GOVERNANCE WORLD WATCH

Division for Public Economics and Public Administration
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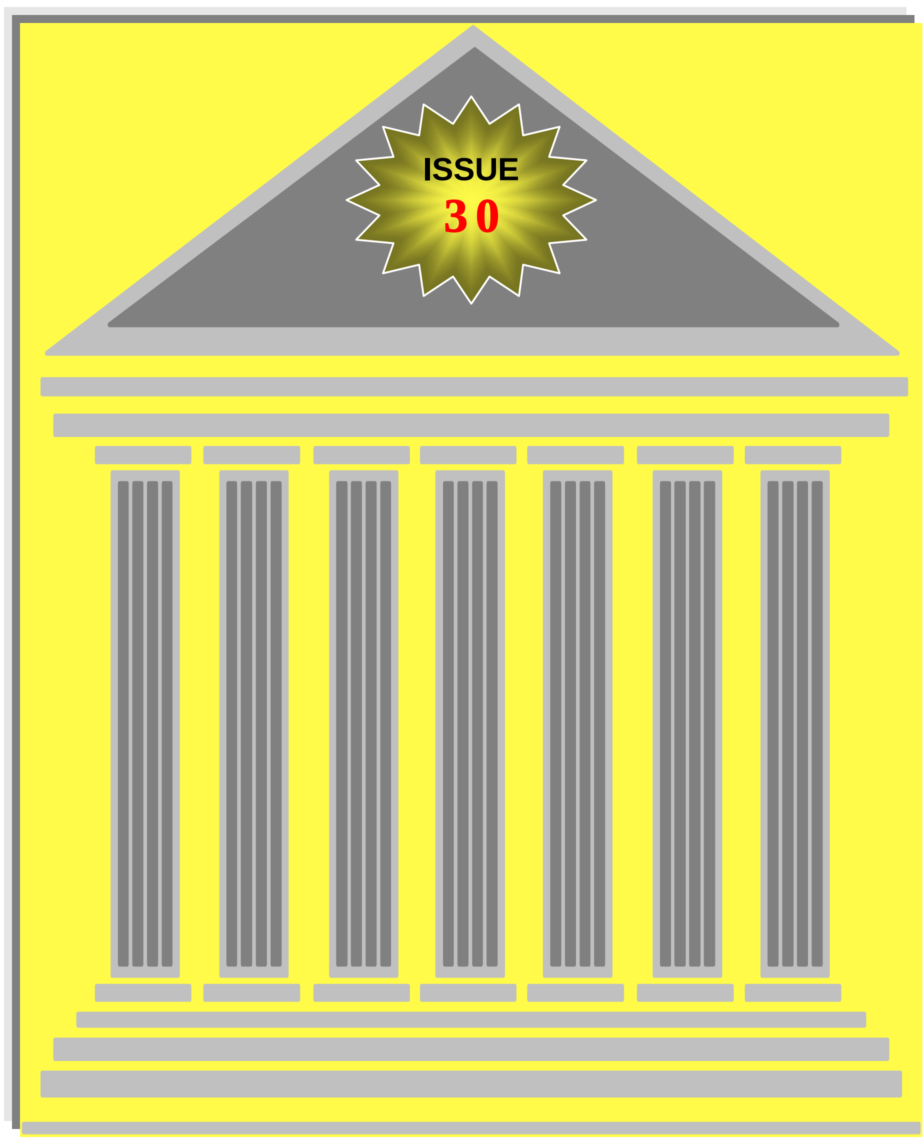

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ASIA/PACIFIC

MAYOR OUTLINES BEIJING'S 10-YEAR DEVELOPMENT PLAN

Beijing will speed up urban construction and economic development in the coming decade, as the city will host the 2008 Olympiad, Mayor Liu Qi told visiting Singaporean guests Thursday. In a meeting with Alan Chan Heng Loon, permanent secretary of Singapore's Ministry of Communication and Information Technology, Liu said Beijing will focus on the development of high-tech industries including information, software and biomedicine in the coming 10 years. Meanwhile, the Chinese capital will speed up infrastructure construction by improving the road condition and natural gas supply, said the mayor. "Beijing will improve the citizens' living standards by renovating old houses and apartment buildings in the city," he told the guests. "We will make every effort to protect cultural relics in our renovation of the old city." Beijing's development relies on the concerted efforts of the citizens, Liu said, adding that the city has sent over 100 cadres to study abroad each year, in an effort to improve their overall capacity. "Presently, Beijingers are engaged in a city-wide English study campaign," he said, expressing hope that Beijing and Singapore will enhance exchanges in urban construction and human resources development. Alan Chan Heng Loon congratulated Beijing for its successful bid for the 2008 Olympiad, describing it as "a great achievement for Beijingers as well as all Asian people."

From People's Daily, 2 August 2001

FINANCIAL REFORM TO FURTHER GROWTH

China has witnessed a venture capital boom in recent years. Financial reform should be further deepened to maintain the growth momentum, urged experts at the 2001 International Forum on China Finance, recently held in Beijing. By the end of 2000, about 200 institutions, with a total investment worth more than 30 billion yuan (US$3.6 billion), have been set up in this country to engage in venture capital. "In the past, venture capital was largely related to the development of high-tech sectors," said Liu Manhong, director of Venture Capital Development Research Centre with Renmin University of China. "But now we prefer to view it as something closely linked with the country's financial reform." The first domestic venture capital company was established in 1986, after the country began to absorb overseas venture capital in 1985. However, the rapid development of venture capital in this country did not come until 1998. Domestic venture capital companies are split into four types, sponsored respectively by local governments, listed companies, non-bank financial institutions and non-government financial organizations. According to Liu, a study last July indicated 70 per cent of domestic venture funds came from local governments' expenditure on science and technology development. A year later, a new study showed governmental investment dropped to 42.9 per cent of the total, as the amount of non-government investment multiplied. "The decreasing of the government's role in venture capital is an obvious trend," said Liu. On the other hand, foreign venture capital companies launched by multinationals are, so far, the most active ones, for their parent companies have a better understanding of China's market, demand and technologies. Therefore, Liu added, the success of foreign venture capital companies lies mainly with its efforts towards localization, while domestic venture capital companies need to standardize their management in line with international practices. Venture capital has become the rage in China in the past few years. Zhang Jing'an, director of the Torch High Technology Industry Development Centre under the Ministry of Science and Technology, said: "By cloning the NASDAQ way, China aims to further its financial reform and facilitate efficiency-centred economic restructuring at large." Zvi Bodie, a professor at Boston University, suggested: "For the efficiency and robustness of its economy, China should encourage financial innovation to develop multiple financing channels for entrepreneurial activity. "This entails financial innovation to employ advanced practices learned from other countries and to adapt to global capital markets." While Josh Lerner, a Harvard University professor, stated: "Venture capital appears three to four times more powerful than corporate research and development (R&D)." From late '70s to mid-'90s, venture capital was only three per cent of corporate R&D in the United States, but contributed to about 10 to 12 per cent of privately funded innovations, according to Lerner's study. He is optimistic about a greater influence of the venture capital in the future. But the development of venture capital does not take place overnight, stressed Lerner. Wu Xiaoqiu, a senior economist at Renmin University of China, said: "China is to undergo a financial 'big bang'." In the initial stage of a big country's economic take-off, a drastic change in its financial system and structure will usually take place to expedite its development. Such financial expansion had helped turn Britain and Japan into developed countries. "China has been accumulating energy," said Wu. "I believe it will come soon." He expected a rapid increase in the financial institutions, showing the financial explosion. As market-oriented financial reform deepens, regulation on the financial market will be relaxed to facilitate growth of non-bank financial institutions. "In the past two decades, particularly the past 10 years, China's non-bank financial institutions have developed rapidly," said Xia Bin, director of the Bureau of Non-bank Financial Institutions under the People's Bank of China. Statistics indicate the total number of securities companies, trust companies, enterprise group finance companies, finance leasing corporations, securities investment funds and insurance firms has amounted to 400 now, with an aggregated financial asset soaring from 147.7 billion yuan (US$17.8 billion) in 1990 to about 1.8 trillion yuan (US$216.9 billion) by the end of 2000. Xia said the development of financial institutions has helped transfer savings into investment and allocate resources more efficiently to improve the overall performance of the national economy. In view of its significant role in boosting venture capital, more efforts are urgently needed to further develop domestic financial institutions, urged Xia. First, non-bank financial institutions should enhance their co-operation with commercial banks. As diversified investment instruments attract more savings, the dominant commercial banks need to offer new intermediate services to make profits. Meanwhile, the emerging non-bank financial institutions, lacking operation networks and settlement systems, are eager to make use of major commercial banks' resources. Second, since the grace period after China's entry into the World Trade Organization is not long, non-bank institutions should speed up their innovative co-operation with commercial banks under the principle of separated operation of various financial sectors. And the regulatory departments of banks, securities and insurance should also better their joint supervision. Finally, to seize the opportunity of development, non-bank financial institutions should enhance their financial strength as quickly as possible by absorbing private investment. "The coming financial explosion will be largely powered by the venture-capital-fuelled development of the capital market," said Wu. With banks playing a dominant role, other financial institutions will play an increasingly important role in the national economy. Along with an expansive growth of financial assets, financial instruments will be multiplied to meet increasingly diversified financial demands. Besides, the country needs to thoroughly update its financial laws, most of which were laid down five or 10 years ago. Wu added the initial legal framework that had helped standardize practice of financial institutions in the past should be amended to boost state-of-the-art development of the financial sector.

From China Daily, by Zhu Qiwen, 2 August 2001

GOVERNMENT TO INTRODUCE PARTNERSHIP FIRMS

The government will submit a revision of relevant laws in the latter half of 2002 to allow venture businessmen and lawyers to establish partnership companies to reduce their tax burden, an official of the Ministry of Finance and Economy said yesterday. Under the system for partnership companies, partners are permitted to pay only business income tax, unlike corporations that have to pay corporate, individual and dividend income taxes. "The Korea Institute of Public Finance will present the outcome of research of the U.S.-type partnership taxation system next month," the official said, adding that his ministry will undertake a thorough examination of the results before taking measures to introduce the system in the latter half of next year. "The government needs to encourage expert groups to launch venture startups and increase investment in the knowledge-based, information era," the official said.

