

# GOVERNANCE WORLD WATCH

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

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# Public Policies & Public Economics

## ASIAPACIFIC

### JAPAN, U.S. DISCUSS HIGH-SPEED INTERNET SERVICES

The United States called on Japan to further deregulate its telecommunications market, stressing the need for an independent regulator and fairer competition in broadband, or high-speed Internet services. U.S. and Japanese officials wrapped up two days of expert-level talks on Friday, at which they discussed regulatory issues in Japan's telecommunications and information technology markets. "We have strong views on a lot of these issues, but I do think in general there is a great deal that we are working together on quite positively," a U.S. official told reporters. The United States has long argued that the dominance of former state monopoly Nippon Telegraph and Telephone Corp (NTT) (9432.T) stifles competition in the world's second largest telecoms market and shuts out both domestic and overseas competitors. Concerns were raised about the Japanese government promoting the development of new telecoms services, such as high-speed Net access, while at the same time owning nearly half of NTT. Washington reiterated its call for Japan to establish an independent regulatory body, like the Federal Communications Commission, that is independent of the Ministry of Public Management, Home Affairs, Posts and Telecommunications (MPHPT). "A competitive market requires a regulator that is free from political pressure and is able to take vigorous enforcement action against competitive abuses," said a statement issued by the U.S. Embassy in Tokyo. Broadband services like DSL (digital subscriber line) are still nascent in Japan, while they have grown quickly in the United States and in South Korea, Japan's Asian neighbor. "These are new services, and evolution can go either two ways," the U.S. official said. "The domination of the monopoly carrier can dominate broadband, or it can be an opportunity for new types of carrier services." The risk, he said, is a 'price squeeze' whereby NTT slashes prices on its own broadband services while maintaining its levy on broadband carriers that need to use its network to offer their own services. That would make them uncompetitive, unprofitable and choke competition. Asked if NTT's latest cuts in monthly rates for DSL services to between 4,000 and 5,700 yen (\$34.09-\$48.58) would hurt NTT's competitors, the official said he had heard NTT's rates may approach 3,000 yen. If it does that but does not decrease prices for rival broadband carriers to offer their own services, he said that they were at risk of going bankrupt. "We are deeply concerned, the possibility of NTT dominating DSL is bad for consumers. Unfortunately, the ministry (MPHPT) does not appear to be actively involved in checking retail prices. At the same time, talks centered around other issues in the IT arena, such promoting greater trade in digital products, intellectual property rights, privacy, and promoting electronic commerce and protecting consumers with electronic authentication. Discussions held this week reflect a new shift in bilateral talks toward newer and more technologically advanced areas. Negotiations last year were dominated by interconnection rates, which NTT charges its rivals to offer their own voice calling services. A deal was reached in July to cut interconnection rates by an average 35 percent over two years. Deputy-level talks are expected to follow the meeting between experts in the telecoms and IT areas, but no date has been set. And apart from the appointment of U.S. Trade Representative Robert Zoellick, no deputies have yet been appointed by President George W. Bush's new administration.

*From [Reuters via iWon](#), by Reed Stevenson, 2 March 2001*

### BANK WEAKNESS IN JAPAN MAY TRIGGER NEW ROUND OF GOVERNMENT INTERVENTION

Fitch-London/Tokyo-2 March 2001: In a comment on recent developments in Japan Fitch expresses the view that Japanese banks may again be forced to seek support from the Japanese government. The banks face problems on two fronts. First, they face continuing loan losses stemming from bubble era real estate-related lending as well as exposure to Japanese companies struggling in a weak domestic economic environment. Second, they face potentially huge losses on their exposure to the Tokyo stock market. In a separate press release, issued today, Fitch has also lowered its Outlook for Japan's 'AA+' Long-term foreign currency rating to Negative from Stable. Although the banks expected to achieve net profits in the financial year ending March 31st 2001, Fitch believes that as in previous years the banks' forecasts will prove optimistic and loan losses will absorb 100% or more of their operating profits. In this case the only way for the banks to achieve net profits is to realise capital gains on selling equity investments. The recent fall in the stock market has not only eliminated these gains but for most banks has reversed them into unrealised losses. Fitch estimates that if the Topix index were to fall below 1100 these losses could be so large that they could reduce the bank's capital reserves to the extent that they are unable to pay dividends. Under current Japanese accounting rules the banks do not need to fully recognise these unrealised losses, but they will have to do so from next financial year (as from 4/2001) as a result of the mandatory adoption of mark to market accounting. Even in the current year, the banks will have to take valuation losses on their investment equities if the market value of a stock falls below 50% of the book value. At current stock market levels Fitch believes this could run as high as JPY1trillion for the major banks, thus reducing the amount of net gains on the sale of investment equities that most banks are expected to report. If the banks also decide to be more aggressive in tackling their bad loans the resulting net losses could be large. Moreover, if the banks were to fail to pay dividends on their preferred shares from the government, the government would exercise its right to convert them into ordinary shares, thereby diluting the existing shareholders. Based on the banks' equity holdings at end-September 2000, Fitch estimates that the major Japanese banks on average would fail to meet the minimum 4% Tier 1 capital ratio if the Topix index was to fall below 1,000. Fitch estimates that the 16 major banks could report net losses of JPY8trillion and still maintain a Tier 1 capital ratio at the regulatory minimum of 4%, although the quality of their

remaining capital would be poor. Given the potential for large stock-related losses and the need to take further large loan losses, Fitch considers it likely that unless there is a dramatic recovery in the stock market the government will at some point have to intervene with more capital injections using public funds. Fitch continues to see the Long-term debt ratings of the major Japanese banks as stable thanks to government support. However, it expects to lower some Short-term ratings later this month in advance of the expiry of the government's formal "guarantee" at the end of March 2002. It also sees downward pressure on its "Individual" ratings that assess the bank's weakening financial strength owing to the bleak economic outlook. With fiscal and monetary policy having run their course the only option is structural reform to the Japanese economy, yet this would strike at the very sectors that form the political support for the ruling LDP and for the time being remains unlikely. Copies of the corresponding comments for both the banking and sovereign groups will be available on this web site under "sovereigns" and "financial institutions", "Criteria Reports".

*From [Fitch IBCA](#), 2 March 2001*

## **CHINA MARKET REGULATOR CITES 12 COMPANIES FOR DISCLOSURE FLAWS**

China's market regulator has criticized 12 listed companies for failing to fully disclose asset transfers conducted last year, state media reported Tuesday. China Securities Regulatory Commission issued a circular naming the 12 companies that comprised almost one-third of all listed companies engaged last year in asset restructuring, the official Xinhua News Agency reported. The companies were found guilty of failing to notify investors in a timely manner, of the scale and nature of the restructuring, the report said. In some cases, investors weren't even told that assets had been transferred from a listed company, the report said. With many listed Chinese companies still controlled by state-run firms, assets are often juggled between listed business units and state-run parent companies to hide losses or boost profits. Often the asset transfers are carried out without the knowledge of stockholders, as the vast majority of shares in China are still held by state institutions and aren't legally tradable on the open market. The CSRC said the public criticism of the companies' actions aims to remind all listed companies of new disclosure rules. The commission also hoped that its actions will help to improve the companies' awareness of the need for standard procedures when handling asset transfers within a listed company, the report said.

*From [Dow Jones via Yahoo](#), 27 March 2001*

## **CHINA ISSUES FIRST REGULATION ON MILITARY SCIENCE RESEARCH**

[Jiang Zemin](#), chairman of the Central Military Commission, recently signed an order on the issue and implementation of "Regulation of Military Science Research of the Chinese People's Liberation Army (PLA)". With 10 chapters and 42 articles, the regulation is the first basic regulation for military science research. The regulation stresses the need for military science research that provides theoretical support for the armed forces' modernization drive, and for forward-looking research into issues concerning winning a regional war using modern technology, particularly high-technology. The regulation was formulated by the Chinese PLA Military Academy of Sciences during the past six years.

*From [Peoples Daily Online](#), 26 March 2001*

## **CHINA'S FINANCIAL REFORMS HINGE ON BANK REFORMS: CENTRAL BANK GOVERNMENT**

The emphasis of China's financial reform will be laid on deepening reforms of the four commercial banks exclusively invested by the state, Dai Xianglong, governor of the People's Bank of China, said. China plans to turn the four banks into large modern commercial banks which will be competitive in the international financial market in the coming five years or more, the central bank governor said while addressing the 2001 annual meeting of China Development Forum. Beginning this year, all-round reforms will be carried, step by step, in the Industrial and Commercial Bank of China, China Construction Bank, Agriculture Bank of China, and Bank of Communications, he said. Meanwhile, China will continue to standardize and develop joint-stock commercial banks, encouraging them to annex and restructure according to the market principle to form mid-sized and small investment firms, he said, adding that this will help develop mid-sized and small enterprises. Loans for the development of agriculture will be increased by the big margin to help increase the income of farmers, Dai said. In addition, more foreign banks will be allowed to operate in China, he said. According to the central bank governor, the total amount of the country's private bank savings, in both Chinese and foreign currencies, has surpassed seven trillion yuan (about US\$840 billion), equivalent to 80 per cent of the country's gross domestic product. It is necessary to standardize the operation and further develop all kinds of investment banks and set up various investment foundations in order to further develop the capital market, he stressed.

*From [Asia Pulse via Yahoo](#), 26 March 2001*

## **EXPLORING THE GLOBAL ECONOMY**

Shanghai, China (AP) -- Jia Zhengyi's face lights up as she tells how a new Volkswagen has changed her life. A weekend escape from crowded Shanghai used to be an ordeal of trains, buses and luggage. Now, Jia and her husband hit the highway in their royal-blue Passat. Running errands with their 7-month-old son and his diaper bag are a breeze. "We just put it all in the car," says Jia, a 28-year-old bank employee. China is falling in love with the car. For the growing minority who can afford one, it's a fuel-injected, air-conditioned revelation -- status symbol, business tool and social liberator. The "bicycle kingdom" better known for its armies of two-wheeled commuters is entering a Golden Age of Driving. In China's version of 1950s America, the government is spending like never before on highways, broad urban avenues and landscaped expressways. Nearly every foreign maker is trying to break into

China's highly restricted car market. General Motors, Toyota and others are cranking up production here, promising lower prices and better selection. The trend is feeding a surge in car-related businesses. Banks are dabbling in car loans. Drive-in movie theaters and private driving schools are springing up. Auto clubs offer emergency roadside repairs. For China's cities, there is a dark side: traffic jams and some of the world's worst smog. Yet the government wants more. It is considering trying to boost car sales with cheaper loans, lower taxes and regulatory changes. A car is a dream beyond the reach of most Chinese, costing up to fifty times the average urban wage of \$750 a year. But a surprisingly large number of entrepreneurs and professionals -- the chief beneficiaries of two decades of capitalist-style reform and surging urban incomes -- are splurging on new wheels. Only a tiny share of China's 1.26 billion people drive. But the number of private cars is growing by 30 percent a year, with 3 million already on the road, the government says. Sales to the new rich in the booming financial center of Shenzhen, near Hong Kong, are climbing by 200 percent a year, according to state media. General Motors, which set up production in China to avoid high import taxes, has taken deposits from 15,000 buyers for an inexpensive family oriented sedan. The Sail, based on an Opel model sold in Europe, will be available beginning in April. Jia and her husband, Wang Xiaolan, bought their Chinese-made Passat in December for \$37,000, thanks to a bank loan and their salaries as members of China's professional elite. Wang uses the car as a salesman for a Singaporean-owned marine services company in Shanghai's port. "I couldn't do my job without it," says Wang, a driving pioneer who got his license in 1991 to improve his chances of finding work. Even Chinese without cars can answer the call of the open road, thanks to rental agencies in bigger cities. French automaker Citroen is reportedly considering starting China's first nationwide rental chain. It's a dangerous love affair. Though China still has relatively few cars, its crowded cities are choking on traffic. Beijing's narrow lanes are stuffed with honking, exhaust-belching traffic at rush hour. A police radio station broadcasts bulletins on how to avoid chronic congestion. In the countryside, roads are devouring scarce farmland, environmentalists warn. Driving in China isn't for the faint of heart. Most drivers have only a few years' experience. Many drive as if they were still cycling, weaving from lane to lane without signaling and frightening crowds of pedestrians. Drivers run red lights and park on sidewalks. Thousands drive on licenses bought from corrupt officials or obtained through personal connections. News reports on fatal crashes often note the driver didn't bother getting a license at all. In Shanghai, traffic accidents kill an average of four people a day, police say. The city of 13 million people reported 41,262 crashes last year. Photographer Zhao Bendi has turned his asphalt angst into art. In a self-portrait shown at the Shanghai Art Museum this winter, Zhao lies in the street surrounded by taxis spewing exhaust. A cartoon speech bubble above his head cries out: "I was poisoned! Avenge me!" Shanghai, one of the world's most crowded cities, is fighting traffic paralysis with a mix of taxes and rules to discourage car buyers. The strategy is unusual for a city that, with factories for GM and Volkswagen, qualifies as the Detroit of China. The city has turned a seven-block stretch of its main avenue, Nanjing Road, into a pedestrian mall lined with shops and restaurants. To cut demand for buses and taxis, train travelers arriving at Shanghai Station get a free subway ride. Shanghai also throws up roadblocks for driver's license applicants with high fees and multiple written and behind-the-wheel tests. Jia and her husband, Wang, are undaunted. They already talk of getting their son into one of the Shanghai high schools that teach American-style driver's education classes. And Jia is studying for her own license. "Now that we have a car, it's just something I have to do," she says.

*From [AP via New Jersey Online](#), by Joe McDonald, 6 March 2001*

## EUROPEIGIS

### BRITISH CABINET – LEVEL MINISTER A MUST FOR MODERN E-GOVERNMENT

In a report released yesterday, it has renewed calls for a cabinet-level post to be created "with no other distracting or conflicting roles". Currently the responsibility for rolling out e-government is split between Cabinet Office minister Ian McCartney, e-envoy Andrew Pinder and DTI minister Patricia Hewitt, all of whom have other responsibilities vying for their time. Ian Bruce, Tory MP and EURIM member, said: "We need a cabinet-level minister responsible for e-government administration. Someone that has the explicit backing of the Prime Minister and can work across departments, so people know that when he's speaking, he's speaking for the Prime Minister and they need to take notice." However, both Tory and Labour Party members of EURIM, who attended the launch of the paper yesterday, were unable to confirm whether the new role would be in their parties' manifestos for the coming election. The paper will be considered by MPs from both sides of the House. EURIM also feels that the role of e-envoy as currently defined is too concentrated on e-government, and should be more focused on promoting the UK as a hotbed for ebusiness both at home and abroad. It's worried that without these changes the government target of getting all government services online by 2005 will be missed, or will be met but with low-quality and superficial services. Philip Virgo, secretary general of EURIM, said government must work hard to ensure services are good enough. "It is not a matter of whether nominal targets are met," he said, "but whether what is provided is being refined to relate to what people actually want to do online." EURIM is a lobbying group, consisting of industry vendors, user groups and MPs, which influences government policy through building cross-party consensus.

*From [Silicon.com](#), 6 March 2001*

### RUSSIAN GOVERNMENT TO CUT BUREAUCRATIC MEDDLING IN BUSINESS

The Russian government is to reduce bureaucratic meddling in business to encourage economic growth, and announced a new committee to simplify the bulky regulatory system, news reports said. The plan foresees reducing paperwork and the cost of receiving letters of approval from various regulatory bodies, according to the ITAR-Tass news agency. Minister for Trade and Economic Development German Gref proposed the changes at a Cabinet meeting Friday, the report said. The committee would

function within his ministry, and concentrate on getting rid of overlapping bureaucratic structures in Russian provinces, the report said. Russia's large bureaucracy has long been cited as a drag on economic development, with tens of thousands of state bureaucrats around the country making a living off fees and fines levied on businesses. Past attempts to reform the system have largely failed.

From [Independent](#), 2 March 2001

## UK GOVERNMENT PLANS FOR PENSIONS RECEIVE A BIG BOOST FROM SMALL BUSINESSES

New research from Legal & General suggests that the Government's plans for stakeholder pensions could receive a big boost from small businesses who will offer the new pension plan to their employees even though they are exempted from having to do so. The research shows that of the firms employing between 1 and 4 staff who are aware of stakeholder pensions, 22% of them will offer their employees access to a stakeholder pension scheme. In addition, 60% of those employers who intend to offer a stakeholder scheme say they will contribute into the pension plan to help their employees save toward their retirement. The stakeholder pension legislation states that employers must offer their staff access to a stakeholder pension scheme by 8 October 2001 unless they are exempt. All employers with less than 5 employees are currently exempt. Adrian Boulding, Legal & General's Pensions Strategy Director, commented on the surveys findings: "This research shows that there are around 100,000 firms in the UK that are exempt from the stakeholder pension legislation but say they are going to offer a stakeholder pension to their staff anyway. So tens of thousands of additional employees will be able to get a stakeholder at work." "This is fantastic news for employees and, I believe, demonstrates the importance attached to pensions in terms of staff recruitment and a general willingness among employers to help make sure their staff get a good deal on their pension planning."

From [Insurance News Net](#), 27 March 2001

## RADICAL REFORM OF UK POST OFFICE COMPLETED

Alan Johnson hails biggest changes to the Post Office since 19th century Industry Minister Alan Johnson today welcomed the Postal Services Act coming into effect, bringing to fruition the Government's programme of Post Office reform. Mr. Johnson said: "The Postal Services Act will bring about the most radical reform of the Post Office since Rowland Hill introduced the penny post in 1840. "The act changes the nature of the Post Office, transforming it from a statutory authority into a plc owned by the Government, enabling it to compete more effectively in a changing global communications market. "The Post Office Company will be licensed to deliver the post by the independent regulator, the Postal Services Commission (known as "Postcomm"). "Postcomm will ensure that the universal service obligation, the delivery of post to every address in the UK at a uniform tariff, is maintained. It can also licence other companies to operate in the licensed area. The Consumer Council for Postal Services, or "Postwatch", has been established to act as the consumers' champion, working with the regulator to improve standards. Alan Johnson added: "These changes fundamentally alter the postal services market in Britain, paving the way for greater competition and higher standards of service to consumers throughout the whole country. Postal services are a vital part of the UK's economic and social life and we intend users of postal services to be the real winners from these changes. "I'm confident that the new Post Office Company will now be better able to provide the efficient postal services that we need to support the business and social life of the nation in the 21st century." The Postal Services Act 2000 consolidated the reforms proposed in the Post Office White Paper and received Royal Assent on 28 July 2000. Notes to editors 1: The Postal Services Act 2000 has been brought into force progressively since Royal Assent by a series of Commencement Orders. The latest such Order commenced all the remaining major provisions of the Act and applied the schemes under which the Post Office has traditionally carried out its postal and postal order business to the Post Office company and its subsidiaries. The only provisions of the new Act still to be commenced are a few repeals of the Post Office Act 1969 which are being retained until the Post Office is dissolved in accordance with the new Act. 2. In accordance with the Act, the business of the Post Office has been transferred to the company nominated as the Post Office Company, ie Consignia Holdings plc. 3. The operational functions of the Post Office company will be carried out by its wholly owned subsidiary, Consignia plc. In accordance with Part II of the Act, the Postal Services Commission has granted a licence to Consignia plc permitting it provide the postal services which are restricted under section 6 of the Act, and requiring the company to provide a universal postal service within the United Kingdom. Consignia plc (registered number 4138203 of 148 Old Street, London EC1V 9HQ) is thus a universal service provider for the purposes of the Postal Services Act. 4. The initial directors of the initial directors of the Post Office company and the directors of Consignia plc are the current members of the Post Office board, i.e. Neville Bain (Chairman), John Roberts (Chief Executive), Jerry Cope (Managing Director Strategy and Business Development), Ms. Marissa Cassoni (Finance Director), Mike Kinski, John Lloyd, Miles Templeman and Ms. Rosemary Thorne (non-executives).

From [Department of Trade and Industry](#), 26 March 2001

## BLAIR TO ARGUE BENEFITS OF SUMMIT REFORMS



Tony Blair will defend the modest progress made at the Stockholm summit on economic reform by arguing in the Commons on Monday that the results will benefit British markets, consumers and jobs. European Union leaders ended their two-day meeting on Saturday with agreement to speed up financial services legislation, but failed to set dates for completing the liberalisation of energy markets or to break the deadlock on creating an EU-wide patent. The prime minister's report on the summit was to have helped launch the general election campaign this week, but the severity of the foot-and-

mouth crisis has put back any announcement about a May 3 election to next Monday at the earliest. Mr. Blair left the summit early to deal with the crisis. EU leaders avoided public recriminations over foot-and-mouth, and endorsed the "thorough measures" being taken by the European Council, the Commission and member states. British officials put the best face on the moderate progress of economic reform, championed by the prime minister as a way to build confidence in the EU and the potential benefits of the single currency. "Nothing has been knocked backwards, nothing has been knocked off the agenda, the Lisbon process carries on," said one. "This whole council has been like riding a bicycle - we have gone faster in a few bits but kept peddling in others." France's refusal to accept deadlines for completing gas and electricity liberalisation was a setback for Mr. Blair, who argued that French utility companies had big interests in Britain but the French market was not fully open. Britain's biggest gain was agreement on creating a single market in financial services by 2005, endorsing the Lamfalussy committee's recommendations to speed up legislation and create an integrated securities market by the end of 2003. Even this, however, depends on resolving a dispute with the European parliament over the role of an EU securities committee proposed to handle secondary legislation. Britain was pleased the leaders committed themselves to a single European sky - a unified system of air traffic control - and said they expected further progress by June's Gothenberg summit. A UK-Spanish dispute over Gibraltar's status remained unresolved. The summit pledged to adopt proposals for opening up postal markets by the end of the year - on which Mr. Blair acknowledged Britain was under pressure to go faster than it wanted. Britain welcomed steps towards a taskforce on labour mobility and simpler regulation.

