

GOVERNANCE WORLD WATCH

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

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Public Economic Policies & Globalization

AFRICA

AFRICAN UNION TO BE BORN AT SUMMIT THIS WEEK

Lusaka, Zambia - Heads of state from 40 African countries are about to set in motion a process that will make the continent better able to deal with human rights, women's issues and globalization. LINKS: [Websites related to this story](#). The leaders are in Lusaka, Zambia, to begin a three-day summit that will signal the end of the Organization of African Unity and the birth of the African Union. The African Union is modelled on the European Union, an idea first put forward in 1999 by Libyan leader Moammar Gadhafi. The OAU was formed in 1963, when 32 African leaders met in Addis Ababa, Ethiopia, to sign the charter. A spokesman for the organization said the OAU had been a great success, but a stronger organization was needed. The stronger union, it is hoped, will mean the continent won't be marginalized as it has been. "Separately, none of us can make it, and individual linkages with the outside world are not viable," said OAU Secretary General Salim Ahmed Salim in a media release. The new organization's charter will include plans for an African central bank, a court of justice, a single currency and a parliament. The transition is expected to take a year, and will require its member states to find large resources to put the coming changes in place. Gadhafi has already given \$1 million to fund the process. Also to be discussed is the issue of conflict in Africa. Former South African president Nelson Mandela chaired talks on the civil war in Burundi on Sunday. Some progress has been reported, but no details have been released. The hopes for a so-called African renaissance rest on efforts to solve the causes of Africa's problems, such as conflict. Economic plans for the continent will be put forward by South African President Thabo Mbeki and Senegalese President Abdoulaye Wade.

From CBC New Online, by CBC News Online [staff](#), 9 July 2001

ASIA/PACIFIC

KOREAN CEOs GLOBALIZING QUICKLY

While globalization is likely to disseminate worldwide standards of business throughout the world economy, it takes on a different flavor when it encounters different cultures and traditions in each country. Chairman of the Association of Korean CEO's of Multinational Corporation (KCMC) Cho Chin -Yong, who is president of Abbott Korea, showed how to orchestrate global standards to local culture in a recent interview with The Korea Times. "KCMC was established in 1989 as the private meeting of Korean CEOs of global companies sharing common interests. Now we have more than 100 Korean CEOs as members. "A few years ago, when President Kim set globalization as a national priority after he took office, KCMC members mulled over how to contribute to let local companies learn global standards to compete in the world market, which most of them had worked with over ten years at average," Cho said. Cho went on to say that, "As Korea was traditionally an agricultural culture, there is a culture to share labor for nothing when the labor force is running in the neighborhood at the peak of the farming season. We set up knowledge committees as a benchmark to this tradition to achieve our goal." Many global companies are likely to outsource trainers to educate employees for a high price. But CEO members of the KCMC share their knowledge acquired on the spot through trial and error to train other member CEO's employees, like our ancestor did. "In addition, when universities ask for a lecture, a knowledge committee is arranged for available CEOs to visit and share their knowledge and experiences as volunteers," he added. Cho joined Abbott Korea in 1986 after he left the construction unit of Kumkang Korea Chemical. He said he willingly took the risk as a sales manager, a lower position with lower payment, rather than a vice president's position at Kumkang, and lower because he didn't enjoy that much working in construction. "The most enjoyable thing working in a global company is that most global companies keep management and employees updated in their knowledge and skills, not to lay behind completion. If I stayed at a local company with a high position, I wouldn't learn even how to use a computer thanks to great assistance from my subordinates," he said. Asked about difficulties working as a president in a global company, he frankly said he felt difficulty sometimes when value clashes between his own and those of Chicago-based Abbott headquarters. "The Abbott chairman sets shareholder value as the top priority. I agree with it as a whole. If local companies learn from this value, they wouldn't have faced the economic turmoil in late 1997 without expanding their businesses to almost every sector." "However, as a Korean CEO, I wish to invest in long term goals, but I have a limit to do so by being sensitive to share prices." Cho noted that, "As a chairman of the KCMC, I'd like to facilitate committee activities more to strengthen social bonds, I don't want KCMC to change its original color." Due to social meetings, CEOs from competitors such as communication network provider Alcatel, Cisco Systems, and Nortel Networks could be included."

From Korea Times, by Seo Jee-yeon (jyseo@koreatimes.co.kr), 8 July 2001

BETTER GOVERNANCE WOULD SPEED INDIA'S PROGRESS

CALCUTTA Ten years after India opened up to the world, even Indians who enjoy the best fruits of liberalization, driving luxury cars and riding the IT boom, will not agree that globalization is a good thing. Contrariness was reflected in a famous quip by one of Mahatma Gandhi's favorite disciples who declared that it took a lot of money to keep Gandhiji in poverty. Indians make a fetish of

austerity and identify reform with America, which is viewed with suspicion even as thousands of bright young Indians queue up every day at U.S. missions for visas and green cards. In July 1991, Finance Minister Manmohan Singh rolled out the red carpet for foreign companies and rolled up the red tape, declaring in Parliament: "Let the world hear it loud and clear - India is now awake." Brave words. When Coca-Cola, which a previous government had banished 15 years earlier, put up a hoarding proclaiming "We Are Back," someone scrawled on it "Till we throw you out again." Every government since then has continued Mr. Singh's agenda, and Indians have prospered as a result. Progress is patchy, with the eastern region lagging behind the west, and Bangalore forging ahead of all other cities, but statistics are dizzyingly impressive. Where there was just the one dreary government television channel, Indians can now choose from a hundred satellite channels from all over the world. There are 4 million cellular phone subscribers where there were none. Taxes have come down. Many more and better-looking cars hog the roads. And 5 million Indians are expected to holiday abroad this year. Perhaps the most telling evidence of confidence in the economic future is provided by ethnic Indians abroad, mainly in America, whose remittances home have spiraled from \$290 million to \$2 billion during the last decade. Yet liberalization has few vocal supporters and many carping critics. The politicians who could give a lead dare not do so lest it tarnish their nationalistic image. Predictably, the strongest objections are voiced in West Bengal, whose Marxist governing party was re-elected for a sixth five-year term in May. An MIT-trained economist he might be, but West Bengal's Marxist finance minister, Asim Dasgupta, celebrated the victory by blaming globalization for the shortage of jobs, demanding withdrawal from the World Trade Organization and clamping a 20 percent duty on foreign bicycles and cosmetics. There is some cause for worry. Growth is down to 5.2 percent, and Prime Minister Atal Bihari Vajpayee's 8 percent target for the next five years is thought to be wildly optimistic. Manufacturing is in the doldrums and unemployment fears are spreading. Having had it easy with a captive market and no quality control to worry about, many businessmen resent the notion of competition. Former Prime Minister Chandra Shekhar, who sealed his political fate during the Gulf War by secretly giving U.S. warplanes landing and refueling facilities at Indian airports, recently circulated a detailed note blaming economic reform for India's problems. The list of real reasons is long, painful and known well enough: Agriculture relies on primitive methods and is dependent on the monsoons. Uneconomic small-scale producers are artificially protected. State control of large industry works against productivity and profits. Communications are poor and the infrastructure collapsing. The bureaucracy is vast, corrupt and slow-moving. Banking procedures are complicated. A fortune is spent on subsidies and lost in controlling prices. If these factors explain the setback to conventional economic activity, they also account for the strides India is taking in new spheres. The most dazzling success story is of Azim Premji and his software giant Wipro. When dot-com stocks were at a peak in February 2000, Mr. Premji was briefly the world's second richest man, worth more than \$35 billion. His fortune is now assessed at a still respectable \$6 billion. The bane of India is bad governance, as highlighted by a bizarre episode in Tamil Nadu where the police recently roughed up and arrested, on corruption charges, a 77-year-old former chief minister, M. Karunanidhi, and his son, the mayor of Madras. Apparently the police were acting under orders from Mr. Karunanidhi's successor, Jayalalitha Jayaram, who was herself convicted on several corruption charges and sentenced to jail during the previous regime. Such shenanigans make a mockery of parliamentary democracy. Also they take a heavy toll of all services. Unsure of who will win, and when, in the game of political shuttlecock, bureaucrats play safe by avoiding decisions. Liberalization makes a handy whipping boy. The Indian economy is moving but not half as fast as it would if it were not hostage to India's increasingly turgid politics. .

From The International Herald Tribune, by [Sunanda K. Datta-Ray](#), 3 July 2001

REFORMS TO IMPROVE JUDICIAL PERFORMANCE SUGGESTED

Islamabad: A study on the state of judiciary in Pakistan, conducted by the Pakistan chapter of Asia Foundation, has listed 10 vital legal reforms, by implementing which, the study said, the judiciary could devote itself to the task of performing its duties. Funded by the Asian Development Bank, the 19-page study on "Strengthening of Institutional Capacity of Judicial and Legal Reform" said that the legal reforms were necessary steps for decreasing the tensions between the judiciary and the executive, which have a history of strained relationship going back fifty years. The authors of the study are: Justice Shafiqur Rehman, Livingstone Armitage, Huma Chughtai, Sultan Ali Motani, Julio Andrews and Eric Jensen. The study has called for good governance measures, including the promulgation of an access to information act, which was allowed to lapse during the tenure of the Nawaz government after being enacted by the caretaker government of Miraj Khalid in 1996. Other measures suggested in the report are, creation of National policy making authority for judicial administration, provincial judicial ombudsmen, as well as an annual conference of district and sessions court judges. The study also recommended creation of arbitration courts for settling commercial disputes and additionally, dispute resolution centres, which were considered necessary in view of the country's "traditional conflicting legal culture". These recommendations are modelled on the experiences of other countries where such courts have worked with success in reducing number of cases going up to the courts. In addition, a proposed centre of excellence in legal education, recommended in the study, would help in aiding lawyers, judges, legal scholars, and legal government officers to enhance and improve better comprehension of the discipline of law and judicial process. The establishment of pilot courts in the federal and provincial capitals and in 10 or 20 selected districts was also recommended in the study and in fact one or two such courts were now functioning. The issue of finance, always an important aspect in the success of any proposed reforms, has not been over-looked. The study states that since 1993-94 the annual growth of budgetary allocation for administration and delivering justice had actually contracted in real terms. Subordinate courts in all the four provinces were in a serious state of disrepair and worked without essential stationery and office equipment. The international bench mark was that 15 to 20 per cent budget was set apart to cover essential non-salary costs. recommendation has been made to introduce legislation to establish a judicial fund and to introduce the ad valour court fee to a maximum of Rs100,000 and to pass an act to levy mandatory court costs on parties seeking adjournments of cases, irrespective of intent. According to the recommendations all fees collected under the revised court fee structure should go to the fund. A user charge as court fee, except for indigent litigants, was also recommended. This recommendation, however, came into conflict with

Federal Shariat Court decision exempting filing fees for suits valued at Rs25,000 on the understanding that, according to principles of Islam, justice should be provided free of cost to the public, and expenses related to law courts should be borne by the state. The most significant recommendation, however, was the publication of an annual report on the state of judiciary calling for discussion on broad aspects of judicial discipline including accountability in its midst and to cover issues of governance and discipline within judicial set-up. "The suggested legal and judicial reforms have not been locked up in the closet, but are well on the path to implementation. Pilot courts have been established and a number of seminar on delay reduction have been conducted already," the study said. According to the study, 70 per cent of people who visit the courts felt disappointed and 40 per cent litigants, who had legitimate cases, expressed lack of faith in the judicial and legal system in place. The lot of commercial litigants was no different and laws in Pakistan to guarantee the title of ownership were extremely weak, the study said. The study reflected that courts were clogged with frivolous litigations, which were the root cause of enormous delays in the dispensation of justice. Pakistan needed legal and judicial reforms, to restore confidence among the public that civil institutions existed to serve common good, the report said.

From [DAWN Group](#), by Jonaid Iqbal, 2 July 2001

CHINA TO ENHANCE CONSTRUCTION OF INTELLECTUAL PROPERTY SYSTEM

China plans to further enhance the construction of its intellectual property system to meet challenges after entering World Trade Organization (WTO). At present, the Chinese government has established the policy of developing science and technology through an intellectual property system and it is to raise the protection standard for intellectual property by improving the country's present legal and judicial system. "We will concentrate our efforts on policy researching, patent checking and administrating, while at the same time, we will urge enterprises and institutions to improve their capacity to master and operate the intellectual property system," Wang Jingchuan, commissioner of the State Intellectual Property Office said Wednesday at a seminar on Intellectual Property Protection. He said that China will enhance the system of law enforcement as well as lawmaking, and China will build an incorruptible, pragmatic and efficient patent-checking group to meet the demands of economic development. So far, China has approved about 30 laws and regulations concerning intellectual property issues, including the patent law, trademark law, copyright law, protection regulation on computer software and protection regulation on new plant species. In recent years, with the development of the economy and especially the approaching of China's entry into WTO, China has amended some important laws concerning Intellectual Property Rights. The revised patent law carried out on July 1 this year is in agreement with the Agreement on Trade-Related Intellectual Property Rights (TRIPS) of the World Trade Organization (WTO). With economic globalization, more and more countries trying to achieve a large quantity of quality patents as well as the capacity to utilize relevant policies, making patents an important index in market competition. Further improving the patent system and strengthening protection of patents are important acts for China to take part in economic globalization and adjust to the requirements of the WTO.

From [UVentures](#), 25 July 2001

CLOSER LINKS WITH ASEAN MEMBERS ESSENTIAL

Hanoi: The three East Asian countries - China, Japan and the Republic of Korea (ROK) - should strengthen co-operation with the 10-member Association of Southeast Asian Nations (ASEAN) to deal with challenges brought by globalization, Chinese Foreign Minister Tang Jiaxuan said yesterday. Compared with other regions in the world, the co-operation among these Asian countries is still fledgling and a more effective relationship is required to meet the demands of regional development, he added. Tang made the remarks when addressing the foreign ministers' meeting of ASEAN, China, Japan and ROK (10+3). The euro will officially go into circulation at the beginning of next year, while the America Free-trade Zone will also be officially established in 2005. Tang called for increased co-operation among the 10+3 countries and voiced China's support for ASEAN to play an important role in such a partnership. Since the 10+3 summit meeting held last year in Singapore, China has greatly contributed to the promotion of co-operation in East Asia. Chinese Premier Zhu Rongji promised to add US\$5 million to the China-ASEAN Co-operation Fund to support the development of human skills. Effective co-operation has been conducted in information techniques, the development of the Mekong River Delta and transportation in the region, including the construction of roads and railways. "China attaches importance to 10+3 co-operation and is willing to enhance co-ordination and co-operation with ASEAN, Japan and ROK," Tang was quoted as saying by a Foreign Ministry spokesman. ASEAN foreign ministers concluded the 34th ASEAN Ministerial Meeting yesterday morning, which was followed by the 10+3 meeting in the afternoon. Tang, who arrived in Hanoi on Monday night, will also take part in the Eighth Foreign Ministers' Meeting of the 23-member ASEAN Regional Forum, the Post-Ministerial Conference and the dialogue meeting between China and ASEAN (10+1) during the next two days. Tang yesterday met Japanese Foreign Minister Makiko Tanaka, ROK Foreign Minister Han Seung-soo and a top official of the United Nations Transitional Administration in East Timor. Tang urged Japan to "take practical action and essentially solve the existing problems" and reiterated China's stance on historical questions, especially the issue of Yasukuni Shrine.

From China Daily, by Sun Shangwu, 25 July 2001

EUROPE/GIS

WHAT GLOBALIZATION MEANS FOR POLAND

George D. Crowley, Jr., an American wireless entrepreneur and owner of Crowley Data Poland Sp. z o.o., doing business as DataStar Communications, talks about business opportunities for foreign investors and his company's experiences in Poland with Iwona A. Czerwińska. **Why did you get involved in the wireless communication business?** In late 1982, the U.S. Federal Communications Commission authorized the deployment of an experimental cellular telephone system here in Washington, DC. After studying that technology and the growth of wireless in Europe, it struck me that there would soon be a very exciting opportunity for entrepreneurs to develop a revolutionary wireless telecommunications business. I believed that cellular phones would rapidly become an important part of the telecommunications industry in the United States, and, more importantly, become an irreplaceable tool for business people and families throughout our country and the world. **Your business has branches in the United States and South America. What attracted you to Poland?** We first came to Poland in January 1990, shortly after the democratization. During the previous seven years, my company grew from an original \$5,000 investment to become the second largest privately held cellular corporation in America. We were looking for opportunities to utilize our deployment and operational knowledge in new markets. In January 1990, the Polish government issued a tender for a nationwide 450 megahertz cellular license. We felt that we should participate in the tender. We were successful in the first round of the tender. But unfortunately, the government rebid the tender and in the second round, Ameritech/France Telecom won the rights to build the first 450 megahertz system in Poland. **Your company has been doing business on the Polish market for almost a year now. From your point of view, what is it like doing business in Poland?** For more than a decade, we have been excited about the prospects for the Polish market. We think there are some very unique characteristics to this market, such as the extraordinarily well-educated population and an emerging entrepreneurial spirit which translates into an openness to try new technology. There are also some significant needs within the Polish telecom market, as is the case in most emerging countries that formerly operated with state monopolies. These include access to reliable, cost-efficient data transmission and Internet access. When I look at the bright future that Poland is facing as it moves toward membership in the European Union, I feel that access to high-quality wireless broadband services will be an important factor in the expansion of numerous industries throughout the country. Our company, DataStar, now offers to Poland the most state-of-the-art high-speed data technology available anywhere in the world. Many of our customers, major Polish telecom carriers and large corporations, recognize the extraordinary reliability and speed which our networks offer. As a result, we are growing at an unexpectedly fast rate. We expect this growth to continue for many years. **At the last Crowley DataStar Poland press conference, I heard that you are going to invest an impressive amount of money in your Polish branch. Do you think that these investments will pay back?** The answer is absolutely!-and with an excellent rate of return. We are long-term operators who have built more than 25 networks in seven countries. During our almost 20 years in the wireless business we have found that the largest amount of value creation in wireless networks emerges after five to seven years of operation. This business is capital-intensive, but with very attractive long-term growth characteristics. However, our companies have always taken a very disciplined approach to the development of our networks. We do thorough market analyses of every important geographical area and customer segment before we deploy. Once we've established a network our capital expansion plans are directly related to market demand. DataStar has strong U.S. financial investors who are excited about this project, as well as long-term financing from Lucent Technologies. So our financial base is solid. We believe that there are rapid expansion opportunities in Poland. Consequently, we are confident that, if necessary, we will be able to secure the downstream financing which may be necessary to fuel our continued escalating growth. **Is the Polish legal system friendly for foreign investors?** I think that whenever a foreigner begins operating a new business in Poland, there is a cultural, operational and legal learning curve that must be faced. We have hired experienced local advisers to help us. From a philosophical standpoint, we believed that as outsiders we needed to thoroughly learn about the history, traditions and culture of Poland before we could effectively plan our business. For more than 10 years, we have continued that educational process. As a result, we have been able to enter the Polish markets with a respectful approach to satisfying the unique telecom needs of the Polish business community. I think that as Poland moves closer to EU accession, many parts of the law will continue to change in the direction of more standardized commercial statutes with which U.S. and Western European investors are comfortable. This will make foreign investors more enthusiastic about directing their capital to Poland. **Do you think that Poland's eventual EU membership and its current NATO membership helps attract foreign investors?** Yes, of course. When foreign investors enter an emerging market, one of the major risks they face is uncertainty, not only in understanding the laws and regulatory structures under which they must operate, but also knowing how those laws and structures will be interpreted by local courts. Poland's entry into the EU and NATO provides additional certainty for foreign investors and multinationals. They can ultimately expect that their rights will be enforced and objectively judged. I think that Poland is increasing its attractiveness for foreign investors by moving toward EU standards. This is very constructive and exciting to watch. **What is the future of the business world in the era of globalization?** The world is becoming smaller. The possibility to move time-sensitive information at blinding speeds across borders and to create global relationships through the Internet has generated countless new opportunities and new thinking in the world of international business. Globalization is healthy. Thoughtful partners can leverage their commercial strengths and compensate for their weaknesses, thus creating a more efficient and dynamic environment for global business growth. For example, globalization facilitates our opportunity as Americans to understand more about Polish culture and aspects of doing business in Poland. It affords us even greater understanding of how we, as visitors in your country, can utilize our technology and many of the financing techniques we have developed over the years to satisfy the specific needs of your market. **What are your impressions of Poland and Polish people?** I think that Poland is an extraordinary place, rich in tradition and poised for

strong growth. I am very impressed with the work ethic and entrepreneurial spirit of the Polish people. We would like to do business in Poland for many years to come. We are very honored to be a part of your country's growth and development at this special moment in your history.

From [Warsaw Voice](#), 9 July 2001

'THROW-AWAY-THE-KEY' REFORM

'Respect' - Home Secretary David Blunkett said his proposals would create a "transparent system" that would "command public support and respect". "We need to put the sense back into sentencing and build a transparent system that commands public respect," Mr. Blunkett said. 'Hard core' - "The current system is not working. About 56% of offenders who have served a community or a custodial sentence go on to offend again within two years. "And it is estimated that half of all crimes are committed by a hard core of about 100,000 criminals." But shadow home secretary Ann Widdecombe MP said: "Nothing here is going to help unless, first of all, criminals know they're going to be caught and that means a properly manned and visible police force." Previous crimes - Proposals in Mr. Blunkett's first big speech as Home Secretary include: Sterner punishments for Britain's estimated 100,000 persistent offenders, with previous convictions to be taken into account for the first time. Violent and dangerous offenders to serve their full jail sentences instead of being freed two-thirds of the way through, and will be supervised for up to 10 years after release. Abolition of the early release scheme, to be replaced with so-called "custody plus" in which 40,000 lower level offenders, sentenced to 12 months or less, serve half their time inside and the rest on probation. A new community sentence to replace the bureaucracy of 12 different community orders, including the risk of prison if the offender breaches the terms even once. More cells - But former Home Office crime chief John Halliday said the plans would require an extra 9,500 extra prison places and place 80,000 more offenders under probation supervision. Mr. Halliday's report on the issue, also released on Thursday, estimates Mr. Blunkett's plans would cost up to £650m a year. But he predicted the measures could save up to £800 million a year by reducing the cost of crime. 'Positive' - The Howard League for Penal Reform's Tim Colbourne said the community service plans could be "a step in the right direction" but insisted there was no evidence that persistent offenders were deterred by the threat of prison. Probation officers had earlier warned that the plans would create "bang-up Britain", but assistant general secretary of the probation officers' union Napo, Harry Fletcher, welcomed Mr. Blunkett's speech. Mr. Fletcher said it was "the most positive from a Home Secretary for a decade". "It is the first time in 10 years that a Home Secretary has stressed the crucial importance of rehabilitation," he said.

From [Sky.com](#), 5 July 2001

BRUSSELS OFFERS GUIDELINES FOR PENSION REFORM – COMMISSION EASES GOVERNMENT BURDEN

Brussels is stepping into the social security reform process and, with a decision by the European Commission which is expected to be presented today, is trying to shape a framework of guidelines for the pension system in all EU countries. The European Commission guidelines will attempt to both incorporate the European social model while at the same time introducing all the necessary elements arising from the demographic, fiscal and developmental problems faced by Europe. EU member-states will be rated on this during the Greek presidency of the EU in 2003. In effect, Brussels is stepping in to support the efforts by governments to reform their pension systems. At the same time, it is confirming the difficulty involved in this. The EU is also indicating that the solution proposed cannot be one-sided but should be a synthesis that exploits a large number of measures that might at first glance look contradictory. The Commission's decision is the result of long consultations between its president, Romano Prodi, and Anna Diamantopoulou, the commissioner for employment and social affairs, and other members of the EU's executive body. It sets out 10 targets and conditions for the promotion of viable social security reforms: 1) A dignified quality of life for all elderly citizens. 2) Suitable pension reforms for handicapped and dependent persons. 3) The application of policies promoting employment, so as to achieve the greatest possible balance between pensioners and the employed. 4) Measures that will encourage early retirement while not burdening those who choose to continue working, even beyond the retirement age. 5) Keeping spending for pensions as a percentage of GDP that will be compatible with the development and stability pact which is aimed at maintaining the eurozone's macroeconomic stability. 6) Achieving a balance between the level of fund contributions and taxes which are paid by the economically-active part of the population and the level of pension payments. 7) The establishment of frameworks that will facilitate the introduction of private systems for investing contributions. 8) Achieving compatibility between pension systems and the demand for flexibility in the labor market and informal forms of employment. 9) Eradicating gender-based inequalities in current pension systems. 10) Simplifying pension systems so that they are more transparent and predictable.

From [eKathimerini.com](#), 3 July 2001

EUROPEAN ECONOMIC SUMMIT STARTS IN SALZBURG, AS PROTESTS ARE DIFFUSED BY KEY THEMATIC DISCUSSIONS

Salzburg, Austria--The World Economic Forum's European Economic Summit started here Sunday afternoon with a much fanfare and spirited discussions on key themes of globalization and economic development. These discussions, and the determined effort of the organizers to sustain amicable relationships with opponents of globalization pretty much ensured that protests outside the Congress Center--where the summit is being held--were generally peaceful. "Most of the people who come to demonstrate at meetings like ours represent important causes and issue--labor rights, inequality, the environment--the kinds of issues that we try to discuss at our summits," said Charles McLean, Director of Communications at the World Economic Forum. "We welcome dialogue

on topics like these," he added, "and we won't be intimidated by a small minority whose only aim is to cause violence and sidetrack a meaningful discussion." The discussions have in fact been quite meaningful and passionate. Sergei V. Kirienko, Presidential Plenipotentiary of the Volga Federal District, Russian Federation, contended that it was necessary to create a new European security system. There are three options, he said. First NATO could be dismantled and replaced by a new organization. Second, Russia could join NATO. And third, NATO could be left as is, while the US and Russia together create a new mechanism for the security of Europe. The three day summit which is the Forum's first "all European" meeting, is being held under the patronage of Austrian President, Thomas Klestil with the theme, "Europe on Diversity." Twice as many countries are represented at Salzburg this year as last. Some 660 participants from 44 countries, including 15 heads of state or prime ministers are participating in the summit. "Leaders in the region must work together to boost public support among citizens for European integration," President Alexander Kwasniewski of Poland, said at the opening plenary. Hungarian born financier George Soros, Chairman of Soros Fund Management, USA, and Co-Chair of the Summit, echoed the Polish leader's call. "It is important for countries in the region to address their past, as Belgrade has done with the recent extradition of former President Slobodan Milosevic to The Hague," he said. If nations of South-East Europe can achieve economic progress, Soros argued, they would then be able to resolve outstanding political issues. In candid and straightforward language, the Serbian political leaders Zoran Djindjic, said his country was dealing with the past with the extradition of Milosevic and was getting ready for the future. "We are trying to reform our private sector and strengthen the rule of law so foreign investors feel comfortable investing here," he said. Percy Barnevik, Chairman Investor, AB Sweden, and summit Co-Chair, told participants that the Baltics would become the fastest growing regions in Europe, a vital link between the East and the West. He stressed the importance of growing intra-regional trade. The investment climate is key to everything, he added, noting that improving the attractiveness of the region would prevent capital flight and encourage investors to introduce new technology and management methods.

From [Earth Times](#), by Preeti Dawra, 1 July 2001

McDOWELL WANTS MAJOR CHANGES TO LEGAL SYSTEM

The legal system is not working and is "simply unjust" in how it operates, the Attorney General has said. Speaking in a personal capacity at the 21st anniversary conference of the Legal Aid Board in Tralee on Saturday, Mr. Michael McDowell called on the legal establishment to reform itself and described its failure to do so as a "moral blot". While asserting that he did not wish to be "unduly controversial", Mr. McDowell also said that Irish lawyers were "too trigger-happy" in opting for litigation. If it was time for a forum on Europe, it might also be time for a forum on the legal and justice system. He criticised delays in having cases heard, the complexity of civil procedures and the obstacles which prevented people from having litigation resolved within a reasonable time. Reform, he said, should come from the legal profession collectively: from barristers, judges, solicitors, those in the Courts Service and all who worked at the "coal face" of the legal system. These were the people who best understood that the present system was leading to injustice. Reforms could not be expected to come from politicians and it was not the responsibility of the Department of Justice to take a lead. It was the legal world which "owed a duty to society" and was best equipped to carry out a review. Every victim of crime was entitled to have his or her case heard within a relatively short time, he said. "I don't see why it should be that 18 months should elapse between burglaries and conviction before a jury. I don't see why some people are now being remanded in the Central Criminal Court for periods of up to a year in custody. I don't see how that's right." Irish lawyers were "a bit too trigger-happy", Mr McDowell said. He advocated a closer look at alternative forms of dispute-resolution along the lines of procedures adopted in countries such as Australia and Canada. Availability of judges in the Four Courts was a serious problem, according to the Attorney General. After 11.30 a.m., he said, it was sometimes difficult to find a judge. There was a need for better case management and for putting an end to "trial by ambush", whereby cases finished within 10 minutes of entering court. Judge Peter Smithwick said that if the Attorney General wished to visit Dolphin House he would find judges sitting there until 7 p.m.

From [Irish Times](#), by Anne Lucey, 2 July 2001

ITALY TO TRY AND MEET IMF TARGET PM DEFICIT

Italy, faced with a deadline to contain its deficit at .8 percent of its gross domestic product, told International Monetary Fund officials it's working to meet that goal. Italian Economy Minister Giulio Tremonti met with a European IMF adviser, Max Watson, and outlined the new government's economic plan, focusing on structural reforms which the IMF wants Italy to enact to boost growth. The main points include reforming the pension system, limiting health care spending, and privatization. Tremonti sparked concern in Brussels earlier this month when he went on national television and said Italy's budget shortfall could be as much as 62 trillion lire (\$28 billion), nearly three times the deficit projected by the previous center-left government. If his numbers are right, Italy's deficit could rise to 2.6 percent of gross domestic product, well above the 0.8 percent target which Italy has agreed to with the European Union. The EU's economic and monetary affairs commissioner, Pedro Solbes, wrote Tremonti a letter Wednesday requesting additional information about the government's plan to meet its balanced budget targets by 2003, an EU spokesman said. The commission is still analyzing the Italian government's medium-term program, but the first reading indicates that the government will adhere to the stability pact objectives, which is a balanced budget by 2003, he said.

From [AP via New Jersey Online](#), 26 July 2001

CRUCIAL MONTHS AHEAD FOR THE GREEK ECONOMY

The Greek economy is at a delicate stage - the one where promises need to lead to action. It is this crucial stage which the government must go through and it must do it now. It is clear that entrepreneurial initiatives are now setting the pace for the economy as a whole, filling the vacuum created by the lack of substantial government measures. Alpha Bank's consultations for a strategic partnership with BNP Paribas, whether ultimately successful or not, show that developments are under way. The same message is conveyed by ongoing consultations over mergers and buyouts in other sectors. Enterprises seem ready to face the competition brought by the European common currency, even though they are making their moves in unfavorable conditions - which means there are bound to be failures. However, entrepreneurial initiatives alone are not sufficient to improve the economy's competitiveness. The large burden of the inefficient public sector, together with taxation and administrative obstacles do not allow fast progress. The government must adopt measures which will facilitate the transformation of the Greek economy, which is no simple matter. For a start, initiatives of this nature are not among those which the state machinery is in the habit of undertaking. And even more importantly, it is not used to keeping deadlines. The projects planned under the huge European Union-subsidized Community Support Framework (CSF) III investment program must be implemented in time and through procedures which do not lessen the necessary benefits accruing to the country. Privatizations must be meaningful and comprehensive, rather than timid and limited, designed only to bring fiscal developments under control. Public administration, one of the most negative factors, must solve citizens' problems instead of creating new ones. It is to be admitted that the government has been moving lately. Ministers seem to be speeding up decisions, hoping to form a consensus with employers and unions as a basic prerequisite for progress. However, there will be no substance in decisions merely designed to improve the government's tarnished public image, or to repair its flagging spirits. The real test in the next five months will be to spur the economy to move away from the climate of gloom prevailing in the global economy. It is quite clear that the government faces difficulties in dealing with the key issues. Even the partial and limited privatization schemes for some utilities elicits strong reactions. In taxation, the margin for impressive moves is narrow due to difficulties with the deficit. The flagging stock market is no longer an easy source of revenue in the form of a tax on transactions. And so the only way out is to resolve outstanding issues, such as the execution of delayed projects, the disbursement of CSF III funds, and the implementation of decisions making public agencies more independent. If the government fails to tackle the key issues, how can it hope to be able to make progress in small matters which are of direct concern?

