpayers, the public is not allowed to use it. "American patients do have a right to know whether their doctor has a history of malpractice payments, disciplinary sanctions, or criminal convictions," said Commerce Committee Chairman Rep. Thomas Bliley, R-Virginia. Bliley's efforts are being challenged by the American Medical Association and other professional groups who are worried that too much disclosure could mean less information coming forward about wrongdoers: "Complete disclosure of the databank's contents to the public could cause caregivers to be less forthcoming about their own mistakes and less likely to express concerns about the competence of their peers," said Dr. Rodney Hochman of the American Hospital Association. He also said the database would not explain facts about malpractice lawsuits. Hochman said some insurance companies make it standard policy to settle cases, regardless of whether malpractice was committed, because it's cheaper than fighting. The database also would unfairly flag physicians who do high-risk procedures or are in specialties such as obstetrics that produce more lawsuits, said Rep. Greg Ganske, a Republican congressman who is also a Des Moines, Iowa, doctor. That could eventually lead to fewer physicians going into these specialties or performing risky but necessary surgeries, he said. Many states don't agree with critics of public access to the databank. The group Public Citizen finds half of U.S. states have Web sites detailing disciplinary actions taken against doctors -- and the reasons why the physicians face such actions. "It's really a kick in the head to the secrecy surrounding the National Practitioners' Databank that states are taking this matter into their own hands," said Dr. Sidney Wolfe of the group Public Citizen. But even if the database is made public, it's only as good as the information going into it. An oversight board has found 60 percent of U.S. hospitals have not reported a single incident regarding a doctor in 10 years.

*From CNN-US, 01 March 2000*

## ADMINISTRATION ASKING FOR TOUGHER LAWS AGAINST MONEY LAUNDERING

The Clinton administration will ask Congress for new powers to combat money laundering, including the authority to ban financial transactions between U.S. banks and brokerage firms and offshore financial havens, a Treasury Department official said today. The administration is seeking to tighten anti-money-laundering laws in an effort to stanch the flow of billions of dollars from drug-trafficking and other criminal activities through the U.S. financial system. Money laundering came under the public spotlight last summer, when federal authorities said the Bank of New York, one of the country's largest banks, had served as a conduit for about \$7 billion in Russian money, some of it believed to be from criminal activities. Treasury Secretary Lawrence Summers was outlining the proposed legislation in a speech to bankers today, the Treasury official said, confirming a report in today's New York Times. The official spoke on condition of anonymity. Russia, Colombia and Nigeria are among the biggest sources of illicit money, according to the speech Summers was expected to deliver. The Caribbean islands of Dominica and Antigua, and Nauru in the South Pacific are named as among the leading destinations for such funds. Some industry experts said it was highly unusual for a Treasury secretary to publicly name specific countries as sources of illicit money and money-laundering centers. Russia, Colombia, Antigua and Nauru are working with the United States to tighten their financial laws, Summers was expected to say. Among other things, Treasury wants the power to ask American companies to collect data on all kinds of transactions with an offshore bank or financial company. In cases where foreign governments shield banks from investigation, the department wants the authority to cut them off from the U.S. financial system without seeking congressional approval. Treasury officials have already begun informing U.S. banks of foreign banks or nations that repeatedly refuse to abide by generally accepted standards to protect against money laundering. In September, Treasury unveiled its first national money-laundering strategy, a package of proposed new laws and rules that include requirements that storefront check cashers, brokerage firms and casinos notify authorities of suspicious activities the way banks are required to do. That package and the proposals outlined by Summers today will be submitted to Congress in the coming weeks. Despite its many variations, experts say money laundering always basically works in a three-step cycle: moving illicit money, such as drug- trafficking profits, away from direct association with crimes; disguising the money trail; and making the money available to the criminals again with its illegal origins hidden.

*From Fox News, 2 March 2000*

## TREASURY PROPOSES IMF, WORLD BANK REFORM TO CONGRESS

The Clinton administration, hoping to head off more sweeping calls to downsize the International Monetary Fund and the World Bank, presented modest reform proposals to Congress on Thursday. But in urging Congress to continue supporting the main missions of the international lending institutions, Treasury Secretary Lawrence Summers conceded mistakes had been made in the past, noting in particular problems with the IMF's handling of loans to Ukraine. The IMF acknowledged earlier this month that Ukraine's central bank had engaged in a number of questionable transactions worth almost \$1 billion to generate a falsely optimistic picture of the country's foreign currency reserves between 1996 and 1998. Summers told members of the House Banking Committee that the administration was "deeply concerned" about the incident. Summers said it was also troubling that IMF staff had delayed disclosing information it learned about additional questionable transactions that occurred during 1999. "We consider this to be a matter of especially serious concern, and the fund has acknowledged that the handling of this matter raises important issues it needs to address," he said in testimony to the committee. Summers said the administration was pushing the agency to strengthen its internal auditing procedures "to do everything possible to ensure against any recurrence of such abuses - whether in Ukraine or any other borrowing country." On Wednesday, the package of reforms put together by the administration received the endorsement of a top IMF official, Deputy Managing Director Stanley Fischer, who told reporters the administration's overhaul blueprint was preferable to more radical suggestions to downsize the IMF and the World Bank that are being advanced by a congressionally appointed advisory committee led by Allan Meltzer, an economics professor at Carnegie Mellon University in Pittsburgh.

The Meltzer commission has recommended restricting the IMF to supplying short-term loans to countries in financial crises. Summers proposed ending the IMF's long-term development loans to poor countries but not its long-term loans dealing with poverty reduction. The commission said long-term development loans should be the sole focus of the World Bank. Still, it recommended the World Bank halt about 70 percent of its current lending to developing countries such as China and Brazil that have access to global capital markets. Fischer told reporters he had some questions about certain aspects of the U.S. recommendations, but believed "the general approach suggested by Secretary Summers will be accepted by the institution." While several congressional Democrats have denounced the Meltzer recommendations as too radical, top Republicans in both the House and Senate have embraced the proposals. Fischer took issue with critics who have complained the IMF has been too slow in adapting its procedures to a rapidly changing global economy. "I keep hearing people say nothing is happening. There is in fact an enormous amount happening," Fischer said. "It dominates our work product." Fischer said the agency has put on the Internet enormous amounts of once-secret information, including its assessments of individual countries. In addition, he said, some outdated loan programs have been eliminated and a pilot program is under way to examine selected countries' banking systems and recommend improvements. The IMF assembled more than \$100 billion in emergency rescue packages from 1997 through 1998 as it struggled to contain a spreading currency crisis that saw investors fleeing country after country, sending currencies and stock markets crashing. Critics have charged the IMF loans did nothing to stop the contagion from spreading from Asia to Russia and finally South America and much of the money wound up bailing out private investors who had made risky bets in developing countries.

*From Nando Times, 23 March 2000*

## GLOBAL

### THE FUTURE OF ECONOMICS

In the long run, is the subject dead? The discipline to which this column is dedicated is in trouble. It nearly always has been. Only for a decade or two after 1945 did things look promising. That was when a revolution in methodology led many to believe that economics would at last become a proper science, not a literary pursuit for gentlemen-scholars. Mathematics, statistics and formal theoretical models were the new way forward; better forecasts and scientifically proven economic policies would be the result. Alas, the mathematics stayed but the optimism did not. Clarity and certainty, not to mention public esteem, still elude the discipline. Where has economics gone wrong? A symposium in the current issue of *Journal of Economic Perspectives* looks at the future of the subject from different angles, and suggests some interesting answers. But a first possibility (an obvious one, you might think, to practitioners of the dismal science) was somewhat neglected: maybe the discipline has come down with nothing more complicated than a bad case of diminishing returns. Perhaps as much light as will ever be shone on the inexhaustibly complex behaviour of economic actors has by now been cast, and it is futile to hope for more. Of course, it will always be possible to gather extra data, looking for finer and finer detail—hence the trend towards specialisation in the universities. But this will not, you might argue, render the big picture any more faithfully, or bring general economic laws any better into focus. Indeed it may make the big picture harder to see, until the search for general laws is called off altogether. A depressing thought. It would be much more encouraging to think that economics has been making big mistakes. Mistakes can be corrected, and the onset of diminishing returns pushed back. Two of the most interesting papers in the symposium argue that the discipline has indeed been making more or less the same mistake—though, true to form, the authors propose very different ways of putting things right. David Colander of Middlebury College, in an article that looks back on the present from an imagined 2050, blames current discontent on the orthodox general-equilibrium model that underlies most of today's economic theory. He favours a shift from the current approach, which has been called "loose-fitting positivism" (propose a model consistent with standard assumptions, then test it), to one based on "loose-fitting pragmatism" (forget about canonical principles, just search for patterns in the data). Such an approach, he says, would be consistent with "the rise of complexity science within the scientific community generally". Researchers sitting at their computers, subjecting data to a withering barrage of statistical analysis, would still hope to come up with laws of a sort, or regularities at any rate. But these "laws" would be regarded as provisional and ever-shifting: indeed, the claim is that changeless underlying patterns do not exist. Complex systems expand and evolve; even at the most fundamental level, the patterns are temporary. But whether this approach could still be called "economics" is debatable. The second approach is much easier to reconcile with traditional methods. Its most celebrated exponent is Richard Thaler of the University of Chicago, who has also written a paper for the symposium. Mr. Thaler agrees that the canonical principles of orthodox theory have led economics astray, but he believes these mistakes can be put right. He seeks, in other words, a tighter-fitting positivism.

You improve the fit above all, he would argue, by putting a more realistic account of human cognition at the centre of the theory. Orthodox theory famously assumes that people are rational. In reality, they are not. On the other hand, they are not crazy, or crassly incompetent—in other words, their behaviour is not random. If economics could try harder to recognize that people try to be rational, but in certain, often predictable, ways fail to be, the positivist approach would have a better foundation. In essence, what Mr. Thaler calls for is a marriage, or at least much closer cohabitation, between economics and psychology. In fact this liaison has already begun (see the article "Rethinking thinking" in our issue of December 18th). Lots of papers on "bounded rationality" or "nearly rational" behaviour are now appearing. One of the most fruitful insights from psychology is "prospect theory", which predicts that people are more hurt by losses than they are uplifted by gains of a corresponding size. This is a violation of "rationality", and yet as an alternative canonical principle it is theoretically tractable: settled models of economic behaviour can be built up from this starting-point. In his paper, Mr. Thaler looks further ahead and suggests new directions for this kind of research. Bounded rationality is already being examined, but much less attention has been devoted, for instance, to bounded memory. Consider what absent-mindedness implies for the theory of how principals (such as shareholders) deal with agents (such as managers). A forgetful principal finds it difficult to distinguish between success and failure on the part of his agent, because bad outcomes are often regarded, after the event, as having been foreseeable ("hindsight bias" is a well-documented psychological phenomenon). Emotion is yet another tract of relatively uncharted economic territory: people often do things out of love, or out of spite, and not just in pursuit of material self-interest. If models are to reveal anything, they must be simpler than reality: the challenge is to simplify usefully. Mr. Thaler's direction offers real hope of models that are truthful without being uselessly unwieldy. To go the other way, abandoning orthodox scientific method altogether, may conceivably produce better economic forecasts—but grinding out statistical patterns sounds a lot less interesting than thinking about what people do and why. And economics owes it to the world to be interesting.

*From The Economist, 06 March 2000*

### ONE VOICE IN A GLOBAL PICTURE

Jose M. Galang sits down with World Bank president James D. Wolfensohn to talk about good governance, corruption and sustaining Asian economic recovery. A dramatic change in the relationships between developing economies around the globe and their two leading sources of financial assistance, the Bretton Woods twins World Bank and International Monetary Fund, has precipitated new, more focused approaches to economic development. The World Bank and the IMF are widely known for the strict conditionalities they attach to the tens of billions of dollars worth of loans and grants they grant yearly to countries in search of

economic growth and prosperity. The global economic crisis of 1997-98 generated widespread resentment to the institutions' strategies. At the World Bank, a reexamination of its philosophy has given birth to what its president, James D. Wolfensohn, has labelled a Comprehensive Development Framework (CDF) -- a long-term holistic approach to development that "recognizes the importance of macroeconomic fundamentals but gives equal weight to the institutional, structural, and social underpinnings of a robust market economy." The CDF concept emphasizes "strong partnerships" among governments, financing donors, civil society, the private sector, and other development participants. Specifically, the World Bank involvement in the effort is to ensure that it aims to reduce poverty in a particular locality, as well as rid the program of corruption in the use of its financial resources. What distinguishes the CDF scheme from the old system of ramming development programs down the throats of governments is that it puts the country getting the financial and technical assistance in the driver's seat, both "owning" and directing the developing agenda, with the World Bank and the country's other partners each defining their support in their respective business plans. Mr. Wolfensohn was in Manila last week to conduct a series of consultations with a number of officials, particularly President Estrada and his top economic managers, as well as Supreme Court Chief Justice Hilarion Davide, Jr. Other World Bank officials in his entourage also held meetings with representatives from certain non-government organizations. Mr. Wolfensohn also participated in the trisectoral conference on "Partnerships for Governance and Development" (he said his participation made the activity a "quartisectoral" one). Towards the end of his visit, Mr. Wolfensohn sat down with BusinessWorld managing editor Jose M. Galang Jr. and the Philippine Daily Inquirer's Amando Doronila for a brief discussion on the CDF and his views on Asia's current recovery from the recent economic crisis. A transcript of that interview follows: QUESTION: What is the meaning of this change in the way you look at nations -- from "developing" and "developed" societies to "well managed" and "less well managed" -- and what is its effect in your criteria for putting funds or support in a country? WOLFENSOHN: We have concluded that investing in projects, whether they be infrastructure projects or social projects, in countries that do not have a framework within which you can operate is a lot less effective than working in countries where you have that framework. And it's just the reason: If you have a good government, they generally do better than a bad government. If you deal with an understanding of the different roles of the central government, the provincial governments and the local governments, and you can use the relative advantages of those groups, you can do better. We have innumerable examples of that. If you put funds into a society where the people are not protected either legally or judicially, there's a much better chance that you have inequity in the results of what you do. And if you go into a society where the financial system is unstable, you can pour money in, but typically it goes in inappropriate directions and the poor people are left out and the rich people get richer. This is not particular to the Philippines, but in five years in this job, it hit me during the last year that you couldn't go along with just projects if you refuse to face the fundamental issues of structure in a society. And included in that is the issue of corruption. So all I'm suggesting is that if you come to the question of development, you need to think of it not just in terms of a project here and a project there. Someone should be thinking of it comprehensively. I've now examined that in many countries. I have to tell you that I'm now convinced that that's right.

As to what we can do about it in terms of our policy, you can't force governments in most cases to do things that they don't want to do. But what you can do is that you can get the level of debate going on a number of subjects, so that the society can influence what its elected officials do. Sometimes that happens by revolution, as it did in Indonesia. Sometimes it happens by electoral process. And sometimes it doesn't happen at all. So what you've got to hope for is that you can move events without intruding in the sense that you can bring subjects up for discussion. We cannot insist on the style, but what we can do is to put in terms of our own programs an extra weight on those issues of structure and reform, and very often you'll find that there are people in the society that want to bring about change. Q: Since your September 1998 speech calling for "coalitions for change" against poverty and since your January 1999 speech launching the Comprehensive Development Framework (CDF) concept, the gap between the rich and poor actually continued to widen. Does that mean people or governments are not listening to you? A: First of all, I wish I was God, but I'm not. I am one voice in a global picture. And in the course of those speeches you had a global financial crisis -- for which I don't think I am personally to blame. Nor do I think the World Bank is to blame. But I would say that in terms of the debate and in terms of the approach on poverty, you'll find that the course of the debate has changed in two years. The International Monetary Fund is talking about poverty. The Asian Development Bank has its central platform on poverty. Your president got elected on the basis of poverty, not because of me but because that's what he said to the society. In the five years that I've been on the job, I believe that you are seeing now a much different approach to the effectiveness of projects. So I am rather proud of changing the debate. But the real question is not the analysis, it's the doing. And that is true in every country. But we are seeing much more action that is poverty-directed. And my guess is that in your country that's exactly what will happen here, too. Q: You had a corruption study here last year which spelled out specific recommendations. What is the progress of implementing those reforms? VINAY BHARGAVA, World Bank's country director in the Philippines: All along the framework of our report was just to give the architecture and not to fill in all the specific recommendations. That should really be done by the Philippine society and the Filipino experts. So what we did in that report was to basically lay out the framework for addressing the corruption issues based on global lessons or experience, and based on Mr. Wolfensohn's speech on how we go about addressing this issue. So what (President Estrada) did was to ask the Development Academy of the Philippines to prepare a more detailed blueprint. And this, we understand, is in draft stage. They are now doing consultations with donors, civil society and with the Executive branch of government and they will be presenting this report to President Estrada in early March. In addition the President has presented a list of agencies where the anti-corruption effort will be intensified. I think. WOLFENSOHN: The changes that I see is that first, on a global basis, the issue of corruption is now a much more visible issue than it was. I am not expert on your press or your society, but I have the impression here that that is true also, that the debate on corruption is much more open, much more focused. There is rarely a speech by a political leader which doesn't at some point deal with the question of corruption. Last night (Feb. 25) in my discussions with President Estrada, he talked about two things: He talked about his total commitment to the poverty issue. The

central focus is poverty which he repeated many, many times, and which I have confidence that he means it. He talked about the rural areas, about housing, about three million housing units. I think he has a deep commitment to it. The second subject that we also discussed is the distorting aspect of corruption. You know, I've read your press and I know that it's a big issue for you. But I have to say that the President's got no reason to kid me. I mean, these are the things that we discussed at dinner. So I take him at face value that these are the things that he puts his priorities on. I also thought that his speech today (before the trisectoral conference on effective governance) was remarkable. It was a first class speech, I thought. And in it he also highlighted corruption as an issue that he has to deal with. Again I would say to you that in every country the proof is in the action, not in the analysis. When I said that (at the conference), I got a round of applause. So it seems that's probably the tone in this country as well, that the analysis is terrific, the words are terrific, now show me the action. Q: How does this square with, first, your concern over the acquisition of control of the Philippine National Bank by Lucio Tan, and the question of transparency? Concerns have been expressed by World Bank and IMF and at the same time there are very pious declarations in Manila about the commitment to those values. A: Well, we're looking for action. The (Finance) minister (Jose Pardo) told me there's going to be action. The governor of the central bank (Rafael Buenaventura) told me he hopes very shortly to resolve the Philippine National Bank issue. I can't get into how they do it, (but) we certainly flagged it -- and I think the Fund did as well -- as an issue. I mean, the thing I've learned is that in one sense being president of World Bank is a position of great influence, and in another aspect it's a position where you have no power in individual countries. You can, to a degree, focus the debate, but the decisions will have to be taken here. I am told by the (Bangko Sentral [central bank]) governor that they understand the issues and they were going to work on it. Q: So how do you do it? By withholding releases of certain loans or delaying approval of new loans? A: I've found that black mail doesn't work anywhere in the world. What I found works best is to be a trusted partner. I have just come from Vietnam. To take it outside the Philippines, you have to be crazy to go in with a club in Vietnam. The Vietnamese are highly individualistic and very strong. They have defeated everybody that tried to impose something on them. Certainly to go in and make strident speeches in Vietnam about what they should do if they don't want to do it, is pointless. But to go in and work with the Vietnamese, you have a real chance because they're basically very rational people, and they want to improve their country. So I might learn something and they might learn something. That's the way you do it. Q: Vietnam is the only Asian country among the 13 CDF pilot areas. Is there work being done in the Philippines under the CDF program? A: You're doing a form of CDF yourself. The name CDF is really more a sense of direction than it is a seal of approval. CDF is used to describe a comprehensive approach. But what (the trisectoral conference) did today is more than what some of the CDF pilots have done. (Your Government) already met yesterday with the sectors of society.

In some of the pilot countries they haven't done that yet, even though they are CDF pilots. So what we're finding in the Bank is that the CDF is becoming much less a specific program than it is becoming the philosophy of the institution. In fact at the annual meetings, several of the finance ministers that we were talking with were saying, "Well don't talk to us about a CDF pilot, it's not up to you to tell us how to run the country. We want to do a CDF-type approach, we're going to do it. So don't think that you're giving us some seal of approval." I think what's happening in the Philippines is that you are in fact, with a different name, coming very close to what we would call as a CDF approach. The reports that were given (at the conference) this morning were remarkable in terms of their coherence with what we're learning in CDF pilots. Q: What is the World Bank's role in helping assure that the Asian recovery will actually lead to more sustained and robust economic growth? A: The first thing is that you've got to have economic growth. You've got to have macroeconomic policies that make sense. What I've been talking about are those elements apart from growth. It's very hard to deal with poverty unless you have growth. In your country where you have a 2.3% population increase annually, it's arguable whether a 5% growth is going to do it for you. In fact the probability is you need more than that if you're going to reverse poverty in any serious way. So the first thing is the balance between your population increase and your economic growth. The second thing I think you have to do is in relation to issues related to trade. I think the issue of trade and openness to trade both within the region and outside the region is crucial if you want to get sustainable growth. Third thing, you've got to look out for, in my judgement, is education and technology. As the President said, you can't turn back the discovery of the atom and you can't turn back the discovery of the Internet. And this is revolution, this is not just a different model... this is a fundamental change. I think what you're going to see in Asia is a colossal, either an acceptance of the technological challenge or non-acceptance of it. But clearly in terms of growth, the move to knowledge-based economies and the technology-based economies are going to be central to the continuation. And the final part -- perhaps I should have started with this -- if you want to have continuous growth in Asia you must deal with the structural questions that brought about the last crisis. You have to deal with the question of financial supervision and control, you have to deal with legal issues and justice issues, you have to deal with the question of the interface between politics and business and corruption. If you give up on those structural changes, then you can't be sure that any growth is going to lead to equitable development. You saw three years ago that we had great growth and still the thing turned upside down. And the thing you have to hope is that Asia realizes that even though the economic upturn is taking place, you still have poverty. And you haven't in all cases dealt with the structural reforms. So I think the thing we can do is to try and push Asia to continue with structural reforms. And even if they've got a big turnaround and growth, say, "Listen, guys, the thing that threw you last time was not growth, it was inadequate structures." And for me that is the biggest challenge in Asia because there's a lot of complacency developing around as you see things turning around. It's understandable but it's not sensible. Q: You can see complacency? A: I can see it in Asia generally. Not here. Here you didn't have the bigger problems in terms of the financial section. I mean, (former Bangko Sentral) Gov. (Gabriel) Singson has done a pretty damn good job in terms at least of the control of the banking system. Q: What are the institutions that need strengthening to support economic growth? A: Clearly it's financial sector reform. But it's also legal system and judicial reform. And it's also very much corruption. Look at the history of what happened in the other countries. People now at least totally mattered. At the time, people didn't. And in one country, in Indonesia, they changed the government by revolution.

*From Financial Times, 03 March 2000*

## THE FUTURE OF ECONOMICS – IN THE LONG RUN, IS THE SUBJECT DEAD?

The discipline to which this column is dedicated is in trouble. It nearly always has been. Only for a decade or two after 1945 did things look promising. That was when a revolution in methodology led many to believe that economics would at last become a proper science, not a literary pursuit for gentlemen-scholars. Mathematics, statistics and formal theoretical models were the new way forward; better forecasts and scientifically proven economic policies would be the result. Alas, the mathematics stayed but the optimism did not. Clarity and certainty, not to mention public esteem, still elude the discipline. Where has economics gone wrong? A symposium in the current issue of *Journal of Economic Perspectives* looks at the future of the subject from different angles, and suggests some interesting answers. But a first possibility (an obvious one, you might think, to practitioners of the dismal science) was somewhat neglected: maybe the discipline has come down with nothing more complicated than a bad case of diminishing returns. Perhaps as much light as will ever be shone on the inexhaustibly complex behaviour of economic actors has by now been cast, and it is futile to hope for more. Of course, it will always be possible to gather extra data, looking for finer and finer detail—hence the trend towards specialization in the universities. But this will not, you might argue, render the big picture any more faithfully, or bring general economic laws any better into focus. Indeed it may make the big picture harder to see, until the search for general laws is called off altogether. A depressing thought. It would be much more encouraging to think that economics has been making big mistakes. Mistakes can be corrected, and the onset of diminishing returns pushed back. Two of the most interesting papers in the symposium argue that the discipline has indeed been making more or less the same mistake—though, true to form, the authors propose very different ways of putting things right. David Colander of Middlebury College, in an article that looks back on the present from an imagined 2050, blames current discontent on the orthodox general-equilibrium model that underlies most of today's economic theory. He favours a shift from the current approach, which has been called "loose-fitting positivism" (propose a model consistent with standard assumptions, then test it), to one based on "loose-fitting pragmatism" (forget about canonical principles, just search for patterns in the data). Such an approach, he says, would be consistent with "the rise of complexity science within the scientific community generally". Researchers sitting at their computers, subjecting data to a withering barrage of statistical analysis, would still hope to come up with laws of a sort, or regularities at any rate. But these "laws" would be regarded as provisional and ever-shifting: indeed, the claim is that changeless underlying patterns do not exist. Complex systems expand and evolve; even at the most fundamental level, the patterns are temporary. But whether this approach could still be called "economics" is debatable.

The second approach is much easier to reconcile with traditional methods. Its most celebrated exponent is Richard Thaler of the University of Chicago, who has also written a paper for the symposium. Mr. Thaler agrees that the canonical principles of orthodox theory have led economics astray, but he believes these mistakes can be put right. He seeks, in other words, a tighter-fitting positivism. You improve the fit above all, he would argue, by putting a more realistic account of human cognition at the centre of the theory. Orthodox theory famously assumes that people are rational. In reality, they are not. On the other hand, they are not crazy, or crassly incompetent—in other words, their behaviour is not random. If economics could try harder to recognize that people try to be rational, but in certain, often predictable, ways fail to be, the positivist approach would have a better foundation. In essence, what Mr. Thaler calls for is a marriage, or at least much closer cohabitation, between economics and psychology. In fact this liaison has already begun (see the article "Rethinking thinking" in our issue of December 18th). Lots of papers on "bounded rationality" or "nearly rational" behaviour are now appearing. One of the most fruitful insights from psychology is "prospect theory", which predicts that people are more hurt by losses than they are uplifted by gains of a corresponding size. This is a violation of "rationality", and yet as an alternative canonical principle it is theoretically tractable: settled models of economic behaviour can be built up from this starting-point. In his paper, Mr. Thaler looks further ahead and suggests new directions for this kind of research. Bounded rationality is already being examined, but much less attention has been devoted, for instance, to bounded memory. Consider what absent-mindedness implies for the theory of how principals (such as shareholders) deal with agents (such as managers). A forgetful principal finds it difficult to distinguish between success and failure on the part of his agent, because bad outcomes are often regarded, after the event, as having been foreseeable ("hindsight bias" is a well-documented psychological phenomenon). Emotion is yet another tract of relatively uncharted economic territory; people often do things out of love, or out of spite, and not just in pursuit of material self-interest. If models are to reveal anything, they must be simpler than reality: the challenge is to simplify usefully. Mr. Thaler's direction offers real hope of models that are truthful without being uselessly unwieldy. To go the other way, abandoning orthodox scientific method altogether, may conceivably produce better economic forecasts—but grinding out statistical patterns sounds a lot less interesting than thinking about what people do and why. And economics owes it to the world to be interesting.