*From [Financial Times](#), by Brian Groom, Political Editor, 26 March 2001*

## **DEVELOPMENT BANK UP FOR MERGER, NEW REGULATIONS**

The government will merge the Hungarian Development Bank Rt (MFB), the Hungarian Export-Import Bank Rt (Eximbank) and the Hungarian Export Credit Insurance Rt (Mehib) into a single state-owned organization, a government minister and bank executives said last week. The new institution would handle subsidy programs for environmental, infrastructure and export subsidy projects. Another recent government proposal, heavily criticized by opposition parties, would extend MFB's banking licenses. Finance Minister Mihaly Varga revealed the merger plans in a recent interview with daily Magyar Hirlap. He said the Economy Ministry, not the Finance Ministry, would oversee the resulting organization. Andras Tallai, political state secretary at the Finance Ministry, and executives at the institutions involved said details of the plans were not yet public and no talks have started on the form and timing of the possible integration. According to MFB Spokesman Laszlo Tarnoczi, the development bank has not been officially informed of any merger plans. "It has to be seen whether there is a synergy in forming a closer cooperation," said Elemer Tertak, currently CEO of Daewoo Bank (Hungary) Rt, who will become deputy state secretary at the Finance Ministry in April. Eximbank Deputy CEO Bela Singlovics said that the activities of MFB, Eximbank and Mehib may complement each other well, adding that a merger could mean faster administration and lower costs for entrepreneurs receiving subsidized loans from MFB for developments connected to export activities. He said the direct costs of integration would not be high, as none of the institutions has a branch network, and the total number of employees does not exceed 400. Established in 1991, MFB became Hungary's largest state-owned financial institution during the term of the present government, elected in 1998. It finances the government's major infrastructure developments, such as the Ft 600 billion (\$2.07 billion) ten-year highway development program, channels subsidies related to the Szechenyi Plan, and extends subsidized loans to small and medium-sized ventures. Eximbank and Mehib, both significantly smaller, help local exporters with loan and loan guarantee programs and have a combined staff of around 200. A potential integration would also affect the institutions' subsidiaries, chief among them being MFB's troubled commercial bank Konzumbank Rt and development capital investor Corvinus Rt, majority-owned by Eximbank. "[Konzumbank's] future has yet to be defined. The privatization has not succeeded so far. On the other hand, it is working and taking deposits," Tertak said. Eximbank's Singlovics said it received a Ft 3 billion capital injection this year to purchase the majority of Corvinus, a capital investment firm taking minority stakes in local firms expanding abroad. The second-biggest owner in Corvinus is MFB. The potential integration of the three state-owned institutions is not expected to take place before the fiercely debated government bill on MFB's operations and licenses is passed in Parliament. The development bank is currently governed by the 1996 law on banks and financial institutions, but the recent government proposal says MFB's operations should be regulated in a separate law. According to the government proposal, the banking activities of MFB should be extended to include corporate accounts in addition to its regular activity of administering Hungarian government and EU subsidies for infrastructure and environmental developments. The bill would also lay down prudential rules for MFB that are viewed as being much more lax than those affecting commercial banks. "MFB could offer corporate services under different conditions from commercial banks and might become a monopolistic institution," said Janos Veres, a member of the Hungarian Socialist Party (MSzP) and deputy head of Parliament's financial committee. Veres said the supervision of MFB also raises questions, as its supervisory board includes only government officials, and the State Audit Office (ASz) can carry out examinations at the bank only retroactively. Tallai at the Finance Ministry said the opposition's claims are unfounded, as MFB would be allowed to keep accounts only for clients involved in subsidy programs. He said MFB is tightly controlled and regularly supervised by ASz, the Government Supervisory Office (Kehi), MFB's supervisory board and an independent auditor. "I think the claims of the opposition are totally based on political reasons," Tallai said.

*From [Budapest Business Journal](#), by Bela Finciczki and Michael Kovrig, 26 March 2001*

## **SCOTLAND: CRYING OUT FOR REFORM**

The boast that the Scottish legal system is one of the finest in the world rings more hollow with each passing month. While the legal establishment wallows in past glory (much of it imagined), the people it should protect grow more disillusioned with Scots justice. No issue illustrates the problem more starkly than the way the law deals with sex attacks against women. Justice Minister Jim

Wallace has promised to take action and yet delivered almost nothing, while south of the border, Home Secretary Jack Straw races ahead with reform. The shocking case we highlight today suggests that Scots law is, if anything, regressing. A young student gave evidence in court that a young man had sex with her without her consent. The trial judge, Lord Abernethy, dismissed the case, saying to have sexual intercourse with a woman without her consent does not in itself constitute rape. Scots law requires evidence of force or threat of force. One of the most disturbing aspects of this judgement is that Lord Abernethy is strictly correct, even if many would question his rigid definition of the word 'force'. What should be clear is that a law must be changed if it allows men who have sex without consent to escape conviction. The need to show that force was used or threatened should be removed, not least because there is no such requirement in English law. Once again, we look to Jim Wallace for change. And, once again, the signs that change will follow are not promising. Yesterday, his advisors were sticking to the line that politicians must not interfere with the decisions of judges. A female lawyer - disillusioned by the Scottish legal system and bound for a new career in England - recently told this newspaper that Wallace is too male, middle-aged and middle-class to really care about reforming the laws on rape. Now, more than ever, it is time for the justice minister to prove her wrong.

From [Scotland on Sunday](#), 26 March 2001

## EU WELCOMES TURKEY REFORMS

Brussels, Belgium (AP) -- The EU has praised Turkey's efforts to implement economic and political reforms but said it needed to work on civil rights issues. The Turkish Government last week presented to Parliament its national reform programme made up of 200 new laws and amendments to be debated over the next five years. Guenter Verheugen, the EU's commissioner for enlargement, said on Monday that the programme was a move towards transforming Turkey into a modern democracy. "It is an important landmark in Turkey's preparation for EU membership and the first stage in a far-reaching program of political reform," Verheugen said. Turkey, a Mediterranean nation of 65 million Muslims, desperately wants to join the EU but is not among the 12 nations currently negotiating for membership. "Further work will be required in areas such as the abolition of the death penalty and ensuring the cultural rights for all citizens," the commissioner said. The EU, while offering encouragement to Ankara, has yet to be convinced that Turkey is a truly democratic country ready to join the likes of France, Germany and Sweden. Turkey was accepted as an official candidate for the EU in 1999 but has yet to begin accession negotiations because of concerns over its human rights record. The cabinet last week pledged a wholesale reform of its legal system -- promising to abandon the death penalty and end strict curbs on free speech. Work to reform Turkey's justice system, financial laws and increasing inspections in police stations to eradicate torture has also been agreed. The death penalty has not been implemented since 1984 under a de facto moratorium but remains on the statute book. Kurdish rebel leader Abdullah Ocalan was sentenced to death in June 1999, although he has appealed to the European Court of Human Rights to overturn the decision. The country's most immediate goal, however, is ending a month-long financial crisis that destroyed an IMF-backed disinflation programme and slashed nearly a third off the value of the country's lira currency.



Turkish Deputy PM Mesut Yilmaz with the well-received reform plans

From CNN, 26 March 2001

## THE AMERICAS

### U.S. GOVERNMENT TO ADMINISTER OMC'S PENSION PLAN

Cadillac — Cuts in benefits to retirees of the defunct Outboard Marine Corp. likely won't affect employees of Four Winns, confirmed company president John Anderson. The Pension Benefit Guaranty Corp. announced Tuesday that effective today, it will take over the underfunded pension plan covering more than 10,000 retirees of OMC, the former parent company of Four Winns. Assets of the company, including the Cadillac Four Winns plant, were auctioned in Chicago Feb. 7. Genmar and Bombardier submitted a combined bid of \$95 million. The sale is still in the process of being finalized, Anderson said. PBGC is a federal corporation that guarantees the payment of basic pension benefits earned by workers participating in over 40,000 private-sector defined benefit pension plans. Corporation spokesman Gary Pastorius likened the organization to an insurance company that protects worker's retirement benefits in the event their employer folds. "PBGC is acting because the (pension) plan faces abandonment after the company liquidates," said John Seal, the agency's acting director. "Because the plan is PBGC-insured, most of the retirement benefits for over 10,000 Outboard Marine workers are protected, and monthly checks for those already retired will continue without interruption." The benefits will be paid despite the fact that the OMC's employee retirement plan is underfunded by about \$73 million, according to PBGC estimates. The plan currently has assets of about \$454 million to cover benefit liability totaling around \$527 million. As an insurer, PBGC will make up the difference, said Pastorius. While OMC retirees will continue receiving annuity payments, the maximum pension guaranteed for workers in plans that terminate in 2001 is \$3,392 per month for persons retiring at age 65. In addition, PBGC does not guarantee and thus will not continue to pay benefits such as health or life insurance that may have been part of retirees' pensions. Anderson indicated the change likely won't affect Four Winns employees, who weren't part of OMC's pension plan. "We had a profit sharing plan exclusive to Four Winns and a 401K," Anderson said. Once an Internal

Revenue Service review is completion, a distribution of 401K funds will take place, Anderson said. Employees will have the option of accepting a cash distribution or investing in another retirement fund. Anderson anticipated that once the sale of Four Winns to Genmar has been completed, employees who remain with the company will be able to roll over their OMC 401K accounts into Genmar's 401K program. However, Anderson was unsure how many Four Winns retirees are currently receiving benefits from the company and whether their retirement plans include health insurance or other benefits that will not be continued by PBGC. "We don't have a lot of answers right now," he stated. PBGC indicated that former OMC employees with questions about benefits may call its customer service center at (800) 400-7242. PBGC has also established a page on its Web site at [www.pbgc.gov/outboardmarine](http://www.pbgc.gov/outboardmarine) with information pertaining to the OMC plan.

*From [Cadillac News](#), 1 March 2001*

# Governance Systems and Institutions

## AFRICA

### MANDELA ATTACKS CORRUPTION

At 82, former prisoner and president Nelson Mandela seems freer than ever, denouncing arrogance and corruption in the ranks of South Africa's black elite and calling on the ANC and the president to accept criticism. In an interview with the weekly Mail and Guardian, the country's senior statesman, while pressing home his support for the African National Congress (ANC) government, made his reservations about the party and its grip on power clearly felt. "Little did we suspect that our own people, when they got that chance, would be as corrupt as the apartheid regime. That is one of the things that has really hurt us," the former president said in the interview. "Nothing in our struggle for liberation entitles an individual to think that he has a right to rob the public because he has reached old age," Mandela - who was president until June 1999 - added, referring to corruption scandals which have implicated state officials. Asked whether he thought the ANC was becoming a single-opinion party with a lack of internal debate, Mandela said, "The proper thing to do is to have free and vigorous debate on every issue and to criticise everybody, including the president." Then, he added, "when you have the consensus, we can go out and speak with one voice." "We must welcome differences of opinion. They will always be there. One of the most effective weapons in dealing with different opinions is tolerance - the ability to take criticism and not personalise it," he insisted. This was the case "even if a prominent individual is specifically identified and becomes a target for criticism," he said. "I can speak with authority of when I led the ANC, because one of the things I stressed is that members must not be lapdogs," the veteran campaigner stressed. One of Mandela's closest allies, Jakes Gerwel, warned against depicting a rift between Mandela and the ANC, in an article published in the Sunday Independent. "Attempts to cast him in the role of unofficial opposition to the government and the ANC are not only mischievous but fail to understand how this man's private being is inextricably bound up with his loyal membership of the ANC," he said. Gerwel insisted that the comments "are not new... they represent the determination of Mandela, the government and the ANC to deal with corruption in whatever quarter." In an interview with the Sunday Times last week, Mandela had said "some Africans themselves have made mistakes... they now throw their weight about as a majority." "There are some Africans who inspire fear in the minorities because of the way they behave," he said, adding: "The ANC has to do something."

From [iafrica.com](http://iafrica.com), 6 March 2001

## ASIA/PACIFIC

### CHAOS AND CORRUPTION ABOUND IN CHINA'S MARKET, MINISTER SAYS

China's planning minister Tuesday unleashed a barrage of criticism at chaos in the marketplace and promised measures to curb lawlessness and rampant corruption. "We must firmly resolve to clear up the chaos currently plaguing order in the market economy," Zeng Peiyan told the 2,800 odd delegates to the National People's Congress, now holding its annual session. "There are many reasons for this chaos, including inadequate legal and regulatory footing for the market economy, lax management, ineffective supervision and poor discipline," he said. Some "lawless people and corrupt government employees" have been "working together to cause tremendous damage" and are "tarnishing the credibility of the state and the image of reform and opening." Zeng said the government would focus on curbing the production and sale of fake and shoddy goods and intensify the fight against smuggling, fraudulent export tax rebates and foreign exchange crimes. Financial institutions would be investigated for corruption, and the construction market rectified by curbing "abuse of power" in public bidding and illegal subcontracting, he said. Last week the government opened the trial of former vice minister of public security Li Jizhou, who has been embroiled in the 6.5-billion-dollar YuanHua smuggling case centered in the southeastern province of Fujian. Fourteen government officials and businessmen have already been sentenced to death in the case and it was likely that Li would receive the same sentence during the NPC meeting, Western diplomats in Beijing said. On Friday courts in the southern province of Guangdong sentenced seven people to death for phony value-added tax invoices and fake export tax rebate receipts in a politically explosive multi-billion-dollar tax fraud case. Last year former vice governor of Jiangxi province Hu Changqing was executed for massive corruption during the NPC session and former vice chairman of the legislature, Cheng Kejie, was executed in October for a similar conviction.

From [Inside China](http://insidechina.com), 6 March 2001

### ASIAN CRISIS DIDN'T SPUR ANTI-CORRUPTION FIGHT

Hong Kong (Dow Jones)--Better awareness about corruption in Asia since the regional financial crisis in 1997 hasn't been translated into progress fighting it, according to a report distributed Tuesday. Armed with the results of seven annual surveys, analysts at Hong Kong's Political & Economic Risk Consultancy Ltd. said their data "makes for disturbing reading." "One conclusion that we have drawn is that businessmen - both locals and expatriates - are more sensitive to the problem now than they used to be but that

with very few exceptions little genuine progress has been made in creating systems that can more effectively fight corruption when it does arise," Perc said in its report dated March 7. Perc's poll reflected views of about 700 expatriates working around Asia. Of the 12 countries covered, only Singapore appears better on the corruption scale than the U.S. and Australia. Additionally, it's the only one whose grade is better now than in the first survey in 1995. The firm said Hong Kong's reputation also remains fairly clean. Further, it said Hong Kong's experience is proof that leveling the playing field can happen quickly - which makes comparison of progress relevant now, so soon after the crisis. Once the government knuckled down 25 years ago and formed an anti-corruption body with teeth, improvement "wasn't a matter of five or six years but two or three," Perc said. Perceptions of Japan appear better than those of Hong Kong in the survey. However, Perc said Japan's "system itself is seriously tainted by corruption" whether or not businesspeople feel it as part of their daily life there. But elsewhere in the region, Perc said, the situation is disheartening. "Crony capitalism," like that which helped bring down the Suharto regime in Indonesia, is so endemic in some other countries that Perc takes a you-know-who-they-are approach, and declines to name them. "We apologize, but our desire not to face any expensive lawsuits prevents us from being more specific," the report said. Perc reserved its harshest words for the poorer countries in Southeast Asia, such as Malaysia, where it said "the problem is much more serious than the government cares to admit." Kuala Lumpur has been quick to take action against critics, for example, by banning distribution of foreign magazines that challenge the regime. Perc also expressed doubt that in the Philippines much has changed despite the ouster of President Joseph Estrada on corruption charges earlier this year. The situation in Thailand, it said, looks "worse than it has been in more than five years." Even South Korea, despite other major institutional changes that were introduced to combat the 1997-1998 debt crisis, has dirty dealing, which Perc claimed is "not seen to be compatible with Korea's level of economic development." China's grade improved from the previous year's survey, which Perc said may reflect rosy-eyed hopes about the future by foreign companies that are increasingly disillusioned by prospects elsewhere in the region. But, it noted, China's "absolute grade is still poor" and "the major question is whether or not the government will be able to keep it within bounds that don't threaten the economy's growth and restructuring or political stability." Perceptions Of Corruption:

	2001	2000	1995		2001	2000	1995
Singapore	0.83	0.71	1.20	China	7.88	9.11	7.30
Japan	2.50	3.90	2.00	Thailand	8.55	8.20	5.90
HK	3.77	2.49	2.80	Philippines	9.00	8.67	6.60
Taiwan	6.00	6.89	4.20	India	9.25	9.50	7.00
Malaysia	6.00	5.50	4.60	Indonesia	9.50	9.88	7.30
S Korea	7.00	8.33	4.00	Vietnam	9.75	9.20	7.78*

Perceptions of corruption, scaled with zero the least corrupt and 10 the most corrupt. \*indicates=1996 - Source: Political & Economic Risk Consultancy Ltd.

From [Dow Jones via Yahoo](#), 6 March 2001

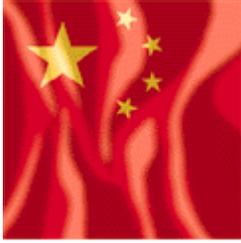
## CORRUPTION FOUND TO PERSIST IN MANY COUNTRIES IN ASIA

[Agence France-Presse](#) - [SINGAPORE](#) Hong Kong, Japan and Singapore are the least corrupt economies in Asia, where corruption remains embedded despite the fact that it helped trigger the regional financial crisis in 1997, a report said Sunday. China, India, Indonesia, the Philippines, Thailand and Vietnam were perceived to be the most corrupt Asian nations, with Malaysia, South Korea and Taiwan falling just below the average, the Political and Economic Risk Consultancy said in its latest survey on corruption. "One would have hoped that the economic crisis that hit the Asian region in 1997 would have been a wake-up call to the problem of corruption," the report said. "Unfortunately, our survey indicates that the problem, as those working in the countries of the region perceive it, has not really improved very much during the past four years." In some countries, corruption even worsened compared with 1996, the year before the crisis. Surveying more than 700 expatriate businessmen working in 12 Asian economies, the Hong Kong-based consultancy found that "the perception is clearly that corruption remains a serious problem in most countries." While it exists almost everywhere, distinguishing factors can be the ability of a nation's legal system to fight the problem, the government's willingness to lead the effort and the attitude of the local population toward corruption, the report said. Grading countries on a scale of zero to 10, with zero being the best score, the consultancy said small but affluent Singapore had maintained its squeaky-clean image with a score of 0.83. Singapore's grade beat the scores of 1.77 recorded by the United States and 1.72 for Australia - two countries surveyed for purposes of obtaining an outside benchmark on how corruption is perceived as a problem in developed economies. Japan was second-cleanest in Asia, with a score of 2.50, and Hong Kong came in third, with a grade of 3.77, slipping from 2.49 last year. Hong Kong's political, economic and geographical links to China, where corruption is much more pervasive, remain a challenge, the report said. At the other end of the corruption scale was Vietnam, with a grade of 9.75, Indonesia with 9.50, India with 9.25, the Philippines with 9.0, Thailand with 8.55 and China with 7.88. South Korea was graded at 7.00, while Malaysia and Taiwan both got scores of 6.0. The report grouped the Philippines and Thailand as "countries where corruption is a serious problem but no one seems to be in a big hurry to change the system."

From [International Herald Tribune](#), 18 March 2001

## SINGAPORE SCORES LEAST ON THE CORRUPTION SCALE

Associated Free Press - Singapore, Hong Kong and Japan are the least corrupt economies in Asia, where the problem remains embedded despite being a key trigger for the regional financial crisis in 1997, a report said. Vietnam, Indonesia, India, Thailand, the Philippines and China were perceived the most corrupt, with Malaysia, South Korea and Taiwan falling just below the average, a



study by the Political and Economic Risk Consultancy (PERC) said. "One would have hoped that the economic crisis that hit the Asian region in 1997 would have been a wake up call to the problem of corruption," PERC said. "Unfortunately, our survey indicates that the problem, as those working in the countries of the region perceive it, has not really improved very much during the past four years," the Hong Kong-based consultancy said. In some countries, corruption even worsened compared to the pre-crisis year. Surveying more than 700 expatriate businessmen working in 12 Asian economies, PERC found that "the perception is clearly that corruption remains a serious problem in most countries." While graft exists in almost every country in the world, a country can distinguish itself in the ability of its legal system to fight the problem, the government's willingness to lead the effort and the attitude of the local population toward corruption, it said. Grading countries from a

scale of zero to 10, with zero being the best grade possible and 10 the worst, PERC said tiny but affluent Singapore maintained its squeaky-clean image with a score of 0.83. Singapore's grade beat the 1.77 mark for the United States and 1.72 for Australia -- two countries surveyed by PERC for purposes of obtaining an outside benchmark on how corruption is perceived as a problem in developed economies. PERC noted that the fight against corruption in Singapore was a long and sustained campaign beginning in 1959 when the people's action party came to power through elections. "It has never let up this campaign and the country's leaders had the wisdom to apply the rules indiscriminately, to themselves and to others, and in a very publicly," it said. Japan was in second place with a score of 2.50 and Hong Kong came in third with 3.77, degrading from 2.49 last year. Hong Kong's political, economic and geographical links to China, where corruption is much more rampant, remain a challenge for the special administrative region, PERC said. At the other extreme of the corruption scale was Vietnam, with a grade of 9.75, followed by Indonesia with 9.50, India with 9.25, the Philippines with 9.0, Thailand with 8.55 and China with 7.88. South Korea was graded at 7.00 while Malaysia and Taiwan both got scores of 6.0. Aside from Singapore, Hong Kong and Japan, "the grades for virtually all other countries covered by our survey are below average, defined in our instructions as a score of five," it said. PERC grouped the Philippines and Thailand as "countries where corruption is a serious problem but no one seems to be in a big hurry to change the system."

From [The Indian Express](#), 18 March 2001

## INDIA'S PM VOWS TO END CORRUPTION



*Journalists Used Hidden Cameras To Expose Corruption*

AP

**Nafisa Ali, a social activist, shouts slogans in front of cut outs of ruling party leaders.**

Tuesday, when a Web site released videotapes of politicians and defense officials receiving money and discussing bribes with journalists posing as defense contractors. Tehelka.com said its reporters spent months pretending to be defense dealers and pushing a fake dlr 870,000 deal for hand-held thermal cameras and other equipment. Defense Minister George Fernandes resigned Thursday night, though he denied any wrongdoing and said the allegations were aimed at undermining national security. Fernandes did not appear on tapes released by the Web site. However, the president of his Samata Party, Jaiya Jailley, was shown in Fernandes' home talking to journalists posing as arms dealers about getting their products approved as money changed hands. The Defense Ministry on Wednesday fired a general and three other officials shown accepting money. The president of Vajpayee's Bharatiya Janata Party, Bangaru Laxman, resigned Tuesday night after Tehelka.com released videotapes of him accepting \$2,175. Laxman said he gave the money to his party treasurer. On Thursday, Railways Minister Mamata Banerjee resigned from the Cabinet and withdrew her party from the governing coalition, saying she was taking a stand against corruption. Vajpayee defended his government, saying the tapes revealed that "no deal was actually struck, no (Cabinet) minister was involved." Yet, he said, "the ease with which persons posing as arms merchants gained access to our defense personnel and officials shows how far the cancer has spread."