From eKathimerini.com, by Seraphim Constantinidis, 26 July 2001

THE AMERICAS

INNOVATION KEY TO SUCCESS IN MODERN ECONOMY

I have been consulting in the corporate world for over 20 years. During that time, I have often heard the advice of those who claimed to know why some businesses fail and others succeed. Their constant mantra was location, location, location. Over the last few years, location seemed to lose its preeminence as a determinant of corporate success as the trend toward globalization created local neighborhoods of far-flung places. Technological advances and the widespread use of the Internet have made it possible to "phone home" from just about anywhere at just about anytime. Communication is now virtually instantaneous. As a result of this explosive growth in e-commerce and telecommunications, recent business forecasts called for expansions of "cottage industries." People are empowered to work just as easily and effectively from home in their PJs as they are in business attire from a corner office downtown. While some jobs clearly can be accomplished via the vast array of sophisticated telecommunication channels, there are those times when frequent personal contact or close physical proximity are necessary to achieve the greatest results from a business relationship. Just as students often choose a university because of its reputation or identity as a school offering specialized education or expertise, industries frequently select a corporate site because of the synergy nearby businesses can contribute toward their own success. For instance, New York has historically reigned as the center of the U.S. garment industry. If you wanted a piece of the action in the world of haute couture, your chances were far greater if your design house was located in the Big Apple. Internationally, the same could be said of the great cities of Paris and Milan. Another high profile case is the growth of computer hardware and software companies in California, spawning the birth of renowned Silicon Valley. Texas has enjoyed its share of high-tech business synergy: mini-silicons have sprung up in the Austin-Georgetown area and in Richardson's High-tech Corridor. Many other industries -- aircraft in Seattle, automobiles in Detroit, steel in Pittsburgh -- have congregated geographically, creating and reaping the benefits of shared industrial needs. In each case, location was a key strategic factor, especially concerning available skilled labor, access to capital, and business efficiencies such as economies of scale and cost effectiveness of operations. In the 21st century, however, does physical location really matter? Is space and place relevant in today's business world? The answer is an emphatic "yes!" Some of the international urban hot spots for doing business were recently recognized as Global Cities by Business Development Outlook. Each year, the trade publication lists top cities that have leveraged their physical locations, enhanced infrastructure systems, and expanded the advantages of their locales to make a global impact and attract linked industries. Cities are graded on population, airline passenger traffic, port traffic, international trade in dollars, ease of access to transportation, historical importance, tourism visitors, and the overall size of the area economy. Dallas made the Outlook's top 10 list, and Houston received honorable mention. Dallas' concentration of telecommunications companies, the highest in the United States, was cited as an important factor. The capabilities of both Dallas and Houston for trade with Mexico and other southern neighbors also influenced the decision makers. Historically, economic expansion has been related to the growth and development of cities; this progress, in turn, depended to a large degree on the cities' proximity and use of water transportation, and, much later,

of railroads, highways, and telephone lines. The success these cities achieved was closely related to the infrastructure that was crafted to accommodate and adapt to the evolving needs of the culture. The common denominator of the winners for this year is the ability to successfully integrate the new with the old. In other words, those cities with well-developed and updated traditional infrastructures are the ones that have more effectively adapted to the demands of our changing world. But it takes more to come out ahead nowadays. Established cyber optic networks, top-notch international airfields, broad-spectrum financial services, and an outstanding quality of life for employees are all contributing factors to achieve and maintain a place on the corporate world stage. In the future, cities will remain essential drivers of state, national, and international economic progress. Cities playing the starring roles will develop existing strengths and aggressively embrace technologies and applications that facilitate interconnectedness. The revised refrain for business success now adds innovation, innovation to location, location.

From [San Antonio Business Journal](#), by M. Ray Perryman, 9 July 2001

COMPLIANCE WITH NEW REGULATIONS COSTS MILLIONS

In an action that some industry experts say will be costly for the financial industry, federal regulators Monday will begin the task of checking financial firms to see if they are in compliance with the Gramm-Leach-Bliley Act, which requires financial firms to give their customers a choice on whether their personal information can be shared with outside companies. Financial companies have already spent more than \$400 million compiling privacy policies and identifying partners and third parties with whom they share data, according to Needham, Mass.-based TowerGroup. By the time state and federal regulators finish enforcing the rules and requesting changes to both business and IT processes at financial institutions, the cost of compliance could swell to "Y2k proportions" if an "opt-in" clause is adopted by Congress, according to Christine Pratt, a TowerGroup analyst. But beyond the rules set down by the new law, formally called the Financial Services Modernization Act, there is a push in Congress to amend the financial services legislation with a tougher set of rules. Moreover, the new federal law doesn't limit the ability of states to adopt their own, stricter rules. Such action by the states is critical to bankers, brokers and insurers since state laws could supersede the federal legislation and make it more difficult to adhere to disparate sets of laws. A patchwork of rules could cost individual companies millions of dollars for privacy databases and other measures and even more for revamping marketing plans. The Gramm-Leach-Bliley Act, passed by Congress last fall, was designed to break down the Depression-era barriers that have separated the business activities of banks, brokerages and insurance companies. From a privacy perspective, the legislation requires banks, credit unions, investment companies and other financial institutions to prove they meet stricter new federal rules limiting the ways they can share customer information with third parties. The act mandates that companies let customers opt out of having their personal financial information shared with other unaffiliated firms. "Consumers are starting to read these privacy notices, at least online, and making economic decisions based on what they see," said Patrick F. Sullivan, vice president of privacy and information policy at Waltham, Mass.-based security provider Guardent Inc. "If they don't like the policy, they're not going to spend their money there." In preparation for Friday's deadline, many large financial services firms spent tens of thousands of dollars over the past several months on customer mailings asking clients if they were willing to have their personal financial information shared with third parties. Regulators will now comb through the various mailings to determine if they were accurate in what they told customers, if they were clear in getting the message across and whether companies have set in place the systems to ensure customer information will be properly protected. Sullivan said one study showed the majority of notices mailed out were written at the reading comprehension level of a third-year college student, which may not satisfy federal regulations that the policies be publicized in "clear and conspicuous" language. But it's anybody's guess as to how many companies will be out of compliance. "I don't think anybody knows. I'd venture to say it's very likely there will be problems," said Oliver Ireland, a privacy lawyer at Morrison & Foerster LLP in Washington and an adviser to banks and other financial services firms on the use of customer information. But state laws may be another thing entirely. For example, Vermont already has tougher privacy laws than are required under the act. In addition, there's a push in Congress to strengthen the rules in governing information-sharing and privacy. Senate Commerce Committee Chairman Fritz Hollings (D-S.C.) is expected to refile a bill that would allow consumers to give their consent before financial services firms could share their personal information with third parties. Sen. Paul S. Sarbanes (D-Md.), chairman of the Senate Banking Committee, has also submitted a bill that would force financial services firms to give customers an opt-out option even when seeking to share their financial information with affiliated firms. Among other things, Sarbanes' bill, called the Financial Information Privacy Protection Act of 2001, would require an opt-in option for consumers when sharing some types of sensitive financial or medical information to either an affiliate or an unaffiliated third party. Opt in would be far more expensive, not only in that companies would have more information to protect, but also "you've got to start building your marketing lists all over again," Sullivan said. "Opt in would probably defeat one of the key reasons for [the Gramm-Leach-Bliley Act]," he continued, "which is to break down barriers between financial services institutions."

From CNN, by Lucas Mearian, 3 July 2001

COUNTDOWN TIME FOR REFORM

After years of trying to bury campaign finance reform with delaying tactics, Speaker Dennis Hastert has shifted course and started pressing for an almost immediate vote. The Shays-Meehan soft-money ban is now due to come up in the House tomorrow, leaving proponents only another day to round up support. Though the bill has passed twice in the House, the danger is that defection by only a couple of dozen lawmakers in each party could defeat it. That is why we again urge wavering Republicans and members of the Black and Hispanic Caucuses to stand by the cause for which they have voted, and pledged to vote, in the past. The coming vote on Shays-Meehan is to be preceded today by an action of the House Rules Committee that would send campaign finance

reform legislation directly to the House floor, along with various restrictions on how amendments may be offered. The Rules Committee needs to institute a fair and open process that has long been promised by Speaker Hastert and not throw up any last-minute parliamentary roadblocks or maneuvers. Any changes that are needed by supporters of campaign reform to refine the bill's provisions and secure broad support in the House should be allowed a vote on the House floor. The objective of Representatives Christopher Shays and Martin Meehan is to keep the bipartisan coalition for this bill together without diluting its reform provisions. The most crucial decision now is the one that confronts Republican backers of reform as well as Hispanic lawmakers and members of the Congressional Black Caucus. Some of these lawmakers are now openly admitting that they voted for campaign finance reform in the past only because they knew it would fail in the Senate. Their calculations changed in April, when the Senate finally approved the McCain-Feingold bill. If Shays-Meehan can be passed this week with the necessary minor revisions, the chances of its being approved by the Senate and sent to President Bush are good. Mr. Bush has told Republican Congressional leaders not to expect a veto. Republican members are under tremendous pressure this week from Mr. Hastert and his enforcer and chief fundraiser, Tom DeLay, to block the Shays-Meehan bill. It would ban open-ended party fund-raising from corporations, unions and rich donors and place restrictions on use of such money for television ads by independent groups. The 43 Republicans who supported the bill before should not back away now. Among them are Nancy Johnson of Connecticut; Frank LoBiondo, Jim Saxton, Marge Roukema and Rodney Frelinghuysen of New Jersey; and Sue Kelly, Ben Gilman, Sherwood Boehlert, John McHugh, James Walsh, Jack Quinn and Amo Houghton of New York. We also urge the Republican freshmen Rob Simmons of Connecticut, Mike Ferguson of New Jersey and Felix Grucci of New York to stand up for campaign reform. Among the black and Hispanic lawmakers, there is a concern that soft money is needed to carry out voter registration and get-out-the-vote activities by the parties. But as Representative Harold Ford of Tennessee noted yesterday, the Shays-Meehan bill would not apply to fund-raising by independent groups like the N.A.A.C.P. and labor unions for their grass-roots turnout efforts. The House's Democratic Campaign Committee spends only 4 percent of its funds on turnout activities, he noted, and a significant portion of that money would still be allowed under the new law. Blacks should be sensitive to Mr. Ford's assertion that the Shays-Meehan bill "will help to diminish the influence of special interests" that have prevented enactment of health care reform, a higher minimum wage, safe workplaces and a clean environment. In the New York region, Representative Charles Rangel of Harlem, the dean of the Black Caucus, and the Hispanic Caucus member Robert Menendez of New Jersey are advocates of campaign reform. Their leadership should be followed by the minority caucus members Donald Payne of New Jersey, and Gregory Meeks, Edolphus Towns, Major Owens, Jose Serrano and Nydia Velazquez of New York. They need to stand up for the sake of their own constituents and persuade their colleagues that a defeat for campaign reform is a victory not for them but for Mr. DeLay and the Republican leaders. The ideals and self-interest of these members should be obvious. Their constituents will be watching.

From the New York Times, 11 July 2001

REFORM GROUP PUSHES FINANCE BILL

Hoping to step up pressure on U.S. House Speaker Dennis Hastert, R-Yorkville, the president of Common Cause Thursday came to Chicago to urge a quick vote on the Shays-Meehan campaign finance bill. "We're trying to make the point that we're not going away," said Scott Harshbarger, whose political reform lobbying group has become a leading advocate of plans to ban so-called soft money from American politics. "For those who claim to be for reform, this is showtime." The Senate, under the sponsorship of Sen. John McCain, R-Ariz., has approved a bill backed by Common Cause. But a parallel House bill stalled last week after both sides were unable to agree on terms for a vote on proposed amendments. Advocates are now urging House members to sign a discharge petition. If a majority of members do so, Mr. Hastert would have to call the matter for a vote, likely in September. Mr. Harshbarger said he is "cautiously optimistic" that will happen, but indicated the group is particularly focusing lobbying efforts on the Illinois swing votes of Reps. Mark Kirk, R-Wilmette, and Danny Davis, D-Chicago. A spokesman for Mr. Hastert said advocates "already had an opportunity to pass the bill, but they turned on themselves." Under current law, unlimited amounts of soft money can be donated for political party-building activities and attacks on opponents. The size of hard money contributions to specific candidates is sharply restricted.

From ChicagoBusiness.com, by [Greg Hinz](#), July 27 2001

GLOBAL

RASH GLOBALIZATION CAN TEAR THE SOCIAL FABRIC

Globalization brings great benefits to countries but it can also unleash much havoc on the poor. It is volatile and risky. How do countries reap the immense benefits yet manage the risks? This was the subject of a talk by Professor Joseph Stiglitz at the Development Bank of the Philippines last July 3. At very short notice economists filled an entire hall, and students rushed to get his autographs on their textbooks. Stiglitz is a celebrity among economists around the world, as his papers crisscross many fields of the discipline. Stiglitz of Stanford University was the former Chief Economist of the World Bank and he has often clashed with the International Monetary Fund. He is a director of the Initiative for Policy Dialogue. This article will focus on how globalization can often threaten a nation's social fabric. **Liberalized trade** - Globalization involves liberalizing trade, foreign direct investment and capital markets. It is also associated with the freer flow of knowledge, a good now available to the global public. Globalization is already here, as no country really stands alone. There is always some degree of economic integration. "Globalization in some sense is inevitable," says Stiglitz. He adds that managing globalization is the responsibility of the state. Over the past 50 years, some

countries have been very successful in reaping the gains of greater integration with the world economy. Many of them are in East Asia. For example, South Korea's per capita income rose by eight folds over the level seen 35 years ago. Such countries have grown largely because of integration via exports and foreign direct investments. They managed to get the benefits of globalization without the downside of the risks.

From [Philippine Daily Inquirer](#), by Dennis M. Arroyo, 9 July 2001

WEF PRESIDENT SAYS UNITY WILL BE THEME OF DAVOS 2002

The founder and president of the World Economic Forum (WEF), Klaus Schwab, has said that "Coping Together With Fragility" is to be the theme of the World Economic Forum's annual meeting in Davos next year. Swiss Radio International (SRI) reported Saturday that Schwab was speaking at Zurich's Federal Institute of Technology where he intended to give a speech on globalization and social responsibility. Surrounded by bodyguards and heavy police security, Schwab and his World Economic Forum seem to attract controversy wherever they go, according to the report. There was violence at the Forum's recent European summit in Salzburg and its annual meeting in Davos in recent years has attracted plenty of attention for the regular clashes between police and protesters. Along with the European Union, the G-7 and the World Bank, the Forum has become the focus for those who criticize globalization for widening the gulf between the haves and the have-nots. Schwab remains a fierce defender of globalization and argues that it has lifted millions of people, if not billions, out of poverty. But he admits that the pace of change raises concerns. He Said: "Globalization is a revolution happening at tremendous speed and it requires a readiness for change that creates anxiety for many people. The world has become very complex and for many globalization is a scapegoat." SRI reported that the Swiss government faced much criticism earlier this year for turning Davos into a fortress for the Forum's meeting and banning protests in the resort. The theme for Davos 2001 was "Bridging The Divides," which the Forum said was an attempt to address some of globalization's pitfalls.

From [Peoples Daily Online](#), 8 July 2001

GLOBAL FOOD SAFETY RULES NEEDED, SAYS HEAD OF WORLD HEALTH ORGANIZATION

Geneva - The world needs new food safety rules because increased global food trade means health problems can spread rapidly from country to country, the head of the U.N. health agency said Monday. "The globalization of the world's food supply means the globalization of public health concerns," Gro Harlem Brundtland, director-general of the World Health Organization, told an international food standards commission. "It is more and more difficult to solve food safety problems in one country without international collaboration," Brundtland told the Codex Alimentarius Commission, a joint body of WHO and the U.N. Food and Agricultural Organization, which began a weeklong meeting here Monday. The 165-nation commission, which meets every two years, is considering guidelines on bacteria control, pesticide levels in food, and biotech safety. Consumer food safety fears, particularly in Europe, have been fueled by a series of crises over the past decade. Concerns over the safety of meat have grown because of bovine spongiform encephalopathy, or mad cow disease, which affects cattle. The disease, which has not been found in the United States, is believed to have been caused by contaminated feed prepared from animal carcasses. A human form of the lethal brain disease, called new variant Creutzfeldt-Jakob disease, has claimed victims in Britain and other European countries. There have also been worries over cancer-causing dioxins and salmonella contamination in eggs and dairy products. But Brundtland said high-profile outbreaks were only part of the problem. Around one-third of the population of industrialized countries suffer from a food-borne disease every year, she said. Of course, food safety is not just a concern for rich countries. "Around two million children die every year from diarrhea in developing countries because of bad food and water," she said. Few developing countries have food safety systems, she said. But more of them were trading with industrialized nations, so it is in their interest to adopt safety measures to protect both their own population and the populations of their trading partners.

From [digitalMASS](#), by Jonathan Fowler, 2 July 2001

IMF, WORLD BANK MOVE MEETING SITE

The World Bank and the International Monetary Fund will break a 20-year tradition and move meetings from a Woodley Park hotel to their headquarters buildings in downtown Washington because of anti-globalization protests planned for this year's annual sessions. The decision to hold all meetings in the downtown area came after consultation with D.C. police and federal officials, who expressed concern about demonstrations in the quaint Washington neighborhood that is home to the Swiss Embassy, gourmet restaurants and the National Zoo. "The World Bank and the IMF have decided to hold their 2001 annual meetings in and around the bank and fund buildings, rather than in a residential area," said Caroline Anstey, chief spokeswoman for the World Bank. "We regard this as a common-sense precaution, to ensure business as usual for people attending the meetings and to make life easier for the local community." The World Bank and the IMF have held plenary sessions of their annual meetings at the Marriott Wardman Park Hotel on Woodley Road NW for 20 years. The annual meetings, which will run from the end of September through the first days of October, will draw more than 7,000 finance ministers, economic policymakers and private bankers from the 183 nations that are members of the two world bodies. Protesters, who say that policies of the two organizations lead to poverty in developing countries and to environmental harm, are expected to number 30,000 to 40,000, police say. The session that was moved downtown involves a meeting of the boards of governors of the IMF and the World Bank, the institutions' governing bodies, which consist of representatives from each member country. Officials said moving the site of the session does not affect the agenda of the meetings. Residents breathed a sigh of relief at the news. "We're delighted," said Martin Murray, of the Woodley Park Community Association,

adding that neighbors had lately been having nightmare visions of tear gas and mass arrests. "We're hoping that this will mean that the protest will be focused outside of Woodley Park." Spray-paint graffiti reading "www.abolishthebank.org" had recently shown up on some sidewalks, and many residents had feared more of the same, Murray said. "People were starting to think, 'Oh Lord, this is the beginning of a long, hot summer,'" said Murray, president of the 300-member neighborhood association. Cmdr. Michael Radzilowski, head of the D.C. police special operations division, said the possibility of moving the session out of Woodley Park came up during a meeting of local and federal law enforcement officials about two weeks ago. He said police also will benefit from the move because they will have to provide protection for only one area instead of two. "Any type of large-scale protest in that area will make their lives miserable," he said, referring to residents. Tony Fratto, a spokesman for the U.S. Treasury, added, "Everybody felt it made sense to try to alleviate pressure in that area." But organizers with the Mobilization for Global Justice, one of the main coalitions coordinating the fall protests, said residents still may see demonstrators in the neighborhood if a large number of officials from the two organizations stay at the hotel. "Wherever the World Bank and IMF is meeting or staying is still a legitimate protest target," said a coalition member. Other protesters saw the move as an early sign of victory. "It just makes our sentiments all the more true," said Jennifer Carr, a Mobilization organizer. "They feel they need to run away from us. Their credibility is on the line, not our protests." The decision to change locations does not affect protesters' plans, organizers said, since many of the details are being ironed out. Police have said they are beefing up their forces by recruiting extra officers from cities and counties near and far. Authorities said the extra help is needed to handle what they expect to be the greatest number of protesters in Washington since the Vietnam War. The last time D.C. police confronted a substantial number of anti-globalization protesters was during the World Bank and IMF spring meetings in April 2000. Police were praised by law enforcement officials for their handling of the demonstrations, although some protesters complained of brutality and of grim jail conditions. Since then, D.C. police officials, who contained that demonstration to several square blocks downtown, have visited other cities that were sites of anti-globalization protests. Some of their tactics have been adopted by police in other cities. The only other city to host an annual meeting was Prague last year. Every third year the meetings are held in another country. Prague protesters fought with police and disrupted social aspects of the meetings, although necessary business was completed by both groups.

From [Washington Post](#), by Manny Fernandez and Paul Blustein, 11 July 2001

ANTI-GLOBALIZATION EFFORT SCORES POINTS; PROTESTERS' INFLUENCE GROWS DESPITE VIOLENCE

From Genoa, Italy, to the Bay Area, these are heady yet bewildering times for the growing throngs of people who are taking to the streets to denounce free trade. Last weekend's Group of Eight summit was yet more proof that the anti-globalization movement has become the biggest left-of-center force for social protest in decades. But many worry that the movement's newfound influence could be jeopardized by the hooligans who turned Genoa and other protest venues into battlegrounds. Those thoughts were going through Kevin Danaher's mind as he wandered past block after block of burned cars and gutted buildings in Genoa. "I've never seen anything like this," said Danaher, co-founder of Global Exchange, a San Francisco human rights group that has been a key organizer in the anti-globalization movement. Speaking by telephone, he added: "The violence by police and by a minority of protesters have managed to wipe our issues off the table." "We've advanced to the point where we have to show people that (reform) can be done without disorder," Danaher said. Despite the chaos, some global leaders -- including French President Jacques Chirac and United Nations Secretary-General Kofi Annan -- have partially endorsed the protesters' demands that trade be linked to human rights and the environment and that poor nations' foreign debt be forgiven. But Chirac said he and his G-8 counterparts were "traumatized" by the Genoa violence, which left one protester dead, more than 400 people injured and roughly \$45 million in damages. The anti-globalization movement's growing influence can also be seen on Capitol Hill, where Republicans this week are fighting an uphill battle to renew "fast track" authority, which would enable President Bush to negotiate international trade pacts and force Congress to vote on them without amendments. Bush needs fast track to persuade foreign leaders to make concessions in talks at the World Trade Organization and negotiations to expand the North American Free Trade Agreement to the entire Western Hemisphere. Both initiatives are stalled because of numerous commercial disputes. The change in attitudes is personified by Rep. Robert Matsui, D-Sacramento, a staunch free trader who now opposes the Bush fast-track plan. "I don't agree with the protesters in Genoa, but there are fundamental problems we need to resolve about free trade," Matsui said. "For example, what kind of controls are we going to allow about food safety, like on beef hormones or genetically altered food? Or if the Europeans turn down American companies' mergers and acquisitions, should that be part of trade discussions? These are legitimate issues that this White House hasn't even begun to think or talk about." Like Matsui, many free-trade advocates now say that protections for labor rights and the environment must be included in trade pacts. Many business and farm groups also oppose low-price competition brought by such pacts and express fears that U.S. laws -- ranging from anti-dumping tariffs to health regulations and agricultural subsidies -- could be successfully challenged by other nations as trade barriers. "What's interesting is the array of people who now are working for common ground," said Rep. Nancy Pelosi, D-San Francisco. "There's a realization that the environment and workers' rights are directly related to trade and must be at the core of any new agreements." The switch among congressional free traders began at the World Trade Organization's summit in Seattle in 1999, which collapsed amid the same sort of huge, chaotic demonstrations as occurred in Genoa. After Seattle came protests at annual meetings of the World Bank and International Monetary Fund in Washington, the Republican convention in Philadelphia, the Democratic convention in Los Angeles, the Americas summit in Quebec and a half-dozen events in Europe. Protesters say their next target comes in late September, when the World Bank and IMF hold another meeting in Washington. "We're at a very volatile moment of large policy debates fought under the cloud of increasingly loud protests, and opinions are starting to shift and break loose from old habits in all sorts of surprising ways," said Daniel Seligman, trade policy director of the Sierra Club, which has been a key organizer of anti-globalization protests.

Referring to the coming fast-track vote, Seligman added: "People who were staunch free traders are now promising to vote against a trade bill for the first time in their careers." Even some business leaders say it's time to compromise. "What's happened in Genoa has terrible relevance," said Joseph Harrison, president of the California Council for International Trade, a corporate lobbying group. "When we get to another conference here (in the United States), the protesters will be front and center and ready for battle, like Seattle and Quebec. In the halls of government, people have come to realize these are important issues." All this would be great, from the activists' point of view, except for those pesky radicals who keep muddying the message. Frustrated, many in the movement are espousing the once-heretical view that a little law and order isn't so bad. "We have to figure out ways of disciplining the movement," Danaher said. "If we don't police ourselves, the police will do it for us." Others see such attitudes as a sell-out to the establishment. At a certain point, when you see your friends beaten and tear gassed, you decide not to turn the other cheek or back down from the police when they get violent," said David Solnit, a leading Bay Area activist who was expelled from Canada when he tried to join anti-NAFTA protests -- apparently because he was on an international police watch list. Solnit is a puppeteer with Art and Revolution, a San Francisco group that has provided the oversize puppets that have adorned the protests since Seattle. "A lot of us view (the police violence) in Genoa as being similar to the way governments of the North have been treating people of the global South . . . or what police do here in Bay Area with people of color, acting like an occupying army," Solnit said. Seligman and other mainstream activists say that's bunk. "The protest movement has to either evolve or die," Seligman said. "We had been moving in the direction of making a pragmatic list of demands before the craziness in Genoa, and what happened there will only confirm that trend."

From [San Francisco Chronicle](#), by [Robert Collier, Chronicle Staff Writer](#), 25 July 2001

Governance Systems and Institutions

AFRICA

ANC SLAMS CORRUPTION (AGAIN)

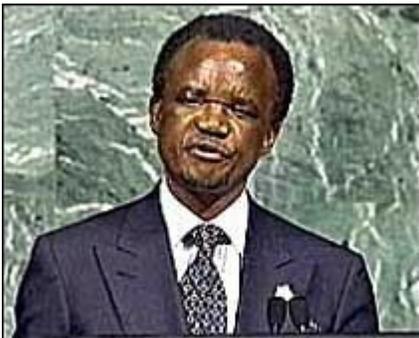
The African National Congress has taken a strong stand against its members who regard their positions as a source of material wealth for themselves - It says its elected leaders should not only be free of corruption, but should also actively fight against corruption. This tough position on leadership within the party was taken in an ANC national working committee discussion document, entitled *Through the Eye of a Needle? Choosing the Best Cadres to Lead Transformation*. This is a reference to the biblical injunction that it's easier for a camel to pass through the eye of a needle than for a rich man to enter the Kingdom of Heaven. It comes at a time when there is increasing concern within ANC ranks about people using their positions to enrich themselves and being used as facilitators to secure government contracts for businesses. The document - which doesn't name its authors - does not refer to any specific event, but says its leaders should 'represent the motive forces of struggle. 'To become an ANC leader is not an entitlement. It should not be an easy process attached merely to status. It should be informed first and foremost by the desire and commitment to serve the people, and a track record appreciated by ANC members and communities alike. 'Through force of example, he should act as a role model to ANC members and non-members alike. Leading a life that reflects commitment to the strategic goals of the NDR [national democratic revolution] includes not only being free of corrupt practices; it also means actively fighting against corruption.' Some individuals compete for positions in the government to assume positions of authority and 'many such members view positions in the government as a source of material riches for themselves. Thus resources, prestige and authority of government positions become the driving force in competition for leadership positions in the ANC.' The document continues that government positions go hand-in-hand with the possibility of giving contracts to commercial companies. 'Some of these companies identify ANC members that they can promote in ANC structures and into government, so that they can get contracts by hook or by crook.' Leadership also opens up the possibility of appointing individuals 'in all kinds of capacities. As such, some members make promises to friends that once elected and ensconced in the government, they would return the favour. Cliques and factions then emerge within the movement, around personal loyalties driven by corrupt intentions.' Every member of the ANC has the right to vote for and be elected into leadership positions, but then they have an obligation to understand and pursue the objectives of the ANC. Nomination and canvassing has to be done openly, within the constitutional structures of the party, 'but outside these structures it becomes dangerous and unacceptable lobbying. It concludes by saying: 'We should strive all the time to ensure that our leaders are indeed made of sterner revolutionary stuff.'

From The Mail&Guardian, 9 July 2001

ZAMBIAN CORRUPTION WITNESS KILLED

A prominent Zambian politician who was due to give evidence in a corruption investigation against three government ministers has been murdered. Paul Tembo, 41, was shot once in the head by killers who stormed into his home on Friday - just hours before he was due to start giving evidence, his lawyers said. Tembo's lawyer, Mutembo Nchito, said: "Three killers forced their way into the compound, roughed up Paul, led him to his bed, made him lie on it and then shot him in the back of his head. They made his wife watch." The corruption case is investigating allegations that Finance Minister Katele Kalumba, Home Affairs Minister Peter Machungwa and Works and Supply Minister Godden Mandandi illegally used \$625,000 of state money to finance a ruling party convention held April 27 to May 2. Nchito told CNN: "It looks like a political killing."

"The only special thing about today was Paul was due to give evidence in a very key tribunal that affects key cabinet ministers in the government of President Chiluba," Nchito added. He said the government had issued a statement saying there does not appear to be a linkage to his Tembo's murder and politics. Sakwiba Sikota, another lawyer for Tembo, told the Associated Press news agency: "Tembo had a wealth of information which was going to guarantee that a good number of powerful people in the (ruling party) would be locked away in jail for their corruption and other thefts." Tembo quit the ruling Movement for Multiparty Democracy (MMD) last month -- after he lost elections to be the party's vice-president by one vote -- and joined a new opposition party, the Forum for Development and Democracy (FDD). He was instrumental in the campaign for a constitutional amendment that would have allowed President Frederick Chiluba to run for a third five-year presidential term. Tembo headed Chiluba's re-election campaign in 1996 but accused him of having rigged the party's internal elections to prevent him from being vice-president. The FDD, which has emerged as the most serious challenge to Chiluba's MMD at presidential and general elections due this year, immediately blamed state agents for Tembo's assassination. A senior FDD official told



Tembo was the former campaign manager of President Chiluba, pictured

Reuters: "This can only be the work of those who felt threatened at the evidence Tembo was due to give at the tribunal and those threatened by his mobilisation skills in getting the MMD out of power this year." Paul Tembo is survived by his wife and five children.

From CNN, 6 July 2001

ZAMBIA: CORRUPTION LEVELS WORRY AUDITOR GENERAL, ACC

Lusaka: Excessive discretionary powers have contributed to the rise of corruption in Zambia, observed Auditor General Fred Siame yesterday. Addressing participants to an AFRONET organised workshop on Civil Society Lobby Against Corruption at Lusaka's Pamodzi Hotel, Siame said there was a tendency by some top government officials to override regulations and render the systems unaccountable. "Once you begin departing from regulations and start doing things quickly, you begin sliding into corruption," Siame warned. "This can be a factor because transparency and accountability are not there." Siame said there were some incidents of corruption in the government that went without being reflected in the Auditor General's report due to lack of adequate evidence. He explained that the reports of the Auditor General had pointed out glaring irregularities such as officials awarding contracts to companies that they have vested interests in. Siame cited examples of irregularities, among others, in procurement of goods and services such as school desks, blankets and medicines without the prior authority of the Tender Board. "In certain cases Tender Board authority is sought after tenders have already been awarded. There are instances also where one company is awarded tenders to manufacture, distribute and maintain various categories of goods and services ranging from school desks to road rehabilitation," he explained. Siame bemoaned lack of follow-up action to discipline the erring officers even after the reports are submitted to the management responsible and "to Parliament as the representatives of the taxpayer". "Parliament prescribes the remedial action to be undertaken but unfortunately in some cases, the recommendations are not implemented. Part of the reason for failure to take corrective action is that the offending officials derive benefits through irregularities that are being perpetuated," he said. Siame further proposed that penalties for offenders needed constant review and made stiffer so that the law could work as a deterrent to other would be offenders. "The successful prosecution of senior officials who have been charged with corruption will go a long way in changing the perception that senior officials or big fish easily lay off the charges and only the small fish are fried," said Siame. Director of Operations at the Anti-Corruption Commission (ACC), Bradford Malumbe, noted that levels of corruption in Zambia had reached alarming levels with the commission "receiving reports of billions of kwacha being misapplied everyday". He said it was the duty of every Zambian to ensure that those involved in corrupt practices were exposed. "Let's demand integrity in the public service," he said. Find more Post of Zambia stories [here](#).