From Korea Herald, 2 August 2001

MACAPAGAL CITES PERILS OF GLOBALIZATION - 'SOCIAL BIAS TO DEVELOPMENT PLANS'

Singapore - President Gloria Macapagal-Arroyo, in the middle of a three-day visit to Singapore on Saturday, warned that globalization would bring peril to the Philippines, as she signed a number of bilateral agreements with the rich city-state. Massive trade flows and rapid advances in information and communications technology bring both peril and opportunities, the President said at a press conference yesterday. "It is important that we minimize the perils and that is why we have to have a social bias to our development plans," she said. "All of these things that we are trying to do, promoting investments, promoting information communications technology, all of these are means toward achieving the end of fighting poverty," she said. To meet the challenges of globalization, solidarity among the Association of Southeast Asian Nations should be strengthened, as there is a need for a "common Asean voice and a common market," she said. "What we should work on as a common denominator in Asean is a common market that people can identify with, because investments in this day of globalization and high technology go to large markets and this is what Asean should work for," she said. The President said her meetings with Singapore's leaders have resulted in a commitment to "fast-track" economic cooperation between the two nations. She said there were indications that Singapore business leaders were interested. "I think many of them have realized what we're doing. Many of them did not know the details of the cases that I was able to discuss so I think many of them have been enlightened," she said. In the various forums that she has addressed here, Ms. Macapagal has tried hard to convince the Singaporeans that although kidnappings have continued, she is on top of the situation and that it was safe to travel to the Philippines. She said her government was trying to forge a peace agreement with secessionists and rebels, leaving only the problem of the Abu Sayyaf. "What we're left with is the terrorist group in Basilan and the way to address this is to wipe them out," she told a group of Singaporean reporters. The President met with business leaders on Saturday and witnessed the signing of several agreements which could bring much-needed foreign investments into the Philippines. During a luncheon speech after one such signing ceremony, Singapore Prime Minister Goh Chok Tong said he would "like to expand bilateral cooperation" with the Philippines and said the memoranda of understanding signed yesterday would enhance ties. Neither Goh nor Ms Macapagal forecast how much money was involved in the deals signed. The agreements signed are intended to boost tourism, information technology cooperation, transport links and telecommunications-related businesses. Ms Macapagal said the Philippines would continue to open its telecommunications sector to competition to raise the quality of service, increase the speed of connection and lower its costs.

From INQ7.net, by Martin P. Marfil, 26 August 2001

EUROPE/CIS

EU: CANDIDATE COUNTRIES BENEFIT FROM GLOBALIZATION

An expert on globalization says the benefits of increased trade and investment in the past two decades have left behind much of the developing world. But he says that individual countries themselves can exercise some degree of control over whether the forces of globalization affect them positively or negatively. RFE/RL correspondent Breffni O'Rourke has the story. Prague, 1 August 2001 (RFE/RL) -- Mansoob Murshed, a research fellow at the United Nations University in Helsinki, says the benefits of increased globalization of trade, investment, and financial flows have not been shared out equally. He says the benefits have mostly gone to the industrialized world, while much of the developing world -- including parts of Eastern Europe and the former Soviet Union -- have been left behind. But he tells our correspondent that even developing countries can do a lot within their own borders to benefit from globalization. A recent study he coordinated finds that economic growth depends, at least in part, on having good quality institutions. In other words, countries where people enjoy political rights, the rule of law, and capable government structures also enjoy higher economic growth. He writes further that to increase the benefits of globalization, governments need to increase the skill level of the labor force, thus assisting the absorption of foreign technologies. Among other factors determining success is simply the willingness of a country to embrace globalization. Turning to Eastern Europe, Murshed sees clear differences between those countries that are candidates to join the European Union and those that are not. Of the 10 Eastern European candidate countries, he says: "They are in a very good position to cope with the process of globalization in terms of their skilled manpower, and they have had at least a certain period of market discipline, about 10 years of that, so they are well placed in that respect." Just having the status of a candidate is valuable in that it helps improve internal stability and attract foreign investment. As Murshed puts it: "I think the greatest benefits for accession countries is the fact that they are in the queue [for EU membership]. I know that they are getting frustrated with the timing [of the process] of accession, but the fact that they are in the queue means that they have had to accelerate institutional development, [and] that really [is] the key at the moment. And since they have to conform to best practice within the EU, or move toward best practice in the EU, that really helps -- [although] that does not mean that there have not been huge problems generated by, for instance, the privatization process." Turning to countries that are not applicants for EU membership, Murshed sees their ability to cope with globalization as much lower: "In the non-accession countries of the former Soviet Union, both market discipline as well as the development of institutions is not as good. And I think the emphasis has to be put on the development of the institutions of governance -- things like the enforcement of contracts, the rule of law, infrastructure and so on -- where the accession countries have a real advantage." Murshed goes on to say that there are some CIS countries where the rule of law is lagging and the influence of powerful individuals is too great. But he says that Russia, for instance -- whatever its failings in institutional preparedness -- is just too big to ignore. He says some people are going to invest there no matter how badly governed the country is: "Obviously, Russia is going to participate in the globalized economy because of its size, simply because it is a market of 150 million-plus people. But otherwise, if it was a smaller country, its institutional nature would probably marginalize it in terms of globalization." Returning to the EU and the candidate countries, Murshed points to another benefit which he says is conferred on the candidates by proximity to the EU, namely implicit protection from currency crises. His view is that currency speculators have to work on the assumption that Brussels and the euro-zone (members of the European Monetary Union that have adopted the euro currency) would not allow a full-blown currency collapse in an accession country, and thus refrain from attacking those currencies. He contrasts this with the situation in Southeast Asia, where a currency crisis led to economic chaos in 1997, and with Russia, which suffered a similar fate in 1998. As to the EU itself, Murshed says it would be a mistake to believe that it is insulated from globalization on the grounds that the majority of its trade is between member states. He said that despite the inward-looking trade pattern, the EU is open to the world, and thus to the pressures of globalization in terms of financial and investment flows.

*From **Radio Free Europe**, by Breffni O'Rourke, 1 August 2001*

SOVIET UNION STRIKES BACK

I have been long expecting to see when and how the collapse of the U.S.S.R. will start to fight back. I am not talking just about Russia. It is clear to me that a modernized version of the Soviet Union — on a lesser scale, with a more rational economic approach — is already in place. In fact, judging by the latest G-7 meeting in Genoa and its telling silence on issues like atrocities in Chechnya, this group of politicians seems to have understood precisely what looks like clear fact to me, an insider. Would you expect, say, Richard Nixon to talk democracy with his ABM Treaty pal Leonid Brezhnev? Sure, you would not. You would expect them to talk security-related problems, leaving the chat on humanitarian issues to journalists and human rights activists. Serious people talk serious stuff. And so they did in Genoa, as well as the following week in Moscow. But forget about Russia, as the G-7 did. The collapse of the Soviet Union 10 years ago is fighting back on a much larger scale, taking the forms of noisy and violent protests in the wealthiest countries on the globe. Seattle, then Davos, then Prague, then Davos again, then Goeteborg and, lately, Genoa. I have probably missed a couple of cities where anti-globalization protests happened over the last two years. The first protests looked like attacks from the fans who like to bloody each other's faces at soccer games. No longer. Genoa ended with one man dead and hundreds wounded. And world leaders — the runners of their respected global powers — had no place on Earth to sleep but in shaky, although luxury, boats' beds. No, I do not bother to care whether they slept comfortably or not. I just think it is a joke that leaders of the eight nations got to talk about global ideas with their noble approach — the well-being of tomorrow's world (sic!) — protected from that world by a myriad of policemen and specially erected walls. Obviously, Genoa demonstrated that the beginning of the new century does not project an upcoming paradise. However, it was doomed to happen. The aftereffect of the collapse of the Soviet Union as a world superpower, along with the defeat of the millennium-long illusion of communism, is coming forward now. Some analysts tend to compare the current anti-globalist protests to those conducted by their fathers back in the '60s. I do not think the comparison is a proper one. After all, the hippie movement back then was more an individualistic protest of the elite kids in university compounds. Those who marched in Genoa, or earlier on in Goeteburg are of a different breed. They are not college kids, and they do not fight against their wealthy upbringings for the right to smoke dope and live in rubbish. Also, unlike those of the sixties, they do not fight for the brighter life of their less lucky compatriots; no, they fight for themselves and their own right to have jobs and live well. The sole existence of the Soviet Union with its unanimous welfare-state and world-wide propaganda of a country where ordinary people were on top somehow absorbed the extreme leftist ideas back in seventies and eighties. The endless cash flow from the U.S.S.R.'s Gosbank into the pockets of the Communist parties across the globe did the job as well. Those parties managed to channel leftist ideas into a formal framework that was the best protection from the mass and violent streets riots. In fact, Italian and French communist parties were the biggest recipients of Soviet money. But those times gone for good. Formal channels of the leftist ideas no longer exist. Thus, they are back on the streets. Surely, those who marched in Genoa are highly unlikely to know anything about the gulag and the kind of misery life in the U.S.S.R. was. But even if someone would dare to explain, it won't change a thing. All they want is not to be on the loser's side. The snobby behavior of the G-7 leaders, with their minimal respect for humanitarian issues and overstatement of economic and security ones, gives just more proof to those who feel like losers.

*From **Moscow Times**, by Yevgenia Albats, 1 August 2001*

THE AMERICAS

ARGENTINEANS BALK AT GOVERNMENT AUSTERITY PLAN

Thousands of jobless people and state employees blocked highways throughout recession-stricken Argentina on Tuesday, protesting an unpopular government austerity plan and demanding work. The largely peaceful protests were the latest outburst of anger in Argentina, which is sliding into a fourth straight year of recession with unemployment above 16 percent and a quarter of the population living beneath the poverty line. The roadblocks were scattered across more than 40 cities, blocking key highways and snarling rush-hour traffic. They came a day after the government won congressional approval to implement deep spending cuts in state salaries and pensions to trim the growing budget deficit. An airline union cut off the road to the domestic airport in Buenos Aires, creating massive traffic jams. Flights went ahead as scheduled. In Florencia Varela, 19 miles south of the capital, hundreds of protesters stormed a local branch of the provincial bank, occupying the building for most of the afternoon before the leaders of Tuesday's demonstrations intervened, asking the group to disperse. Two policemen were lightly injured in Cordoba, Argentina's second largest city, during a confrontation with workers protesting the planned privatization of the municipal power company. Police said workers attacked the officers when they tried break up the protest. In the working-class neighborhood of La Matanza on the outskirts of the capital, dozens of pickup trucks blocked the main highway into the city. Hundreds of protesters, including public health workers and children of the unemployed, waved banners and banged drums, denouncing the economic plan and accusing the government of "betraying the people." "Our blockade is not against society, it is against (Economy Minister Domingo) Cavallo and (President Fernando) De la Rua," union leader Luis D'Elia told the demonstrators. He said they were "armed with patience and conviction." Protesters demanded the repeal of recently approved budget cuts and called for job-creation plans and more social assistance. On Monday, Congress approved a bill that seeks to cut more than $1.5 billion in government spending to dispel investor fears that Argentina will fail to keep up payments on more than $130 billion of debt. The package, which is the seventh austerity plan put forth by De la Rua since he took office in December 1999, calls for a 13 percent reduction in state wages and pensions. De la Rua and Cavallo hope the austerity measures will restore investor confidence and spark an economic turnaround. But they have triggered an outpouring of disgust from union leaders and state workers, along with other Argentines tired of tax hikes and pay cuts.

From Nando Times, by Laurence Norman, 1 August 2001

BUSH BACKS ELECTION REFORM PLAN

President Bush, who won the White House in a fiercely fought recount of Florida ballots, cautiously endorsed an election-reform report that seeks to make Election Day a federal holiday, restore voting rights to felons and curb the media's rush to project winners. Bush embraced only the general principles of the 105-page study headed by former Presidents Gerald Ford and Jimmy Carter. His press secretary, casting the president as a reformer, voiced support for several but not all of the panel's recommendations. "Our democracy is really an inspiration to the world. Yet, the work of improving it is never finished," Bush said Tuesday in a Rose Garden ceremony, a beaming Carter at his side. Neither man mentioned Carter's recent criticism of the president. With some Democrats still questioning his tactics in the 36-day recount campaign, Bush has viewed the Carter-Ford report as an opportunity to show voters that he is committed to fair elections and reform. At the same time, senior Republicans privately fret that some of the changes would help increase turnout of traditionally Democratic voters. The 19-member commission asked Congress to make Election Day a federal holiday, perhaps by combining it with Veterans Day, and to adopt legislation simplifying absentee voting from overseas. Bush spokesman Ari Fleischer said the panel made a good argument for the national holiday but the president wanted to consult first with veterans. Indeed, the proposal sparked immediate protests from veterans groups and some members of Congress. "Election Day is Election Day. Veterans Day is Veterans Day," said Rep. Chris Smith, a New Jersey Republican who chairs the House Veterans' Affairs Committee.