From CBS, 16 March 2001

## CORRUPTION IMPEDES BEIJING'S BATTLE WITH A FLAWED SYSTEM

After more than two years of battling against China's legal system, the frail 38-year-old woman was last week in tears, out of money and almost bereft of hope. She had come to Beijing from her home in the arid inland province of Shanxi in one last attempt to win a

fair hearing for her husband, Gao Qinrong, a journalist who was imprisoned for 12 years after exposing a fake irrigation project in his home county. The last time she saw him, through a glass barrier in jail near Yuncheng city, Shanxi, his hands were shaking, he was sobbing and his spirit was nearly broken. "He pleaded with me to go to Beijing one last time and said that if nothing happens this time, then he said I should just forget about him," said Duan Maoying, Mr. Gao's wife. One of millions of Chinese seeking redress from an unresponsive system, Mrs. Duan's quest represents a test of the sincerity of Beijing's highest leaders, who pledged last week to the National People's Congress (NPC), or parliament, to combat rampant corruption in all its forms. Li Peng, NPC chairman, said last week that corruption had become so serious that it threatened to topple the ruling Communist party. Other officials highlighted grave problems with China's legal system, including corrupt prosecutors, incompetent judges and biased courts. Last year, the authorities investigated more than 45,000 cases of corruption, up 15 per cent from 1999. The number of bribery cases climbed 28 per cent, while counterfeiting, smuggling and tax evasion cases rose 45 per cent, according to figures released at the NPC. The statistics suggest some progress in a nationwide crackdown on corruption. But Mr. Gao's story, and the tribulations of his wife's campaign to win redress, offer an insight into the impediments frustrating the reform of a flawed system. According to Mrs. Duan and several reports in China's official media, the problem started in 1995 when the Communist party bosses of Yuncheng city launched an impossibly ambitious project to build 67,000 water tanks linked to underground irrigation systems within just 40 days. Costing Rmb285m (\$34m) - a lot of money for a poor town in rural China - the project won praise from the Shanxi provincial leadership, in the official media and from Beijing. But Mr. Gao, who visited there in 1997, saw a very different reality. In a private report to the official Xinhua news agency, he said the project had been a hoax designed to win promotion for the local officials while filling local coffers with state funds. Virtually none of the water tanks was operational, nor were they linked up to any irrigation pipes, he said. Peasant farmers, who spoke to a subsequent state television report, News Probe, confirmed the irrigation system had never worked, nor had it ever been intended to work. Its construction next to the road was designed not for agriculture but to win plaudits from visiting Communist superiors, they said on TV. Mr. Gao's report, now part of a vast network of classified memos that keep the upper stratas of Chinese Communism informed, found its way to the Central Disciplinary Inspection Commission (CDIC), the country's top graft buster. CDIC instructed its provincial branch in Shanxi to investigate the irrigation scheme. But the provincial CDIC branch, which reports directly to the local Communist party bosses, launched an investigation not into the project but into Mr. Gao's conduct. In 1998, while promoting his story in Beijing, Mr. Gao was apprehended by Yuncheng officials, bundled into a car and put into detention without trial, according to official accounts. Four months later, he was granted a closed trial and found guilty of swindling, pimping and taking bribes. None of the officials allegedly responsible for the irrigation hoax have been disciplined, and several have won advancement, according to official reports. Huang Youquan, formerly top administrator of the scheme, has been promoted to Communist party boss of Yuncheng city - a local position of unrivalled power. He could not be reached for comment. Hu Fuguo, the Communist party boss of Shanxi province at the time of the project's implementation, has also been promoted. He is now deputy head of the national "leading group for poverty relief and development" in Beijing. In a letter smuggled out of prison, Mr. Gao vented his indignation. "This is an organised and premeditated case of revenge against a journalist that is rare in all China. It makes me deeply understand that once law becomes the slave of power, it will lose the essence of justice," the letter reads. Mrs. Duan fears her husband's release cannot be secured until local officials are held responsible for the irrigation hoax. But, she says, these officials are entrenched and powerful. All her appeals to higher authorities in Beijing have gone unanswered. "I can only now seek the help of the foreign press," she said. "Maybe someone will notice."

*From Financial Times, by James Kynge in Beijing, 20 March 2001*

### **INDIA No. 3 IN CORRUPTION**

Corruption remains a serious problem in most countries in Asia and few have paid heed to the lessons from Asia's 1997/1998 financial crisis, a recent study by the Political & Economic Risk Consultancy Ltd (PERC) showed. Corruption in some parts of the region was even growing worse, said the Hong Kong-based consultancy, which polled views from expatriates working in Asia in the first quarter of 2001. Of the 12 countries surveyed in Asia, Singapore was deemed least corrupt with a score of 0.83, Japan was second at 2.50 and Hong Kong third at 3.77. Zero was the best grade possible and 10 the worst. The rest of Asia scored over five, which showed that little cleaning up had been done despite the role that corruption played in the Asian financial crisis, PERC said. Vietnam, with a score of 9.75, was the most corrupt country in the region, according to those polled, followed by Indonesia. But PERC said it disagreed with that view, adding that Indonesia's situation was possibly the worst in Asia. "Vietnam's political system and structure as a country is not imminently threatened by corruption. Indonesia's is," it said. Indonesia, with a score of 9.5, fell into a category where "foreign investors and local companies often encounter corruption but governments are unwilling to admit that graft is a big problem," PERC said. India, whose coalition government is facing a raging arms bribery scandal, was listed as the third most corrupt nation in the region, followed by the Philippines, Thailand, China and South Korea. Taiwan and Malaysia tied for the eighth most corrupt places, the survey said. The Philippines and Thailand were listed among countries where corruption was serious and "no one seems to be in a big hurry to change the system and people, especially political leaders (who) seem to shrug off the problem as being just the way things are," it said. The PERC said corruption in both countries was getting worse. Though graft was still rampant in China, conditions seemed to be slowly improving, the survey showed. But it added that despite government recognition of the issue, "corruption runs so deep and is so intertwined with life at virtually all levels of the country that it is very difficult for any leader to make a lasting dent in the problem." Despite Hong Kong's healthy score, PERC said its biggest threat could come from external corruption, such as from Chinese companies. The consultancy recalled the collapse of the state-backed Guangdong Enterprises two years ago which delivered a huge blow to banks in the former British territory which returned to

Chinese rule in mid-1997. It said: "Think what would happen if one or more of the major Chinese state-owned companies that are now raising tens of billions of dollars in the international capital market (often through a Hong Kong initial public offering) were to collapse through mismanagement and corruption."

From [Hindustan Times](#), 19 March 2001

## EUROPEICIS

### KYRGYZ CORRUPTION MAJOR OBSTACLE TO REFORM

([Times of Central Asia](#)) Today corruption in Kyrgyzstan has reached a critical level. It threatens economic and political security, as well as democratic reforms underway in the country. In 2000 the UNDP project "Crime Prevention" held a nationwide study of corruption problems in Kyrgyzstan. The project conducted a public opinion poll among 10 different social groups, including urban and rural residents, parliament members, officials in the Presidential and Governmental administrations, business people, judges, law enforcement officials, and others. A third of the respondents believe the main obstacle in the way of economic reforms conducted by the President is corruption and the weakness of the state's power, as well as non-adherence to the laws. The main threat to Kyrgyzstan's development is posed by the bribery and corruption of state officials. The respondents think the main reasons for corruption are the economic crisis, imperfect laws, the low salaries of state officials, and a fall in moral values. It is interesting that most respondents believe that corruption does not have deep historical roots in Kyrgyzstan and is a relatively new phenomenon. 74 percent of those questioned think corruption has increased since Soviet times, and a fifth thinks Kyrgyzstan is "one of the most corrupt countries." Almost all business people either gave bribes or were asked for bribes when they tried to avoid military service (100 percent), were treated in hospitals (82 percent), went through customs (97 percent), broke traffic rules (100 percent), took their children to school (58 percent), and helped them enter universities (85 percent). Demanding bribes is becoming a widespread practice. Most bribe-takers in Kyrgyzstan are middle-level officials. To reveal the real scales of corruption, business people were asked what share of income they pay in bribes. 45 percent refused to answer, but most business people said they spend 10 percent-30 percent of their income on bribes. Most respondents think the main factor which forces state officials to take bribes is the fact that bribe-taking is practically unpunished. The law enforcement officials (30 percent) think officials take bribes because of their low salaries. Two thirds of the respondents said they do not trust the police, and 78 percent of them said one of the main problems of the country is "the absence of protection from the roughness and impunity of the law enforcement agencies." The law enforcement officials themselves rank themselves fifth in a list of most corrupt officials after the tax agency, the customs, traffic police, and the Finance Ministry. The penetration of corruption into the law enforcement agencies is especially dangerous for society. Most law enforcement officials themselves believe in the force of the law. 35 percent of the respondents think they must apply to superior authorities to restore justice. Only 28 percent of the poll's participants think that applying to the court would give some results, and one fifth of the respondents do not see any ways to change the situation. 22 percent of business people and 23 percent of state officials prefer applying to influential friends to cancel an unfair decision. The most dangerous result of corruption is its influence on the people's consciousness - 70 percent believe it is impossible to do anything without giving bribes. 81 percent of the respondents think that power spoils people, and 64 percent believe that "it is impossible to live a life in our country without breaking the law." So corruption affects people's consciousness and distorts moral norms, which is particularly dangerous for the youth. Today people involved in bribery do not provoke a sharply negative attitude from society on themselves. On the contrary, people envy bribe-takers and even respect them. So 16 percent of the respondents said they wish to give a bribe to speed up their business, and 7 percent are ready to take a bribe. 40 percent of the poll's participants said they do not care about corruption, and about 54 percent condemn it. Is it possible to fight corruption? Most respondents believe that the government really wants to fight corruption. However, 41 percent of law enforcement officials and 43 percent employees of state organizations and business people think it is just pretending to fight corruption. But, despite their pessimistic spirits, Kyrgyzstan citizens think they must start fighting corruption themselves by not giving or taking bribes. 38 percent of citizens and 34 percent of business people shares this opinion. Some respondents think the most important element is not punishment for corruption but its inevitability. The fight against corruption must begin with restoring the confidence in the state administration bodies and state officials. Salaries of state officials must be raised so to make bribe taking unnecessary. So fighting corruption needs a number of measures, including the participation of an independent media in the formation of an anti-corruption mentality among the citizens and due respect for the law.

From [Russia Today](#), by Tatyana Mordacheva, 2 March 2001

### FRANCE FACES DIZZYING DOSE OF CORRUPTION

Prosecutors' probes. Explosive newspaper exposes. Questionable payments to political parties. Prominent politicians and businessmen hauled into court. Dirty dealings brought to light. Even a sitting president's behavior placed under the microscope. It could be Washington, with its Watergate-inspired culture of scandal and investigation. It is so very American, and so very un-French. That is, until now. In recent months, the French have been treated to an almost dizzying dose of corruption scandals, probes, allegations and *affaires*, as they are known here. Some are complex, some tawdry. Both the left and the right have been touched -- and damaged. Last Sunday, for instance, voters in Paris threw out incumbent Mayor Jean Tiberi and turned the city government over to the Socialist Party for the first time, partly because Tiberi and the ruling conservatives had become enmeshed in scandals involving public contracts, campaign kickbacks and vote-rigging. The next day, a French prosecutor demanded a two-year

prison term for Roland Dumas, a lawyer and former Socialist foreign minister facing corruption charges because of gifts he allegedly received from his former lover, Christine Deviers-Joncour. In her book "The Whore of the Republic," Deviers-Joncour alleges that while a lobbyist for Elf Aquitaine, the formerly state-owned oil company, she used Elf money to shower Dumas with gifts. Still swirling in the background -- but likely to be revived now that local elections are out of the way -- are allegations that President Jacques Chirac was involved in illegal fundraising for his party while he was mayor of Paris. The charges blew open late last year with the emergence of a videotape from a now-deceased property developer who said he handed over illicit cash in Chirac's presence. And then, of course, there is the scandal involving Jean-Christophe Mitterrand, son of former president Francois Mitterrand, who is under investigation for engaging in illegal arms trafficking to Angola and money laundering while serving as his father's African affairs adviser during the early 1990s. "High-level corruption has long been one of France's dirty little secrets, an unwelcome feature of an elite-dominated culture where politics and business affairs often went hand in hand," a veteran French journalist said. "Politicians needing cash for their campaigns have in the past often turned to private business, which in turn showered politicians with largess, like sweetheart deals on luxury apartments." According to analysts, the system worsened in the 1980s under Mitterrand. "There was the Americanization of political campaigning, which required vast sums of money," said political scientist and commentator Dominique Moisi. "And then there was decentralization, which created new sources of financing without any controls whatsoever." Another factor, he said, was public companies like Elf dealing overseas "in delicate places where corruption and paying of commissions is well known." The old practices common for securing contracts abroad, he said, "boomeranged back into France." But analysts and journalists say there is a new "investigation culture," the product of several changes that have shaken the stodgy French political system in recent years. These range from newspapers becoming more aggressive to the emergence of a younger, bolder breed of investigating magistrates -- called judges in the French system, but who are roughly similar to prosecutors in the United States. Investigative reporting was once the preserve of a satirical weekly newspaper, *Le Canard Enchaîné*. But others have joined in the muckraking, with even the stately *Le Monde* last year printing details of the Chirac videotapes. Chirac has heatedly denied the allegations that he watched as illegal campaign contributions were made. Politics changed, too, with national political campaigns taking on a more American tone, making them more expensive and leaving candidates and parties desperate for cash. Also, "cohabitation" -- the presidency and the legislature being split between opposing parties -- is now fairly common, increasing the role of parties as watchdogs of each other's activities. Chirac is from the conservative Rally for the Republic party, but Prime Minister Lionel Jospin, a Socialist, runs the government. "I am one of the few French among academics who believe cohabitation is not such a bad thing," said Yves Meny, an expert on corruption with the European University Institute in Florence, Italy. "Cohabitation introduced some kind of checks and balances." Cohabitation also has made it more difficult for politicians to dismiss or reassign magistrates when their probes become embarrassing. "The magistrates became more independent," said political analyst Francois Heisbourg. "Mitterrand liberalized the justice system. A magistrate could no longer be punished for being too nosy." As the magistrates became more powerful, they took on fighting corruption as a kind of crusade. "People who were young in the 1960s and '70s started coming into positions of influence in the judiciary," Meny said. Among those of the "new breed" in the judiciary is Eva Joly, the magistrate leading the inquiry into the Elf-Roland Dumas affair. Her investigation has revealed a complex web of questionable international deals and payoffs from the time Elf was a state-run oil company with a network of global operations, many in Africa. The Dumas affair concerns whether the dapper former foreign minister, who was a close confidant of Mitterrand, pressured Elf to hire his mistress, Deviers-Joncour, who in turn showered Dumas with expensive gifts, including Greek statues. She has said she was paid out of a secret slush fund at Elf and her main role was to lobby her lover for the sale of six warships to Taiwan. The Dumas case was rocked by the sudden arrest and extradition from the Philippines of Alfred Sirven, a former Elf executive who allegedly controlled the slush funds. Before his arrest, he claimed to have enough information to "bring down the French republic 20 times over" -- and he vowed that if he were forced to testify, "I could hand over about 100 names." Sirven got his chance in court two weeks ago. But instead of testifying, he challenged the entire procedure, refusing to speak and saying he had broken no laws in France because his company's operations were in Switzerland. He also said he would not testify in the Dumas trial to avoid incriminating himself in the case involving the 1991 Taiwan frigates deal. Sirven's day in court is coming. And Dumas and his codefendants will find out May 30 whether they will be convicted and face jail time in the Elf slush fund affair. And with the Socialist Party's takeover of Paris City Hall, many are bracing for new revelations involving how Chirac's party allegedly parceled out city contracts in exchange for campaign contributions in the 1980s and '90s.

*From [Washington Post](#), by Keith B. Richburg, 24 March 2001*

## **UK PRIME MINISTER GIVES YOUNG PEOPLE A VOICE IN GOVERNMENT**

Young people will get a real voice in government, with the opportunity to help develop schools, health, local police and other services that affect their lives. Prime Minister Tony Blair, Education and Employment Secretary David Blunkett and Minister for Young People Paul Boateng today announced plans for the development of a strategy that aims to open opportunity to all young people and end child poverty. 'Tomorrow's Future: Building a Strategy for Children and Young People' details the new measures that will ensure young people have a voice in government and improved services designed to meet their needs, it: announces plans for a new Young People's Advisory Forum made up of young people aged 10-17 to advise Minister for Young People direct; states that young people must be involved in planning, developing and evaluating services on a sustained basis -- and makes this a core requirement for funding under the £450 million Children's Fund. The Prime Minister and Paul Boateng visited 'Alone In London', which provides practical and emotional support for young people. Paul Boateng said: "There are over 12 million children and young people in this country and my aim is to give every one of them real opportunity and a voice in government. "I want to hear young people's voices across Government live and clear. Our new Advisory Forum will for the first time bring children and young people to the centre of policy making and development on decision that directly affect their lives. "The great majority of children and young

people can now look forward to being better educated, wealthier, and physically healthier. But we know there is much to do when a significant minority remain vulnerable to social exclusion. "We are committed to reducing child poverty and opening up equal opportunities for all young people. Over a million children have been lifted out of poverty since 1997. This year's Budget commits an extra £1.1 billion in direct financial support for families, including the Children's Tax Credit and will raise the numbers lifted out of poverty to 1.2 million, putting us on target to eradicate child poverty in twenty years and halve the numbers in ten years. David Blunkett commented on raised standards of educational achievement detailed in Tomorrow's Future: "We are raising standards in education for all, improving standards of literacy and numeracy and opening up opportunity to previously excluded groups. We have made progress with much more backing for schools to tackle truancy, educate excluded youngsters and improve discipline. Our successful Excellence in Cities programme has helped narrow the gap with schools improving at a faster rate than in other schools. Black and Indian students and students from working class backgrounds have seen their GCSE results rising nearly three times as much as the national average since 1997. Paul Boateng went on to detail the work of the Children and Young People's Unit: "Four key challenges, identified by the Policy Action Team, now face the Children's and Young People's Unit. First, we must design policies around the needs and priorities of young people. We will do this through the new Young People's Advisory Forum, listening to young people and spreading best practice, and reaching out to wider and younger groups of young people through a focused programme of activity. We will not allow young people's needs to be sidelined and the £450 million Children's Fund, which ties funding to young people's involvement, adds financial incentive to this aim. "We are also committed to shifting the balance of effort and resources to preventative work – helping young people before problems become crisis. The Children and Young People's Unit will help health, education and other professionals to take early preventative action to support families. "We must develop better co-ordination and leadership and our work cross-government is a small step in our strategy to improve the machinery of government and foster joined up working at local and a national level. This is crucial if children are not to fall between the gaps of social provision. "Finally, we will strive to continuously improve services. In particular we will work to improve local planning of services for children, develop policies on services for children that are shared across government and develop the broad over-arching strategy for children and young people." (Editors Notes *This press notice relates to England* 1. Copies of 'Tomorrow's Future: Building a strategy for children and young people' are available from the Children and Young People's Unit website at : [www.dfes.gov.uk/cyptu](http://www.dfes.gov.uk/cyptu)) 2. The Children and Young People's Unit was launched by the Chancellor, Gordon Brown, the Secretary of State for Education and Employment, David Blunkett and the Minister for Young People, Paul Boateng on 15 November 2000 (DfEE Press Release 498/00). The unit is based in the Department for Education and Employment but works as a cross-Government. When the formation of the Unit was announced by the Prime Minister last Summer he gave a clear remit to support Ministers in developing and articulating the Government's strategy for services to vulnerable children and young people and promoting the involvement of the voluntary sector to tackle child poverty. 3. The Children's Fund is distributed by local partnerships. The partnerships must include the voluntary and community sector: the statutory sector (education, social services, leisure and youth services etc.) children, young people and their families, carers and local people that both reflect the make-up of the local community and use services local communities (including those groups traditionally excluded from mainstream provision including black and minority ethnic communities and disabled people) 4. The figures on ethnic minority achievement are contained in the 10th survey of 16 year olds leaving compulsory education. The survey confirms other evidence that Government measures to tackle underachievement in urban areas are having a real impact. Indian and other Asian (including Chinese) students outperform their white counterparts. It also suggests that Bangladeshi and Pakistani pupils need targeted help to see their results improving. The study also shows that young people whose parents were in unskilled manual occupations achieved the largest rise in attainment between 1997 and 1999. Additionally there were marked increases for the skilled and semi-skilled manual groups. The Study also shows that: Young people whose parents were in unskilled manual occupations achieved the largest rise in attainment between 1998 and 2000 with 30 per cent of this group achieving 5 or more GCSEs at A\* -C grades in 2000, compared with 20 per cent of this group in 1998. In 2000, 33,000 young people left school without a qualification, down from 45,000 in 1997.

From [Department for Education and Employment](#), 22 March 2001

## THE AMERICAS

### FEDS WATCH CLOSELY AS CORRUPTION-RIDDLED SUBURB VOTES

Chicago (AP) -- With federal election monitors looking on, voters in Cicero went to the polls Tuesday to settle a fight for control of the corruption-plagued and ethnically divided Chicago suburb. The town has had the image of a mob haven ever since Al Capone made it the hub of his bootlegging empire in the 1920s, but there were no reports of major problems as the town held primaries for town president, an office tantamount to mayor. One election judge, an off-duty corrections officer, was asked to remove the pistol plainly visible in a holster on his hip. He did. Observers sent in by the Justice Department under the Voting Rights Act were stationed at polling places to ensure fair treatment for Hispanic voters. Under a court order issued in October, federal officials can monitor elections in Cicero for the next five years. "The people of Cicero have been victims of abuse and intimidation for too long," said Joseph Mario Moreno, who ran against lawyer Victor Armendariz for the Democratic nomination. Both are Hispanic. On the GOP side, two-term Town President Betty Loren-Maltese was an easy winner based on unofficial returns provided by Cook County Clerk David Orr. With all 65 precincts reporting, she led former police Chief Emil Schullo, 6,985 to 644 votes, Orr spokesman Scott Burnham said. Schullo is among nine Cicero officials indicted on federal charges over the past three year. He is accused of taking part in a \$75,000 embezzlement scheme. Loren-Maltese has been accused of no wrongdoing herself, but her campaign fund was reported to have invested in a golf resort with ties to a mobster's widow. Among Democrats, Moreno easily won over Armendariz, 3,068 to 647 votes, according to unofficial returns provided by Burnham. The campaign was marked by hardball tactics, largely

aimed by Loren-Maltese allies at Moreno. Coming home from a Christmas party, Moreno was charged by Cicero police with drunken driving. The charges were dropped for lack of evidence. Loren-Maltese supporters then handed out 27-year-old court papers suggesting Moreno was an adulterer and wife beater. That turned out to be a case of mistaken identity. The papers referred to a different Joseph Moreno. Cicero, with a population of about 70,000, was for decades a center of Eastern European immigrants who loyally voted for the local Republican organization's candidates. Today, Hispanic residents make up an estimated 60 percent of the population. Loren-Maltese last year asked for a referendum to raise the residency requirement for town candidates from 12 months to 18 months. That would have kept Moreno and Armendariz off the ballot. The Justice Department stopped the referendum, saying it was aimed at keeping Hispanic candidates out of the election.