*From Economist, 4-10 March 2000*

# Governance Systems and Institutions

## AFRICA

### HOW ONE ENTREPRENEUR BEAT CORRUPTION

Corruption has become somewhat of a cliché in Africa. So, few Zimbabweans were surprised when a league of crooked cronies sought to destroy an honest businessman like Strive Masiyiwa. What shocked people most was that the upstart entrepreneur repeatedly fought back - and won. "There is a new way of doing business in Africa," declares the 30-something tycoon, letting out a boyish giggle as he swivels behind an expansive wooden desk at Econet Wireless. Mr. Masiyiwa took on a state monopoly, corrupt bureaucrats, and politicians to launch his cellphone company in Zimbabwe. Even President Robert Mugabe once used emergency powers in a bid to stop him. Today, Econet is the biggest corporation in the country. The aptly named Strive is a millionaire, as well as a household name. Along the road to success, Masiyiwa inspired a new breed of businessmen in Zimbabwe, who hold on tight to Christian ethics while they pursue profits in this emerging economy. "Many people see Strive as a savior," says Tikirayi Deketeke, news editor at the local Sunday Mail. "He is not only a leading light in the Zimbabwean economy. He is someone who dared to fight for his principles." Educated in Wales, Masiyiwa set out to launch Econet in 1993. As a telecommunications engineer, he knew cellphones could earn him money and promote development at the same time. A mere 1.4 percent of Zimbabwe's 12 million people have a phone in their home - and even that dismal degree of phone coverage puts this country among the top five in sub-Saharan Africa. The UN says that a country has not achieved full industrialization until at least 30 percent of its population owns a phone. "There is a direct relationship between telecommunications and empowerment," says Masiyiwa, noting that every dollar invested in phone networks creates an estimated \$4 of investment elsewhere in the economy. "This is about poverty alleviation." "Sure, I can fix that: Handyman Eric Majigawho takes a curb-side call as his children look on. He says thanks to the cellphone, his business is booming. Masiyiwa asked Zimbabwe's state phone company to join him in starting a cellular network. "They looked at me and said, 'We don't see a future in it.' " Masiyiwa decided to go it alone. But the state company, PTC, immediately announced that no private entity could establish a cellular network. The state had a "water-tight" monopoly on telecommunications. A less resolute capitalist might have given up on the spot. But Masiyiwa hired an American lawyer instead and, for the next five years, waged one court battle after the other. His first victory was to convince the country's constitutional court that the state's phone monopoly violated guaranteed rights to free speech. The extraordinary legal argument attracted international attention when phone companies throughout North America and Europe were still clinging to monopolies of their own. Astoundingly, Masiyiwa won. President steps in Econet spent millions setting up cellular base stations across the country, and was just days away from launching when the president himself stepped in to stop Masiyiwa. Mr. Mugabe used special powers - intended to be employed in times of natural disaster or civil unrest - to pass a presidential decree, which made it illegal for any private business to build a cellular network. Offenders faced two years in jail. "No one could believe it," recalls Masiyiwa. Econet was stopped dead in its tracks. Again, he turned to the courts, and a judge finally ordered the government to put a cellphone license up for public tender. "Guess what?" Masiyiwa asks with a guffaw. "We didn't get it." The winner was Telecel, a consortium backed by Leo Mugabe, the president's nephew who is also a member of Parliament and a close friend of the telecommunications minister. Minister Joyce Mujuru threatened to jail Masiyiwa for having erected his equipment. "They have to sell the equipment to the winning group or the Government will confiscate," she told local newspapers. The source of Masiyiwa's troubles was clear. He had refused to enlist business partners from the ruling elite.

Even worse, he had refused to pay bribes. A middleman for three government ministers once called Masiyiwa into an office and stated outright: "The price for a license is \$400,000 US." The middleman consulted with ministers in an adjoining office and returned to say, "OK, you can pay in installments." Masiyiwa stands his ground. But Masiyiwa stood firm. "We will never stop corruption in Africa until people stand up and say no," he says. "I'm a Christian, and that is just not the way that I do business." Econet's salvation came in a brown-paper envelope - documents that proved a corrupt official had docked 20 percent from Econet's score on the tender bid. Masiyiwa should have won in the first place. The late vice president Joshua Nkomo condemned the "criminal" behavior of his cabinet colleagues and threatened to resign. There were more court battles and a cabinet shuffle before Econet was finally awarded a license to operate in 1997. Today, Econet is outperforming virtually every other cell operator in Eastern Europe, Asia, and Latin America. Salomon Smith Barney, one of the world's biggest investment banks, declared last week that Econet is one of the "most exciting stories in Africa." Masiyiwa credits his success to God. He invites staff members to pray with him each morning. He flies economy class, drives a second-hand car, and lives in the same modest house. His Econet cellphones have become a common sight. For some black yuppies, it is an affordable status symbol. For township businessmen like Eric Majiga, it is so much more. "I used to line up for more than an hour sometimes to use the public phone," says Mr. Majiga, who runs a small handyman service outside Harare. Without a phone of his own, it was nearly impossible to talk to customers. Last year, he bought a mobile phone, and business has begun to boom. He now employs six people. "My kids had never heard a phone ring before," Majiga says as his young daughter fingers the buttons. "This has connected me to my family and made my business bigger."

*From Christian Science Monitor, 01 March 2000*

## AFRICA'S FALTERING DEMOCRACIES MAKE PROGRESS

Vandals attack homes and cars owned by political activists. Separatist rebels launch election day offensives. Polling stations open late and lack sufficient voting materials. The recent presidential ballot in Senegal was far from trouble-free, but it shows a growing African resolve to bring power closer to the people, some observers say. "The imperious president has not disappeared, but Africans no longer accept him willingly," said Adama Gaye, editor of the London-based West Africa magazine. "The new generation wants leaders who understand their problems." Thirty out of 53 African heads of state were elected in ballots that included serious rivals, compared to just a handful two decades ago. As education and press freedom slowly improve in the more stable parts of the continent, people are demanding a say in the political process. After inconclusive results in last Sunday's ballot, President Abdou Diouf is expected to square off against his longtime rival, Abdoulaye Wade, in a second round on March 19 - a first in Senegal, where the ruling Socialist Party has easily won previous elections. Wade has warned of a public uprising if he loses. There have been other mixed successes recently on this troubled continent. South Africa held its second democratic election last year after decades of apartheid rule. Neighboring Mozambique held its second elections in December after a brutal civil war, though the main opposition party disputed the results. In nearby Zimbabwe, voters turned out in surprising numbers to reject a constitution that would have increased the powers of President Robert Mugabe. It was Mugabe's biggest defeat since independence from Britain in 1980. At the other end of the continent, Algeria elected its first civilian leader in 24 years last year, though the country continues to be torn by an Islamic insurgency that has killed an estimated 100,000 people in the past seven years. Some Africans remain skeptical of the ballot process. Democratic change does not always bring freedom or a better life. In Ivory Coast, which along with Senegal had been a bastion of stability in volatile West Africa, the elected Government of President Henri Konan Bedie was toppled in a popular Christmas Eve coup. The ruling party had held power since independence from France in 1960, but faced mounting unrest, a declining economy and allegations of corruption. The military junta has promised elections to restore civilian rule, but has not set a date.

In the West African nation of Liberia, where elections took place the year after a ferocious seven-year civil war ended in 1996, warlord-turned-President Charles Taylor threatened to restart the fighting if he did not win. The first democratically elected president in largely desert Niger was unable to resolve his country's desperate economic problems and quickly lost support. After two subsequent coups, Niger held another round of voting last year. A former military man won. Even in Senegal, where the economy is growing by 5 percent a year and civil servants get regular paychecks, some voters are reluctant to trust their future to opposition candidates who represent the fearful unknown. The Socialist Party has ruled there for 40 years. Deep seated ethnic and religious divisions sometimes overwhelm the electoral process. Rwanda's mainly Tutsi government has refused to allow elections until radicals from the country's Hutu majority, who were implicated in the 1994 genocide that claimed more than 500,000 lives, no longer pose a rebel threat. Elections in Nigeria last year brought a return to democracy after nearly 16 years of military rule. But the country has been ravaged by mounting ethnic and religious violence under President Olusegun Obasanjo. Fighting between Christians and Muslims over calls to implement Islamic law, or sharia, has cost hundreds of lives in recent weeks. More than half of Africa's heads of state have been in power for at least 10 years, according to the U.S.-based Freedom House and other sources. Only 12 countries have totally independent electoral commissions. Until African countries successfully deal with the overwhelming social problems that overshadow their politics, they seem destined to continue to struggle with democratic change. "It is difficult to talk about democracy when you have nothing to eat," Gaye said. "This is Africa's problem."

*From Votenet, 13 March 2000*

## 'MORE DIE OF AIDS THAN WAR IN AFRICA'

UN Secretary-General Kofi Annan reveals that more people have died of Aids in Africa in the past year than in all the continent's wars put together. More people have died of Aids in the past year in Africa than in all the wars on the continent, the United Nations Secretary-General, Kofi Annan, said yesterday in London. This extraordinary statistic includes wars in Angola, Sierra Leone, Congo, Congo-Brazzaville, Somalia, Sudan, Ethiopia and Eritrea. "Aids is a major crisis for the continent, governments have got to do something. We must end the conspiracy of silence, the shame over this issue," Mr. Annan said, revealing that he has ordered a major UN study on Aids in Africa, which will be completed by May. In answer to a question, he said the study would "probably" be published, but he is likely to encounter resistance from regional leaders. Mr. Annan is in London to deliver the annual Commonwealth lecture tonight and is also scheduled to meet Tony Blair and Robin Cook. Some African leaders have begun to speak about Aids, Mr. Annan said, but most are still reluctant to confront it. "If I say that we must get people to use condoms, I find I'm said to be encouraging people to be promiscuous - this won't do," Mr. Annan said. The only African leader who regularly raises the issue and calls for a change in sexual habits is President Yoweri Museveni of Uganda, where dire rates of infection have improved as a result. Of the world's 36m Aids sufferers, 23m live in sub-Saharan Africa. "None of us has yet begun to grasp the full impact of this horror - on the quality of life in Africa, its economic potential and its social and political stability," Mr. Annan said. He cited Ivory Coast, where a teacher dies of Aids every schoolday, and of Botswana, where a child born today has a life expectancy of 41 years whereas, without Aids, they would have been expected to live to 70. In Zimbabwe Government projections show that by 2005 HIV and Aids will consume 60% of the health budget, and even that will fall far short. Aids permeates the military and police to such an extent that neither group can be used as blood donors. But, as in Malawi and Zambia where infection rates are extremely high, the subject is taboo. In South Africa Nelson Mandela and his wife Graca Machel have broken the silence on the disease, but Aids sufferers are still shunned.

*From The Guardian, 14 March 2000*

## **CORNERED BY OPPOSITION, MUGABE CRACKS DOWN ON CORRUPTION**

"I will not drop a tear if a relative of mine is caught in that net against corruption," President Robert Mugabe, promising a police crackdown on graft in government, declared in February. Used to empty promises in 20 years of his uninterrupted rule, few Zimbabweans believed the veteran leader's sincerity. Many simply took the pledge as Mugabe's electioneering for the upcoming parliamentary polls in which his governing Zimbabwe African National Union-Patriotic Front party is facing a possible defeat by an opposition capitalising on top level corruption. "Those guilty of corruption, and they are several, will go to court and be judged. Some of them will be great names...and there is no one who will be given mercy," insisted the Zimbabwean leader. "The net against corruption must work widely because there is a lot of corruption in our system," he admitted. Within a month, Zimbabweans were pleasantly surprised by the speed and scale Mugabe moved to fulfill his pledge to crackdown on graft, estimated to have cost the government billions of dollars over the years. Widespread corruption in government, and an economic crisis Zimbabwe is going through, has exacted an enormous toll on Mugabe's political standing. The first ports of call for the police were the troubled energy and agriculture ministries, where alleged corruption by top officials almost brought the country's farming-based economy to a halt. The permanent secretary in the energy ministry, the managing director of a state-owned fuel company and several senior officials were nabbed and charged with siphoning off more than 25 million US dollars from the oil firm. The alleged financial looting at the National Oil Company of Zimbabwe, until recently Zimbabwe's sole fuel importer, left the country with a crippling shortage of the commodity from which it has yet to recover. The officials, whose cases are before the courts, are accused of manipulating oil tenders, among other corrupt activities, for personal gain. To keep up the anti-corruption momentum, police next netted agriculture Minister Kumbirayi Kangai, his permanent secretary and the managing director of a state-owned grain company on fraud allegations involving nearly 12.5 million dollars. The arrests, particularly that of Kangai, threw the country into a frenzy of approval, and Zimbabweans dramatically changed their earlier scepticism of Mugabe's sincerity. "He (Mugabe) seems to be serious. No government minister has been arrested in the last 10 years," college student Amon Phiri said, recalling the Zimbabwean leader's anti corruption drive in the late 1980s which netted several ministers. News on the latest arrests, especially at the energy ministry where corruption appears to have been more deeply-rooted than elsewhere in government, have been well received. Mugabe had earlier taken direct control of the troubled energy ministry, following the resignation of the minister in February over the fuel shortage. Then 76-year-old Zimbabwean leader proceeded to strike a short term fuel supply deal with a Kuwaiti company, giving the country some respite in the sector. Mugabe's anti-corruption crusade seems to have struck the right chord with the electorate, but critics say it is merely a ploy to deflate attention from his poor management of the economy. "The president and his party are making the sacrifices they need to if they are to retain the confidence of the people of this country. But time, it seems, is not on their side," a University of Zimbabwe political scientist said. He speculated that more arrests of senior officials on corruption charges were in the offing in the run up to the parliamentary elections originally slated for April but now delayed for one month.

*From Africa-PANA, 27 March 2000*

## **ASIA/PACIFIC**

### **GOVERNMENT WANTS TRILATERAL SYSTEM OF BALANCED REDISTRIBUTION OF RESPONSIBILITY AND POWER**

Chief Executive General Pervez Musharraf on Wednesday said the Government wanted to evolve a viable trilateral system for the balanced re-distribution of responsibility and power between the Federation, provinces and the districts, said sources. Chairing a joint meeting of the National Security Council and Cabinet here Wednesday he said such a system was necessary in view of the requirements and aspirations of the people. General Musharraf said that the National Reconstruction Bureau (NAB) has been entrusted to propose a system which, "is coherent, efficient and that can effectively check corruption. Decentralisation and devolution of power are being planned to facilitate the general public servants accountable before the people," he added.

*From Pakistan International News, 01 March 2000*

### **ROAD TO REFORM FULL OF SOCIAL AND LEGAL OBSTACLES**

Accompanied by a few assistants, Won Hee-ryong was busy chatting with residents in this southwestern district of Seoul last weekend, promoting himself as an opposition candidate for the April 13 parliamentary polls. Instead of directly soliciting support in his Yangchon-gu electorate, near Kimpo International Airport, however, Won only distributed his business card and made a few vague requests, like "Please remember me" or "Take a favorable view of me." "I cannot ask voters to elect or even support me until March 28," said the 36-year-old lawyer. "These actions would be pre-election campaigning and therefore against the Election Law." Banners hanging on an office building did not even mention Won's name, reading only "I am 000. I will meet you soon." Conversely, the same election rule implicitly allows incumbent lawmakers to drum up popular support at frequent meetings convened to brief electorates on their parliamentary performances. While these and other handicaps are common to all would-be politicians, young or old, the symbolic meaning of these obstacles and the pressing need to shatter them appears to resonate particularly with younger aspirants, known in Korea as the "generation 386ers." Gaining strength from the public's dissatisfaction with Korea's corrupt, antiquated politics, a group of young professionals in their 30s, who attended college in the 1980s, and were born in the 1960s, have become an increasingly desirable alternative to the nation's existing politicians. The political parties, well aware of the changes in the air, have competed to recruit these new faces for the upcoming general elections, hoping their reformist

images will set them on the path to victory. Many 386s have therefore won party tickets for the upcoming election race. Despite having an unprecedented amount of public support, the newcomers are coming up against various barriers erected by old guards defending their vested rights. "I have to make myself known to the 250,000 residents of my electoral district in only 17 days," said Won, a candidate for the main opposition Grand National Party, in an interview with The Korea Herald. "This is preposterous." "The first thing I will do if get into the National Assembly is change the Elections Law. Equal opportunity is the basis of democracy, but the present law contradicts that." Under the current Election Law, incumbent legislators are allowed to hold town hall meetings at any time and on as many occasions as they please, to report on their legislative performances to voters in their electorates. Opportunistic lawmakers often use these meetings for campaign purposes. New aspirants are prohibited from mentioning or even implying that they are running in the elections before the official campaign period begins 17 days before the polls. The regulations severely hamper the 386s, who rely wholly on original policies and political visions to attract votes. Taking advantage of this adverse situation, "election brokers" are targeting the "big market" that comes every four years, hoping to win money from the desperate candidates. The brokers, who are often party members, ask for money in return for votes and support. Some will sell their services to the highest bidder, while some threaten to start smear campaigns if candidates don't pay up. Others have allegedly tampered with public polls. Startled by the appearance of these "unexpected guests," relatively naïve candidates recruited by the parties because of their high profiles have already dropped out of the race. "There have been a few callers I suspected were vote brokers, but I turned them down flat," GNP hopeful Won said. "Every journey has a first step, and the first step I plan to take in political reform is eradicating these 'money campaigns.'" The 386s, stressing their reform-mindedness, claim they are the only force capable of bringing about the ultimate objective of political reform - installing a more cost-effective political system. "I have always felt the need for reforms in Korea's politics, but was hesitant about whether I should be the one to make the changes. But I can tolerate no more of what I see," Won said, explaining why he entered the often cutthroat world of politics. "Being only a critical observer is much easier. Determination and self-sacrifice are things you need to do this," he went on, dismissing criticisms that the 386s who joined the existing parties - themselves the objects of reform - have taken the easy way out. Detractors, however, have also expressed doubts that these young hopefuls can affect any genuine changes in Korean politics, where regional antagonism and one-man boss rule have dominated the landscape for decades. Many political analysts were particularly skeptical about "former student activists," or "activist 386s' chances for success," placing more faith in "specialist 386s" like Won who have established themselves as a social figures. "I admit that there is some truth in these arguments," said Koh Jin-hwa, a former student council chairman at SungKyunKwan University, in a telephone interview with The Korea Herald. "However, people who can effectively work to connect specialists in diverse fields are needed as much as individual experts," said Koh, another GNP candidate running in Seoul's Youngdungpo-gu electorate. Koh noted that "specialists in associating and unifying political forces" were essential in the current "network" society. "We must overcome regional animosity and one-man domination through employing such networks," the leading activist 386 said. "The so-called activist 386s demonstrated their capabilities in the student movement," he added.

Prof. Lee Won-duk at Kookmin University disagreed, warning that the 386s' lack of expertise could lead to the rebirth of bossism. As if to confirm this prediction, the GNP's initial nominee list for the April polls was described by political analysts as the "founding of Lee Hoi-chang's Empire." The opposition party replaced 24 incumbent lawmakers with reform-minded young candidates, many of them recruited by GNP President Lee Hoi-chang and his close aides, in its list of 215 candidates for the 227 constituencies. Non-mainstream faction leaders, condemning the nominations as an attempt by Lee to purge the GNP of his rivals prior to the 2002 presidential polls, fled the party to form a new organization, tentatively named the Democratic People's Party. "There may have been factional interests involved in the nominations, but the party newcomers are definitely not Lee Hoi-chang's people," Won Hee-ryong said. He admitted that he too was appalled by the nomination shakeup. "If Lee attempted to form his own faction with the newcomers, it would surely backfire." "But one thing is clear. Lee responded to the public's desire for change and took a risk in doing so," he added. The candidate then stressed that the methods aspirants use to gain a party ticket is almost as important as what they do with it. "I will make the election campaigns more like a contest of policy, not a war of mouths," said the young political aspirant. "I will not engage in vote-buying or slander." Asked about his party's recent attacks on the ruling camp, he said they were "heartbreaking." In its latest offensive, the GNP demanded the ruling camp explain how a golf course owned by the debt-ridden Daewoo group with an estimated value of 150 billion won went on sale for only 11.4 billion. The opposition questioned the relationship between President Kim Dae-jung and the buyer, Cho Poong-un, an ethnic Korean U.S. arms dealer. Cho previously bought President Kim's private residence in Ilsan, Kyonggi Province, for half a million dollars. The frenzied allegations were seen as a counterattack to the ruling Millennium Democratic Party's accusations that a "money-for-candidacy" scandal tainted the GNP's candidate nominations for the April elections. With even the party headquarters engaged in negative campaigns, the individual battles for electorates are becoming increasingly complex. The 386s, meanwhile, are struggling to change an election culture battered by slanderous rumors and regional antagonism. "Transparent funding and voluntary workers will be the basis of the new political culture," a campaign strategist for a 386 candidate said. The public is so far lending its approval to the 386s' efforts for reforms, and many citizens are expecting more favorable changes to come in Korea's politics.

*From Korea Herald, 07 March 2000*

## **POLITICAL CORRUPTION A HOT ISSUE IN TAIWAN ELECTION**

Voters are worried by claims that the ruling KMT is involved in vote-buying and that it has connections with gangsters involved in organized crime. Even though Taiwan is showcasing its democracy in its presidential election on Saturday, the ruling Kuomintang (KMT) is being tarred by accusations of electoral sleaze and links to organized crime. Political corruption -- or "black gold" as it is known -- has emerged as a red-hot issue in an election otherwise dominated by warlike threats from China. As the richest party on

the island, perhaps even the wealthiest party in the world, the KMT is vulnerable to attack. "People are no longer prepared to put up with it," said political science professor Lu Ya-li at National Taiwan University. In places such as Pingtung, political graft dates back to the earliest days of authoritarian rule under the late Generalissimo Chiang Kai-shek, when the only democracy permitted was elections to local bodies. Well-connected gangsters -- working through clan and village associations, temples and rural cooperatives -- were counted upon to deliver the votes for the government. However, even its harshest critics concede that the party, which led Taiwan into a democratic age in the late 1980s, has purged itself of the worst corruption of its early years on the Chinese mainland. The party has given up its plum monopolies and put much of its wealth into a portfolio of stock investments. At a national level, even though there is a smattering of lawmakers with known mob links, vote-buying is largely a thing of the past. Even if they wanted to, ruling party workers could not get their hands on enough cash to buy this week's election from prosperous and independent-minded voters. But at a local level, old habits die hard, say political pollsters and analysts. "Black gold" still glitters in rural areas where an election bribe of NT\$1,000 (S\$56) goes a long way. Opposition candidate Chen Shui-bian and independent James Soong have both seized upon the "black gold" issue to try to topple 50 years of KMT rule. "We won't put the KMT in jail," said opposition lawmaker Parris Chang. "We'll do things softly." But he added: "We'll cut down the KMT's financial empire and put great emphasis on the rule of law." Caught on the defensive in a neck-and-neck election race, KMT candidate Lien Chan has proposed putting the party's vast assets -- estimated at anywhere from US\$2 billion (S\$3.4 billion) to US\$20 billion -- into a blind trust. Taiwanese voters are also concerned about the KMT's connection with those involved in organized crime. A mobster who once ran the county council in Pingtung now sits on death row as a convicted killer. His former council deputy is also behind bars for vote-buying. And the county's one-time chief executive would be in jail too had he not talked his way out on medical parole and used his freedom to win election to the island's legislature, where he sits today.

*From Singapore Straits Times, 13 March 2000*

## **GEN. PERVEZ-MUSHARRAF PLEDGES REFORMS FOR WOMEN**

Chief Executive General Pervez Musharraf on Wednesday pledged vital reforms to eliminate discrimination against women in all walks of national life. Addressing a women's convention marking International Women's Day here, Musharraf said the Government would set up a permanent commission which would be entrusted with the task of evolving an effective strategy. He further said that the government will consider proposals such as an amnesty for women prisoners held on minor charges, prohibiting child marriages, curbing the murder of women suspected of sexual immorality and repealing all discriminatory laws. General Musharraf said a national human rights convention would be held in April and before that a blueprint on reforms would be put to cabinet for approval. The Government is resolved to eliminating all forms of discrimination against women and ensures their participation in the mainstream of national life from "household to the highest levels," he added.

*From Pakistan International News, 08 March, 2000*

## **HEAD OF NATIONAL ELECTION COMMISSION CALLS FOR CORRUPTION FREE CAMPAIGN**

Announcing the beginning of the official campaign period for the April 13 general polls, the head of the government's election watchdog called yesterday for all parties involved to strive for a fair and corruption-free voting environment. Lee Yong-hoon, the chairman of the National Election Commission (NEC), said in a statement to the people that this year's general election was especially significant, as it was the first of the new millennium. He asked both candidates and voters to strive for a clean and neutral race. He warned that the NEC would not let illegal actions go unpunished, even if a violator was elected. "I have already instructed all local NEC chapters to closely monitor prior election violations as well as campaign expenditures, so that we can file charges against offenders immediately after the ballots are counted," he said. The NEC plans to establish and operate a nationwide election violation observation board that will monitor all candidates running in the 227 constituencies. This body will also be responsible for overseeing the ballot process in the 13,780 polling booths and 244 vote-counting stations on election day. The top election management agency also announced that this year's campaign period would last 16 days, beginning today and ending at midnight April 12, with absentee ballots being cast between April 6 to 8. "Candidates can immediately begin their election campaign once they have registered their bids for the parliamentary race," said an NEC official. He added that in accordance with the revised Election Law, candidates would be forced to submit their income and other tax related records for the past three years. In addition, he said, private gatherings like alumni, clan and regional interest group meetings would be banned during the official election period. "Even social events to enhance group solidarity will be considered illegal if they are designed to influence the voting patterns of participants," the official said. On the other hand, the limit on the number of meetings with constituents will be raised, so candidates can directly solicit voter support on the street and other areas where people converge. The maximum number of large-scale party supported speeches will be limited to two per district. President Kim Dae-jung, meanwhile, said the government was resolved to maintain a clean and impartial election environment at all costs, and that any one violating the law would be held fully accountable regardless of what party he or she was running for. Kim then warned voters not to be swayed by regional loyalties or superfluous factors like school and blood ties. He asked the public to cast their votes for the person who they felt would best lead the country in the new millennium.