From Associate Press, by Ron Fournier, 1 August 2001

OVER 65,000 CITIZENS URGE CONGRESS TO PASS CAMPAIGN FINANCE REFORM

San Francisco -- More than 65,000 people have urged the U.S. Senate to pass the McCain-Feingold campaign finance reform bill following a Citizen Alert distributed last week by Working Assets, the long distance, credit card and online services company that donates a portion of its revenue to progressive nonprofit groups. "Concerned citizens are telling lawmakers loud and clear to close the soft money loopholes in campaign financing," said Michael Kieschnick, president of Working Assets. "Congress should not ignore this powerful plea to adopt the McCain-Feingold bill and fix our broken political system." Working Assets has joined Sen. John McCain (R-Ariz.), Sen. Russ Feingold (D-Wis.) and others as members of Americans For Reform (www.Americans4Reform.com), a nonpartisan coalition devoted to fighting for passage of meaningful campaign finance reform in Congress. Working Assets is providing the activism Web site for the coalition (www.ActForChange.com). Working Assets has generated more than $25 million in donations for progressive nonprofits since 1985. The company started its Citizen Action program in 1991 to give customers and other citizens timely information and easy ways to speak out on important issues. Working Assets includes Citizen Action alerts in their monthly phone bills and online at ActForChange.com and ShopForChange.com. Working Assets long distance customers also can call targeted decision-makers free of charge every day of the week or have a low-cost advocacy letter sent on their behalf. Last year, a Working Assets Citizen Alert on the presidential election in Florida generated more than 250,000 e-mails to decision-makers like Florida's Gov. Jeb Bush and Secretary of State Katherine Harris. "We use the Internet to rapidly mobilize people and make sure their voices are heard," Kieschnick said. "One of our next acts will be to urge Congress to oppose repealing the federal estate tax. This tax applies only to the richest 2 percent of families nationwide. Eliminating it would endanger state and federal revenues and greatly reduce charitable giving." Concerned citizens can join in the efforts to urge campaign finance reform by logging on to www.ActForChange.com and clicking on the "Take Action" link. For more information about Working Assets, visit www.WorkingAssets.com or call 1-800-668-9253. To order a Working Assets press kit, please call Greer, Margolis, Mitchell, Burns & Associates at (202) 338-8700.

*From **Working for Change**, 2 August 2001*

WASHINGTON AND REGULATIONS

Other changes are under way. Health maintenance organizations that offer benefits under Medicare have extra time to decide whether they will remain in the program and won't have to collect data that might have led to lower payments for some. Thursday, Treasury changed its tax-shelter regulations to allow corporations to avoid reporting "many legitimate business transactions" they were previously required to disclose. The modifications "will help taxpayers and practitioners to better understand and comply with the rules," said Mark Weinberger, assistant Treasury secretary for tax policy. At the same time, the changes tightened restrictions on tax-shelter promoters to ensure that they register certain types of confidential transactions. But a Democratic member of the House Ways and Means Committee predicted the moves will have a far different effect than the administration is advertising by eliminating some triggers for disclosure or registration. "This Treasury Department is not only weak in fighting corporate tax abuse," said Democratic Rep. Lloyd Doggett of Texas, "it does not even want abuse disclosed." Treasury officials strongly disputed that, saying the triggers were redundant or confusing. Secretary Paul O'Neill also has launched a broad review of existing money-laundering regulations amid complaints from some banks that they are too burdensome. Among other things, officials have said they are considering ways to lower the number of currency transaction reports banks must file on cash deposits exceeding $10,000, perhaps by granting more waivers for regular customers not considered money-laundering risks. -- Telecommunications - Telephone companies, which donated more than $12 million to Republicans during the 2000 campaign, have certainly felt the difference. During Mr. Clinton's administration, the Federal Communications Commission backed efforts by the Federal Bureau of Investigation to force phone companies to update their equipment to permit more effective wiretaps. But Mr. Bush's team, led by FCC Chairman Michael Powell, appears to be warming to the industry's view that the FBI demands are excessive and costly. A decision from Mr. Powell is expected by September. The FCC is also backing away from its Clinton-era efforts to audit the books of Bell companies such as Verizon Communications Inc. and SBC Communications Inc., both of them among the top donors of unregulated "soft money" to the GOP. Several years ago, an internal FCC review concluded that the Bells overstate their costs by up to $5 billion per year, leading customers to pay higher rates. Under Clinton-appointed Chairman William Kennard, the FCC began pushing the companies to correct their books. Bell companies have disputed the report's findings, arguing that the FCC audit was based on faulty survey methodology. In the past few months, people familiar with the situation say, senior FCC officials have quietly directed that those efforts be shelved. Other top officials at the FCC are now drafting a memorandum cutting the agency's accounting requirements sharply, making it harder for potential fraud to be discovered. Such regulatory "streamlining" began under Mr. Kennard. But now Mr. Powell is pushing toward its formal adoption this fall, over the opposition of many state regulators, who argue that the changes would make it harder to protect consumers. An FCC spokesman rejects the suggestion that campaign donations influenced the agency's regulatory stance, explaining, "We aren't political." And in some areas, Mr. Powell has sought to strengthen oversight, by, for instance, seeking stiffer penalties for Baby Bells found to engage in anticompetitive behavior. -- Labor - The change in direction is especially pronounced on regulation affecting workers. Under Democrats, the chief beneficiaries of organized labor's political largesse, the Labor Department usually sympathized with unions on regulatory issues. Under Republicans, it generally won't. "We don't represent business," says Labor Secretary Elaine Chao, dismissing suggestions that her policies are affected by employers' political and financial support for the GOP. "We don't represent unions. We represent the work force." Mr. Bush's aides backed the successful effort in Congress to block the Clinton administration's "ergonomics" rules designed to prevent repetitive stress injuries. Now the Bush team is considering a new approach, which could include publication of "Best Practices" already used by industry. Another prospect for change: a different approach to enforcement by the Occupational Safety and Health Administration. Business executives have complained that OSHA has focused on small infractions and used different standards in different parts of the country. Assistant Labor Secretary Chris Spear says the department may consider encouraging companies to seek recommendations from third-party safety experts. Following those recommendations would help shield companies from civil penalties for subsequent OSHA violations. The shift extends to quasi-independent federal agencies affecting workers, too. Mr. Bush's choice for general counsel of the National Labor Relations Board, Arthur Rosenfeld, plans to scale back the use of the board's statutory authority to petition federal courts to seek injunctions to halt unfair labor practices, such as mass firings of workers, a person familiar with the situation says. Businesses have complained that the NLRB abused that authority during the Clinton administration. Mr. Bush's aides say they're merely bringing reason to a Cabinet agency with a demonstrated penchant for regulatory foolishness. Just this week, Mr. Findlay notes, senior officials halted an effort within the Labor Department to pursue potential wage-and-hour and child-labor violations against a West Virginia hospital using teen-aged "candy stripers" as volunteers.

*From **AP via New Jersey Online**, 3 August 2001*

BLURRED BORDERS OF THE NEW WORLD

Americans do not seem to believe that anything foreign can touch their lives - Americans seem indifferent to the phenomenon of globalization. Living within secure borders, sheltered by their country's immense military, economic and cultural power, they show little interest in exploring the connections between other societies and their own. Most Americans see no need to learn a second language, obtain a passport or focus on international events. They are detached from the world, it appears, because they don't believe anything foreign can seriously touch their lives. And that applies to North America as well. In the United States, writes Anthony DePalma in "Here: A Biography of the New American Continent," people "rarely are conscious that they share this continent with anyone." Americans tend to view Mexico as a nation of banditos and mariachi bands, a giant banana republic connected to Latin America by culture and blood. Canada fares a little better, appearing, to American eyes, as a vast, frozen appendage of the United States - scenic, friendly and dull. Its dubious claim to nationhood is nicely captured in a popular survey of American colleges, which praises the University of Notre Dame for recruiting students "from 50 states, 40 foreign countries, and Canada." Sometimes the unintended insult says the most. It would be hard to find a surer guide to the new American continent than DePalma, who was a correspondent for The New York Times in Mexico and then in Canada from 1993 to 1999. Both countries came alive in these years, shedding their image as journalistic backwaters. In Mexico, DePalma reported on the violent drug wars, the ballooning debt crisis, the assassination of a leading presidential candidate and the armed revolt in Chiapas, the poorest state in the country. In Canada, he arrived in time to see the nation confront its fragile identity over the referendum on Quebec's secession. Yet no event, DePalma says, was more significant than passage of the North American Free Trade Agreement in 1993. Blending a rich history of the continent with a sharp eye for cultural observation, he shows how the leaders of Mexico, Canada and the United States overcame generations of prejudice and exploitation to devise a common economic strategy based on free trade, open borders and mutual respect. Many were alarmed by the agreement, of course. Nafta "caused tremors in each country," DePalma writes, "but the fears each nation felt were something different." Mexico presented the greatest challenge. The tremendous poverty, political corruption, class consciousness and religious orthodoxy made economic reform a chore. Foreign business executives complained about a culture in which time was viewed as fluid, not fixed, and deadlines were treated as guidelines. Mexico appeared to be caught between two identities: one looking to the complex modern world, the other yearning for a romantic agrarian past. Its economy was in disarray. As an oil-producing nation, Mexico experienced the boom of the 1970s and the bust of the 1980s, which led it to default on its debts. Foreign investors shied away. Mexican industry, protected for decades by high tariffs, churned out shoddy goods. The leading export from Mexico seemed to be its own people crossing the northern border in a desperate search for jobs. Canada faced different concerns, DePalma says, and culture played the central role. Unlike the United States, where individual rights take precedence over community norms, Canada cherishes order, civility and the public good. The United Nation's quality-of-life rankings - which include such things as health care, literacy rates and life expectancy - place Canada at the top. Yet these benefits did not come cheaply. In seeking consensus and social comfort, DePalma notes, Canadians sacrificed the opportunities for personal advancement and creativity that are hallmarks of American-style competition. As a result free trade was long viewed as an alien concept in Canada, where people grew up believing in the virtues of collectivism and government protection. DePalma ends his elegant journey on an optimistic note. The economies of Mexico and Canada are stronger than before. . For Mexicans the major issue today is the creation of high-wage jobs; for Canadians it is the ability to stay competitive while retaining their generous welfare safety net. And for North Americans, DePalma concludes, it is the willingness to become "a community of shared interest, common dreams and coordinated responses to problems that have no regard for borders."