*From [AP via New Jersey Online](#), by Mike Robinson, 28 February 2001*

## **CAMPAIGN FINANCE REFORM: REAL ISSUE IS CORRUPTION**

As the campaign finance reform issue is raised to a feverish pitch, I think we should reflect a bit on the fundamental underlying issue. Campaign finance is only a symptom of the "disease" we are attempting to cure. The real issue is political corruption. Are our political representatives being corrupted by the money they feel they need to win elections? I think the answer is yes. I also think that excessive power corrupts and that long-term exposure to power tends to corrupt otherwise ethical people. I also think that we have allowed a "professional career politician" cadre of people whose primary motivation is to gain more and more personal political power through re-election after re-election to public office. At some point, these career politicians put self-interest ahead of the best interests of their constituents and our country. Thus, they succumb to the powerful influence groups that can provide the money or the votes to keep their personal political careers gaining more power. I do not think that ethics or morality can be legislated. Even if we could effectively legislate behavior, it would seem ridiculous to expect a group of career politicians to enact a law that would attempt to limit their ability to do what they think is necessary to be re-elected. So what can we do? I think that we should enact a law that all federal politicians be subject to a strict two-term limitation, similar to the presidential limitation. This limitation would have a most positive effect in attracting a better quality of representative to serve us and our country. Over the years, too much power has been given to the huge central government in Washington. The inefficiencies, lack of responsiveness and corruption of this huge bureaucracy is stifling the freedom and prosperity of our great country. Unseating the cadre of career politicians will be a major and a long-term effort. We must insist on these changes as we elect and re-elect our representatives. No legislation will truly protect us from the corruption we can expect from self-serving career politicians.

*From [Florida Times-Union](#), 24 March 2001*

## **GLOBAL**

### **HEAD OF UN REFUGEE AGENCY ASKS HELP IN ROOTING OUT CORRUPTION**

Organized crime threatens to infiltrate the United Nations' efforts to aid the world's refugees, the U.N. refugee chief warned Tuesday. "It is a risk all over the world," Ruud Lubbers, the U.N. High Commissioner for Refugees, said in an interview with The Associated Press. "Let us take that risk seriously." Last week, the U.N. agency confirmed it was investigating allegations that members of its staff in Nairobi, Kenya, had charged refugees thousands of dollars to be resettled in the United States or other rich countries. Although UNHCR offers its services to refugees free of charge, officials concede the agency's "resettlement programs" - which give refugees a chance to start a new life in a rich country - are targets for criminals involved in human trafficking. Lubbers, who took over as high commissioner Jan. 1, said he was encouraging staff members to come forward with any allegations of corruption. "I ask people: 'Have you heard something here or there? Put it on the table and let's look at it.' If there are other allegations I want my people to take them seriously," Lubbers said. He declined to name any other UNHCR office or country that was under suspicion, but said it was unfair to single out Nairobi or even Africa. UNHCR also is attempting to better ensure that refugees chosen for resettlement are those most likely to benefit and not those able to pay the most. "Governments and banks have systems to check and control that they are strong enough against corruption and criminal elements penetrating in their institutions. We have to do as good as they," he said. Lubbers plunged into what he called the world's worst refugee problem earlier this month, visiting camps in West Africa where tens of thousands of refugees from Liberia and Sierra Leone are trapped by fighting in Guinea. He also is searching for ways to ease the refugee crisis in Afghanistan, where millions of people have fled to neighboring Pakistan and Iran to try to escape drought and civil war. UNHCR faces a severe shortage of funding for its programs in Afghanistan. "I am not giving in. I have become angry - really angry. It is simply not acceptable. We have camps in Pakistan in which the situation is so abominable we simply cannot go on," Lubbers said. He said the international community had to accept its responsibility to help the refugees, but the ruling Taliban in Afghanistan also had to do its part. "The Taliban regime has to understand it is responsible for the people of Afghanistan. I have to find a way, as high commissioner for refugees, of explaining that it is simply not acceptable that Afghan people burden surrounding countries," said Lubbers. Even if refugees could not immediately return to their homes, they should be able to return to Afghanistan and be looked after there, he added. A former Dutch prime minister, Lubbers said much of the shortfall lies with Europe. The European Union gave 21 percent of UNHCR's budget in 1995, but only 5 percent of last year's smaller budget of nearly \$1 billion. "If Europe would only spend a modest percentage of the budget which is needed today for asylum, then UNHCR could do a better job," Lubbers said. Next week, Lubbers is to meet with U.S. Secretary of State Colin Powell and Congress in an effort to encourage further support from the United States, the world's largest donor nation which last year gave a record high 35 percent of UNHCR's nearly \$1 billion budget.

*From [Nando Times](#), by Naomi Koppel, 27 February 2001*

# Civil Services & Ethics in Public Sector

## ASIA/PACIFIC

### **SRI LANKA: 'PUBLIC SERVANTS SHOULD BE LOYAL TO COUNTRY, NOT TO ANY POLITICAL PARTY'**

The biggest challenge faced by the Government is to translate its vision into a process of implementation through the six-year action plan, President Chandrika Bandaranaike Kumaratunga said yesterday. President Kumaratunga was addressing senior public servants at a discussion titled "The role of the public service and development challenges of the 21st century" at the BMICH yesterday. The President also said that public servants should show their loyalty to the country and to the people and not to any political party. The Government has formulated a vision for the next six years with an action plan on an annual basis, in which public servants have to play a major role. The President also said that the Government has decided on a strategy where the Ministry officials visit the field and submit monthly reports to the Ministry Secretary who will submit these reports to the Ministers on a monthly basis. The President will have a progress review meeting with the respective Minister every three months. The President said she had progress review meetings for 12 development oriented Ministries such as education, health and industrial development. A few ministries had met 70 per cent of their targets while some had completed only up to 30-40 per cent. The President also stressed the need for senior public servants to acquire specialised management skills. She said that even senior public servants needed additional training and enhancement of skills to meet modern needs. Therefore even senior Ministry secretaries need not feel shy to undergo training in skills development. "Most senior public servants use the computer as a typewriter but how many of you are computer literate so that you can engage in data collection to meet the needs of the Ministry and the Government?" she queried. She also said that the Government was in a position to increase the salaries of Ministry Secretaries up to Rs 150,000 a month even with the war on, if productivity improved. Commenting on infrastructure development, she said: "Everybody is talking about increasing the number of school buildings. However, I would personally like to strengthen the infrastructure in schools such as laboratories, computers and IT systems etc." The President said: "The public service of any country is entrusted with using public funds to meet the needs and aspirations of the people and it is nothing but right that public servants fulfil their obligations to the best of their ability. Public servants of this country have gone through a torrid time and especially during the 1971 and 1988/1989 insurrections and also due to the North East war. Sri Lanka is one of the Third World countries which has one of the highest educational standards and the public servants of this country are capable and intelligent. It is imperative that the members of the public service get accustomed to the growing needs of the modern world in terms of science, industry and information technology. The tragedy is that Sri Lanka's public service has not been restructured in such a manner in consonance with the development needs of the country in the last 30 years. This was further evident during the UNP regimes from 1977 where Government servants and the service were both politicised. Only those who ingratiated themselves to those who held the seats of power had any say. Public servants who were honest and conscientiously honest were sidelined. The Government is in the process of revamping the public service as it has been done in the same manner in Australia, New Zealand, Malaysia, Canada and the UK. President Kumaratunga also said that she personally came across a situation where thousands of millions of rupees which were received as aid were wasted as a result of corruption and inefficiency. Whenever there is a foreign funded irrigation project, 50 per cent for the funds are consumed in the form of institutional development and funds are wasted for vehicles and other administrative overheads.

*From [TRN Online](#), by Ravi Ladduwahetty, 2 March 2001*

### **THAI PREMIER SUBMITS DEFENSE IN CORRUPTION CASE**

Thailand's new prime minister on Thursday gave a court 21 boxes of documents as part of his defense against a corruption indictment that could evict him from office. Thaksin Shinawatra's legal team handed over thousands of printed pages, books and dozens of video tapes, said Nopadol Hengcharoen, secretary of the Constitutional Court. He said the judges will have to go through the documents before setting a trial date, adding that no details can be divulged until the chief judge's approval. "The matter is under care of my legal team and they have sent the documents to court," Thaksin told reporters, refusing to elaborate. Thaksin, a telecommunications tycoon, took office last month after his Thai Rak Thai Party easily won a Jan. 6 election. But he was indicted in December by the National Counter Corruption Commission of deliberately concealing assets in 1997 by transferring large amounts of stock shares to domestic servants. Such a concealment would violate a mandatory asset declaration law. If the 15-judge Constitutional Court upholds the ruling, Thaksin could be barred from public office for five years. The NCCC has submitted nearly 8,000 pages of documents to support its indictment. Thaksin's reply is more voluminous, Nopadol said. Foreign Minister Surakiart Sathirathai, one of Thaksin's legal advisers, said the prime minister is "confident that he can defend himself."

*From [AP via New Jersey Online](#), 1 March 2001*

## EX-VICE-MINISTER IN CHINA LATEST TO BE TRIED FOR CORRUPTION

A senior Chinese official is on trial in Beijing in the latest phase in the biggest corruption investigation in the country in the last 50 years. The former vice-minister of public security, Mr. Li Jizhou, who was also deputy head of the National Anti-Smuggling group, is the highest government official to date to be tried for his role in a multi-billion dollar smuggling operation in the eastern province of Xiamen. Since last September 213 defendants have been found guilty and sentenced for their roles in the smuggling of cars, oil, cigarettes and other goods worth \$6.4 billion. Seventeen of the defendants have been sentenced to death, while others have been given life prison terms. The trials are a result of a year-long investigation into the smuggling syndicate in Xiamen headed by Hong Kong businessman Mr. Lai Changxing. He is detained in Canada on emigration charges and is fighting extradition attempts, but two of his brothers have been sentenced in relation to the case. The latest to go on trial, Mr. Li, is accused of receiving huge bribes between December 1994 and the first half of 1997 from Mr. Lai. In return Mr. Li is alleged to have interfered when police and border security authorities began investigations into oil tankers used by the smugglers. Investigators also claim that between November 1994 and August 1995 Mr. Li and his mistress received huge sums of money from smuggling suspect Mr. Liang Yaohua. The authorities say Mr. Li was paid for helping Mr. Liang to register a company and set up a duty-free warehouse. The smuggling ring's influence was said to have reached into the highest ranks of the government, the Communist Party and the business and banking worlds. It was announced yesterday that Mr. Li has been expelled from the Communist Party and discharged from public employment. A total of 91 government officials have been involved in the cases, including Mr. Chen Yanxin, the former general manager of the Fujian Petroleum Company; Mr. Che Dian, a former senior party official from Xiamen customs; Mr. Lin Jindong, a senior party official from Xiamen; and Mr. Lin Zhenmu, the former president of the Fujian branch of the Bank of China. Last month seven people were executed for their role in the multi-billion dollar smuggling ring, including a customs officer and a bank official, after their appeals were turned down. The government has invested a great deal in winning public support for its commitment to stamp out corruption, which is thought to be one of the biggest impediments to economic progress in China. The year-long investigation into the Xiamen cases is seen as a major victory in the anti-corruption drive. Because of the massive scale of the operation, trials have been held in Fuzhou, Quanzhou and Zhangzhou provinces as well as Xiamen and Beijing.

*From [Irish Times](#), by Miriam Donohoe, in Beijing, 1 March 2001*

## ENACTMENT OF STATE CIVIL SERVANT LAW PROPOSED IN CHINA

A lawmaker has submitted a motion to the National People's Congress, calling for the enactment of the State Civil Servant Law at an early date. Zhang Xiaoshu, a NPC deputy and director of the [Ningxia](#) Hui Autonomous Regional Department of Personnel, said that state civil servants serve as the principle part of exercising administration according to law, and a high-tier force of state management. "Building a contingent of quality, competent and honest civil servants is a requirement posed by the state for better management," he said. The state civil servant system has been introduced across the country since the Provisional Regulations on State Civil Servants were promulgated eight years ago. He called for work to modify and improve the Provisional Regulations on State Civil Servants in order to turn it into a law as soon as possible. "Through legislation government offices can exercise administration according to law more effectively, and improve their work efficiency," he said.

*From [Peoples Daily Online](#), 11 March 2001*

## PUBLIC SERVANTS IN JAPAN MAY GET LABOUR RIGHTS

A draft of a government plan to reform conditions for public servants includes a proposal to grant them the three primary labor rights of organization, collective bargaining and striking, The Yomiuri Shimbun has learned. The outline of the plan, viewed by the government as a pillar of its administrative reform efforts, also recommends setting up a system to allow each central government ministry to decide its employees' salaries and matters related to personnel affairs, including promotion and demotion. Currently, the National Personnel Agency is in charge of such matters. After referring the outline to a ruling party panel dealing with administrative and fiscal reform, the government expects the plan to take a more concrete shape in March before being finalized in June. Regarding the three labor rights, the outline states that to drastically reform the system for public servants, the issue of their restricted labor rights needs to be considered. As for wage-structure and personnel-management reforms, the outline proposes taking authority away from the agency and giving it to individual ministries to enable them to make decisions concerning promotion and demotion of their own officials. Meanwhile, the agency would be given a watchdog role with the responsibility of ascertaining whether ministries were following standards, which would be set by the agency, in making employee-related decisions. The proposals would enable each ministry, with awareness of its allocated budget resources for labor costs, to determine its organizational and personnel structures by itself. Criticism of the fact that central government officials are not fired unless they are found to have violated agency regulations has been growing in recent years. Therefore, the outline proposes establishing a system whereby each ministry has the authority to fire or demote officials from within its ranks.

*From [Daily Yomiuri](#), by Yomiuri Shimbun, 19 March 2001*

## JAPAN: POLICE OFFICERS PUNISHED FOR CORRUPTION

Nara Prefectural Police on Thursday dismissed one superintendent and suspended another for six months for allegedly taking bribes from a local transport company, prefectural police officials said. The police sent papers on the case to public prosecutors later the same day, but did not arrest the two officers. The two admitted accepting payments from the company, but denied

returning any favors, the officials said. Hidehira Nakano, 58, was dismissed for allegedly taking 12 million yen from a local affiliate of Sagawa Express Co. between 1996 and January on the pretext of salaries for his wife. Masayuki Kawaguchi, 53, was suspended from duty for six months for allegedly having the company pay more than 200,000 yen over the past two years for his mobile phone bill, they said. The police also sent papers on Yoshio Harada, the former vice president of the company for allegedly bribing the two officers. Harada, 53, was a police inspector at the prefectural police headquarters until he landed a job with Sagawa Express Co. in 1990. He resigned in January when the bribery scandal broke. Nakano allegedly received 25 million yen from Sagawa Express since December 1990, but the 13 million yen he is suspected of receiving before 1996 is beyond the five-year statute of limitations for bribery charges. Both Nakano and Kawaguchi worked primarily in the police's organized crime unit. DPJ secretary held Tokyo police have arrested a state-paid secretary to a Lower House member of the Democratic Party of Japan on suspicion of possessing stimulants, police officials said Thursday. Hironori Niwa, 36, secretary to Yukihiko Akutsu, was found in possession of 0.2 gram of amphetamines in one of his trouser pockets around 8:50 p.m. Wednesday, after police stopped the car he was driving in Tokyo's Minato Ward. Niwa told investigators that he bought the drug from a foreigner in Tokyo's Shibuya district, according to police. Police plan to conduct tests on his urine to determine whether he had used the stimulants. Group protests raid Pacific Asia Resource Center, a human rights group raided by police last week in connection with the arrest of a man suspected of harboring a terrorist, criticized the raid on Thursday as a crackdown on its activities and took legal action to recover items seized by police. Police raided the PARC office on Mar. 9 after arresting a man earlier in the day on suspicion of harboring Fusako Shigenobu, founder of the Japanese Red Army terrorist group. The man is the partner of a former joint chief of PARC. The police confiscated a number of items, including the names of subscribers to PARC's monthly journal, Oruta, PARC said in a statement. "Seizing the mailing list should not be allowed. It has nothing directly to do with the charge," the statement said. "PARC has no connection with the Red Army." The group filed a protest with the Tokyo District Court the same day demanding the return of the confiscated materials.

*From The Japan Times, 16 March 2001*

## THE AMERICAS

### BUSH PUSHES CONTROVERSIAL CIVIL SERVICE CHANGES

Tallahassee - Gov. Jeb Bush on Thursday proposed massive changes for the state's civil service system, including a controversial plan to make it easier to hire and fire state workers. Bush wants to abandon Florida's longtime system of firing someone only after the state has done a detailed review to determine "cause." Instead, state workers could be fired at the "sound discretion of an agency head." They would be entitled to an appeal, but the burden would be on the state worker to prove that the decision wasn't arbitrary or based on political patronage, party affiliation or discrimination. "There would not be firing of anyone because of how they look or what party they are from," Bush said at a news conference to promote his plan. Bush said his talks and e-mails with state workers have revealed a "climate of mistrust" between state managers and employees under the current system. His plan, he said, will make government more efficient and give state employees incentives to do well. The union that represents state workers issued a press release calling Bush's plan "nothing less than a full, frontal assault on Florida's hard-working state employees" and predicting that the proposal would weaken state services. Bush acknowledged that making changes to Florida's 1950s-era civil service system is controversial, and he immediately did statewide television interviews to promote the plan. He also paid a visit Thursday afternoon to the editorial board of the Tallahassee Democrat, the hometown newspaper for most top-level state workers. Florida has 125,000 employees around the state. Previous efforts to overhaul the civil service system have failed. "Surely there's going to be political opposition to this," Bush said. "This isn't ideological. This is what I talked about when I ran for office." Bush also wants to increase the number of state employees who are "at will," which means they could be hired and fired more easily. To do that, he would take all supervisors and managers -- about 16,300 employees -- out of the career service category and make them "at will." The governor also proposed a list of new incentives for state workers, including more pay raises and performance bonuses. His plan is more moderate than one proposed this year by some state legislators and the Council of 100, a high-powered business group. The legislators and the Council of 100 advocated making all state employees "at will," a proposal that sent shock waves through the state work force and the American Federation of State, County, and Municipal Employees -- the union that represents state employees. Bush's proposal comes as the state and the union are negotiating a new "master contract" for state employees. State workers are already nervous because Bush wants to shrink government by 25 percent during the next five years. Republican Rep. Mario Diaz-Balart of Miami, sponsor of the bill to make changes to the state work force, said he'll review Bush's recommendations and possibly incorporate some into his bill.

*From [St. Petersburg Times](#), by Julie Hauserman, 2 March 2001*

### ARGENTINE JUDGE RESIGNS FOLLOWING CORRUPTION ALLEGATIONS

A federal judge in Argentina, who's been under fire over his handling of a probe into a bribery scandal in congress, has resigned. The judge, Carlos Liporaci, stepped down after it emerged he was himself under investigation for corruption. His failure to bring anyone to justice over a bribes-for-votes scandal in the Argentine senate had been sharply criticised. He denies any wrongdoing and has claimed he is the victim of a conspiracy. The scandal shook the government and led to the resignation of the vice-president, Carlos Alvarez.

*From the newsroom of the BBC World Service, 28 February 2001*

## CORRUPTION FUELS MEXICO ABUSES

Corruption among government and law-enforcement officials is contributing to human-rights abuses in Mexico, including the border region, according to a U.S. State Department report just released. The report refers to several Juárez-related crimes: last year's murder of reporter Jose Ramirez Puente, violence against women, drug-related killings and the U.S.-Mexico "mass graves" investigation that looked into the disappearances of dozens of people -- including several El Pasoans. Thursday, the State Department is also expected to issue its U.S. certification review of Mexico's drug-fighting efforts. The State Department report said "widespread police corruption and alleged police involvement in narcotics-related crime continued." Antonio Meza, Mexico's consul general in El Paso, couldn't be reached for comment on the report. El Pasoan Jaime Hervella, founder of the Association of Friends and Relatives of Disappeared Persons mentioned in the report, said "we've always known about the involvement of law-enforcement officials in the disappearances." This week, Jose Larrieta Carrasco, the Mexican official in charge of the U.S.-Mexico "mass graves" investigation, resigned amid allegations of corruption. Larrieta was last in El Paso in September when the U.S. attorney's office announced murder indictments against alleged Mexican drug lord Vicente Carrillo Fuentes. El Paso FBI Special Agent Al Cruz said that "despite what's occurred, the FBI will continue to work with and assist in the investigation of the disappeared persons ... and work with the Mexican government." The State Department report also said Mexican "police regularly obtain information through torture, prosecutors use this evidence in courts and the courts continue to admit as evidence confessions extracted under torture." Amnesty International, a human-rights organization, reported Monday that Mexico is the leading importer of U.S.-made equipment used to torture people.

*From [Borderland News](#), by Diana Washington Valdez, 28 February 2001*

# Management Innovation & Trends

## EUROPE/CIS

### STATISTICAL SERVICES REQUIRED IN THE FIELD OF INNOVATION AND R&D

Eurostat, the European Communities statistical office is calling for tenders in the following lots for work covering innovation statistics, methods and tools for collection, processing and analysis of statistical data, research and development statistics and scientific relations: - Lot 1: Third Community innovation survey - processing and publishing of data (statistical services, computer and related services and computer support services); - Lot 2: S and T statistics: data collection, analyses, publications, nowcasting and methodology (statistical services data collection and collation services, data analysis services, project management consultancy services, research consultancy services and computer and related services); - Lot 3: Statistical indicators for benchmarking of national research policies (statistical services, project management consultancy services and research consultancy services); - Lot 4: Development and implementation of methods and tools for the assessment of data quality (statistical services and research and development consultancy services), - Lot 5: Methods and tools for time series and seasonal adjustment (statistical services, data analysis services, and computer and related services); - Lot 6: Promotion and support of the data analysis centre (DAC) (statistical services and computer and related services); - Lot 7: Scientific relations (statistical services); - Lot 8: Supporting actions in the frame of research statistics (project management consultancy services, research and development consultancy services and statistical services). For further information, please contact: Eurostat European Commission Mr. Roger Simon Unit A0 Office A4/164 Alcide de Gasperi L-2920 Luxembourg Fax +352-430-134771.