*From Korea Herald, 27 March 2000*

## EUROPE

### BLAIR TO GIVE PUTIN LESSON IN REFORM

Tony Blair has offered to give Vladimir Putin, the acting Russian president, lessons in how to be a modernizer. At their talks in St Petersburg on Saturday, which were followed by accusations from a prominent Russian journalist that Britain and the West had condoned atrocities in Chechnya, Mr. Blair agreed that David Miliband, head of the Downing Street Policy Unit, should take a team to Russia in May after what is expected to be Mr. Putin's success in the presidential election on March 26. Mr. Miliband and other New Labour figures will offer advice on how an incoming government with a programme of reform can best handle a well-established bureaucracy and civil service to push through its wishes. Mr. Blair also agreed that one of the Treasury's top officials, Sir Nigel Wicks, should go to Moscow to offer advice on the continuing need for economic reform in Russia, ways of integrating Russia into the world economy, and the development of small and medium-size enterprises. British officials said yesterday that Mr Blair regarded the meeting with Mr. Putin as a success. He had expected criticism because of the Chechen war, and had put his criticisms over human rights concerns strongly. However, given Mr. Putin's expected election, Mr. Blair clearly saw the advantage in terms of future relations in being the first Western leader to meet him since Boris Yeltsin resigned. However, Andrei Babitsky, the Radio Liberty reporter detained in Chechnya for six weeks earlier this year, attacked Britain and the West for ignoring the Chechen conflict. He said he believed civilian casualties have been far higher in this war than in the 1994-96 conflict because of a Russian policy of using weapons of mass destruction on towns and villages to minimize its own casualties. "In Grozny I saw things I never imagined possible," Mr. Babitsky said in his first full-length interview with a British newspaper. "I believe the police state being set up in Chechnya and other areas of the North Caucasus will now be extended all over Russia. The West doesn't seem too interested, but those who ignore it are assisting in this crime." Mr. Babitsky's comments came after a day of talks at which Downing Street had sought "results, not rhetoric" from Moscow on the human rights situation in Chechnya. Instead, the Prime Minister returned to London late on Saturday with a vague promise of "larger cooperation" between Russia and organizations that have been demanding access to Chechnya for months. That promise was similar in tone to assurances Mr. Putin has given previous foreign visitors to little obvious effect. It was welcomed nonetheless by the International Red Cross, which wants access to all detainees in Chechnya including those allegedly tortured in Russian prison camps in the north of the republic. The Red Cross was mentioned publicly by Mr. Putin for the first time. He also conceded that the Council of Europe and the Organization for Cooperation and Security in Europe (OSCE), hitherto restricted to tightly-controlled fact-finding visits, could have longer-term roles. Details were scarce at a briefing from Messrs. Blair and Putin under the baroque gilding of Peter the Great's summer palace north of St Petersburg, leaving British officials to put their best gloss on a visit criticized even before it happened as an endorsement of the bloody war that has brought Mr. Putin to the threshold of the Russian presidency. "We've now got to wait and see," one diplomat said. "The proof of the pudding will be what happens next."

*From London Times, 13 March 2000*

### STEPASHIN SAYS PUTIN WILL PUSH ANTI-CORRUPTION EFFORT

Former Russian Prime Minister Sergei Stepashin promises that acting President Vladimir Putin will push an anti-corruption program if elected. RFE/RL correspondent Michael Lelyveld reports on details presented this week by Stepashin in a speech at Harvard University. Former Russian Prime Minister Sergei Stepashin this week outlined details of a sweeping anti-corruption program, saying it has been endorsed by Acting President Vladimir Putin. Speaking at Harvard University on Tuesday, Stepashin, who was recently named chairman of the State Duma's Corruption Commission, said that Putin has vowed to implement the new program swiftly if he is elected president on March 26. The ambitious program contains many proposals that have been promoted by international lending institutions and promised by Russian Governments in the past. Stepashin said the difference this time is that Putin is likely to win election by an overwhelming margin, without depending on Russian industrial groups or oligarchs for support. Stepashin spoke at Harvard's John F. Kennedy School of Government one day after appearing at the National Press Club in Washington, but he said that many details of the anti-corruption program were being disclosed for the first time. At the top of the seven-step agenda is reform of government finances, said Stepashin, who preceded Putin as prime minister. The reform would include a new budget code, "based on transparency of all the financial flows in the country," he said. Open budget hearings will be held on both the federal and regional levels, said Stepashin. He promised reform and audits of the state purchasing system throughout the country. The program would implement a treasury system for executing the budget. All financial settlements of the budget would be transferred to the treasury this year, Stepashin said. Better tax administration, equal enforcement, and elimination of arrears would be a priority, he said. The program also aims to reform the country's complex tax laws in the near future. "Immediately after the elections, we will indeed have the opportunity to do a real tax system reform," Stepashin said, speaking through an interpreter. "It will be ensured by Mr. Putin's victory in the elections, I believe, with a significant lead, and that will give him political freedom to do all things." Stepashin also pledged to attack corruption in privatization. He said that anti-corruption agreements are needed in privatized enterprises to provide transparency of financial information and the return of any misappropriated funds. "Of course, all that should have been done in '92 and '93," he said. The second series of steps in the program cover state administration reform. These would include better checking of qualifications for office holders, regular rotation of officials into new positions and disclosure of financial interests, Stepashin said. Bureaucracy should be reduced and pay improved to prevent corruption, he said. The third step is to deal with monopolies in the economy and introduce competition at all levels, said Stepashin. The program would examine monopolies in energy, the telephone system and state banking services, he

said. It would also seek to improve financial reporting and management accountability. The fourth proposal is to reduce economic regulation and barriers to the market. Stepashin said that regulatory authority should be limited in cases where it had simply become an opportunity to solicit bribes. Documentation and paperwork must be streamlined and consumer rights assured, he said. A fifth section includes support for civil institutions. Stepashin called for an anti-corruption campaign in the media and support for journalists who uncover crimes. Citizens should be educated as to their rights, he said. A sixth provision includes support for reform in the private sector, including approval of a business code and procedures for financial reporting. The seventh step would be legislative reform. Stepashin said his commission would study existing laws to determine whether they may actually be encouraging corruption. He said the Duma had already agreed to forward all new measures to the Corruption Commission for analysis from now on. While the program appears to be the most organized effort yet to address Russia's corruption problems, it also seems to echo Putin's recent comment that "democracy is the dictatorship of law." By introducing his program to a Western audience, Stepashin may have sought to ease fears that Putin would use a presidential mandate to limit personal freedoms. Instead, Stepashin stressed that Putin's power would be aimed at ending corruption, a top U.S. concern.

*From Radio Free Europe, 16 March 2000*

## MIDDLE EAST

### KHATAMI: SHOOTING WILL 'UNITE PEOPLE'

Police guard Mr Hajjarian's hospital Iranian President Mohammed Khatami has condemned the shooting of a leading reformer as a desperate act by those who have lost the battle against progress. Political activist and publisher Saeed Hajjarian is in a coma but said to be improving by his doctors. He was described by the president as a servant of the people whose shooting will serve only to "unite the people". "Assassination is the sinister method used by those who have lost any hope of being able to stop this nation's future-oriented move," he said in remarks broadcast by Tehran radio. Early on Sunday, Mr. Hajjarian was shot in the face by an unidentified gunman who escaped with an accomplice on a motorcycle in central Tehran. The bullet lodged in Mr. Hajjarian's neck, and after being put on a life support machine, is now breathing for himself. President Khatami called for every effort to catch those responsible for the shooting of Mr. Hajjarian, who is a member of the Tehran city council, and managing director of the Sobh-e Emrouz daily newspaper. Prominent reformist politicians, clerics and intellectuals flocked to Mr. Hajjarian's bedside on Sunday. The ministers of intelligence, interior and culture also went to the hospital to express their concern. The interior ministry joined President Khatami in condemning the assassination attempt, saying it had been intended to "create crisis and tension" within Iranian society and to inhibit "the restoration of the rule of law", according to the IRNA news agency. The ministry said the attack was an act of revenge for the outcome of the country's recent elections, which were dominated by reformists allied to President Khatami. IRNA said that the Law Enforcement Forces (LEF) and security forces had launched a massive manhunt to track down Mr. Hajjarian's assailants. The deputy commander of the LEF, Brigadier-General Mohsen Ansari said the LEF had taken eyewitness accounts of the incident, and a special investigation headquarters had been set up in Tehran. Dozens of security checkpoints were erected across Tehran within hours of the shooting, and police were checking motorcycles and cars. A former hard-liner who took part in storming the United States Embassy in the 1979 revolution, Mr. Hajjarian is now a key figure in the reformist Participation Party, set up to support President Khatami. Last year, Mr. Hajjarian was summoned to court by the Tehran Justice Department over an article in his newspaper that the public prosecutor said insulted Islam. He was released after being questioned. During last month's legislative elections, Mr. Hajjarian reportedly angered many of the losing hard-liners with what they considered provocative statements. Correspondents say that since President Khatami's election in 1997, several leading reformists have been attacked by vigilantes believed to be allied with hard-liners. Earlier this weekend, three results from February's elections were cancelled without explanation by the central election body, the Council of Guardians. The victories of reformist candidates in the southern cities of Bandar Abbas, Minab and Gachsaran were declared invalid. But the head of the interior ministry's election department said the council had failed to provide any documents or evidence to justify the step.

*From BBC News, 13 March 2000*

### MOOD OF REFORM MOVING FROM POLITICS TO SOCIAL MORES IN IRAN

At the Alighapoo restaurant, the band is playing lively Persian music when a preteen girl leaves her table and begins dancing near the stage, her twirling hands raised high. The ajghast percussionist misses a beat, the singer's voice falters, the accordion stops, and the flute peters out. An obviously uncomfortable maitre d' leads the girl back to her table while the guests cheer her: "Bravo! Bravo!" Iranians have long been used to Islamic inhibitions imposed by the ruling Islamic clergy. Defiance of cultural and religious taboos, such as dancing in public, has been rare. But there are signs Iranians are willing to test the boundaries - at birthday parties, on the ski slopes, in art galleries, at parks where young lovers stroll holding hands. Since the hardline Shiite Muslim clergy took power in 1979, the nation has been seen as the standard bearer of Islamic conservatism. The mood began to change after the 1997 election of reformist President Mohammad Khatami. A new confidence was injected after the thumping victory of candidates allied to Khatami in February's parliamentary elections. The foot-stomping music being heard nowadays at the popular Alighapoo restaurant would not have been possible before Khatami. When the hardliners' hold over power was absolute, only traditional songs were played. The night the girl danced impromptu for a half minute something else unusual was seen at the tables: Several women had shed their floor-length Islamic gowns to reveal chic clothes. A few nights before, a university student gave a party in his upscale north Tehran apartment to celebrate his 21st birthday. Among the guests were young women who came dressed in demure floor-

length gowns and headscarves. Once inside, they took off the coverings to reveal miniskirts, suited for the Western dance music that followed. Such mixing of sexes and display of flesh can still invite arrests by vice police, who can enter not only restaurants but also homes to enforce moral and religious values. But arrests are rarer now than several years ago. At the Tehran Museum of Contemporary Arts, works of Andy Warhol, Roy Lichtenstein and other modern artists that had been in storage since 1979 were recently brought out for a show on pop art, another sign of Khatami's liberalization. In Dizin, a mountain resort 60 miles north of Tehran, skiers dressed in figure-hugging sports clothes throng the slopes on weekends. From the snowy heights, conservative Iran appears far away.

*From Nando Times, 20 March 2000*

## THE AMERICAS

### NEW YORK SENATE CANDIDATE CLINTON URGES POLICE REFORM

U.S. Senate aspirant Hillary Rodham Clinton used a Sunday church appearance to make her strongest comments to date on the Amadou Diallo case and to propose how to improve policing in New York City. Speaking at Riverside Church on Manhattan's Upper West Side, near Columbia University, Mrs. Clinton said many of the city's minorities "do believe, if Amadou had been a white man in an all-white neighborhood, he would still be alive." Diallo, an immigrant from Guinea in West Africa, was shot 19 times in the vestibule of his Bronx apartment in February, 1999, after pulling a wallet out of his pocket. The four police officers, who are white, mistook his wallet for a gun and fired 41 bullets into the vestibule. Last month, the officers were acquitted of second-degree murder charges by a jury in Albany, New York. Police should be more diverse Clinton told the church assembly that "too many people are considered suspect because of the color of their skin." She took a jab at Mayor Rudy Giuliani, her Republican Senate opponent, and said "the leadership of this city refuses to reach out." "I reject the false choice between effective policing and mutual respect," she added. "The police should truly reflect the racial and ethnic diversity of this city." President Bill Clinton had earlier said at a California fund-raiser Friday night, when commenting on the Diallo case, that he believes "if it had been a young white man, in a young all-white neighborhood, it probably wouldn't have happened." New York City Mayor Rudy Giuliani says the president's comments regarding the Diallo shooting are being used as a campaign issue to benefit Mrs. Clinton, Giuliani's opponent for a U.S. Senate seat. Giuliani said he trusts the verdict of the jury, rather than President Clinton's opinion on the matter. Some of Mrs. Clinton's proposals to reform the New York City police department, which is 75 percent white, were: More federal investment in technology research to help officers find illegal weapons without stopping and frisking people, expand the Housing and Urban Development's "Officer Next Door" program that helps officers buy homes in inner-city neighborhoods, increase pay for police officers, increase partnerships between churches and police agencies to help troubled youths, increase recruitment of minority police officers.

*From CNN, 06 March 2000*

### LATIN NATIONS PAY PRICE OF REFORM

Alderete, the stout, balding director of the National Pensioners Health Care Agency, issued orders to destroy or cart off truckloads of incriminating documents. Fernando de la Rúa, Argentina's crusading new president who rose to power on an oath to clean up government, would soon move into the Presidential Palace, and Alderete feared that a raid on his notoriously fraudulent agency was only a matter of time. He was right. The raid came in December, and it turned out the agency had been bilked of hundreds of millions of dollars. Alderete had tried, but failed, to cover his tracks. "There was too much dirt and too little time," said one investigator involved in de la Rúa's takeover of the agency. "Not even bombing the building would have helped." In the weeks since then, Argentine investigators have become involved in one of the biggest anti-corruption probes in Latin American history. Alderete and other directors had misappropriated a fortune, they said, and the agency's 4 million poor and elderly clients had paid the price. As Alderete snatched up new properties, such as a \$1 million ranch in Uruguay, his agency was so broke it could not cover basic benefits for clients such as medicine and visits to the doctor. But in the wave of corruption that hit Argentina during former president Carlos Menem's flashy decade of free-market reforms, Alderete - a close friend of Menem's - was only one of many civil servants who feasted on the spoils of new power and fast money. Maria Julia Alsogaray, the former head of the environment agency who posed in a fur and little else on a magazine cover while in office, is under investigation for skimming millions off the top of privatization deals and giving a multimillion - dollar contract for triple the going rate to a man believed to be her lover. And then there was Mario de Marco Naon. A lowly sub - secretary who started his government post in 1991 with a Fiat and a humble apartment, de Marco approved bloated government contracts to companies he owned, then went on a buying spree of lavish properties and luxury cars. He even threw himself a wedding in Alaska, passing out gold nugget mementos to his 150 guests. "In Argentina, public money simply became the spoils of war in the 1990s," said Cecilia Felgueras, a close aide of de la Rúa and now in charge of rebuilding Alderete's agency with the help of a team from the United Nations. "We're talking about so much money - hundreds of millions from just this one agency. And we're only just beginning." The emerging picture of fraud and cronyism during Menem's 1989-99 administration - when the president was a big-money icon with his affection for champagne and Ferraris - concerns mainly Argentina. But it also underscores the scope of corruption across Latin America during a decade of widely applauded free-market and democratic reforms. The 1990s started with enormous hopes that, with its reforms, Latin America would overcome the corruption that has been a hallmark of dictatorships and a barrier to economic equality since the 16th-century Spanish conquest. All countries except Fidel Castro's Cuba had evolved into some measure of democracy. And free - market reforms took

root from the Rio Grande to Tierra del Fuego, giving rise to new hopes for spreading prosperity. But rather than curbing corruption, experts say, the reforms allowed graft to persist or even expand as dishonest civilian politicians and their associates tapped into the massive new wealth created by privatization, foreign borrowing and soaring public spending. The scale of the problem in Latin America has been compared by some analysts to that of the big grab in Russia after the fall of communism. And especially in countries such as Argentina - one of the world's largest debtor countries, struggling with unemployment and burgeoning poverty in the wake of free - market reform - corruption is cited as among the leading reasons why the reforms have failed to bring a better life to millions of workers. "Corruption has prevented true free - market capitalism from taking hold in Argentina," Ricardo Gil Lavedra, the justice and human rights minister, said in an interview. "Corruption has impeded development and increased poverty, since money has been shamelessly wasted and never reached projects for the benefit of the people who need help the most," he continued. "It has artificially increased interest rates by driving us further into debt.... At the same time, people who benefited from corruption are almost always those who already had money in the first place.... It has, without a doubt, perpetuated the cycle of the unequal society that we had set out to change." As a result, many Latin Americans have begun to lose faith in the power of democracy - as well as free-market reforms - to make their lives better. A recent study by the MORI research firm in Santiago, Chile, showed that the people of only two countries in Latin America - Uruguay and Costa Rica, which also rank among the least corrupt in the region - give democracy an approval rating of more than 50 percent. Disgusted people in some countries in the region have resorted to democratically elected but authoritarian rulers who appeal to voters with promises of zero tolerance of corruption and, often, of a slowdown in economic reform. A case in point is Venezuela's popular president, Hugo Chavez, a former coup leader and left-wing firebrand whose radical, anti-corruption platform has reshaped the government with a new constitution and a new legislative assembly. "We have been destroyed by these supposedly [democratic] politicians," Maria Arrarte, a 38-year-old waitress and Chavez supporter, said at a rally in front of the presidential palace in Caracas last year. In the past 10 years, civilian presidents in Venezuela and Brazil have been removed from office for corruption involving diverted money or personal enrichment. In Ecuador, rocked by a brief military coup in January that ended with Vice President Gustavo Noboa elevated to the presidency, corruption has had a hand in the removal or arrest of four sitting or former presidents in the past four years. Mexico, which started the 1990s as a symbol of U.S.- blessed reform under Carlos Salinas de Gortari, has finished the decade as a very different symbol. Salinas's brother, Raul, sits in jail accused of murder and corruption - some of it connected to privatization - and the former president has gone into exile in Dublin. "In Guatemala, they are redoing the privatization of the telephone company that was completed just six months ago, because the sale was tainted by corruption," said George R. Vickers, executive director of the Washington Office on Latin America. "In El Salvador; the privatization of their banks ended up with then - President [Alfredo] Cristiani winning ownership of the largest bank." Some Latin Americans have suggested that the Clinton administration and foreign lenders, while speaking out against corruption, in practice have avoided sanctioning dirty governments as long as the leaders voiced support for Washington's free-market economic gospel. In 1998, for instance, Argentina was ranked as one of the world's most corrupt countries by Transparency International, an international nonprofit watchdog organization, and a bevy of Menem's closest ministers had resigned after corruption scandals. But Washington made Argentina its closest ally in Latin America, even awarding it the special designation of a "non-NATO" ally, reserved for the United States' closest friends.

"The United States clearly made the political decision that supporting Argentina's economic reforms was more important than having a tough position on what was extraordinarily obvious and widespread corruption during the [Menem] administration," said Carlos March, area director for Poder Ciudadano, a Buenos Aires-based watchdog group associated with Transparency International. U.S. officials counter that Menem's free-market reforms, in the long run, will create a more open system of government by putting poorly run public-sector companies into the hands of private industry. But analysts argue that, just as in Russia, it has not happened so far. "The point is that unlike what U.S. policymakers believed, free-market reforms alone have not curbed corruption, and in some cases, they've opened new avenues to make it worse," Vickers said. Another consequence is dangerous levels of indebtedness, contracted partly to help replenish pilfered public coffers. In 1999, for instance, Argentina, a country of 36 million, was the largest recipient of loans from the World Bank, receiving \$3.1 billion, compared with \$1.9 billion for Russia, with a population of 147 million. Myrna Alexander, the World Bank director for South America's Southern Cone, said the bank has investigated "a few possible irregularities" in loans to Argentina last year, but so far has turned up only two cases of apparent fraud, one of which potentially includes one or more government officials. She refused to give specifics, saying the case is under legal review. She added that the World Bank strictly monitors loans. "But we are not naive," she added. "We know that in developing countries, just like developed countries, people are human beings and things happen." For the most part, anti-corruption efforts have met with little or no success. In Paraguay, the country's leading anti-corruption official, Daniel Fretes Ventre, is under investigation for inexplicably becoming the owner of valuable properties during his four years in office. In Nicaragua, Agustin Jarquin Anaya, the country's chief anti-corruption officer, was thrown in jail in November, charged with fraud after he began to blow the whistle on government corruption. Argentina perhaps will be the exception. Long-held suspicions of government fraud are being confirmed through new investigations backed by its austere president, de la Rúa. And rather than being viewed as a political attack on Menem, de la Rúa's effort is winning praise as a legitimate attempt to investigate and curb corruption. At the heart of the campaign is a largely independent Anti-Corruption Office, with a team of investigators, economists and sociologists mapping out new legislation to increase openness. "I don't agree with the position that corruption is somehow a cultural problem in Latin America. Corruption is not something in our blood," said Roberto de Michele, director of the office's transparency project. "What it is, however, is a societal problem created by weak and unstable political institutions. We are now embarking on a plan to change that in Argentina. But let's not fool ourselves, this is going to take time. And its success is going to depend on the ability of our judicial system to handle some extremely tough cases." Inside a maze of dimly lit corridors at the health care agency formerly headed by Alderete, evidence of his scorched-earth attempt to eliminate evidence is immediately clear. In an agency with a \$2.4 billion annual budget, desks are largely clear of paper and the piles of files

in corners characteristic of public offices in Latin America are mostly absent. Humberto Lopez, 72, a retired municipal clerk from the rural province of Corrientes, was one of the agency's victims. For Lopez, the corruption meant he could not afford to get an eye infection checked. For his cousin, a cancer patient, it meant dipping into savings to see an oncologist. "Why?" Lopez raged as his lips trembled, "because these shameless people were robbing us retired people.... Government officials? Please! They're nothing more than street thugs!" With each day, new revelations emerge. On a recent afternoon, Lopez and two other men from the rural province 400 miles north of Buenos Aires walked into a branch of the Justice Ministry's anti-corruption office located inside the pensioners' agency. He extended a long and bony hand to investigators, studying them with distrust. After hearing a brief explanation that a cleanup is underway, Lopez who helps lead a watchdog group for the aged in his province, warmed up. Things became particularly tough in his poverty-stricken home region last year, he said, when the agency ran so short of funds that it stopped paying for medical services. Pharmacies and many doctors refused to accept the agency's coverage for several months. "You don't know how we suffered," he said. "Do you know what it's like to reach this age and have to beg for medical attention after working your whole life and paying your dues? We deserve better than to be manhandled by a bunch of corrupt scoundrels." Lopez did not come without proof. He slapped on the table a packet of photocopied canceled checks obtained from a friendly bank clerk in his home province. Investigators marvel over the amateur sleuthing shown by the retirees. The documents indicated that even as the health care provider hired by the agency to serve retirees was refusing to make payments to doctors and pharmacies, it was depositing thousands of dollars in the personal bank account of an agency director. Investigators also have found deals with companies that either do not exist or never provided listed services. They have unearthed contracts such as one with a nursing home co-owned by a friend of Menem's. The facility, investigators said, was receiving almost twice the average payment per patient as other contractors, despite the fact that five audits had found conditions there so unsanitary that halls, rooms and floors were smeared with patients' feces.

Besides investigations, a new government openness project is forcing officials - including de la Rúa - to make their financial records available to the public on the Internet. Another Web site has been created to post information on government contracts and potential bidders, data formerly kept secret in many agencies. De la Rúa also has purged more than 1,000 agents from the Argentine intelligence service, viewed by many as a hotbed of extortion artists. To prevent large-scale contraband trafficking, he has dispatched more than 1,000 troops to Argentina's notorious "triple frontier" with Paraguay and Brazil. In three months, they have seized more contraband than in the last four years combined. Additionally, de la Rúa is trying to sell Menem's presidential jet, Tango 01, the lavishly upholstered symbol of excess during Argentina's fast '90s. De la Rúa is taking commercial flights on state visits abroad, and his vice president, Carlos Alvarez, hails taxis or takes the subway after declining the traditional service of a car and driver. "The issue is not merely corruption, but also government waste and extravagance," de la Rúa told reporters recently. "To me, extravagance is just another form of corruption." Argentina has become one of the more corrupt countries in Latin America, and many Argentines express their dissatisfaction with democracy and market reforms. Transparency International ranked countries according to the degree to which they are perceived to be free of corruption. The assessment is based on surveys of business people, risk analysts and the public in 1999. Ranking of selected countries: 00.0 Most, 00.0 corrupt, 10.0 Cleanest, 94. Honduras 1.8, 90. Paraguay, 82. Ecuador, 80. Bolivia, 75. Venezuela, 72. Colombia, 71. Argentina 3.0, 70. Nicaragua, 68. Guatemala, 58. Mexico, 50. Jamaica, 49. El Salvador, 45. Brazil, 41. Uruguay, 40. Peru, 32. Costa Rica, 19. Chile, 18. United States, 3. Sweden, 3. New Zealand, 2. Finland, 1. Denmark 10.0. MORI public opinion poll: Percentage of respondents who said they were "very satisfied" or "fairly satisfied" with the way democracy works in their nation. SOURCES: Transparency International; MORI research, Santiago, Chile.