From The Post of Zambia, by Reuben Phiri, 26 July 2001

ASIAPACIFIC

A NEW STYLE OF GOVERNANCE IN JAPAN

Last week Japan's fiery foreign minister, Makiko Tanaka, the country's first woman foreign minister, and the daughter of a former prime minister, visited Washington. Ostensibly the visit was to prepare for the official visit of her Prime Minister Junichiro Koizumi, on June 30th. It was also her opportunity to get acquainted with the Bush administration, from the president himself, through his Secretary of State Colin Powell, his Vice President Dick Cheney and his security adviser Condoleezza Rice. Ms. Tanaka, as is her style, was clear about issues. She says that she can understand the Bush administration's interest in developing an antimissile defense but she does not endorse it. She would also like to see fewer US troops on Okinawa, considering the distressing incidents between US military and local citizens. And Japan supports the Kyoto protocol on global warming despite US opposition to it. Ms. Tanaka has been labeled Japan's "least diplomatic diplomat." But apparently that is just fine with the electorate. She enjoys 87 percent oversee popular support, with 91 percent support among women, and 96 percent among young women. Apparently, the women voters in Japan are tired of the old order of ministers who were described by a professor of political science as "docile, old and male." She also suits the attractive new prime minister. Taking a leaf from the pages of political history in the aftermath of the American depression, when Franklin Delano Roosevelt wooed the electorate through his "fireside chats" on radio which spelled out the country's problems, explained what he was going to do and why he was doing it, Koizumi is bringing government to the people. He has launched a weekly newsletter, on e-mail, to the electorate - perhaps with the hopes of making stringent and necessary reforms, more palatable. When the prime minister first launched his newsletter, over 750,000 citizens logged on to receive a copy. Since the first edition, another 250,000 have signed on. With Koizumi and Tanaka in tandem, the old order of the private "old boys club" running the country seems to be fading. Tanaka especially has drawn a lot of opposition from oldtimers with her hands-on approach to the foreign ministry. In the past, it was the bureaucracy that controlled the departments. Ministers came and went with little fanfare and scant popularity. But times have changed. Ms. Tanaka has insisted on a review of policies and launched studies of others, to the dismay of the bureaucracy. She may be Japan's most undiplomatic but she is a hit with the public, and especially the women of Japan.

From [Manila Bulletin](#), 2 July 2001

JIANG PLEDGES TO FIGHT CORRUPTION

The Chinese President, Mr Jiang Zemin, yesterday pledged to fight corruption and to throw open party membership to the new rich

in a speech marking the Communist Party's 80th birthday. Reflecting the growing public concern at graft among high-ranking Party members, Mr. Jiang promised that every corrupt act and every corrupt element would be "thoroughly investigated without pause and without tolerance". Stressing that members of the world's largest Communist Party must be as accountable as public servants, he said: "The party must not be a haven for corrupt elements." During his two-hour speech delivered in the Great Hall of the People and broadcast live on state television as part of an 18-hour celebration, Mr. Jiang trumpeted the party's achievements in revolutionary warfare and in post-1980s economic development. He said "no person or force" could stop China's reunification with Taiwan, the unfinished business of the civil war the Communists won in 1949. The President gave a strong hint that the ban on private business owners becoming members of the Communist Party may be lifted. He said two decades of economic reform had raised living standards, created an economy of varied forms of ownership and generated disparate levels of wealth. He said wealth cannot be used as a standard for whether the wealthy person is politically progressive or backward. "What is important is the state of political ideology, how wealth was obtained, and how it is managed and utilised and what contribution has been made to socialist modernisation," he said. Mr. Jiang devoted a large section of his address to his "Three Represents" theory of advanced productive forces, advanced culture and appeal to a wider sector of the population. Official statistics show that the Communist Party has 64.5 million members, 49 per cent of which are workers and peasants. He said economic and technological change in China "did not change the importance of the working class". President Jiang is expected to intensify the focus on broadening the party's support base and policing itself to fight corruption in the 15 months leading up to the 16th Communist Party Congress due to take place in autumn next year. The President and other top leaders are expected to step down at the congress to make way for the "fourth generation" of communist leaders following the eras of Mao, Deng Xiaoping, and Mr. Jiang.

From Irish Times, by Miriam Donohoe, 2 July 2001

BUREAUCRATS HAVE CLEAN IMAGE: SURVEY

Japan has improved its score in an international yardstick which measures the extent to which public officials and politicians are perceived to be clean or corrupt, according to a survey released Wednesday. Transparency International, a non-governmental organization addressing issues of corruption with its main offices in London and Berlin, said Finland is perceived as the cleanest politically in the world and Bangladesh the most corrupt.

From [Japan Today](#), 28 June 2001

ASSEMBLY PASSES ANTI-CORRUPTION BILL

The National Assembly passed the Anti Corruption Bill submitted by the Millennium Democratic Party Thursday, after more than five years of discussions. It is expected to go into effect from January 2002 following presidential approval. The law allows for the creation of an Anti Corruption Commission under the Presidential Office, the protection of whistle-blowers, the people's right to ask for an audit and inspection, rewards for reporting corrupt activity and sanctions against officials fired for corruption. According to the law anybody finding evidence of corruption can report it to the commission, while government officials are mandated to notify it of illegal acts immediately. People within government organizations reporting corruption will be protected from any discriminatory action in the workplace, though those making false reports face up to ten years imprisonment. Officials fired for corruption will be banned from working in any similar posts for five years.

From [Digital Chosun](#), by Kim Chang-kyun, ck-kim@chosun.com, 28 June 2001

SINGAPORE IS LEAST CORRUPT ASIAN COUNTRY: SURVEY

Singapore is the least corrupt country in Asia, according to the 2001 Corruption Index issued by Transparency International. In its annual survey, the non-governmental organisation rated 91 countries on a scale of one to 10. Finland took top spot with 9.9 points out of a possible ten, followed by Denmark and New Zealand. Singapore tied with Iceland for fourth place. A high score indicates very low levels of perceived corruption. At the other end of the scale, Bangladesh was rated the most corrupt of the countries surveyed. The surveys reflect the perceptions of business people, academics and country analysts.

Transparency International's Corruption Index

1. Finland 9.9
2. Denmark 9.5
3. New Zealand 9.4
4. Iceland 9.2
4. Singapore 9.2
6. Sweden 9.0
7. Canada 8.9
8. Netherlands 8.8
9. Luxembourg 8.7
10. Norway 8.6
14. Hong Kong
21. Japan
27. Taiwan

From [channelnewsasia.com](#), by Seah Su Lyn, 28 June 2001

WHAT, ME WORRY? PERU'S FUGITIVE EX-PRESIDENT ALBERTO FUJIMORI IS LIVING IT UP IN JAPAN – WITH A LITTLE HELP FROM HIS FRIENDS

Ten years ago, early in his first term as President of Peru, Alberto Fujimori visited Japan, the birthplace of his parents. "Although I



Stuart Isett for TIME.

Peru's fugitive ex-President Alberto Fujimori in Tokyo.

am Peruvian," he told his Japanese hosts, "I feel a tremendous emotion setting foot on Japanese soil again, the soil of my roots." Today the emotion the fugitive leader and recently minted Japanese citizen is feeling no doubt verges on profound relief. Since the arrest this month of Fujimori's onetime spy chief Vladimiro Montesinos Torres there has been increased pressure on Japan to extradite Fujimori to answer charges of widespread corruption during his decade-long rule. But the deposed former strongman is finding Tokyo a most hospitable place to hide out. A loosely knit cadre of well-heeled conservative backers—the Society to Support Fujimori—has raised almost \$1 million this year to subsidize his life in exile, setting him up in offices in the political hub of Tokyo and housing him in a series of comfy and expensive hotels and homes. They say none of Montesinos' allegedly ill-gotten gains ever reached him. "If he had any money, he wouldn't have to live the way he does," says writer Ayako Sono, who sheltered Fujimori in the early months after his November arrival. Tell that to

the Peruvians. Fujimori's ex-wife Susana Higuchi, whom he divorced and publicly smeared in 1994 when she accused the administration of financial shenanigans, told a congressional committee in Peru last week that in 1990 Fujimori siphoned off a \$12 million donation from Japanese citizens, intended for poor children, and deposited the money into his personal bank account. Over the years there were accusations, all unproven and denied by Fujimori, that several nongovernmental organizations were being used as a cover to funnel money to the President. One of these groups, Apenkai, is currently under investigation by Peru's anticorruption court. Still, the chance of Fujimori's facing charges in Peru is about nil. Since his arrival, Japan has maintained that because Fujimori's parents legally registered their son's birth in their hometown, through the Japanese embassy in Peru, Peru's most wanted man is Japan's favorite son. "No matter how evil a person may be," says Noriteru Fukushima, director of the Japanese Foreign Ministry's Latin America division, "it is simply against our laws to extradite a Japanese citizen." His born-again nationality is in large part what has turned Fujimori into a cause célèbre among some of Japan's conservative political elite. In February he was a featured guest at a dinner with 13 Diet members from three political parties and right-wing Tokyo Governor Shintaro Ishihara. Japanese newspapers report that Ishihara has let Fujimori use his office. Wealthy Diet member Torao Tokuda, a leading light in the Society to Support Fujimori, has helped raise money for the ex-President. Koki Ishii, another Diet member who attended the heavyweight dinner, says: "It is not a long time since I got to know him, but Mr. Fujimori is a man of honest poverty. I strongly believe he had no unlawful wealth." Why does Fujimori generate such support? Tokuda, a flashy millionaire doctor who owns 50 hospitals and 125 clinics, insists it is born of admiration for what he accomplished in Peru. "He rebuilt the economy, decreased terrorism and, with aid from Japan, really helped a lot of poor people," he says. And that aid from Japan was sizable during Fujimori's tenure. Japanese government largesse to Peru from 1995 to 2000 totaled \$528 million; low-interest loans from 1991 to 2000 amounted to \$2.7 billion. That's not counting millions more in charitable donations. Sono, the writer, chairs the Nippon Foundation, a private charity with right-wing roots that raised funds to build 50 schools in Peru. She visited the country twice during Fujimori's presidency, flying on the presidential plane to visit some of the schools. Restaurant owner and philanthropist Machiko Yamakami raised some \$80,000 to aid schools and other causes. "It is a complex issue," said Ichiji Ishii, a member of Japan's parliament who has lent Fujimori office space. "But we feel we should allow men like Fujimori some pride." Sentiment against extradition seems strong for now, but some Japanese are openly skeptical of Fujimori's record. "Don't be too sympathetic to this guy," read a headline in the mainstream Mainichi newspaper in December. Even if Japan can avoid an international controversy like the one surrounding the attempted extradition of Chilean dictator Augusto Pinochet, Fujimori may not be home free. Says the Foreign Ministry's Fukushima: "If our citizens commit heinous crimes, even on foreign soil, then we will deal with them in our own judicial system."

From Time Asia, by Tim Larimer, 11 July 2001

EUROPEICIS

IRELAND AND CORRUPTION

Regarding "The Bribery Problem Isn't Solved" by Don Evans: Mr. Evans calls on several governments, including Ireland, to pass legislation to implement the OECD Anti-Bribery Convention. The relevant Irish bill, the Prevention of Corruption (Amendment) Bill, passed its final parliamentary stages on June 28. Ireland therefore now has in place legislation that will allow the convention to be implemented, and looks forward to cooperating with the OECD in monitoring implementation. Ireland is a strong supporter of this

and other international efforts to combat bribery and corruption, including the conventions drawn up by the European Union and the Council of Europe, which it will also ratify as a result of the passing of the bill. It would be quite wrong to suggest that Ireland was hesitant or reluctant to pass the necessary legislation.

From [International Herald Tribune](#), by Tony Cotter, 5 July 2001

HUNGARY: NO MORE CORRUPT THAN MOST

Hungary remains in the middle in an international ranking of countries according to corruption levels. The 2001 corruption index, calculated annually by Transparency International (TI), gave Hungary 5.3 points out of 10, with 10 being completely clean. Hungary improved a tenth of a point over last year, tying with Trinidad and Tobago for 31st place in the list of 92 nations. Although Hungary had worked out an anti-corruption strategy that incorporated TI recommendations, the necessary legislation had not yet been adopted, said Elemér Terták, President of the Hungarian chapter of TI. Hungary compared well with countries in the region: The Czech Republic garnered 3.9 points for 47th place, while Romania earned a scant 2.8 points for 83rd.

From [Budapest Sun](#), 5 July 2001

IN A CORRUPT WORLD, FINLAND IS CLEANEST

Finland is the least corrupt country in the world and Bangladesh is the most corrupt, according to a corruption index issued yesterday. The annual survey of 91 countries by Berlin-based Transparency International awarded Finland 9.9 points out of a possible ten. Bangladesh scored 0.4. Others near Bangladesh at the low end of the scale were Nigeria with one point and Uganda and Indonesia, each at 1.9. Following Finland were Denmark at 9.5 and New Zealand with 9.4. Britain was ranked at 13 with 8.3. The non-profit's annual Corruption Perceptions Index said perceived corruption among public officials and politicians has reached crisis proportions. Almost two-thirds of the states on the index scored less than five out of 10, showing investors, risk analysts and the public believe that corruption in public office is widespread. "Corruption levels are perceived to be as high as ever in both the developed and developing worlds," said Transparency's chairman, Peter Eigen. "There is a worldwide corruption crisis." While some of the world's richest nations scored nine or higher, the poorest countries dominated the lower end. Azerbaijan, Bolivia, Cameroon, Kenya, Indonesia, Uganda, Nigeria and Bangladesh all scored two or less. "The new CPI illustrates once more the vicious circle of poverty and corruption, where parents have to bribe underpaid teachers to secure an education for their children and under-resourced health services provide a breeding ground for corruption," Mr. Eigen told a news conference in Paris. Mr. Eigen said industrialised countries still have a long way to go, noting a campaign contributions scandal in Germany and the sentencing of the former French foreign minister, Roland Dumas, for taking illegal gifts from the Elf Aquitaine oil giant. "Many developed nations are in no position to preach to poorer countries on integrity in government," he said.

From [Scotsman Online](#), by Joelle Diderich, 28 June 2001

MIDDLE EAST

OMAN EMBARKS ON RARE ANTI-CORRUPTION DRIVE

Oman is clamping down on corruption with unprecedented vigour, hoping a clean image will boost confidence at home and lure foreign funds needed to broaden the crude oil-led economy. Since October, courts in the tiny Gulf Arab state have sentenced more than 20 top government officials and bankers on charges of embezzlement and illegal trade practices in trials held under public scrutiny for the first time. "Enough is enough, we want to eradicate high-level corruption and our net is big enough to cover even top officials, whoever they might be," a government official on an anti-corruption panel told Reuters. Oman's first public graft trial ended with Juma bin Hamad al Nasri, chairman of state-run Oman Housing Bank and a former ministry under-secretary, sentenced to four years in jail. The court also handed down a six-year prison term to the bank's general manager Mahmoud bin Mohammed bin Burham and ordered him to be fined "three times the amount he robbed". The verdicts marked the beginning of what has now become an intensive investigation that has so far focused on the government's management of the economy. A senior police officer said that the government of Sultan Qaboos bin Saeed was determined to flush out all "criminals" from public office. "We are now ever so vigilant to protect the public interest," he said. "Let our efforts be a warning to others in positions of trust who think they can get away with it." Analysts said Oman's anti-corruption drive was aimed mainly at attracting the foreign investment it is seeking to diversify its economy. Its output of 900,000 barrels a day accounted for 80 percent of income last year. The Gulf state joined the World Trade Organisation (WTO) last year. Officials say the government is banking on eight big projects designed to lure private investment of 2.93 billion rials (\$7.6 billion) into the economy. "The recent imprisonment of central bank officials is a clear message to foreign investors that Oman is fighting corrupt practices from the top financial institution," said a veteran Western diplomat. In May, a court found Mohammed bin Abdelaziz Kalmoor guilty of fraud in his capacity as chairman of the state-run Institute of Banking and Financial Studies. Kalmoor was also an executive vice president of the Central Bank of Oman. Four more officials and 11 foreign workers were convicted in the same case. Oman's clean sweep has also extended to the Muscat Stock Exchange, once the most thriving market in the region but which has languished at five-year lows for months. Investors deserted the bourse after widespread malpractice by exchange and company officials, analysts say. "The main problem has always been that some individuals with the right connections thought they were above the law and they could manipulate the shares to their favour," a financial analyst said. "Not any more. The government has just demonstrated that it will provide no exemption to anybody," he

added. In May, Mohammed bin Musa al-Yousef, Oman's minister of state for development affairs between 1995 and 1998 and a prominent businessman, was sentenced to six years in prison for allegedly breaching trust and tampering with share prices. Al-Yousef was the former chairman of Commercial Bank of Oman and ONIC Holding, both blue-chip firms on the bourse, where the all-share index is currently trading down 243 points from a record high of 408.58 points in December 1997. The stock exchange has lost about 17 percent this year amid fresh liquidity fears. Officials have recently changed the index to include more frequently traded shares and reviewed transparency laws in a bid to restore investor confidence. They also appointed a new bourse chief. The authorities "name-and-shame" approach to corruption has astounded ordinary Omanis, and at the same time inflated their civic pride. "I did not think I would live to see the day when top civil servants would be thrown into prison for corruption," Said bin Ali, a retired civil servant, told Reuters. "I now look at the national flag with pride and pray to God to give our leader more courage to eradicate corruption in our blessed country," he said after attending a graft trial. Hamed bin Saif, a technician in a privately owned firm, said the anti-corruption trials had boosted his confidence in the government and left him feeling vindicated. "It is about time these corrupt officials were taught a lesson. They loot from the government to fatten their bellies at the expense of ordinary nationals like us," he declared. "There are more like them out there and we know that the government is not going to stop now." ((Gulf newsroom, +971 4 391 8301 fax +971 4 391 8335 dubai.newsroom@reuters.com))

From [Zawya.com](#), by Saleh al-Shaibany, 2 July 2001

THE AMERICAS

IS CLINTON-ERA CORRUPTION GETTING A PASS?

On March 30 in Newark, N.J., lawyers from the conservative Judicial Watch organization met representatives of four U.S. attorneys with an offer in behalf of an unusual client. Peter Paul, a colorful Hollywood entrepreneur under Justice Department investigation for stock manipulation, would give information to prosecutors if he could return briefly from Sao Paulo, Brazil, without fear of arrest. Included was his claimed contribution, unreported to federal authorities, of nearly \$2 million to Sen. Hillary Clinton's 2000 campaign. Two months of silence was broken June 12 when Alan Vinegrad, acting U.S. attorney for the Eastern District of New York (Brooklyn), brought a securities fraud indictment against Paul. No interest was shown in the proffer. The Clinton administration pattern appears to be continuing in the Bush administration. Donors, not recipients, of specious political contributions are prosecuted. The Justice Department was never informed of the Paul proffer by the four U.S. attorneys, who are all holdover Clinton political appointees or interim civil servants. Judicial Watch's Larry Klayman has brought the case to Bush appointees at Main Justice. But Attorney General John Ashcroft, after his brutal confirmation, shows great deference to non-Bush U.S. attorneys. The inclination is to "move on" rather than pursue the Clintons. Nevertheless, a lawsuit filed by Paul in Los Angeles June 19 against Bill and Hillary Clinton paints a picture all too familiar in American political fund-raising generally and by the Clintons particularly. Paul in 1998 co-founded Stan Lee Media Inc. (SLM) with Stan Lee, creator of "Spider-man," "The Incredible Hulk" and other comic book characters. He claims he wanted President Clinton to honor Lee, but associates say Paul really sought the president as a business partner after he left office. What better way to woo him than by helping Hillary Clinton get elected? Court papers show Paul claiming he "spent approximately \$1.9 million of his own personal funds" paying vendors for a lavish Hollywood "tribute" last Aug. 12 that raised a net \$1.5 million for Clinton's candidacy. Campaign finance lawyers see law violations in neither reporting this money nor reimbursing Paul. "Generally, we don't comment on Judicial Watch activities," Clinton spokesman Jim Kennedy told me. The Clinton FEC filing shows a \$500,000 "in-kind" contribution by SLM, but actually, the company gave nothing. Paul's canceled checks substantiate his \$1.9 million unreported contribution. Help for Hillary Clinton's campaign was not all that Paul promised. The court filing asserts that in return for a one-year commitment to work for SLM once the president left office, Paul last July offered him \$10 million in SLM stock, \$5 million in cash and \$1 million for the Clinton library. Paul alleges that Chicago businessman Jim Levin conveyed this offer to the White House and returned with a perquisite package including a Lincoln bedroom stay and a Camp David weekend. Levin did not respond to my phone calls. On Aug. 14, Washington Post columnist Lloyd Grove reported that Paul spent 30 months in federal prison after a 1979 conviction for trying to swindle Fidel Castro's government and cocaine possession. Hillary Clinton's campaign immediately returned \$2,000 directly contributed by Paul and his wife but ignored the \$1.9 million. Paul says he sought a presidential pardon in September. Democratic Party General Chairman Ed Rendell said "he was working on it," the suit alleges. Rendell told me his appointment book reflects no meeting with Paul that late in the year. "I can't recall any talk about a pardon," Rendell added. Paul talked to me from Brazil this week, under the stipulation not to discuss his indictment. Did he really think spending all that money for Hillary Clinton's campaign would entice her husband into his firm? "I wonder if I was taken, and that's why this lawsuit was filed," he replied. The question now is whether Paul will get what is known as a "queen for a day" arrest-free visit to tell his story to prosecutors--if they want to listen.

From [Chicago Sun-Times](#), by Robert Novak, 28 June 2001

SOUTH AMERICANS PUSHING FOR JUSTICE - EX-DICTATORS FIND IT HARDER TO HIDE

Rio de Janeiro -- In a sign of strengthening democratic institutions, a freer press and greater public expectations, former leaders of nearly a half-dozen South American nations are facing prosecution on charges that range from personal corruption to human-rights abuses. The cases span decades and are as diverse as the dictators and politicians now subject to indictments and possible prison terms. The most recent surfaced Tuesday when former Argentine leader Jorge Videla, the first officer to head the military junta after its 1976 coup, was indicted on charges of conspiring to kill leftist political opponents. He is accused of participating in an alleged plot

that involved leaders of other nations in the 1970s and '80s and was known as "Operation Condor." Charges against Menem - One of his successors ruling Argentina, former President Carlos Menem, who reveled in his playboy reputation and his taste for champagne and Ferraris, is already under house arrest on suspicion of illegal arms sales. "There is a move toward more international justice that is being driven by the victims of families hurt by authoritarian rulers," said Juan Abugattas, a professor and director of research at the University of Lima in Peru. "It means those who were once shielded by sovereignty can now be brought on charges anytime and anywhere and the families are making sure they will not live quietly with their crimes." The most prominent example is Chile's former ruler, Augusto Pinochet, who was excused by the courts Monday from facing an impending trial but will spend his final years fighting new requests from other countries to answer for crimes committed during his 17-year rule. Vladimiro Montesinos, a former spy chief who prosecutors say was the most powerful man in Peru, is facing possible life in prison, and Peruvians predict he will provide evidence implicating former President Alberto Fujimori, now in exile in Japan. With a new international focus on combating human-rights abuses, war crimes and corruption, a growing number of prosecutions worldwide show there are few places where leaders can shield themselves from legal accountability. "These sorts of cases have changed the calculus of political leaders around the world," said Reed Brody, advocacy director for Washington-based Human Rights Watch. "Leaders have been put on notice that this is the beginning of the end for impunity for those who commit crimes," he said. Brody, who is following dozens of cases internationally, keeps a map on his office wall with a growing collage of the faces of leaders being pursued by rights groups, victims' families and the courts. Alfredo Stroessner, Paraguay's former dictator, is among them. So far Stroessner, who is exiled in Brazil, has yet to answer for the alleged torture and deaths of political opponents during his more than three-decade-long reign, but international courts periodically request his extradition. A Dutch court last year approved charges against former strongman Desi Bouterse of tiny Suriname for the 1982 killings of opposition leaders. The recent proceedings at The Hague to try Yugoslavia's former leader, Slobodan Milosevic, for war crimes highlight the growing power of international bodies in their battle against impunity. 'Running scared' - "It is an uphill battle in many cases," Brody said. "But the fact that many of these leaders are running scared is already a victory." Human-rights groups say the Pinochet case was a legal watershed, setting a precedent when he was arrested in London at the request of a Spanish judge who sought his extradition for alleged torture and murder of Spanish citizens during Pinochet's 1973-90 rule. Pinochet was detained while Belgium, France and Switzerland also sought his extradition, but eventually British officials released him because of his poor health, and he returned to Chile where he faced fresh charges in March 2000. International pressure also played a role in the hunt to capture Peru's former spy chief, Montesinos, who fled to Panama in September amid mounting corruption allegations. In this case, a group of human-rights activists, accompanied by the families of victims who were killed during an early-1990s crackdown on terrorists in Peru, followed Montesinos to Panama and were vital in pressuring the government to deny him exile. Now Montesinos is in a Peruvian jail, accused of organizing death squads and of large-scale corruption. The Internet also has played a role: Human-rights activists in Peru were able to communicate with their counterparts in Panama and the United States to pressure governments to pursue Montesinos. The biggest question for the growing number of cases wending through the courts is whether the world's leaders will be treated like other citizens by the legal systems they often used for their own gain while in power. Latin America's courts historically have been notorious for being manipulated by political forces. The families of victims who died during Pinochet's rule say the courts failed them Monday when he was ruled too ill to stand trial for the kidnappings and killings of 75 people. In Argentina, the criminal prosecution of Menem, the president credited for bringing a wave of economic reforms to Argentina in the 1990s, will again test the courts. Menem has been under house arrest since last month on suspicion he illegally sold arms to Croatia and Ecuador in the early 1990s. But now his supporters say he will run for senate, a move his critics complain is an attempt to gain immunity from prosecution.

From [Chicago Tribune](#), by Patrice M. Jones, 12 July 2001

STUDY PUTS FOCUS ON 'SOFT MONEY' IN CAMPAIGNS

Montpelier — Vermont's limits on contributions to state parties are among the lowest in the country, and a new study released Thursday found Vermont ranked 45th in state party contributions during the last election cycle. According to the study, more than \$600 million flowed into state party coffers across the country during the 2000 election campaign. The state parties in New York collected the most, almost \$92 million. The Vermont state parties took in \$982,192, placing Vermont ahead of only five other states. The study was a joint project of three national watchdog groups that pay close attention to money and politics. The groups included the Center for Public Integrity and the Center for Responsible Politics, both based in Washington, D.C., and the National Institute on Money in State Politics, based in Montana. The study sought to focus attention on so-called "soft money" contributions to state parties. "Soft money" is the term used to describe contributions that are not subject to federal election laws. National political parties are allowed to raise unlimited amounts of money if the funds are used for general activities, such as party-building and get-out-the-vote efforts. But both major parties evade the rules and find ways to use the money to benefit individual candidates, which is supposed to be illegal. The campaign finance reform bill currently stalled in Congress attempted to curb the use of soft money. Organizers of the new study said they wanted to begin to document the amount of soft money that also goes to state parties. "Special interests easily evade national scrutiny by pumping huge sums of soft money into the coffers of state political parties," the organizers said in a joint statement issued with the study. "The role of soft money is well documented in federal elections, but no one has attempted to calculate the vast amount of cash flowing into and out of state and local party committees — until now." According to information in the study, many states do allow unlimited state party committees to accept unlimited contributions from various sources. Several states, for example, allow national parties, individuals, political action committees, corporations and unions to give as much as they want to the state party committees. Some states have limited restrictions. Michigan, for example, prohibits corporations and unions from giving money to state parties, but the sky is the limit for national parties, individuals and PACs. With the campaign finance law passed in 1997, Vermont set a \$2,000 limit on party contributions from any source. That is the limit for

each two-year election cycle. Technically speaking, these contributions are not regulated by federal election laws and therefore might meet the definition of "soft money." But unlike the funds going to many other states, contributions to Vermont state political parties are not unregulated and unlimited. According to the study, Colorado limits contributions to \$2,500 a year from any source. Some states place restrictions on contributions from individuals, PACs, corporations and unions, but allow national committees to give unlimited amounts of money to their state parties. In Vermont last year, national parties were limited in how much they could give to state parties, but they could give as much as they wanted to individual candidates. That loophole was created when a federal judge ruled that parts of Vermont's new campaign finance law were unconstitutional. The result was that the national parties poured more than \$1 million in the 2000 governor's race. Vermont Secretary of State Deborah Markowitz said the study should prove helpful as officials look for ways to deal with money in politics. "It's healthy to have organizations like the Center for Responsive Politics and Center for Public Integrity to make it their business to look closely at what's happening," she said Thursday after reviewing the study. She pointed out, however, that a lot of the money in politics is beyond the reach of government regulation, such as the so-called "independent expenditures" by individuals or organizations on behalf of a candidate and now the national party contributions to Vermont candidates. "Those are big loopholes," she said.

From [Times Argus](#), by Jack Hoffman, 27 July 2001

NEW STEPS NEEDED TO SPUR THIRD-WORLD GROWTH

Over the past two decades of rapid globalization, economic progress in poor nations has notably slowed. So has social progress by some measures, such as life expectancy, infant and child mortality, and education and literacy. "The typical poor nation has not seen a rise in living standards over the last 20 years, says William Easterly, a senior economic advisor at the World Bank in Washington. "The rich nations have kept getting richer while the poorest nations have stagnated." Today 14 percent of the world's 6 billion people live in rich industrial nations and enjoy half of the world's total income. The remaining 86 percent - those in the third world - get the other half. Why these bad trends? "Poor nations were stuck with bad governments and didn't implement reforms in a way which would bring prosperity," explains Mr. Easterly in part. For more than 50 years, economists have sought to discover the means by which poor countries in the tropics could become rich like the wealthy nations of North America and Europe. Considerable progress was made for many years. But various elixirs of growth seem to have lost some potency. "The precious objects we offered ranged from foreign aid to investment in machines, from fostering education to controlling population growth, from giving loans conditional on reforms to giving debt relief conditional on loans," notes Easterly in a new book, "The Elusive Quest for Growth; Economists' Adventures in the Tropics" (MIT Press). "None has delivered as promised." A study by the Center for Economic and Policy Research, a Washington think tank, confirms this view. The poorest nations, those with annual incomes per capita of \$375 to \$1,121, have seen the growth in their economies fall from 1.9 percent annually in the 1960 to 1980 period, to an annual decline of 0.5 percent a year in the 1980-2000 period. Those nations with incomes ranging from \$1,121 to \$1,826 in today's dollars saw growth fall from an annual average of 2.1 percent to 0.8 percent. These countries include Egypt, the Philippines, South Korea, Kenya, China, and Zimbabwe. Developing countries with higher income levels also performed more poorly in the last two decades. Even the industrial countries saw a growth slowdown, though much less pronounced. Education is generally regarded as a key salvation for the poor. President Bush proposed two weeks ago that development banks convert half of their lending to the poorest countries to grants focused on education, healthcare, access to clean water, and sanitation. "The hope of real progress against poverty is new," he said, ignoring decades of hope. The idea is to help poor nations avoid new debts at a time when lender nations and institutions are forgiving old debts. But Easterly isn't convinced that either a shift to grants or more education will necessarily lift these nations out of poverty. He notes that the original loans to the poorest countries were highly concessional. Considering inflation, the money was almost free. If the nations didn't use these cheap loans to foster education and health, "what are the grounds they will use the second round [in grants] wisely?" Easterly asks. Because of this risk, the World Bank and its sister institution, the International Monetary Fund, seek reforms before forgiving debts. But the reforms often don't take place. Critics say these reforms are often unwise and don't work. Education itself has not proved to be a magic bullet of economic development. Sometimes teaching jobs go to government supporters, who aren't qualified to teach. Available money goes to salaries and not to textbooks and other educational tools. In other nations, a landed elite or industrial clique controls the government and wants to keep it that way. They are not keen on educating the majority, who may turn on them if better informed. Of if an ethnic or tribal group runs the government, it may concentrate education spending on this group and deprive other groups of adequate schooling. Ethnically divided nations and those with highly unequal incomes tend to make slow economic progress, Easterly finds. "But we can't give up on the world's poor," he emphasizes. Easterly says the way forward is to create incentives for growth for governments, foreign-aid donors, and individuals. A lot more foreign aid would also help. At present, Americans give the equivalent of a meager 13 cents per person per day. This foreign aid should be directed to governments engaged in home-grown reforms, not those imposed from outside, says Easterly.