From [Cordis](#), 1 March 2001

### UK REGIONS RECEIVE BOOST TO INNOVATION AND INFORMATION SOCIETY

The European Commission has approved Structural Fund packages amounting to over four billion euro for UK regions to aid innovation and the development of the information society. Funds will also aid SME development technology innovation, growth and competitiveness, the establishment of an entrepreneurial culture and the development of a diverse and dynamic business base and sustainable development. The regions to benefit are North West England, North East England, Yorkshire and the Humber, South West England, Western Scotland, East Wales, East of England, Thanet and Hastings, London and finally West Midlands, which is to receive the most support, amounting to 854 million euro. All of the regions have been classified as Objective 2 regions, meaning that the funds will be aimed at promoting economic conversion and modernisation in areas undergoing industrial decline. The money will come from the European Regional Development Fund (ERDF) and European Social Fund (ESF). A final decision on the programming documents will be taken by the Commission after they have been considered by the Committee on the Development and Conversion of Regions and the ESF Committee. For further information, please consult the following web address: URL: <http://www.inforegion.cec.eu.int>



Birmingham, West Midlands

From [Cordis](#), 1 March 2001

### UK FOREIGN OFFICE VOTED BEST GOVERNMENT WEBSITE 2001

The Foreign & Commonwealth Office website has won the best Government website award for the second year running. At a ceremony hosted by the Government Internet Forum at the Royal College of Surgeons in London the Government's e-Envoy, Andrew Pinder, presented the 2001 Profile Award for best UK Government website to the FCO New Media team. Mr. Pinder paid tribute to the strides made by Government departments in improving their online presence in recent years. He said that meeting customer-needs, interactivity and accessibility were crucial factors for a successful Government website. Commenting on the award the Foreign Secretary, Robin Cook, said: 'I am delighted that our continuing efforts to run a successful Foreign Office website have again been recognised by the Government Internet Forum and the e-Envoy. Over 100 of our overseas missions now deliver services and information through their own website. Later this year we plan to expand our web network to promote and join up the UK overseas presence online.'

From [Foreign and Commonwealth Office](#), 22 March 2001

## UK MAKING A MARK ON INNOVATION

The Patent Office has developed an efficient customer focused approach and is poised to play an important new role in supporting the knowledge driven economy, a major Review of the Agency's activities concludes. The Quinquennial Review of the Patent Office said that it should do more to assist commercial exploitation of inventions, including more "marriage-broking" between inventors and licensees using web technology. The Patent Office should take the lead in pressing for cheaper, faster, more accessible multi-national patents. Patent Office expertise could be used to help deliver this. Publishing the Review, Competitiveness Minister, Alan Johnson, said: "The Review shows what a success story the Patent Office has become. Its operations have been highly praised by its customers, who describe it as "head and shoulders above other offices in terms of efficiency" and the "best trade mark registry in the world". "The Patent Office has an important part to play in fostering innovation and encouraging technological transfer. Only about one in ten patents taken out by small businesses are renewed beyond an initial five years. More will now be done, especially with the Small Business Service, to assist innovators bring their ideas to market. We also want to see maximum use made of the mass of information on existing patents." Mr. Johnson published the full details of the Quinquennial Review in a Parliamentary answer to Mr. Gareth Thomas MP (Clwyd West). Notes to Editors 1. The Patent Office has been an Executive Agency of the Department of Trade and Industry since March 1990 and has operated as a Trading Fund since October 1991. The Patent Office is responsible for implementing the national framework governing intellectual property rights (including copyright) and for representing the UK's interests in the development of the international intellectual property rights system. The system is based on Community and international law as well as domestic legislation. The Patent Office has the following specific responsibilities for the administration of domestic and international law: \* The grant of patents for inventions \* The registration of trade marks \* The registration of designs \* The maintenance of rights granted or registered, including patents granted by the European Patent Office under the European Patent Convention (EPC) and covering the United Kingdom Acting as the point of entry for UK companies and individuals to the EPC and the Patent Cooperation Treaty where transnational protection is sought. \* Acting as entry point to the Madrid system for international registration of trade marks. It is also responsible for promoting UK interest in international efforts to harmonise and simplify intellectual property law and its supporting rules and procedures; and for stimulating innovation and enhancing the international competitiveness of British industry and commerce through the promotion and awareness of intellectual property rights. 2. As a Next Steps Agency, The Patent Office is subject to review by its parent Department, the DTI, every five years (the "quinquennial review"). These reviews apply to all Government Agencies and Non-Departmental Public Bodies. They are intended to allow Government to take a regular look at the functions that these bodies perform, and to assess whether they are being delivered in the most effective and efficient way. 3. In accordance with the Cabinet Office guidance ("How to review agencies and non-departmental public bodies to improve the quality and effectiveness of public services", Cabinet Office, January 2000), the Review was carried out in two stages. The first focused on the functions carried out by the Agency and the organisational options for their delivery. The second stage followed up issues identified in Stage 1 and looked at how performance might be improved in future. The Review was launched on 27 April 2000 [DTI Press Notice P/2000/295]. Stage 1 of the Review was published on 24 October 2000, and Stage 2 has now been completed. 3. Media copies of the Stage 2 Report are available from the DTI Newsroom.

*From [Department of Trade and Industry](#), 23 March 2001*

## INTERNET CRIMEFIGHTING PLAN MAY OPEN DOOR FOR SNOOPERS

**PARIS.** Governments this year are expected to approve a wide-ranging treaty to combat cybercrime, a document that some critics are describing as a potentially Orwellian threat to privacy and as a wish list for law enforcement agencies. The proposal has the laudable aim of preventing serious crimes, such as child pornography, and will be a weapon against hacking into computer systems and propagating electronic viruses. But critics contend that it contains no safeguards for privacy and due process and places few limits on government snooping. The document would require that all countries that sign the treaty make copyright infringement a crime, hold Internet service providers responsible for the content of their systems, and outlaw anonymity on the Internet. The treaty, known as the Convention on Cybercrime, has been drawn up by the Council of Europe, a 43-nation intergovernmental organization based in Strasbourg. The European Union and the United States, meanwhile, have been coordinating their actions against cybercrime within the Group of Seven industrialized countries plus Russia. The director general of juridical affairs at the Council of Europe, Guy de Vel, said the Council, which is not connected with the EU, was an appropriate body to handle the issue because of its solid democratic principles, having created the European Human Rights Convention. But critics note that it was unelected and has unaccountable experts, including officials from the U.S. Department of Justice, who drew up the document over a four-year period before allowing the public to see the results of their labors last year. The latest draft has evoked protests from civil liberties groups, including Human Rights Watch and the American Civil Liberties Union. There are few cyberinterest groups that have not complained about its impact on them except for governments and law enforcement agencies. It is "an end run by police agencies and a bit of policy laundering by the U.S. Department of Justice to get more authority," said Marc Rotenberg of the Electronic Privacy Information Center. The draft document is now in the hands of the Council of Europe's Committee on Legal Affairs, whose members include delegates from Andorra, San Marino and Azerbaijan. The committee, which could yet make modifications, held a meeting in Paris this month and will hold another here in April. After that, the document will be open to signature by member governments and other countries, which could include the United States, Canada and Japan. George Papapavlou, a representative of the European Commission, the executive body of the European Union, said his organization was waiting for the convention to be passed before proposing its own legislation on computer crime. He said the commission welcomes the draft convention "as a first international legislative initiative in a very complex area." The draft document reflects the mainly U.S. concern with copyright, but virtually ignores a European concern about hate and racist speech on the Internet, which is generally not illegal in the United States

because of the First Amendment. Beatrice Metraux of the Swiss Institute for Comparative Law told the Paris meeting that there was no solution to this problem so long as hate sites, of which there are more than 4,000, can set up without hindrance in the United States. Unesco, on the other hand, fears that the clause on copyright will limit access to information, disadvantage libraries and universities and sharpen the division of society into "info-rich and info-poor." The group, the United Nations Educational, Scientific and Cultural Organization, has consistently fought to keep knowledge, such as the basic map of the human genome, in the public domain. "The key problem," said Philippe Queau, director of the organization's information society division, is that the convention "criminalizes subjects that ought to come under the civil law." While the draft convention took a black-and-white view of copyright protection, there has been no international consensus or moral certainty about this issue, Mr. Queau said. "During the past century, the U.S. Congress has regularly lengthened the period of copyright protection to as long as 85 years from only 17 years at the beginning of the century. And every time they do this, it seems to coincide with a Disney copyright as it nears its end," he said. Kate Williams, a specialist on cybercrime at the University of Wales, said the draft convention "deals with those aspects that are very much to the fore in the thinking of nation states and big multinationals," which she said are concerned mostly with providing a safe environment in which businesses can work. Internet providers are concerned they will have to collect and store all data passing through their systems for the use of their own or foreign law enforcement bodies, and they fear they could be held criminally liable if their subscribers contacted child pornography sites without their knowledge. Internet services and Web sites would have to be designed in a way that guarantees effective surveillance. This "would add 50 percent to the Internet subscription costs," said Fred Eisner of the Dutch Association of Internet Service Providers. "Let's talk about proportionality. How many criminals are there on the Internet?" Much of the convention is not focused on viruses, hacking or other attacks against computer systems, but instead "aims to expand government investigative authority for ordinary off-line crimes where evidence may be stored in or exchanged by computer systems," the Center for Democracy and Technology said in its reaction to the draft. Some experts warn that citizens could find themselves committing a crime if they falsified personal information on an Internet form if the document were to be adopted. "This is a convention for Big Brother," said Per Stig Muller, a Danish conservative and member of the council's Committee on Legal Affairs. "It protects companies too much and human dignity not enough."

From [International Herald Tribune](#), [Barry James](#), 23 March 2001

## THE AMERICAS

### BLEAK FUTURE FOR CUBAN INTERNET

Beleaguered by poverty, a lack of infrastructure, and tight governmental control, Cuba's citizens face an uphill battle to get online. According to government figures, Cuba has about 3,600 legal Internet accounts, provided through four government-run servers. The country has 40,000 email accounts, half of which have access to networks outside Cuba. Many of Cuba's legal Internet accounts are owned by government ministries and businesses, joint-venture corporations, and foreigners. While Internet access is provided by universities, hospitals, and youth clubs, strict limitations are placed on the type of content users can access. Cuba's only cyber-café is not available to Cubans. Even if the government relaxed its control of the Internet, the expansion of Cuba's online population is severely limited by the lack of Internet infrastructure in the country. The island has only one phone line for every 23 Cubans, power outages are common, and computer modems are difficult to obtain. With such limitations, the general consensus among Cubans is that future Internet access will be restricted to public cyber-café's rather than private homes.

From [Business News Americas](#), 2 March 2001

### MAJORITY OF U.S. LOCAL GOVERNMENTS NOW ONLINE

According to a survey by the International City/Council Management Association (ICMA), almost 95 percent of local governments in the US either have a website or plan to have one in place within a year. Of those local governments that currently have an online presence, relatively few allow citizens to pay tickets/fines (4.4 percent), taxes (9.2 percent) or utility bills (3.4 percent) via the Internet. However, more than 90 percent of respondents said they planned to bring these services online at some point. Although the vast majority of local governments have websites, fewer than 20 percent provide Internet access to all employees. Almost half (45.7 percent) of those polled said that employee access to the Web was limited due to insufficient resources. Other findings of the survey showed that only 85.7 percent of local governments contracted for services with e-government vendors. However, many outsource or plan to outsource certain web-related functions. Of the local governments that currently have a website, (39.7 percent) outsource web hosting, more than one in four (26.6 percent) outsource web design, and 16.4 percent outsource web operations.

From [Nua Internet Surveys](#), 2 March 2001

### U.S. INTERNET MEDICAL SERVICES OFFER SECOND OPINIONS

Madison, Wisconsin (AP) -- After Margo Nistler found out she had an aggressive form of breast cancer, she underwent chemotherapy and radiation as recommended by her doctors. When the disease continued to spread, she sought a second opinion online through a site that allows cancer patients to get expert medical advice without ever leaving home. "We've done the usual things, the standard treatments and the standard chemotherapy," said Nistler, of Petaluma, California. "Now it's about looking at trying to find what else is out there that might work. "You never know what might be the silver bullet." Nistler used MDExpert.com, which has a network of 200 cancer experts who offer second opinions after reviewing medical records -- but without ever seeing

patients in person. Patients supply their medical records to MDExpert, which sends the information to its experts. The oncologists, who are paid a consulting fee, give diagnoses, treatment options and answer any questions from the patients and their doctors. MDExpert charges \$800 to \$1,250 for second opinions. The Medical Group Management Association says the median cost for a visit to an oncologist in 1999, the latest year numbers are available, was about \$295. Dr. Julian Schink, professor of gynecologic oncology at the University of Wisconsin Medical School, said he developed the idea for MDExpert 18 months ago to give patients a centralized resource for the country's best oncologists. Since its August launch, about 50 people have used the site to seek second opinions. "The idea is not only do you not have to leave your hometown, you don't have to leave the doctor in your hometown that you probably feel pretty good about," said Schink, MDExpert's chief medical officer. A variety of Internet sites offer similar medical services. USAMedicus sets up patients with a Texas Medical Center specialist who calls the patient to offer the second opinion and answer questions. The service costs \$500. Most insurance companies don't cover a service like MDExpert, said Susan Pisano, a spokeswoman for the American Association of Health Plans. Rather, they cover second opinions from doctors within the network they offer. Dr. Herbert Rakatansky, chairman of the American Medical Association's Council on Ethical and Judicial Affairs, said diagnoses without face-to-face examinations are questionable under AMA standards. He said he would not feel comfortable giving out a diagnosis without personal contact, and he questioned if patients would, either. "You have a personal interview so you can probe areas that need to be probed. You can answer the patient's question. You can ask the patient questions you may not have thought of originally," he said. "People are people. They're not machines." Nistler, who received her second opinion from MDExpert this week and has an appointment with her doctor to go over the recommendation, said she won't blindly follow the treatment advice because the doctor has never examined her face to face. Rather, she'll take the information back to her doctor and use it as a second tool for treating her cancer. "They're not intended to supplant your regular doctor. It's in addition to it," Nistler said. "It's a reference of a place to start to improve your treatment rather than a jumping off point."

*From CNN, 1 March 2001*

## **BUSH LOOKS AT PRIVATIZING AIR TRAFFIC CONTROL**

The Bush administration sent a strong signal Wednesday that it is considering privatizing the nation's air traffic control system to help reduce the delays that plagued aviation the past two summers. In its proposed budget for fiscal 2002, the administration said over the next year it will seek ways to improve aviation, "in particular to examine the success that various nations, such as Canada, have experienced with individual air traffic control systems owned and operated by private companies." Such a move fits in well with the new administration's conservative economic philosophy. Many officials in aviation say that a private system would be better funded and more nimble in making technological improvements. However, privatization is likely to be met with intense opposition from unions, some public officials, private pilots and some airlines. Some say that privatization will cost too much, and others say air traffic is too important to cede to private industry. Transportation Secretary Norman Mineta, the lone Democrat in Bush's Cabinet, supports reforms but favors keeping it within the Federal Aviation Administration, spokesman Bill Mosley said. Bush's budget calls for spending \$57.2 billion overall on transportation, a slight cut from this year's spending. The budget does not include numerous one-time expenditures typically added by Congress. But the budget calls for increases in major ongoing programs, such as highway and aviation spending. As problems within the air traffic system have mounted in recent years, leading to record delays and a string of problem-plagued technology programs, calls for privatizing the system have grown louder. Last week, three former FAA chiefs joined other former transportation officials in calling for a spinoff of the system that guides the thousands of aircraft that fly each day. Privatizing air traffic is the only way to reform the bureaucracy and make fundamental improvements, they say. Both critics and supporters of privatization have pointed to Canada's example. In 1996, that nation sold its air traffic control system to Nav Canada, a private company. The change allowed for pay raises for controllers and helped speed the introduction of equipment. But some say they believe that the U.S. system is so much larger than Canada's that such a change might not be possible. Meanwhile, a board overseeing the FAA has just begun its work, and Mineta has called for a series of changes to increase air traffic budgetary oversight and to make the agency more responsive.

*From [USA Today](#), 1 March 2001*

## **FROM PROMISE TO PRACTICE: ENHANCING STUDENT INTERNET LEARNING**

[Editor's note: The U.S. Congress' Web-Based Education Commission issued its report and recommendations for improving learning in the Web environment in late December. In this special feature, the Commission's project director, Kathleen Fulton, discusses the report's findings to help MMS readers and all technology-using educators as they forge action plans for the future. The entire report can be downloaded at [www.webcommission.org](http://www.webcommission.org).] The bipartisan, congressional Web-Based Education Commission set out to discover how the Internet is being used to enhance learning opportunities for all students, from pre-kindergarten through high school, at post-secondary colleges and universities, and in corporate training. In the course of our work, we heard from hundreds of educators, policymakers, Internet pioneers, education researchers, and ordinary citizens who shared their powerful visions and showed us the promise of the Internet: To center learning around the student instead of the classroom. To focus on the strengths and needs of individual learners. To make lifelong learning a practical reality. We heard that the Internet enables education to occur in places where it normally does not, extends resources where there are few, expands the learning day, and opens the learning place. We experienced how it connects people, communities, and resources to support learning. We witnessed how the Internet adds graphics, sound, video, and interaction to give teachers and students multiple paths for understanding. Now, as the 107th Congress and a new administration seek to find common ground and heal the wounds of partisan politics, we have the opportunity to make the visions we heard in testimony become common practice in our classrooms. As education professionals, our

perspectives are unique, for we base them upon our daily experience, rather than upon speculation. By sharing highlights of the Commission's report, I hope to provide you with paths for participation, communication, and collaboration in moving from promise to practice. The Commission identified seven areas in which we feel there is a strong need for action: *Broadband access*. Powerful new Internet resources, especially broadband access, that are widely and equitably available and affordable for all learners; *Professional development*. Continuous, relevant training and support for educators and administrators at all levels; *Research and development*. New research on how people learn in the Internet age; *Quality of content*. High-quality online educational content that is widely available and meets the highest standards of educational excellence; *Regulations and e-learning*. Relief from outdated regulations that impede instructional innovation in favor of approaches that embrace anytime, anywhere, any-pace learning; *Privacy and protection*. Safeguards to protect online learners and ensure their privacy, especially young children; *Funding*. Sustained funding—via traditional and new sources—that is adequate to the challenges at hand. Here are the specific pivot points in which our collective participation can make the difference: **Broadband Access** - Since the earliest days of educational Internet use, libraries and schools have played key roles in society's efforts at equity. Recent progress created by the E-Rate has allowed the majority of our schools and classrooms to access the Internet. The report notes that for households with incomes below \$40,000, 31 percent of students have Internet access at home, versus 56 percent at school. However, the approach of high-speed broadband connectivity, along with the types of learning experiences it can provide, means that the digital divide after broadband will be wider and deeper than anything we've seen before. This highlights the importance of Internet access in public places as an equalizing force for educational opportunity. But it also makes it clear that broadband access in the home is the necessary next step, enabling parents and teachers to communicate with each other, students to access top-of-the-line research materials and resources, and learners of all ages—including educators—to take online courses to enhance their own skills and expertise in an economy that demands continual growth. The Commission reports, "Access must be convenient and affordable. It must offer a user the opportunity to find and download complex, content-rich resources. The technology that supports access must be where the learner is located and be available whenever he or she needs it. Access may take place in the school or college or adult literacy classroom, in the library or after-school center, in the community center or workplace, or in the home." Already, many of us work in schools and libraries where the online resources we subscribe to are available to students and educators at home. Encouraging classroom teachers to integrate these materials and expand the opportunities for learning beyond the classroom day and place is a considerable challenge. The idea that not all students will have access outside our schools and libraries is often the final barrier that prevents adoption of strategies we know can work, but are reluctant to use, in the interest of fairness. The report continues, "Those who work with the technology that supports access must have the skill and understanding to apply it well. If the user—whether teacher or learner, parent or administrator—does not know how to work with technology or where to go on the Internet to find material of value, that learner does not have real access to what the Internet offers." Information literacy is the key for all of these users and is a unifying principle for the effective integration of technology in education. Technology-using educators and library media specialists are among the best prepared to help other teachers, parents, administrators, and school board members to develop these skills and to support the policies that will allow information literacy to take its rightful place as a foundation for 21st century learning. Indeed, information literacy weaves its way through most of the seven points raised by the Commission. Another important aspect is making sure the Web sites we create are accessible to those with disabilities. The report notes, "The Internet is a double-edged sword for these learners—it can be a gateway to new opportunities or a barrier that challenges them even further. Among Americans of all ages, nearly 60 percent of those with a disability have never used a personal computer, compared with 25 percent of those without a disability." Considering that nearly a quarter of our population over the age of 16 has some form of disability, the potential for leaving people behind only increases. Fortunately, the Center for Applied Special Technology (CAST) has created Bobby, a Web-based tool that analyzes Web pages for their accessibility to people with disabilities. Making sure your Web pages comply can boost learning for everyone, as we put into practice research that reminds us, "There is no typical learner, just as there is not one path to learning." The guidelines encourage us to provide support and challenge through multiple means: *Representation* (e.g., a math concept in both text and graphic modes; animated science simulations; poetry read aloud by the author; etc.); *Expression* (i.e., use of text, sound, images, video; and combinations of media as vehicles for expressive literacy through writing, illustrating, speaking, video-making, and drawing); *Engagement* to attract the easily bored or the easily distracted learner. **Professional Development** - "Too little, too late, too lame" are pejoratives that too often apply to professional development offerings. The challenge of helping faculty learn to effectively integrate the benefits of technology within their teaching is not limited to K-12 schools. It is also a major challenge for post secondary institutions. This compounds the problem, since the new crop of teachers currently being prepared to take the place of the 2 million teachers who will leave the profession in the next few years are doing so largely without modeling of effective practice by their professors. Effective use of technology goes hand-in-hand with new, more effective ways of teaching, yet far too many professional development offerings mirror the old "sage on the stage" information transmission model. In fact, this professional development is often called "training," when what is truly needed goes far beyond mastery of basic technology skills. The report states, "It means developing a vision built on the understanding that technology is a tool that can offer solutions to longstanding teaching and learning problems. It is more than knowing how to automate past practices. It is the growing understanding that comes with confidence to 'think with technology' in order to approach old problems in new ways." Members of IT Teams are perfectly positioned to remedy this situation. As technology coordinators, school library/media specialists, and classroom teachers, each holds a key piece of the puzzle required to unlock the potential of technology for learning. Beyond the transmission of information, there must be communication and collaboration between educators on a scale that we've never seen before. Perhaps this is the true "silver lining" to the professional development clouds: By using technology to discuss improvements in teaching, change on a wide scale may become possible for the first time. However, the challenge goes beyond what will be learned: It must also include the circumstances and contexts in which professional growth will be supported. When asked in a National Center for Education Statistics (NCES) survey to name the greatest barrier to their use of computers and the Internet in the classroom, most teachers (82 percent) cited lack of "release time" (time outside

classroom) to "learn, practice, or plan ways to use computers or the Internet." The Commission report contrasts how education and the private sector meet these needs. "In the business world, training is tailored, focused, and just-in-time. In the education world, it is more often one-size-fits-all, generic, and just-in-case." The report continues: The overwhelming majority (90 percent) of all corporate and government training occurs on paid time. In public schools, teachers report just over a third (39 percent) of their professional development occurs on paid time. Professionals in other fields expect to be trained regularly. Motorola, long the standard for industry, provides every employee with at least 40 hours of training each year. Equally significant, professionals in other fields are provided with follow-up support needed for that training to take root—including immediate access to the hardware and software on which they are trained, Internet connections, and easy access to support personnel and follow-up skill building. As we work to increase the quantity and quality of professional development offerings in our individual schools and districts, these findings validate our proposals to key decision-makers. Aligning what's offered with what works best is vital in order to increase the benefit technology brings to learning.