*From **Charlotte Observer**, by David M. Oshinsky, 6 August 2001*

SOME SEE FRUITS OF GLOBALIZATION IN CITIBANK'S MEXICAN BUYOUT

Mexico City - Some say this is how globalization is supposed to work: A rich U.S. bank expands into a developing nation, spreading capital around. Others see Citigroup's acquisition Friday of Mexico's second-largest bank as a classic example of a backroom deal that concentrates power and wealth. Citigroup's takeover of Banamex has weathered questions about money laundering, anger among taxpayers who paid billions to bail out the Mexican bank, and concern over the fate of Banamex's trove of Mexican art, which Citigroup will apparently acquire. But for many Mexicans, the biggest question is whether their country _ in finance, transport, manufacturing _ is becoming a mere branch office for foreign firms. Almost all of Mexico's financial sector has been sold to foreigners over the last three years. Few deals so typified the good and the bad of globalization as the dlrs 12.5 billion cash and stock deal sealed Friday on the floor of the Mexico City Stock Exchange. When it was announced in May, President Vicente Fox called the acquisition an "extraordinary" event for Mexico, where banks are poorly capitalized, grant few loans and serve less than a quarter of the population. "We know we have to participate in globalization," Fox said. "We know we have to create financial reserves inside the country and attract them from abroad, and that is what this gigantic investment by Citibank in our country does," he said. Some say Fox was happy for other reasons as well: His college buddy and campaign donor, Banamex President Roberto Hernandez, may have gotten as much as dlrs 3 billion for selling his stake in the bank. That wouldn't be too controversial, except that taxpayers spent more than dlrs 3.4 billion to bail out the bank when it was drowning in bad loans in 1995. Little of that money was ever repaid by the bank's shareholders or the loan holders. Both Hernandez and Fox say none of the sale price should be repaid to government coffers. Hernandez has waxed poetic about the global aspects of the deal: "The idea was to attack the market head-on, and create a truly trans-border North American bank." Others saw it in less glowing terms. "It's not fair that Mexicans subsidize with our tax money some juicy business deals that benefit a few," said Sen. Jesus Ortega. Fox's own policies have fed the growing sense that globalization benefits only the rich. The president has resisted a full investigation of the bank bailout, and has appointed business magnates to key government positions. One of those _ Carlos Slim, Latin America's richest man, who Fox briefly appointed to the board of the state-owned oil monopoly _ hasn't sold out to foreigners yet. But his telecommunications empire is so far-reaching that, as newspaper columnist Marcos Rascon said, "it is present in every aspect of the culture ... using the Internet, making a phone call, watching television, going to the movies or buying a record." The issue of foreign domination is also significant in a country invaded by what are known as ``los marts'': Wal-Mart, HomeMart and other U.S. chains. Mexico City, indeed, may be the only place in the world where Woolworth's stores _ complete with lunch counters _ are going strong. The foreigners have sometimes ridden roughshod over Mexican sensibilities. In June, U.S. retailer Costco drew wide protests when it began to tear down a landmark 1940s resort near Mexico City to put up a shopping mall. Resentment is sharpened by the fact that, of the nearly 20 banks around before the 1994 peso crisis, only a few still exist _ and the largest have been bought by the likes of Spain's Banco Bilbao Vizcaya or Canada's Bank of Nova Scotia. And it doesn't help that, along with Banamex, Citigroup will acquire one of the largest private collections of Mexican art and real estate, ranging from 16th-century palaces to great paintings. Nationalist fears were assuaged only slightly when experts said the artwork apparently cannot be sold or sent abroad by Citigroup. Mexicans also are distrustful of Citibank after learning it allowed its private-banking division to be used to channel almost dlrs 100 million in alleged drug money into Swiss accounts for Raul Salinas, brother of former President Carlos Salinas. None of that proved a problem for regulators in the United States and Mexico, who quickly approved the deal. "It's a grand case of fraud," said the leader of Mexico's Environmental Green Party, Jorge Gonzalez Torres. "It's all part of the Mexican tragedy."

From News provided by Associated Press, 4 August 2001

STANISLAUS NEEDS TO EMBRACE GLOBALIZATION TREND

Globalization has come to Modesto. Like it or not, we are being propelled into the next big phase of civilized development, on par with the introduction of sustainable agriculture, the industrial revolution and the growth of technology. The term globalization refers to the rapidly accelerating interconnectedness between countries and their respective consumers as trade lanes widen and product flows increase. In fact, globalization has been here for some time, lurking in just about every article of consumer goods available. Virtually all complex consumer products sold in stores today contain parts manufactured in a foreign country. Automobiles, for instance, are composed of hundreds of individual parts, yet even American-branded cars will contain significant components manufactured abroad but assembled in domestic factories. Our most popular retail stores stock huge quantities of entirely foreign-made goods, from electronics to bicycles to sporting equipment, and even our supermarkets are now carrying an increasing number of food products from abroad. Is the trend of globalization a good thing for America? You bet it is. From a consumer standpoint, this trend represents one of the most powerful cost-reduction engines imaginable, taking the venerable economic theory of comparative advantage to its logical conclusion. In 1776, the influential economist Adam Smith postulated that most countries enjoy a comparatively lower cost of production for certain products due to differences in resource allocation, and as such are able to specialize in the production of certain goods and services. As a result of these differing resource imbalances, it makes perfect sense for countries to trade differing goods and services, exchanging their own lower-cost products with other countries for needed items that would, in turn, lower consumption costs for their own domestic consumers. This seemingly simple but powerful economic principle has been the driving force behind almost all modern trade agreements, and has led to a general rise in living standards worldwide. However, our vital local agricultural sector has been one of the first industries to be affected by this new economic trend, both in a positive and negative way. On one hand, we have been able to expand our export sales into countries that have now reduced or eliminated restrictive import quotas. Yet at the same time, other parts of the agricultural economy have suffered as we are forced to compete head-on with lower-cost producers of competing products, such as canned peaches from Greece and dried fruits from Turkey. The key to successfully competing with these foreign producers is to continue trade negotiations that ensure fair and equitable world market opportunities (production subsidy limits) and also to expand our marketing efforts through cooperation between industry and government. Given the inexorable march toward an integrated world economy, what are we in Stanislaus County doing to position ourselves in this new economic system? If we think of the world market as being a modern superstore, are our products to be found at the back of aisle 54, shelf 14? Or are we closer to the entrance, where the majority of consumers are seeing our goods and services, and thus increasing our chances of improving sales? We need to identify and analyze what it is that we produce most efficiently and discover ways to market and capture more of the world dollar for ourselves. The world market is becoming more competitive with each passing year, and we ought to be devising a strategy to promote our local industry for a better advantage in the coming economic transformation. Change can at times be unsettling, but with proper planning it can also bring extraordinary opportunities for not only ourselves, but for future residents of Stanislaus County. Birch, the owner of an agricultural exporting business in Modesto, has served as a visiting editor on The Bee's editorial board. He lives in Modesto.

*From **Modesto Bee**, by Mike Birch, 28 August 2001*

RURAL ECONOMIES GOING INTERNATIONAL

Northern Minnesota must improve its industrial environment while maintaining quality communities to remain competitive in the global marketplace. And whether its paper industry expands with more high paying jobs will depend on a secure supply of wood.

"Globalization of the Rural Economy" was the topic of the Blandin Town Hall meeting Wednesday in Grand Rapids, part of the celebration of a century of papermaking in that city. U.S. Rep. James Oberstar, DFL-8th District; Minnesota Department of Trade and Economic Development Commissioner Rebecca Yanisch; Heikki Malinen, managing partner of Jaakko Poyry Consulting; and Juha Niemela, president and CEO of the UPM-Kymmene Group discussed globalization as it pertains to Minnesota and the forest products industry. UPM-Kymmene is the parent company of Blandin Paper. The Finnish conglomerate has about 33,000 employees worldwide, with gross sales last year of $9 million. It acquired Blandin in 1997 from a Canadian firm owned by a New Zealand group. "The global economy has taken up residence in northern Minnesota, just as surely here as it has in Silicon Valley or auto city-Detroit," said Oberstar. He used Bergquist Industries in Bigfork, Stora Enso in Duluth and the Potlatch Corp. as examples of Northland firms that do business with the world. "Right here in Minnesota we are an important part of the global economy, though decisions in papermaking are being made elsewhere," Oberstar said. "Our mills are competitive with countries that have different and less restrictive land management policies." Wood supply critical - Oberstar said the need for a long-term wood supply is a common factor among Minnesota mills. He explained that if investment decision makers do not have confidence in that supply, they will go elsewhere. It was a theme reiterated by other panelists and one that was a focal point at a recent Forest Summit convened by Commissioner Allen Garber of the Minnesota Department of Natural Resources. "The industry has made multi-million dollar investments to upgrade," said Oberstar. "We can compete on quality, efficiency and price, but we cannot compete if we don't have wood fiber available for these plants." He said the plants in northern Minnesota have told him that wood supply is a critical issue. Because of a drop in available U.S. Forest land, they are having to go 160 to 210 miles for their wood supply. "We need a 200,000 cords of wood increase a year in Minnesota to accommodate the industry we have," Oberstar said. An additional million cords of wood would be needed to supply expansions being considered by Potlatch and Boise Cascade. Yanisch emphasized Gov. Jesse Ventura's vision of Minnesota as a world competitor, saying he is adamant about expanding the state's economic base through trade and tourism. She pointed out that the paper industry in the state provides more than $2 billion in annual payroll, with about 30,000 jobs paying an average of slightly more than $60,000 a year. "Globalization is something that will continue," Yanisch said. "Right now only one of the nine paper factories in Minnesota is owned by a Minnesota firm - three are owed by Finnish firms." She said globalization, modernization and consolidation are trends that are not going to stop. Yanisch agreed that the biggest challenge facing the paper industry is managing the fiber supply. She said options include timber plantations and recycling. Yanisch acknowledged that Minnesota does a better job with home-grown industries than trying to attract new companies, but tax reform workforce development will improve the business climate. That business climate, however, has been ranked 46th in the nation by the 2001 Small Business Survival Index. Think globally - "The forest products industry is a global industry," said Malinen, who formerly worked for UPM as a global marketing director. "At the same time the industry has and will continue to have strong roots in rural communities such as Grand Rapids ... these local strengths now help make UPM stronger. "Executing a global strategy is not always easy," he said. "To be successful, a company needs to think globally but act locally. A global business must unify its processes so it can build value in every location." Malinen explained that globalization for the forest products industry means having high quality assets close to key fiber resource areas to strengthen the firm's position. He said the benefits of globalization to a community are apparent and include access to investment capital, support for local businesses, contributions to charity, local taxes and well-paid jobs. Malinen also noted the importance of a community being able to attract and retain young people. "We operate in more than 100 countries all over the world," said Niemela. "We really know what globalization is and it's difficult for us to understand negative expressions about globalization." "We are in a global business here in Blandin," he said. "The paper produced here is a product which is produced and sold worldwide. We have a truly global environment ... but the local implementation is as important as the global strategy." The CEO said it was essential for his company to carefully follow what happens in the community as well as decisions being made in Minnesota and Washington. "Forests and forestry are key, along with transportation systems, utilities and energy," he said. "All these are important matters and they are competitive matters. "What is needed is a global mindset, a lot of flexibility and understanding of cultures. It is not more difficult here than elsewhere." The energy issue is being addressed. Blandin and Minnesota Power Thursday announced plans to build a $200 million plant in Grand Rapids to supply electricity and steam. "Forest resources are the key to success and especially the key to growth," Niemela said. "Presently the forest resources here and nearby are well-exploited, not over-exploited. But according to our studies there is not an excess of fiber. A new mill/paper machine could not be an option to us, a lot would have to be done." Niemela said the level of forestry in northern Minnesota is not as good as it should be, especially compared to Finland. "We all have to work a lot to improve the present levels of forestry and the acceptance of using these raw materials," he said. "We would like to see the industrial environment be improved, not only forestry but services and infrastructure."