From [Christian Science Monitor](#), by David R. Francis (francisd@csp.com), 30 July 2001

THE SECOND WORLD BECOMES A FORCE

Improved basic infrastructure and changing political climates could catapult the second world to the center of the global economic stage. Two countries to watch: Brazil and Cuba. Approximately 6 billion people live on the planet these days. Two-thirds of them inhabit the so-called "second world." These are countries such as China, India, Mexico and the nations of Southeast Asia where, unlike third-world economic basket cases such as North Korea, most people have at least the basic necessities of life -- adequate food, clothing and shelter. Now these folks have something else as well: a chance to be a global force in the next 10 years. Why

does the second world emerge now, after so many false starts? Basic infrastructure in many of these second-world nations is in better shape now than in the past. Everything from roads to schools to banking systems is generally considered to have improved, albeit not uniformly. Taiwan, Singapore and Malaysia are close to being first world, for example. Indonesia teeters on political instability. Meanwhile, technology and politics both point toward increased globalization. Any student with Internet access now can study MIT's coursework. And, despite strenuous objections on many fronts, globalization continues to expand; trade barriers have been coming down. "It's not just *more* jobs," says Roger Herman, CEO of The Herman Group, a workforce trends consulting firm in Greensboro, N.C. More trade means more jobs that pay much better. Simple demographics may play the key role in shifting the increasing globalization of the economy from a mere trend to an explosive force on a completely different level by 2010. Birth rates in North America, Western Europe and Japan have lagged as those in much of the developing world have surged, trends that should continue. At some point, the world needs youth to continue its economic growth. For those in the second world, this means opportunity, either through immigration or improving opportunities at home. One nation to watch: Brazil. Those optimistic about Brazil's chances, such as Jennifer Jarratt, a futurist with Coates & Jarratt in Washington, D.C., cite improving basic infrastructure including roads and communications networks, a large population (163 million), increased attention to education, and privatization. But the key factor is economic stability. "There's a growing cadre of leadership in Brazil whose focus is on economic leadership and the stability of the currency," says Herman. He thinks current President Fernando Henrique Cardoso is doing a good job stabilizing the economy. There are, of course, no guarantees. With Cardoso's second term ending in less than 20 months, inflation appears to be on the rise, although it's nowhere near the hyperinflation of the past. And despite health and education advances, Brazil's income gap between rich and poor remains as wide as ever. If you want a dark horse, consider Cuba. Cuba has stagnated under Fidel Castro's Communist regime. But economic progress need not be a slow climb. With Castro in his mid-70's, Cuba might soon have a big opportunity for the capitalist version of the great leap forward. Should the nation's economy open up, the thousands of Cubans who escaped to the United States could pour capital and know-how into this potential tourist Mecca only miles from America's shores, argues Herman. Of course, Fidel's younger brother Raul Castro might just take up where his big brother left off, although Raul, too, is in his 70s. Still, any change from Fidel is an opportunity. "There's such a pent-up desire among Cubans to do something," says Herman. "Fidel's death might be the spark." For all the promise of globalization, there is potentially a much more serious problem that persists: worldwide epidemics of diseases that either resist known tools of control or haven't been very visible yet. We're not just talking about AIDS or malaria. "To one degree or another, epidemics are probably to be expected," says Jarratt. "It's a cost of globalization." If you're interested in funds whose investment strategy is appropriate to take advantage of this trend, you might want to consider these three funds: T.Rowe Price Emerging Markets Stock ([PRMSX](#)), Capital World Growth and Income Fund ([CWGIX](#)) and MSCI Brazil (Free) Index Fund ([EWZ](#)).

From [MSN MoneyCentral](#), by [Mike Robbins](#), 29 July 2001

Civil Services & Ethics in Public Sector

AFRICA

TRADE MINISTRY RECOGNIZES SUCCESS OF ANTI-CORRUPTION ACCORD

Kinshasa - The Trade Ministry has indicated from a thematic bulletin last July 4, some progress on the application of the agreement of the organization for Economic Cooperation and Development (OECD) on the fight against corruption. It is mainly the corruption of foreign public servants in the international commercial transactions. The progress is due to the fact that 32 countries out of 34 that have signed the agreement have brought their instruments of ratification to the OECD Secretary, while 30 others have promulgated laws criminalizing the corruption of civil servants. Only Brazil, Chile, Ireland and Turkey have to adopt legal measurement for the agreement to take effect on their land and only Ireland must bring its ratification instrument to OECD. From a dispatch, we learn that the mechanism of the agreement application watch and the 1917 revised recommendation have revealed themselves efficient. The government of the USA received information that the foreign civil servants' corruption has influenced market allocations of about billion of dollars around the world. The same source indicates that from May 1 2001 to April 30 2001, the foreign civil servants' corruption has affected the competition at the allocation of 61 markets representing 31 billion USD and American companies have lost 9 of these markets of about 4 billion USD. Notice that the 1997 law on corruption in the transactions abroad criminalizes the foreign civil agents corruption by American companies. So far foreign companies used to bribe without being afraid of legal proceedings and have even deducted these bribes from their taxes. The OECD agreement got take effect on February 1999. The July report which has been presented to the congress is the 3rd of the 6 yearly reports that the American law of 1998 on corruption requires.

From L'Avenir. Distributed by AllAfrica Global Media (allAfrica.com), 9 July 2001

BUREAU OFFICIAL SLAMS CORRUPTION

Persons employed in the public sector at senior level have been called upon to demonstrate their stand in setting a good example to their subordinates by removing those who are involved in corruption and not turning a blind eye to crime. The call was made by the Anti-Corruption Bureau Director Gilton Bazilio Chiwaula during the closing ceremony of a one week Anti-Corruption and Bank Fraud Course held at the Malawi Institute of Management (MIM) in Lilongwe. Over 13 officers completed the course which was being facilitated by two British experts, Peter Ray and Peter Ball and funded by the Department of International Development (DFID). 'Our investigations in recent months have clearly shown that there are serious problems in the private sector,' said Chiwaula alluding to the fact that corruption permeates all sectors. He also called upon civil Society to be motivated by sincerity and national interest and not to be used simply to gain political mileage. Said Chiwaula, 'Civil society should be advocates for reform, especially from the 'ground up'.' The Bureau director also hinted that his organisation should be provided with the assistance necessary to perform the job of fighting corruption. 'The Bureau expects the help and goodwill of other partners in government to help us become more efficient and to see that the corrupt persons in our society are brought to justice,' he said. In another development, the Anti-Corruption Bureau in a joint operation carried out on 19th June with the Malawi Revenue Authority and the Malawi Police arrested two MRA officials. The two officials Masautso Nkhoma, an Assistant Officer and Henry Kamlaka, a Revenue Officer were arrested on allegations of corrupt practices involving the soliciting of K500,000 from the proprietor of Space World, a Limbe based imports company. The two have since appeared before the Senior Resident Magistrate in Blantyre and have been released on bail. Their bail conditions are that, they should report to the ACB on every Tuesday and Friday. They also had to deposit with the court the sum of K10,000 in cash and had to surrender any travel documents in their possession to the Anti Corruption Bureau. The ACB has been accused of deliberately delaying cases but it has been discovered recently that the procedure for bring up matters for the courts attention has been delayed by political manipulation and other officials, including the Director of Public Prosecution, Fahad Assani who withheld assent for Cassim Chilumpha's case.

From AllAfrica.com, by Christopher Jimu The Chronicle Newspaper (Lilongwe), 9 July, 2001

CIVIL SERVANTS END STRIKE BEFORE OAU SUMMIT

(UN Integrated Regional Information Network) Civil servants ended a six-week strike on Monday after the government agreed to hefty pay rises to avert a stand-off during an Organisation of African Unity (OAU) summit in Lusaka next week, Reuters has reported. Nearly 150,000 public sector employees, including teachers, local council and court employees, would receive pay hikes ranging from 81 to 91 percent in terms of the agreement, the report said. "The strike has been called off with immediate effect," Civil Servants' Union leader Leonard Hikaumba was quoted saying. Hikaumba, however, also warned the government not to renege on its agreement after the OAU summit, which begins with a ministerial session on 7 July. The heads of state converge on the Zambian capital on 9 July. The unions had demanded salary increases of between 100 and 250 percent, but union leaders said they would probably call for further adjustments later in the year. Zambia was one of the poorest countries in the world and civil service salaries averaged between US \$50 and US \$71 a month, the report said. An average monthly bill for water and electricity is US \$60, it

added. The strike had hit public services hard, with hospitals manned by skeleton staff, court cases postponed and teachers staying away from schools. Senior OAU officials were quoted in the report saying that they had urged Zambian President Frederick Chiluba to resolve the strike because it posed a security threat to the summit.

From AllAfrica.com, 3 July 2001

SHOW LOVE, RESPECT TO DESTITUTE, GOVERNMENT ASKED

Shakawe residents in the Okavango Sub-district have pleaded with the government to respect and show love towards destitute people. They made their plea in a kgotla meeting addressed by SIAPAC-Africa consultants, whom government engaged for a possible review of the Rural Development Policy. The residents said the government neglected destitute people, especially when they were dead. When a destitute dies, they are quickly buried and this denies their relatives a chance to attend burials. By so doing, they said, the government is violating their human rights as the destitutes are also human beings deserving to be respected and loved. The residents also complained about delays to issue food rations to the destitutes; they suggested that government should contract small business people to supply food. Tuduetsa Mothibi, the principal community development officer, denied allegations that destitutes were not taken to mortuary when they die. Interviewed by BOPA, Mothibi said when a destitute person dies, it is his or her relatives who make arrangements for the funeral while her office provides transport and a coffin. She said there was no intention to discriminate against destitute persons as they are also human beings. She explained that some destitute people are usually buried the same day or the following day but with permission from relatives. She confirmed delays of food rations and said her office did not have four-wheel drive vehicles to carry the food into the sub-district's hinterland.

From Republic of Botswana, 11 July 2001

ASIA/PACIFIC

EX-SENATOR KHUDADAD LUK HELD FOR CORRUPTION

Sargodha: Former senator Mehr Khudadad Luk was arrested on Saturday night from his house by the Regional Accountability Bureau (RAB) on corruption charges. He was shifted to the Chamba House, Lahore, late at night. He is likely to be produced before an accountability court on Monday. Sources said that Luk had been picked up in the National Industrial Finance Corporation financial scam of which he was the director. The former senator's arrest is going to affect the chances of his son, Mehr Khalik Yar Luk, becoming Sargodha district nazim. At present he was busy in mustering support for Khalik. He is the third politician who has been rounded up by the RAB from Sargodha for corruption. Earlier, ex-MNA Chaudhry Abdul Hameed and ex-MPA Farrukh Javed Ghuman were arrested. It may be mentioned that Farrukh Ghuman had formed a pro-Musharraf group and was optimistic to get army favour in local elections. He was also elevated as zila council chairman and provincial minister as well. Ghuman is brother-in-law of former MNA Chaudhry Anwar Ali Cheema. On Sunday rumours gripped the city that Cheema had also been arrested by the RAB. When this correspondent contacted his family by telephone, the attendant denied all such reports.

From Pakistan-Dawn, 2 July 2001

CIVIL SERVICE COLLEGE STEPS UP E-LEARNING DRIVE FOR CIVIL SERVANTS

Singapore's Civil Service College will launch an open academy for civil servants and statutory board members next month. The aim is to get as many of them to enrol for e-learning so they can provide better services for the public. A recent survey by the college shows that some 37 percent of ministries and statutory boards are interested in online learning. It says there is no apathy among civil servants when it comes to e-government and providing better services. It has set a target of getting at least 20 percent of the public sector to upgrade their computer skills, with the ultimate aim of getting 60 percent of the public service to learn online. Yam Ah Mee, Dean of Civil Service College and Deputy Secretary (Public Service Division), said: "We see electronic learning as an important avenue to complement classroom learning and so we have embarked on this open academy to provide the services so that public officers can continue to learn anytime, any place."

From channelnewsasia.com, by S. Ramesh, 2 July 2001

WIDER ASSET CHECKS

A corruption workshop in August would look into a proposal that asset and debt declaration should be mandatory among top-level government officials, police and military generals and executives of grassroots administration bodies. Only political office-holders are now required by the law to disclose their financial figures. Interior Minister Purachai Piemsomboon said yesterday the workshop would also discuss measures to prevent bid-rigging and buying of key positions in the government sector. Only political office-holders are now required by the law to disclose their financial figures. Interior Minister Purachai Piemsomboon said yesterday the workshop would also discuss measures to prevent bid-rigging and buying of key positions in the government sector.

From Bangkok Post, 13 July 2001

SUSTAINED EFFORTS CALLED FOR ANTI-CORRUPTION MOVE: PEOPLE'S DAILY

The [People's Daily](#) publishes a commentary Thursday calling for sustained efforts to fight corruption after the country uncovered the Xiamen smuggling case. The article says that the notorious case involved huge sums of illegally procured money and it has done great harm to the country. The successful handling of the case has effectively curbed the widespread smuggling and corruption. Records show that crime king Lai Changxing and his gang smuggled 53 billion yuan (about 6.6 billion U.S. dollars) worth of goods in three years, evading 30 billion yuan (about 3.7 billion U. S. dollars) of customs duty. Lai and his followers tried all available means to bribe some Party and governmental officials, who in return provided protection for them. This, the article points out, is also a crime. Corruption and smuggling are two malignant tumors growing together, the article says, adding that the only way to wipe out smuggling is to eliminate corruption. The collapse of Lai's smuggling empire demonstrates again that the Communist Party of China will fight resolutely against corruption and smuggling, and smugglers will be punished according to law, the article adds. It continues to say that the fight will be a long and difficult one, and it will affect the overall development of China's modernization, and reform and opening up. It concludes that the trust of the people will be maintained through the building of a clean government.

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

MEGAWATI ASKED TO SET EXAMPLE IN FIGHTING CORRUPTION

Jakarta: To set an example, President Megawati Soekarnoputri is urged to declare zero tolerance against corruption by openly calling on all not to give any facility to members of her family or political party. Legal experts suggested on Wednesday that such an open call against corruption would serve as a good start for Megawati to begin the new administration by projecting herself as a trustworthy role model to regain people's trust in the government. Irma Hutabarat from Anti-Corruption Consultants said a declaration of zero tolerance from the President would serve as the most effective, quick and powerful stimulus for the nation-wide effort to eradicate corruption. "Battling against corruption is like sweeping a staircase. It has to be done, starting from the top. Megawati should make a declaration that none of her family and relatives has ever been involved in corruption," Irma told *The Jakarta Post*, after a seminar on the establishment of an anti-corruption commission. Erma, who is also chairwoman of the Institute for Civic Education, noted that it was high time for Megawati to state clearly her stance on corruption to distinguish herself from the previous three presidents, all tainted by corruption. Speaking on the sidelines of the same seminar, the coordinator of Indonesian Corruption Watch (ICW), Teten Masduki, shared the opinion and said that Megawati should clear the State Palace of corrupt practices. "Until now we have experienced that any request for facilities coming from the State Palace cannot be rejected, and this leads to corruption," Teten said. In addition, Teten said political parties had also contributed to the rampant corruption in state businesses, which they had treated as cash cows to finance their political spending. Therefore, Teten said, Megawati must make it clear to the public that state officials, public officials, and state enterprise officials would not be allowed at all to give any kind of facility to her family, relatives and colleagues at the Indonesian Democratic Party of Struggle (PDI Perjuangan) that she chairs. Mardjono Reksodiputro from the National Commission of Law added that Megawati should also stand strong and make no compromises in the handling of past corruption cases, even involving close friends. "And it's certainly not an easy matter. She will face a lot of political pressure in handling such past cases because they are difficult to prove due to lack of evidence and because the crimes can involve everybody in the past regime. "In this situation, we have to establish a special court to try corruption cases, with judges of high integrity, who are all creative and courageous enough to ring the changes in handing down severe sentences to corruptors," Mardjono told the *Post*. Speaking at the seminar organized by the Laboratory of Sociology Studies of the University of Indonesia, criminal law expert Harkristuti Harkrisnowo expressed his confidence that Megawati had the courage and integrity to fight corruption. Harkristuti, nevertheless, urged Megawati to select her Cabinet members carefully, especially the top law enforcement officials, including the minister of justice, attorney general and National Police chief. "They should be professionals who are capable and who can gain the public's acceptance," she added.

From [www.thejakartapost.com](#), 26 July 2001

EUROPEICIS

BLAIR HAS 'CONTEMPT' FOR UNIONS



Hattersley: Unleashed a series of verbal assaults - Tony Blair and his "gung-ho" ministers have shown "contempt" for public services and their trade unions and must avoid a confrontation which would throw hospitals into chaos, according to Lord (Roy) Hattersley. Labour's former deputy leader has upped his criticism of the government since the election, and has accused the prime minister and most of his team of failing to understand how trade unions work. And he compared Mr. Blair's attitude towards public services to that held by the former Conservative Prime Minister Margaret Thatcher. In an interview with the ePolitix website Lord Hattersley said Mr. Blair sometimes made favourable comments about nurses "but for most of the time it's an

extension of Mrs. Thatcher's general view that the public service is doomed to failure." He added: "My problem with the prime minister is not that he doesn't believe in anything that he believes in the wrong things. "It's very strange for the Labour leader to be, I wouldn't say obsessed, but captivated by private enterprise, but he really is."

Turning to the government's tense relationship with the unions Lord Hattersley said: "What has to happen now is the government has to find an accommodation with the trade unions. "If the prime minister, as I fear is his character, goes on trying to rub their noses in it ... tell[ing] them all that they aren't capable, competent of running public services, then I fear they'll have a confrontation." Such a stand-off would produce chaos, particularly in hospitals, he predicted.

Union meetings - Tony Blair has offered to meet the unions six times a year, a move welcomed by Lord Hattersley as a "great step forward". "There have been times when the prime minister and some of his gung-ho ministers have exuded contempt for the public services and the public service unions and this is a sign of respect," said the Labour peer. He believed the meetings would "educate" ministers whom, apart from Deputy Prime Minister John Prescott, "really don't understand how unions work". "I think too many people on the Blairite Labour Party think that all the men and women who work in the hospitals think of is 'what's going to be in his pay packet at the end of the month'." **Persistent critic** - The comments are the latest in a series of broadsides Lord Hattersley, a member of Labour's old right, has launched against the government. Last month, he called for party members to "rise up" to protect Labour values "against the coup d'etat which overthrew the legitimate philosophy". This week, he attacked Home Secretary David Blunkett's suggestion that water cannon could be used to control riots like those seen in Bradford - a tactic he forecast would be "absolutely disastrous".



Hattersley says Blair is "captivated by private enterprise"

From BBC, 10 July 2001

PRESIDENT CHIRAC IN CORRUPTION PROBE

Jacques Chirac's daughter has been questioned in a scandal involving cash-for-airline tickets for the French President and his entourage while he was Paris mayor in the 1990s. Sources close to 38-year-old Claude Chirac, who accompanied her father on some of the trips, said she was called in as a witness and had given evidence for just over an hour. Magistrates are trying to establish whether the cash Chirac used to pay for the travel between 1992 and 1995 while he was mayor of Paris came from kickbacks. Chirac has refused to be questioned, citing constitutional barriers, and denies wrongdoing in a case that could threaten his bid for a second term in next year's presidential election. Aides said he would strike out at allegations of sleaze in a televised interview on Saturday, France's annual July 14 Bastille Day celebration. "Jacques Chirac has always explained himself to the people of France," Patrick Devedjian, the spokesman for Chirac's conservative RPR party, said. "I think he will do that again and I also think he will come out of his corner fighting because he is indignant at the methods being used against him," Devedjian said. He accused the magistrates of acting illegally. The flights-for-cash affair exploded last month when L'Express magazine said magistrates were looking at the source of cash used to pay for trips with family and friends as far afield as Tokyo and the Indian Ocean island of Mauritius. Judicial sources said magistrates questioned Claude specifically about two trips. One was a flight to New York on the supersonic airliner Concorde in July 1993 for a weekend with her father that cost nearly Fr120,000 (£11,300). The other was a visit to Kenya. It was not immediately clear whether the magistrates, who questioned four of Chirac associates, would also summon Chirac's wife Bernadette to give evidence. Le Monde newspaper quoted sources close to the president as saying the Elysee Palace would regard such a move as a "declaration of war" and "hit back at the judges". Major investigation - The probe is just part of a lengthy investigation into alleged corruption at Paris city hall during Chirac's 18 years as mayor from 1977 until his election as president in 1995. Chirac's office has said money for the foreign trips came from Chirac's own pocket and from secret, yet legal, state funds that are made available to French presidents and prime ministers for use at their own discretion. Chirac was Prime Minister from 1986 to 1988. Initial reports said the travel cost Fr2.4 million (£219,000), but Le Figaro newspaper said testimony from Chirac aides had indicated that the amount was half that sum. Unlike other aspects of the inquiry, largely concerned with suspected bribes paid to Chirac's RPR party by companies seeking public works contracts, the flights-for-cash affair is the first to suggest personal gain and has touched a raw nerve in France. An opinion poll published this week said 71 per cent of respondents believed magistrates should be allowed to question Chirac himself about the trips. Chirac's office repeated on Tuesday that he would not answer any summons, citing a constitutional separation of powers that effectively puts the French head of state above the law. The issue has unleashed a fierce dispute between the Paris prosecutor, Jean-Pierre Dintilhac, who believes magistrates can question Chirac as a witness, and his superior, prosecutor general Jean-Louis Nadal. It is likely only to be resolved through lengthy legal argument about presidential immunity that could go all the way to France's highest court, the Cour de Cassation.

From ITN, 11 July 2001

THE AMERICAS

OFFICIALS WANT COMPANIES TO SHARE RESULTS OF PARK RESEARCH

Livingston, Mont.- The National Park Service wants companies conducting research in Yellowstone National Park to share their discoveries with the public. Corporations that conduct experiments in the park currently are not required to disclose the results. The Park Service is considering benefits-sharing agreements requiring disclosure. The Park Service is accepting public comment on an assessment of the concept through Aug. 10. John Varley, director of the Yellowstone Center for Resources, said the advantages of benefits-sharing agreements are not just financial. One company shared with park officials the DNA profiles of Yellowstone wolves. "They gave us something for free that was easy for them to do," Varley said. The agreements usually are associated with "bioprospecting" - probing Yellowstone's hot pools for microscopic organisms and enzymes that might serve a commercial purpose, Varley said. In 1997, Yellowstone entered a bioprospecting deal with Diversa Corp. of San Diego, a first for the Park Service. Conservation groups sued the agency, saying the agreement violated the Park Service's mandate to "preserve and protect" the parks. A judge sided with the Park Service on all but one point. The judge found officials should have conducted an environmental assessment of the agreements.

From trib.com, 9 July 2001

UNIONS SUPPORT BILLS TO ALTER CIVIL SERVICE RULES

Critics say future governors will be hamstrung in dealing with state employee unions if acting Gov. Donald DiFrancesco signs three bills now on his desk that would require collective bargaining prior to any changes in salaries or job titles and would largely restore seniority rights diluted by former Gov. Christie Whitman. The bills were hastily approved by the Senate and the Assembly on June 28 before they recessed for the summer. Whitman reformed Civil Service rules two years ago to include job performance as a factor in determining which workers could be laid off or "bumped" to other positions. Previously, seniority rights had been absolute and viewed as sacred by state workers. The bills also would affect county and municipal workers subject to the state Civil Service rules. The bills passed easily with strong bipartisan support in both houses. Bob Pursell, area director for the Communications Workers of America, the largest state employee union, pointed to the bipartisan support as evidence of the importance and fairness of the bills. "We're hopeful the governor will sign the bills and return the status quo that existed prior to the changes in the layoff rules made by the Whitman administration," he said. Assemblyman Richard Merkt, R-Mendham, one of seven Assembly members who voted against all three bills, said there is another explanation for the bipartisan support: It's an election year and the unions are a powerful political force. "I salute the CWA because obviously they are making the most of the moment," he said. "I just think that this is an ill-advised intrusion into the management prerogatives of state officials. It makes it extremely difficult to manage effectively, especially in difficult times." DiFrancesco posted the bills and voted in favor of them as Senate president, but his chief spokesman, Tom Wilson, said he hasn't decided whether to sign them. "Sen. DiFrancesco supported the concept of expanding the scope of negotiations and leveling the playing field," Wilson said. "But as the executive, he knows the devil is in the details. He wants to hear from the personnel commissioner. The administration's job is to assure that the goal will be effectuated by this legislation." State Personnel Commissioner Janice Mitchell Mintz opposed the bills. Her office did not return a call seeking comment Friday. Confidential memorandums provided to Republican lawmakers by their staff noted that the bills would be costly for the state. The memo on the bill requiring negotiation for changes in job titles said, "Negotiation on these issues would be costly and the result of the negotiations would likely increase state and local labor costs." The bills were sponsored by Sens. Diane Allen, R-Edgewater Park; John Matheussen, R-Mantua, and Louis Kosco, R-Paramus. They were sponsored in the Assembly by Paul DiGaetano, R-Passaic; Nick Felice, R-Fair Lawn; John Kelly, R-Nutley; and Sam Thompson, R-Old Bridge. When Whitman made changes in the seniority system in 1999, she enraged state workers and their unions. Allen and Matheussen introduced legislation to require that such changes be negotiated with the unions. That legislation went nowhere until last week's voting sessions, which may be the last until after the fall election, when the governor's office and all seats in the Legislature are at stake. The bills were approved in the Assembly without undergoing the customary committee reviews. Assemblyman Guy Gregg, R-Washington Township, said he opposed the bills both because of their content and the way they were pushed through without an opportunity to examine or debate them. He said New Jersey's system of combining Civil Service rules and collective bargaining with unions does lead to some quirks. The rules provide added protection for workers in some instances, but in others enable the administration to change workers' jobs and salaries without negotiating, he said. Gregg said collective bargaining might be warranted for some of the Civil Service changes addressed by the bills, but he wasn't willing to see all of Whitman's reforms reversed without a debate. "I hadn't seen enough and I didn't like what I saw," he said. "The Whitman administration spent some productive time trying to achieve Civil Service reform. There was a desire to have higher quality people and to be able to make changes to job categories and descriptions as the world changes." Matheussen called the bills "a matter of fairness and equity." Allen said Whitman had gone too far. "One of my concerns with Gov. Whitman was she was basically taking everything away from negotiation and gutting the negotiating process," Allen said. "I believe the negotiating process is crucial for a lot of reasons, but most importantly because it makes people feel empowered and that is vital for morale and productivity." Whitman had sought to make a worker's job performance the most important factor for managers to consider when drafting a layoff list. Previously, job security was strictly tied to seniority, a rule that union leaders said prevented managers from protecting cronies and politically connected workers. In the end, Mintz and the unions reached a compromise that made performance a factor along with seniority. One of the new bills deals with layoffs and largely reverses the changes made by Mintz. It would allow performance to be a factor only if the employee being bumped or laid off had performed

below standards during the most recent year. The Civil Service bills were not the only prize state workers and their unions received from the Legislature on June 26. It also passed a bill, signed by DiFrancesco the following day, that raises the average annual pension of state, county and municipal workers in the Public Employees Retirement System from \$9,500 to \$10,400, and raises the average teacher pension in the Teachers Pension and Annuity Fund from \$22,500 to \$24,500. The raises, which will cost \$3.9 billion annually, will be financed by the profits the pension funds earned during the 1990s stock market boom. Sen. Bill Schluter, I-Pennington, voted for the pension increases but voted against the Civil Service bills because they were rushed through. "I became very, very suspicious that they were being put through for political reasons," said Schluter, who is running for governor. "It's an election year and public employees are an important voting bloc. I voted for the pension increase, but that was something I knew was coming up and I looked into it. This was flying below the radar screen." Assemblyman Leonard Lance, R-Flemington, also voted for the pension increases but against the Civil Service bills. "I didn't really have much time to analyze them," Lance said. "My quick read was they did take authority away from the Department of Personnel. They should have gone through committees. I would like to hear the position of the commissioner and administration before voting for them." Sen. Peter Inverso, R-Hamilton, voted for the pension bill and the Kosco-Allen bill concerning layoffs but abstained on the two bills that would require collective bargaining before any changes in job titles or salaries. Merkt said the impact will be far-reaching if DiFrancesco signs the Civil Service bills. "The future governor is going to be shackled by an acting governor who is not going to be around to deal with the consequences," Merkt said.

From [New Jersey Online](#), by Peter Aseltine, 9 July 2001

OFFICIALS HONOR CIVIL SERVANTS



Public Safety Commissioner Thomas Curley stands with firefighters honored for their rescue of occupants of an airplane that went down on the top of a tree in 1998. They are, from left, Jack Dejnozka, Joe Nokes, Priscilla Barry and Dave Armstrong. CLARK BE

On May 6, 2000, a man dressed in police clothing abducted a 7-year-old girl from the East Side Recreation Field. He sexually assaulted the child and returned her to the field. Scott Millington recognized a description of the suspect from a television news broadcast and called police. With the information from Millington, police arrested Chris Turner, who later confessed the crime and was sentenced to 20 years to life in prison. "Your outstanding attention to detail and performance of duty during this entire investigation reflects great credit not only on yourself, but the entire department," Police Chief Kenneth King told Millington while handing him civilian service commendation. Sgt. Gary Forward and Investigator Edward Lewis were given the Gallantry Star Excellent Arrest award for their involvement with the arrest of Turner. In the Criminal Investigations unit, Lt. Edward Moore, Investigator James Reilly, Investigator David Levanites, Investigator John Barney, Investigator Edward Lewis and Investigator John Catone were all awarded. In the Juvenile Aid Unit, Sgt. Gary Forward, Investigator Russell Terpening, Investigator Karl Mihalek (retired) and Investigator Warren Wildy were also recognized. The Gallantry Star Excellent Arrest award was presented to Investigator David Levanites and Investigator Edward Lewis. Investigator Karl Mihalek earned the Exceptional Duty award. The Drug Buster award was presented to officers Gregory Veitch and Eileen Cotter. The Honorable Service Award was given to Investigator James Reilly,

Investigator John Barney, Investigator Christopher Kuznia, officers Michael Rayburn, Patrick O'Leary, Paul Veitch and Joseph Carey. Educational Achievement awards were given to Lt. Gary Perkins. Many officers received letters of commendations as well. Public Safety Commissioner Thomas Curley commended each of the officers and told friends and family to be proud of their accomplishments. Mayor Ken Klotz said, "This is a great opportunity for us to thank you." **Firefighters honored** - The Saratoga Springs Fire Department recognized on Wednesday the actions of firefighters in the line of duty. Capt. Jack Dejnozka, firefighters Joe Nokes, Priscilla Barry and Dave Armstrong were recognized for their efforts in saving two people from a plane crash in 1998. The plane was stuck in a tree 40 feet above the ground. Capt. Peter Shaw, firefighters Rick Oliver, John Van Dyke, Dave Armstrong and Michael Evans, Pat Rocco, Carl Conklin Paul Staulters James Morrow and Mark Dejnozka were recognized for their efforts in a rescue operation on Saratoga Lake on Feb. 24. On that night, two people fell into the water while on recreational vehicles. Both men died. "It was a moonless night," Chief Robert Cogan recalled. "They could hear the victim -- They could hear the screaming. There were no lights and it was treacherous." The team managed to pull one man from the lake, but he later died from exposure. "Unfortunately, this did not have a good outcome, but it amazes me how good they are at their job," Cogan said. Commissioner of Public Safety Thomas Curley told the firefighters, "You're the fabric that makes up our quality of life. We're very grateful to all of you." Other firefighters were also recognized, including Lt. John Steward, firefighters, Dan Tallman, Michael McCarthy, Joe Dolan, Todd Green and Aaron Dyer.