**Research and Development** - There are two disconnects that conspire to slow our progress in putting promise into practice. The first is the paucity of research directed at enhancing performance in learning. Of the \$313 billion invested in public K-12 education, a remarkably low .01 percent goes toward determining educational techniques that work. This disconnect is compounded by the distance between researchers and classroom practitioners (the very people reading this article!). Since classroom teachers believe that research is likely to be "abstract" or "ivory-tower," much-needed guidance remains underutilized in our classrooms. The second disconnect is between what we've discovered is important to improve learning and what we actually measure in our classrooms. The report notes, "Perhaps the greatest barrier to innovative teaching is assessment that measures yesterday's learning goals. It is a classic dilemma: Tests do a good job of measuring basic skills, which, in turn, influence the teaching of these skills so students can score well on the tests. Testing works well so long as we are testing the right things." While as individual teachers, library/media specialists, and technology coordinators we may feel that we have limited influence on the decisions that led to high-stakes testing or a host of other societal pressures that shape our professional lives, our insights and anecdotes are critical in guiding the public to develop policies and to support practices that have a possibility of providing the quality of education people increasingly demand. The report argues, "We must establish a pedagogical base for the effective use of Internet learning. We need a vastly expanded, revitalized, and reconfigured educational research, development, and innovation program, one built on a deeper understanding of how people learn and how new tools support and assess learning gains." What will it take to develop tests that truly reflect what students need to learn for the 21st century? It will take a concerted effort and large amounts of R & D funding along with the collaboration of educators and psychometricians, content specialists, and technologists. Above all, it will take a focus on the potential of technology to help us better measure the knowledge, competencies, and understandings we value in education.

**Quality of Content** - Content available for learning on the Web is variable. Some of it is excellent, much is mediocre. Both content developers and educators will have to address gaps in this market, find ways to build fragmented lesson plans into full courses, and assure the quality of learning in this new environment. Dazzling technology has no value unless it supports content that meets the needs of learners. The publishing paradigm of the smokestack era led to the observation that "there is freedom of the press for anyone who has a printing press"; in the Internet age, everyone has the equivalent of a global printing press. The Internet turns "consumption" of electronic media into a breeder reactor scenario for knowledge building. Effective use of these materials results in additional fuel to power learning in the classroom. Education consists of more than filling out multiple-choice standardized tests, or completing sets of worksheets. When educational technology is used to its full potential, the result is the building of new knowledge. This knowledge has value that may be an appropriate focus for copyright law. The uses of protected material in ways intended to produce new works that increase the range of high-quality materials for learning ought to be themselves protected as an extension of fair use that reflects the realities of teaching and learning in a digital age. As library/media specialists and classroom teachers, we are in a unique position to communicate our needs, our reactions to what is being offered to us by the private sector, and contribute to the knowledge-building activities that will result in high-quality content to fuel the education enterprise.

**Regulations and E-Learning** - The regulations that govern much of education today were written for an earlier model in which the teacher is the center of all instruction and all learners are expected to advance at the same rate, despite varying needs or abilities. Granting of credits, degrees, availability of funding, staffing, and educational services are governed by the time-fixed and place-based models of yesteryear. The Internet allows for a learner-centered environment, but our legal and regulatory framework has not adjusted to these changes.

**Privacy and Protection** - The Internet carries with it danger as well as promise. Advertising can interfere with the learning process and take advantage of a captive audience of students. Privacy can be endangered when data is collected from users of online materials. Students, especially young children, need protections from harmful or inappropriate intrusions in their learning environments. Any program of protecting students online must be part of a systemic approach that includes assessment, standards, and engaging curriculum designed to develop lifelong learners. The media literacy, information literacy, and critical-thinking skills that will produce productive workers for the 21st century are the same skills that will make students safe, productive citizens. These skills are developed through a sequential K-12 program that spans the curriculum. It includes assessment of students and staff to determine where they are on the technology skills spectrum and the educational change path. It includes professional development that will lead teachers to move from information provider to learning facilitator, and students from vessels for teachers to fill with information to partners in an educational process in which they construct their own knowledge and learn alongside their teachers. [Editor's Note: See the September 2000 *MMS* feature on "WiredKids" for a more detailed discussion.]

**Funding** - Technology is expensive, and Web-based learning is no exception. Technology expenditures do not end with the wiring of a school or campus, the purchase of computers, or the establishment of a local area network. These costs represent just the beginning.

**Conclusion: We Are All Needed to Meet This Call** - The people who can make this happen live in your community. You and your neighbors sent them to represent you in Congress, in your statehouse, and on your school board. Yet only when they have the benefit of what you see every day in your school, only when they see how the recommendations from this national report can t [Information Today](#) translate to action at the

local level, will we begin to see widespread transformation from promise to practice. Please share this information, augmented by your passion, ideas, and experiences, as widely as you can!

*From [Information Today](#), by Kathleen Fulton Project Director, Web-Based Education Commission, Washington, DC, 1 March 2001*

## **INTERNET LEADERS FORM WEB QUALITY OF EXPERIENCE WORKGROUP**

Hewlett-Packard Company, Cisco Systems and a group Internet companies, including BroadVision, Ecometry, Keynote Systems, USinternetworking and WebCriteria, have announced the formation of the Web Quality of Experience (QoE) Workgroup. With its network of technology, e-business and consumer partners, the Web QoE Workgroup will define a joint set of optimized, intelligent infrastructure solutions that set the standard for superior online customer experience. As defined by the Workgroup, Web QoE is the evolution of quality of service (QoS) to include online and offline aspects of Web transactions -- in summary, the total customer experience. The result is a more effective use of the Internet to integrate online tools, such as personalized content, differentiated service and security, offline customer service, manufacturing, shipping, delivery and returns. Web QoE solutions will enable e-businesses to deliver fast, highly personalized and secure services over the Internet thereby increasing sales, lowering operating costs and optimizing the online experience. The Web QoE Workgroup plans to design, test, validate and document solutions and best practices at its Center of Excellence, which is managed by HP Consulting. Opening in May 2001, the Center will also host technical workshops for potential customers to learn about Web QoE and view actual solution architectures available for immediate deployment. Solution architectures and configuration guides, based on work done at the Center of Excellence, will be made available through an Industry Knowledge Center available on the workgroup's Web site, [www.webqoe.org](http://www.webqoe.org). The Web site will also house a Web QoE index, which measures the attributes and usability of leading Web sites.

*From [HP Professional](#), 22 March 2001*

## **BILL GATES TO ANNOUNCE TECHNOLOGY SOLUTIONS THAT WILL REVOLUTIONIZE THE WAY GOVERNMENTS CONDUCT BUSINESS**

During the opening keynote address at the fourth annual Government Leaders Conference, Microsoft Corp. (Nasdaq: [MSFT](#)) Chairman and Chief Software Architect Bill Gates will outline Microsoft's commitment to empowering governments and their citizenry through innovative technology solutions. More than 400 government representatives from over 80 countries are attending the conference to learn more about e-government technology solutions and hear real-world examples of how these solutions are changing the way government agencies interact with citizens, businesses and other governments. In his keynote address, Gates will describe two such solutions: the United Kingdom's Government Gateway project, an initiative designed to have 100 percent of government transactions online by 2005; and Accenture's eGovernment Accelerator, a solution designed to help governments deliver seamless services across agencies via the Internet. (Photo: <http://www.newscom.com/cgi-bin/prnh/20000822/MSFTLOGO>.) "Nothing will have a greater impact on the way governments interact with citizens and each other than their effective use of technology," Gates said. "Innovative solutions such as the U.K. Government Gateway project and Accenture's eGovernment Accelerator, both based on the Microsoft(R) .NET Enterprise Server platform, will enable governments to improve efficiency, cut costs and be more responsive to citizens' needs." During his keynote address, Gates will publicly announce one of the most significant e-government solutions ever implemented: the United Kingdom's Government Gateway project. The project, developed as part of the U.K. government's online initiative, is a solution based exclusively on the Microsoft platform. The Government Gateway is the U.K. government's central authentication portal for all interactions among businesses, citizens and the government. Various Microsoft technologies were utilized in this solution, including the Windows(R) 2000 operating system, Microsoft SQL Server(TM) 2000 and BizTalk(TM). The gateway solution leverages the government's legacy IT systems and provides full integration to a broad array of disparate applications and platforms while creating the scalability to meet the growing demand of its users. The first phase of the Government Gateway project is focused on businesses. Businesses will be able to complete and submit online forms to Web sites provided by the Inland Revenue, Customs and Excise, and the Ministry of Agriculture, Fisheries and Food departments. In the future, any business using Government Gateway-enabled accounting and business software will be able to exchange information directly and securely with the government over the Internet. Microsoft and its industry partners are a superior source for the expertise and strategic enterprise solutions that empower government leaders, agencies and other branches of government to improve public-sector organizations' business operations. At today's conference, Gates will also showcase the Accenture eGovernment Accelerator, a solution developed in alliance with Microsoft and Avanade Inc. This off-the-shelf e-government platform was developed to provide governmental departments with the tools and services they need to start small, scale quickly and deliver on the vision and benefits of interconnected government-service delivery. The Accenture eGovernment Accelerator utilizes a range of robust .NET Enterprise Server platform technologies such as Microsoft BizTalk Server 2000 and SQL Server 2000. Microsoft and its industry partners have created solutions to meet the technology demands for the public sector. Recent examples include the following: -- Taking advantage of Microsoft technology, the Swiss Federal Statistics Office was able to analyze census information a year faster than was previously possible. For the first time ever, the Swiss population filled out questionnaires online by accessing E-census. With the agility and scalability offered by Microsoft SQL Server 2000 and the enterprise-level stability of Microsoft Windows 2000 Advanced Server, it was possible to create a secure, reliable site capable of handling 23,000 concurrent visitors without any drop in performance. -- North Carolina Department of Commerce (NCDC) developed a Web site, <http://www.ncsiterearch.com/>, using Microsoft SQL Server to enable 24x7 access to standardized, up-to-date information about sites and buildings in the state as well other information in NCDC and other state agencies. Industrial search consultants and other commercial developers can now use the Internet to obtain data from NCDC state economic development

programs. -- Previously, the Oklahoma court system was suffering under the burden of inefficient mainframe- and paper-based systems. Now the state Supreme Court's MIS department is deploying a powerful, easy-to-manage network based on the Microsoft Windows 2000 platform to log and track cases. This integrated, highly scalable system is allowing the state's justice system to operate much more efficiently. Already the MIS department has experienced a dramatic reduction in support hours, and has been able to cut trips to court offices by approximately 70 percent. This year's Government Leaders Conference includes keynote addresses from Roderick R. Paige, U.S. Secretary of Education; and Frank McKenna, former premier of New Brunswick, Canada. Featured Microsoft executives include Gates, CEO Steve Ballmer and Deputy General Counsel Brad Smith. Founded in 1975, Microsoft is the worldwide leader in software, services and Internet technologies for personal and business computing. The company offers a wide range of products and services designed to empower people through great software -- any time, any place and on any device. Note: Microsoft, Windows and BizTalk are either registered trademarks or trademarks of Microsoft Corp. in the United States and/or other countries. The names of actual companies and products mentioned herein may be the trademarks of their respective owners.

From [PR Newswire](#), 27 March 2001

## **ANALYSTS, PORTFOLIO MANAGERS SAY VOLUME, QUALITY OF INFORMATION HAVE FALLEN UNDER REGULATION FD, AIMR MEMBER SURVEY SHOWS**

Charlottesville, VA - In a survey released today by the Association for Investment Management and Research, 57% of analysts and portfolio managers say the volume of substantive information released by the public companies they research has decreased since the U.S. Securities and Exchange Commission's Regulation FD ("fair disclosure") took effect in October. In contrast, only 14% say the volume of substantive information has increased. Not just quantity of information but quality has decreased as well, according to 56% of respondents (versus 15% who say quality has increased). Many of the investment professionals responding to the survey, which AIMR sent electronically to more than 6,000 of its U.S. members in February, expressed concern that companies can use the new rule as an excuse to provide less information to investors: 81% agreed with the statement, "Now that Regulation FD has gone into effect, companies that want to minimize communication with investors can do so more effectively." On the other hand, only 27% agreed with the opposite statement, "Companies that want to maximize communication with investors can do so more effectively now." Furthermore, 71% of respondents believe Regulation FD has contributed to market volatility - a lot (25%), some (34%) or a little (12%). Many respondents commented that this increased volatility is due to a lessening of earnings guidance and consequently more earnings surprises. AIMR Senior Vice President Patricia D. Walters, CFA, who directs professional standards and advocacy for the global association of investment professionals, said, "Clearly, many of our members feel that too many companies are taking an excessively conservative stance and misinterpreting the new regulation to mean that they should have no one-to-one or small-group communication with anyone at all. We don't believe that that is either the intent or the wording of the regulation. Regulation FD only prohibits selective disclosure or private communication of material, non-public information." Walters emphasized, as well, that the survey results show "there is a real need for a better, more operational definition of materiality, and for companies and investors alike to have a clearer understanding of that definition." In fact, a significant majority - 84% - of survey respondents agree with the statement, "Now that Reg. FD has taken effect, corporate managements need a clearer understanding of what constitutes 'materiality,'" while more than two-thirds (69%) say the same was true of investment professionals themselves. Three-quarters (77%) agree with the statement, "Now that Reg. FD has taken effect, regulators and the investment industry need to develop a more precise legal definition of materiality." The survey revealed several additional key issues and trends: - Sell-side analysts (brokerage firm and investment bank employees who provide earnings estimates and research recommendations to investment managers and investors) generally tended to report more negative experiences with, and feelings about, the effects of Regulation FD than did their counterparts on the buy side (analysts and portfolio managers who work for investment funds, banks and insurance companies and make investment recommendations or decisions for their clients). For example, sell-side respondents were more likely to say that the volume of substantive information had decreased (69% compared to 53% on the buy side) and that overall quality of information had decreased (65% compared to 53%). - Respondents report substantially more decline in the quality of oral communication (conference calls, in-person meetings, etc.) with the public companies they research than in the quality of written communication (press releases, fact books, public disclosure documents, etc.). Regarding oral communication, almost two-thirds (62%) say candor has deteriorated (compared to just 5% saying it has improved) and more than half (52%) say clarity has deteriorated (versus 9% saying it has improved). However, respondents were more evenly split on their opinions of the quality of written communication. Almost a third (31%) say the frequency of written information from companies has improved (versus 22% who say it has deteriorated), and 27% say timeliness has improved (versus 18% who say it has deteriorated). - On balance, it appears that investment professionals collectively are doing more of their own fundamental analysis than before: 28% say they are doing more fundamental analysis since Regulation FD, versus only 4% who report doing less. This includes, for example, more review of public documents and filings (31% doing more versus 2% doing less), evaluations of companies' competitors (28% doing more versus 2% doing less), and discussions with their customers (22% doing more versus 5% doing less) and vendors (19% doing more versus 4% doing less). - Similarly 25% report doing more quantitative analysis (computer-based analysis of publicly available data on a corporation), compared to 3% who say they are doing less. "Fundamental analysis is an indispensable part of investment decision-making," Walters explained, "and has been a cornerstone of our Chartered Financial Analyst(R) curriculum and examination program since its inception. AIMR works hard to improve the quality and quantity of corporate financial reporting information available in annual reports and other public disclosure documents, so that more and better information is available as inputs to that analysis. So we obviously believe an increase in the use of fundamental analysis in forming investment recommendations can only be a good thing for investors. "On the other hand," Walters noted, "good recommendations

require information availability. If the total information flow to the market has decreased, as survey respondents believe, then additional fundamental analysis may not be sufficient to overcome that decrease and the quality of recommendations may also decrease." Indeed, the reported increase in fundamental and quantitative analysis doesn't appear to be substantial enough to compensate for the perceived reduction in volume and quality of information, at least as far as earnings forecasts are concerned: 43% of investment professionals (52% of sell-side respondents and 39% of buy-side respondents) say their confidence in the accuracy of their own corporate earnings forecasts has declined, versus only 4% (1% sell side and 5% buy side) who say their confidence has increased. Many of the survey respondents commented that they felt that reduced information flow was fueling more rumors and speculation about what might "really" be going on behind the scenes at some companies where communication is the most minimal. Companies can "hide behind (Regulation FD) when their fundamentals are deteriorating," one respondent commented. "In the past, company management could send signals indicating trends likely to impact results," another wrote. "Now there are complete surprises, which result in more short term volatility." "Lack of information has resulted in more surprise announcements of revisions," another said. "That increases the risk perception of the entire market, thereby driving down valuations." AIMR, a non-profit professional organization with 49,000 members in 97 countries, sent the survey electronically in early February to more than 6,000 of its U.S. members who are equity analysts, fixed-income analysts, credit analysts and portfolio managers. AIMR received 423 useable responses - a 7% response rate. Of these, 316 (75%) identified themselves as buy-side professionals and 107 (25%) called themselves sell-side professionals. The survey has a margin of error of plus or minus five percentage points, at a 95% confidence level. The survey was timed to the end of the fourth-quarter 2000 earnings-announcement cycle. The 2000 fourth quarter was the first earnings period during which Regulation FD was in effect. Last year, AIMR opposed the rule then being proposed by the U.S. Securities and Exchange Commission that would prohibit companies from disclosing in private or small-group settings any material information not previously disclosed. AIMR argued that, although well intentioned, Regulation FD would inadvertently have the opposite of the intended effect because corporations would curtail the information flow to the market to avoid having to decide "on the spot" whether certain information would be deemed to be material by the SEC after the fact. A copy of the survey data, as well as AIMR comment letters on the original rule proposal, are available at AIMR's Web site, [www.aimr.org](http://www.aimr.org). Headquartered in Charlottesville, Va., with a regional office in Hong Kong, the Association for Investment Management and Research is internationally renowned for its rigorous Chartered Financial Analyst(TM) (CFA(R)) curriculum and examination program, which has more than 86,000 candidates from 143 nations enrolled for the June 2001 exams. In addition, AIMR is internationally recognized for its investment performance standards, which investment firms use to document and report investment results, as well as for its Code of Ethics and Standards of Professional Conduct. More information is available by calling 800-247-8132 or 804-951-5499 or visiting [www.aimr.org](http://www.aimr.org).

*From Canada Newswire, 26 March 2001*

## **ELECTRONICS KEEP DELIVERY SERVICES ON RIGHT TRACK**

Star Trek-style radios and palm-sized computers are still pretty much the norm for smaller trucking companies and delivery services, but the industry is looking to the sky for its next step in fleet communication technology. Global positioning satellites will be the next trend sweeping the delivery industry, as firms watch for state-of-the-art, high-tech ways to stay in touch with their drivers and map routes. And communications companies are expanding beyond voice services and introducing wireless data applications for fleet management over the Internet. In the mid-1990s, many Sacramento-area delivery companies and freight truckers started installing Nextel digital two-way radios into trucks and vans. These phones, which use Nextel's Direct Connect service, had some snarls at first, but have improved with age, many in the trucking industry agree. "They've gotten much better," said Bill Eidson, dispatcher for AC Freight in Sacramento. He said the company has used the units for five or six years. "There used to be some dead spots in Grass Valley, Nevada City or Sonora and Jackson, but now we couldn't live without them." Eidson said his company is considering installing GPS, so the dispatchers can see where drivers are at all times. "That's going to be the next trend," he said. "Some drivers will stop for a two-hour lunch, and when that dot doesn't move, you know it." JC Produce in Sacramento, which has 45 delivery trucks, has been experimenting for about six months with a GPS system called Atroad, said Michael Marks, the company's marketing director. Atroad uses the Internet to give real-time locations of truck drivers. The Nextel Direct Connect is like the radios used by characters in "Star Trek," Marks said. You just push a button on the phone and start talking. The system gives direct access to drivers, and can let other drivers in on the conversation. These phones also have cell phone capability, but many firms choose just the Direct Connect digital radio service, said Susan Rosenberg, public relations manager for Nextel Communications. Michael Wilhelm, warehouse manager of Mesa Beverage Co. in Sacramento, said the company has been using Nextel Direct Connect on and off since the mid-1990s. "At first, it was unreliable and not working like we wanted," he said. "But they've corrected a lot of problems. In the past 14 to 15 months, we haven't experienced operational problems." Dispatchers and warehouse workers at Mesa Beverage, which send out up to 35 trucks a day to cover seven counties, use Direct Connect to send text messages over the Internet. "Every day, we have an out-of-stock list, with items we ran out of during the night," Wilhelm explained. "Rather than leaving a voice mail for 40 to 45 salesmen, we can send them a text message, which goes onto their Nextel screen, so they know immediately. And if something comes in during the day, we can message them." JC Produce also is looking at the Roadnet routing system used by Atlanta-based UPS. The system uses a satellite geocode that plots customers on a longitude and latitude grid and then gives the most logical route, Marks said. Webvan, the home grocery delivery service based in Foster City, uses mobile field devices like Palm Pilots to keep track of deliveries and client accounts and information, said Cheryl Golden, public affairs manager for the company. "When couriers go into the station to pick up their deliveries for the day, all the information is downloaded into the mobile field device before he or she goes out into the field," Golden said. When the delivery person gets to the home with an order of groceries or electronics, the mobile field device shows the customer's name, address, phone number and the items that should be included in the order. The courier also has a small printer attached to a belt loop, which prints out a receipt for the customer,

Golden said. Rosenberg said wireless web services will be the next trend in fleet management and field service. Nextel Online was launched last spring, and Nextel has partnered with about a half-dozen applications servers offering software to manage delivery orders received by phone or Internet browser; track deliveries and accounts receivables; send and receive free form messages; and update pick-up and delivery information for drivers on their Nextel phones.