From The Pioneer, by Pat Haherty Murphy 26 August 2001

GLOBAL

WESTERN PRESS REVIEW: THE MANY FACES OF GLOBALIZATION

Genoa is no longer just the name of a city in Italy. Since the world's leading industrialized nations plus Russia held a highly visible summit there last month, Western commentary is also turning Genoa into a word symbolizing varied aspects of globalization. THE TIMES: "The Times" of London says today in an editorial that the issue underlying all of those aspects is trade. The editorial says: "[British Prime Minister] Tony Blair's effort to engage Argentina, Brazil and Mexico as allies in what passes for debate on globalization is exactly the right response to the anarchist miseries of Genoa." The newspaper says: "Free trade always has powerful enemies. And it will have to be fought for particularly hard if the world's three leading economic regions falter at the same time. That risk exists: Japan continues to drift and in Europe and the United States, a quarter of a million jobs have been lost since last spring. Mr. Blair's anger over the Genoa protesters thus goes hand in hand with an eminently practical purpose." The editorial concludes: "[Blair's] priority is to protect the new round of world trade negotiations, due to be launched this November in Doha, from being damaged by short-term economic jitters. Brazil, Mexico and Argentina, he believes, are allies not just against anti-capitalist protest but against protectionist trends within the European Union. [The EU] has never been a paragon of free trade. And the alleged evils of globalization, dubbed by French liberals 'le capitalisme sauvage,' could all too easily be made a populist excuse for protectionism." SUEDDEUTSCHE ZEITUNG: German commentator Andreas Oldag, writing in the "Sueddeutsche Zeitung," says that the nations of the European Union -- the organization that leads in demanding reforms of the countries of Central Europe -- are resisting reforming themselves. He writes: "Displeasure is mounting in [the EU's headquarters in] Brussels at the lack of zeal among member states of the European Union in carrying out reforms." Oldag writes that since the European economy has entered its current slowdown, European states are relapsing "into protectionism and economic nationalism." He says, "The strategy of the EU states against the [competition policies] of the EU commission is one of delaying, hindering and blocking decisions." The commentator says that the EU Commission is a defender of the free market, both as an advocate of reform and as an investigator of price fixing. He says, however, that the commission is overworked and under-resourced and hampered by member nations' maneuvers. The writer says: "The Brussels-based authority should hold strong and prevent everything that undermines its responsibilities. Because, if the guarantor for the single market and free competition withdraws from the vanguard, Europe's economy will have a gloomy future." FRANKFURTER ALLGEMEINE ZEITUNG: "Frankfurter Allgemeine Zeitung" commentator Thomas Schmid looks back at the actions of Italian police at the Genoa summit and concludes that the police bumbled in managing the anti-trade, anti-globalization demonstrators that invaded the city. But, he says, many of the demonstrators were intentionally and skillfully provocative. Schmid writes, "During the [G-7] summit of the world's leading industrialized countries [plus Russia] in Genoa, and even more so in the days that followed, Italy's security forces presented a sorry picture." The writer says, "That Genoa now seems to be emerging as a symbol of arbitrary police action also has some roots in old Italian traditions." He concludes, however, that conspiracy theorists and other critics of the police are overlooking a basic truth -- "the fact that the violence did not descend on Genoa from out of the blue but was incited by people who traveled there for exactly that purpose." SUEDDEUTSCHE ZEITUNG: An editorial in the "Sueddeutsche Zeitung" says: "Democracy is based on the principle of political responsibility. Where [Italian] police are concerned this lies with the minister of the interior, [Claudio Scajola]. Since the security forces made grave mistakes in Genoa, which hardly can be denied, then the minister has to go." LOS ANGELES TIMES: The "Los Angeles Times" devotes space to a commentary submitted by Robert Hunter of the U.S. public policy organization, the Rand Corporation. Hunter, a former U.S. ambassador to NATO, writes: "At the Genoa [G-7 plus Russia] summit, Russian President Vladimir Putin gave President Bush a priceless going-away present -- implicit acceptance that Moscow will not let the [1972] Anti-Ballistic Missile Treaty stand in the way of (America's) building a missile defense shield. [However] little in this world is free, especially in dealing with the Russians. Putin expects to be paid." The commentator writes, "What the Russian leader really wants from the United States and the West is support for Russia's still-flagging economy." Hunter continues, "Given that the United States does want the Russian economy to succeed, paying just this part of Putin's price is not such a bad deal for Bush." THE WASHINGTON POST: The "International Herald Tribune" publishes two commentaries today originally published in "The Washington Post" and "The New York Times." "The Washington Post" editorial reaches a conclusion on U.S. relations with Russia's Putin government different from Hunter's. The editorial says, "There is a worrying thinness to [U.S. President] George W. Bush's engagement with Vladimir Putin." It says: "There is a risk that the net result of the [U.S.] administration's strategy will not be a partnership with, but a disengagement from, Russia. This could release the United States from any constraint from Moscow over the development of missile defenses, but also de-energize U.S. efforts to push Russia toward a full embrace of democracy and human rights." The editorial concludes: "The fact remains that Mr. Putin has been leading his country away from democratic norms, a trend that, if continued, ultimately will undermine any security framework not governed by treaty." THE NEW YORK TIMES: In the "IHT" and "The New York Times," commentator Paul Krugman writes: "[U.S.] Treasury Secretary Paul O'Neill recently gave an interview in which he dismissed claims that the dollar was overvalued, arguing that concerns about the trade deficit were based on 'trivial and wrong notions.' He also thinks that concepts like gross domestic product are obsolete." Krugman writes wryly, "I took his remarks as an indication that the dollar's inevitable decline probably will come sooner rather than later." The commentator writes, "That will be embarrassing for Mr. O'Neill, but it will be a good thing for the American economy." The writer says: "The dollar has been rising against the currencies of other industrial countries since the middle of the 1990s. This sustained rise has made dollar bears look foolish, but it also has priced U.S. products out of world markets." He says: "Eventually the process ends. And you know the end is nigh when white-haired executives reject old-fashioned accounting. That means that the mania has spread to the suits, and that the Ponzi scheme is about to run out of suckers."

*From **Poughkeepsie Journal**, by Don Hill, 3 August 2001*

PROMISE AND PERIL OF GLOBALIZATION

Plight of Argentina shows panaceas are hard to come by - Pick a poster child for globalization and Argentina comes to mind. Few countries received more kudos from international bankers or more billions from world investors as rewards for their efforts than the South American nation known for its thick steaks, tango dancing and soccer stars. So the current state of events -- a government living from loan to loan to pay its debt and soup kitchens in the land where Europe's rich go to play polo -- seems baffling. What went wrong? The brave new world of globalization has not gone as planned. From the angry unemployed to white-knuckled finance authorities making pilgrimages to Washington to ask for new loans, emerging markets lurch from crisis to crisis. Conventional wisdom singles out the bloated Argentine government and rigid labor laws that have prevented the private sector from flourishing. Other economists - in the minority - take authorities to task for the fixed exchange rate that once solved the country's problem of hyperinflation but now strangles economic growth with high interest rates. Most economists say that open trade and investment policies - global integration - are the sure path to achieve economic growth and poverty alleviation and just need more time and additional measures to take hold. "Investment from overseas, capital flows, low tariffs -- those things can all contribute to economic growth. The fact that Singapore and Hong Kong are the richest places in Asia should be strong confirmation that those things work very well," said Gary Burtless, an economist at the Brookings Institution in Washington and co-author of Globaphobia: Confronting Fears About Open Trade. However, a few academics want to re-examine the track record of globalization, insisting that promised benefits never materialized. Argentina grew rapidly in the early 1990s, when lucrative privatizations and the promise of high returns attracted investment and loans to the country, allowing the government and Argentines to spend more money than they earned. But as the debt ballooned $60 billion in 1990, lenders became more skittish, interest rates rose, and now the country cannot raise money to pay the interest. Every few months there is a new loan package or restructuring, which critics liken to giving a drink to an alcoholic because the debt burden of $130 billion is equal to half the total economy. Factories have closed, at least 16 percent of the work force is unemployed and the government is imposing the seventh austerity program in 19 months. Problems with global investors have created a severe financial problem and threaten financial stability in neighboring countries such as Brazil, prompting Friday's announcement of a new $15 billion mega-loan from the International Monetary Fund. But three years of recession have created severe social problems in Argentina. President Fernando de la Rúa and Economics Minister Domingo Cavallo have found they cannot please both Wall Street in New York and Main Street back home. This dilemma comes as no surprise to some economists. Recently, the Center for Economic and Policy Research, a Washington think tank, produced a study -- The Scorecard on Globalization 1980-2000: Twenty Years of Diminished Progress -- that claims growth and social progress declined in the global era. "What's happening in Argentina today shows that the increase in international financial flows has very mixed results at best," said Mark Weisbrot, one of the authors of the report and a co-director of the Center. "Here is a country that is being strangled economically for the sake of both the International Monetary Fund and the international bond market," Weisbrot said. The authors compared economic growth, life expectancy, infant and child mortality, and education and literacy for 116 countries in the period before globalization and after globalization. Their conclusion: After globalization, growth rates fell, life expectancy was reduced for most groups of countries, and progress in infant mortality and education was slower. The report does not conclude that globalization is solely to blame for the current difficulties in developing countries. But Weisbrot insists there should be a debate about the results. Burtless said he was unsure if the claims of the center's study were true. "The last two decades have been much, much better," Burtless said. Dani Rodrik, an economist with Harvard University's Kennedy School of Government, is another minority voice who insists that governments in Latin America and other developing countries have made the mistake of believing that global integration is a substitute for a real development strategy. Rodrik said when countries face a credit crunch and turn to the IMF for new loans, new domestic reforms are required. These reforms -- such as training regulators to oversee banks with global funds or policing intellectual property rights -- can cost millions, sometimes the equivalent of a small country's entire budget for health and education. "A good example of that is Argentina, which has done more in opening up to trade and financial markets than any other country in Latin America," Rodrik said. Jane D'Arista, director of programs for the Financial Market Center in Philomont, Va., said developing countries have suffered because they now rely on loans from private banks and bond holders. Prior to the 1970s, developing countries received long-term aid -- loans over 30 years -- from Western governments to fund their development. This changed in the late 1970s. Since Latin America's debt crisis in 1982, countries have promoted export growth rather than domestic consumption to make their loan payments, often pursuing low-wage manufacturing to gain an advantage in exports. But new loans are still what Wall Street and Main Street see as helping Argentina. "What is wrong? Don't you Americans want to send more money?" said Fabian Aguilar, a 32-year-old truck driver in Buenos Aires. Last week, he was waiting outside the Spanish Consulate -- trying to get a visa to work in Spain.