From [The Saratogian](#), by Shane Snider, 12 July 2001

UE TO OFFER MASTER'S IN PUBLIC SERVICE ADMINISTRATION

The University of Evansville will offer a new degree next year, a master's in public service administration, aimed at a selected group of would-be students: Adults with a bachelor's degree and at least five years of work experience. The public service degree is offered at only a few schools, explained Lynn Penland, director of the Center for Continuing Education. It is similar in many respects

to a degree in public administration. However, public administration usually is aimed more toward careers in government, while the UE plan is for careers in which service is part of a person's job. That would include, she said, both not-for-profit agencies and for-profit firms that incorporate service to others as part of their mission. Stephen Greiner, vice president of academic affairs, said classes will meet every Tuesday evening for two years. Students will form a "cohort," remaining together as a class for the entire two-year program, he said. Between 20 and 25 students are expected to enroll in the class, he said. The cohort component seems to work well with adult learners, he said. They seem to automatically establish study groups, working together, Greiner said. Penland said the idea grew out of requests from adult learners, many of whom who had earned UE's bachelor's of liberal studies. UE currently has only two master programs, in physical therapy and health service administration, Penland said. The new program is more likely to appeal to someone wanting a master's degree who doesn't have a particular specialty in mind. Penland said the Tuesday evening class will be worth nine credit hours, since students will also have outside assignments and some Internet work. They also will be doing projects, she said. Topics during the two years will include such items as social justice and diversity, ethics and jurisprudence, marketing, information systems, finance, management theory, human resources, statistics, grant writing and applied research and program evaluation. University of Southern Indiana officials said they are studying the possibility of offering a master's of public administration because Indiana State University, which had offered the program in Evansville, no longer does. USI has eight master's programs now.

From [Evansville Courier](#), by Patricia Swanson (pswanson@evansville.net), 12 July 2001

TECH WORKERS WILL BE GUINEA PIGS FOR CIVIL SERVICE CHANGES

A House lawmaker will unveil legislation July 31 to change some rules for recruiting and retaining federal technology and procurement specialists. Rep. Tom Davis, R-Va., plans to propose some changes to civil service rules for those workers at a hearing of the House Government Reform Subcommittee on Technology and Procurement, subcommittee staff director Melissa Wojciak said at the E-Gov conference in Washington on Tuesday. Davis is chairman of the panel. One proposal that may be included in Davis' legislation is the creation of short-term appointments, from two to five years, for critical technology or procurement positions, Wojciak said. Such short-term positions would be a way to attract candidates who don't want to spend a career in government. Wojciak said the specific proposals would not be revealed until the hearing. "The government needs a skilled IT workforce," Wojciak said. Davis' plan to target civil service reforms at tech workers reinforces the government technology workforce's role as the main testing ground for changes to the federal civil service system. The Office of Personnel Management is experimenting with new classification and hiring procedures using technology occupations. The National Academy of Public Administration is conducting a \$678,000 study of the federal technology workforce and will recommend changes to the compensation system by mid-September. Eleven agencies in OPM's test are trying out new qualification standards that look at a wide range of skills and experiences to determine whether someone is qualified for a technology job, rather than requiring a college degree or other specific certifications. The new standards also allow hiring managers to consider non-technical skills, such as oral communication ability or teamwork prowess, when hiring tech workers. If the test works out and is expanded, the governmentwide classification system could become less rigid and changes to standards could be made more quickly. Managers could hire people more quickly as a result. But Roger Baker, former chief information officer for the Commerce Department, said officials shouldn't be overly concerned about retaining federal technology workers. "I think the government needs to lose a lot of its entrenched knowledge," Baker said, though he added that many technology offices in government are filled with talented people. But because civil service rules are unlikely to change, it is more likely that agencies will outsource technology work than be able to hire good people, Baker said. "The government makes it so hard to recruit and retain," Baker said. "It's easier to outsource."

From [Government Executive](#), by Brian Friel (bfriel@govexec.com), 11 July 2001

Management Innovation & Trends

ASIAPACIFIC

DOST TO OVERSEE EXECUTION OF RP E-GOVERNMENT STRATEGY

The Macapagal administration will soon issue an executive order formalizing the new role of the science agency in overseeing the government information system plan (GISP), Science Secretary Estrella Alabastro said. The government has given "verbal instructions" to the Department of Science and Technology (DOST) to facilitate the execution of the country's master plan for e-government, Alabastro said in a briefing last week. The E-commerce Act of 2000 requires all government entities to be prepared for the digital economy within two years after the signing of the law. In an interview, however, Alabastro expressed reservations on the new job assigned to the department. She said that the science department has few resources that could be spared for the plan's implementation. One of her concerns involves funds needed by the science department to support activities that would hasten the execution of the GISP. This early, however, Alabastro is looking at a DOST project called the Philippine Research, Education and Government Information Network (Preginet), on which GISP could "piggyback." An initiative of the DOST and Advanced Science and Technology Institute, Preginet is envisioned to become the network backbone linking academic, research and government institutions. Deploying different technologies such as fiber optics and satellite, Preginet is supposed to become a nationwide next-generation network. The DOST said it is considering also using this backbone, which has yet to be completed, for the government information systems. Last year, several IT organizations recommended the creation of a task force that will work on the implementation of the plan, side by side with the National Computer Center. The group asked the Information Technology and E-commerce Council, now the country's highest IT policy and coordinating body, to work on a budget with the Development Budget Coordinating Council for the plan's realization. According to Alabastro, the science department is evaluating the status of the project. She has temporarily assigned Fortunato dela Peña, undersecretary for planning of science and technology services, to undertake this task. Aside from DOST, other agencies involved in the implementation of the plan include the Department of Budget and Management, Department of Trade and Industry, National Economic and Development Agency, and the Department of Transportation and Communications.

From [Philippine Daily Inquirer](#), by [Erwin Oliva](#), 5 July 2001

CIVIL SERVICE COLLEGE STEPS UP E-LEARNING DRIVE FOR CIVIL SERVANTS

Singapore's Civil Service College will launch an open academy for civil servants and statutory board members next month. The aim is to get as many of them to enrol for e-learning so they can provide better services for the public. A recent survey by the college shows that some 37 percent of ministries and statutory boards are interested in online learning. It says there is no apathy among civil servants when it comes to e-government and providing better services. It has set a target of getting at least 20 percent of the public sector to upgrade their computer skills, with the ultimate aim of getting 60 percent of the public service to learn online. Yam Ah Mee, Dean of Civil Service College and Deputy Secretary (Public Service Division), said: "We see electronic learning as an important avenue to complement classroom learning and so we have embarked on this open academy to provide the services so that public officers can continue to learn anytime, any place."

From [channelnewsasia.com](#), by [S. Ramesh](#), 28 June 2001

CHINA INTERNET USERS HIT 26 MILLION

China reached 26 million Internet users in March, but the 15 per cent rise since the beginning of the year marked a slowdown on 2000 growth rates, state media reported Wednesday. The number of people online had surged 152 per cent last year, from just 8.9 million at the end of the 1999. However such stratospheric growth rates, where usage doubled every six months, has now stopped. Also, the number of worldwide-accessible Chinese websites fell to 230,000 in April 2001, down from 265,405 at the end of last year, the China Daily reported. There had been only 27,289 such websites in June 2000 last year, it added. The government was currently formulating new policies to develop the sector, the paper said. "We will strive to maintain a high speed of growth in the Internet industry, which will help make it a backbone in the national economy over the next five years," said Zhang Chujiang, a vice-minister at China's Ministry of the Information Industry (MII). He said integration of telecommunications, cable and computer networks and the development of Internet-based value added services would be the focus of Internet development over the next five years. The MII said cable TV operators would be able to run telecommunications services and telecoms providers such as China Telecom and China Unicom would be able to transmit cable TV programmes with their networks, the paper said. "We should approve the cross-operations of the two networks under equal conditions and the last mile will be to break the monopoly in telecommunications and cable TV sectors," Zhang said. The MII would also require telecoms operations to run trial operations of broadband networks in 13 cities, which will provide high-speed connections and enable users to download more bandwidth, the paper added.

From [ninemsn](#), 11 July 2001

WOMEN MAKING WAVES IN IT

The Singaporean woman of today debunks social perceptions that women are less technology-savvy. The latest report card on women's progress here since 1965 shows that more of them are holding top posts in the information technology industry. This was revealed yesterday at a press conference on Singapore's second periodic report to the United Nations' Committee for the Convention on the Elimination of all Forms of Discrimination against Women (Cedaw). The UN General Assembly adopted Cedaw in December 1979 as a comprehensive international legal instrument for defining and protecting the rights of women. Mrs. Yu-Foo Yee Shoon, Senior Parliamentary Secretary (Ministry of Community Development and Sports), said in her introductory statement to the committee that while the IT industry was dominated by men in the 1980s, women today hold two-thirds of the important IT positions here. In the statement, she said: 'Women have taken to IT jobs and matched men stride for stride. 'Women now head IBM Singapore and Microsoft Singapore.' IT levels the playing field between genders, she noted at the press conference yesterday.' The younger generation of women will do better than us because of it. 'Now, you don't need muscle but brains and knowledge,' she added. Mrs. Yu-Foo led the Singapore delegation to the Cedaw session in New York earlier this month. She told the media that she has noticed that more blue-collar female workers are upgrading their skills through the Skills Redevelopment Programme these days. This programme retrains workers to make them more employable. The programme has courses ranging from IT and banking to real estate and even cleaning. Between April and June this year, 61 per cent of the programme's trainees were women. The report card for the UN also showed that wage-wise, young women are fast catching up with their male peers. The wage gap between men and women aged 25 to 29 in professional and managerial jobs went down from 6 per cent in 1991 to 2 per cent last year. But while women are forging ahead on their own initiative at work, fewer are interested in leading in politics, she added. 'From my observation, some seem happy to be successful professionals. 'There are many women at grassroots level, but mainly at the membership level rather than at the leadership level.'

From [Straits Times](#), by [Josephine James](#), 26 July 2001

EUROPE/CIS

BLAIR HIRES BIG MAC FOR KEY E-JOB

Lord 'Gus' MacDonald, the 61 year-old minister for the Cabinet Office and the Duchy of Lancaster, is set to take charge of the delivery of electronic government services. Since moving to the Cabinet Office, MacDonald's full portfolio of responsibility has not been fleshed out, but an announcement is said to be due in the very near future, according to Westminster sources. [vnunet.com](#) expects the Cabinet Office to announce next week that Macdonald will take over responsibility for overseeing how the Government delivers online services, how it awards public sector IT contracts and how new technologies are used within the civil service. If confirmed, MacDonald, a former transport minister, would effectively be taking over as e-government minister from the former Cabinet Office Minister of State, Ian McCartney, now Minister for Pensions. It would see MacDonald oversee the e-empov's office led by Andrew Pinder, and would place him at the heart of e-government alongside minister for ecommerce Douglas Alexander MP and under e-minister Patricia Hewitt, who has kept her title despite becoming Secretary of State for the Department of Trade and Industry. A Cabinet Office spokesman declined to comment on the story, but did confirm to [vnunet.com](#) that no senior figure had taken over McCartney's e-government responsibilities, but that an announcement would be made regarding them in the near future. He also confirmed that an announcement regarding changes to MacDonald's portfolio would also be made in the near future. MacDonald, a former television presenter and Glasgow shipyard worker, was appointed a transport minister in June 1999 under John Prescott when the Deputy Prime Minister headed up the Department of Environment, Transport and the Regions. At the time, MacDonald's appointment was accompanied by accusations of 'cronism' because of his close association with Prime Minister Tony Blair.

From [VNU](#), by [Ian Lynch](#), 3 July 2001

EC SETS TIGHT E-GOVERNMENT TARGETS

The European Commission has unveiled a series of e-government targets that Information Society Commissioner Erkki Liikanen has promised will be met. Speaking to the International Institute for Democracy and Electoral Assistance Democracy Forum 2001 in Stockholm, Liikanen listed a number of deadlines, including: Essential public data to be brought online (end 2002); Electronic access to main basic public services (end 2003); Simplified online procedures for business (end 2002); All basic transactions with the Commission to be online (end 2001) Liikanen said, "The Commission has set ambitious targets for putting its activities online, both as to the front office and the back office." E-government, he added, should help the Commission consult more widely on its proposals - a key consideration given the remoteness of the institution from most European Union citizens. He cited Canada as an example of a well-designed e-government network, where [www.canada.gc.ca](#) is a single entry portal to all government services. The next stage for e-government, he said, is developing interactive services that include the ability to "handle economic transactions so that you can pay your taxes online". Spain already has a system where income and property taxes can be declared and paid online at [www.aeat.es](#), said the Commissioner.

From [CW360.com](#), by [Keith Nuthall](#), 4 July 2001

COUNCILS TOLD STRATEGY IS KEY TO E-GOVERNMENT

Councils have been told to ignore technology and concentrate on reshaping communities as they effect the shift to e-government, in a new report from The Society of Local Authority Chief Executives and Senior Managers (SOLACE). Entitled "Sing When You're Winning", the report was created by a think-tank of local council chief executives led by SOLACE president and Ipswich borough council chief executive James Hehir. Hehir's team have produced a document that offers council chief executives practical guidance on implementing e-government and meeting Tony Blair's electronic service delivery targets. Hehir said e-government "will reinvigorate the role of the council as community leader." The process, "gives councils the opportunity to be innovative in delivering better services and supporting their local communities," he added. The SOLACE publication calls for vision and leadership from council executives and for the integration of e-government into corporate management structures. Strategies should be focused on improving efficiency and effectiveness through organisation and sound business processes and councils must examine whether staff and infrastructure can deal with the demands of e-targets. "Sing When You're Winning" also calls for an information management strategy that consolidates all the council's information and puts it under professional control and for a communications strategy to explain e-government to citizens, staff and stakeholders. The report stresses the importance of monitoring and reviewing e-government strategy with measurable outcomes and strong lines of accountability and affirms the benefits of working in partnership with other councils, local businesses and other stakeholders. Launching the report, James Hehir said, "Doing nothing is not an option. Failure to meet the challenge will lead to councils becoming beleaguered and inefficient organisations at odds with the communities they serve."

From CW360.com, by Bruce Ackland, 4 July 2001

E-GOVERNMENT INITIATIVES COULD ROUSE APATHETIC VOTERS

With interest in this year's elections at an all-time low, it is time for councils to encourage public involvement via email and the web. More than one in three people didn't vote in the general election. Media coverage of the campaign was dominated as much by stories of apathy as it was by party politics. The public is interested in issues such as health, education, crime and transport, but it is turned off by the way that politics is done. The challenge is to offer new and more direct ways into decision making, and to reconnect the public with what goes on in government at both the local and national level. For many the best hope rests with new technologies. The argument goes that a truly modern democracy is dependent on truly modern modes of communication. A new dialogue between the public and decision makers will be brought to life by the mobile phones, internet, email, computers and pagers that are now so deeply rooted in our public and personal lives that we can't imagine a time without them. The starting point will be modernising the interface between citizens and decision makers at the local level. On the surface it is a promising picture with many local authorities embracing the e-government agenda. The majority of local authorities now have a website, some better than others, which present a way for citizens to potentially interact with local decision makers. For example, on the Bracknell Forest council website residents are able to securely access their own personal information page and conduct direct, online transactions with council staff. Numerous other electronic innovations are up and running or are being piloted, designed to provide more responsive services and quicker and more convenient access. Perhaps this should not be surprising since the government has set ambitious targets for modernising the delivery of public services. Local government must deliver 25% of services electronically by 2002 and 100% by 2005. Ironically, rather than the usual perceived limitations of technology, the most significant barriers to overcome could well be of a human nature. Andrew Collinge, an e-government specialist from MORI, said: "The technology is already there. While it is very feasible to deliver 100% of services online by 2005, the real focus needs to concentrate on which wholly web-based services will prove to be winners. Success can then only be measured in terms of take-up of these services." A recent MORI survey for Northamptonshire county council showed that traditional access channels such as the telephone and face-to-face contact will remain vital interfaces between local authorities and citizens. The public clearly are still to be persuaded that e-government represents the gold standard for service delivery. Supposing the public was queuing up for electronic service delivery, would local authorities be capable of implementing the necessary change? Among many councillors there is considerable caution bordering on hostility. At a recent e-government meeting within a local authority, one councillor turned up minus his requisite bunch of papers. When told they had been emailed to him, he replied that this was totally unacceptable and not the way the council worked. The worry here is not that councillors are sticklers for tradition, more that their demographic profile does not mark them out as "early-adopters". There is a clear need for training and support to ensure that the vision can deliver. But will e-government lead to e-democracy? How much emphasis is being placed on using new technology as a way of truly modernising democracy and opening up decision making? The great hope placed on new technologies like the internet is that they have the potential to reach every corner of a population and enable the voices of the many rather than the few to find a way into decision-making. The e-democracy vision is of a future where the lid is opened on political processes. Citizens will be able to access information about decisions that affect them locally or nationally at home, at work and in public places, via email, the internet, mobile phones and other technologies. However, they will not merely be the recipients of this information. They will be able to feed in their views and join in discussions. For example, a recent Camden council vision document available on their website imagines "virtual public meetings" taking place through localised websites, facilitating local debate. The signs are that some local authorities are moving in the right direction but are not yet achieving the vision. At a basic level many have mechanisms for enabling online users to feed comments directly into the council; those more advanced even have a commitment to providing a response back. Many are also providing the opportunity online to feed comments into consultation papers. A number of councils - for example Brent - enable residents to vote on annual council tax and budget plans online. Many have also established web-based discussion forums. In the case of Camden council website a specific area is targeted at young people for them to complain, raise issues and debate particular topics. But how much

impact do these initiatives have and how far-reaching are they? A closer look at Brent council's website reveals that out of over 2,000 responses to their consultation exercise on council tax in the 1999 budget only 33 were received via the internet. And in 2000 only 10 responses came through this channel. Camden's online youth forum is well designed and demonstrates how views posted online will be responded to. Yet less than 10 messages currently appear on the discussion threads. Simply providing the technology isn't enough, the next step is to make sure that people know that the opportunity is there - particularly those who are already socially excluded. Individuals also need to feel confident and at ease with this technology. Mechanisms also need to be in place to ensure that involving the public in decisions through technology isn't an empty gesture - and that views and recommendations fed in do not just end up in a black hole. It is in recognition of this challenging agenda that IPPR, supported by the Improvement and Development Agency (IDeA), has established an award for "e-involvement" as part of this year's IPPR/Guardian Public Involvement Awards. The awards were set up to highlight public bodies, private companies and voluntary and community groups with a genuine commitment to involving the public in decision making. IDeA is actively supporting and guiding those working in local government to get to grips with the e-government agenda. The award for e-involvement is aimed at organisations working in local governance which are effectively using technology to improve dialogue between local residents and service providers. For example, this might be a local authority that is using email to effectively consult citizens on service delivery issues or an organisation that has empowered a community to make decisions collectively through the use of technology. We're looking for organisations that are putting e-democracy at the heart of e-government. • Laura Edwards is qualitative research manager at IPPR. Andy O'Brien is a consultant at IDeA.

From [Guardian Unlimited Society](#), by Laura Edwards and Andy O'Brien, 11 July 2001

MIDDLE EAST

SAUDI LAUNCHES WEB PORTAL FOR PILGRIMAGE SERVICES

Riyadh - Saudi authorities launched a web portal Monday to speed up the paperwork for Muslims registering to take part in round-the-year pilgrimages to Islamic holiest sites. "Bab al-Umra will facilitate the ministry of hajj's supervision of the performance of local Umra establishments and their foreign agents and the quality of services being provided to visiting pilgrims," portal manager Tareq Hefni said. The portal will also set the mechanisms and create channels through which visas, reservations, bookings, fares and relevant information could be exchanged between all parties, Hefni said. The portal, hosted by Alamiyah Internet and Communications Co., will be the Saudi government's first foray into e-governance, he added. In April, Saudi authorities began issuing one-month visas to Muslims performing Umra mini-pilgrimage to allow them to stay on in the kingdom for tourism purposes. They said they expect more than two million people to visit the kingdom annually to perform Umra under the new system. Another two million, including Saudis, take part in the annual hajj pilgrimage to Mecca and Medina.

From [Zawya.com](#), 10 July 2001

THE AMERICAS

WHO SHOULD OVERSEE THE INTERNET? HOW ABOUT OPRAH?

(CNN) -- Asked to create a hypothetical governing board for the World Wide Web, respondents to a survey came up with an interesting assortment of personalities, including Oprah Winfrey, Bill Gates and Pope John Paul II. Perhaps the aging pontiff brandishes his mouse with as much gusto as young Web surfers. According to the new report, there is little change based on age in favorable ratings for the Web. In fact, the high approval rating among those ages 65 and older was the same as those 18 to 29, once the report controlled for online use. "When it comes to the Internet, familiarity breeds contentment, even for older Internet users, even for (those) who are going online for the first time much later in life," reads the Markle Foundation report. "The notion that the Internet is a medium for the young is wrong." The survey, which examined questions about Internet governance and accountability, polled more than 2,000 laypersons and experts by telephone and via the Internet in 2000 and 2001. It shows that 63 percent of people in the United States used the Internet at least once, and many are "extremely enthusiastic" about it as a tool. But there are also strong concerns among those surveyed about privacy, pornography, and fraud. A majority of respondents said they viewed the vast electronic network as "impossible to govern" and thought it

should be subject to some form of oversight. Most considered non-profit organizations and private corporations better suited for the job than government agencies. "The public said that when it comes to protecting them online that they do believe government has to be more involved and play a strong role," the organization's president Zoë Baird told CNN. "But they generally want the rules made by business and nonprofits. So what we took from this survey is the public doesn't see this as a black and white issue." Report: Most favor Web taxes - But 60 percent said they did not mind if government involvement extended to taxation, the report said. Even many of those who might be expected to oppose online taxes actually favor them, for example, 53 percent of Republican

Internet users and 60 percent of Internet users with incomes of \$100,000 or more. "The downturn in the dot-com economy in recent months has not significantly changed the balance of public opinion on this question," reads the Markle report. While 83 percent of those who tap into the Web give it favorable ratings, many harbor concerns about privacy and accountability. Just 23 percent of those surveyed said they could trust most of the things they read online; while 70 percent said "you have to question the truthfulness of most things you read on the Internet." Almost 80 percent of users said the Internet made their lives easier. Most considered it as a kind of library rather than a shopping mall or banking office, when asked to select the most accurate metaphor for the Internet. When asked, "In your opinion, which one of the following is the Internet most like?" Forty-five percent of those surveyed said "library," 15 percent said "highway," 14 percent said "shopping mall," 8 percent answered "Wild West," 7 percent said "school," and 3 percent each compared the online experience to a "town hall" or a bank." Based in New York, the non-profit Markle Foundation promotes emerging communications media and information technology. Baird, the Markle Foundation president, failed in a bid to become U.S. attorney general in 1993 amid revelations that she had hired an illegal immigrant nanny without paying taxes.

From CNN, 10 by Richard Stenger, July 2001

DISTRICT 'BIG' IN SERVICE

How do nine paid firefighters cover a 192-square-mile fire and rescue district? According to Big Corkscrew Fire Chief Frank Kovarik, very efficiently. "We have a great volunteer crew that allows us to keep 12-14 firefighters on a scene," he says. "We're not lacking anything any other district has. We have all the bells and whistles, we just have to struggle a little harder to get it." Established in 1977 as an independent fire and rescue district, Big Corkscrew won the approval of 300-400 voters for a municipal special taxing unit (MSTU) to provide services. "The residents wanted service and the county wouldn't do it. The state wouldn't do it. So they created a special taxing unit," Kovarik says. The money paid for one building, one truck and gear to equip 15 volunteers. The first fire chief was Sig Walker and the first paid fire fighter was hired in 1987. Kovarik is the third chief to serve the District. He recalls his first meeting in 1991, which drew 200 citizens, county administrators and fire personnel. He says the district had suffered personality clashes among its leadership and county officials proposed taking over the District. Ultimately, citizens ruled the agency would remain an independent district. Today, the District has about 26 volunteers, nine paid firefighters and five associates. The district is one of only two in Collier County still utilizing volunteer firefighters. The Golden Gate Fire & Rescue



Big Corkscrew Island Fire & Rescue staff from left, Andrew Marfongella, Mike Hoover, Robert Kline, Todd Olson, Michael Ginson and Chief Frank Kovarik.

District has eight volunteers. Big Corkscrew Fire & Rescue has three fire stations, all of which are located on Immokalee Road. Station 11, at 18665, was built in 1978. Station 10, at 13240, was built in 1987 and Station 12 is under construction at Everglades Blvd. and Immokalee Rd. Just under half of the District's calls are emergency rescue calls. Through mutual aide, Corkscrew is assisted by and assists all other fire districts in the county. The majority of Big Corkscrew's calls are currently traffic related, according to Kovarik. "We have a lot of wrecks on Immokalee Road," he says. The District is governed by a board of three fire commissioners - George Eckherdt, Paul Plamondon, both of whom have served 12 years on the board, and newcomer Donna Lihach, who was elected last November. While board members of other county fire districts receive salary and health benefits, Kovarik is proud of his three-member board, which receives no compensation or stipend for their service. "They're here for one reason only," he says. "to serve the people of this district. There are no perks or 'bennies.' They volunteer their time." In East Naples, board members are paid \$4,800 a year. North Naples fire commissioners receive \$6,000. The Golden Gate Fire & Rescue Department budgets \$700 per commissioner a year, but all three board members have opted not to accept the pay. When the state lawmakers required all fire districts to go to a five-member governing system in 1998, the Big Corkscrew and Golden Gate districts were able to retain their three-member boards through a special referendum vote. Kovarik says it has been difficult enough for the district to keep a full board of three. On at least one occasion, the governor had to fill two vacancies when members moved out of district. Kovarik says the November 2000 election was the most exciting in memory since there were actually two candidates vying for one vacant position. A 35-year firefighter, Kovarik spent 25 years with the Pembroke Pines Fire Department on the East Coast prior to moving to rural Collier County. In the ten years that he has served the District, he says the population has been growing by about 20 percent a year. Ten years ago, the District received about \$10,000 a year in county impact fees, which are monies associated with new growth. Thanks to several large tract's boundaries, that sum has soared to \$200,000, but still pales in comparison with larger districts such as North Naples. Because impact fees cannot be used for salaries, staff growth must come from local tax (ad valorem) dollars. Next year, the district anticipates a \$200,000 increase in ad valorem monies, which could add four paid firefighters to the staff, according to Kovarik. "When it comes to ad valorem dollars, it is tough to sit back and watch other districts," he admits. "But we give the best bang for the taxpayer dollar. We keep three captains on a shift. We don't have a union. We don't have the issues other districts deal with. We're not using charge cards." At \$21,500 Big Corkscrew is at the bottom of the

scale for starting firefighter pay, but Kovarik says the smallness of the district gives it a unique relationship with its employees, volunteers and community. "We don't have contracts. The board treats us fairer than union contract laborers," he says. "We get five percent increases per year. Our firefighters are kept abreast of what's going on. They know how much is spent on gear and how much the board has to spend on medical, dental and eyeglasses." But Kovarik adds that relationship will likely change as the district undergoes comparable growth currently seen in other fire districts. "It's a nice happy family right now," he says, "As it grows, things will change." The Big Corkscrew Fire & Rescue Board meets at 7:30 p.m., the second Tuesday of each month, at Station 10. Meetings are open to the public. For more information, call 455-1204.

From [Golden Gate Gazette](#), BY Kaydee Tuff, 2 July 2001

U.S. POST OFFICE TO CONTINUE SATURDAY DELIVERY



The Postal Service has decided to continue delivering mail six days a week, officials announced Tuesday. Facing losses that could approach \$2 billion this fiscal year, the agency had been considering cutting back to five days, eliminating Saturday deliveries. But, after a preliminary study, the postal Board of Governors decided to drop the plan. "After reviewing management's primary findings, examining five-day delivery, the board decided to continue with existing six-day delivery service," Robert F. Rider, board chairman, said at the group's meeting in Evansville, Indiana, on Tuesday. The threat of a cutback had drawn heavy criticism from Congress, the mailing industry and the public. One member of Congress had called the plan a mistake that could destroy the agency. "This is one of the most self-defeating proposals I've heard in my life," Rep. Bob Barr, R-Georgia, said at a hearing in April. "If there's one thing the Postal Service could do that would guarantee its demise, it's eliminate service on Saturday." The agency has halted most construction and made other cuts to decrease the losses caused by the shrinking economy and the sharp increases

in the cost of gasoline. Rep. Constance Morella, R-Maryland, argued that "reducing the number of delivery days will have a devastating impact on our economy." Sam Parmelee, a vice president of the National Rural Letter Carriers Association, said reduced service could cause other problems. "The day you don't deliver mail it stacks up," said Parmelee, whose group represents about 100,000 rural and suburban carriers. "Then you've got this huge volume of mail that some carriers won't be able to fit in their vehicles when they go out on Monday." Robert McLean, director of the Virginia-based Mailers Council, a coalition of mailing businesses, said the agency must "find ways of managing within its current legislative framework to reduce expenses." The Postal Service receives no taxpayer money for its operations. It remains a government agency and operates under laws set by Congress.

From CNN, 10 July 2001

NEW YORK STATE WINS E-GOV AWARD

The New York State Division of Housing and Community Renewal has won an award at a Washington D.C. conference on e-government. Granted at the E-Gov Conference and Exposition 2001, the Explorer Award is meant to recognize innovations in electronic government that increase productivity and save public resources, according to Troy-based MapInfo Corp., which developed technology used on the division's Web site. The division won the award for its Web site -- <http://www.dhcr.state.ny.us> -- which offers a directory of affordable low- and moderate-income housing. The technology developed by MapInfo enables the system to display maps or text using information from the division's database, the company said. The site also offers graphical displays of schools, hospitals and child care facilities.

From [Capital District Business Review \(Albany\)](#), 11 July 2001

OFFICIALS SEEK REFORM OF AIRPORT TAXI SERVICE

The fragmented, frustrating system of taxi service that generates hundreds of thousands of empty cab trips between downtown Seattle and Sea-Tac airport may be on the way out. Prompted by a recent report in The Seattle Times, the city, King County and the Port of Seattle have agreed to begin negotiations next week to try to create a more seamless, regional system of cab service. One idea being floated is to create a computer-aided dispatch system to control the number of cabs at Seattle-Tacoma International Airport. Because airport-based taxis cannot pick up passengers downtown, and downtown cabs can't compete for airport passengers, cabbies are forced to drive riderless between both destinations. In fact, last year alone such "deadheading" translated to about 10 million miles of driver-only cab trips. And that number is expected to rise by about 300,000 miles this year based on the number of trips taken January through June. "I do think we can do a better job than we are now doing to cut down on deadheading," said Port Commissioner Paige Miller. The Port Commission on Tuesday agreed to have the Port staff meet with city and county representatives every two weeks to explore options to fix the cab system, which adds to traffic congestion, air pollution and confusion for travelers. At the same time commissioners directed the Port staff to extend by one more year the Port's contract with STITA, the company that has had virtually exclusive rights to provide airport cab service to downtown Seattle since 1989. The Port-STITA contract has never been open to competitive bidding. The existing one-way, noncompetitive arrangement may be unique among major urban areas, according to industry experts. The Port routinely has defended the contract, saying that by tightly

controlling which cabs serve the airport, it guarantees better taxi service. Because STITA, the Seattle Tacoma International Taxi Association, lacks a city cab license, its 166 taxis cannot pick up passengers in the city of Seattle, so they hightail it back, empty, to the airport for the next fare. Conversely, more than 640 city- and county-licensed cabs are generally prohibited from picking up passengers at the airport after they drop off fares. So they leave empty. Until the late 1990s, a handful of STITA cabs were licensed to pick up passengers in the city. But STITA lost its in-city pickup privileges when it failed to maintain a minimum number of cabs with city licenses. As a matter of fairness, city officials today are unwilling to allow STITA drivers to pick up in the city unless city-licensed cabs can pick up passengers at the airport. Passengers, meanwhile, are confused by the fares to and from downtown and the airport. A cab ride to the airport from downtown is a fixed, flat fee: \$25. But take a cab from the airport back downtown and the unregulated rate will likely be more. Officials say a revamped, regional taxi system would require new legislation by the city and county councils, and new dispatching controls to regulate the flow and number of cabs. Mel McDonald, Seattle's director of revenue and consumer affairs, who will be participating in the talks, yesterday said he is optimistic. "These are solvable problems." But Mike Merritt, director of commission services for the Port, noted that commissioners are not "prejudging" the outcome of the talks, and that it's possible the Port will decide to stick with STITA as the sole provider of taxi service. No one disputes that STITA, which the Port essentially invented in 1989 because of poor cab service at the airport, did a terrific job of improving conditions. But those pushing for reform say that STITA's former status as a model fleet has ebbed as Seattle and King County have bettered their regulatory controls over cabs and drivers. In fact, in some respects, particularly regarding driver training, the city has stiffer requirements than the Port. At this week's commission meeting, a STITA representative pledged to rid the fleet of cabs older than seven years. And the Port staff hopes to immediately implement some customer-service improvements. Those would include more prominently displayed notices to passengers regarding driver and cab identification, and clear information about whom to call with consumer complaints.