*From The Washington Post, 12 March 2000*

## **SENATE DEBATES CORRUPTION BILL**

Fighting public corruption may sound like a great idea in a Legislature plagued recently by high profile scandals and convictions for some of its members. But a package of reforms meant to crack down on corrupt officials got mired in questions from senators Wednesday, who asked whether it might give investigators too much power to come after them. The Senate debated a several bills that arose out of meetings last fall by a special commission on ethics and corruption and that respond to several recent scandals that some fear have eroded the public's respect for government. None of the bills received a final vote Wednesday. The bills (CS SB 368, SB 1110, CS SB 1106, CS SB 946, SB 1108) attempt to strike at graft and questionable ethics. They include harsher criminal penalties for officials who misuse their office for personal gain or try to rig public contract bids. They also try to close some loopholes in financial disclosure laws that allow lawmakers to avoid publicly reporting where their income comes from in their last year in office. One section would require elected and appointed officials to take a three-hour course on public records and public meetings laws. Lawmakers' have raised their eyebrows at that idea, which drew a disbelieving question from Sen. W.D. Childers. "I heard you say elected officials are going to be required to go to school ... on how not to be crooks?" asked Childers, R-Pensacola. Most of the debate focused on a section that would allow the bi-partisan state ethics commission to initiate its own investigations into the affairs of government employees, including the lawmakers who were debating the issue. Some lawmakers questioned whether due process might be at stake if the Legislature gives the commission the power to start investigating government workers without having someone come forward with a sworn complaint of wrongdoing. Sen. Pat Thomas was among the leery lawmakers. "I have seen so many well-intentioned bills come through this Legislature quickly trying to swath ourselves in purity and get the public to like us," said Thomas, DQuincy. "You are getting some far reaching things here that reach into the rights granted us by the Constitution." Others worried about the implications for low-level government workers who would be covered under some of the bills' provisions. Meanwhile, the House unanimously passed its ethics bill, closing the financial disclosure loopholes, with no debate.

Current law does not specifically require elected officials to report money collected after they are elected, but before they are sworn into office. Neither do officials have to report what they accept their final year in office. The bill (CS-HB 181) would close those exemptions and require disclosure from the time of election until the end of term of office. The Senate plans to take up its corruption and ethics bills again today.

*From TCPalm.com, 16 March 2000*

## RELIGION PRIZE WINNERS SAYS SCIENCE NEEDS ETHICS

Scientific futurist Freeman J. Dyson, a Princeton physicist who argues that science should be humble and serve the poor, yesterday received the Templeton Prize for Progress in Religion. "Technology must be guided and driven by ethics if it is to do more than provide new toys for the rich," Mr. Dyson said at a New York news conference. "Scientists and business leaders who care about social justice should join forces with environmentalists and religious organizations to give political clout to ethics," he said. Mr. Dyson, a native of England who worked on the mathematics of bomber tactics during World War II and nuclear arms control afterward, is an agnostic but an advocate for religion's role as a source of moral knowledge. "Trouble arises when either science or religion claims universal jurisdiction, when either religious dogma or scientific dogma claims to be infallible," Mr. Dyson said. He has retired in Princeton, N.J., where he spent much of his career at the Institute of Advanced Study, made famous by Albert Einstein. The Templeton Prize, worth \$948,000, was endowed by global investor Sir John Templeton. Previous recipients of the prize include Mother Teresa of India, Russia's Alexander Solzhenitsyn and the Rev. Billy Graham. "The prize is not for saintliness or mere good works; it is for progress," Mr. Templeton has said. The amount of the award — traditionally the richest in the world — has been reduced this year because it is pegged to the Nobel Prize, which is paid in Swedish krona, which has lost value. In a phone interview, Mr. Dyson said how he will use the award "is a serious matter" still to be decided. "Science is a club that is great fun to belong to," said Mr. Dyson, who holds only a bachelor's degree in science. "The main thing for a young scientist is not to get too specialized, not to get too painted into a corner by learning only one thing." He counseled "flexibility" in a science career, saying it might be a good idea to "switch careers every five years or so." And he said that religion is a kind of knowledge that is "equal" to scientific knowledge. "Many religious people are agnostic," he said, referring to himself, reared in a liberal Anglican home. "You live with uncertainty just as you do in science. Science is mostly just a lot of clever tools. I love tools, but that's what science is basically. It is a tool for getting knowledge." Mr. Dyson, 77, is the 10th person in science or science and religion to receive the award. Having worked with Robert Oppenheimer and Edward Teller, inventors of the atomic bomb, Mr. Dyson is credited with uniting disparate theories on quantum electrodynamics, or light radiation, into one theory. He helped invent a small and safe nuclear reactor used to produce short-lived nuclear isotopes for medicine and was the chief theoretician for propulsion systems for a nuclear-powered spaceship. That initiative, called the Orion Project, ended partly as a consequence of the 1963 Nuclear Test Ban Treaty. The previous year, Mr. Dyson had become a consultant to the U.S. Arms Control and Disarmament Agency and now is a critic of military doctrines that included nuclear weapons. Though he does not like the "futurist" label, it was applied to him when he began writing for the general public in his 50s. He has said that astronomy and biology will be the crucial frontiers and has raised the specter that bioengineering might create two human species, with "biological battles fought between different conceptions of what a human being ought to be." Still, "religion will remain in the future a force equal in strength to science," he has written. Mr. Dyson also has been called a populist on science. He is critical of "big science" and argues that the field must serve ordinary people. His book on nuclear weapons, "Weapons and Hope," won the National Book Critics Circle award in 1984. But "the book I like best," he said yesterday, was about the daily life of a scientist called "Disturbing the Universe."

*From Washington Times, 23 March 2000*

# Civil Services & Ethics in Public Sector

## AFRICA

### CORRECTIONAL SERVICES FACING TWO SEPARATE PROBES

Two separate investigations into allegations of maladministration, nepotism and corruption in the Department of Correctional Services are underway. This comes after Correctional Services commissioner Khulekani Sitole and other senior prison officials were implicated in wrongdoing by an audit report on the department released last week. Correctional Services Minister Ben Skosana and Public Service and Administration Minister Geraldine Fraser-Moleketi will on Wednesday brief President Thabo Mbeki on what action has been taken. Following a lengthy meeting between Skosana and Fraser-Moleketi last week, it was decided that a further two-pronged investigation should be conducted. The department's Themba Rubushe says the Public Service Commission started an investigation on Monday into human resources practices at the department. He went on to say a second investigation would concentrate on a wide range of allegations against individuals including rape, bribery and escapes. He says both investigations are expected to be over by the end of July, after which the reports will be handed over to Skosana and Fraser-Moleketi.

*From S. Africa-News24, 07 March 2000*

### CIVIL SERVANTS IN LEAGUE WITH LOAN SHARKS

Corrupt Eastern Cape government employees are receiving backhanders for making illegal deductions from teachers' and nurses' salaries to pay back loan sharks. More than 17 000 Bisho government employees are so indebted to loan sharks that they are only being paid 25% of their salaries in the Eastern Cape provincial education and health departments. Eastern Cape MEC for Education Stone Sizani revealed at a press conference this week that at least 1 000 government employees nationwide -- illegally in league with micro-lenders in fleeing the government personnel computer system, Persal -- were on the take in making the lives of an estimated 100 000 teachers and nurses a misery. Sizani said that R23-million in illegal monthly payments to micro-lenders were being paid out in the Eastern Cape alone and that as much as R500-million could be owed. "If this is the situation, we will never stop corruption," he said. Adding that "corruption must not be entrenched" in the province, only months after Bisho and the private sector agreed on a tough anti-corruption strategy at a landmark summit in East London, Sizani conceded a government investigation was pointless as it would mean "setting a thief to catch a thief". Members of Parliament involved in a specialized committee that has apparently been investigating the matter for a year now told reporters this week that they still had no idea how micro-lenders managed to deduct the money from the government payslips. However, Eastern Cape MEC for Finance Enoch Godongwana said he has uncovered two distinct methods. In the first, Persal system operators working for micro-lenders disguise the salary deduction as a "low-income housing loan", for example. The deduction would not be listed as such because the Persal system does not accept loan entries in print-out programming. In some instances, the Persal operator, who needs a special password to operate the system, is also the loan shark. Godongwana said another method for public servants seeking loans was to buy -- for 30c -- another person's bank statement and payslip in order to prove themselves worthy of credit in securing the loan. Money was then deducted from the victim's salary at the end of each month. He said this method surfaced recently in Butterworth in the Transkei, and that employees of the education and health departments were most indebted to loan sharks in the province. Godongwana, who estimates that "as many as 1 000 people may be involved among Persal's 55 000 operators", says the Government is fast pinpointing the illegal inputters involved, and that the Bisho executive budget council has agreed on legislation to ensure no more than a quarter of an employee's salary is deducted in any given month. He said regulation of micro-lending "cannot be left to the industry", and that the Usury Act needs to be streamlined to restrict interest charges on loans. "We need legal regulation to stop the abuse." In other corruption-related incidents in the province this week, Sizani has given 38 senior officials 14 days to head off legal action against them on allegations of fraud. They include the Department of Public Works permanent secretary Linda Salie, who has been suspended on full pay, and 35 department of education officials, among others.

*From The Mail & Guardian, 02 March 2000*

### CORRUPTION HEAD IN HIDING AFTER ADMITTING FRAUD

The chartered accountant appointed to spearhead Mpumalanga's campaign against financial fraud and corruption, Ivan Maswanganye, has himself admitted he is a fraud who has duped two provincial Governments and Statistics SA. Maswanganye and his immediate family went into hiding at the weekend after confessing that he has not even passed matric. He pledged, however, to make a full sworn statement on how he obtained at least two fraudulent matric certificates, a Bachelor of Commerce degree from Unisa, company administration diploma from Technikon Witwatersrand and management diploma from the prestigious US Harvard Business School. Maswanganye tearfully admitted on Saturday that he used the fake qualifications to get senior jobs as a chartered accountant, including senior audit manager at PriceWaterhouse Coopers, finance control director with the Gauteng provincial government and most recently as Mpumalanga's first black chartered accountant and head of treasury. He was appointed

to Mpumalanga's scandal ridden finance department with fanfare by Premier Ndaweni Mahlangu two weeks ago, during the formal opening of legislature. Mahlangu told the House that Maswanganye's appointment was the culmination of Mpumalanga's "new approach" and said he expected the province's "first black CA" to totally transform regional financial management and spearhead a new campaign into financial fraud and corruption. Maswanganye's qualifications were so convincing that finance MEC Jacques Modipane immediately publicly branded Freedom Front leader Hein Mentz a racist and political reactionary who "still cannot live with the idea that black people are capable and smart" for questioning Maswanganye's pedigree. Mentz, himself a chartered accountant, said on Sunday he expected Modipane to resign for incompetence, an immediate public apology and detailed explanation on why the government failed to check with either the SA Institute of Chartered Accountants or its sister Public Accountants and Auditors Board. Both bodies branded Maswanganye's certificates of membership as fakes on Friday. Mahlangu's spokesperson, Sefako Nyaka, stressed that Maswanganye was only seconded to the province from Statistics SA, where he was recently appointed as chief director for corporate services, for a limited period to "help us sort out the financial crisis". "[I] checked with [Gauteng finance MEC] Jabu [Moleketi] that he was a chartered accountant. I personally called up Jabu and said, do you know this man? He said yes, he is a chartered accountant," said Nyaka. "Because we went to him and he did not come to us, not all the rigours of a [probity] check were followed. We did only initial checks and depended on goodwill. I mean, not just anyone works at [Statistics SA] and he also worked in Gauteng [finance department]." PAAB legal director Jane O'Connor said on Saturday, however, that his membership and examination certificates contained a number of obvious inconsistencies. His PAAB membership certificate did not, she said, bear the required serial number and referred to an outdated and unused 1951 Act instead of the correct 1991 Act. O'Connor added that Maswanganye's certificate appeared to be signed by PAAB chair Bev Humphris nine years after he held office in 1989. "Having said that, I have certain reservations about the certificate [Humphris] would not have signed certificates in 1998," said O'Connor. She confirmed that Maswanganye did register with the Board to begin his articles with PriceWaterhouse Coopers in January 1993 but said records indicated the training contract was cancelled by mutual consent on 15 February 1995. "We cannot trace any record of [him] either completing practical training or passing the qualifying exam. We also find no record of Mr. Maswanganye registering for the exam," said O'Connor. The SA Institute for Chartered Accountants added it too had no records indicating Maswanganye was a CA. "It's very simple, if he is not registered on our database, then he is not a chartered accountant," said SAICA marketing director Willie Coats on Friday. Harvard Business School communications director Lorreto Crane said on Saturday that Maswanganye also did not appear on any of the school's MBA or other education programme databases. Unisa's registrar said an initial probe failed to find any record of Maswanganye studying at the university or achieving a Bcom accounting science degree in 1994, as claimed in his CV.

The papertrail goes even further, however, indicating that Maswanganye submitted two different versions of his matric certificate to Mpumalanga and PAAB both of which are fake. Gauteng's education certification department confirmed in a letter that Maswanganye attempted to pass matric but did not write all the required subjects and only earned an 'E' average on those he did write in 1988 -- and not with an 'A' average with distinctions in 1986 as claimed. The department adds that the student number on the fraudulent certificates belongs to someone else and said Maswanganye never studied accountancy or maths as claimed, but instead took biology and geography. "This is all very frightening. It appears that Maswanganye managed to trick not just [Mpumalanga] but a whole list of large and very credible organizations; starting with PriceWaterhouse Coopers, to the Gauteng Government and even Statistics SA," said Modipane on Saturday evening. "It is difficult to imagine how just one man is capable of doing that. He must have had help." Gauteng economic affairs and finance spokesperson Phetole Kubjane confirmed Maswanganye served until recently as the province's chief financial control director and regularly claimed to be a chartered accountant. "He was super. He implemented totally new financial systems, that were out of this world. He was very good," said Kubjane. Mpumalanga's new financial head of department, Zakes Dube, previously worked closely with Maswanganye and recommended him for the position of treasury. "I am shocked. I worked with Ivan in Gauteng this is difficult to believe and if it is true, then I am very afraid. It's all just terrible," he said. Dube said he personally checked on Mentz's allegations last week but was assured the only smear on Maswanganye's professional status was his failure to pay his Institute membership fees. "I mean, he even attends Harvard Alumni meetings in South Africa. It's all just too shocking," said Dube. The Democratic Party said in a statement on Sunday it would join the FF and table a legislature motion on Tuesday demanding an explanation as to why the government failed to conduct in-depth probity checks on such a key appointment, to explain whether it advertised the job and whether there were other applicants and whether Modipane knowingly misled the legislature when he dismissed Mentz's concerns and branded him a racist.

*From African Eye News Service, 13 March 2000*

## ASIA/PACIFIC

### FORMER MALAYSIAN OFFICIAL APPEALS CORRUPTION CONVICTION

The judge in former Deputy Prime Minister Anwar Ibrahim's corruption trial prevented the defense from arguing crucial details of the case, Anwar's lawyers said Monday during an appeal. Addressing a three-judge panel, Anwar's lawyers accused High Court Judge Augustine Paul of making a "perverse decision" in last year's trial. They demanded that the jailed politician's six-year jail sentence be overturned. Anwar was fired by his longtime mentor, Prime Minister Mahathir Mohamad, on Sept. 2, 1998. He was arrested almost three weeks later and tried for allegedly abusing his power. Last April, Augustine found Anwar guilty after witnesses testified that Anwar forced police to obtain retractions from people who had accused him of adultery and sodomy. Anwar is now on trial on

charges of sodomy, a crime in this predominantly Muslim country. He says all the charges were concocted to destroy his challenge to Mahathir's leadership. His sodomy trial has been postponed until March 13 while his appeal is heard. During Monday's hearing, Anwar lawyer Christopher Fernando accused the trial judge of unfairly hindering the defense. "We were met with rigid sanctions and threats of contempt," Fernando said. "The prosecution's witnesses who were given credence by the court should have been branded outright liars." Hours after his 1998 arrest, Anwar was beaten by Abdul Rahim Noor, then the powerful inspector general of police. Abdul Rahim was scheduled to go on trial Monday in that beating, but the hearing was postponed after his lawyers said he was ill. Abdul Rahim has said he attacked Anwar after Anwar taunted and provoked him. The former police officer could face 3 1/2 years in jail and a fine. Elsewhere, local branches of Mahathir's ruling party began overwhelmingly endorsing him for another three-year term as party leader. The endorsements dampened chances that Mahathir will face a leadership challenge in the United Malays National Organization, which has dominated Malaysian politics since independence in 1957. Local newspapers had speculated for weeks that a former finance minister, Razaleigh Hamzah, was quietly making a move for a top party post. UMNO leaders rarely voice dissent, in public or during party meetings. But observers say dissatisfaction with Mahathir, who has been president since 1981, has been simmering since Anwar's firing. The Anwar case triggered street protests in Malaysia for the first time in 30 years and brought the opposition parties together against Mahathir in the November general election. Mahathir's 14-party coalition won the election, effectively securing him another five-year term, but UMNO lost a number of seats to Anwar supporters.

*From Nando Times, 06 March 2000*

## **BEIJING SIGNALS WAR ON CORRUPTION**

No official is above the law, Prime Minister Tells People's Congress. Taking aim at the corruption eating away at the Communist Party's hold on power, Prime Minister Zhu Rongji warned Sunday that no Chinese official was above the law as he urged investigators to look into all major reports of malfeasance. Mr. Zhu opened the National People's Congress by lambasting officials for "traveling, entertaining and dining in luxurious style at public expense." "We still fall far short of what the central authorities require of us and what the people expect of us," the 72-year-old leader told delegates in the Great Hall of the People. "We must resolutely put an end to the extravagance, waste and squandering seen in some areas, departments and institutions," he said, adding, "Such practices must be stopped." He assailed wasteful government spending and lax management, saying that "bureaucracy, formalism, falsification and exaggeration are rampant." Mr. Zhu also said China would continue to pour at least an additional \$12 billion into state-run industries and infrastructure projects to try to maintain a 7 percent growth rate for the stumbling economy. While providing no specific figures, Mr. Zhu said deficit spending would be near last year's figure of about \$18.3 billion. For 11 days, about 2,900 delegates from China's 32 provinces and regions will debate the country's future at the Third Session of the Ninth National People's Congress - but most, if not all, of the decisions involved already have been made by the Communist Party. Still, Mr. Zhu's speech provided a vantage point on corruption facing the Communist Party. In almost every section of his speech, malfeasance or illegal practices were mentioned. When he focused on the need for China's factories to produce better products, he urged a crackdown on the manufacture of bogus goods and fake medicine. When he called for better efforts to create a social security net for China's unemployed and retired workers, he exhorted investigators to crack down on officials who stole from pension-fund investment plans. Addressing the need to reform China's state-owned enterprises, he urged officials to stop stealing state-owned assets and building karaoke halls. And in urging China's tax collectors to collect more taxes, he warned against the arbitrary imposition of fees, a major cause of unrest in China's countryside. Mr. Zhu's tough talk on corruption struck a chord among the delegates. The prime minister said to huge applause, "In particular, leading cadres should stay clean and honest and self-disciplined and be sure that their relatives and office staff do the same." Chao Luosheng, a delegate from Jiangxi Province in the south, where a deputy governor was sentenced to death last month for taking \$658,000 in bribes, said: "Fighting corruption should begin at the top. Executing the deputy governor should send a strong message to the lower ranks." Mr. Zhu also mentioned Taiwan, repeating China's threat of the past two weeks to attack if the island's Government postponed indefinitely negotiations on reunification. Partly because of Taiwan, China's military is expected to receive a major increase - about 14 percent - in spending this year, Western sources have said. The increase should be reported over the next week, when the Parliament discusses this year's budget. The leadership's failure to persuade Taiwan to engage in substantive negotiations on reunification has opened it to charges of weakness and lack of patriotism from China's growing number of ultranationalists, concentrated in the military and the security services. Meanwhile, the leadership's partly successful struggle against corruption has only strengthened a national sense that the country needs significant political reform, a prospect the party fears could threaten its hold on power.

*From International Herald Tribune, 06 March 2000*

## **PAKISTAN GOVERNMENT COMMITTED TO ENDING CORRUPTION: JAVED JABBAR**

The Adviser to Chief Executive for National Affairs and Information, Javed Jabbar, has said the present government is committed to eradicating corruption from the society and the action taken so far is reflective of its commitment towards this end, said sources. This Mr. Jabbar said at a "meet-the-press" programme of Karachi Press Club, here on Friday, Javed Jabbar gave example of the Sindh province where 78 officials had been dismissed from service for malpractice, misconduct and corruption. Javed Jabbar said that so far 48 corruption cases have been referred to National Accountability Bureau. These include high profile cases of politicians as well as officers involved in malpractices. The Government has dismissed 78 officials from the service on various charges, including malpractice, misconduct and corruption in Sindh, reported sources Friday. This is the part of the action initiated by the Government to deal with the corruption and corrupt practices in various parts of the country. In a recently published report on the Government's working from Oct. 12 1999 to Jan 2000, 161 officers have been suspended on corruption and misconduct charges.

180 others have been served charge sheets on different charges of corruption.

*From Pakistan International News, 03 March 2000*

## TOP CORRUPTION FIGHTER VOWS TO WIPE OUT CORRUPTION

China's top corruption fighter called for strict administration of the Communist Party of China (CPC) and efficient measures to tighten supervision in a bid to further promote the building of a clean government and good Party style and eradicate corruption. Wei Jianxing, a member of the Political Bureau of the CPC Central Committee Standing Committee and secretary of the CPC Central Commission for Discipline Inspection, made this call Monday when attending a group discussion of Heilongjiang deputies to the Ninth National People's Congress, in session in Beijing since Sunday. Leading Party officials should first of all strictly abide by political disciplines, Wei said, adding that it is a question of education and graft prevention for the majority of Party members and officials, while for a handful of corrupt officials it means severe punishment, with nowhere left for them to hide. Two lines of defense should be erected, he said, referring to a high ethical standard-Party disciplines and state laws. Leading officials should tighten controls over their subordinates, spouses and other family members. Supervision should follow wherever officials go in an effort to timely expose and deal with corruption cases or any violation of law, Wei said, pointing to behind-the-scenes transactions. Strict administration should begin with strict discipline, and severe punishment should be meted out to whoever dares to defy Party disciplines and state laws, Wei said, warning that "peacemaking and philistinism" are prevailing within the Party. Measures must be taken to show the Party's determination in rooting out corruption in a bid to win back people's trust, he said.

*From China Daily, 08 March 2000*

## EXECUTIVE ARRESTED FOR DRAFT RELATED CORRUPTION IN KOREA

Prosecution and military investigators said yesterday that they have arrested a company executive on bribery charges related to draft-related irregularities. The investigators said they would also seek arrest warrants on similar charges for two others, both employees of the Seoul Regional Military Manpower Office (SRMMO). Investigators said they arrested Tuesday Chung Sung-tae, 59, an auditor at Kumyang Co., for his alleged delivery of 70 million won (\$62,500) in bribes to a former SRMMO employee, Chung Yoon-keun, in return for arranging his son's exemption from compulsory military service. Chung Yoon-keun, who acted as a broker for Chung Sung-tae, is now serving a two-and-a-half-year jail term for his involvement in other draft-related irregularities. The two other people under questioning are Yoo Chin-hwan, 55, an SRMMO official in charge of handling civilian complaints; and Kim Sung-nam, 44, a driver at the manpower office, they said. Yoo and Kim are alleged to have paid 10 million won and 30 million won in bribes, respectively, to Chung Yoon-keun, asking him to use his influence to obtain military service exemptions for their clients. "We uncovered the draft-related irregularities while questioning Chung Yoon-keun," said Suh Young-duk, the Defense Ministry's chief military prosecutor. Suh is co-leader of the joint prosecution-military investigation team along with Lee Hoon-kyu, director of the special investigation department at the Seoul District Prosecutor's Office. The 20-member joint investigation team was set up at the Sobu branch of the Seoul District Prosecutor's Office last month to probe alleged draft-related irregularities by 119 high-profile figures, including 54 incumbent and former lawmakers. "The three probes have nothing to do with the politically sensitive ongoing investigations of the 119 prominent figures," Suh said. To help root out draft-related corruption, the team is considering lowering the minimum standard for arrest on bribery charges. Currently, an illegal payment of 20 million won or more is considered a bribe. The joint team also created a task force to apprehend draft officer Park Noh-hang, who is wanted for allegedly providing military service exemptions or changing duty posts in exchange for bribes. To catch Park, who is in hiding, the joint team has raised the reward money to 20 million won. Park is thought to be the key figure behind conscription-related scandals in Seoul and Kyonggi Province.