From Miami Herald, by Jane Bussey jbussey@herald.com, 4 August 2001

BUSINESS FORUM: THE HISTORY OF GLOBALIZATION

September 1999**:** Seattle streets swell with protesters and police disperse crowds with tear gas. April 2000**:** Streets in Washington, D.C., fill with protesters and police arrest hundreds of demonstrators. October 2000: Prague. More protests, more police, more arrests. May 2001: Quebec City, more of the same. And now we can add July 2001, Genoa -- more of the same plus one person dead. What are they protesting? Globalization. The protesters assert that over the past 10 years international markets for goods, capital, and labor have become integrated to an unprecedented degree. This integration has led to impoverishment of millions around the world, Westernization of local cultures, and accelerated destruction of the Earth's ecosystem. Thomas Friedman has been a vocal critic of the protests. However, in the first chapter of his best-selling book "The Lexus and the Olive Tree," he agrees with one basic premise of the protesters: international economic integration is a recent phenomenon. He argues that the end of communism in Eastern Europe and the collapse of the Soviet Union changed the world completely and that a new system, "globalization," replaced the old system, which we called "the Cold War." I agree with Friedman that the disintegration of the Iron Curtain was a momentous event and that it had truly revolutionary consequences for the world. But I disagree with his assertion that "the world is 10 years old." Protesters and pundits must grasp the fact that globalization is a process with deep historical roots. A good way to see this is to examine four phases of globalization, the first of which began 150 years ago. **The Golden Age 1850-1914:** Great Britain, France, the United States, and other areas had all begun to experience what we refer to today as industrialization: the movement of people and production away from agriculture and toward manufacturing and services. It also marks the time when barriers to trade, especially tariffs, began falling around the world. Great Britain led the way in 1846 when it repealed the Corn Laws, which taxed imports of grain. In 1860, Britain and France signed a treaty that created the idea of "most favored nation status" whereby tariff reductions extended to one country must be extended to all "most favored nations." "Golden" is not a reference to the quality of this period. Colonialism and imperialism, child labor and other blights make it clear that this was not the best of times for many, many people. "Golden" refers to the gold standard, the international monetary system that evolved over this period. As nations industrialized they copied many aspects of those who went first, and one of the things that countries around the world copied from the British was the gold standard. This period saw the greatest movements of goods and people that had ever taken place in human history. In fact, relative to production and population, these flows were far greater than what we observe today. This system crashed and burned in the inferno of World War I. All the combatants except the United States left the gold standard. The international trading system was wrecked. The German economy, which had been at the heart of continental Europe's industrial system, was ruined. **Humpty Dumpty period 1919-1945:** "All the king's horses and all the king's men couldn't put Humpty together again." The industrialized countries of Europe and the United States tried to put the pre-war system back together but it proved impossible. This was especially true with respect to the international monetary system. The conventional wisdom was that before World War I, economies prospered and trade exploded because of the spread of the gold standard. Putting that system back together would go a long way toward repairing the damage of the war. This was a fatal mistake. It's now clear that the gold standard operated as well as it did because of the relative stability of the international economy from 1850 to 1914, not the other way around. By forcing themselves back into this "golden straitjacket" -- to borrow a phrase used in a different context by Friedman -- the industrialized economies made it impossible to deal with a serious recession when it came in 1929. The policies of the gold standard required economies to do exactly the opposite of what we would today prescribe for an economy in recession. Today, we would recommend monetary expansion via lowered interest rates. Then, the monetary authorities -- especially the Bank of England and the Federal Reserve Board -- raised interest rates in order to protect their exchange rates. This drove economies down even further, from recession into depression and ultimately into another world war. **The Cold War 1945-1990:** In 1944, a conference was held in Bretton Woods, N.H., to plan the post-war international system. The conferees decided that the malfunctioning of the international economy had played an important part in causing the Great Depression. They believed that international institutions to monitor exchange rates, to provide loans to poor countries and to write and enforce international trading rules had to be created. The resulting institutions are with us today: They are the International Monetary Fund, to monitor and regulate exchange rates; the World Bank, to provide long-term loans to developing countries, and the World Trade Organization, which evolved out of the General Agreement on Tariffs and Trade (GATT). However, the men and women at Bretton Woods did not reckon with something that would become the central international issue of the next 45 years: the Cold War, which affected the international economy at its most basic level. Economists are always saying that countries should specialize according to their comparative advantages. Thus, countries should decide with whom to trade and what to trade on the basis of the question: "What can another country do for me economically?" The Cold War moved this question to second place and put another question first: "Whose side are you on?" If the answer was "the West" you were invited to join in the Bretton Woods system. If it was "the East" you were barred from participation. If your answer was "why do I have to choose?" you became part of the new Third World and you had to negotiate an international economy that was sometimes favorable and sometimes hostile to your interests. This created a peculiar international economy. Countries such as Germany and Japan were built up as economic powers in order to protect the West from communism. This provided the United States with tremendous competition, competition that often was not appreciated by U.S. industry but benefited it in the long run. The Soviet Union and its Warsaw Pact allies pursued a very different policy: rather than building up countries as economic powers in their own right, they tried to create a system in which various countries specialized and then traded according to a central plan. Shipbuilding was assigned to Poland, arms manufacture to Czechoslovakia, electrical equipment to Hungary. Thus, the Soviets had no outside economic competition and, when combined with a lack of competition from within, this system led to the gradual rot of the Soviet economy. **Globalization 1990 to present:** We now live in a world that has evolved out of the previous three eras. The international institutions that manage the system were developed in response to the Humpty-Dumpty era and were tempered by the Cold War. The trading rules that the WTO enforces are rooted in ideas that go back to the Golden Age. So we do not live in a world that is 10 years old. We live in an economic world that has evolved over about 150 years. And, in order to understand how to manage this system and operate within it, we all need to do a much better job of understanding and appreciating how we got here.

*From **Star Tribune**, by Louis Johnston, 4 August 2001*

THIRD WORLD MUST HELP ITSELF

Protesters in Seattle or Genoa see widening income inequalities as one of the downsides of freer trade and globalization. Income inequalities are widening both within and across countries, but both the effects and the causes are much more complex than the protesters imagine. The issue is not simply one of the First World gaining and the Third World losing. Within both worlds there are big winners and losers. In the last decade the income gaps among First World countries have widened substantially. The United States, for example, has a much higher per capita income than Canada than it did a decade ago. Within the Third World, China has been a big winner. It would not be growing at 8 percent a year without the ability to export manufactured components to the wealthy nations. Even if it alone were a winner (and it isn't), much of the Third World, 1.3 billion people, would be winning. Among countries the big losers are in Africa, south of the Sahara. They are not losing, however, because they are being crushed by globalization. Precisely the opposite, they are losing because they are being ignored by globalization. They are not in the global economy. No one in the global business community wants anything to do with countries where illiteracy is high, where modern infrastructure (telecommunications, reliable electrical power) does not exist, and where social chaos reigns. Such countries are neither potential markets nor potential production bases. Going back 300 years to 1700, economic historians believe that there were no significant differences in per capita incomes across countries. In every country at that time, 98 to 99 percent of the population worked in agriculture, and around the world everyone used the same technologies: horses, oxen, and human labor. Where climates and soils were good, population densities were higher than in places where climates and soils were bad, but per capita incomes were the same. Half the world's GDP was in India and China, since half the world's population was in India and China. Then the steam engine and the Industrial Revolution arrived. If countries wanted to be rich, they had to learn to play the industrial game. Some countries made the leap into industrialization. Those that caught the industrial wave became richer, and those that did not remained at their old agricultural income levels. About a century later the second industrial revolution occurred. Steam was replaced by electricity as the dominant power source. Advances in technology speeded up as systematic investments in industrial research and development based on academic science became central to economic progress. Education became the foundation of economic success. Again some countries made this leap, and others did not. Today, at the start of the 21st century, the gap in per capita GDP between the richest countries in the world and the poorest countries is approximately 140 to 1. Equality has been replaced with inequality not because the poor have gotten poorer - they haven't - but because the rich have adopted the new technologies as they have come along and the poor have not. With the advent of what historians of the future will call the third industrial revolution, today's shift from industrial economies to knowledge-based economies, the existing differences in per capita GDPs are only going to get bigger. As before, some countries are going to make the leap into this knowledge-based world, and some countries are not. Globalization is not the cause of differences in per capita income. It is one of the effects of a shift in technology. With the new technologies, a profit-maximizing firm has to search for the cheapest place to produce and the most profitable place to sell its products. Widening income inequalities are produced by the willingness and ability of peoples to use new technologies as they come along. Any Third World country that wants the benefits of globalization has to get itself organized to acquire those new technologies. This means running good schools so that it can offer an educated labor force, building good social services such as honest police departments, and investing in the necessary infrastructure. The First World can help Third World countries pay for these activities, but all of these activities have to be organized by Third World countries themselves.

*From **Boston Globe**, by Lester C. Thurow, 7 August 2001*

GLOBAL ECONOMY EXTENDS TO IDEAS ON WORKER BENEFITS

Companies worldwide exchange strategies on child care, flex time, and work/life balance. For years, economists have bandied about the term *global economy* to describe how no business is an island unto itself: It must think in international terms. What once was an intellectual concept now is here in full force, and cannot be ignored. Just ask Jack Welch, chairman of General Electric Co., whose $41 billion proposal to merge with Honeywell International Inc. was disallowed by the European Commission, something he may not have considered originally. U.S. companies are aware that every aspect of their businesses extends beyond their domestic location - including work/life strategies. "Any company, whether international or not, has to look at the way globalization has impacted the way we work - and even if you're not global, there's a competitor or customer somewhere who is," said Sharon A. Wilkie, director of employee health support and resilience at GlaxoSmithKline P.L.C., a pharmaceutical company based in London. It has 110,000 employees worldwide. "Pressure, stress and time conflicts are occurring everywhere - it's not just a U.S. issue," said Wilkie, who is based in Philadelphia, GlaxoSmithKline's U.S. headquarters. She said that, across all countries even those with different social systems and laws, workers are concerned about dependent care, flexible work options, and the culture of their companies. "We do local tailoring to meet business and personal priorities of our employees," Wilkie said. "We don't have a cookie-cutter approach, but we do set the tone." In the United States, the company introduced part-time work for its field sales force. In Germany, it implemented plant work schedules based on a fixed number of hours a year, but limited to 10 hours a day, rather than scheduling on a weekly basis. In Singapore, work/life benefits include healthy eating options and the opportunity to exercise to relieve stress. And in Taiwan, employees are offered car servicing and cooked meals to take home. "Many companies are beginning to think about what they need to do both internationally and domestically to attract the best and most productive workers," said Roger H. Brown, chief executive officer of Bright Horizons Family Solutions, based in Watertown, Mass. The firm creates and manages workplace child-care centers, and recently has gone global, with clients in London, Dublin and Toronto. Brown's firm recently participated with Unisys Corp., of Blue Bell - which has 37,000 employees in 100 locations - in a study of what employees value. Unisys said the study was triggered by "the globalization of today's business environment." The study used focus groups in 20 countries. The results show that pay is the number-one value, followed by benefits, opportunities and work/life balance. "We're paying more attention to work/life balance across the world; we're learning from one another," Brown said. "The best systems in Europe, for instance, support early education for children, and emphasize more family leave. In the U.S., corporate benefit programs are proving helpful, and we're ahead in flexible hours and telecommuting." The exchange of ideas about work/life issues across international datelines is beginning to evolve slowly. "The global economy is a powerful influence on business decisions," said Peter D. Crist, vice chairman of Korn/Ferry International, an executive search firm that is based in Los Angeles and has 80 offices worldwide. "I believe that America is becoming much more European in the manner in which we think about work, with a greater premium on leisure time. And other countries are adopting our work ethic, which is a much more competitive mind-set." Crist, who is based in Chicago, said he sees the cross-fertilization of workplace benefits as a natural outcome of the global marketplace. "The marketplace responds to what's necessary to retain outstanding talent," he said. "If a concept works in Europe or in South America, it eventually will work itself into our system, too." And vice versa.