From The Seattle Times Company, by [Peter Lewis](#), 27 July 2001

E-COMMERCE SCHOOL GIVES STUDENTS 'REAL WORLD' WORK

Alva - Students in Northwestern Oklahoma State University's school of e-commerce are already on the job. A key aspect of the fledgling program — the first of its kind in the nation — is to require students to work in the "real world" while they are learning, said Alex Pujari, dean and instructor. Students are paid a small salary to meet with clients, produce Web sites and test them while receiving instruction from professors in class and in the college's Internet Incubator. "These are actual projects from the industry, which is a tremendous experience for our students," he said. The program officially began about a year ago through the efforts of legislators, Higher Education Chancellor Hans Brisch and the university's former president, Joe Struckle. "(Struckle) wanted to bring technology into northwest Oklahoma," Pujari said. With the help of \$500,000 from the city of Alva and the Woods County Economic Development Authority, Northwestern created the computer lab for the incubator. Forty students enrolled in the program in its first semester. In the second semester, the program had 182 students. The program's growth has exceeded all expectations, Pujari said. "Our original proposal to the chancellor was to have eight students a semester," he said. Administrators had planned to build the program over four years but soon found that it didn't take that long. Three faculty members run the program. The university is expected to hire another instructor soon. In addition, the program offers a fast-track that allows seniors or students with degrees to finish in a year. The first group of graduates will finish in December. Pujari said the classes are filled with nontraditional students such as retirees, homemakers and people starting second careers. "The quality of our students is very high," he said. Tina Heath, a single mother who will graduate in May, fits into the nontraditional category. Heath said the program goes beyond teaching students several programming languages and how to build Web sites. Students learn the business management and marketing aspects of e-commerce as well as the laws and ethics relating to the Internet. With that knowledge, Heath said she should be able to start her own e-commerce business. Heath, of Alva, is excited about the opportunities the e-commerce program will provide to her hometown. "This is something the whole community has supported," she said. "It has changed the way people look at Oklahoma." Pujari said he and faculty members talk with industries and organizations worldwide to obtain projects for students. A recent project for the Oklahoma Council of Arts created the Web site [artspower.com](#), which helps raise funding for the arts in schools and also gives students arts information. "All the business has to do is tell us what they want and our students will take care of it. We make their lives simpler," Pujari said. The university charges for expenses and small salaries for the students, but the price is still much less than using an e-commerce company, he said. It was the hands-on experience that the incubator provides that brought senior Derek Correa to Northwestern, he said. "It's basically like a working environment. That's great exposure," he said. Although some dot-com companies have disintegrated, students coming from the school's e-commerce program will have staying power, said Stacy Scott, who handles business development for the incubator. Professors don't just concentrate on the technology aspect. Students learn the importance of structuring portfolios, presentations and marketing. To have a successful technology-based business, a person must blend technology and business, she said. While the program is no longer the only one of its kind in the country, enrollment is expected to grow, Pujari said. Last semester, the college started a program in Enid. This fall, programs will begin in Ponca City and Woodward. Students will watch classes via interactive television and an instructor will visit each site once a week. Not only has the program benefited Northwestern and its students, it also has helped the state. "For northwest Oklahoma it is an amazing thing to happen," Pujari said. "We are bringing industry into rural Oklahoma."

From [The Oklahoman](#), By [Dawn Marksu](#), 30 July 2001

IT ISN'T JUST ABOUT PROVIDING INFORMATION

About two years ago, I wrote about my impending transition from a professional life entirely focused on helping clients with technology to one where I would be adopting the internal perspective of a company's chief information officer. While columns since have included a perspective of newfound understanding of and respect for organizations and their information technology (IT) challenges, an anniversary is an ideal time to share some of the realities that I've learned. Why would you care? As many businesses grow, they have a need for not only IT infrastructure but to also have IT leadership. Many strategies for acquiring this knowledge are used. Some outsource, some hire a captain of IT (COI) with a variety of job titles, and some assign this responsibility to someone on the support team. Thus, many of the following realities are true for all of us: □ What is the role of the COI? Peter Drucker explained it succinctly: "Most CEOs still believe it's the chief information officer's job to identify the information he requires. This is a fallacy. The information officer is a toolmaker; the CEO is the tool user." As such, the COI's role includes acting as the organization's eyes and ears to learn and understand new technology opportunities and how they will improve the potency of the information at the CEO's disposal for decision-making. Educating, training, transferring knowledge and championing the continued professional development of IT are also essential elements. Finally, overseeing the successful execution of vision, to create the tools for the CEO and other managers, is critical. □ In organizations, many constituencies are directly impacted by every IT initiative; they include management vs. users, finance vs. users or management, and even people focused on long-term vs. short-term strategy. The COI must be capable of serving as the liaison between these groups to build consensus for the overall direction of IT and yet still listen and understand the needs of each constituency. Included in this reality is the delicate nature of return on investment and defining cost of ownership. One of the most difficult questions is always whether certain IT initiatives are investments or normal costs of doing business. The challenge of meeting these realities may be one of the reasons that the average length of employment of a chief information officer is less than two years. Therefore, as employers of COIs, we must be particularly sensitive to finding the right matches for our organizations and trying to understand the roles we've assigned to them. □ Among the toughest obstacles for IT are unreliable vendors. For example, if the NASDAQ is not safe from a paralyzing WAN outage, why should anyone else expect immunity from such events? Or take Microsoft, which is arrogantly leveraging its dominance in the marketplace by effectively significantly increasing licensing cost. The powerless nature of controlling your own IT destiny based on long-standing vendor relationships makes steering IT very time-consuming and frustrating. And my examples are of initiatives that are moving ahead and applications that are stable. For initiatives still under way, vendors that change midstream of a project that involves internal resources and users can become even more difficult to resolve. □ Adding to the nightmare of bad vendors is the marketplace's technology-fad mentality. We have all been guilty of it, both with our investing dollars in the market and with our IT budgets. Still, the challenge of a COI is to balance management's intrigue with the newest hyped technology with the deliverability of that technology as an organizational tool. □ One of the biggest transitions for me was the concept of "eating your own dog food." As a consultant, you are somewhat insulated from the outcome of your advice. As a chief information officer, you have to live your decisions and recommendations. While this is a challenge to a COI, we must remember this distinction every time we use a consultant. Ultimately, the consultant doesn't have to live their recommendation. □ Role models are tough to find. While there are inspirational CEOs to help define other's roles, like Jack Welch and even Jeff Bezos (as a pure technology guy), many of the gurus of technology leadership are merely consultants. Some are good consultants, and some are even great, but they are not speaking from the same perspective as someone "in the trenches" or sharing insight in a real, nonacademic fashion. Searching for a guide for what is a good job is difficult. For now, this must include extensive reading in the IT industry and attending networking events with other IT captains. Note that letters to the editor in many magazines can provide much needed input in what "really is going on out there." □ Every leadership role requires a fair amount of communication. In the role of chief information officer, this means communicating with fellow executives, users, staff, vendors, peers and even customers. The time demands that inevitably arise makes it easy to place this necessity's priority lower than it should be. Face-time and the use of the variety of technology already implemented in your organization makes this communication alone a valuable tool. No one has the entire picture or the only creativity in developing those decision-making tools. Do you have a technology toolmaker? Or as T.S. Eliot is quoted as saying, "Where is the knowledge we have lost in information?"

From [East Bay Business Times](#), by Chaim Yudkowsky, 30 July 2001

Public Finance

ASIAPACIFIC

THAILAND: STANDARDS GAP A PROBLEM - BANKS, CLIENTS DIFFER IN PACE OF REFORMS

Most analysts agree that over the past three years, commercial banks, with prodding from regulators, have made significant strides in improving their operations and efficiency. Yet restructuring and reform in the corporate sector has moved at a slower pace, one key factor cited by banks for their reluctance to extend new credit to the corporate sector. Enter the Thai Asset Management Corp. The new state agency is tasked not only with restructuring over 1.37 trillion baht in bad loans, but also with pushing forward with industrial reform by consolidating, merging and cleaning up companies and balance sheets. Salinee Wangtal, a senior executive vice-president of Thai Military Bank, noted that measures taken by the Bank of Thailand over the past few years had focused on improving a culture of prudence and good governance within the financial sector. Yet reform within the "real" sector had moved at a much slower pace. As a result, top banks which have moved closer to international best practices, risk management and credit analysis systems face increasing difficulty in justifying loans to customers which have been slower to boost their efficiency, competitiveness and productivity. Mrs. Salinee, a career central banker now on an exchange programme with Thai Military Bank, said closing this "standards gap" between banks and their clients was crucial if new credit growth was to occur. "Foreign banks focus only on large companies or multinationals. Thai banks are the same. So it highlights the urgent need for corporate debt and operational reform, something which the TAMC can help play a major role in leading," she said. A balanced approach, Mrs. Salinee said, would first see private companies moving to reduce their debt-to-equity ratios and improve operations. This would allow banks, coupled with modest regulatory forbearance by the central bank, to gain increased flexibility in lending. Thanong Bidaya, acting TAMC executive chairman, said easing certain reserve regulations would help lead to increased lending, thus boosting domestic demand and investment overall. But Aphisit Vejajiva, deputy leader of the Democrat Party, cautioned that the TAMC was not a single, catch-all solution for the problems of bad debt in the economy. Moral hazard remained an issue, as companies being restructured under the TAMC received an advantage through debt haircuts compared with competitors outside of the workout agency. Mr. Aphisit said the government, which projects a deficit of 200 billion baht on spending of 1.02 trillion for the fiscal 2002 budget, needed to address clearly how it would boost confidence through its fiscal programmes. Chaturon Chaisaeng, a PM's Office minister, said greater details on the government's plans to boost competitiveness, raise workforce skills and improve production technology would be seen starting with the fiscal 2003 budget.

From [Bangkok Post](#), by Cholada Ingsrisawang and Darana Chudasri, 2 July 2001

FEDERAL BUDGET HITS COMMON MAN

Karachi: The federal budget has been adopted without any thought to the well-being of the people. Increase in imports without incentives to industry at home would further affect local investment as concessions applicable from December or next year are meaningless and not an attraction. These are some of the comments on the budget by leaders from a cross-section of society. The Jamaat-i-Islami said a "long rosy budget speech" and the concessions given were not the panacea for the miseries of the people in a country where 90 per cent of them live in poverty, illiteracy, backwardness and diseases and where mortality rate of the newborn is mounting in South Asia. JI deputy chief Prof Ghafoor Ahmad criticized the government for failing to fulfil its pledges of providing good governance and prosperity to the people. He said its policies had resulted in high prices of goods while unemployment and corruption had gone up. Besides, he said, 14.4 per cent increase in the price of petroleum products before the budget had multiplied the miseries of people. Also, the government had failed to attain the target of its expected income, to document the economy and check smuggling. Its policies had rather frightened traders and industrialists which had resulted in the flight of capital and brain drain and reduction in foreign exchange. The JI leader said ignoring the facts that traders, industrialists and overseas Pakistanis had no faith over the government pledges the government had increased the size of the budget by 8 per cent and increase in generation of revenue by 5 per cent, the targets whose attainment was not possible. JI Karachi Amir Naimatullah Khan said that "America finance minister" of the military government Shaukat Aziz could be termed an American budget but not the Pakistani budget as it did not provide any relief to the people of Pakistan. Pakistan Muslim League (N) Vice President Mian Ejaz Shafi and Secretary General of PML Sindh (N) Mamnoon Hussain said that the budget had failed to address the basic problems of the local industry. The unbridled bureaucracy had been given authority to disconnect services for failing to pay the dues but not made it obligatory to restore the services with the payment of dues immediately. They said that 30 per cent increase in the imported goods would badly effect the local industry. The said that detailed comments could only be made after going through the budget notification. Pakistan Tehreek-i-Insaf has rejected the budget saying that a budget which failed to facilitate people did not worth for consideration. PTI Secretary General Mairaj Muhammad Khan said that it was a sleazy joke devoid of any silver lining for recovery of the national economy, increase in agriculture and industrial production, and elimination of soaring prices and unemployment in near future. Terming the budget compliance of IMF and the World Bank agenda in which 43.79 per cent of national income had been apportioned for loan and interest payment while for important sectors of welfare of the people like education only a meagre amount of Rs 6.522 billion had been allocated and for health Rs 2.1627 billion and for judiciary Rs 330.9 million had been sliced. The total amount of these three sectors come to Rs 9.5998 billion which is equivalent to the amount given to the police and other paramilitary forces. National

Peoples Party said that the budget of the country had been adopted but the budget of common man had failed. NPP Information Secretary Zia Abbas said that increase in the pay of government servants was a recognition of price hike as such the government ought to take steps which could give an equal raise to all salaried class. Terming it an oppressive and worst budget of the history for the poor Jamiat Ulema-i-Pakistan Sindh rejected it saying that it was prepared by the World Bank and IMF devoid of realities on the ground. JUI Sindh Secretary General Dr Khalid Mehmoud Soomro and Secretary Information Qari Muhammad Usman said that the nation demands from the government to appoint such a person finance minister who could reflect in the budget aspirations of the people and not the interests of the world financial institutions. Communist Mazdoor Kisan Party Chairman Abdul Khalik Baloch said the economic and financial "wisemen" of the present government were bent upon selling the sovereignty of the country under the smokescreen of economic reforms and unknown species of structural adjustment.

From [DAWN Group](#), 2 July 2001

BSP SET TO TIGHTEN 'FIT-AND-PROPER' RULE

The Monetary Board will issue this week a circular tightening its "fit-and-proper rule" to weed out persons unfit to run the country's banks. In an interview Friday, BSP Deputy Governor Alberto Reyes said the circular would bar relatives of shareholders and incumbent directors by blood and affinity to the fourth degree from being appointed as independent directors of banks. It would also require all bank directors to attend a seminar on corporate governance focusing on their duties and responsibilities, he said. The seminar, to be accredited by the central bank, was a new requirement on top of a college education or a business experience. "In considering whether one is fit and proper, the Monetary Board would have to use its discretion and be guided by qualities like integrity, education, experience, training, and competence," Reyes told reporters. In line with the new policy, the central bank would start maintaining a watch list of officers and directors with violations that could lead to their temporary or permanent disqualification from any sensitive position in any bank. Section 16 of Republic Act 8791 allows the Monetary Board to "prescribe, pass upon and review the qualifications of individuals, elected or appointed bank directors or officers and disqualify those found unfit." The fit-and-proper rule, said Reyes, was meant to ensure that banks would be run competently and to protect depositors and the general public by ensuring those who managed their money were honest and capable people. The law, he added, also allowed the Monetary Board to disqualify, suspend or remove directors or officers of banks "who commit an act rendering him unfit for the position." In a recent circular, the central bank started to hold bank directors directly accountable for any bank failures or violations of banking laws. Reyes said bank directors could no longer excuse themselves from taking responsibilities for running their banks to the ground.

From [Philippine Daily Inquirer](#), by [Clarissa S. Batino](#), 2 July 2001

GOVERNMENT EYES TIGHTENED BANK SUPERVISION

The government is moving to reinforce supervision of the banking sector in order to ward off risks associated with the proposed hike in the bank ownership cap. A high-ranking official at the Ministry of Finance and Economy said the current banking laws would be rewritten to ensure enhanced transparency and sound management in line with its move to allow finance-centered business groups to own banks. "For instance, the revision bill may include articles setting out higher standards for major shareholders' transparency, accountability and soundness," the official said. He also said that major shareholders of financial institutions bailed out with public funds could be banned from owning banks. The official confirmed the government's plan to allow finance-centered business groups to own and control commercial banks with nationwide operations. "We are now working on the criteria to be used for distinguishing finance-centered groups from commerce-centered ones." The official added that even business groups included in the top 30 conglomerates would only qualify for bank ownership if they meet the government-set criteria. Market observers forecast that Tong Yang Group and Daishin Group might pursue bank ownership. The ministry will submit a revision to the current banking laws to the National Assembly in October, after a public hearing. (sam@koreaherald.co.kr)

From [Korea Herald](#), 12 July 2001

PAKISTAN TO GET \$700M THIS YEAR: WB TERMS REFORM PLAN SATISFACTORY

Islamabad: The World Bank will offer \$700 million to Pakistan for various projects, including \$300 million banking sector loan and \$130 million for mitigating the effects of drought. "We will be taking a number of projects worth \$500 million to our board within this financial year for final approval," said John Wall, the country director of World Bank for Pakistan and Afghanistan. The remaining funding, he pointed out, had been committed for some other projects and it was likely to be disbursed before the end of this calendar year. The bulk of \$130 million for drought would be made available to Pakistan within a few weeks, he said. Mr. Wall told a news conference on Wednesday that at the request of the government of Pakistan the World Bank had reallocated \$130 million for drought assistance from the restructured Second Social Action Programme Projects and the National Drainage Project. He said the country strategy for Pakistan included the approval of a number of large lending operations between April and June: a \$3 million trade and transport project, a \$21 million on-farm management projects in the NWFP and \$350 million Structural Adjustment Credit (SAC). For this period, the WB had also announced the implementation of \$10 million global environment facility-funded protected areas management project. He did not rule out the possibility of another relatively smaller SAC for Pakistan within this year. "This boost in lending reflects our confidence in the reform agenda developed by the new government," Mr Wall said. He said the Bank's planned assistance till the end of 2001 for proposed projects included a \$300 million banking restructuring and privatization project, a \$30 million community infrastructure project and a \$10 million HIV/AIDS project. These projects were now to be approved by the

Bank's board of directors. He said the new Pakistan Country Assistance Strategy (CAS), which would be completed in the first quarter of 2001-02, outlined a three-year plan to help Pakistan improve basic social services, strengthen economic growth, generate employment and reduce poverty. About the drought package, the Bank official said that there would be rural water sector rehabilitation in the severely affected areas with focus on water conservation and enhanced water management. The package also ensured the availability of essential drought-related imports, including animal vaccines, agriculture and water sector equipment and inputs, petroleum and fuel products and essential medicines. In reply to a question, Mr. Wall said there was no clarity how the government would transfer funds to district governments. "Municipalities and districts are not worthy of government loans," he pointed out. He said the proposed Poverty Reduction and Growth Facility was basically the IMF instrument of support which would be jointly supported by the World Bank and the Asian Development Bank. There could be a possibility of \$500 million each by the IMF, WB and ADB for the PRGF, he added. Answering another question, Mr. Wall said it was difficult to say that the government would achieve the 4.5 per cent GDP growth target during the current fiscal. The WB Country Assistance Strategy has forecast 3.2pc, 5.9pc and 6pc GDP growth for 2001-02, 2002-03 and 2003-04, respectively. He said investment climate needed to be improved and that there should be export-led growth in Pakistan. Mr. Wall did not agree with a report that Pakistan should seek waiver of loans as it would harm the economy. He said SAP had been improved compared to a few years ago and added that the WB would continue to support SAP, especially to improve education and health sectors. He said the government of Pakistan was implementing an agenda which included specific steps for stabilization of economy, deregulation, governance reforms, devolution, accelerating growth and for improved social services. This homegrown agenda, he said, had become the foundation of the government's poverty reduction strategy.

From [DAWN Group](#), 26 July 2001

STOCK TAXATION REVISION PUT OFF UNTIL AFTER POLL

Liberal Democratic Party Policy Research Council Chairman Taro Aso and his counterparts in the ruling coalition agreed Wednesday to work on a tax reform plan to boost the stock market as soon as Sunday's House of Councillors election is over, LDP officials said. A draft plan will be compiled by the end of August, and a bill to revise the securities-related taxation system will be submitted to an extraordinary Diet session that is expected to be held in the autumn, they said. Aso and his counterparts in New Komeito and Hoshuto (New Conservative Party) hope to pass the bill as soon as possible, they said. During their meeting, Kazuo Kitagawa, New Komeito's Policy Research Council chairman, stressed that the parties should decide on a coordinated stance on the revision of the securities trading tax system as soon as possible. Aso said, however, that it would not be appropriate to present concrete measures during the campaign period for the upper house election as the measures might be interpreted as a ploy to attract voters.

From [Daily Yomiuri](#), by Yomiuri Shimbum, 26 July 2001

EUROPEIGIS

MINISTERS REJECT EU TAX PLAN



The Belgium finance minister's plan was not well received. A controversial proposal for a direct tax on all European Union citizens has been given a sceptical reception by EU finance ministers meeting in Brussels. The so-called euro tax would help fund the EU's 100bn euro (\$80bn, £50bn) annual budget. At present the money is raised by the union's fifteen national governments. But several ministers warned that the proposed tax was more likely to cause conflict than achieve its supposed goal of bringing the EU closer to its citizens. **Belgium plan** - The idea of citizens paying an individual tax to EU headquarters in Brussels is being championed by Belgium, current holder of the EU presidency. Backed by the European Commission, supporters believe the tax would help combat popular

scepticism about Europe by creating a stronger link between the EU's institutions and its citizens. But the idea has divided member states. During a televised debate, the British, Irish, Swedish and Dutch ministers all rejected and even ridiculed the idea. The Dutch Minister, Gerrit Zalm, said that the last time such a tax had been introduced in the Netherlands, it had sparked the eighty years war against Spain in the sixteenth century. His Irish Colleague, Charlie McCreevy, said it was a tax dispute which had also triggered the American war of independence. **Intensifying debate** - Speaking for the euro tax, the German Minister, Hans Eichel, said it would promote greater accountability and openness, a view also expressed by Luxembourg. Supporters insist that the tax would not lead to an increase in EU spending. Most of the budget presently raised by the union's fifteen national governments goes on agricultural subsidies and development aid to poorer regions. Beneath the humorous scepticism is a serious concern in some countries that a new EU wide tax would be seen as ceding more power to Brussels. And tax has become another potential flashpoint in the intensifying debate about the future shape of Europe.

From BBC, by Patrick Bartlett in Brussels, 10 July 2001

TURKISH BANKING REFORMS INSUFFICIENT FOR IMF

The International Monetary Fund has postponed indefinitely the payment of \$1.6bn of the potential \$8bn rescue package. One of the main reasons was insufficient reform of the banking sector. A number of banks including Banca Intesa, BNP Paribas, Citigroup, HSBC & Societe Generale have been rumoured as interested in buying into the Turkish banking sector. A number have been announced as agreed in principle and yet none have been closed so far. It was announced this week that BNP Paribas have entered exclusive talks with Finansbank concerning taking a significant equity in the bank.

From [futurevantage](#), 3 July 2001

SPK CHAIRMAN SAYS PUBLIC SECTOR IMPACTS FINANCIAL SECTOR WEAKNESS

Capital Markets Board Chairman and CEO Dogan Cansizlar: The Capital Markets Board has finished its work on regulations, consequently this will enable the operation of a futures market for foreign exchange under the Istanbul Stock Exchange and its publication on the Official Gazette is due soon. The Chairman and CEO of the Capital Markets Board of Turkey (SPK), Dr. Dogan Cansizlar said that the Turkish financial system was extremely vulnerable to shocks mainly due to its domination by the banking and the public debt papers. The Capital Markets Board has finished its work on regulations, consequently this will enable the operation of a futures market for foreign exchange under the Istanbul Stock Exchange (IMKB) and its publication on the Official Gazette is due soon, SPK Chairman Dogan Cansizlar has told the Turkish Daily News in an exclusive interview. "A market with a weak and shallow volume isn't preferred by institutional investors managing massive funds as this situation makes it difficult for investors to enter and to leave the market," Cansizlar said. "The basic reason why the Turkish financial system is so vulnerable to shocks and to capital flows is due to the financial system being dominated by the banking and the public debt papers." The SPK CEO went on to say that low volumes of trading is a problem in many Emerging Markets, adding however, that Turkey was facing additional problems particularly in the primary and secondary borrowing markets by the private sector. "The main reason for this is due to macroeconomic instability and the high public sector borrowing requirement which has crowded out the private sector debt in the markets. The private sector can't compete with the public sector, hence the private sector can't issue borrowing papers," the CEO of Capital Markets said. "The depth of market borrowing by the private sector would increase depending greatly on both macroeconomic stability and on the elimination of the public sector's impact on the financial markets," he added. As regards to an apparent interest of foreign investors in shares listed on the Istanbul Stock Exchange (IMKB)-30 index, i.e. the top 30 companies, Cansizlar said foreign investors have built an appetite for such shares, including banks and industrial conglomerates, because of their depth. "Corporate results are important to foreigners. Also some individuals or institutions are interested in a particular group of shares," he added. Asked whether he was concerned about the undervaluation of shares on the IMKB, Cansizlar said that due to the devaluation, this situation applied to all goods in Turkey, as much as to the decline in national income. He dismissed worries about bargain hunting and an accelerated acquisition of Turkish companies by foreigners. "Turkish companies have become the apple of the eye since the devaluation of the lira. However, one shouldn't worry about this situation, because Turkey needs foreign direct investment (FDI) as much as it needs short-term capital inflows and therefore Turkey must encourage FDI," the Chairman of Capital Markets said. Futures market for foreign exchange to reduce volatility in exchange rates - Cansizlar noted that a foreign currency futures market that is due to be established under the IMKB by September 2001 would reduce exchange rate volatility. Turkey has abandoned a pegged exchange rate system in favour of a floating rate regime due a heavy financial crisis in February, as a result of which the value of the lira versus the U.S. dollar has fallen by more than 40 percent since. "The Futures market for foreign exchange is critical in terms of allowing financial and industrial firms to effectively manage the exchange rate risks which they have been facing since the float of the lira," Cansizlar said. "However, IMKB Futures Markets Regulations must be revised and adjusted for the forex futures market to become operational. SPK has finished its work on these regulations and is close to publishing them in the Official Gazette." Regarding the existing economic program, Cansizlar said he was confident it would function properly, provided that it is implemented fully and properly. Pro-Islamic capital goes under registry - SPK has also made progress on registering the companies that haven't sought its permission to issue shares and collect money from the public. Such companies known to be pro-Islamic, have been forced to duly register themselves with SPK. "It's our task to make sure that all savings are invested soundly," Cansizlar said. "We have to know how the people's money is invested." There are around 40 companies in this status and they are gradually providing the relevant information and documents required by SPK for registration. "We want everything to go in accordance with the rules and regulations set out by the book, and we can not assume a differentiating stance towards those companies." As far as regulations and infrastructure is concerned Turkish markets are fairly satisfactory, Cansizlar said. "What matters most to foreign investors is a well regulated and supervised market. In this regard, I think we have no problem. We are very sensitive towards capital crime issues such as insider trading and manipulation as well as other capital market crimes." Dwelling on the SPK's ongoing and completed work on maintaining transparency, confidence and stability in markets, Cansizlar said the measures could be grouped under two headings. The SPK is working on confidence building measures including the establishment of a self-regulatory system, i.e. the union of brokerages, investor protection fund, temporary fund, gradual liquidation, registered system, tight supervision and sanctions. Furthermore, the Board has concentrated on measures to strengthen and improve market infrastructure, such as licensing capital market employees, dividend advances, minority rights, futures transactions, diversification of markets, electronic transactions, simplification of regulations, and modernization of financial markets.

From [Turkish Daily News](#), 12 July 2001

THE AMERICAS

STATE HAS NEW IDEA FOR COLLEGE FUNDING

The state's master plan for higher education is finally taking shape, and its most provocative idea may be a performance-based approach to funding colleges and universities. Architects of the long-delayed plan have identified campus financing as one of four areas that need serious attention if Pennsylvania is to get more productivity from its patchwork system of colleges, universities and other post-secondary schools. Traditionally, public campuses seek lump sum appropriations from the state each year based on what those schools set as priorities and what they believe is needed to finance them. But State Board of Education members, developers of the plan, are considering whether the state should establish its own higher-education priorities based on economic development and other interests, and fund campuses based on their ability to meet those goals. It would be a way of saying "here's the priorities we have for institutions of higher education; here's what we want to pay for them," said Peter Garland, executive director of the state board. "Say we need to vastly expand the capacity to do biotechnology. You could say extra money is available for those who choose to expand their programs." Private schools, not typically big winners of state aid, could take in a share of that added money in return for developing programs desired by the state, Garland said. State board members are to meet in Wilkes-Barre starting tomorrow. They are expected to discuss elements of the proposed master plan and seek \$25,000 to develop background studies to help produce a final draft. The state has been talking about updating its five-year master plan since 1986, a lengthy delay given the frequent calls from the Legislature for better use and coordination of the state's college system. Garland said the plan may finally be nearing completion. He said the goal is to present a final version to the board by its March 2002 meeting. There are nearly 600,000 students enrolled in postsecondary programs at about 500 institutions in Pennsylvania. The state kicks in nearly \$1.5 billion toward institutional costs annually, and another \$400 million in student grants. Past master plans have done little to address complaints on such issues as fiscal accountability or unnecessary program duplication. But Garland said this latest plan is being developed at a time when state policy-makers are showing a desire "to be more thoughtful about what we expect from institutions of higher education." The state's patchwork of campuses ranges from state-related schools like Penn State University and the University of Pittsburgh to a network of 14 state universities, 14 community colleges, nearly 90 private colleges and various vocational and proprietary schools. In addition to college financing, the other three areas identified in the master plan are the way remedial education is delivered; how distance learning can be applied across the state; and whether Pennsylvania is effectively making use of its network of two-year campuses, including community colleges. Garland said the state lacks hard data, but suspects there is a better and less expensive way to help students who aren't fully ready for college work. "Is there a way to more efficiently and effectively organize it so that people can quickly, and close to home, develop those skills instead of going off to college and spending a semester and sometimes a year [in remedial education] ... at considerable cost?" he asked. "To what extent are there Internet-based solutions? Are there vocational schools, community colleges, that are able to provide that instruction level?"

From [Pittsburgh Post-Gazette](#), by Bill Schackner, 10 July 2001

ARGENTINE CRISIS

Desperate to win back support from financial markets Argentina's economic team is trying to make deep cuts in government spending urged by investors but fiercely opposed at home. Argentina, Latin America's third largest economy is trying to escape from a crippling 3 year recession the ripples of which are spreading both into Europe and other major economies. Facing debts of 150 billion euros, it's national currency the peso weakening, the country is on the brink of bankruptcy. Investors are anxious to see radical cuts in spending with government sights trained on state owned social security agency which is viewed as a haven for corruption and inefficiency. Cuts in it's annual 23 billion euro budget would ease the country's finances. But there is fierce political opposition from inside the ruling coalition with some arguing the country should spend it's way out of recession. With masses slipping into street poverty and businesses closing the country is stuck between a rock and a hard place.