*From Korea Herald, 08 March 2000*

## ZERO TOLERANCE ON CORRUPTION AT HIGH LEVEL

In September 1998, N. Vittal was brought out of retirement to head India's Central Vigilance Commission to root out corruption at the highest levels. A former bureaucrat himself-responsible for the telecoms revolution in India in the 1980s--Vittal launched a daring and unprecedented campaign to expose graft: by posting the names of suspect civil servants and other government officers on the Internet. Not everyone is happy. More than 200 names have been posted on the commission's website, www.cvc.nic.in, so far: another 1,800 are awaiting their public outing. TIME New Delhi correspondent Meenakshi Ganguly spoke with the crusader on February 29. The online only interview: TIME: What is the mandate of the Central Vigilance Commission? Vittal: The mandate of the Central Vigilance Commission is spelt out in the notification of the Government of India, Department of Personnel. We not only look at individual cases that are referred to us but also the systems and I try to see what can be done to prevent corruption flourishing. For example, last year I got 9,200 files referred to me. I got 8,400 applications directly addressed to me. Normally what happens in any vigilance matter is that the departments refer the cases to me. Then we see, based on the records, whether it is a serious case where we can go to a court of law and file a prosecution. In a court of law the proof required is very high: it should be beyond reasonable doubt under the Evidence Act. In a departmental inquiry, the proof required is not 'beyond reasonable doubt' but what is called 'preponderance of probability.' So the number of cases for prosecution before the courts will always be much less than the number of cases under departmental inquiry. TIME: What happens after a departmental inquiry? Vittal: A departmental inquiry can result in two things: dismissal, as a major penalty, or censure for something minor. We also advise what should be done. Although I may be advising, it is the departmental disciplinary authorities that take the action. Once it goes to prosecution, the courts will take their time. But when it comes to departmental action, I have issued an order that an inquiry must be completed

within six months, because I have discovered that there are two factors that promote corruption: delay and secrecy. TIME: Why had no one heard of the Central Vigilance Commission before you took charge? Vittal: When I took over in September 1988 I inherited 400 files. Last week, I was out for four days and when I came back, there were 250 files. So from a flow of 100 files per week, we are now talking about 60 files a day. It is continuously increasing. It definitely shows that there is increasing awareness that the CVC exists. TIME: The CVC was also given more power recently by the Supreme Court, wasn't it? Vittal: Oh yes. The CVC was started in 1964. At the time it was not a statutory body. But in 1997 there was the hawala (foreign exchange fraud) case. The Supreme Court directed that the CVC should be an executive body and so in 1998 the Government issued an ordinance. I would invite attention to this because there is this big debate going on about the statutory power of the CVC. It makes me wonder whether the people of this country want to check corruption or whether they want to check the CVC. TIME: How many names have you put up on the Internet? Vittal: About 200 or so. More will come. I am putting names on from 1990 onwards. The total number is about 2,000. TIME: Why did you choose to put their names on the Internet? Vittal: The media has been always needling us, asking what is being done about the senior corrupt people. I have been telling a slokha (a Sanskrit couplet): 'If you want to give God any offering, non vegetarian gods have to be given animals. Which will you give? Can you give a horse? No. A tiger? No. An elephant? No. So you can only give a goat. So I used to say about my job. Secretary? No. Chairman? No. Minister? Definitely not. Only the LDC—the lower division clerk-- can be caught. The media was always needling us about the top people so we thought all right, we must take action. The fact is we are now taking that action. So why not publicize it? TIME: Is it not defamatory? Vittal: In a criminal case the names of the accused are not kept secret. They are innocent till proved guilty but everybody knows that they are accused. In a departmental action, the accused is called a 'charged officer.' Until the charge is proved they are innocent. So if in a prosecution case, which is a much more serious case, the name is not kept secret why should we observe secrecy. There is no defamation involved. And the positive benefit of this is that I think, probably for the first time in the world, the Internet is being used to fight corruption. The public has welcomed it. It has given a signal that action is being taken against senior people. And it is being perceived as a measure that will deter people who are on this side of the line from crossing over. And there have been two other benefits. Some of these people are occupying sensitive posts. It also ensures that these people are weeded out. That is good for greater transparency and better governance. Another thing.

Despite documents being provided to the CVC, the department in some cases did not move on the matter or, worse, there was an attempt at suppressing or protecting the corrupt. Now this has gone. TIME: You speak of deterrence. Is public embarrassment still a deterrent? Vittal: Yes it is. One officer accused of corruption came in just this morning. He was literally weeping saying: 'Sir, my children are asking why my picture is there.' It is affecting them. After all, ultimately the level of corruption depends on three factors. The first is your individual set of values. The second is social norms. And the third is the system. Now I am basically concerned about the system. I mean, 10% of people will be honest whatever you do. Another 10% will be dishonest whatever you do. But then the bell curve operates and 80% depends on the system. If the system encourages corruption, there will be corruption. TIME: But the problem is that the system allows corruption to flourish because it is such a burden to get it to work. Vittal: That is why I have been pushing all along to change the system. I have a simple three-point plan to check corruption. I can claim to have the most integrated and comprehensive thinking on the corruption issue in this country today. A lot of people write about corruption but they give very theoretical solutions, like everybody should be honest. Or they offer drastic solutions like everybody should be sent to jail. But our prime minister should be given full credit. He said use zero tolerance of corruption. I have a three-point plan to bring zero corruption. Firstly, simplify the rules and procedures so that scope for corruption is reduced. Secondly, empower the public through transparency. My Internet site is part of that process. Thirdly, hand down effective punishment. I am moving on a basic idea. It is the right of every citizen of India to have a corruption-free service in any public office. Why? The public servant is paid out of your money --taxpayers money. He is put there to do a certain chore. I want to bring a change in the government-citizen relationship. The Government is not the ruler and the citizen the ruled. The Government is a service provider and the citizen is a consumer of services. To make this happen, I have several ideas. We must mobilize the youth in this country. But I also get negative signals. Our youth are so much materialistic, they consider honesty to be an archaic value. If this is case, then there is no hope for this country. But I think there is still some persons who are still idealistic. TIME: How many officers have actually been punished? Vittal: I don't have those statistics. TIME: Have any of them ever threatened you or tied to bribe you? Vittal: No. Normally in the first seven or eight years of government, you build up an image. Your character is your career. Once people know your image, they behave accordingly. TIME: But it is said that every person has a price? Vittal: Then I have to say that I am priceless.

*From Time-Asia, 13 March 2000*

## **TARGET CIVIL SERVICE PAY AND BENEFITS – POLL**

More than 40 per cent of young people think civil service pay and benefits should be cut if the Government needs to slash public expenditure, a survey found. Some 41 per cent of respondents said the 190,000-strong civil service should be the first to face the axe if more cost-cutting measures were to be introduced. Twelve per cent preferred scaling down infrastructure projects. According to the survey of 519 people aged 18 to 27 conducted by the Hong Kong Federation of Youth Groups, about half agreed the tax base was too narrow. But 44 per cent did not think that widening the tax base was a good way of raising revenue in the long term. Less than half supported a sales tax or land departure tax, with 61 per cent saying a sales tax would do more harm than good. Nearly half said they would spend more cautiously, with 32 per cent saying they would spend less if such a tax was introduced. Some 41 per cent thought that increasing the personal allowance in salaries tax was the best way to improve people's livelihoods. Two-thirds

were confident the Government would be able to maintain a healthy financial situation and 72 per cent gave a pass to the performance of Financial Secretary Donald Tsang Yam-kuen.

*From South China Morning Post, 08 March 2000*

## **POLL PANEL PROBED OVER CORRUPTION CLAIM**

The Indonesian Government said it would investigate the alleged embezzlement of some 117 billion rupiah (S\$23.4 million) by the General Elections Commission (KPU) during last year's polls. Minister of Home Affairs Surjadi Sodikardja said: "The Government will certainly follow up, in an objective manner, the Supreme Audit Agency's report on results of its recent audit on the election commission." "We are studying the report. If an embezzlement is found, all persons involved in the case will be punished," he said on Monday. Leaked copies of the audit indicate a questionable and unexplained spending of 117 billion rupiah, partly from funds provided by the United Nations Development Programme (UNDP). Mr. Surjadi said the election commission, as an independent institution, should be made accountable and explain the discrepancies in the audit agency's report. "The KPU, as an agency, has a chairman and secretary-general. They must be made accountable for the alleged corruption," he said. Asked about the alleged involvement of Mr. Amur Muchasim, the KPU's former Secretary-General, Mr. Surjadi said he should be one of the persons questioned about the commission's expenditures. "It could be that election commission Chairman Rudini knew nothing about the alleged embezzlement but the Secretary-General should know about it," he said. Mr. Amur is now Secretary-General to the Ministry of Home Affairs. Mr. Adnan Buyung Nasution, the KPU Deputy Chairman, supported a full investigation into the allegations. "We must thank the audit agency for its success in foiling corruption. Both the government and law enforcement institutions should look into it immediately," he said. He acknowledged that he had suspected some impropriety and even called for an audit some time ago. However, it was rejected by the commission Chairman. "It was strange to see several representatives of political parties in the election commission filing a lawsuit against me for trying to reveal the alleged corruption. But they must realize now that what I did was right," he said. He said the case had tarnished the election commission's image both at home and overseas since a part of the election budget was received from foreign countries under the coordination of UNDP. House Speaker Akbar Tandjung said the House would follow up the findings and ask the National Police and Attorney-General's Office to investigate the report.

*From Singapore Straits Times, 22 March 2000*

## **GOVERNMENT, CITIZENS TAKE AIM AT CAMPAIGN ABUSES; VOTE BUYING, REGIONALLY BIASED REMARKS FOCUS OF PUBLIC, PRIVATE CRACKDOWNS**

Despite the growing public demand for genuine political change, the ongoing campaigns for the April 13 parliamentary election are being marred by the same chronic problems that have plagued the nation's polls for decades - vote buying, negative campaigning and regional enmity. The situation has become so serious that the nation's top election watchdog and major civic groups are formulating harsh new measures to deal with candidates and voters perpetuating these age-old practices. On Saturday, the National Election Commission (NEC) announced that it would use every means at its disposal to crack down on vote buying and other illegal campaign activities. The nation's leading civic groups also vowed to expand their operations to better monitor corrupt and illegal electioneering. Both the public and civic forces are on heightened alert because the current campaigns are in danger of being completely dominated by the deep-rooted negative elements of Korean electioneering. As of March 15, the NEC had uncovered a total of 1,114 cases of illegal campaigning, three times the amount reached by the corresponding date in the previous general elections, officials said. The Citizens Alliance for the 2000 General Elections and other civic groups also reported that they were receiving a growing number of calls in connection with Election Law violations. The most prevalent election violation is vote buying. The media repeatedly shows scenes of voters taking money, free gifts, or meal coupons from campaigners. It is all too common to see groups of voters enjoying free sightseeing tours in chartered buses courtesy of their candidates, according to press reports. Major tourist destinations and spas around the country are enjoying a business boom. "What we have uncovered so far is just the tip of the iceberg, as many of the vote-buying practices, such as the free tour offers, are made secretly," said Oh Sung-taek of the NEC. Oh said the current situation indicates few candidates will be able to abide by the election law, which stipulates each runner should spend an average of no more than 120 million won on their campaign. Oh and other NEC officials are not only holding the candidates attempting to buy votes responsible. They are also blaming voters who insist on receiving money or other forms of compensation for their support. Money has become so important in the current campaign that several first-time candidates have dropped out of the parliamentary race, disillusioned with the entire election process. "I was fed up with people demanding cash in return for votes," said Yun Bang-bu, a Yonsei University medical school professor. Yun, who was nominated by the opposition Grand National Party (GNP) to run in a Seoul electorate, withdrew his candidacy early this month. He was particularly irked by people who demanded money in return for securing votes on his behalf - so-called "election brokers." Yun's case, which received prominent press coverage, became a source of concern for the NEC chairman, Lee Yong-hoon. "Correcting voters' mindsets and convincing them to give up their old habits is just as important as reforming the law and institutions," Lee said. In a speech at an academic conference Saturday, Lee also lambasted the nation's elite, including its political leaders, for tainting the election campaign. "Political leaders are the worst offenders when it comes to violating the law, instigating negative campaign activities, and fanning regional sentiments," Lee said. Regionalism Regionalism reared its ugly head again this month when former Prime Minister Kim Jong-pil said that regional biases in Korean politics began in 1971, with President Kim Dae-jung's first bid for the presidency. President Kim is a native of the southeastern Cholla province, while then President Park Chung Hee was born in the southwest Kyongsang region. Rep. Kim Yoon-hwan of the Democratic People's Party (DPP) further fueled partisan disputes over regional issues by calling on the people of Taegu and North Kyongsang Province to team up with Pusan and South Kyongsang

citizens in order to seize power. Rep. Kim's organization consists of renegades from the GNP, who fled the party when they were dropped from its nomination race. Both the DPP and GNP are based in the Kyongsang provinces. President Kim's ruling Millennium Democratic Party commands a high level of support in the Cholla provinces, and animosity between the two regions persists. Lee of the NEC said that party leaders and candidates are encouraging regionalism, attempting to increase their chances of victory in the election "at any cost." The emergence of regionalism as a key election issue has led civic groups, including the Citizens' Alliance for the 2000 General Election, to launch a campaign against politicians who make regionally-prejudiced statements. The NEC even asked major media outlets to refrain from reporting remarks from politicians that could aggravate regional biases. Korea's chief broadcasters have complied with their request. Negative campaigning Another practice endangering the chances for a fair election race is negative campaigning. Election officials report that with the competition heating up, many candidates are resorting to negative campaign tactics. Everything has become fair game for campaign strategists, from candidates' alleged extramarital affairs to criminal records, health problems, and family issues. In most cases, politicians conduct negative campaigns simply through word of mouth or distributing leaflets. Officials said cyberspace is becoming the new frontier of negative campaigning. Last week, an aide of a ruling party lawmaker admitted that he posted slanderous messages on the Internet. "In terms of the number of cases, negative campaign is the second-most common violation, after vote buying," said an NEC official. Experts and civic leaders point out that the current election law is too lax to discourage these kinds of irregularities. The election law must be stringent enough to convince candidates that their careers will be ruined if they were found to have violated the law, they said. "The election law must be revised to ban convicted election law violators from taking an elected office for life," said Kim Suk-soo, secretary general of Political Watch, a major civic group. Lee Yong-hoon, the NEC chairman, also proposed that the National Assembly adopt a multiple-seat constituency system and expand the number of proportional representation seats in order to help eradicate regionalism in the elections. President Kim and his ruling party promoted the idea of multiple-seat constituencies and an expanded proportional representative system, but failed to persuade the opposition to follow suit in recent negotiations on amending the election law.

*From Korea Herald, 21 March 2000*

## **MEDICAL GROUP SEEKS CIVIL SERVICE CONTRACT**

A medical group will be set up next month to recruit about 1,000 private doctors to bid for general medical services for civil servants currently provided by the Government. It is understood the group, tentatively called the All Doctors Group, has been given support by senior health officials. Sources said the Government believed if the group proved a success, more services would be contracted out to the private sector. One of the group's organizers, Dr Gabriel Choi Kin, said several insurance companies planned to sign contracts. "We are interested in bidding for some contracts from the Government, such as general outpatient clinics and medical services for the civil servants," said Dr Choi, president of the Practising Estate Doctors' Association. "As a group set up by doctors, we can ensure the quality of care will not be compromised by budget. At least we do not need to consider the interest of shareholders - we will just be concerned with the patients' welfare." His group would compete with existing health maintenance groups run by individual companies, businessmen and insurance companies, who have been criticized for interfering with doctors' drug prescriptions and treatment. The organizers will write to all registered doctors in Hong Kong early next month and invite them to join. The group is being set up amid shrinking business in the private sector. Dr Choi said many doctors were fed up with the maintenance groups. "There is a sentiment among doctors that they are being exploited, some are given only \$70 to see one patient." Dr Raymond Wu Wai-yung, president of the Association of Private Medical Specialists, said individual medical practice was already outdated. The Estate Doctors' Association and the Association of Licentiates of the Medical Council are also interested in joining.

*From South China Morning Post, 27 March 2000*

## **EUROPE**

### **FRANCE'S DUMAS QUILTS TOP POST IN CORRUPTION SCANDAL**

A former French foreign minister who is due to stand trial on corruption charges has resigned as the head of the country's top legal authority. Roland Dumas had recently said he intended to step down as president of the Constitutional Court, but hadn't indicated when. Prosecutors suspect him of helping his ex-mistress - herself under investigation - to get a job with the energy group Elf Aquitaine, and of benefitting from the lucrative windfall she received.

*From Swiss Radio International, 01 March 2000*

### **OFFICIAL CRIME AND CORRUPTION ON RISE IN RUSSIA**

Acts of crime and corruption by Russian Government officials rose by more than 35 percent in 1999, the Interior Ministry said on Wednesday. The Itar-Tass news agency quoted First Deputy Interior Minister Vladimir Kozlov as telling reporters at a government briefing that there were 53,700 crimes committed by or involving officials last year. He said this was a rise of 35.6 percent on the previous year. Charges have been brought against more than 21,000 officials, including high-ranking figures such as the social security minister in the southern republic of Bashkiriya and deputy governors in several other regions, Kozlov said. Russian politicians and businessmen have mentioned rampant corruption as one of the biggest stumbling blocks in the way of economic

development and foreign investment. Kozlov said the direct damage to Russia from crime in the economic sphere stood at 29.2 billion rubles (\$1 billion) in 1999, a rise of 45 percent on the previous year.

*From Russia Today, 02 March 2000*

## **PUTIN VOWS TO FIGHT CORRUPTION WITH 'INNER CIRCLE' OF AIDES**

Acting President Vladimir Putin vowed to fight corruption in Russia by recruiting trusted former colleagues into his "inner circle," he said in a brief television interview made available to The New York Times. "I am bringing into my inner-circle people from law enforcement bodies who are in no way connected with the people and structures which may be associated with any form of corruption," Putin told ABC News during the interview that was published Friday by the daily. Putin, who is expected to win the first-round ballot in Sunday's presidential election, said he would use a trusted group of former colleagues from the KGB to fight Russia's endemic corruption if he is elected. "Yes, I have brought some of them to the Kremlin," Putin told ABC's Ted Koppel. "I have known them for many years and I trust them. It has nothing to do with ideology. It's only a matter of their professional qualities and personal relationships." Although he did not name any of the intelligence officials, Putin said in a recent biography that he trusted Sergei Ivanov, the KGB officer he drafted in as secretary of Russia's influential Security Council. Another ally is Nikolai Patrushev, head of the FSB domestic intelligence service. Putin has also brought his Saint Petersburg friend and former KGB operative Igor Sechin into his administration, but is coy about his exact role. In the ABC interview Putin dismissed corruption as a passing phase in a Russia still trying to shed the legacy of the former Soviet Union, and all but vowed to banish bribery and make Russia safe for foreign investors after he is elected. "During the period of transitional economy the government often fails to guarantee equal opportunities for all participants of the market," Putin acknowledged in the eight-minute interview. "There are those who take advantage of their proximity to political, governmental and regional leaders," he said before listing the steps his administration would take. "First, we will focus on guaranteeing the full rights of owners and investors," he said. "The right of ownership must become a priority in Russia. We will strive to make the position of the state crystal clear in its legislation. We will need to make the state strong enough to guarantee implementation of these rights." "And finally," he added, "we will do our best to ensure equal opportunity for all the participants of the market. "I hope that if these fundamental principles are observed," Putin told his interviewer, "we will not have to bring up the issue of corruption in Russia the next time we meet." On Saturday, Putin vowed to wipe out the oligarchs, a powerful business elite who had turned rich quickly by manipulating their close contacts with the Kremlin and have come to epitomize the crony capitalism crippling Russia's economy. "Such a class of oligarchs will cease to exist," Interfax quoted Putin as telling Radio Mayak. "Unless we ensure equal conditions for all, we won't be able to pull the country out of its current state." Asked about his recent flight to Grozny on a SU-27 fighter, Putin said it was not a campaign stunt to show his support for the military. It was, he said, the cheapest, fastest and safest way to travel. "Frankly speaking," he told ABC, "the last thing I think about is symbols." The interview was filmed during Putin's visit to Nizhny Novgorod and will be broadcast late Friday.

*From Agency France Press, 24 March 2000*

## **MIDDLE EAST**

### **EMPLOYMENT SERVICES REMAIN ON STRIKE**

The nation's employment services remain on strike Thursday as day four of the strike action gets underway. The striking employees are requesting additional manpower but Finance Ministry officials insist they do not understand the reason for the strike action. As a result of the strike, persons wishing to collect unemployment insurance payments, file for unemployment or seek job placement have nowhere to turn.

*From Israel Wire, 02 March 2000*

## **THE AMERICAS**

### **ETHICS COMMISSION FINES FORMER GUBERNATORIAL CANDIDATE**

A Columbia attorney and one-time candidate for governor has been fined \$11,800 for failing to file campaign disclosure forms. The State Ethics Commission announced Tuesday it had fined William F. Able \$10,000 for violating the state Ethics Act by failing to file quarterly campaign disclosure forms for five consecutive quarters. That fine was in addition to a previous fine of \$1,800. However, the additional fine will be waived and Able will only have to pay the \$1,800 if he files a final report and pays that amount within 30 days, the commission said. Able ran against incumbent Gov. David Beasley in the 1998 state Republican primary. The commission also fined Orangeburg County Coroner Samuella V. Marshall \$600 for filing economic interests forms late.

*From Columbia State, 01 March 2000*

## ONCE POWERFUL STATE SENATOR PLEADS GUILTY IN CORRUPTION CASE

A former state senator who had been one of the most powerful members of the Legislature pleaded guilty Thursday to graft charges and agreed to testify against three former colleagues indicted in the scandal. In return for Nick Wilson's cooperation, prosecutors dropped 128 charges and said they would recommend that any prison term be cut in half. Wilson, who pleaded guilty to defrauding programs benefiting children and injured school workers, faces up to 20 years in prison and a \$250,000 fine. Wilson, 57, also agreed to drop an appeal of his November conviction in a tax evasion case. He was sentenced to 18 months in that case last month but has yet to go to prison. Among other things, Wilson admitted defrauding the state between 1993 and 1998 by receiving kickbacks from hand-picked lawyers who charged the state exorbitant fees for work on child-support enforcement cases. The former senator said he also helped pass legislation to provide state-paid attorneys for children in custody cases. Lawyers gave him part of the money they received. Wilson and nine co-defendants -- most of them past or present legislators or state officials -- were indicted last April. Five have them have pleaded guilty, two others had the charges dropped in return for their cooperation, and three are awaiting trial.

*From CNN, 03 March 2000*

## LAPD RELEASES CORRUPTION REPORT – INTERNAL PROBE FINDS POOR SUPERVISION AT ROOT OF SCANDAL

In what was "not a proud moment" for his embattled department, police Chief Bernard C. Parks on Wednesday released an internal report examining the causes of the worst police scandal in Los Angeles history. The investigation laid blame for the corruption on poor paperwork, lax supervision and poor understanding of rules and policies. But mostly, the report said, it was a case of "people failing to do their jobs." "Although we cannot ignore the fact that some personal dishonesty was at the root of it," Parks said at a news conference, "we cannot forget that our lax procedures in many instances provided the opportunity for people to be in those situations." The report by the Police Department's Board of Inquiry was released Wednesday on the police department's Web site. It said the scandal might have been avoided if supervisors had noticed a troubling series of red flags first raised in the mid-1980s. "Pursuits, injuries resulting from uses of force, officer-involved shootings and personnel complaints had a clearly identifiable pattern. Yet no one seems to have noticed and, more importantly, dealt with the patterns," the report said. "Clearly a shift is that we must be more proactive in testing our employees to see if they are honest rather than wait for the report to come out," Parks said. Parks ordered the inquiry by dozens of investigators last fall. Other investigations are still under way. They include a police criminal investigation, an Internal Affairs review and an investigation by the Los Angeles County district attorney's office. The scandal has centered on allegations by former Officer Rafael Perez that officers in the unit beat, framed and shot suspects. The scandal has led to 40 convictions being overturned and 20 officers being relieved of duty. Authorities have said the financial toll on the city could exceed \$125 million. Perez was sentenced last week to five years in prison for cocaine theft. The report recommended 108 changes in department policies and procedures, but the board largely blamed the scandal on individual officers and supervisors rather than problems with rules. In one incident at the end of riots in 1992, a supervisor found the unit's members playing cards and working out when they should have been on patrol. Two days after complaining to a superior, the supervisor found the tires on his car slashed, the report said. After buying a new set, he found them slashed again. Parks emphasized that the scandal involved a small group of people and the "other 13,000 members of this department should not be broadbrushed." Those people, he said, would work "as hard as we can to bring back the luster to the Los Angeles Police Department badge." At a news conference after Parks spoke, Mayor Richard Riordan said the city police commission was well equipped to investigate the scandal and that an independent review was unnecessary. "The board of inquiry report is a great step forward toward achieving accountability throughout the LAPD," he said.

*From MSNBC, 01 March 2000*

## BILL STRENGTHENS ANTI-CORRUPTION LAW

State prosecutors would have more power to go after lawmakers and public officials who use their positions to make money or help friends under a bill that cleared a House panel Wednesday. There are so many holes in state law that corruption cases often have to be sent to federal prosecutors, said Rep. Randy Ball and Marty Moore, a lawyer for Attorney General Bob Butterworth. The Crime & Punishment Committee unanimously approved the measure, which included some of the recommendations of the Public Corruption Study Commission created last fall by Gov. Jeb Bush. Ball, R-Mims, who is chairman of the committee and sat on the commission, listed some cases that couldn't be prosecuted under state law because of its failings. One example was the former Panhandle sheriff who was accused of coercing jail inmates for sexual favors in exchange for furloughs. Al Harrison was convicted of a federal misdemeanor of violating the inmates' civil rights and sentenced to four years in prison. No state charges were filed. Ball didn't mention the cases of former Sen. Al Gutman of Miami, who was convicted of Medicare fraud; former House Speaker Bolley "Bo" Johnson of Milton, who was convicted of tax evasion; and former Rep. Randy Mackey of Lake City, also convicted of tax evasion. All three were convicted in federal court and sentenced to federal prison in the past two years. The bill approved Wednesday would make it a felony for public officials to try to cover up wrongdoing from failing to carry out their duties law and from using their position to make money. Bribery and perjury, currently third-degree felonies, would be second-degree felonies under the legislation.

*From Florida Times, 09 March 2000*

## LAWMAKERS TO FOCUS ON ETHICS

Lawmakers this week take aim at themselves and others in government by considering bills that crack down on corruption and look at small changes in the campaign finance system. The House is expected to pass ethics legislation that would close loopholes in Florida's financial disclosure law. The Senate, meanwhile, will consider a package of far-reaching ethics bills, the product of a commission charged with tackling graft and corruption in Florida Government. That series of bills toughens penalties for bribery, bid tampering in public contracts and lying under oath about official duty. The House has similar bills that would crack down on corruption. But the Senate's plan would allow the state Ethics Commission to initiate investigations of public officials without receiving a complaint. That idea might not go far, however, as House Speaker John Thrasher opposes it, citing concerns over due process. The two legislative chambers differ even more on campaign finance reform, which the Senate might take up this week. The Senate plan would limit the amount of money donors can give to the political parties in the last days leading up to an election. Contributions to the parties currently are unlimited. The theory is that money given in the final days of a campaign can't be tracked until after the vote. Though the limits on last-minute contributions has the support of the Republican leadership in the Senate -- it is sponsored by Majority Leader Sen. Jack Latvala, R-Palm Harbor -- it is opposed by the House Republican leadership. Last week, the House leadership rolled out its plan for the campaign finance system. Instead of limiting contributions, which Thrasher believes is unconstitutional, the House would require more immediate electronic reporting of contributions. "To me, that's the biggest weapon you can have as a voter, to know who is giving," said Thrasher, R-Orange Park. Also this week, a Senate committee will begin reviewing the many bills affecting health maintenance organizations and their patients. Two Senate committees will meet jointly Tuesday to begin going through the bills filed on HMOs to try to decide which ones will be priorities and which ones will falter, although no vote is expected on the bills. Also this week, the House and Senate will recognize the 1999 national college football champions, the Florida State Seminoles.