*From **philly.com**, by Carol Kleiman, 27 August 2001*

CONNECTING THE REST OF THE WORLD

Q&A: A chat with insiders - The Internet has transformed our lives - well, at least the lives of those of us living in the wealthier parts of the world. More than 80 percent of Internet connections originate in the Northern Hemisphere, and the world's so-called digital divide is as wide as the oceans and growing fast. Until recently, most Africans had never made a phone call, let alone surfed the Web, and while Internet services are multiplying, few can afford the pricey connection fees. Even Europe has its own digital divide. Sweden has the highest percentage of wired homes in the world - about 61 percent, compared with a meager 20 percent of homes in Spain. Should we care about the digital divide? Bruno Lanvin of the World Bank and Geoffrey Kirkman of Harvard University both argue that for the developed world, closing the gap is not just a matter of promoting equality and spreading the benefits of globalization - it is crucial for the continued growth of the high-tech industry. But Mr. Lanvin and Mr. Kirkman differ on how best to bridge the divide. Both men spoke to Vivienne Walt for the International Herald Tribune. Bruno Lanvin**,** 47, a French-trained economist, heads the World Bank's program to close the digital divide. **How do you convince governments they should worry about the digital divide?** Some people say that closing the digital divide is an agenda imposed by rich countries with rich people's concerns, or that it's just another attempt at Americanization. But the value of being connected is growing fast, and the cost of being left behind is increasing just as fast. This technology revolution should actually help close the gap between rich and poor. Most of what we do today either can't be done without connectivity or can be done much better with it, especially in remote places. Right now the Internet is still very asymmetrical: Most content is in English, and information flows largely from North to South. So it's not enough just to connect people. You must give them ways not just to download information but to upload their view of the world in their own languages. **After years of talking, what has been accomplished in closing the gap?** When we started working on this in 1995, few decision-makers had any idea of what we were talking about. Now the World Bank is lending more than $2 billion a year for technology in development projects. Last month's Group of Eight summit meeting in Genoa was a major breakthrough. The G-8 leaders finally moved beyond the old argument that you can't eat computers and that we need to build schools and hospitals, and after that start worrying about poor countries having information technology. In Genoa, there was finally an acceptance that information technology can play a potent role in enhancing globalization and equality. **What can IT companies do when their profits are shrinking?** This may look like the worst time to ask Cisco or Lucent to invest in developing countries. But this is probably the best time for them to identify the next growth markets. Everyone thinks of China and Brazil. But what about countries like Mali and Papua New Guinea? That's where the World Bank comes in. Its investment arm can go where the market won't go spontaneously. Then the private sector may be attracted to invest. We have been making small information-technology grants, with a $250,000 limit on each project, to open new doors. Concrete, modest, demand-driven projects for real people: connecting primary schools in Jamaica, providing radio connections to West African farmers, allowing AIDS prevention centers to exchange information worldwide. **How much money do we need to close the world's technology gap?** It could take about $50 billion to bring Africa to the level of connectivity of Portugal or Turkey. That's too much for public agencies, but it isn't too much for private companies. But again, closing the digital divide is not just about technology and connectivity. Considerable resources are needed for education and content.Why should the high-tech industry care? First, it costs very little to bring more consumers into networks once they are established. Developing countries have much to offer, including brainpower. Cisco and Motorola train people not for philanthropy: It's in their interest. They need more skilled people. Look at Bangalore: Those Indian engineers are now in hot demand. But there is more to our "technology for development" argument than just the bottom line. If industry wants to be part of all the new discussions around intellectual property and cultural diversity, enabling the poor to be part of the technology revolution might be one of the best ways they can do it. **Geoffrey Kirkman** directs the Information Technologies Group at Harvard University's Center for International Development. Mr. Kirkman, 32, previously worked at the World Bank. **What's wrong with the way governments and organizations like the World Bank are tackling the technology gap?** One problem is that technology is always seen as a separate entity, disconnected from things like environment and infrastructure. It should cut through all lending programs. For example, the biggest cost of telecommunications is laying down fiber-optic lines. When governments or the World Bank finance road building and start digging ditches, why don't they fill them with fiber-optic lines at the same time? They don't because they are hampered by their internal structure and bureaucracy. **Don't Third World countries have more urgent problems to deal with, like disease and poverty?** We've become a global knowledge economy, no matter what sector you talk about. Factories in the Dominican Republic are competing with factories in Mauritius. You visit the most successful yet humble garment manufacturer in Mauritius and they're wired to the Internet because they need to tell buyers when the shipment is leaving. Those who don't adopt the technology are going to fall further and further behind. They can't compete anymore just with low wages. That's a short-term solution. Low wages will attract business. But business can leave as easily as it gets there. **What's the buzz about the digital divide at global meetings like G-8 summit meeting last month in Genoa?** The sexiness of the Internet has suddenly brought people together around this issue. What we're seeing is a sexy new look at the same divides we have had all along, but cast now in terms of technology. There's a big focus in global summit meetings on producing documents and frameworks. In some way they aren't really linked to anything solid or real. They contain a lot of good ideas, but the same people are writing them all. One would hope that funding would be provided for programs that alleviate some of the divides. In the end, it is all about improving education and redistributing resources. **How much money is needed to close the digital divide?** It will take billions of dollars to seed small and medium-sized programs and businesses. Rolling out infrastructure will take more billions of dollars, in part because 3 billion people in the world don't live on the electricity grid. Then you also have to begin talking about government corruption, levels of education. Governments try to shut down Internet telephony because it threatens their cash-cow telecommunications monopolies. Governments make the mistake of thinking they can control the technology. **Why should high-tech companies care about these issues when profits are crashing?** This is the perfect time for them to think about this, instead of just defending their market share in the developed world, which is what firms have been doing for years. There's a saturation of developed world markets and a real risk-averseness, with a lot of layoffs in the tech industry. But there are billions of people who have the income and want to be connected. Just look at the boom in cell phones. It's been beyond what anyone expected. People are willing to pay for these things. But there are missing pieces. There is a serious electricity problem in a lot of countries. There are too few low-cost technologies. If there was more research money for solar-powered and wind-up technologies, that would help. India is starting to produce low-cost technologies, and Brazil has a $200 computer. There are very few large tech companies that seem to get it, but most don't see the opportunities in the developing world to sell their products.

*From **International Herald Tribune**, 27 August 2001*

Governance Systems and Institutions

AFRICA

GOVERNMENT'S WILL TO FIGHT GRAFT THE TRUE TEST, SAYS UDM

Cape Town -- The test for the government is not in its ability to announce new rules to combat corruption, but in showing the political will to enforce the rules that already exist, the United Democratic Movement said yesterday. Otherwise, the new rules would be worth "less than the paper they are printed on", it said in a statement. "The requisite political will to fight corruption should be demonstrated by investigating and prosecuting the politicians and officials who have already been named." Nevertheless, the UDM said it welcomed the announcement by Public Service and Administration Minister Geraldine Fraser-Moleketi that senior government officials might soon have to declare their assets and conflicts of interest. The suggestions by Willie Hofmeyr, newly appointed head of the Special Investigating Unit, also made reference to the need for laws that addressed sudden and inexplicable increases in wealth or assets. "The UDM called for such steps two years ago. It is a shame that these are only considered when the country has suffered untold damage due to the arms deal scandal. "It is difficult not to wonder whether these announcements have their origin in political expediency rather than true commitment." It should also be remembered that there were already a number of rules and regulations dealing with matters such as gifts and conflicts of interest. "It is not for a lack of rules, but a lack of implementation, that government is under suspicion in the arms deal," the UDM said. Addressing the Pretoria Press Club on Monday, Hofmeyr said South Africa's anti-corruption legislation needed to be strengthened. "It is incredibly difficult to obtain convictions for corruption," he said. Also addressing the club, Fraser-Moleketi said stricter controls should be introduced to curb corruption by officials

*From **Daily Dispatch**, 1 August 2001*

AFRICAN UNION WON'T WORK, SAYS LEWANIKA

The African Union (AU) will not work because its member countries consist of governments which are oppressive to their citizens, Agenda for Zambia (AZ) president Akashambatwa Mbikusita-Lewanika has observed. LUSAKA - Addressing journalists attending the Southern African Development Community (SADC) organised media and elections conference in Lusaka, Lewanika said AU risked failing to attain its objectives unless member governments revisited their mode of governance. "How do you expect countries whose people are split to unite?" he asked. Lewanika said African countries' democracies would remain undemocratic for as long as they were based on the European mode of governance. He cited Zambia as one of the countries whose democracy had failed to serve the local people. Lewanika charged that Zambia's political parties lacked ideological directions to lead the country into development. He said political parties existing in Zambia had failed to represent the plural system of governance. "These political parties, we represent are not parties in reality," Lewanika said. "They don't represent plural system of governance." Lewanika said the last 10 years in Zambia had been corruptive and destructive. He said the new generation of politicians had promoted politics of hatred and greedy. "Dr. Kenneth Kaunda and his group were able to liberate the continent because they found African people who were not corrupt," Lewanika said. "These new generation of politicians have failed. They are worse than Kaunda." Lewanika said under the MMD government the local media had suffered most than during the one party state system of government. He said Zambian media had not proved to be long term employment sector. "The independent media has never remained independent without going to jail," said Lewanika.

From African Online, by Brighton Phiri, 3 August 2001

ASIA/PACIFIC

SIKANDAR VOWS TO BRING GOOD GOVERNANCE IN AJK

Islamabad: The minister for Kashmir Affairs and Northern Areas, Abbas Sarfraz Khan, said on Wednesday that the new AJK government faced a big challenge to bring good governance in all spheres of administration. According to an official press release issued here, the minister, during his meeting with AJK Prime Minister Sardar Sikandar Hayat in Muzaffarabad, appreciated that new faces had been elected to the AJK assembly, which would play an important role in good governance. Mr. Hayat said good governance was a big challenge for them, and vowed that he would do his utmost to make the AJK administration a role model of good governance. Mr Hayat said the election was held in a free, fair and transparent manner. He said continuity of democracy in AJK showed that the people had faith in their elected representatives. Both of them agreed that the growing middle class in India had realized that the progress of their country and the region depended on the peaceful resolution of the Kashmir issue.

*From **DAWN Group**, 2 August 2001*

ANTI-CORRUPTION EFFORTS TO INTENSIFY

A corruption crackdown has been ordered by the Organization Department of the Central Committee of the Communist Party of China (CPC) after three crooked officials were punished for taking bribes. It called for severe penalties being given to any Party officials who violate Party discipline and the law. Gan Weiren, former deputy secretary-general of the Guangxi Zhuang Autonomous Region government, offered 270,000 yuan (US$32,000) to Cheng Kejie, former chairman of the Guangxi regional government, who was executed for corruption late last year. At the recommendation of Cheng, Gan was promoted head of Tieshangang District, and later deputy secretary-general of the regional government. Gan was expelled from the CPC in April 2000 and sentenced to four years and six months imprisonment for offering bribes in November 2000. Liu Xiutian, former secretary of the CPC Pingshan County Party Committee, Hebei Province, took bribes valued at 416,400 yuan (US$50,000) to help promote others as officials while holding the post. Liu was expelled from the CPC in September 2000, and the case is now being handled by the local judicial department. Jiang Jianzhong, deputy head of Jixian County, Shanxi Province, gave 39 deputies to the local people's congress 500 yuan (US$60) each to ask them to vote for him as head of the county.