From [EuroNews](#), 11 July 2001

ENGLER PUSHES FOR INTERNET SALES TAX

Gov. John Engler lobbied state lawmakers Tuesday for approval of legislation that could lead to sales taxes being levied on Internet purchases. In a closed-door caucus meeting, Engler urged House Republicans to push through a bill that would enter Michigan into a compact with 25 other states to collect and exchange taxes generated by online sales. The bill, which has been stalled in the House Taxation Committee for weeks, has already received approval from the state Senate. Critics say Internet sales taxes will hurt businesses and consumers who routinely buy and sell online. The Tax Policy Committee met Tuesday, but adjourned without a vote when the chairwoman, Nancy Cassis, R-Nov, determined there wasn't enough support. The committee could reconvene today. At Chester Boot Shop in Roseville, where 50 percent of the shop's sales are transacted via the Internet, about two dozen pairs of boots per night, the prospect of cybertaxes does not sit well. "I think they should just leave everything alone," said store manager Mike Naturkas. "If you buy in Michigan, you should pay the tax. But if I buy in another state, there's no reason why I should have to pay their tax. I'm already paying for shipping and handling." Engler is hoping to protect the traditional retailers that must charge sales taxes on each transaction at their stores. An Internet tax is not a new tax, according to the governor, it's merely an attempt to make all businesses levy the same taxes on their goods. "It comes down to fairness," said Engler press secretary Susan Shafer. "The idea here is to let the bricks and mortar companies compete." Estimates indicate that Michigan, which levies a 6

percent sales tax, loses between \$100 million and \$300 million a year because of e-commerce and mail-order sales. Three-fourths of that money would go to aid the state's schools. State Rep. Leon Drolet, a Clinton Township Republican and outspoken opponent of Internet taxation, said Michigan would lose out to states such as California, New York and New Jersey that have rejected online taxes. "If we join this compact, e-tailers will locate elsewhere," said Drolet, a Clinton Township Republican. "It's going to take another \$3.9 billion out of Michigan taxpayers' pockets over the next 10 years and give it to the government. That's going to be widely viewed as a tax increase." In the 45 states that have a sales tax, Internet sales are subject to the tax, but collection has proven nearly impossible. The envisioned multistate compact would create a streamlined, central system of calculating and collecting taxes in each state. Up to 40 states may participate. Businesses in participating states would be required to purchase software that would compute tax levies. Proponents of the Internet tax say hundreds of dollars in taxes can go unpaid on large online purchases, particularly during the Christmas season. Critics say that, in most cases, the cost of shipping and handling more than offsets the tax savings. Purchases on the World Wide Web amount to just 1 percent of all U.S. retail sales, but that percentage is expected to grow significantly throughout the decade. Some officials view the Internet as a tax-free loophole for retail Web sites that could soon create a hole in state budgets. Though Engler has built a reputation as a tax-cutting governor, he has become a leading proponent of levying sales taxes on Internet purchases. In June, Engler testified before a U.S. House panel urging Congress not to extend a moratorium on Internet taxes that expires Oct. 21.

From [Macomb Daily](#), by Chad Selweski, 11 July 2001

CALIFORNIA EYES TEXAS MODEL FOR CREATING POWER

Californians looking for someone to blame for their energy woes have created a convenient scapegoat in their search for villains: cowboy boot-wearing Texas electricity barons who are making billions in profits. But if you look beyond the stereotype, the Lone Star state may offer California a surprising solution for its energy woes. Texas is drawing attention, not for its vast oil fields, but for its expanding acres of wind turbines -- a symbol of the state's success in fostering a homegrown alternative energy industry. A Texas initiative -- signed by then-Gov. George W. Bush -- has been so successful that California environmentalists are holding it up as a model for the state to follow. "It's the most successful example that we've seen across the country," said Matt Freedman, an attorney with the Utility Reform Network, a San Francisco-based consumer group. "Gov. Gray Davis has a chance to show that he can do Bush one better." On Friday, Davis administration sources said, the Democratic governor is expected to embrace a similar plan that would increase the amount of power California draws from renewable energy companies. California's energy crisis has sparked an increased interest in renewable energy at the state and national level not seen since the gas lines of the 1970s. From Sacramento to Washington, lawmakers are taking a new look at ways to build more plants that rely on the sun, wind or water instead of natural gas, coal or uranium. To do so, 13 states, including Texas, have passed laws that attempt to set aside a certain portion of the energy market for alternative energy companies. The Texas law commits the state to building 2,000 megawatts of renewable energy -- about 2 percent of its overall energy use -- by 2009. Texas expects to be halfway to that goal by the end of this year. To ensure a market for the power, state power providers are required to draw a slice of their energy from renewable energy companies. While California already has a much more vibrant alternative energy market -- 10 to 12 percent of its energy comes from renewable power -- the state has no similar targets. Environmentalists are joining with state leaders like Sen. Byron Sher, D-Redwood City, and Assemblyman Fred Keeley, D-Santa Cruz, to change that. Both lawmakers are trying to refine legislation that would call on California to draw 20 percent of its power from alternative energy sources by 2010. Friday, sources said, Davis is expected to unveil a new plan that would require state power providers to draw 17 percent of their energy from renewable energy companies by 2006. The governor plans to unveil the details during a visit to an alternative energy company in Berkeley. Although many agree with the idea in principle, there is heated debate over how to meet that goal. The challenge has also been compounded by the \$43 billion in long-term contracts the state locked in to buy 20 years worth of power. While state law called on contract negotiators to get as much renewable power as they could, they ended up relying heavily on natural-gas fired plants. More than 90 percent of the contracts are with such plants, according to a report by the California Public Interest Research Group. The contracts have come under fire from critics who contend that they will force the state into paying artificially high prices for years. There is also concern that relying so heavily on plants fueled by natural gas would leave California vulnerable to another energy crisis. Alternative energy companies said they offered good deals to the state but were shut out of the process. "It really threatens to cut off the renewable energy industry in California," said Jonathan Weisgall, vice president of legislative and regulatory affairs at CalEnergy, one of the state's largest alternative energy companies. S. David Freeman, the governor's point man during the contract negotiations, conceded that the state had failed to do enough to reach out to alternative energy companies. "They're right to criticize us now," he said. "We haven't achieved the kind of results that we need. So we're playing catch-up ball." Critics are hoping that California will re-negotiate some of the contracts and create more room for alternative energy companies. The alternative energy debate has also heated up in Washington, where Bush has taken flak for proposing an energy policy with a heavy emphasis on boosting drilling for oil and gas. Lawmakers including Sen. James Jeffords, a Vermont independent, has proposed pushing the nation's renewable energy supplies from 2 percent to 20 percent by 2020. Supporters of the plan are hoping that Bush will look back on what he did as governor when he finalizes his national proposal. "We still hold out some hope that President Bush will decide to incorporate some elements of the Texas model in federal energy policy," said Alan Noguee, director of the clean energy program for the Union of Concerned Scientists.

From [SiliconValley.com](#) by [DION NISSENBAUM](#), 26 July 2001

Private Sector Development

ASIAPACIFIC

IMF's FISCHER ADVISES KOREA TO QUICKEN BANK PRIVATIZATION

IMF First Deputy Managing Director Stanley Fischer yesterday underlined the importance of bringing disclosure requirements and accounting standards into line with international best practices, as part of Korea's continuing steps toward development and wealth. In a speech at the Lotte Hotel yesterday morning, he advised Korea to quicken the sale of Seoul Bank, and to strengthen the supervisory process. He also urged Seoul to stop underwriting the corporate bond market with high-profile corporate bailouts and to allow the court to decide the fate of troubled companies; more faith in the market, less intervention. "Getting government out of the banking sector is important to improve management and remove the conflicts of interest in corporate restructuring," the Fund's chief firefighter in a crisis said. "It is important for the Korean authorities to take concrete steps to demonstrate their commitment to exiting the financial system and to allow banks and other private sector institutions to drive the restructuring process." Fischer added that although the precise timing of privatizations depends somewhat on market conditions, it is not worth keeping institutions under state ownership simply in the hope that the price they can be sold for will be higher in the future. Much like the flagrant abuse of traffic laws, merely creating rules and regulations is far from sufficient for a system to function properly. Actual practices are what matter, and, "Here the picture is less reassuring," Fischer noted. Fischer pointed out that there are some 8,000 listed Korean companies, but only 4,000 qualified experienced auditors. One auditor cannot cover two companies, alone. This leads to a difficulty in ensuring clean books, which leads to cutting corners, which creates false or falsified data, which turns away investors and banks. Clear information is needed for the market to function, and, being an economist, Fischer feels that markets are efficient processors and aggregators of information. Clean information and markets go hand-in-hand when it comes to wealth creation. Fischer continued to note that corporate governance is no better than the situation with the accounts. "Certainly important steps have been taken to protect investor rights, to promote the appointment of outside directors, and to improve disclosure and transparency." "But fully implementing and capitalizing on the framework may take some time. It is regrettable to hear reports that some corporations are trying to undermine some of the corporate governance reforms. The authorities should stick to their guns," he encouraged in the speech co-organized by the Institute for Global Economics, a local think tank, and the IMF's Seoul branch. He did not pull any punches when discussing corporate restructuring. "Corporate weaknesses remain an important source of vulnerability, thanks to low profitability and excessive debt levels. Debt-to-equity levels remain high. A quarter of the large companies are earning too little to meet their interest payments. Large distressed firms still have the capacity to destabilize financial markets and nonviable firms remain a drag on the economy." He noted that corporate reform and financial reform are not really separate, and construe one, solid problem in the Korean economy as the government is both regulator and owner of banks. "Government ownership of large parts of the financial sector creates the risk that credit decisions are not based on commercial judgments, but rather to prop up failing companies," he noted. Clearly a conflict of interest, he stressed that the government must have more faith in the market, and must not intervene when companies run by well-connected families call for money in the national interest. He also emphasized the need for surveillance, adding that, "The Korean economy had managed to perform strongly for a long time, even in the presence of what were after all widely-recognized corporate and financial weaknesses." "The government- and chaebol-led system that had functioned so effectively during periods of rapid growth proved unexpectedly vulnerable to unfamiliar shocks," he said. Combine this with the lack of information, especially in English, about the Korean economy, and we see that, "investors reacted more violently than they otherwise would have done when the realities of the situation suddenly became clear," Fischer added. Fischer, a Zambia-born naturalized American, spoke for just over an hour and a half. On May 8 this year, Fischer announced that he was leaving the IMF as soon as a replacement could be found. He played a key role in every emerging-market financial crisis, from Mexico in 1994 to the recent problems in Argentina and Turkey. He first came to Korea in November, 1997, to handle the negotiations between the Fund and Seoul. Fischer has, according to the Economist, a British weekly, an "enviable reputation for economic rigor and political deftness, both inside and outside the IMF. His departure will leave a huge hole." (gceaves@hotmail.com)

From Korea Times, by Gregory C. Eaves, 9 July 2001

SINDH GOVERNMENT AUTHORIZED TO PRIVATIZE LAKHRA

Islamabad: The President Gen Pervez Musharraf has authorized the Sindh government to privatize the 150-MW Lakhra Power plant and has constituted a committee to monitor the progress. Official sources told Dawn that the committee comprised Sindh Finance Minister Dr Hafeez Sheikh, secretary of Privatisation Commission and officials of the Sindh Coal Authority and Provincial Privatization Commission. Meanwhile, the Privatization Commission has complained that WAPDA has not identified two distribution and generation companies for privatization despite an agreement on June 20 this year. "To date WAPDA has offered only one of the three power plants of Jamshoro Power Company Limited (GENCO-1) for privatization which is 150MW coal-fired Lakhra Power Plant (LPP). "The LPP is small in size, suffers from low efficiency, low availability with reduced overall capacity of the power plant to approximately 25 per cent its total capacity", said Secretary of Privatization Commission Zafar Ali Khan in a position paper to the Chief Executive Secretariat and the Finance Ministry. "WAPDA confirmed in the federal steering committee meeting for monitoring

the financial restructuring and privatization of the KESC held on 20 June 2001 in the finance division that now it agrees to the privatization of one GENCO. WAPDA has not identified the GENCO to be privatized," said the secretary of the Privatization Commission. The secretary said that privatization plan of Faisalabad Electric Supply Company (Fesco), the likely DISCO for privatization, included strategic sale of 26 per cent equity interest with management control to a strategic buyer. The secretary however forgot that WAPDA retook the management of a generation company (Kot Addu Power Company) with 36 per cent shareholding of the private sector. The Privatization Commission was of the view that the sale of LPP in isolation of the remaining power plants of GENCO-1 was a difficult transaction due to its relatively small size, coal-based technology, low efficiency, low availability and other operational problems. The transaction if initiated was unlikely to be successful.

From [DAWN Group](#), by Khaleeq Kiani, 9 July 2001

PRIVATIZATION EFFORTS FALL FAR BEHIND THEIR SCHEDULE

CNA, Taipei - The privatization of public enterprises is far behind schedule and the sluggish stock market and economy aren't any help, either, according to Ho Mei-yueh (何梅月), vice chairman of the Council for Economic Planning and Development. The Commission for the Privatization of Public Enterprises under the Cabinet reported recently that almost all state-run companies scheduled to be privatized before June this year have failed to meet the timetable set five years ago. Ho said that a reschedule allows Chungghwa Telecom Co (中華電信), Central Rinsurance Corp (中央保險), and Taiwan Machinery Manufacturing Corp (台灣機械) to accomplish their privatization before the end of this year, in view of the difficulties in selling their shares in a sluggish stock market. The privatization plans of Aerospace Industrial Development Corp (航空工業) and China Shipbuilding Corp (中船) are pending approval of the legislature, so no timetable can be made. The two leading public enterprises -- Taiwan Power Co (台電) and the Chinese Petroleum Corp (中油) -- will be slower to privatize than originally planned by the Ministry of Economic Affairs. A new operational model for a privatized Taipower will first be mapped out and a new bill regulating the power-generating business must be approved by the legislature. The government has made tentative plans for Taipower to privatize by the end of 2005. Chinese Petroleum needs to accelerate its preparations for privatization, as the petroleum business is no longer a monopoly. It is expected that with the approval of a bill regulating the petroleum industry, the privatization plan will be realized by the end of 2003.

From [Taipei Times Online](#), 5 July 2001

PRIVATIZING CHINA'S PARKS

As Firms Take Over Scenic Treasures, Government Officials Occupy Executive Suites. Huangshan, China -- When President Jiang Zemin journeyed to Huangshan Mountain in April, he was so taken with its craggy peaks and windblown pines that he penned a poem. The mountain, Jiang wrote in "Feelings on Climbing Huangshan," encapsulates China's beauty and is a metaphor -- "the sky for miles around is red" -- for the Communist Party's sway. But Huangshan also reflects something else: the opportunities and pitfalls of privatization and what some economists and environmentalists here call a land grab of China's natural patrimony. How China manages some of its most beautiful landscapes illustrates the unsettled terrain created by this giant nation's transition from doctrinaire socialism toward a largely undefined mix of socialism and capitalism. The Huangshan Tourism Development Co. was formed in 1996 to manage the 72 peaks that make up the 60-square-mile Huangshan national scenic area in Anhui province, 200 miles southwest of Shanghai. That year it was listed on the Shanghai stock exchange. Today, 51.5 percent of the firm is owned by Chinese and foreign shareholders such as The China Fund on the New York Stock Exchange, and Naito Securities, the Japanese investment house. The remainder is owned by the city of Huangshan. In a pattern being repeated around China, the executives who run the firm are also top officials in a government that oversees the scenic area, creating an apparent conflict of interest. Huangshan is not alone. Throughout China, some of the most important scenic and cultural areas are being developed by companies rather than the state, and many of those companies are listed on China's two stock exchanges. Executives from these firms also sit on the government committees that manage the sites. And the firms profit not simply from running hotels, restaurants and gift shops on the sites; their biggest take comes from selling entrance tickets. "What has gone on in some of these places was never even contemplated in the United States in terms of allowing concessionaires to control scenic areas," said Ed Norton, a prominent American environmentalist working to establish a national park among a series of stunning river valleys in Yunnan province. In addition to China's national monuments, even little parks and temples are going private. Zhi Hua Si, a famed Buddhist temple and the oldest collection of buildings in Beijing, has allowed an advertising company to occupy one of its ancient halls for a fee. Ritan Park, formerly one of Beijing's nicest parks, has 30 percent less green space than it did five years ago; private developers have constructed a string of office buildings in the middle of the park. Opportunities for privatization of national parks were created when China's rapid economic reforms met up with the state's empty coffers. The central government in Beijing could not afford to pay to protect national parks, so government officials created companies to do the job. "This is a special system for a special time," said Fan Yezheng, an assistant professor at the China Institute of Tourism. "Originally these sites belonged to all of us. Now suddenly they belong to a few people. This is full of hidden dangers." Large swaths of Qufu, the birthplace of China's famed scholar Confucius -- including the Confucian Temple, the Confucius Family Mansion and the Confucian Cemetery, all listed in the U.N. Catalogue of Global Cultural Heritage Sites -- are managed by Shenzhen Overseas Chinese Town Economic Development Co. That firm is known mostly for running a Disney World-like theme park in the southern city of Shenzhen, where China's ethnic minorities, dressed in traditional costumes, dance and sing for visitors. The Shenzhen firm was the focus of media attention in China recently when, in attempting to clean the Confucius sites, it blasted ancient frescoes and other parts of the old houses with water, causing paint to flake and the wooden walls to buckle. Legions of terra cotta warriors and ancient emperors' tombs outside the ancient capital of Xi'an, one of the most popular tourist destinations for Americans, are run by two firms listed on Chinese stock exchanges,

Shaanxi Tourism Group and the Xi'an Tourism Group. The latter also owns an aircraft carrier-cum-amusement park in the port of Tianjin. China's government opposed the creation of those two companies, but when asked to provide more money to protect the world-famous clay army, it could not, tourism experts said. Sections of the Great Wall north of Beijing are run by a firm controlled in part by Beijing Enterprises Holdings Ltd., which also makes wine, runs water-treatment plants and is listed on the Hong Kong stock exchange. The jewel in its crown, a section of the wall known as Ba Da Ling, looks like a glitzy shopping arcade. China's system for protecting its natural and cultural sites is a jumble of competing ministries and bureaus. They include organizations such as the Construction Ministry, which oversees national scenic areas, China's version of national parks; the Cultural Relics Bureau; the Forestry Department; and the Tourism Department. The organizations routinely compete to control natural and cultural areas of importance around China because more areas under their control means more possibility for profit. Local governments also often turn the less interesting parts of a scenic region into a national protected area and then turn the best parts over to developers, according to Zou Tongqian, an expert on tourism at China Institute of Tourism. Huangshan, which means Yellow Mountain, got its name in the 8th century from China's great Tang Dynasty poet, Li Bo. Huangshan is to Chinese iconography what the Grand Tetons are to the United States. For centuries, Chinese scholars, painters, poets and warriors have etched characters into its granite face declaring its grandeur, among them Zhu De, the late Communist general. On Huangshan, the leading proponent of privatization is Li Zhi, general manager of the Huangshan Tourism Development Co. Talking shareholder value from one side of his mouth and preservation from the other, Li, a thoughtful 50-year-old, said he recognizes the contradiction inherent in his work. "What we're doing is not just an experiment for China," he said in a recent interview during a glorious day on the mountain, where the highest peak is 5,900 feet. "It's an experiment for the whole world." Li has two cards. One says he is the firm's general manager. The other lists him as a deputy director of the Management Committee of the Huangshan Scenic Area, the government bureau that is supposed to control Huangshan. "We are a first-rate national scenic area," he said, speaking as a bureaucrat. "And we've got a monopoly on a first-rate national scenic area," he added as a businessman. Li's argument goes like this: In a country with practically no money for nature, privatization is the only way. Fifteen years ago, when Huangshan was run completely by the state, it was a mess. The state-run China Daily reported on March 10, 1986, that nearly 6,000 tons of trash lined the 44-mile path through the park. Local logging companies were felling trees at a ferocious rate. Most of the streams were polluted. "We were facing a vicious cycle," Li said. "The less money we had, the fewer people came. The state wasn't giving us any money. We couldn't pay salaries. If you have no money, how can you protect anything?" Today, Huangshan is spotless. A team of 525 attendants picks up trash throughout the day. The firm also has contracted with companies outside the park to do laundry and clean vegetables for its many restaurants to avoid further water pollution. Forest cover has increased from 60 percent in the 1980s to 86 percent. Before the firm was listed on the stock market, no more than 800,000 tourists journeyed to Huangshan. Last year, 1.1 million came. But critics say the firm's development policies will ultimately hurt the mountain. In the last few years, it has added two hotels to its holdings, bringing the total to 12, even though its hotel profits are collapsing. Three cable car runs, including the longest in Asia, crisscross the mountain cliffs. Foot traffic on the peak is higher than ever. Several trails have been closed because of overuse. As part of his firm's expansion plans, Li has exported Huangshan's management model elsewhere in China. Now his firm manages five other scenic areas, including an ancient Taoist retreat. Huangshan also is negotiating with the government in Yan'an, the cave-dotted mountain redoubt of China's Communist Party during World War II, to manage its treasure trove of revolutionary facilities. In April, the Construction Ministry banned companies from listing any more national scenic areas on Chinese stock exchanges. And Chinese officials have forced several scenic regions to knock down hotels or illegal developments. One region, the Zhangjiajie forest in Hunan, spent \$36 million to do so. However, provincial governments, often in defiance of national authorities in Beijing, are opening local scenic areas to private developers at a terrific pace. Sichuan recently announced that it will auction 10 sites, including the Jiuzhaigou Gorge, a UNESCO World Heritage Site, to outside investors. If the plan works, an additional 100 sites will be available.

From [Washington Post](#), by John Pomfret, 5 July 2001

OUT-OF-DATE AIRPORTS RIPE FOR PRIVATIZATION

In this series of articles, I have laid out examples of privatization in European and other countries to illustrate and educate the government, ruling party and general reader on the general concepts and methods of privatization that have already been successfully adopted. If Japan decides to go down the road of privatization, having a clear understanding of the process will be crucial. Today's article discusses a Special Purpose Entity in these countries that many in Japan -- residents and tourists alike -- will no doubt agree must also be considered: the airports of Japan. If you have ever used Japanese airports, international or domestic, you have probably had a few complaints to air, whether it be the difficulty of reaching the airport, its limited check-in times, the heavy congestion caused by its layout, or the unappealing shops and restaurants there. As a tourist using a non-Japanese airline, you probably wondered why the terminal you used in Narita International was so unattractive, especially after seeing the Singapore Changi Airport or Schiphol Airport in Holland. I have heard these complaints from many ex-pats in Japan. Granted, both of the terminals at Narita have undergone renovations and are much better than they were. But now, the new focus is on how to expand Haneda Airport, a facility with unrealized potential for international flights and superior access to Tokyo. The first thing to note about the airport business is that an airport typically produces a significant portion of its revenue not from flights, but from sales and services taking place inside. These include revenue from the rent and profits from restaurants, shops, banks, parking lots and convention halls. The Aeroports de Paris (ADP), for example, draws only 31 percent of its income from purely aeronautical revenue, and the BAA, the UK's leading supplier of airport infrastructure and services, depends on aeronautical revenue for less than 30 percent of its total income. Here we come to the complaints that you may have had above. If someone is going to spend money at an airport, it won't be solely on "duty free" goods with top shelf and high-priced brand names they could find in any country. Instead, that person will want the same selection and prices available in the rest of Japan. When people eat their last Japanese meal before returning home, they will want it to be memorable and of high quality. When friends and family say farewell, they would probably

want to do it in a warm, photogenic atmosphere. These and other improvements would be a matter of course in any similar place in the business world. The appeal airports have as targets of privatization is widely known. "With a growing appreciation by investors worldwide of their investment merits and greater comprehension of airport valuation techniques, airports make excellent privatization candidates," according to Rangit Murugason of ABN AMRO. For these reasons, it has been predicted that at least 120 airports in Europe will be privatized in the next 5 years, comprising all the major airports in Europe. In more general terms, there are many benefits to airport privatization that I wish to discuss. 1) First, the need for airport development, growth and modernization can be addressed by funds from the private sector. Wouldn't it be better if public funds weren't the source of funds for airport growth? With private funding, tax revenues used for airports could be reduced. Japan should consider that its neighbor China achieved the privatization last year of the Beijing Capital International Airport, despite China's reputation for administrative complexity. 2) Efficiency could be improved by using new technology and proven business practices. By way of example, it would be difficult to say what the current Internet strategy of Japanese airports is in terms of both use and sales. If the airport is to develop new revenue and improve service, business knowhow and technology will be critical. This knowhow is especially critical in regard to the passengers, whom the airports do not fully serve. The airlines, on the other hand, are the "customers" in the mind of the airport, which means that they should adjust their sites. 3) Improved flexibility in airport management and operations could effectively address the interests of airlines and passengers, significantly improving the one-sided negotiations in which airline alliances hold most of the cards. How well equipped is the government today to negotiate with airlines? It seems that the only issues are how many slots an airline can get and to which Japanese airports. Any effective negotiation should cover the gamut of related issues and arrive at the best deal for both parties. Shouldn't the work practices of airport employees be modernized as well? 4) Financial benefits to the Japanese government and taxpayers could be achieved by cashing in on the profits from their investments in developing these airports. If Australian airport sales like the ones that took place in 1997 and 1998 can raise \$2.6 billion U.S. dollars, what could the privatizations of Narita, Haneda or Kansai airports raise? 5) Realizing the commercial potential of airports is good for the airports themselves and the economy in general. Duty-free sales are in a slump and traditional sales practices continue to miss the mark. Truly innovative marketing, including e-commerce strategies, is long overdue and unlikely to happen. Surplus land, however, offers great potential for nonaeronautical uses on which airports have failed to capitalize. Let's not forget that Japanese airports are in competition not just with one another, but with the airports of Southeast Asia as well. If passengers in Kyushu want to visit Europe, Kansai and Narita airports are not the only options. Flying from Seoul is equally convenient and, depending on the quality of the airports, perhaps more convenient. For example, Schiphol Airport in Holland is not competing with the rest of Holland, but with Paris (Charles de Gaulle Airport/ADP), Frankfurt, and London (Heathrow). Schiphol also represents 2 percent of the Dutch GNP (100,000 jobs). How do they handle this competition, assure adequate funds for infrastructure and protect the Dutch economy? They will privatize this autumn, once the House of Commons approves. There is also a timing factor involved. The sooner an airport is privatized, the sooner it can develop facilities and keep up with international standards of aviation. The reverse also is true. The less an airport satisfies global standards for service and profitability, the less the airport can compete. The most likely attack on the privatization of airports is by the passengers or airport users who fear an erosion of safety or an increase in ticket prices. Privatization does not necessarily mean that air traffic regulations will cease to exist or that prices for flights will run rampant, because the public's interests would still be protected by the government's participation in airport management. Prices of airline tickets would be more likely to drop with increased competition, more flexible management, and an even playing field. The cost involved in providing goods and services at the airport could also be greatly reduced with more effective management. Some Japanese have voiced concern about the credit strength of airports, i.e. no one will want to be an investor. The fact is, however, that airports rate highly as investment opportunities. An S&P rating of airports recently awarded AAA ratings to Charles de Gaulle Airport and Schipol Airport and an A or higher rating to more than 60 other airports. In sum, airports are highly regulated but also commercially promising businesses. As shown by Beijing Capital International Airport and numerous other examples in Europe, Asia, Africa, and South America, Japan lags the international field in realizing the potential offered by privatizing airports. Just this month, Frankfurt Airport is to be privatized and Schipol will follow soon. There is no excuse for not taking full advantage of this potential and pleasing the passengers, taxpayers and business community. Tomoo Nishikawa practices law at the Komatsu, Koma & Nishikawa Law Firm. He served as a House of Representatives lawmaker from 1996 to 2000. Elected from the No. 3 district of Kanagawa Prefecture, Nishikawa was policy affairs council chief for the Kaikaku Club and worked on financial legislation with members of the ruling coalition.

From The Japan Times, by Tomoo Nishikawa, 2 July 2001

EXIM BANK BOLSTERS FINANCIAL SUPPORT TO SMEs

"We should make the utmost efforts to expand financial support to exporting businesses based on our know-how gained from experience in the shipbuilding and plant industries," Lee Young-hoi, chairman and president of the Export-Import Bank of Korea (EXIM), said on the occasion of the bank's 25th anniversary yesterday. "We are exploring ways to strengthen our medium- and long-term export financing for strategic industries to meet the financing need of companies participating in social infrastructure privatization projects in developing countries," he added. He stressed, "The role of EXIM bank as a risk-taker is becoming important as demand for project financing is on the rise in developing regions such as the Middle East, Asia and South America." "We will offer free assistance and soft-term loans to boost exports of Korean goods and services in the emerging markets, where competition for export credit is very intense," he said. Lee was tapped as the new chairman and president of the bank on April 20 this year. According to Lee, focus of EXIM's policy in 2001 will remain on expanding support to small- and medium-sized enterprises (SMEs), and invigorating exports of capital goods and project finance transactions, the bank said. With regard to the operation of the government-entrusted Economic Development Cooperation Fund (EDCF), the bank has mapped out a plan to expand bilateral policy dialogue with developing countries to better exchange views on prospective development projects. A bank official said, "We

will employ methods to make procurement bidding related to EDCF projects more efficient and transparent. As for the operation of the South & North Korea Cooperation Fund (SNKCF), we will assume a more active role in implementing programs for inter-Korean exchanges and cooperation, which developed significantly after the historic inter-Korean summit held in June 2000." "In addition, we will have the honor of hosting the 7th Asian ECA Annual Meeting in 2001. We will use this opportunity to further strengthen cooperation with ECAs in other countries and the international financial community in the areas of policy and business," he added. EXIM bank found itself in the spotlight in 2000, as the bank stepped up its endeavor to increase support for SMEs. The bank's loans extended to SMEs in 2000 increased by 12.9 percent over the previous year, accounting for 27.9 percent of the bank's total loans. This year, the bank allocated 1.96 billion won, accounting for 25 percent of its total lending amount. The primary recipient of the bank's credit in 2000 was the shipbuilding industry, which ranked first in the world in new orders for the second consecutive year. The bank's business focus was also on large-scale industrial projects in the developing world. Despite unfavorable conditions such as a decrease in loan assets and a rise in the ratio of non-performing loans, the bank's net income for the year increased by 43.3 percent over the previous year to 13.7 billion won. With regard to risk management, the bank introduced a total exposure limit system, whereby the bank's exposure to a customer is carefully set and managed. The bank also introduced forward-looking criteria into its corporate credit evaluation system to strengthen the soundness of its lending. The official said, "We are well aware that the undertakings set out above will be challenging. Nevertheless, we are confident that these tasks can be accomplished, with management and staff working together to the best of their ability."

From [Korea Times](#), by Kim Jae-kyoung, 2 July 2001

EUROPE/CIS

SPAIN SETS PRICE FOR ENCE PRIVATIZATION

Madrid — The Spanish state holding company, SEPI, set the final price in the second and final phase of the privatization of paper producer **Empresa Nacional de Celulosas SA**, or **Ence**, at €15 (\$12.71) per share. With 49% of the shares already trading and 24.99% in the hands of a consortium chosen in June, SEPI will sell the remaining 26.01% at this price to institutional investors. The bookbuilding period began last Monday. The core shareholders, **Caixa Galicia**, **Banco Zaragozano SA** and **Bankinter SA**, paid €20.5 per share, or €130.5 million for the chunk of 6.4 million shares. Caixa Galicia received 11.99% of the company, and both banks, Zaragozano and Bankinter, each got 6.5%. However, the value of Ence's free-float has foundered 25% since SEPI named the core shareholders. The stock closed Monday at €15.3 or \$12.96, valuing the entire company at about €392 million (\$332.1 million). That is €79 million or \$66.9 million less than when the core shareholders were chosen. The advisers on the deal are **Banco Santander Central Hispano SA**, **Deutsche Bank AG** and **Renta 4**. Spain began this part of Ence's privatization around the same time as it privatized **Iberia Líneas Aéreas de España SA**, whose stock price also has dived since the flotation. At the moment Iberia is hampered by an ongoing pilots strike, causing the company to cancel hundreds of flights on the busiest days during Spain's high tourist season. Iberia said Monday it could not continue negotiating with the union, which is demanding higher wages. As for Ence, SEPI said in June it reached a collaborative agreement with Portuguese paper producer **Portucel**. Ence posted a profit of €120.6 million in 2000, quadrupling its 1999 figure.