*From Sarasota Herald-Tribune, 13 March 2000*

## CIVILIAN AGENCY PLANS REVIEW OF LAPD CORRUPTION

Amid growing calls for an independent investigation into the Los Angeles Police Department corruption scandal, the civilian agency that oversees the LAPD has decided to conduct its own review. Tuesday's decision by the civilian Police Commission comes after last week's report by the LAPD Board of Inquiry that recommended 108 changes in department policies and procedures. Though brutally critical of mediocrity and lax oversight in the department, it did not call for outside review. Police Commission Executive Director Joseph Gunn and Inspector General Jeffrey Eglash on Tuesday proposed an examination of the LAPD disciplinary system and officer-involved shooting policies, as well as the ethics and culture of the department. They said the department needs to strengthen the lax supervision that investigators blamed for allowing corruption to flourish. "We are very confident". The Police Commission is mandated in the City Charter to exercise control over the LAPD, along with an inspector general who can do independent investigations of the police. The commission also has power to implement changes. Cmdr. David Kalish, spokesman for the LAPD, said that the department has concluded its internal inquiry report and the matter now rests with the commission. "We are very confident that the review will result in meaningful and pragmatic recommendations," Kalish said. The scandal, which came to light last fall, has centered on allegations by former Officer Rafael Perez that members of an anti-gang unit, operating in the Rampart neighborhood near the downtown beat, framed and even shot suspects. The revelations have led to 40 convictions being overturned and 20 officers being relieved of duty. Perez was sentenced last month to five years in prison for stealing cocaine from a police evidence locker. He revealed the alleged corruption to prosecutors in exchange for a lesser sentence. A coalition of 49 civil rights groups has called for an independent commission to study the scope of police wrongdoing and recommend remedies to overhaul the department. City officials including Mayor Richard Riordan and Police Chief Bernard C. Parks have opposed an outside review.

*From APM Online, 08 March 2000*

## ETHICS COMMISSION PLANS TO GET TOUGH ON FINANCIAL DISCLOSURES

The state Ethics Commission plans to get tough with public officials who fail to file their financial disclosure forms by the March 31 deadline. "We will fine them this year if they are late," Commission Executive Director Kenneth Rohrs said. "It's mandatory in the law." The law does not allow for a grace period for late filings, he said. Every public official who is paid by the state must submit the form. Rohrs estimated that's about 5,000 people. Last year scores of public officials were late or didn't submit their required forms, and more than \$200,000 in fines were levied. But the Ethics Commission waived \$188,425 of the fines because of mistakes in levying the penalties or finding that the forms were filed but lost. For example, 28 candidates for political office were fined \$76,475, but there was no evidence that they were ever given the forms or notified they had to file. The commission waived the fines and told those people to file their 1998 statements by March 31. Rohrs said later inspections showed all of the candidates filed disclosures by the new deadline. The commission also agreed to refund \$7,950 to public officials who were mistakenly penalized. But that leniency appears likely to change. A new law went into effect in October, and a new commission and staff are enforcing it. The penalty is now \$25 for each day for up to seven days late. If the statement is filed more than seven days late but not more than 15 days late, the penalty is \$175 for the first seven days, plus \$50 for each additional day the form is late. If the statement is filed more than 15 days late, the fine is \$575 for the first 15 days, plus \$100 for each additional day the statement is late. The law allows the commission to waive the fine for good cause.

*From Las Vegas Sun, 13 March 2000*

## **U.S. POSTAL SERVICE PLANS TO ELIMINATE 9,000 JOBS, WASHINGTON POST SAYS**

The U.S. Postal Service plans to reduce its workforce by 9,000 jobs in an effort to cut \$4 billion in expenses in the next four years, the Washington Post reported. "We are barely keeping our heads above water," said Postmaster General William J. Henderson, the Post said. The Postal Service, facing competition from E-mail sent over the Internet and mailer opposition to higher postage rates, plans to eliminate the jobs through attrition and hiring freezes, the paper said. The Postal Service reported a \$363 million profit for fiscal 1999, the lowest in five years, and attributed the decrease to increased wages and fuel prices.

*From Bloomberg, 21 March 2000*

# Management Innovation & Trends

## AFRICA

### AFRICAN LEADERS TALK DISASTER PREVENTION – CALL FOR REGIONAL FORECASTING SYSTEM, RELIEF EFFORTS IN MADAGASCAR GROW, UN PLAN TO CLEAR LAND MOZAMBIQUE LAND MINES

In the wake of devastating floods, the leaders of seven southern African nations on Tuesday urged creation of a regional system to forecast and deal with natural disasters. While the hardest hit, Mozambique is just one of the nations in the region that has been battered by heavy rains and flooding. Relief efforts in the Indian Ocean island of Madagascar gained momentum Tuesday as food-laden French military helicopters and other aircraft delivered aid to flooded areas. Floods have also chased hundreds from their homes in South Africa, and have washed away more than 10,000 homes in Botswana. The heads of state said the region's economic development was at risk unless an early-warning system was established to alert residents of storms. They appealed to international donors to fund it. "Competent disaster management must be an integral part of common efforts for development," Mozambican President Joaquim Chissano said. Heavy rains in the past two months have devastated southern Africa, particularly central and southern Mozambique, where flooding together with two cyclones have killed at least 492 people, left 330,000 homeless and caused an estimated quarter-billion dollars in damage to roads, bridges and public buildings. While international aid groups say thousands of people may have been killed in flooding, the final death toll might not go that high because South African military helicopters rescued more than 14,600 stranded people. The heads of state appealed to the international community to cancel all foreign debts owed by Mozambique to enable it to channel its money into rebuilding the southeast African country. Mozambique's own problems were compounded by its location. Nine of Mozambique's 15 rivers originate in neighboring countries, where overgrazing and other poor land management has sapped the soil's ability to absorb water, leading in recent years to more flooding downstream.

UN special envoy Ross Mountain said Tuesday the United Nations and the Mozambican Government would issue a new appeal later this week for reconstruction funds for Mozambique. Nearly \$65 million raised from a joint U.N.-Mozambique appeal on Feb. 23 has already been spent, Mountain said. Donors have pledged at least \$108 million in relief aid for Mozambique. The amount excludes the cost of aid operations by the militaries of South Africa and at least six Western nations, including the United States, he said. UN Secretary-General Kofi Annan appealed to donor countries to give Mozambique "as much help as possible, and as soon as possible." He said Mozambique had been an "inspiring example" of progress in Africa before the disaster struck. Tuesday's summit in Maputo was held under the aegis of the Southern African Development Community. Presidents Thabo Mbeki of South Africa, Bakili Muluzi of Malawi, Sam Nujoma of Namibia, Benjamin Mkapa of Tanzania, Frederick Chiluba of Zambia and Festus Mogae of Botswana were among those who attended. Also Tuesday, the UN Development Program and the National Institute for Mine Clearance in Mozambique announced an emergency plan to help clear land mines that may have been displaced by the flooding. Up to 2 million mines were left over from Mozambique's 16-year civil war, and authorities fear that areas previously considered safe may now be littered with mines. "The flooding has changed the whole basis for our demining work in the affected areas," the UNDP representative in Mozambique, Emmanuel de Casterle, said in a statement released at U.N. headquarters in New York.

*From CBS News, 15 March 2000*

## ASIA/PACIFIC

### RESULTS DELAY: FRAUD REPORTS IN 7 PROVINCES OF THAILAND

Reports of election fraud in seven of Thailand's 76 provinces have delayed announcement of official results in the country's first Senate poll, the Thai Election Commission said yesterday. Police will investigate, and fresh elections in the affected provinces could be ordered, said Mr. Gothorn Arya, a member of the commission. The committee is also double-checking the ballot count in all provinces before making a formal announcement of results, expected later this week. Results in up to eight provinces were likely to be incomplete as complaints had been made alleging poll fraud, said election monitors. Mr. Somchai Srisutthiyakorn, secretary of Pollwatch Foundation, Thailand, said that most irregularities had occurred outside the capital. In all, 1,141 cases of electoral irregularities were reported. Reports on Friday said that cash machines in the provinces had run dry of small denomination notes -- a possible sign that candidates bribed people into voting for them. Despite the allegations of vote-rigging, it was still viewed as a success, bringing reputable faces into the roughhouse of Thai politics. Saturday's election was seen as an important landmark in democratic political reform. It was the first time that senators were elected rather than appointed.

*From Singapore Straits Times, 07 March 2000*

## CHINA ISPs LAUNCH INTERNET CHAMBER OF COMMERCE

China now has an organization dedicated to boosting ecommerce in the country – the China Business Electronic Commerce Alliance, the February 28 Beijing Qingnian Bao (Beijing Youth Daily) reported. The alliance, which recently was founded in Beijing, will promote Chinese companies' development of ecommerce and cooperate in protecting their interests, according to the newspaper. The alliance was launched by more than 50 ISPs (Internet service providers) all over China, including China-enterprise.com, the East Telecommunication Co., Wuhan Online, the CQ (Chongqing) Information Base, the Shanxi Information Center, the Yunnan Ecommerce Network, the West China Gold Rush Network, ChinaMotion.com and the Changchun Infoport. The alliance members will not only include their organization's Web address on their own Web sites – to provide links to all members' Web sites – but each will also offer free Internet promotional services to any non-member company using a member ISP to access the Internet. According to the newspaper, this strategy seeks to boost online companies' popularity and to increase their online opportunities.

*From China Online, 02 March 2000*

## BEIJING'S FIRST BROADBAND INFORMATION SERVICE FIRES UP

Beijing recently acquired its first high-speed broadband multimedia information technology (IT) intelligent community, when the Beichen Community High-Speed Broadband Multimedia Comprehensive Information Network System began operating on February 26, the March 3 Zhongguo Dianzi Bao (China Electronics News) reported. According to the newspaper, the network system provides comprehensive information services for a wide range of sectors and customers. This includes data on finance, economics and trade, and information about large-scale conferences and exhibitions, where to find upscale offices, advice on business administration, culture, sports and recreation.

*From China Online, 08 March 2000*

## NEW SELF-SERVICE METEOROLOGICAL STATION DEVELOPED IN CHINA

A new type of self-service meteorological station newly developed has lately passed state test in China. According to experts, when it is put into operation, it will economize on human resources and raise China's weather forecast level. As is told, the meteorological station named CAWS 600, with a multiple function, highly automatic, is capable to work round-the-clock, collect and dispose data automatically and function at the world advanced level. At present, there are about 2,600 ground meteorological observation stations at the service of China. But basic observation work is done for the most part by man, which takes up a great deal of manpower and material resources. Besides, many of the meteorological stations are built on remote no man's lands. In contrast, the newly developed station is entirely a self-service one that can be generally established in remote depopulated areas to bring all weather observation under the supervision of weathermen in China.

*From People's Daily, 8 March 2000*

## EUROPE

### BLAIR'S FIVE-YEAR INTERNET PLEDGE

Tony Blair at the knowledge economy conference Prime Minister Tony Blair has set out his strategy to tackle the threat of a "digital divide", with a pledge to get everyone in the UK online within five years. Mr. Blair told a conference on the "knowledge economy" on Tuesday how important the internet will be in everyone's lives - and that universal access was a must for all. He stressed that the internet should not become the preserve of the young and the better off. He told the joint CBI, TUC and government conference: "It is likely that the internet in time will become as ubiquitous as electricity is today. "The knowledge economy must be an economy for the many and not the few. "Universal internet access has to be available to all." To highlight the government's record on new technology, Mr. Blair pointed to a string of Labour commitments on the internet including: National Grid for Learning, connecting schools and libraries up to the Internet by 2002; 1,000 information technology learning centres; passing 100,000 refurbished computers to low income families; discounts of 80% on basic information technology courses by September this year. The Prime Minister also declared Britain was performing well in the European "e-league" of nations using the new technology. He said: "We are ahead of Germany and France, although they will try to catch up." One in six Britons already have access to the internet, a 200% increase in a single year. Britons spent more time - 12 hours a week on average - logged on than their Continental counterparts. A report by management consultants Booz, Allen and Hamilton, published on Tuesday, showed Britain carried out e-trading worth \$1.89bn, compared with \$1.65bn in Germany, \$1.2bn in France and a European average of \$484m. Also at the conference, Education and Employment Secretary David Blunkett announced plans for an online service linking vacancies, skills programmes and careers advice. Mr. Blunkett said jobseekers would be able to look for work by surfing the internet either at home or in shopping centres and pubs through the Learning and Work Bank. The scheme, which will be launched later this year, will include a web site with hundreds of thousands of vacancies from jobcentres and recruitment agencies. Job vacancies will be followed up by calling a national jobs telephone line.

Mr. Blunkett told the conference: "People will be able to access the Learning and Work Bank in employment centres, shopping centres, libraries and even pubs."

*From BBC, 07 March 2000*

## HUNGARY FREES DOMAIN NAMES TO BOOST INTERNET TRADE

Hungary liberalized the registration of domain names on the Internet from Wednesday in a move to boost electronic trade, the national patent registration office said. The move means that homepages ending with ".hu" -- signifying Hungary -- can have any domain name, independent of the sites' contents or the profile of their owners, the office said. "For example, you could have 'Clinton' or 'OPEC' as a homepage name, or register the name of your girlfriend or a rival company for your homepage," one Internet service employee explained. Before registration, Internet service companies plan to display domain name applications for two weeks on the Internet to allow the real owners of names to object, said Mihaly Ficsor of the patent authority.

*From BBC, 07 March 2000*

## THE AMERICAS

### PALM COAST LOOKS TO PRIVATIZE CITY SERVICES

Barely two-months-old, Palm Coast is still testing its wings. On Tuesday, the city took a baby step toward an innovative approach to Government that is gaining popularity in Florida - looking into hiring a private firm to provide much of the city's services. Severn Trent LLC, a private firm specializing in government management, made a pitch to the Palm Coast City Council, offering its expertise at a fraction of the cost of building a new government from the ground up. Often times cities, particularly smaller cities, rely on other local governments for services. Less often, cities turn to the private sector. But this approach is gaining popularity, as evidenced by firms that have sprung up, like Severn Trent. Councilman Jerry Full said he was intrigued by the presentation, although he, like the other City Council members, said he needed more information. Gary Moyer, vice president of Severn Trent, stressed that the firm is not a one-size-fits-all option. It offers different services to different clients, he said. The firm's model is a city called Weston in southeast Florida. Weston has only three full-time employees. "We contract for everything," said city manager John Flint, one of those three employees. "We have taken privatization and contracting to the extreme. In 1997, after the city's incorporation, the Weston City Council hired Moyer & Associates, which has since been acquired by United Kingdom-based Severn Trent, to act as the city's finance, parks and recreation and public works departments. Severn Trent also staffs the city's administrative positions. Weston pays the firm about \$1.2 million a year for these services, Flint said. Managing Weston was an easy transition for Severn Trent. Before the city's incorporation, the firm managed the Indian Trace Community Development District, an independent government body that is the foundation of Weston, and financed an incorporation study for the district. Why did Weston turn to the private sector? "The mayor and the City Council did not want to build a big municipal bureaucracy," said Moyer, past owner and president of Moyer & Associates. Flint said privatization has enabled the city to largely avoid the cost of employee benefits, except for the city's tiny staff. Although Severn Trent coordinates all of Weston's services, it does not have a monopoly on them. The city contracts with Broward County for its police and fire services and a private engineering firm handles its planning and zoning matters. A planned community, Weston is expected to be completely built by 2003, after which, Flint said, the city will have little use for a planning and zoning staff. Palm Coast's situation is slightly different. Although Palm Coast was the brainchild of ITT Community Development Corp., it has grown into a full-fledged city. Also, unlike Weston, Palm Coast is far from built-out. In fact, the incorporation movement was fed heavily by residents' desire for more control over development. Severn Trent manages 85 Community Development Districts (CDDs) including the Grand Haven Community Development District and the Dunes Community Development District, both in Flagler County. Florida law allows private developers to establish CDDs, which can issue bonds and levy taxes and fees on property owners within its boundaries.

The Dunes Community Development District has contracted with Moyer & Associates since the mid-1980's, when ITT Community Development Corp. created the district. The firm acts as the district's financial director, district manager and secretary, said David Root, Dunes CDD's general manager. The district pays Severn Trent about \$80,000 a year for its services, he said. Root said Moyer & Associates has carved out a niche, helping planned communities evolve into CDDs. "They know what they're doing," Root said. "They're professionals," he said of the company. With Weston, Severn Trent took the process a step further. It helped a CDD become a city. The Dunes Community Development District's board of directors is comprised of both ITT executives and residents. "You're talking about people, developers, who know how to build roads and houses, but don't really know how to run a government," Root said. Root said the firm was particularly helpful during the district's formative stage. In recent year, he said, its role has shrunk. In fact, that's Severn Trent's biggest selling point to new cities like Palm Coast. "We've lived through the process they're currently going through," Moyer said. "Severn Trent could get Palm Coast off the ground and running." By Oct. 1, the City Council has to decide whether to contract its services with Flagler County, hire a private management firm or provide the services in-house. Most likely, it would be a combination of these options. The City Council has indicated it plans to take over the former Palm Coast Service District's road and bridge, fire and code enforcement departments. Other services, like financing, engineering, planning and zoning and parks and recreation are still up in the air.

*From Daytona Beach News Journal, 06 March 2000*

## PRIVATIZING FOOD SERVICE, BUS OPERATIONS CONSIDERED IN LA

School districts could let private companies handle bus driving and food services under a proposal being considered for inclusion in an upcoming special legislative session. The proposal, which could affect more than 14,500 school-system employees statewide, would lift restrictions against private companies offering the services and allow school districts to put the services up for bid. The goal is to give school districts a way to save money if administrators see the opportunity, said Sen. Jay Dardenne, R-Baton Rouge. "We are not saying you have to privatize. That decision would be made at the local level," said Dardenne, who is lobbying Gov. Mike Foster to include the idea in the special session. A union leader and food-service supervisor said privatizing buses and cafeterias would harm already low-paid workers. Statewide, school districts employ 6,635 bus drivers and 8,191 food-service employees. Those positions are paid for through the districts, either with taxpayer money or, in the case of East Baton Rouge Parish, through food sales to students and faculty members. Many of those jobs could disappear if private companies are allowed to take over transportation and food services, said Gail Johnson, director of food services for East Baton Rouge Parish, which employs about 700 food service workers and 600 bus drivers. The jobs pay anywhere from minimum wage (\$5.15) to \$7.29 an hour and include benefits, such as health insurance, requiring people to work multiple jobs to pay the bills, Johnson said. "They don't make a lot of money," said Johnson, who oversees a \$26 million budget for 110 schools. "Poverty-level people will lose their jobs." A special legislative session is expected to start March 19, giving Foster about five days to announce what issues lawmakers may deal with. Foster's Chief of Staff, Stephen Perry, and a school-finance study group have been studying the idea for several months, but no announcement has been about whether the proposal will be included in the session. The proposal grew out of complaints by school superintendents seeking to save money, Dardenne said. The superintendents are looking for ways to put more money into the classrooms, Dardenne said. As Dardenne outlined it Wednesday morning at a conference sponsored by the Louisiana Association of Business and Industry, the proposal would repeal existing laws requiring that the school districts run the buses and cafeterias. If a district wished, it could offer private companies an opportunity to compete for the transportation and food businesses. The idea is to allow the districts to save money on administrative costs, then use those funds in the classrooms for new equipment or teacher salaries, Dardenne said. Private companies taking over transportation and cafeteria services would be encouraged to hire the people already doing the jobs. How such a transfer would take place would be worked out between local school districts and private companies, Dardenne said. Dardenne expects opposition from unions and school district employees. "This is going to be another big, bad issue," Dardenne said. "The unions don't want it, and some of the people who provide food and dairy products and other things to the school boards don't want it," he said. "But if we're going to be responsible for salaries at the statewide level, and say to locals, 'You're responsible for administrative costs at the local level,' we've got to create an incentive to save money," Dardenne said. Word of the proposal spread quickly Wednesday after Dardenne's comments to the business group. By noon, Johnson and Zack Nauth, state director of local service employees union, which represents cafeteria workers and bus drivers, knew of the proposal. Both said privatization would lower salaries of already underpaid workers and take away their benefits as well. "It just transfers money from the workers to the stockholders," Nauth said. "It doesn't save anything." Other similar attempts, such as privatizing some janitorial services, haven't worked, Nauth said. "It may be a good economic proposition for the businesses," Nauth said. "But it's not a good economic proposition for the schools." Dardenne acknowledged that the measure will be very difficult to pass. "There will be considerable opposition to it," Dardenne said. "The proponents of the status quo are very potent."

*From Baton Rouge (LA) Advocate, 09 March 2000*

## ABA PRIMER: FORGET ABOUT PRIVACY ON THE INTERNET

The virtual world just got a grim little jolt from the American Bar Association. On Wednesday, the nation's biggest group of lawyers issued a no-frills primer called "Facts About Privacy and Cyberspace," which is enough to make even the most diehard emailer think twice. Despite the jolly and well-publicized culture of on-line commerce, family Web sites, chat rooms and publications, not much is sacred — or private — on the Internet. "We want to educate people about these issues," said Paul Marcotte of the ABA in Chicago Thursday. "All of the material has been pulled from existing documents. It's already out there. We've just edited it down." Indeed. Congressional reports, industry surveys, legal cases, media reprints and ABA documents have been boiled down to a 24-page booklet that Mr. Marcotte said is available to the public at the ABA Web site ([www.abanet.org/media/factbooks/cyberspace.pdf](http://www.abanet.org/media/factbooks/cyberspace.pdf)). "Self help and self empowerment in this field is a good first step," said Jean Ann Fox of the Consumer Federation of America. Internet safety, not to mention civility, is still very much a work in progress. And the on-line world is awash in personal information — some of it authorized, and much of it not. The ABA cited a survey from an FTC report to Congress that stated 93 percent of the 7,500 "busiest servers on the World Wide Web" regularly collect personal information about their users while only 44 percent post privacy notices. Just 10 percent comply with the FTC's recommendations for fair information practices. And the public is already antsy. An AT&T survey found that 87 percent of Internet users were "very or somewhat" concerned about their privacy. An equal amount felt using personal data improperly was "very serious." Nineteen percent of the respondents had already experienced an "on-line privacy invasion." Protective consumer laws have not really surfaced yet. While tax returns, library loans, welfare records and criminal investigatory files are not public information, the ABA noted, there is only a "patchwork of laws" protecting the retrieval of other personal information. That can range from addresses and phone numbers to credit information, professional licenses, hobbies, medical and homeownership data and political registrations. "In toto," the ABA advises, "information collectors can largely do what they want with most information collected in cyberspace." The details about this collecting get a little hair-raising. Electronic "cookie" tags — actually a file affixed to the user's own hard drive — identify visitors at many Web sites, then track their patterns through the Internet, accruing elaborate "inferential" and

"psychographic" data. The ABA advises folks to protect themselves with passwords or services which mask "electronic footprints" or warn that a site is attempting to attach a pesky " cookie" to the visitor's computer. A password, they say, should be "at least six characters long, contain a mix of alpha and numeric characters and be changed regularly." The booklet also offers advice for young Web surfers, and to shoppers. Cyberspace notwithstanding, consumers should still comparison shop, keep records, buy from reliable and secure sources and use a credit card to limit liability if there is a problem. Which brings us to email. Most of the time, it does not conveniently disappear into the ozone. The ABA notes that "deleted email is often archived on tape and stored for years unlike postal mail, most email is not really secure and can be accessed or viewed on intermediate computers" unless encrypted. There is the Electronic Communications Privacy Act, however, which prohibits unauthorized interception and accessing of email. The law has some exceptions for service providers or employers who maintain that monitoring all that electronic gibbering is necessary for business. But it is very tricky. Employers who fire or discipline an employee based on information learned through e-mails can be "a legal minefield," according to the ABA. For all its practical brevity, the group remains modest about its new booklet, noting that it's meant to "generate further reflection."

*From Washington Times, 13 March 2000*

## **ANALYSIS FROM WASHINGTON – THE INTERNET AND NATIONAL INTEGRATION**

Residents of Siberia and the Russian Far East now go online at far higher rates than do Russians living anywhere else, a pattern which could have a profound impact on the future integration of the Russian Federation. According to polling data released at a Moscow Internet conference on Friday, one-quarter of the regular Russian users of the Internet live in Siberia and the Russian Far East, even though that region accounts for significantly less than 10 percent of the country's population. On the one hand, this statistic should come as no surprise. People living in isolated areas around the world increasingly are turning to the Internet both for entertainment and to keep in contact with the larger world. But on the other hand, it is striking because it is at variance with the typical pattern of technological diffusion in Russia and also because these numbers could increasingly represent a serious obstacle to Moscow's efforts to reintegrate the country. Up to now, most Western and Russian observers have assumed that Moscow and, to a lesser extent, St. Petersburg, do and will dominate the Internet market just as these two cities dominate many other aspects of Russian life. But in fact, speakers at the Friday conference suggested, there are no more regular Internet users in the two capitals than there are in Siberia and the Far East, even though there are now far more people living in these two cities than in that enormous region. Moreover, the poll on Internet use conducted by ExactData Research found that 55 percent of Russia's Internet users live in cities with fewer than one million people, that a significant number live in small towns or rural areas, and that many of these are located beyond the Urals. Because the Internet offers its users the opportunity to transcend geography, to link themselves with people or groups who live far away from where they do, this new technology may either help to promote national integration or make it far more difficult. Indeed, many of those who now go online in Siberia and the Russian Far East may find that experience tying them ever closer to Moscow in particular and the Russian Federation as a whole, particularly if they visit Moscow web sites such as those featuring central newspapers. But the Internet may also have just the opposite effect precisely because it shows so little respect for traditional state boundaries and identities. And there is at least some evidence that the Internet may be playing that kind of role in parts of Siberia and the Russian Far East. Perhaps the clearest indication of this comes from Sakha-Yakutia, a republic the size of most of Western Europe located in the north of the Russian Far East. In January, the Government there made English a compulsory subject in the schools and one of the working languages for official government functions. Sakha President Mikhail Nikolayev said on Jan. 6 that such a step was necessary "given the intensification of planetary interstate communication, broad adoption in the international practice of high information technologies, and given the quest of Yakutia for integration into the world economic community." English has been the predominant language on the Internet up to now. That is beginning to change. But to the extent that Sakha residents learn English and use the Internet, they are ever more likely to identify themselves with the nearby Pacific rim states than with far-away Moscow. None of this means that Sakha is about to secede, but it does mean something perhaps equally important. The people of that republic may increasingly be drawn into a wider world not dominated by Moscow. And as a result, they are likely to demand that Moscow take that into account. Moreover, if the central Russian government tries to ignore this new focus of identity, Moscow may provoke the very kind of nationalism that it hopes to avoid. In that case, the Internet will have once again demonstrated its ability to upend traditional political arrangements.