*From [San Francisco Business Times](#), by Anne Gonzales, 26 March 2001*

## **MICROSOFT SAYS .NET HELPS ENABLE E-GOVERNMENT**

Microsoft's .Net initiative will not only lead the way for commercial e-commerce and Internet services, but also will help enable the government's continued efforts to move to e-government, a company executive said at FOSE 2001 in Washington Tuesday. Craig Mundie, senior vice president of advanced strategies at Microsoft, spoke at the leading government IT conference and highlighted some of the ways in which Microsoft's .Net strategy can empower government workers to interact with constituents, with each other, and with suppliers and trading partners. FOSE is the largest computer show aimed at the government market. In a demonstration of a U.S. Department of Agriculture project known as Project Lighthouse, Mundie showed how users could get USDA information and U.S. Geological Survey data by accessing the TerraServer. TerraServer is a massive online database of satellite images of the Earth. Microsoft teamed up with USGS to create the 10-terabyte database. Mundie showed how .Net-enabled XML services enable users to call down customized end products, including images and reports with maps and other rich data. He said the .Net foundation services will enable the type of environment needed to support the emerging e-government environment. "We'll all have multiple points-of-presence (POPs)," Mundie said. "Each e-citizen will have many e-POPs. The Internet redefines expectations." Indeed, Mundie said the emergence of what he called the "Internet version 3" will mean "exposure to new risks" and "disruption of critical government infrastructure is likely. Y2K was the tip of the iceberg and security will require international public and private cooperation," he said. Meanwhile, policy issues such as education, workforce development, security, encryption and key management must remain atop the minds of leaders, he said.

*From [Computer Reseller News](#), by [Darryl K. Taft](#), 23 March 2001*

## Public Finance

### ASIA/PACIFIC

#### INDIA'S SINHA SEES OPPOSITION TO FY02 BUDGET PROMISES

New Delhi, March 1 (Bloomberg) - India's finance minister said he expects strong opposition to stepped up sales of state assets and other plans outlined in the budget for the fiscal year starting April 1 unveiled yesterday. "A lot of opposition is going to build up," Finance Minister Yashwant Sinha told business executives at a post-budget conference. "We have to meet the challenge of political opposition, of ill-informed criticism." Sinha said he expects opposition to easier rules on corporate layoffs, lower interest rates on small savings and faster asset sales. The measures are expected to encourage investment and spur India's flagging growth, which fell to 6 percent in the current fiscal year from 6.4 percent a year earlier. Opposition to the budget could jeopardize the government's goal of 6.5 percent growth in the coming fiscal year, economists said. "What Sinha's budget does is to put the government's position on the table," said Saumitra Chaudhuri, economic adviser with rating agency ICRA Ltd. "It's not going to be smooth sailing by any standards, but the move will force opposition parties to declare their stance on difficult reforms." Although the coalition government commands a majority in the lower house, it has a minority in the upper house. The budget must be approved by both houses. The lower house today will vote on a controversial agreement to sell a 51 percent stake in Bharat Aluminium Co., India's No. 3 aluminum producer, to cable maker Sterlite Industries Ltd. Opponents have charged the 5.5 billion-rupee (\$118 million) price tag is too low. The government had planned to raise 100 billion rupees by selling stakes in 43 companies in the current fiscal year, but so far it has agreed to sell just one, Bharat Aluminium, known as Balco. In the coming fiscal year, Sinha wants to raise 120 billion rupees in asset sales.

*From [Bloomberg.com](http://Bloomberg.com), by Anindya Mukherjee and Arijit Ghosh, 1 March 2001*

#### MALAYSIA'S FINANCING NEEDS TO INCREASE SHARPLY: MASTERPLAN

Kuala Lumpur - The financing needs for the economy over the next 10 years are expected to increase sharply and become increasingly complex and diversified, said the Financial Sector Masterplan [FSMP] which was launched here Thursday. Projecting public and private sector investments to grow by 5.4 percent and 17.5 percent annually during this decade, the FSMP said that the combined public and private investments are expected to amount to RM2,231 billion [US\$587 billion] in the period from 2001 to 2010 against RM790.9 billion in 1991-2000. The economic structure is expected to be increasingly diversified, with greater emphasis on small and medium-sized businesses in the technology and services sector, and continued growth of skilled knowledge workers. The FSMP, which charts the future direction of the financial system over the next 10 years, said that while banking institutions would continue to be the backbone of the system, insurance, other specialised institutions and the capital market would increase in importance. "New growth areas, the increased importance of SMLs [small and medium industries] and the need to be innovative in product offering as the more sophisticated and technologically literate population will demand a wider range of specialised product and services," it said. More domestic corporates would be expanding regionally and globally, and would need investment in technology to raise productivity as labour costs increase. As such, corporates would require access to long-term fixed rate financing and more sophisticated risk management advisory services and products from domestic banking institutions, insurance companies and offshore financial institutions. The FSMP said that the future landscape of domestic competition would see market forces rather than regulations playing greater role. "In order to do this, Bank Negara Malaysia [BNM] will focus on greater supervision of market integrity with minimal regulation imposed on business decisions," it stressed. While policy would continue to focus on ensuring financing to priority sectors like SMLs, there would be a move from imposing lending targets on banking institutions to a new framework that would increase the effectiveness and efficiency in providing access to these sectors. Such framework would involve the Credit Guarantee Corporation and securitisation agencies. On the FSMP vision, the masterplan said it is for the development of a well-diversified financial sector that is defined on several main characteristics. These are efficiency, effectiveness, stability, robust financial institutions, prudential regulations and a strong infrastructure. The masterplan also said that the future landscape of Malaysia's financial sector in 10 years time could see fewer large, broad based banks with the successful ones being those who continued to leverage on technology. For the insurance sector, consolidation would be inevitable while for the Islamic banking and takaful industry, it would be more significant, larger and sizeable with new players joining the industry and market operational framework becoming more global. Capital market and technology would disintermediate banks, brokers and traditional exchanges, and Labuan International Offshore Financial Centre [IOFC] would thrive on Islamic finance and insurance activities and business generated from the Labuan International Financial Exchange.

*From [Asia Pulse via Yahoo](http://Asia Pulse via Yahoo), 1 March 2001*

#### JAPAN MOF MUTOH: UNAWARE OF Y10 TRILLION TAX CUT PROPOSAL

The top bureaucrat at the Japanese finance ministry said Thursday that he was unaware of a proposal to cut the nation's taxes by Y10 trillion over five years. "Is this report talking about Japan?" Toshiro Mutoh, vice-finance minister for administrative affairs, said

at a regular press conference when asked about a report on the proposal. "No, I haven't heard of such a tax cut." A foreign wire service reported earlier Thursday that the administrative reform committee of the Liberal Democratic Party is considering a proposal to cut income taxes for middle-aged workers to stimulate consumer spending while also trimming the inheritance tax to encourage the transfer of assets to younger consumers with higher spending habits. The tax cut would amount to ¥10 trillion over five years and would be covered by cutting ¥2 trillion annually from the government's budget for special purpose companies, the report said. Separately, Mutoh said discussions on tax reforms to be included in the ruling coalition parties' emergency economic package will take some time, indicating he doubts any concrete proposals on taxes will emerge in time for an April 6 deadline. "It will take some time to discuss such matters. The party (LDP) also has a place where such matters are discussed," Mutoh said. MOF, the Financial Services Agency, and other economic ministries, as well as the Bank of Japan, are scheduled to present a concrete plan of action for emergency economic measures by April 6, a senior LDP official said Wednesday. The emergency measures are expected to cover a stock-buying fund and other proposals.

*From [Dow Jones via Yahoo](#), 22 March 2001*

## **COSTELLO SHELVES KEY TAX REFORM IN AUSTRALIA**

The Federal Government will delay key planks of its business tax-reform program, failing to meet its ambitious timetable for change and scuttling efforts to bed down major reforms before this year's election. The Treasurer, Mr. Peter Costello, said yesterday he would postpone changes planned to come into effect from July, including crucial consolidation measures designed to allow corporate groups to lodge a single tax return. Other reforms to be delayed by up to two years include tax relief for Australian businesses earning foreign income, and simplified tax imputation arrangements for company dividends. Mr. Costello's about-face comes after months of criticism by the business community over lack of consultation and detail on the changes, and complaints that the Australian Tax Office did not have the resources to implement the changes. It also comes after the Government scrapped its plans to tax trusts as companies and bowed to pressure to simplify the business activity statement. Mr. Costello said the decision to delay the measures had been made after consultation with the Board of Taxation set up following the Ralph review. Mr. Costello said the delays would allow "greater time for adjustment". Some tax practitioners welcomed the move, saying it would give the industry more certainty, but others criticised the delay in the consolidation measures, saying there was a danger the business tax-reform process would stall. A partner with Ernst & Young, Mr. Tony Cooper, said the Government had delayed the changes in response to small-business opposition in an election year. "Treasury and the ATO won't oppose it because they were under-resourced to do what they were asked to do, so they aren't ready either," Mr. Cooper said. The changes Mr. Costello has put on the back burner include: Consolidation legislation to allow corporate groups to lodge a single tax return and be treated for taxation purposes as a single entity. Foreign income measures meant to provide tax relief to Australian entities earning foreign-source income and paying dividends to non-resident investors. Non-resident withholding tax rules designed to collect tax on the Australian income and capital gains of non-residents. Reforms to imputation measures that would have seen companies subjected to a 20 per cent "benchmark" franking rate for corporate dividends. Major corporations will be concerned over the delay to the tax consolidation proposal, because it had the potential to deliver significant savings in tax administration costs incurred by corporate groups. But despite the potential benefits, small to medium businesses had been worried they would not be able to implement the consolidation changes by the planned start-up date of July 1 this year. Mr. Costello said some parts of tax reform - a simplified tax system for small business, unified capital allowances, changes to thin capitalisation and a new test of debt and equity - would still be introduced by July 1 this year. Some tax experts said the reform measures still going ahead this year were revenue raisers and anti-avoidance measures. The delays are seen as a win for the Board of Taxation, which had been criticised as a "toothless tiger" after being denied statutory status and relegated to looking after the so-called Option 2 proposal to calculate company tax on a cash-flow basis. CPA Australia's Mr. Paul Drum said many advisers would feel relief that the pace of reform had been slowed. "It provides the certainty that had been lacking, and that business had been seeking" he said. "It gives them time to prepare, but it also provides the opportunity for further consultation." The Tax Institute's president, Ms Alice McCleary, said the TIA was disappointed that the consolidations proposals had been delayed. "The hope is that in the extra year they act and use the time wisely so that the legislation is completed," she said. "It would be a disaster if we wait another year and still end up with what we have now." In other developments yesterday, a Senate committee report found that Australia's international tax regime was the largest constraint on further foreign investment and the country's development as a global financial centre. The report called for an urgent government review of international tax arrangements for companies and expatriate employees that impede the inflow of foreign funds.

*From [Financial Review](#), by [Allesandra Fabro](#), 22 March 2001*

## **THAILAND MAY SACK STOCK REGULATOR, EXCHANGE CHIEF, PAPER SAYS**

Thai Finance Minister Somkid Jatusritipak may sack the chairman and president of the country's stock exchange and the secretary general of the Securities & Exchange Commission in moves aimed at reviving the stock market, the Business Day reported without citing anyone. Somkid may soon transfer top securities regulator Prasarn Trairatvorakul to the Bank of Thailand and replace Stock Exchange of Thailand President Vicharat Vichit-Vadakan with Surat Palaliki, vice president of the exchange for past 10 years, the newspaper said. The finance minister is displeased with Vicharat for failing to prevent an exodus of companies from the exchange, despite awarding an 86 million baht (\$1.9 million) contract to Boston Consulting Group to advise on a restructuring and millions more on advertising, the paper said. Somkid aims to list some of Thailand's largest state-owned companies on the stock exchange as part of a plan to attract global investors back to the country. He also plans to offer tax breaks to smaller Thai companies that sell shares to the public.

*From [Bloomberg.com](#), by [Rajat Bhattacharya](#), 26 March 2001*

## ANTICIPATED TAX PLANS DELAYED AGAIN

Long-awaited business taxation reform has been further delayed following the Government's decision last month to abandon plans to tax trusts like companies. Key elements of the Government's package of reforms to company taxes, unveiled almost two years ago and which Peter Costello had promised would take effect from July 1 this year, will now be delayed for a further 12 months. The new timetable, announced by the Treasurer yesterday, has been driven by the Howard Government's decision to shelve its plans to treat family trusts on the same basis as companies for tax purposes. Those plans had met a wall of opposition from National Party and Liberal backbenchers from both city and country electorates. Their opposition was based on their fears that a crackdown on family trusts would do irreparable political damage to two of the Coalition's core constituencies – farmers and small businesses. Among the reforms originally intended to start from July 1 this year but now deferred until July 1 2002 are: Company consolidation which will allow groups of companies with a common owner to be taxed as a single entity. General value-shifting rules that will prevent companies shifting capital gains and losses between assets to reduce their tax. Simplified imputation arrangements that will streamline the existing imputation system. Foreign income accounts that would allow foreign investors to avoid withholding tax on foreign income earned by Australian companies. Non-resident withholding tax that would prevent foreign investors repatriating profits before they have paid a bond for their potential tax liability. Accounting groups supported the delay. "The 12 months deferral of the introduction of a number of measures is a sensible outcome in the circumstances," said Stephen Harrison, chief executive of the Institute of Chartered Accountants.

*From [The Australian](#), by Ian Henderson and Duncan Macfarlane, 24 March 2001*

## EUROPE/IGIS

### COUNCIL TAXES IN ENGLAND

In England, the average council tax in 2001/02 for a Band D dwelling (occupied by two adults) will be £901, a 6.4 per cent rise from the 2000/01 level. The average Band D council tax outside London will be £913, a 6.1 per cent rise from the 2000/01 level, and the average in London will be £841, a rise of 8.1 per cent. Average Band D council taxes will be £897 in Shire areas and £966 in Metropolitan areas. These figures do not take account of any council tax reductions due to discounts or benefits. The average council tax payable per dwelling will be £740 in 2001/02, an increase of 6.2 per cent from the 2000/01 level. The average council tax payable per dwelling will be £764 in London, £755 in Shire areas, and £683 in Metropolitan areas. The average council tax payable per dwelling is lower than the average Band D council tax because most dwellings are in Bands A to C, and discounts are applied for single persons and second homes.

*From [DETR](#), 22 March 2001*

### FITCH COMMENTS ON ITALIAN PUBLIC FINANCES

Fitch-London-26 March 2001: Fitch, the international rating agency, is to publish a comment outlining its views on the current state of Italy's public finances, and the likely policy stance of the next government. The report, "Quo Vadis Signor Berlusconi" will note that the consolidation of Italian public finances, hampered by a very large debt stock, but aided by strong economic growth, should be one of the strongest among euro-area countries. In fact the pace of fiscal consolidation has slowed in the past 12 months and the general government deficit for 2000 at 1.5% of GDP, is well above the regional average of 0.8% of GDP. Although economic growth in 2000 turned out to be 0.7% of GDP faster than expected at the start of the year, the fiscal imbalance showed little improvement compared with the authorities' initial targets. A calculation of the Italian structural budget position shows a deficit of 0.9% of GDP in 2000, a slight improvement on 1999 levels, but still quite sizeable and well above what a country with such high levels of public debt should be aiming for. The outlook for public finances in 2001 is also mixed. The authorities are aiming for a budget deficit of 0.8% of GDP, but weaker than expected economic growth points to a deficit as high as 1.2% of GDP. Concerns over the fiscal situation have been compounded by the strong likelihood of an electoral victory by Silvio Berlusconi in May. He is outlining some fairly drastic tax cuts over the next three years, while stressing the importance of bolstering government spending on infrastructure projects, and has aired his misgivings over 'strict fiscal co-ordination' among euro-area countries. This sort of expansionary policy is in sharp contrast to what is needed to achieve the targets of Italy's new Stability and Growth Pact (SGP). Without expenditure reductions, the scale of the proposed tax cuts would make an already questionable fiscal position a lot worse. Fortunately, the new government's room for manoeuvre on tax cuts will probably be quite limited, partly by pressure from the European Commission as well as the cautious stance of Berlusconi's probable finance minister, Giulio Tremonti, who has stressed his commitment to the SGP targets. While there is some scope to reduce expenditure, it would be very difficult indeed to find the sort of spending adjustments necessary to ensure fiscal sustainability under a tax-cutting scenario. Even without further tax cuts, the current trajectory of Italian public finances means that the next government will probably be obliged to cut spending to achieve the 0.8% of GDP budget deficit target for 2001. Failure to meet the SGP targets would preclude a swift reduction of public debt and necessitate much sharper fiscal adjustments in the future. Ultimately, failure to meet the SGP would seriously compromise Italy's ability to absorb the future funding pressures associated with the state pension system.

*From [Fitch IBCA](#), 26 March 2001*

## THE AMERICAS

### U.S. HOUSE OKS CAMPAIGN FINANCE BILL

The House has unanimously approved a watered-down version of a campaign finance reform bill that Gov. Jim Hodges vetoed last year. Wednesday's 107-0 vote capped a nearly five-hour, heated debate over a stack of 29 amendments. Most of the amendments were from Columbia Democrat James Smith, who wanted S.C. laws to mirror the federal campaign finance reform proposal by U.S. Sens. John McCain, R-Ariz., and Russ Feingold, D-Wis. The measure requires a routine third reading before it goes to the Senate. The bill, co-sponsored by House Speaker David Wilkins, would require disclosure of more campaign finance information from political parties and interest groups. Individuals who spend more than \$500 to influence the outcome of a candidate's election or spend more than \$2,500 to influence the outcome of a ballot measure would have to report to the state. A similar bill last year included reporting requirements for issue advocacy groups, but Hodges said in November that including those groups in the bill violated their right to free speech. One of the six amendments approved Wednesday, scaled back that language saying those "expressly advocating the election or defeat of a clearly identified candidate" would be required to report campaign finances. Hodges said he would wait for the report in April from a five-member panel he appointed to study campaign finance reform before he talked about his views on the issue again. But he questioned why House Republican leaders were in a hurry to pass their bill. "I find it curious that they don't want to wait to hear from the independent study group," Hodges said. The bill includes the requirement that political parties report so-called soft money contributions that often are made to get around limits on direct contributions to candidates. Smith wanted soft money banned altogether. That is the main element of the proposal in the McCain-Feingold package.

From [The State](#), 1 March 2001

### RHODE ISLAND FINANCE COMMITTEE DIGS INTO TAX SYSTEM

Providence - To pit the phase-out of the state capital gains tax against the phase-out of the automobile excise tax is a "false choice," a top economic development official told the House Finance Committee Wednesday. "It is not a choice between people who own stock and people who own cars," Kip Bergstrom, executive director of the Rhode Island Economic Policy Council, testified during a hearing on the state's income tax structure. Bergstrom noted that the auto tax phase-out is simply a shifting of the burden from the local property tax to the state. "You don't need to stop the auto-phase out to pay for a capital gains tax cut," he said. "The linkage of the two is false." Gov. Lincoln Almond proposed stopping the excise tax reduction and eliminating the capital gains tax in his 2002 budget, but he avoided linking the two actions. Top legislators, especially in the House of Representatives and specifically House Finance Chairman Antonio J. Pires of Pawtucket, have made it clear that the auto tax phase-out will continue, even if it is at the expense of a capital gains cut. The finance committee is studying an overhaul of the way the state collects tax revenue. But the finance panel also heard the other side of the story Wednesday night. "Rhode Island can't afford a tax cut to benefit our wealthiest citizens when we have children living in poverty," said Laurie Duffy, social service coordinator for the South County Community Action Program. Particularly with economic growth slowing, Duffy said, "people may not be as eager to spend" and money they receive from a capital gains tax cut would likely go into a savings account or toward retirement. "The investment (predictions) may not be realized," she said. Nancy Gewirtz, director of The Poverty Institute at the R.I. College School of Social Work, agreed. "Rhode Island's personal income tax is the only aspect of the state and local tax system that is progressive," Gewirtz told the panel. "A single-minded focus on tax cuts as an effective means to stimulate economic growth is simply the wrong approach. Based on the best available evidence, the proposal to eliminate personal capital gains taxes will only be a 'giveaway' to the very highest income groups in Rhode Island that will serve to exacerbate the state's significant structural budget deficit, yet do little if anything to stimulate in-state job creation." "It's a matter of priorities," declared social worker and recent congressional candidate Kate Coyne-McCoy. She said it would be inappropriate to "give money to people whose pocketbooks are full at the expense of ensuring that a child gets another math class." She said it would make economic development sense to put additional funds toward education. Kathryn Hopkins of Ocean State Action asserted that "there is little or no evidence that cutting the capital gains tax will lead to job creation." Not so, said Bergstrom. Elimination of the capital gains tax rate, he said, "would stimulate job growth and benefit all Rhode Islanders across all income levels. He said it would prevent Rhode Islanders from having to commute to Massachusetts, or move elsewhere, to find high-paying jobs. If there is no reform in the state's tax system, Bergstrom said, "we will be putting our economy on the train to Boston, and it may be a one-way trip." "What we want to do is be competitive," said A.T. Lubrano, president of Technical Materials, Inc., in Lincoln, and chairman of the Rhode Island Manufacturers Association. "If we are competitive with Massachusetts and Connecticut, we will win because Rhode Island is a better place anyway." Bergstrom agreed that Rhode Island has an edge in such measures as robust universities and research centers, high quality of life and low cost of living. The one "square peg in the round hole" is our uncompetitive tax structure, he said. The committee took no action Wednesday, the hearing being one of a series planned on the overall tax structure. Pires said during the discussion that the General Assembly, "has been very aggressive in reducing the overall tax structure, with broad, across-the-board reductions. "We need to make sure that any modifications we make will drive new investment," Pires said. "We are looking for the nexus between long term capital gains and real investment."

From [Pawtucket Times](#), 1 March 2001

## Private Sector Development

### ASIAPACIFIC

#### PRIVATIZATION OF INDIAN PORTS SEEN POSITIVE

Overall, capacity in Indian major ports is expected to go up to 314mn tons this year and further to 376mn tons by the end of 2001-2002, along with substantial capacity addition in minor ports. Ennore port has already been corporatized and Jawahar Lal Nehru Port in New Mumbai is would be the next port to be corporatized in succession. Based on the experience, some major ports would be corporatized enabling to raise resources from the market. Tariff Authority for Major Ports has been formed to rationalize tariffs on a continuing transparent and fair manner to spur investments in the sector. The process of privatization of ports has been initiated with the corporatization of Ennore port. Some of the major ports are also leasing out the berths to private operators. Development of small captive port has also picked up in the recent past. Government investment in the sector is not expected to come up. With the clear mention on corporatization, government has showed its seriousness to privatize the sector. This will help to lift the sentiment and probably increase investment in the sector. We will wait to see further development in the sector

*From India Infoline, 28 February 2001*

#### THAI TELECOM AGENCIES PRIVATIZATION STILL ON TRACK

Privatization of Thailand's state telecom agencies is on track with the initial stage set to be completed this year despite some delays due to the change of government, Transports and Communications Minister Wan Muhammad Nor Matha said Thursday. The plan, approved by the previous government, aims to transform the Communications Authority of Thailand, or CAT, and the Telephone Organization of Thailand, or TOT, into corporate entities. The plan also aims to privatize these companies through partial public offerings. "The plan should be implemented with no more than 3 to 4 months of delay from the originally scheduled May or June period," Wan Nor told reporters. However, he said the timing of the launch of initial public offerings and listings on the Stock Exchange of Thailand was still uncertain as that would depend on the market situation. "We must wait until the market situation is positive for the offerings to take place," he said. Details of the plan's implementation - still in the works under the new administration - include the valuation of assets and shares and a review of the advantages that the staff will be offered under the new status, he said. The new government's modified privatization policy should not lead to too many changes in the planned structure of the TOT and CAT after the corporatization, he said. The original plan sees the creation of a holding company overseeing three companies. They will be the two businesses resulting from the split of CAT into two different companies, one involved in telecommunications and the other offering postal services and TOT. This plan will be implemented parallel to the new government's policy of setting up one large holdings group which will control government stakes in all state enterprises that are undergoing privatization, he said.