From [TheDeal.com](#), by Michael Elkin, 9 July 2001

PRIVATIZATION UPSETS BOURSE

The Warsaw Stock Exchange was expected to edge down July 3 in light trade with Telekomunikacja Polska SA (TP SA) remaining at the center of worries over the fate of Poland's privatization chief, traders said. The market will focus on parliament's deliberations on a no-confidence vote in Treasury Minister Aldona Kamela-Sowińska, which was planned to be voted on by the lower house June 29. "Investors had some ideas before the end of the second quarter last week, but now most of them should be idling, with trade seen down about half a percent in very light trade," said one Warsaw-based trader. Players will focus on potential victims of a possible dismissal of Kamela-Sowińska, such as TP SA and KGHM Polska Miedź, whose stakes are earmarked for sale this year. TP SA could also suffer after the minister repeated earlier statements that Poland could float as much as 30 percent of TP SA—doubling its freefloat—if the firm's strategic investor, France Telecom, doesn't exercise its option to buy an additional 10-percent stake.

From R.S. with Reuters, 9 July 2001

MANDELSON WARNS BLAIR OVER PRIVATE SECTOR ROLE

Peter Mandelson last night opened up a new front in his new role as a backbench critic of the government by implying that ministers should tone down their language in the debate over whether the private sector should help deliver key public services. Effectively cautioning Tony Blair that he could be sending out the wrong signals to the electorate, he warned that the government was in danger of alienating voters by talking about structures rather than people. Speaking at a debate sponsored by The Guardian and the New Local government Network, the former Northern Ireland secretary called for more partnerships involving the public sector and the people, particularly in poorer communities and estates characterised by high unemployment. "If the government is serious about transforming public service delivery, as I know it is, we need to do much more than use the private sector," the MP for Hartlepool said. "In the huge amount of local regeneration activity being sponsored by the public sector, the people themselves

should be seen as delivery partners, rather than as problems to be solved. I would like to see more public-people partnerships as well as public-private ones". He warned that only an active state, rather than the private sector, could break down the barriers of inequality and disadvantage inhibiting individual advancement, "thereby creating for everyone the opportunities and life chances previously available to the privileged few." "These social democratic principles must be at the heart of Labour's agenda for reforming government," Mr. Mandelson added. "I want everyone, irrespective of income, background or wealth to have the best opportunities...and fulfil the potential that lies inside them." Ministers needed to release their grip on the purse strings and give more money to local people so that they could become involved in the delivery of renewal programmes designed to improve the country's disadvantaged areas. Mr. Mandelson's speech, at a fringe meeting at the Local Government Association's annual conference in Harrogate, followed criticism of the Government's centralist approach two weeks' ago when he called for a timetable to give English regions elected assemblies. He warned that Britain could become dangerously unbalanced constitutionally if government within England was not reformed to match devolution in Scotland and Wales. Yesterday's criticism followed a spirited attack on the government's obsession with the private sector by the Liberal Democrat leader, Charles Kennedy. Addressing delegates at the LGA conference, he warned that plans to involve the private sector in public service delivery were so confusing... "that I don't think they know what they are." Some Labour delegates nodded in approval, when he added: "To me, they look like a shambles, haphazard, unplanned, piecemeal. And that's no way to run public services in this country." Stressing that Liberal Democrats had no ideological opposition to the principle of using the private sector if it could be shown to be more efficient, he warned that the Government had so mishandled the issue that teachers, doctors and nurses were in danger of becoming disaffected. "How many people working for a private company have the same passionate commitment as those working in a public service," Mr. Kennedy said.

From [Guardian Unlimited](#), by Peter Hetherington, 6 July 2001

ROMANIAN GOVERNMENT CRITICIZES PRIVATIZATION DEAL IN COURT

Romania's government and several state-owned companies have asked a court to appoint an independent administrator to run the U.S.-owned Resita Steel Works. The government says the company -- which was privatized last year -- owes some \$22 million in unpaid bills and taxes. But its U.S. owner says Romanian officials have acted under union pressure, while critics point out that a reversal of the deal would amount to a dangerous precedent for the country's frail economy. RFE/RL correspondent Eugen Tomiuc brings us up to date. Romania's government has apparently caved in to union pressure and intervened in a six-month-old dispute between the U.S. owner of a steel mill in Romania and the unions. On 2 July, the government and several state creditors asked a bankruptcy judge to acknowledge that the Resita Steel Works in southwestern Romania can no longer pay outstanding debts of some \$22 million and requested that an independent administrator be appointed to run the company. Romania's Privatization Minister Ovidiu Musetescu said the move was meant to keep the company afloat until another court decides whether to cancel the privatization contract accord between the government and the U.S.-based Noble Ventures. But the government's decision was made after Musetescu held a nine-hour meeting with union leaders in Resita, and critics said Romanian officials gave in to union pressure. For months before, unions had staged heated and sometimes violent protests against the U.S. owner, climaxing with some 200 workers going on a collective hunger strike last week. Union leaders say they want the deal cancelled because the plant's 3,800 workers have not been paid for three months. Production has been stopped due to repeated energy shortages and a lack of raw materials. They also say that Noble Ventures failed to bring promised investment capital to the plant. Prime Minister Adrian Nastase, the head of a left-of-center government, has endorsed Musetescu's decision, saying the government's duty is to ensure that the law is respected. "I support the formula presented by [Privatization] Minister Musetescu: the government surely cannot be a mere spectator in its own country -- and in this case, the law must be respected. The government has an obligation to warn that the law must be respected." Under an agreement reached more than a year ago, Noble Ventures bought almost 95 percent of the Resita Steel Works (Combinatul Siderurgic Resita) for some \$85 million. Resita is the third-largest Romanian steel factory and its sell-off was hailed at the time as one of the largest U.S. investments in Romania. Noble Ventures, based in Bethlehem, Pennsylvania, is led by former Bethlehem Steel managers and Washington-based investors. Last year's sale provided for some \$60 million in investments, of which \$24 million were due in the first year. Noble Ventures also pledged to repay the factory's \$45 million debt and freeze any layoffs for five years. In exchange, the government pledged to reschedule the company's debt over a five-year period. But in January, six months after the sell-off, the relationship between the U.S. owners and the union soured amid repeated production halts and delays in wage payments. Two months ago, the government finally granted Noble Ventures the promised debt rescheduling and said it will wait to see whether the company meets an August deadline for the \$24 million investment due in the first year. Nastase and Musetescu also said the government would not intervene in the unions' favor or retake control of the factory. But under increased union pressure -- prompted by continued worker protests and hunger strikes -- the government reversed its stance last week and decided to sue Noble Ventures for a failure to fulfill its obligations. Michael McNutt, who represents the U.S. company in Resita, said Noble Ventures could not pay workers because the steel produced did not meet quality standards and because the government failed to reschedule the company's debts on time. McNutt told RFE/RL the Social Democratic government's decision to go to court was prompted by fears of social unrest among its main supporters -- workers and unions. McNutt says the government is forced to "waltz" with the unions, despite its commitment to reform. "I believe the government is dancing a very delicate waltz -- but a necessary waltz --- and we are trying to support this government in that, which is why you have not heard us attack the government. Because the government of [Prime Minister Adrian] Nastase is pro-privatization, but it is a social democratic government." Since he took office seven months ago, Prime Minister Adrian Nastase and his government have been trying to improve their image abroad and regain lost ground in Romania's efforts to join the European Union and NATO. Romania lags behind the other former communist EU candidates and has been rated as one of the most corrupt countries in Europe. Romania has attracted only some \$7 billion in foreign investment over the past decade. But in the six months since he took power, Nastase has pushed ahead with economic and administrative reforms. Last month, the rating agency Standard

& Poor's upgraded Romania's loan-eligibility ratings, based on improved economic performance and reform progress. The current involvement of the government in the Resita steel mill dispute has prompted some negative reactions in the Western press. Britain's "Financial Times" says that the government intervention amounts to re-nationalization. The decision has also prompted diplomatic concern. Susan Johnson, the U.S. charge d'affaires in Bucharest, this week urged the Romanian government to refrain from interference in what she termed a business deal. "[It's] no surprise to anyone that the United States and the U.S. government believes, based on our experience, that the business of government is government, not business. And so, the sooner government gets out of business and focuses on what its responsibilities are -- setting good policy, creating [a] good legislative context, addressing the infrastructure issues -- the better it will be for the economic development of the country and the prosperity of its people." Analysts have also expressed fears that the dispute may affect negotiations to sell Sidex, Romania's largest steel mill. Sidex represents a colossal drain on the Romanian budget. It has debts of almost \$1 billion and loses an estimated \$250 million a year annually. But Nastase says he is confident the Resita dispute will have "little or no impact at all" on other privatization deals. Some independent analysts tend to agree with him. Economist Mark Katzman of the Economist Intelligence Unit, or EIU, says that Noble Ventures -- by failing to come up with the promised investments -- has indeed not fulfilled its part of the deal. Katzman says Romania has performed well economically and, according to EIU estimates, may attract as much as \$1.6 billion in investment this year, compared with \$1 billion in 2000. Katzman tells RFE/RL that the impact of the Resita dispute on foreign investment in Romania will be small. "The effect of the situation with the Resita steel plant may add a little bit of caution to foreign investors' perspective of Romania. But I think the general opinion about Romania has improved quite a bit and foreign investment should increase over the following years, especially as Romania continues to make progress in its bid to join the EU." Meanwhile, despite the court order sought by Romanian officials, both the government and Noble Ventures have signaled the conflict could be solved amiably. Noble Ventures administrator McNutt and Privatization Minister Musetescu have agreed to meet on 16 July in a last-ditch attempt to save the deal. But union leaders in Resita remain adamant: They want the U.S. investor out and the state back in. National steel union confederations are watching closely the way the government handles the situation with Resita. And to solve its union problem, Romania's government may need more than "waltzing" skills.

From [Radio Free Europe](#), by Eugen Tomiuc, 5 July 2001

MUNICH AIRPORT CHIEF ARGUES AGAINST PRIVATIZATION

The company which operates Munich airport made it clear on Wednesday that it does not favor the idea of the airport's part-privatization. "An airport is first and foremost a piece of infrastructure installation. The improvement of the site takes priority over exclusive orientation towards return on capital," commented Willi Hermsen, chairman of Flughafen München GmbH, at the Munich press club on Wednesday. Hermsen cited Düsseldorf airport, as a negative example of airport privatization. Airlines have taken legal action to contest in court fee hikes introduced at Düsseldorf subsequent to its privatization. A spokesman for Munich's city government confirmed on Tuesday that the city is planning to sell its 23% stake in Munich airport, Germany's second largest after Frankfurt, so it can invest the proceeds in constructing new accommodation for the city. The federal government, which also recently signalled interest in divesting its shares, holds a 26% stake in the airport. A government representative is to meet with Munich city officials to discuss the issue this month. If both parties reach an agreement, their joint 49% stake could be sold via the market. The remaining 51% stake is held by the state of Bavaria, which has made it clear that it has no plans to surrender its majority for the time being. Hermsen said that the building of a second terminal provides evidence that Munich airport is no longer a financial drain on its owners' resources. A joint venture for the running of the new terminal was set up at the beginning of this week. The DM1.9 billion investment in the new terminal will be shared by Flughafen München, which has a 60% stake in the project, and by national carrier Deutsche Lufthansa AG, which owns the remaining 40% of the venture. Lufthansa is planning to build Munich into a second German hub to add to its existing one at Frankfurt airport. The Flughafen München chairman believes that his company's finances are strong enough to cope with the increased interest payments resulting from the new investment, even given that its capital-to-assets ratio is just 12%. Flughafen München's operating result was reduced from DM52 million to DM33 million in the five months to the end of May owing to the company's interest burden. For full-year 2001 Hermsen forecast a turnover excluding participations of DM1.15 billion and net earnings at the previous year's level of DM85 million. Passenger numbers rose 8% in the first half of 2001 to 11.7 million, while take-offs also increased 8% to 160,000. The Flughafen München chairman expects to achieve record figures for the whole year with a total of 25 million passengers and 320,000 take-offs.

From Handelsblatt, 04 July 2001

CONVERTIBLE BONDS AS AN ALTERNATIVE TO PRIVATIZATION

The disappointing performance of the Athens Stock Exchange in the last 22 months has forced a number of companies to seek alternative methods of financing their investment projects in the form of convertible issuance. The government has also turned to exchangeable or convertible bonds in an effort to get its stalled privatization program going again. However good these convertibles may be for companies or investors, past experience shows they may put pressure on the price of the underlying stock at the hands of hedge funds. The Greek government has employed the convertible bond market to get funding and reduce its stake in state-controlled companies such as OTE, Hellenic Petroleum and even National Bank of Greece a number of times in the past. Last week, the Greek Finance Ministry sold a 900-million-euro bond exchangeable into shares of OTE, via a Luxembourg special vehicle with the voting rights attached to these shares to be handed over to bondholders, therefore effectively reducing the state's stake in OTE below 50 percent. The bond, which carries a 2-percent annual coupon and matures in August 2005, was cheaply priced and therefore it is no surprise that it was well received abroad. A typical convertible bond pays a coupon payment and promises

bondholders they either can redeem it at a premium over its face value at maturity or exchange it for a stated number of company shares. If the issue is not the company but a third party, such as a Special Purpose Vehicle, then the bond is not called convertible but exchangeable. The price of such a bond can be broken down into two parts. The first part is the price it would have had if it were a straight bond with the same characteristics in terms of coupon, maturity, and face value. The second part comes from the call option to buy the underlying stock attached to it. It is usually this part which makes the difference, and determines whether a bond is cheap or expensive. The fact that the OTC (over-the-counter) euro convertible market is relatively liquid, and the ability of investors to sell short, have added to its attractiveness in yet another poor year for equities. But companies and governments which sought to take advantage of it found out this attractiveness does not come for free. The reason is that hedge funds are active participants in this market and tend to buy the convertibles at the same time they short the underlying stocks. This way they initially push the convertible bond prices higher and the underlying share prices lower. In a second stage, they reverse action. They buy the shares back at lower prices and lock in a nice profit which is bigger than the loss they incur on the bond side of the transaction. Bond prices have fallen due to their link with the price of the underlying stock. Of course, this kind of action implies that hedge funds can sell short the underlying stock, something still very difficult or even impossible with local stocks. However, ownership titles (i.e. ADRs) representing a stated number of shares of Greek companies, such as OTE, are traded on foreign bourses. This means that hedge funds willing to play the game have the means of selling short OTE's ADRs in New York (Big Board) and put pressure on the company's stock in Athens. What may complicate this tactic for hedge funds is the fact that the dividend yield of the underlying stock is high, and the company's share buyback program which kicks in later this month. In addition to hedge funds, another potential source of pressure on the underlying stock may be the willingness of the convertible's bookrunners to delta hedge their option books. Delta measures the change in the value of the option compared with a change in the price of the underlying stock, and delta hedging refers to the method by which the underlying stock is sold, in this case to hedge the risk exposure of the option book. For example, if one of them is long delta 0.3, it will sell 30 percent of the amount of the underlying shares in the spot market to hedge its position. Issuing convertible or exchangeable bonds represents an alternative way of achieving different goals set out by companies and governments. The protracted slump of the Athens bourse along with the government's need to push ahead with its privatization agenda means that Greek convertibles are going to grow. However noble the purpose, investors should remember there are some pitfalls.

From eKathimerini.com, by Dimitris Kontogiannis, 2 July 2001

THE PRIVATIZATION TRAIN IS BACK ON TRACK

Lauding the success of Hellenic Telecommunication Organization's (OTE) 750-million-euro bond, National Economy Minister Yiannos Papantoniou said yesterday the issue marked a "significant break" in the government's privatization program. The convertible bond launched on Thursday was five times subscribed, prompting the government to increase the size of the issue to 900 million euros. "The issue's exceptional success underscores massive investor interest in OTE and in the future of the Greek economy," the minister said. The state decided to shed majority control of the telecoms operator via an issue of convertible bonds after failing to find a strategic investor over the past year. Another proposal yet to be utilized includes the warehousing of a tranche of OTE shares with advisers Credit Suisse First Boston and UBS Warburg for an unspecified period of time, after which they would be offered on the market. Papantoniou said the convertible bonds were priced at a 23 percent premium to OTE's equity price, raising 305 billion drachmas for state coffers. The telecoms operator's shares closed at 15.44 euros yesterday, up 2.25 percent. The proceeds will be used to reduce public debt in line with the government's objective of cutting state debt to below 100 percent of gross domestic product (GDP) this year. **New bill** - Parliament is due to vote on a bill next week paving the way for shareholders to elect the management at OTE and National and Commercial banks, who traditionally have been political appointees. The minister said the move together with the reduced state role means that OTE is now a complete private entity which will have to operate according to private sector criteria of competitiveness and profitability. Following OTE's privatization, seven more companies are expected to take the same road shortly. Launched in March 1998, the privatization program of 23 state-owned enterprises has so far raised 3.5 trillion drachmas, amounting to more than 3 percent of the country's annual GDP. "The remaining companies are expected to be privatized shortly. This includes Olympic Airways and the ports. Public Power Corporation (PPC) and exhibition organizer Helexpo will, however, come slightly later," Papantoniou said. He noted that the timetable will depend on investors and global equity markets. The latter will float 25 percent of its equity on the market at year-end or early next year. Development Minister Nikos Christodoulakis is scheduled to announce the date for PPC on July 3. The National Economy Minister said the next stage of privatization for state-owned enterprises such as General Hellenic Bank, Post Office Bank and Hellenic Petroleum, will be a different process, involving collaboration with strategic investors.

From eKathimerini.com, by 30 June 2001

CORPORATE GOVERNANCE INITIATIVE WINS APPLAUSE

Berlin - The German government on Wednesday won widespread approval for its plans to raise the standard of supervision and management of listed companies and improve shareholder protection. The proposals, which are based on a report drawn up by the Baums Commission on Corporate Governance, were welcomed in principle by German industry and trade unions and by the main opposition party. For the opposition Christian Democrats, finance and competition experts Gerda Hasselfeld urged the government to take prompt action to present a package of measures based on a combination of legal enforcement and a voluntary code of behavior and aimed at making management decision-making procedures more transparent, securing a flow of timely and accurate information from the company to investors, and protecting investors from misleading information. This mixture of legislation and

voluntary code would seem to correspond to what Chancellor Gerhard Schröder has in mind. On Tuesday, Schröder said a new Code of Corporate Governance and Supervision is to be drawn up by a twelve-member expert group, to be appointed by the government this summer. While the Code is being drawn up, the government will draft a new Law on Transparency and Publicity. The law will oblige all publicly listed companies to adhere to the Code of Corporate Governance and Supervision unless they can produce a good reason for failing to do so. Any failure to adhere to the Code will have to be explained in the company's business report. The president of Germany's BDI industry federation, Ludolf von Wartenburg, said on Wednesday what matters most is that management boards' free entrepreneurial decision-making rights should be upheld, even if these run counter to the interests of the capital markets. In von Wartenburg's view, it is important that the law should be formulated in such a way as to take account of the various the considerations that companies have to make. The president of the DGB federation of trade unions, Heinz Putzhammer, said Germany needs a new shareholder culture. To this end, he called for an extension of supervisory boards' sphere of influence and of the control mechanisms that are open to them.

From Handelsblatt, 11 July 2001

LUFTHANSA LEADS CALL FOR PRIVATIZATION OF AIR TRAFFIC CONTROL

A number of Germany's leading airlines on Tuesday charged that the country's state-owned air traffic management company is responsible for a drastic increase in flight delays over the past few weeks, and repeated calls for a swift privatization of the service. National carrier Deutsche Lufthansa AG calculated that the number of delays caused by Deutsche Flugsicherungs (DFS) GmbH in May rose 40% from the year-ago period. Regional carrier Eurowings has had even greater difficulties: "Our delays per day have doubled to 1,000 minutes from previously 500 minutes. Other airlines said have had similar experiences," said board member Karl-Heinz Krüger. DFS's problems are linked mostly to an acute shortage of qualified air traffic controllers in Germany and the switch to a new air space system in April this year. "We could hardly believe our eyes when delays started to mount up just after the changeover," said Lufthansa General Manager Christoph Klingenberg. Damages caused to Lufthansa alone by the delays are estimated at DM200-300 million this year. The carrier again called for the privatization of DFS. An investment by the airline industry in the company is seen as the preferred option. The aim is to "introduce private-sector management methods" at DFS to give Germany a more efficient and cost-effective air traffic control system, Klingenberg told Handelsblatt. Lufthansa points to Britain as a positive example. There, a consortium of British airlines holds a 46% stake in National Air Traffic Services Ltd. The government holds just 49% and employees 5% of the company's share capital. Nevertheless, compared with the United States, Europe's air traffic control systems remain gravely outdated. "The European ATM (air-traffic management) system is only half as effective as the U.S. system," the European Organisation for Air Traffic Control, states in its latest study on the issue. The document, a copy of which has been seen by Handelsblatt, is to be closely examined by a supervisory committee of Eurocontrol at a meeting on Thursday. At a press conference scheduled for Wednesday, DFS is expected to point out that Germany's air-traffic control system is still performing above the European average. "Last year we were still praised for our work," said DFS chief Dieter Kaden. "One gets the impression that whenever Lufthansa is in difficulties, it ends up blaming air traffic control. If it's doing well, it points to its achievements in its punctuality program." In order to overcome the bottlenecks, DFS has even called back senior instructors to work the screens. The company was also in negotiations with British and South African air traffic controllers, Kaden said. But the airlines accuse DFS's management of having seriously underestimated the growing need for more air traffic controllers. "The problem has been apparent since the mid-1990s," said Lufthansa's Klingenberg.

From Handelsblatt, 10 July 2001

THE AMERICAS

HOW TO PRIVATIZE SOCIAL SECURITY

In the past few weeks, proponents of Social Security privatization, including members of the president's commission on Social Security reform, have introduced a new argument for dramatically restructuring the system. They claim that the assets contained in the Social Security trust fund are not "real" but merely IOUs from the government. This assertion is wrong -- and would be obviously so if Social Security were able to acquire corporate equities and bonds in the same way that private pension funds, public employee pension funds and the Canada Pension Plan (the Canadian equivalent of Social Security) do. Holding private-sector assets would produce higher returns for Social Security trust funds. It also would smooth the transition of Social Security from a vehicle that finances government debt to an entity that receives payment from the government. Those in the privatization lobby oppose broadening investment options for Social Security. They claim that such funds would be subject to political interference and that they would be so big as to disrupt private capital markets. But little evidence supports the first concern, and the latter "problem" easily can be prevented. State and local pension plan funds, the Federal Thrift Savings Plan for federal employees and the Canada Pension Plan all have achieved excellent financial returns while keeping costs low and avoiding political interference in investment decisions. How? First, they have explicit organizational mandates to maximize return on contributors' investment. Second, they have independent boards of trustees, whose members generally serve long terms. Third, they contract out portfolio management on a competitive basis. Finally, they emphasize investment in broad indexed investments. This is not financial rocket science. With tens of millions of current and future Social Security beneficiaries watching, Congress certainly would maintain a hands-off policy. Once concerns about political interference have been addressed, worries about the size of public investment funds can be resolved in a number of ways. One answer is to limit the size of a fund, creating new funds that are separately (and privately) managed once

the public fund reaches a certain size. This practice is already used in Sweden, which has six funds to manage accumulated surpluses in its partially funded public pension system. The government has put limits on how much of a single firm -- and of the total market -- can be owned by individual funds and by all the funds collectively. But how big is too big? One standard would be to limit the size of any one Social Security investment fund to roughly the size of the largest private investment firm. In 1999 Fidelity was the largest, with 3.3 percent of domestic equities, followed by Barclay's Global Investors with 2.1 percent and State Street Global Advisors with 1.6 percent. Once a Social Security investment fund reached, say, 3 percent of the market, it would not receive any new investment funds from Social Security surpluses. Instead, the government would establish a new investment fund, again privately managed, to receive new funds. A somewhat more convoluted mechanism for limiting size would involve distributing Social Security funds among fund managers in proportion to 401(k) contributions. While the logistics and costs of establishing and administering a system for Social Security investments are not inconsiderable, they are minute compared with the costs of setting up roughly 100 million individual accounts, many of which would receive small and irregular contributions from low-earners. A system of investing the trust fund reserves in equities would pay out far less in fees than an individual account system -- which is why most fund managers favor the latter. Building up Social Security reserves and investing them in private-sector securities offers the advantages of individual accounts without the risks and costs. It has the potential to increase national saving and offers participants the higher risk-higher returns associated with equity investment. By pooling investments and keeping transaction and reporting costs to a minimum, collective investment would produce higher net returns than personal saving accounts. But unlike personal saving accounts, a partially funded Social Security program with equity investments ensures predictable retirement incomes by maintaining a defined benefit structure that enables the system to spread risks across the population and over generations. Alicia Munnell is Peter F. Drucker professor of Management Sciences and director of the Center for Retirement Research at Boston College. R. Kent Weaver is a senior fellow in governmental studies at the Brookings Institution.

From [Washington Post](#), by Alicia H. Munnell and R. Kent Weaver, 9 July 2001

FEDS SET NEW REGULATIONS FOR FEMA

As Carter Countians well know, a disaster, be it flood or fire, can happen in the blink of an eye. When contending with disaster is your job, as it is for Jim Burrough, director of Carter County's Emergency Management Agency, being prepared is half the battle. Burrough's latest concern is not with the elements, however, but with a new policy issued by the federal government. In a letter to Burrough dated June 5, John D. White, director of the Federal Emergency Management Agency, outlined the office's new policy regarding mutual aid agreements. During an emergency, local authorities often call on the aid of neighboring counties to help mitigate a crisis. In the past this required little more than a phone call, but according to the new FEMA policy, counties may be penalized for helping one another unless all agencies involved have signed mutual aid agreements in advance. Unless these agreements are in place, the federal government will withhold reimbursements to assisting agencies for costs incurred during a disaster. According to Burrough, Carter County and the EMA are already in a tight spot regarding mitigation money because of state cutbacks in disaster funding. Whereas the state used to match funds with the county for emergency expenditures, the total responsibility for such costs now falls on federal and county government. In the future, the county will have to eat 25 percent of all expenses caused by federally declared disasters. According to Burrough, though, the new FEMA policy is no cause for alarm; Carter County now has mutual aid agreements on file with each of the surrounding counties, including Avery and Mitchell counties in North Carolina. "Carter County is in good shape," Burrough said Tuesday morning. Staying in step with federal policy changes has kept Burrough running lately. In order to comply with other new regulations issued by FEMA, the county formed a damage assessment team two weeks ago which will alert the federal government to damages sustained during natural disasters. The team is comprised of delegates from both city and county offices.

From [Elizabethton Star](#), by Stephens S. Glass, 5 July 2001

A DOUBLE STANDARD EXISTS FOR WELFARE PRIVATIZATION

This past legislative session saw a hue and cry against the state's welfare privatization program Arizona Works. A bill to kill the program passed the Senate but died of neglect in the House. It was no surprise that those leading the pack were longtime foes of privatizing welfare; what was surprising was what they were saying. This time around opponents were armed with two facts: First, AZW could cost more than it takes the Department of Economic Security to operate its welfare program. Second, a study by Abt Associates showed the effect of AZW on earnings and hours worked by welfare families was not significantly different than that of the state's program. When Arizona Works was proposed five years ago, critics charged that profit-hungry companies would throw needy families into the streets. In reality, as the oft-cited Abt study shows, Arizona Works is in some ways as soft, if not softer, than the state-run welfare program. Compared to those covered by the state-run system, AZW clients are less likely to be sanctioned, more likely to be deferred, receive slightly more health insurance and child-care benefits, more likely to earn a GED/ESL, stay on welfare about one week longer, get on average \$58 more per month in welfare benefits, and have a higher overall income. Some of this may be of consternation to flinty-hearted conservatives, but liberal welfare advocates are unhappy as well. Instead of complimenting Arizona Works on helping needy families, they are complaining that it is no better than the state program at increasing the hours worked or earnings of welfare recipients. How conservative. Interestingly, according to figures reported by AZW and DES, Arizona Works does a better job of increasing earnings and hours worked -- even accounting for the different demographics between the areas served. However, the Abt researchers checked these figures against the earnings reports submitted by employers to the state's unemployment insurance program. They found that welfare recipients are working and earning a lot more than they are telling DES. According to AZW/DES data, the average AZW recipient earned \$1,222 per quarter compared

to \$762 for those helped by DES. However according to employer records, an AZW beneficiary earned \$1,167 per quarter compared to \$1,103 for one helped by the state. In other words, agency figures show Arizona Works is doing a better job because DES is missing nearly \$340 in beneficiary income. The more accurate reporting of the AZW contractor should mean that it is able to move people off the welfare rolls faster, even if it is only taking credit for jobs that welfare clients would normally go out and find for themselves. As for cost, by law the administrative expenses for Arizona Works have to be 10 percent less than the cost of the state's program. The potential excess cost is due to an oversight by the procurement board and an ex-post facto change in federal accounting rules. This has created, to put it mildly, a rather big mess; and for Arizona Works to survive, some way needs to be found to make contract adjustments less painful. The issue in question is budget flexibility versus honoring contracts. The AZW contractor is locked into a payment agreement that might protect it from recent budget cuts to welfare administration. This is of natural concern to conservatives, but it also aggravates newly fledged budget hawks on the left. Rather than seeing privatization as a clever way to protect at least part of their favored programs from the ax, they want to kill the program outright as a waste of money. There is enough about Arizona Works to please and concern both conservatives and liberals. Yet the left, apparently suffering from a congenital suspicion of the private sector, has turned into work-first, budget hawks. They are welcome, and we only hope that they will stay for the rest of the party.

From [Phoenix Business Journal](#), by Robert J. Franciosi, 1 July 2001

COLONIAL'S PRIVATIZATION PLAN OK'D BY COMMISSION

The plan to privatize Colonial Downs moved a step closer to fruition Tuesday when the Virginia Racing Commission, after a public hearing and about an hour of deliberation, voted 3-2 to allow the acquisition of Colonial Holdings Inc. by Gameco Inc. The bigger vote is yet to come. The shareholders of Colonial Holdings will have to approve the privatization plan at a meeting tentatively scheduled for September. Two-thirds of the stockholders will have to approve the buyout at that meeting. Jacobs owns 23% of the Class A stock. Currently, Gameco, wholly owned by Jeffrey P. Jacobs and the Richard E. Jacobs Revocable Trust, owns CD Entertainment, which owns 23% of the Class A stock in Colonial Holdings and 44% of the stock overall. Jacobs has proposed an offer of \$1.10 per share to acquire the remaining stock in Colonial Holdings. The stock's recent value has been under a \$1 per share. With the privatization of Colonial Downs, track officials hope to save approximately \$150,000 per year in administration and filing fees. Colonial would also save \$1 million a year in interest from a loan provided by CD Entertainment with the conversation of a portion of the loan to equity. The commission had hoped Colonial would earmark the most of that money for reinvestment in the Virginia racing industry. What it learned is that future reinvestment is a possibility with approval, and unlikely with denial. "The stockholders not only made a monetary investment, but more of an investment of emotion (when they purchased stock)," said commissioner John Bowen, who voted against the plan. "The hard sell is going to be with the shareholders, and shouldn't be with the commission," said commissioner Earnest Oare, who voted in favor of the plan. "We don't really know where this is going," said commission chairman Robin Williams, who eventually cast the deciding vote in favor of the plan. The commission would have liked to see a long-term plan to grow live racing in Virginia, but found it had little grounds to deny the plan after legal consultation. There were conditions attached to the commission's approval: It will not go into effect until the merger is finalized and stockholders vote, Colonial Downs would continue to provide unconsolidated quarterly financial reports, and the officers of Gameco would be investigated by the commission. Meanwhile, Colonial Downs continues to experience success with its summer Thoroughbred meet. Average daily purses of \$200,000 have attracted nine starters per race; total daily handle on live racing has clipped the \$1 million mark 11 times in the first 14 days of the meet, good for a 23% increase; and average daily attendance of 2,500 is double the figure from last fall. Colonial Downs had hoped to reduce the amount of turf races it cards each day to 60%, but with the increased response to the purses and demand for turf racing, 85% of the races have been run on the turf.

From [Blood-Horse](#), by Nick Hahn, 25 July 2001