*From Radio Free Europe, 13 March 2000*

## **INTERNET ECONOMY AN EQUAL OPPORTUNITY EMPLOYER**

The roaring "new economy" is a genderless frontier with equal opportunity for men and women. In other words, it is nirvana for energetic, entrepreneurial women, according to several female chief executives of dot-com companies who jumped to the sector after paying dues in more traditional industries. "The Internet on all levels is a much more democratic and level playing field. It's more about smarts, drive and passion, than who you are, ethnically and genderwise," said Lisa Crane, chief executive officer of Internet music firm Soundbreak.com. While refreshing, the opportunities afforded Crane and her peers such as Meg Whitman, CEO of online auctioneer eBay Inc., are still the exception. On International Women's Day last Wednesday, women around the world protested the continued gap in wages between men and women. "I've found little issues about being a woman in this business," said Crane, a former NBC entertainment and Universal Studios executive. "There still might be a boys' club in the financing end of the business, but otherwise the woman thing is pretty inconsequential." Indeed, CEOs such as Hewlett-Packard Co.'s Carly Fiorina -- the only woman to head one of the Dow 30 blue-chip companies -- prefer not to be looked at as "female" chief executives. "I hope we've reached the time where gender is interesting but not the main focus," Fiorina said. "Companies that are going to survive or

excel have to focus on getting the best talent, regardless of gender, race or anything else. Bias of any kind is a luxury companies can no longer afford." At times, Crane meets people who think women are "technophobic." "There are people who think you don't know what you're talking about, which is offensive," she said. Equally offensive were suggestions by recruiters that she pursue "female" jobs like marketing and brand development. But Pam Miller, chief executive officer of San Francisco-based software company Rocket Network, actually thinks this is what sets women apart in the sector. "I have a bit of a theory that there are a lot of women who are becoming successful CEOs in Internet businesses because of all the branding that's going on with the Internet," she said. For a long time the business was technology-driven, but now there is a need for marketing skills. "Marketing has always been more female-oriented than engineering. That's why you're seeing more woman in dot-com companies," said Miller, citing her friend Julie Wainright, who runs Pets.com and was CEO of Reel.com. "Julie and I worked together at Clorox and she's been terribly successful at focusing on branding." Crane, a mother of three, said children seemed to be an issue when she was pursuing jobs in entertainment but it rarely comes up now. "People in this industry assume that if you're in and have kids you've figured out how to work around it." But she admits the pace at dot-coms is not for everybody. "A lot of women in bigger companies want to cross over but they're afraid of the pace," she said. The number of women between 25 and 34 in managerial and professional jobs has increased 14.6 percent to 5 million in the last five years, the Bureau of Labor Statistics says. But, while female executives are on the rise, the top ranks of Fortune 500 companies are still dominated by men. The resignation last month of Mattel Inc. Chief Executive Jill Barad left just three women at the helm of Fortune 500 firms, according to Catalyst, a New York-based women's advocacy and research group. Barad's ouster led some experts to wonder whether female CEOs are getting harsher scrutiny. "I think it's the consensus in the women's executive community that the few women in top spots get more media attention and are judged in a far harsher light on a short-term basis than their male counterparts," said Pearl Meyer, a compensation consultant. "I don't know if the directors of Mattel would have judged a male differently but I think there are concerns they may have been put under more pressure from the spotlight of the media and investors to a female CEO," she added. Members of Mattel's board have denied that gender played a role in Barad's departure following months of intense pressure over slipping sales and profits. Besides Hewlett-Packard's Fiorina, other top female chief executives at Fortune 500 companies include Andrea Jung of Avon Products Inc. and Marion Sandler, co-chief executive of Golden West Financial Corp. Employment experts said demographics should eventually level out the playing field. "The climb in a Fortune 500 company is a rigorous, 20- to 30-year trek. There wasn't a large pool of qualified women in these companies prior to 1970 but now 50 percent of people in grad school are women," said Bob Rollo, an executive recruiter and president of Los Angeles-based Rollo Associates. "The big trick now for any Fortune 500 company is to retain their best people because there's some really great opportunities in these small dot-coms where there is no glass ceiling," he said. Indeed, last month, Heidi Miller quit as chief financial officer of Citigroup Inc. to become CFO of Internet company Priceline.com Inc. Last year Miller was named the second most powerful businesswoman by Fortune Magazine, behind Fiorina.

*From ABC News, 13 March 2000*

## **MoDOT SEEKING PUBLIC INPUT ON STATE PRIORITIES**

A recently completed customer satisfaction survey showed the Missouri Department of Transportation (MoDOT) how well its daily operations serve the needs of Missourians. A new survey effort, begun yesterday (Wednesday), will help MoDOT identify the state's top transportation priorities, an important step in development of the agency's long-range transportation plan. "We've recently learned that Missourians are generally pleased with the way MoDOT serves the state's transportation needs," said Henry Hungerbeeler, MoDOT director, referring to survey results presented at the March 3 meeting of the Missouri Highways and Transportation Commission. "It's also important for MoDOT to consider what the public says when planning for the future of the transportation system and this new survey effort will help identify those issues." More than 3,400 Missourians from around the state will participate in the latest survey effort. Approximately 1,900 telephone interviews will be conducted with randomly selected members of the public and about 1,500 transportation stakeholders will be sent the survey by mail. Transportation stakeholders include state and federal legislators, local elected officials, representatives of planning organizations, chambers of commerce and economic development agencies. Survey results are expected in April. "Our latest survey will tell us what Missourians think are pertinent considerations for the future about all modes of transportation, not just highways," Hungerbeeler said. "Aviation, rail, transit and bicycle and pedestrian accommodations will each play a role in the development of a quality transportation system. It's important that we explore the importance of these modes of transportation from the perspective of Missourians."

*From Chillicothe Constitution-Tribune, 13 March 2000*

## **CYBERSPACE BECOMES IDAHO'S NEW CLASSROOM TELECOMMUNICATIONS; INTERNET EXPAND HIGHER EDUCATION CHOICES**

Twenty-five years after the University of Idaho began offering courses to students around the world on videotape, the state's colleges and universities are moving quickly to further cut the ties that traditionally have bound students to campuses. Already, the seven schools are teaching 6,000 students — more than one student in 10 — with such distance-learning methods as the Internet, television and compact discs. And the State Board of Education forecasts a dramatic increase in distance learning in higher education in Idaho in the next few years. Students and potential students can expect a proliferation of virtual classrooms, in which courses are delivered online. In 25 years, about half of existing private colleges and 10 percent of existing public colleges will be closed as students turn to digital education, predicts Samuel Dunn, vice president for academic affairs at Northwest Nazarene University in Nampa. Dunn, whose views on distance learning appear in the March-April edition of "The Futurist" magazine, said NNU will be around in 25 years but will have graduate and undergraduate degree programs online within 10 years. In the just

completed second quarter, NNU started with a graduate Bible course online taken by about 15 students, one in South Africa. "There will be a lot of non-traditional providers of higher education - companies, for-profits," he said. "There won't be a need for so many traditional colleges where students stay in dormitories. It's a matter of the value the student is getting." This fall, the Education Board plans to put an "Idaho virtual university" catalog on the Internet, making hundreds of online and other distance-education courses taught by Idaho's colleges and universities more readily accessible to students. The new technologies make Earl Gray's pioneering videotape engineering class at the U of I seem primitive. In fall 1975, the electrical engineering professor began teaching a digital-circuits course to students in Moscow — before the unblinking eye of a video camera. The tapes were mailed to graduate students who worked in engineering jobs in other Idaho cities. Students asked Gray questions via toll-free phone lines after they received the tapes. They took tests by regular mail. In later years, Gray sent tapes to Navy officers stationed on an aircraft carrier in the Mediterranean. The ship was on combat readiness alert off Lebanon. "I was still grading some of their papers four months after the class was over," he said. The new technologies offer increased flexibility for working adults and on-campus students to advance their knowledge — and their careers — without being tied to classrooms and daily class schedules. But distance learning also is changing the experience of learning in ways that are hard to evaluate. The convenience may be countered by the loss of personal interaction in the classroom long thought fundamental to education. And while the growth of virtual classrooms may mean Idaho's higher education institutions will need fewer buildings, experts say it's not clear yet that online learning translates into financial savings, because of higher personnel and technology costs. It takes extra staff members to administer programs, and more professors, since communication by e-mail is very time-consuming. Cost data are not fully calculated by the colleges. Technology drove huge increases in distance learning in colleges in Idaho and across the nation during the late 1990s by providing unprecedented access to education, said Robin Dodson, chief academic officer of Idaho's State Board of Education. The use of distance learning is growing at the U of I, BSU and Idaho State University, Lewis Clark State College, College of Southern Idaho, North Idaho College and Eastern Idaho Technical College. In Idaho, nearly 6,000 students at those institutions were taking 489 distance-learning courses for credit during the fall 1999 semester, according to a study for the State Board of Education released in January. There was no survey in the 1990s to compare the 1999 numbers with. But Dodson said his sense is that only five years ago, distance learning "would have been very much of an embryo, compared to what we're doing now." Boise State may be typical. In the 1995-1996 academic year, 63 distance-learning courses were taken by 1,046 students. When the 1999-2000 academic year ends this summer, BSU expects about 130 courses will have been taken by 2,200 students. Why the increase? The prime reasons for the surge — aside from the overall growth of BSU — are that more distance-learning courses are offered, and more students have the skills to use the technology and want the courses, said Janet Atkinson, BSU's director of distance education. "If you said five years ago to someone to take a course on the Internet, they would have said, 'Huh?'" she said. "Now, people say, 'I can.'" Dodson predicts that in two years, if not sooner, the number of offerings and students in distance learning at Idaho public institutions will double or triple from this academic year. He bases the projection on national and regional increases in distance-education courses and students in the 1990s, and on demand for more online education in two categories: -- More professionals want "24/7" — or round-the-clock — access to education to further their careers. --Students on campus want to take classes that already are filled at their colleges, or to accelerate their studies to get degrees more quickly than normally is allowed. Taking courses at other colleges via the Internet solves both problems. To smooth the way for online education, the State Board of Education plans to put a catalog of Internet and other distance-learning courses offered by the state's public colleges and universities on its Internet site this fall. The aim is to make a variety of courses more readily accessible to students, filling gaps in the seven schools' offerings and reducing duplication of courses among the schools. The mechanics — how students register, get advising and pay fees at various schools — haven't been worked out, Dodson said. A similar innovation is under development regionally.

Idaho is represented in the Northwest Academic Forum, a group of eight states from North Dakota to Alaska working on a proposal for an online catalog of public and private schools in those states. In two years, prospective students could find out what courses are available at schools in those states via the Internet. Nobody knows for sure how the new electronic technologies will influence higher education. "Given the fact that computer and related technologies are evolving so quickly — and new providers and brokers of higher education are proliferating so rapidly — no one knows how traditional higher education will change," a U.S. Department of Education survey says. Many experts say they don't think distance learning ever will entirely replace bricks-and-mortar campuses. David Longanecker, executive director of the Western Interstate Commission for Higher Education, foresees a combination of learning approaches. The commission is a regional compact of 15 Western states that promotes collaboration among the colleges. Before he took the helm of the Denver-based commission last year, Longanecker was the U.S. Department of Education's assistant secretary for post-secondary education. He predicts increased use of technology in these ways: - More programs conducted entirely online. - More on-campus courses with high-tech components that enhance traditional approaches. - Students who primarily take courses on traditional campuses, but also take classes via the Internet. A BSU student, for example, might be able to learn economics online from a Nobel prize winner at Stanford University in California. A nationally recognized model for using distance education to supply courses to widely scattered students is Washington State University. WSU is in Pullman, just across the state line from the U of I, and has branch campuses in Spokane, Richland and Vancouver. In 1985, WSU began using microwave transmissions to broadcast classes via television to the distant campuses. Now, about 3,000 students, including some in Pullman, are taking courses using more up-to-date video conferencing over high-speed data lines to link teachers and students. "When the technology started to become available, it made sense for us to use it to fulfill our mission," said Muriel Oaks, WSU's associate vice president for distance learning. Some educators say computerized courses can't take the place of the in-class, face-to-face exchanges in traditional classrooms and in-person collaboration over coffee later. The body language of dynamic teachers who inspire students is lost in the electronics. Still, in Longanecker's view, colleges and universities must use new technologies to remain competitive and prepare people for the workplace. "If we didn't do this, our education would be out of sync with the future,"

he said. "This is the way people want to learn. It's more consistent with the world we're going to live in. "We don't have any choice. If we did otherwise, we would become irrelevant." Among students who find online learning appealing are busy adults who already are working full time and want to advance their careers or shift them in new directions. These non-traditional students typically can't take a year out to get a master's degree, and can't be tied down to a campus to learn. David Heckman, a master's degree candidate at BSU, is a good example. Heckman, 42, is a full-time consultant who lives in suburban Philadelphia. In 1996, he began studies in BSU's instructional and performance technology distance-learning program. Students in the program typically are human resource managers and instructional designers who teach other employees. He said he chose BSU because it offered the only graduate program in those studies online. In an interview — via email — Heckman said the flexibility of Boise State's program allows him to learn while he is away from home. "You can participate in class during personal or business travel," he said. Heckman said he doesn't know whether he'll be able to attend his graduation in May. If not, he will have earned a BSU master's degree without ever having set foot in Boise. Boise State University began offering its nationally recognized master's degrees in instructional and performance technology via computer in 1989. Students in the program use a common Internet-learning method called "asynchronous" computer conferencing, which links them directly to professors and one another online. Instructors post assignments at the start of the week on the program's Internet site, accessible only to the students. Students email responses to the Web site, where they can see each other's responses and instructors' comments. Currently, 160 students — including 20 in Boise — are taking classes in the program online. Another 50 are taking the same classes on the BSU campus. Online students pay a premium to make up the extra expenses entailed in operating the courses, including personnel to run the program, extended faculty time and computer hardware and software. Internet students who are Idaho residents pay \$190 per credit hour. That compares with \$144.75 per credit hour for the same courses on campus. So online students pay an extra \$135.75 for each three-credit course. Other, cheaper distance-learning courses at Boise State also took off in the late 1990s. A \$250,000 state grant in the 1998-1999 academic year boosted online offerings at BSU and ISU.

It primarily paid for software and training for nursing and business professors to put more courses on the Internet. An additional 16 Internet-based classes were offered by BSU as a result of professors trained with help from the grant. General academic courses, including business, geology and computer information systems, delivered via the Internet are a major area of growth. The courses offer busy students more flexibility and enable those who can't get into crowded classes to pick up credits. Extra charges generally are \$20 per course for course materials. During the fall 1998 semester, 58 students took BSU general academic courses on the Internet. This spring, 281 are in those online classes. Atkinson has no projections for the growth of Internet courses at BSU. "The thing that will limit us is our ability to get the courses online quickly," she said. Ultimately, she said, "The sky is the limit." But Gray, the U of I distance-learning pioneer who retired in 1993, has mixed feelings about the new learning technologies. His views reflect concerns about high-tech distance education and point to its promise. "I don't think it is quite as effective as being on campus and having personal contact with professors," he said, "but it makes education available to tremendous numbers of people who can't come on campus. It's a very viable alternative."

*From Boise Idaho Statesman, 20 March 2000*

# Public Finance

## AFRICA

### SERIOUS FINANCIAL IRREGULARITIES IN GOVERNMENT DEPARTMENTS

Auditor General Shauket Fakie's latest audit of government departments had highlighted serious financial problems, Gavin Woods, the chairman of Parliament's watchdog public accounts committee said on Thursday. "The nature of the problems being mentioned is enough to suggest that management of the financial and accounting side (of government departments) is at a disappointingly low level," he told Sapa. "Internal controls are not working and we may find in our investigations that they don't exist at all." The committee would request further information from the auditor general before conducting a public hearing on the matter, Woods said. He was particularly concerned by a recent report of massive irregularities in the accounts of the department of public enterprises. Fakie found in his audit of the department for the financial year 1998/99, that the department had not maintained an appropriate register on financial guarantees of R32,9-billion. The department also ran up unauthorized expenditure of R7,15-million for consultancy work on the restructuring of state-owned entities. It did not adhere to correct tender procedures and had overspent on the contract amount. There were also no signed contracts on the work done. A spokesman for the auditor general's office in Parliament, Clarence Benjamin said the lack of a register meant the guarantees could not be cancelled. He described the departments' accounts as "suspect".

*From News24, 02 March 2000*

## ASIA/PACIFIC

### MODIFIED GENERAL SALES TAX PACKAGE FINALIZED

A simplified version of the general sales tax (GST) is being introduced by the Government. It entails basic changes in GST procedures, as per decisions taken in the Feb 13 meeting of the finance minister with CBR officials on taxation measures, pertaining to reducing the coercive actions in auditing, imposing penalties for non-compliance, plugging leakage's of tax money through refunds and soft-dealing with defaulters of GST. The official sources told Dawn here on Tuesday that the modified package of GST, which would be subject to the final clearance by the chief executive in the second week of next month, had been finalized under which the GST procedures would be implementable in a business-friendly manner. The package envisages that the already registered taxpayers should be treated with less strictly ways than they are presently treated. Those registered GST-payers, who were subject to compulsory registration, would not be sent notices of penalties and reprisals on non-compliance at the first instance. "Non-compliance should be considered broad-mindedly, on sectoral basis", it said. "This means that in manufacture sectors where slump and marketing problems prevent regular filing of tax returns, the registered persons would not be sent notices of penalties. Some of such sectors have been specified in this connection", said a senior CBR official. A similar treatment has been proposed for the newly-registered taxpayers, specially in the sectors of weaving, sizing, steel scrap, tanneries, etc. "The emphasis should be on encouraging them to start compliance after registration and, in due course, to overlook the past default." The package also demands that the penalties imposed on audit (after detecting default/violations) should not be imposed in the first instance, "audits should be such as to involve no penalty in the first audit after registration, only 50 per cent of the penalty in the second audit, and full penalty subsequently", demands the package. It also includes imposition of a Turnover Tax (TT) on retail sector, in substitution of the normal regime of GST. "This will be a major segment as it involves large number of new taxpayers both in sales tax and income tax", it points out. The final shape of the TT would be carved out in the finance minister and the Central Board of Revenue consultations on Wednesday. The tentative list of items for this purpose are agricultural products (unprocessed); cereals, grains and pulses; vegetables and fruit juices; eggs, poultry, mutton, beef, fish, meat (un-branded); fresh/dried milk, plain yogurt, Lassi; cream, whey, butter, cheese (un-branded); breads, Nans, Chapati, Sheermalls, bun, rusk, vermacillies; ice/water (non-mineral); Desi, vegetable ghee/oils (unbranded). The details regarding rate and method of payment plus the coverage of this taxation measure on the part of income tax are also being worked out.

*From Pakistan-Dawn, 01 March 2000*

### FINANCE MINISTER ON FINANCIAL VIOLATIONS

Chinese finance minister Xiang Huaicheng said Monday that violations of regulations and criminal activities are still serious in China's financial and economic work. Delivering a report on implementation of central and local budgets for 1999 and on draft central and local budgets for 2000 at the on-going Third Session of the Ninth National People's Congress, Xiang said "Reviewing implementation of the budget for 1999, we are also fully aware that problems persists in our financial work and the implementation of the budget which cannot be neglected." There is disorder in both finance and economy, Xiang said, adding it is very common that laws already enacted are not fully observed or enforced and law-breakers are not prosecuted. "Funding cannot be fully guaranteed

and budgets at all levels are under great pressure, especially in some counties and townships with great financial difficulties," he said. "Some government departments and institutions fail to pay their employees on time and funding for some items that should be guaranteed are not made available." Xiang said efforts to readjust the pattern of expenditures, though already initiated, are made too slowly and too ineffectively and government finance is still taking on too many matters. The problem of providing unnecessary funds to some items and failing to fund other necessary items has yet to be fundamentally solved. "On the basis of steady economic development, all these problems must be gradually solved by deepening the reform of finance and taxation, improving the financial and economic system and the functions of finance, standardizing the economic order and tightening financial supervision and management," he said.

*From China Daily, 06 March 2000*

## **CHINA'S CENTRAL BANK DEPUTY URGES FASTER FINANCIAL SECTOR REFORM**

While speaking unofficially to an academic symposium, China's new central bank deputy governor recently said the Government should permit domestic financial institutions to operate across different sectors to prepare for the competition resulting from China's joining the World Trade Organization (WTO), the March 5 Zhengquan Shibao (Securities Times) reported. Wu Xiaoling of the People's Bank of China (PBoC) told the audience that China should consider changing its current system of separate operations and management for the banking, securities and insurance sectors. According to the newspaper, she also suggested that banks be permitted to enter the insurance and securities fields. Wu said that under China's Commercial Bank Law, financial institutions may not engage in banking, insurance and securities simultaneously. She also noted that the PBoC used to oversee all three sectors but that they are now subject to the central bank, the China Insurance Regulatory Commission (CIRC), and the China Securities Regulatory Commission (CSRC), respectively. According to the newspaper, Wu warned that if the regulation of Chinese financial institutions is not improved in a timely manner, their creativity could be harmed and they will lack competitiveness. Wu cautioned, however, that it is impossible to change overnight the three sectors' separation and oversight, and that it will also take a long time to revise the Commercial Bank Law. The deputy governor did suggest an "expedient measure" by which the head office of a financial institution may register the company in one of the three sectors while its branches are permitted to engage in cross-sector activities. Wu also said, according to the newspaper, that China's system of separate financial oversight agencies is expensive and results in regulatory blind spots. She suggested that the CIRC, CSRC and PBoC strengthen their cooperation through separation at higher levels and integration at lower levels, meaning that the central bank would act as an administrative agent for financial institutions below provincial level.

*From China Online, 10 March 2000*

## **HONG KONG GOVERNMENT TAKES INITIATIVES TO HARNESS FORCE OF GLOBALIZATION**

Financial Secretary Donald Tsang Monday called for attention to the range of initiatives the government is taking to harness the forces of globalization by improving competitiveness in the financial services sector and providing better services to business and international investors. The initiatives include the development of a multi-currency capital market and clearing system, starting with a US dollar denominated market, which hopefully will be fully operational by the end of the year, Tsang said at a Hong Kong business community luncheon to speak to a gathering of 27 chambers. "We are making greater efforts to expand the regional debt market, continuing with our reforms of the banking sector and introducing new securities and futures legislation to strengthen and enhance Hong Kong's regulatory regime," Tsang said. He said, "We are also revamping the government's trade, industry and investment structure to advance our initiatives for promoting innovation and technology, attracting external direct investment and improving services to industry and commerce by making them even more business-friendly." While not forgetting the lessons of the Asian financial turmoil, Tsang said, "we are pursuing the twin goals of market reform and technological transformation." As prosperity returns it is not a question of 'business as usual', and the post-recession Hong Kong is a very different place from the world of 1996, he noted. Even by the traditional standards of resilience and risk-taking of our business executives, the speed with which they are moving into the information age and forging new relations with the leading technology and internet multinationals is astonishing, Tsang said. It is the private sector that leads the way, providing the engine of growth and the generation of new wealth, he said. Market forces will continue to drive the economy, he said, adding that central planning by the backdoor, or any other door for that matter, is not in the government's lexicon. "We now realize that while the increased sophistication and globalization of Hong Kong have generated new wealth, they have also increased the volatility of our economy," Tsang said. "They have also brought into sharp focus the overwhelming priority that must be given to our ability to compete." "The recession has forced us to search for new standards of productivity from the work force, and competition is the firmest assurance that a community will obtain the best value for the money it spends," he said. The market's crucial role in promoting economic success has been demonstrated more dramatically over the past couple of years than ever before, Tsang stressed. Allowing the economy to be led by market forces rather than directed by bureaucrats is not a recipe for conservatism, or an argument for leaving things as they are, he added. "We are a government that passionately espouses maximum support and minimum intervention," Tsang said, adding that it's an extension of our role as a facilitator. He said he was sure both the task force and the committee will look forward to receiving the considered views of Hong Kong's chambers of commerce, and other organizations on the way forward.

*From China Daily, 21 March 2000*

## **KIM REBUKES FINANCE MINISTRY OVER DEBT ISSUE, STOCK BUYING**

President Kim Dae-jung scolded the Ministry of Finance and Economy yesterday for allowing the opposition to make the national debt and foreign investment an election issue. Kim also said civil servants whose jobs are related to the stock market should not be permitted to invest in it. The recent disclosure of senior government officials' assets showed that many of them held stocks, fueling suspicions that they may have used their positions to maximize their investment gains. The President visited the ministry in Kwachon, south of Seoul, as part of his inspection tour of major government bodies. Kim spoke sternly on the controversies surrounding the national debt and foreign investment, which have become key issues in the run-up to the April 13 general elections. The opposition Grand National Party (GNP) recently claimed that Korea's public debt totals 400 trillion won. The GNP also claimed that the Kim Government is selling its stakes in public corporations at bargain prices under the pretext of attracting foreign investment. Ruling party officials previously complained that these economic issues have put them on the defensive in the ongoing parliamentary campaigns. Kim said that the executive branch must not interfere with the elections or politics, and that it was the ministry's responsibility to cope with what he called "false, politically motivated claims." "Our national debt, according to the International Monetary Fund (IMF)'s guidelines, stands at 108 trillion won, or 23 percent of the gross domestic product (GDP)," Kim said. He added that this percentage was one of the world's lowest. The President said that the nation was 65 trillion won in debt when he assumed office, and that the remaining 43 trillion won was incurred in the process of overcoming the 1997 foreign exchange crisis. He pointed out that the opposition was to blame for causing the crisis when it was in power. "No government is free from the problem of national debt," the President said. Kim said that the opposition allegations may lead the international community to believe that Korea is mired in debt, thus lowering the nation's economic credibility. Kim dismissed the opposition's claim that his Government is allowing national wealth to flow out of the country to lure further foreign investment. "It is preposterous for us to be involved in this kind of dispute," Kim said. He said that attracting foreign capital, unlike borrowing foreign funds, has merits, such as ensuring transparent governance, the introduction of foreign management skills, and the creation of new jobs. "The advantages of foreign investment are very much evident," Kim said. "The stock market will crash if foreigners do not purchase stocks," he added. He said that foreign investment in Korea still accounts for only 7.8 percent of the GDP, while in China it makes up 23-25 percent, Britain 20 percent, Malaysia 48 percent and Singapore 73 percent. Kim said fostering investment was one of the government's major accomplishments and that this achievement should not be undermined by political concerns.