*From Dow Jones via Yahoo, 22 March 2001*

#### INNOVATIVE FINANCING SCHEMES SOUGHT FOR PHILIPPINES ENTREPRENEURIAL FIRMS

The Department of Trade and Industry is asking the country's financial wizards to come up with innovative ideas that would help small- and medium-scale enterprises (SMEs) gain more access to affordable financing. Trade Secretary Manuel Roxas II said he met with officials and members of the Financial Executives Institute of the Philippines (Finex) to explore new channels to finance the operating and expansion requirements of SMEs. Roxas noted that while there was roughly P100 billion worth of funds allocated by private banks, government financial institutions and pension funds for SME lending, these were practically useless because enterprises have been having difficulty getting approval for their loans because of tight collateral requirements. Roxas cited the billions of funds earmarked by banks to meet agri-agra requirements, the P5-billion IOUs raised by the National Development Co., the P10-billion SME fund from the Social Security System and Government Service Insurance System, and the P2 billion from Small Business Guaranty Fund Corp. Roxas said he expected Finex to come up with its proposals within a month's time. SMEs have been griping about the dearth in financing for the past four years after banks were forced to tighten their lending requirements to protect the system from further loan defaults and bankruptcy arising from the fallout from the Asian financial crisis. SMEs complained that they unduly bore the brunt of the Bangko Sentral ng Pilipinas' decision to impose more prudent lending policies such as stricter collateral requirements and the rise in interest rates. With lending drying up, a number of SMEs were forced to close shop due to liquidity problems. Aside from lending to SMEs, Roxas said the trade department and Finex were also looking for ways to provide low-cost funding to exporters, such as using the balance of the NDC IOUs, which would mature in two and a half years. However, Roxas said that conduit banks should bear part of the risks of lending to exporters whom he described as good borrowers with good earnings stream.

*From INQ7.net, by Gil C. Cabacungan Jr., 23 March 2001*

## CE TELLS PAKISTAN PRIVATIZATION COMMISSION TO EXPEDITE PRIVATIZATION PROCESS

The Chief Executive, Gen Pervez Musharraf has directed the Privatization Commission to accelerate privatization process with regard to public sector industries. The proceeds will help mobilize foreign exchange resources along with assisting in debt retirement and building up foreign exchange reserve in next four years. Informed sources said on Thursday that the CE has agreed with the members of the Debt Reduction and Management Committee (DRMC) that accelerated privatization was critical at this stage for relaying strong signals to private sector, both domestic and foreign that the government wanted to shed direct public sector industries, and was genuinely committed to private sector development in Pakistan. The DRMC maintained that privatization will also help in improving efficiency, reducing losses in the public sector and in mobilizing foreign exchange. Foreign private investment should particularly be encouraged in areas of technology transfer and export development. The members of the DRMC are of the view that foreign companies buying Pakistani industries and commercial assets will expand their capacity and undertake new investment. They also believe that while foreign investments flow for acquisition of existing or new assets will stimulate investment and growth, they will also entail profit transfers which will have a negative impact on the balance of payment. If foreign investment was guaranteed a high rate of returns as with IPPs, the balance of payment impact could be relatively severe and rather quick. If on the other hand, foreign investment interests facilitate technological improvements, promote exports and reinvestment, the balance of payment will improve. Sale of existing assets to foreigners will also generate profit transfers abroad. The sale of highly profitable companies may fetch exorbitant price but will not increase investment income payments. In any case, the likely impact of growing stock of foreign investment, including privatization sales, deserves as much attention as the debt stock, DRMC believe. The census of foreign investment undertaken by the State Bank of Pakistan should be strengthened and used to analyse future non-interest investment income payments on a regular basis, so that there were no surprises for the balance of payment. The external debt service obligations were estimated at \$20.6 billion during 2000-04. However, only a very small part, \$3 billion or about 15 per cent of the total, will be generated from resource transfer outside the world. In the financing plan suggested by the DRMC, the rest of the non-interest current account surplus of \$3.8 billion and privatization proceeds of \$3 billion will be used to increase foreign exchange reserves. The cost of this modest resource transfer of resources in the medium term must be weighed against the serious disruption to the economy and the prospect that a debt default will foreclose the possibility of obtaining substantial net transfer resources from abroad in the future. There is no reason that a financially stable Pakistan can not prudently attract \$1-2 billion annual in net transfers in the latter part of this decade through foreign private investment, concessional multilateral and bilateral assistance and private inflows, DRMC believe.

*From Pakistan-Dawn, by Ihtashamul Haque, 23 March 2001*

## EUROPE/CIS

### CZECH CEZ PRIVATIZATION ACHIEVABLE IN 2001

[\(Reuters\)](#) The Czech government should be able to sell its stakes in dominant power producer CEZ and six regional energy distributors before the end of this year, one of the sale advisers said on Wednesday. "I think the sale is achievable this year but I can't comment further until we have signed a contract with the government," Deloitte and Touche local chief Otto Jelinek told Reuters by telephone. The privatization agency, National Property Fund, selected the consortium of Deloitte and Touche, N.M. Rothschild and Sons Ltd. on Tuesday to advise it on the sale. CEZ controls 65 percent of the Czech market and is a growing power exporter, mainly into neighboring Germany. It operates two Soviet-designed nuclear power stations, including the new Temelin plant. The government has said it would look for strategic investors with experience in nuclear energy. Electricite de France, E.ON and International Power are seen as potential buyers. The deadline for showing non-binding interest in CEZ was set for Wednesday. CEZ will be sold together with controlling stakes in six of the country's eight regional power distributors, some of which already have minority foreign investors. The total market capitalization of CEZ is 50 billion crowns (\$1.3 billion). The state officials have said some 200 billion crowns could be raised from CEZ but analysts were more cautious, saying that the price would not exceed 100 billion, still making it the largest privatization in the country's history. CEZ officials have warned against any delays in its privatization, arguing this could further threaten its domestic position as the market is due to be gradually opened up to competition. Next year is an election year in the Czech Republic and political bickering could drown out economic arguments, the company said last November.

*From [Central Europe Online](#), 21 March 2001*

### UZBEK GOVERNMENT APPROVES PRIVATIZATION PLAN FOR 2001-2002

Tashkent. The Uzbek government has given its approval to a list of businesses up for sale to foreign investors in 2001-2002. A source with Uzbekistan's State Property Committee has told Interfax that the shares of 38 major national enterprises are to be sold to foreign businessmen in individual projects by tender. Among the shares are those of companies already put up for sale-the Almaylk iron and steel complex (46.5%), the Chkalov aviation plant in Tashkent (25.6%), the Uzlabel cable plant (39%), and the Akhangarantsement cement plant (25%). Included on the list of businesses subject to privatization in individual projects for the first time are five enterprises incorporated in the industrial chemistry association Uzkhimprom, among them two food-based alcohol producers in Kokand and Andijan. The source said the privatization of Uzbekistan's national telecommunications' operator Uzbektelekom will see completion this year. An international consortium led by Germany's Commerzbank has been chosen as the

financial consultant for the sale of 51% of the Uzbektelekom stake to a strategic investor. Enterprises of the Uzbek oil and gas industry are up for sale in 2002 with 39% to 44% of the shares of the subsidiaries belonging to the national holding company Uzbekneftegaz and 49% of the main holding company's stock to be sold to foreign investors. The French bank BNP Paribas is coordinating preparation for the sale of Uzbekistan's oil and gas sector. The source said that 12 of the 38 enterprises on the list are to be privatized in individual projects all in all this year. The shares of 49 businesses are to be sold to foreign investors as part of the privatization plan for the next two years. The stake of 535 enterprises in which the state shares no more than 25% are to be put up for sale on stock and over-the-counter markets. In 1998, the International Bank for Reconstruction and Development lent Uzbekistan \$28 million for the institutional development of enterprises. The loan enabled the State Property Committee to set up an individual privatization bureau, assisting in search for strategic investors in big businesses. In the meantime, no stake of any businesses has been sold to foreign investors under this program over the last two years.

From [Khilafah.com](http://Khilafah.com), 26 March 2001

## MIDDLE EAST

### LEBANON: THE CHALLENGES OF PRIVATIZATION IF IT'S NOT DONE CORRECTLY, ANALYSTS WARN, CONSUMERS WON'T FEEL THE BENEFITS

Privatizing the Lebanese telecommunications sector should, in theory, increase consumer choice, reduce prices, and improve the quality of services. Whether this happens in practice will depend heavily on the draft telecommunications law that aims to liberalize and then privatize the sector. The draft was drawn up by the Ministry of Post and Telecommunications (MPT) and is currently being scrutinized by a special Cabinet committee. While experts welcome the draft law, they warn that unless a privatized telecom sector is regulated by a body that is politically and commercially independent, it might be years before consumers benefit. "Privatization without competition will not necessarily bring down prices. Privatization with competition will," said Louis Hobeika, chairman of telecom company Sodetel. The draft law will create a new state-owned entity called LibanTelecom from fixed-line monopoly Ogero and other parts of the MPT. LibanTelecom will also become the country's third cellular phone operator after Cellis and LibanCell, which have been operating here since 1994. Post and Telecommunications Minister Jean-Louis Qordahi hopes to sell up to 35 percent of LibanTelecom, together with management rights, to a foreign strategic investor by the end of this year. The law would create an independent regulatory commission which would be responsible for issuing licenses to telecom operators based on technical and financial considerations alone. This body, which would be similar in nature to the Banking Control Commission, is intended to be free from political or commercial influence. Hobeika said that the draft was "fine" as it is, but predicted that Cabinet would amend a number of clauses. "It is unusual to set up a seven-member Cabinet committee under the deputy prime minister to study a draft. I think this means there will be major revisions," he said. The nature of any amendments could be crucial in defining the post-privatization telecommunications landscape. If revisions increase the likelihood of competition, particularly in the fixed-line sector, said Hobeika, "then it's OK to revise the draft and end up with a better law, even if it takes time." He wants amendments that will make competition more likely. But experts, lawyers and telecoms professionals agree that the draft is fundamentally sound, and many worry that major changes can only weaken it. "The government must make a choice now," said economist and telecoms expert Kamal Shehadeh. "If the legal minds butcher the law, making it conform to their antiquated laws rather than allowing it to modernize them," he said, "then they can kiss good-bye to liberalization and competition and all the money the government was going to get out of it." Most crucially, if Cabinet strips the regulator of its right to issue telecom licenses, and retains that prerogative for itself, then companies would likely be granted licenses for political reasons rather than purely technical ones. In this scenario, there might be no increase in competition, no reduction in prices, and no improvement in quality. If the law passes more or less as it is, Shehadeh predicts Lebanon could have a competitive telecoms market within two or three years, offering a range of services including voice and data transfer and mobile telephony. Lebanon is too small for several fixed-line operators to compete using their own infrastructure, which would require massive investment with few economies of scale. But this does not necessarily mean that the market is too small for fixed-line competition. "There are smaller markets than Lebanon that have competitive telecoms sectors," said Shehadeh. LibanTelecom would initially operate alone in the fixed-line market. New fixed-line companies would not have to invest in their own infrastructure. They would pay to use the existing network owned and operated by LibanTelecom, then sell the connection to the consumer. Shehadeh envisions two or three providers offering a range of services in most areas across the country, relying mainly on the LibanTelecom infrastructure. Small companies, said Shehadeh, might have lower overhead costs than LibanTelecom. Different companies would operate with different profit margins, creating price and quality competition and bringing more value-added services to the consumer. Likewise, said Shehadeh, as the third mobile operator, LibanTelecom "should not be expected to provide nationwide coverage itself. The existing cellular operators have already done that." Instead, the company would operate its own network in areas such as Beirut and other major cities and provide "roaming" service on the other two networks in low-density areas. If the MPT establishes LibanTelecom but political influence precludes fair competition, then Lebanon could end up like Mexico, said Imad Tarabay, chairman of FiberLinks, a local internet service provider (ISP). When Mexico privatized in 1989, it simply turned a state-owned monopoly into a private one, bringing little improvement in service, quality, or pricing. The potential impact of telecoms privatization on the Lebanese economy as a whole, particularly on young "e-businesses," is so immense that passing a good law is critical. It could mean a reduction in the cost of internet access and the introduction of faster, more up-to-date services two advantages that companies are currently not finding in Lebanon. "Any privatization, if executed properly, will attract foreign investment," Tarabay argued. "The draft law seems very good because it creates an operator and regulator, but in Lebanon you can't predict how it will be implemented." It is not clear whether LibanTelecom would include an

ISP or offer data transfer services. LibanTelecom should not offer these services directly, said Shehadeh, to prevent unfair competition stemming from possible preferential treatment for Lebanon's major operator. He said these services should be provided through a subsidiary that is separate both in accounting and management from LibanTelecom. "If there really is an independent regulator," said Tarabay, "that awards licenses according to technical and financial standards, with no wasta, it would be good for consumers." **Unloading state assets is crucial to investor confidence** - Telecom privatization is one of a series of state asset sales that Prime Minister Rafik Hariri regards as crucial to reducing the \$24 billion public debt and transforming the Lebanese economy. The previous administration of Salim Hoss also wanted to make privatization a priority, and projected \$5 billion or more in revenues from state asset sales by 2003 as part of its plan to improve the state of the public finances. While this drive did not go beyond Parliament's passage of a general framework law approving privatization in principle, the Hariri government seems to be moving faster on state asset sales. This relative success is partly due to Hariri's greater political capital, and partly to a realization across the political spectrum that quick, decisive action is needed if Lebanon is to avoid economic meltdown. Most observers agree that Lebanon must start privatizing soon for investors both at home and abroad to maintain some sort of confidence in the economy. The sale of a stake in the state-owned LibanTelecom entity, likely to be the first privatization deal, will give a good indication of investor confidence in Lebanon and will bring in much-needed foreign investment if successful. "Will telecoms privatization turn the economy around? There is no magic wand that can do that," said Lebanon Invest analyst Nassib Ghobril. "But it will help as part of a pro-growth economic strategy." However, plans for telecom privatization come amid a general decline in worldwide valuations of telecom assets from peaks reached about a year ago. The privatization of Electricite du Liban is also moving forward after the government appointed French investment bank BNP-Paribas to advise on the restructuring and sale of a 10-15 percent stake in the loss-making monopoly. Regarding Middle East Airlines, the government has already received a report from the International Finance Corporation on how the loss-making carrier can be restructured and privatized. But selling off some of the country's water utility seems to be a more distant goal for now. All these deals are hugely important, and not only because they will help reduce the public debt. State asset sales will put basic utilities in private hands, change the way they are priced and delivered, and mark the end of job security for hundreds or even thousands of political appointees.

*From [DailyStar](#), by [Lin Nouelhed](#), 26 March 2001*

## THE AMERICAS

### OHIO PRISON PRIVATIZATION FOES HAVE GOP ALLY

Minority House Democrats and public employees have found an unlikely ally -- a Republican -- in their fight to get private contractors out of the state prison business. Rep. John Willamowski, whose district includes three prisons, said he's not opposed to having private companies run some state services -- just not prisons. "There's just certain things I don't think you ought to privatize," Willamowski said yesterday. "I wouldn't want to privatize a local police force. I wouldn't want you to privatize the local courts. The state ought to run its own prisons." Ohio has two state prisons run by private companies: a 1,380-bed medium-security prison in Conneaut and a 550-bed prison in Grafton designed for felony drunken-driving offenders. A third privately run prison, in Youngstown, houses federal prisoners and is not under the supervision of the Ohio Department of Rehabilitation and Correction. Democrats and unions have opposed privatization of prisons since the legislature began debating the idea about 10 years ago. Under current law, the Conneaut and Grafton prisons must be run privately and contractors must do it for 5 percent below what the state calculates it would spend to run them. Willamowski has introduced a bill that would bar private companies from running any prison. The state chose not to renew the contract of CiviGenics, the Marlboro, Mass.-based company running the North Coast Correctional Treatment Facility in Grafton. The prison changed wardens five times in 18 months, was fined for not maintaining minimum staffing levels and has had numerous other problems, the prisons department said. The department hopes to have a new contractor in place in May. Democrats see Willamowski's bill as a chance to get the attention of majority Republican leadership on the issue. "When they found a Republican to do it, I knew they were going to jump on that. They're smart enough and diplomatic enough to know that a Republican is going to have to carry that," said Sen. Robert Hagan, a Youngstown Democrat and critic of privately run prisons. However, that may not be enough to carry the bill through. Willamowski introduced similar legislation in the last session that didn't make it past two committee hearings. Speaker Larry Householder, a Republican from Glenford, referred the new bill to the State Government Committee. "We've had a number of members in our (Republican) caucus talk favorably about that. It's going to have fair hearings. We'll listen to the debate and see where it goes," Householder said. The bill has the support of the Ohio Civil Service Employees Association, whose members work in Ohio's state-run prisons. Last week, the union proposed that the state combine administrative, health-care and other services at the Grafton prison with an adjacent 1,400-bed state-run prison. The prisons department said it would not make sense to combine a minimum- security prison with a medium-security one. Union spokesman Peter Wray said the union's plan would be less costly than hiring a private contractor. Senate President Richard Finan said some state services can save the state money. He's waiting for the House to act before assessing the bill's chances in the Senate.

*From [Columbus Dispatch](#), by [John McCarthy](#), 1 March 2001*

### BATTLE ON PRIVATIZATION FREEZES PENN STATE STORE WORKERS' PAY

State liquor store workers who earned \$13 an hour in 1995 today earn a whopping \$13 an hour. That's because haggling over what would happen to the approximately 2,800 unionized workers if state stores are privatized have held up their contract for nearly six

years. The unions want language in the contract providing job security; the state fears that would make the stores harder to sell. "Our members are mad, because they haven't had a raise in six years. Everybody's costs go up," said Ron Kean, president of United Food and Commercial Workers Local 23, which represents about 750 workers in western Pennsylvania. Gov. Tom Ridge tried in 1997 to privatize the state's 650 stores, as every state but Pennsylvania and Utah has done. However, the Legislature, lobbied by store workers, Mothers Against Drunk Driving and other groups, rejected the idea. Meanwhile, Ridge's administration won't budge on language the union wants in its contract that would protect their jobs under private ownership. The situation shows signs of dividing the union workers, who belong to three locals in the state. Emotions spilled over Sunday at a meeting in Pittsburgh, when Wendell Young III, the head of Local 1776, with about 2,000 workers, and chairman of the organizing committee which negotiates with the state, met with Pittsburgh area workers. "Sure, they're very frustrated. They can't understand why they can't get their raises. I can't understand it either," Kean said. Kean wants the workers to at least get some of the money the state has put in escrow for the raises, which, at 2 to 3 percent a year, would total \$10,000 for some workers.

*From [Morning Call](#), 22 March 2001*

## **N.Y. PUBLIC RALLY AGAINST A PRIVATE TAKEOVER**

To Mirarma Lora, her 9-year-old son and other students at PS 161 in Harlem are being railroaded into a profit-making venture utilizing New York's neediest children. "This is not about what is best for our children," she said. "This is about experimenting with our children's lives." Yesterday, Lora joined more than 200 people outside the troubled Harlem elementary school in a demonstration against the takeover of five city schools by the private Edison Schools company. The protest came as parents with children attending MS 320, MS 246 and IS 111 in central Brooklyn, Harlem's PS 161 and CS 66 in the South Bronx have until Friday to vote on the Edison takeover. The five schools are considered among the state's worst. At PS 161 last year, 20 percent of the students met state and city standards in English while 19 percent met math standards. A majority vote of all parents at each school is required for a school to become a charter school run by Edison; parents may vote by Internet, by mail or in person at their child's school on Thursday and Friday. Edison, whose stock is traded on Nasdaq, has pledged to spend up to \$3 million for each school to buy books, renovate facilities and provide computers for students and teachers. Proponents of the Edison takeover have said the schools have been failing for years under the Board of Education. But Lora, 39, who was accompanied by her son, Edwin, said staunchly, "We can't be bought with a computer." Chanting "Edison go home!" and "Education is not for sale," parents, students, teachers and community leaders lined up under an overcast sky outside the school at Amsterdam Avenue and West 134th Street. Many carried placards saying, "Vote No." Demonstrators said the Board of Education failed to adequately consult parents about the Edison proposal, which could affect some 5,000 children, mostly black and Hispanic. "Many parents don't even have a clue about what they're trying to sell them," said City Councilman Guillermo Linares. "The fact that they were not consulted until recently shows a total lack of respect for the community and the parents." Neither representatives of the Board of Education nor Edison Schools could be reached for comment yesterday. The protest was organized by a group calling itself The Concerned Community for Better Education, which is offering an alternative plan for the 900-student PS 161, including greater community involvement and fiscal monitoring. "In my mind, the real problem is with the school bureaucracy, with the Board of Education, not our schools," said Peter Kornicker, a third-grade teacher. "Principals have their hands tied." Viviana de Los Angeles, a fourth-grader at PS 161, spent part of her 11th birthday yesterday with the protesters outside her school. "Edison only wants to make money," she said. "They don't want to teach us." Edison now runs more than 100 schools around the country, and demonstrators cited the company's mixed track record in improving ailing schools as a reason for voting against the proposal. "No one minds that this experiment is being performed on poor black and Hispanic people," said Dominican writer Junot Diaz. "They're using us as ground-zero for...this new way to make money off black and brown people." Activist Luis Rodriguez said that rather than selling off public schools to a private company, the Board of Education should form committees made up of teachers, parents and community leaders to monitor the troubled schools. "In this case, the medicine, or selling out to Edison Schools, is worse than the illness," Rodriguez said. "Our children are not guinea pigs."

*From [Newsday](#), by Ray Sánchez, 26 March 2001*