*From Korea Herald, 21 March 2000*

## **EUROPE**

### **ALBANIAN GOVERNMENT NEEDS BETTER DEBT MANAGEMENT**

The Government has been biggest borrower the past years, with 90.9 percent of the total loans issued in and for Albania, which shows the low level of business development here, daily *Ekonomia* commented, voicing the concerns of the central bank. The remaining sum remained to the private business. The government's credit makes up the principal part in the total internal credit and therefore, the budget deficit has been the main source for the increase of the demand for money. The Bank of Albania spokesman said that such proportions might lead to future instabilities in the country's economy. BoA said the budgetary expenditures have been generally maintained at normal levels during the second half of last year. On the other hand, the capital expenditures and consequently, the investments for the economy, have been restricted to a considerable degree. The worst thing, according to BoA, stands in that the government hurries to meet the scheduled investments by the end of the year, overburdening the transaction capacity of the banks. Expenditures considerably increased in December last year, thus creating difficulties for BoA in providing the financial reports in due deadlines. "The improvement of the state budget's figures is quite indispensable for the time being, which might be realized by increasing the foreseen budgetary incomes through privatization, the reduction of fiscal evasion and contraband, as well as by augmenting those budgetary expenditures destined for public investments," BoA said in a statement on the second six-month period of last year. It now seeks better coordination of monetary and fiscal policies that lead to an economic growth, unemployment reduction and ease of inflationary pressures. BoA aims at using the Committee for the Administration of Domestic Borrowing, to create efficient cooperation in funding the deficit domestically. The committee, a department within the bank, would push government agencies to use funds within deadlines, facilitate the restructuring of domestic debt, and deal with the recent efforts to make the domestic debt tradeable. The bank has also assisted the phenomenon by splitting the government bill auctions in weekly sessions, the only thing that keeps the Tirana Bourse alive. But BoA asked the Ministry of Finance to exert tighter control on the budgetary expenditures.

*From Albanian Daily News, 07 March 2000*

### **TAXPAYERS PICK UP PINOCHET BILL**

Police operations were reported to cost £50,000-a-week UK taxpayers face a bill of millions of pounds for the Pinochet case, which occupied some of the country's finest and most expensive legal brains. At the end of January, Home Secretary Jack Straw told parliament the 16-month legal tussle had cost taxpayers £1,322,326.83 in legal costs. But this is thought to be a very conservative figure which could spiral to up to £15m once the costs of security operations are added. More than 100 lawyers have been caught up in events which have also drawn on the services of 16 top judges. Last summer, the House of Lords said General Pinochet's costs in several court hearings should be paid from public funds, and that the publicly-funded Crown Prosecution Service pay its

own costs. These included £1m-worth of proceedings abandoned when it was revealed that one Law Lord, Judge Hoffman, had links with human rights charity Amnesty International. In December 1998, the general's legal expenses were reported to be running at £12,000 a day, with one QC charging £500 an hour. Further legal costs to the UK taxpayer flowed from Britain's obligation to foot the bill for Spain's legal costs as it tried to extradite the general. Represented by the Crown Prosecution Service, by the end of last month counsel fees were running to £353,000, other CPS costs - including the price of photocopying - £238,000, and interpreters' fees £4,200. The home secretary has been forced to spend thousands defending challenges to his decisions - £144,000 by the end of January. Figures revealed to MPs also show that £5,501.25 was spent on the medical examination undergone by Pinochet last month which led a four-strong team of experts to declare he was unfit to stand trial. £50,000-a-week police But the costs of General Pinochet's house arrest on the Wentworth Estate in Surrey will have added greatly to the final bill. A Metropolitan Police operation to guard the general is reported to have cost about £50,000 per week. Last year the Home Office gave Surrey police an extra £200,000 to help fund security arrangements around the property. Britain will also feel the cost in terms of revenue lost through soured relations with Chile. Last year Marconi Marine's Yarrow shipyard on the Clyde said the extradition attempt had meant it lost a £1bn Chilean contract to build two frigates.

*From BBC, 02 March 2000*

## **WAYS TO PUT AN END TO CHEATING OVER TAX**

Lord Grabiner proposes a series of incentives to persuade people to go legitimate, preventative measures and sanctions to crack down on the problem. Incentives, a telephone advice line designed to advise people who are worried about their position and would like to become legitimate. Callers would explain their circumstances and be given help in understanding how the tax and benefit rules apply to them. Although he comes down against the idea of a general amnesty, Lord Grabiner suggests that in some circumstances such people might be told that no further effort would be made to pursue their past actions in respect of personal tax and national insurance, provided that they make a full and frank disclosure. Callers would not have to identify themselves. Extension of existing measures to make it easier for people claiming means-tested benefits to take up legitimate jobs. Claims should be suspended rather than closed when claimants report starting work, which would make it easier for them to take up benefit again if their job ended. Increasing assistance to the newly self-employed. Prevention and detection. People should be required to tell the Inland Revenue as soon as they start up in business so that they can be given early advice about record-keeping. Better controls on the issue and use of birth certificates to prevent their use as proof of identity by third parties in so-called Day of the Jackal fraud. It says that fraudsters were still able to copy the method used in the Frederick Forsyth novel to build false identities for themselves by applying for the birth certificate of someone born around the same time but who had died in childhood. Investigators should be given the power to make routine reverse searches of the telephone directory, to find the names and addresses of people who advertise businesses giving only a telephone number. Departments should agree common guidelines for staff about what data sharing is legally permissible. A new advertising drive to publicize incentives for people to join the legitimate economy, including working families tax credit, and the punishment they will face if they stay in the informal economy. There should be a new statutory offence of fraudulently evading income tax to be tried in a magistrates' court. Currently, only large-scale tax offences are prosecuted. People suspected of working while claiming they are unemployed would have to attend Jobcentres more frequently and at unpredictable times as a condition of receiving benefit. More warnings should be given to employees suspected of colluding with fraudulent benefit claims that if they do not clean up their act they will be exposed to detailed investigation and prosecution. People's right to claim benefit to be removed for a specified time if they have been convicted twice.

*From London Times, 09 March 2000*

## **TAX CUTS MEAN MORE PAPERWORK**

The Government has set stiff guidelines for non-profit organizations which hope to seek tax breaks. Registered non-profit organizations (NPOs) are to be compelled to provide extensive information to the government on their activities if they want to retain their registration and qualify for tax incentives when these are extended to the non-profit sector. They will have to supply information annually on their details, their history and aims, their achievements, their meetings and constitution, their accounting and fundraising details, a written report from their accounting officer and their financial statements. "Together, these reports tell the story of the activities, income and spending of your organization," states a draft Model Narrative Report for Non-Profit Organizations, which has been published in the Government Gazette. The draft, for which comment must be made by the end of this week, said reports from NPOs must be submitted to the department of welfare's non-profit directorate within nine months after the end of their financial year. It warns: "The directorate can cancel your registration if you do not send these reports in each year." Most of the questions in the draft form are straightforward -- such as the name of the organization, its registration number, its contact details, its sector, the provinces and areas it works in and lists of its office-bearers and staff members. Strangely, the draft asks for details of the race of staff members but not the race of office-bearers. The questions about the organization's history and aims should be readily available in most NPOs but the questions on the organization's achievements -- including a report by the chair, a list of projects and programmes, its objectives for the year and which were met, what activities were done to achieve the objectives, and who or what benefited from the projects and programmes -- will take time to fill in and will test less-resourced NPOs. The draft also contains questions about meetings -- annual general, special general, staff and management -- held during the report period, whether they had quorums, when the last annual general meeting was held, and whether the organization's constitution was changed during the year. In the section of the financial report, the organization's accounting officer has to be named and details of its accounting policies have to be provided. Its financial statement and written report will only be accepted if its office-bearers have

approved them. The draft has questions about the percentage the organization spent on administrative costs, its major fundraising from the general public and business, details of its fundraising and who did the fundraising. The accounting officer will have to write a short financial report explaining increases or decreases in the organization's finances, any spending that was not part of its planned spending as spelled out in its budget and any big changes that affected its income and spending. He or she will also have to produce a detailed financial statement. The draft narrative has been drawn up in terms of the 1997 Non-profit Organizations Act which was passed to create an enabling environment for the work of non-profit organizations and encourage a vibrant and accountable civil society. It provided for the voluntary registration of NPOs, established the non-profit directorate in the Department of Welfare and Population Development and a public register of all registered non-profit organizations, and gave the minister of welfare the power to issue regulations. The law says the state's responsibility to NPOs is to promote, support and enhance their capacity to fulfill their functions. The decision in this year's budget to widen the list of organizations to which tax-deductible donations may be made, as a first step to extending this provision to other NPOs, is a reward for those organizations who have registered and work in certain defined fields. But the price of registration is increased bureaucracy in filling out the forms which will be required from NPOs to maintain their registration.

*From The Mail & Guardian, 20 March 2000.*

## THE AMERICAS

### FINANCE MINISTER DEFENDS BUDGET ON RADIO AND INTERNET

Finance Minister Paul Martin took his budget directly to Canadians Sunday. He defended his fiscal priorities during a two-hour appearance on CBC Radio's Cross Country Checkup. He also took questions in his first online chat with Canadians through the Canoe Internet service. Martin told a radio caller who complained about lack of support for farmers that Ottawa had put up \$2 billion to help farmers over the past couple of years. The finance minister said that low- and middle-income families were a priority in last week's budget. "They're the ones who bore all the brunt of the deficit years," Martin said. After the radio program, he said it gave him a chance to get national feedback. The finance minister, who was in Vancouver as part of his post-budget publicity tour, deflected criticism about gasoline prices during the online discussion. He said his Government can't afford to cut gasoline taxes and personal income taxes at the same time. "The bulk of the tax on fuel is provincial," Martin added.

*From Canada-CBC Newsworld, 06 March 2000*

### CAMPAIGN FINANCE BILL WOULD BRING HIGHER LIMITS, INTERNET REPORTS

House leaders introduced a bill Wednesday to change Georgia's campaign finance rules by raising the limit on how much money donors can give and requiring electronic reporting of contributions so they can be posted on the Internet. The measure would also require state officials and candidates to report twice in non-election years rather than once, and would require independent groups that raise and spend money on elections to disclose the names of their donors. Gov. Roy Barnes named a bipartisan panel of lawmakers last year to examine Georgia's campaign finance laws, and the bill came out of the panel's recommendations. Though Republican leaders complained the changes don't go far enough, House Rules Chairman Calvin Smyre said passing them won't be easy. "There are some saying we're not going far enough, there are some saying we've gone too far," said Smyre, D-Columbus. "It has not been a cakewalk." On one hand the bill would allow candidates to raise more money from donors with deep pockets - between \$2,000 and \$8,000 more per contributor for statewide candidates in each four-year election cycle. But it would also be easier for Georgians with computers to keep tabs on who gives money to elected officials and how those funds are spent. "The electronic filing provisions are particularly desirable," said Stephen J. Alfred, executive director of the watchdog group Common Cause of Georgia. But Alfred said the group opposes increasing the contribution limit because the increase benefits only donors who can afford to write fat checks. "We've already got a situation where corporations, labor unions and wealthy individuals have a disproportionate impact on the political scene because of their ability to make large contributions," Alfred said. "To increase limits simply concentrates the amount of influence that group has on the political process." Contributors, including individuals and corporations, can now give statewide candidates no more than \$1,000 in non-election years and \$5,000 in election years - or \$8,000 per four-year election cycle. The House bill would change the limits so that donors could give a candidate \$5,000 for the primary election and an additional \$5,000 for the general election - for a total of \$10,000. Contributors could kick in even more in the event of a runoff election - up to \$3,000 per primary runoff and \$3,000 per general election runoff. That would raise the maximum limit per donor to \$16,000. Contributions to state legislators, who run every other year, are now capped at \$3,000 per two-year election cycle. The bill would raise those limits to \$4,000 per election plus an additional \$1,000 per runoff. Smyre, the bill's main sponsor, said lawmakers wanted to raise the cash caps to help candidates compete with wealthy rivals who campaign using their own money. He pointed to Republican multimillionaire Guy Millner, who opposed Gov. Roy Barnes in the 1998 election. "Guy Millner's coffers were unlimited. He could give all he wanted to his campaign. And I don't think it's fair," Smyre said. "I don't want to put anybody at a disadvantage. I want to create a level playing field." House Minority Leader Bob Irvin, R-Atlanta, said he had no problem with raising the contribution limits. But he said he wished the bill had included other ethics reforms such as tightening the ban on lawmakers accepting contributions when the Legislature is in session. Still, the House voted 96-57 to make the bill amendment-proof, despite Irvin's complaint that it's a "very complicated bill that does some things some members might object to and doesn't do some other things" they might want.

*From Macon Telegraph, 02 March 2000*

# Private Sector Development

## ASIA/PACIFIC

### PRIVATE COMPANIES EMPLOY MORE THAN STATE FIRMS IN CHONGQING, CHINA

By the end of last October, the number of Chongqing residents employed by private enterprise had reached 1.51 million, while the number of state-owned enterprise (SOE) employees was only 1.23 million, the February 23 Renmin Ribao (People's Daily). According to the People's Daily, as of the end of last year, there were 25,000 privately owned enterprises in Chongqing. Many large new businesses and high-tech enterprises have been launched. Motorcycle production by private enterprises has become Chongqing's pillar industry. The food and beverage service industries are now dominated by private enterprise. A large number of employment opportunities have arisen as a result of a sharp increase in employee demand in the private sector. Sales revenue for Chongqing's private enterprises in hit RMB 47.94 billion (US\$5.8 billion) last year, a considerable increase over 1998. Private enterprises paid RMB1.1 billion (US\$130 million) in taxes, which accounted for 13% of the city's total tax revenue.

*From China Online, 01 March 2000*

### PRIVATE SOLUTIONS FOR JAPAN'S PUBLIC DEBTS

How will Japan ever escape its spiralling public and private sector debt burden? That is the Y645,000 bn question that Moody's, the credit rating agency, is mulling this month after its recent threat to downgrade Japanese government bonds. But it is also an issue that the Japanese government is reluctant to discuss. With an election looming, Keizo Obuchi, the prime minister, has declared that Japan cannot even think about the debt problem until the economy has started growing strongly again. This means that higher public spending remains the order of the day - and any discussion of a medium-term fiscal strategy in Japan is taboo. Or, as Yasuhisa Shiozaki, one of the few pro-reform politicians in the ruling Liberal Democratic party, laments: "I would welcome a downgrade by Moody's - it would at least force some alarm and debate." Yet some senior bureaucrats have been conducting their own private brain-storming sessions about the medium-term outlook. These debates, which involve several ministries, certainly do not reflect public policy. Indeed, they might be better regarded as a flight of fancy - or even as panic. The conclusions deserve airing, given that the government debt-to-GDP ratio has risen to 130 per cent, one of the highest ratios recently seen in an industrialized country. The bureaucrats outline four policy paths - not all of them entirely serious - that might eventually ease Japan's public and corporate sector debt overhang: A so-called "printing money operation", or PMO. This is a facetious reference to the PKO - price keeping operation - policy used by the government in the 1990s to support stock market prices. A PMO would aim to create large-scale inflation to reduce the value of the debt. The simplest way to achieve this would be for the Bank of Japan to underwrite government bonds, in which it would give the government money to fund its spending projects and debts. It did this before the second world war.

However, the postwar years in Japan were marked by hyper-inflation, so direct purchase of JGBs by the Bank are now illegal and the Bank is vehemently opposed to the idea. The "freeze and cut" option. This is a remarkably radical concept that uses depositors' money to pay off banking system bad debt directly. In it the government would reduce the value of deposits by decree rather than waiting for inflation to have the same effect, thus cutting the banks' liabilities. This would allow the banks to remain financially healthy even if the value of their assets (bank loans) collapsed through bad debt write-offs. It would also reduce the need for public sector injections of funds. Another problem, of excess savings, would be tackled too. However, it would be painful and unpopular for the nation's savers, and thus inconceivable without an authoritarian government, or a crisis. The balance sheet adjustment. This appears to be the most virtuous option, because it implies that Japan would work its way out of its debt overhang through bankruptcies, unemployment, public spending cuts, tax increases and, eventually, growth. Japan has attempted, without much success, to start this in recent years. It has been done before in countries such as Sweden, which managed to move from a budget deficit of more than 10 per cent of gross domestic product in the early 1990s to a surplus. But Sweden's adjustment was eased by a sharp decline in the value of its currency. The US seems vehemently opposed to a similar collapse in the yen. Without this, the adjustment needed in Japan would be long and painful. The "divine wind" - kamikaze - option. This means the government would simply stick with current policies and hope for a sudden miracle to resolve the problem. This option is known as kamikaze because when the Mongols were about to invade Japan many centuries ago, Japan was saved by a typhoon that destroyed the Mongol boats. But the term has a double meaning. For many non-Japanese the phrase implies "self-destruction", because the suicide bombers of the second world war were called "kamikaze" pilots. This ambiguity may be useful to the bureaucrats who have drawn up their provocative list. One miracle that could jolt the economy out of its debt problem is the discovery of oil. Another, grimmer, might come from an earthquake. A final possibility is a war, though no Japanese bureaucrat has suggested such a politically incorrect option. These four main options are not necessarily exhaustive. Jesper Koll, an economist at Merrill Lynch, believes a further option would be a massive debt-for-equity swap across Japan's corporate sector. He says this would probably be welcomed by Japan's trading partners, but disliked by many Japanese. Nor are they mutually exclusive. Japan could simultaneously combine the cutting and freezing of deposits with balance sheet adjustment. It could also combine inflation with the balance sheet option. Some economists regard this last combination as the most acceptable exit, and hope that it may eventually allow Japan slowly to

"grow" its way out of its debt problem. But, for the moment, the bureaucrats who have produced the paper fear it is the kamikaze option that will prevail, at least in the near future. A cynic might suggest this is partly the bureaucrats' own fault, given their reluctance to criticize politicians in public, or take the initiative. One of the most frustrating features of Japan is that so many intelligent individuals appear alarmed about Japan's problems, yet unable to act on their concerns. But the longer the lack of medium-term fiscal planning continues, the greater the risk that Japan's debt levels will spiral out of control.

*From Financial Times, 27 March 2000*

## EUROPE

### FAA GIVES OK FOR STEWART PRIVATIZATION

A British mass transit company, however, has a case of buyer's remorse. The Federal Aviation Administration completed yesterday its review of the 99-year lease of Stewart International Airport, and modified the deed to allow Stewart to be privatized. The move clears the way to make Stewart International Airport a for-profit operation run by the British mass transit company National Express Group – for the next 99 years. NEG is expected to take over April 1 when the state's contract with current operator Airport Group New York expires. It will be the first airport to be privatized in the FAA's experimental program to privatize five airports nationwide. "The fat lady has sung," U.S. Sen. Charles Schumer said. "I think Stewart can become one of the top suburban hub airports in the country." "I'm absolutely thrilled. We have waited so long," said Ann Barber, president of the Orange County Partnership. She said the deal bodes well for the airport's future, and is extremely important to promoting further economic development in Orange County. She called the airport area the "engine" of Orange County's economy going forward, and noted that many other projects hinge on this. But the would-be private operator still has issues with the complicated lease signed on Sept. 24. Larry Durham, an Austin, Texas, school bus company owner who heads NEG's U.S. subsidiary, National Express Corp., asked state Comptroller H. Carl McCall to withhold his final approval until certain conditions affecting the airport's profitability could be renegotiated. The airport has been losing business. McCall took Durham's letter into consideration but approved the lease anyway. "From our perspective it's a done deal," McCall spokesman Dennis Tompkins said. Durham spokeswoman Michelle Wallace acknowledged yesterday the company, which has already offered jobs to 46 of 48 AGNY workers at Stewart, is still trying to wrest from the state undisclosed concessions. "We are cautiously optimistic," she said. "I would not want to speculate about what, if any, plans there are for the airport." NEG would probably have to go through the courts to try to get out of the lease, according to state officials. Airlines are giving privatization a cool reception. They fear landing and airplane parking fees will rise. Although Stewart would be a first in an experimental program, it wouldn't be the first privatized commercial airport in the country. The Indianapolis airport is a for-profit run by BAA, the British company that runs London's Heathrow. New York City Mayor Rudy Giuliani has called for privatization of the Port Authority's JFK and La Guardia airports. Other airports that have applied to the FAA pilot program are San Diego Brown Field in California, Niagara Falls International Airport, Rafael Hernandez Airport in Aguadilla, Puerto Rico, and New Orleans Lake Front Airport in Louisiana. They are in review, the FAA said. "The main point (of privatization) is to get somebody to invest a lot of money into an airport," said Chris Fotos, editor of Airports, a trade newsletter. "The other airports are in roughly the same situation as Stewart. They are airports with possibilities but they need an injection of capital." National Express Group is paying to the state \$35 million for lease rights and will pay 5 percent of airport revenues beginning on the 10th anniversary. Half of that \$35 million will go back to the airport, directly or indirectly. About \$8.5 million will go into the state Thruway Authority's \$40 million Drury Lane interchange project on I-84 which NEG sees as a key to the airport's success. Also, NEG has prevailed upon the state to change the name of the airport from Stewart International Airport to Stewart New York International Airport, so people know where it is.

*From The Times Herald Record, 22 March 2000*

### INCREASED PRIVATIZATION ESTIMATES RECEIVE FAVORABLE REACTION

Premier Milos Zeman received a positive reaction to his increased estimate of the privatization income from the head of the French bank CCF's department for Eastern Europe Marie-Helene Berard. Berard, however, conceded the amount of Kc500bn seems rather exaggerated. The precise amount is never known before the company is actually sold, she said, but Kc200bn appears to her to be too little. Telecoms in much smaller countries than the Czech Rep have been sold at huge amounts, she stated. Foreign investors will according to her be interested mainly in telecoms, gas and electricity companies, and banks, with Cesky Telecom and CEZ as frontrunners. Economist Jaroslav Blaha of the Paris-based Centre for the Study and Documentation of the former Soviet Union, China and Eastern Europe (CEDUCEE) thinks that the former privatization estimate was undervalued. Moreover, he considers the Kc500bn estimate a political statement that gives the government a starting negotiating position.

*From Czech Today, 24 March 2000*

### COUNCIL HOUSES TO BE SOLD OFF IN PRIVATE SECTOR REVOLUTION

Council houses could be consigned to history within ten years under plans to oversee the mass sale of local authority housing to the private sector. In the most radical shake-up of public housing since the 1980s' right-to-buy legislation, tenants will be encouraged to transfer out of council control. A Green Paper next week will open the way for new bodies to take over the ownership of council homes in England and Wales, including housing associations, community trusts and neighbourhood groups. The move will be portrayed as empowering tenants, who will have to consent to the transfer, and will then have a key role in how homes are

managed. The not-for-profit groups will be able to borrow against assets, unlike local authorities, leading to an injection of cash into some of the most neglected housing stock. Ministers have decided on a radical approach largely because councils cannot afford repair and refurbishment bills, which are more than £20 billion nationally. The Prime Minister has demanded policies aimed at delivering on the front line to improve people's lives, whether in the classroom or hospital ward, or housing estate. After a consultation process, John Prescott, the Environment Secretary, will be pressing for a slot in the Queen's Speech in November; the issue could form a key part of Labour's election manifesto. Some councils have already started to transfer homes to housing associations. The Green Paper aims to accelerate the process and expand the type of body able to gain registration as a social landlord. The Government will try to win over council tenants, with the aim of transferring up to 300,000 properties a year. Although ministers will insist that the policy contains no ideological drive against council-owned homes, the Government will not stand in the way of every local authority transferring all their homes. There are currently just more than three million council properties, about half the 6.5 million before Margaret Thatcher's right-to-buy initiative. However, ministers will block moves which would see the monopoly of the council replaced by another monopoly in the shape of one city-wide landlord. One government source said the argument was no longer about ownership, but high-quality services. "The present system cannot go on. We are moving into a new era in the 21st century." Ministers will hope that the diverse pattern of groups they are prepared to endorse as potential landlords will mean that even sink estates will be considered suitable for transfer. And the hope is that residents there, after years of complaining about council neglect, will be enthused by the prospect of new money and of a stake in their neighbourhood. The move is bound to arouse strong opposition from some Labour MPs and councils who will regard it as a further erosion of municipal ideals which built the council homes in the first place. Despite the shift of ownership, local authorities will retain responsibility for those in need. The Green Paper will expand substantially the category of those who require first call on vacant homes to include teenagers leaving council care, with those leaving prison or the Services who are considered vulnerable, and women fleeing domestic violence.

*From London Times, 27 March 2000*

## THE AMERICAS

### CLINTON SIGNS INTELSAT PRIVATIZATION BILL

Despite some misgivings, President Clinton signed into law March 17 a bill (S. 376) intended to foster the pro-competitive privatization of two treaty-based international satellite communications organizations--Intelsat and Inmarsat--by leveraging their access to the U.S. market. The Senate and House had passed without dissent a conference report on the Open-market Reorganization for the Betterment of International Telecommunications Act (ORBIT) March 2 and 9, respectively. In a written statement issued late March 17, Clinton said parts of ORBIT would "interfere" with presidential power to carry out U.S. foreign policy, and thus he considered at least some of them as not binding but "advisory." He said his administration intended to seek Intelsat privatization in a way that was compatible with U.S. "international obligations" and interests in a competitive satellite market.

*From Bureau of National Affairs, 21 March 2000*