From Xinhua News Agency, 7 August 2001

OBSTACLES TO DECENTRALIZATION MUST EMBRACE INDEPENDENCE

Prime Minister Junichiro Koizumi won big gains for his Liberal Democratic Party in the Upper House election and has been re-elected uncontested to a new two-year term as LDP chief. But the tasks ahead of him are mounting, and one of the biggest is the decentralization of administrative power. When Japan was trying to rebuild itself from the devastation of World War II, the central government pursued a policy of uniform development in all regions so it could guarantee the people a "civil minimum" quality of life. Today, however, it seems necessary to give greater autonomy to local governments so that each can become more responsible for its own unique regional development and less dependent on the financial largess of the debt-laden central government. The Diet has already revised a total of 450 relevant laws to promote decentralization, handing local governments greater power and substantially scaling down the involvement of state authorities. Still, decentralization has only just begun, and there is much that needs to be done. The first of the pending issues concerns the distribution of local taxation powers as an alternative to tax transfers to local governments. Under the current funding system, which is intended to ensure the civil minimum can be guaranteed in each region, 32 percent of the central government's revenue from income and liquor taxes, 35 percent of that from corporate taxes, 25 percent of tobacco tax and 29.5 percent of the consumption tax are automatically transferred to local governments. The system has been criticized for encouraging lax fiscal discipline because they enable local governments to make ends meet, even if they have been running up deficits. Many a prefecture or municipality has been tempted to pursue the construction of expensive facilities without a clear vision of how such projects will affect their finances. Good examples are the art museums being built by municipalities everywhere, even by those without art collections to exhibit. Local governments are also under fire for making insufficient efforts to collect tax revenues. They tend to undervalue local land prices when calculating taxes on fixed assets -- the main source of local tax revenue -- to minimize the burden on local taxpayers. People believe a Diet member's job is to secure Finance Ministry allocations for public works projects in his or her constituency. This system worked for awhile as Japan enjoyed the rapid period of economic growth that followed the war, but that kind of activity has become unsustainable, and the collapse of the asset-inflated bubble economy has sharply cut into the state's tax revenues. The combined total of the national and local government debts is expected to reach 666 trillion yen at the end of March 2002. The amount of outstanding local government bonds, which came to roughly 100 percent of local government expenditures at the end of the 1980s, has doubled to 200 percent. People who have grown accustomed to using the locally allocated taxes as a budget deficit stopgap, even though they may realize the system will no longer be as sustainable as it used to be, are wondering why the system needs to be changed during a time of economic hardship. Policymakers need to clarify which national taxes should be converted into local taxes and strictly adhere to the principle of taxing those who receive the benefits. The second issue is whether the government can follow through on its plans to reduce the number of municipalities to 1,000 from the current 3,224 by March 2005, when the special legislation drafted to promote mergers of cities, towns and villages expires. The target is based on the estimate that at least 800 to 1,000 public workers are needed to maintain an independent administrative body, and that each municipality should have a population of at least 100,000. Each municipality must also broaden its scope as it tries to secure medical and nursing care systems for its aging population. Before mergers of cities and towns are carried out, the fiscal balance sheet of each must clearly disclosed. Merging with a debt-laden town will not be endorsed by local residents, and the experience of the European Union's integration shows that merger partners first need to reduce their debts to a certain standard. In addition to the official disclosure of debt, hidden fiscal problems, such as losses incurred by third-sector firms or the costs of maintaining nursing care, also must be scrutinized. In addition, we must realize that some local communities maintain a closed nature that originates from their historical background, and that they may harbor an emotional antipathy toward neighboring municipalities which cannot be reasonably explained. Such factors could pose obstacles when merging municipalities select new names and attempt to establish an integrated municipal office. Under the structural reforms pursued by the Koizumi Cabinet, all the past systems -- including the tax systems -- will be reviewed without exception. Koizumi has already put public works projects under scrutiny. As the government promotes decentralization, the general public needs to fully understand the national and local fiscal conditions and change its mind-set about relying on central government help. Now that the civil minimum has reached a fairly sufficient level in most parts of the country, we must look back on the basics of local autonomy and realize that we have to deal with local problems with our own tax money. Teruhiko Mano is an adviser to Tokyo Research International Ltd.

From The Japan Times, by Teruhiko Mano, 20 August 2001

40% OF NET VOTERS URGE REFORM

Tokyo - Forty percent of respondents to an Internet survey Tuesday believe the government should proceed with structural reform of the economy even if unemployment remains around 5%, according to the joint poll by Kyodo News and Yahoo! Japan. A total of 1,531 people, many of them young Internet users, had cast ballots in the web-based survey as of 11:15 p.m. Tuesday - about 15 hours after the government announced a record 5% unemployment rate for July. (Kyodo News).

*From **Japan Today**, 29 August 2001*

CHAEBOL ASKED TO PROMOTE TRANSPARENCY BEFORE DEMANDING RELAXATION OF RULES

Lee Nam-ki, chairman of the Fair Trade Commission (FTC), yesterday said the government would push current policies designed to prevent major conglomerates from monopolizing the economy. "I believer it is necessary to go ahead with the related policies for the time being," Lee said during a breakfast meeting with a group of business leaders at the Hotel Shilla, yesterday. Since the financial crisis, the commission has been trying to strengthen the monitoring of chaebols' inside and outside business transactions, Lee said. But more policies need to be introduced toward that end as it will take considerable time for the existing systems to take effect, he added. Regarding the envisioned improvement of corporate governance, he said, ``I think the enterprises' endeavors have totally failed. "Although the business sector has called for deregulation to the same extent as seen in Japan, business practices between Korean and Japanese companies have been totally different," he said. As the chaebol system exists only in South Korea, this country needs to have a unique regulatory system, he said. Concerning the naming of the 30 major conglomerates by asset size, he said the FTC's recent work in improving the measurement system needs to be part of efforts that speed up market-friendly structural reform. "It is necessary to harmonize corporate restructuring while continuing to invigorate business activities within the framework of curbing the concentration of economic power," he said. Lee acknowledged there has been a gap in opinion between the government and the business sector with regard to how to change management practices at the enterprises. "Policies that prevent the concentration of economic power are not perpetual and need to change once transparent management is guaranteed and the ownership system is improved," he noted.

*From **Korea Times**, by Shim jae-yun, 31 August 2001*

THE AMERICAS

BRAZIL FRAUD COSTS $2.8 BLN IN PUBLIC FUNDS-PAPER

Brasilia - A federal police study has determined that corruption and fraud cost the Brazilian government approximately $2.8 billion (7.1 billion reais) in public funds last year, the daily Estado de Sao Paulo newspaper reported on Sunday. The newspaper, which obtained the unreleased study, said the funds were stolen from public projects across the country or disappeared from two public agencies already under investigation for corruption. The police figures, which the newspaper said were preliminary and could become larger, may put the issue back on the agenda in Latin America's largest country after Congress reconvened last week following a month-long winter recess. The figures were based on police investigations in 10 states in the poor, less-developed north and northeast of the country and did not include the wealthy south, Estado said. The paper said the figure was equivalent to half of the government's budgeted spending on education this year.

*From **iWon**, 6 August 2001*

FUJIMORI LOSES HIS IMMUNITY – CONGRESS IN PERU WILL ALLOW CHARGES

Lima, Peru -- Congress voted unanimously to allow charges to be filed against disgraced former President Alberto Fujimori, who's accused of committing crimes against humanity in connection with two massacres in the early 1990s. In a special session, Congress late Monday voted 75-0 to lift the constitutional immunity of Fujimori, who is exiled in Japan, so that prosecutors could charge him with homicide and forced disappearances committed by a paramilitary death squad. The attorney general's office has five days to file the charges. The "constitutional accusation" had been expected to be approved overwhelmingly. Fujimori's party, which once controlled the legislature, now has only three seats in the 120-member body. Congressman Daniel Estrada, head of the investigative committee, told Congress that evidence collected by his group showed clearly that the death-squad killings were part of the Fujimori government's strategy to battle leftist guerrillas. The massacres "could not have occurred without the consent of the highest spheres of power," Estrada said in defending his committee's recommendation. Peruvian officials argue that forced disappearances and politically motivated killings against groups of people qualify as "crimes against humanity," charges that require trial under international treaties on human-rights violations. Peruvian legal experts hope such new charges could forceJapan, where Fujimori fled last fall, to extradite him. But because Japanese law bars Japan from sending Fujimori to Peru, the experts said Japan would at least have to try him in its courts because it has signed international human-rights treaties. Fujimori, 63, was granted citizenship by Japan, his parents' homeland. At the time, corruption scandals involving his ex-intelligence chief, Vladimiro

Montesinos, had brought down his 10-year government. Fujimori said he will stay in Japan indefinitely rather than return to Peru, where he said he would face "a circus" instead of a fair trial. Japan and Peru have no extradition treaty, and Japanese officials have said they would not force Fujimori to return to Peru. Japanese law prohibits the extradition of its citizens to stand trial for crimes committed in other countries. The homicide charges would be the most serious against Fujimori to date. So far he faces only charges of abandonment of office and dereliction of duty, which carry a maximum two-year prison sentence. Homicide in Japan is punishable by death or a life sentence. But one Japanese lawyer who specializes in international law said it was "extremely questionable" whether Fujimori would be tried in Japan for killings in Peru. Kazuo Ito said such a trial would require evidence that Fujimori had a direct role in specific killings, not just that he was aware of the existence of a death squad and took no steps to dismantle it. Fujimori has ridiculed the accusation of his involvement with the Colina death squad in his "From Tokyo" Web site, which he launched in July to defend himself against what he calls "vulgar political persecution." The Colina group, a shadowy death squad that Montesinos allegedly ran, gunned down 15 people at a barbecue at a Lima tenement building in 1991. The group also kidnapped and executed nine students and a professor at La Cantuta University in 1992. The attacks were believed to be strikes at collaborators with the Shining Path, a Maoist-inspired guerrilla group that ravaged Peru during the 1980s and early 1990s with car bombings, assassinations and sabotage. The violence dropped off sharply after the capture of key rebel leaders in 1992.

*From **Houston Chronicle**, by Monte Hayes, 27 August 2001*

CONSTITUTIONAL REFORM, GOVERNMENT ACCOUNTABILITY AMONG ISSUES TO BE ADDRESSED

Montgomerey - Gov. Don Siegelman on Tuesday gave legislators attending their third special session this year a full plate of issues, including congressional and state school board redistricting, constitutional reform and government accountability. "We have to give the citizens of this state confidence that their government can work, that it can change things, that it can improve our schools," Siegelman said in remarks prepared for an address to a joint session of the Legislature. "Together, we will either get credit for Alabama's future or we will get the blame," Siegelman said to a sparse audience in the Old House Chamber of the Capitol. "The choice is yours." Siegelman, concentrating on ethics issues, signed an executive order to end pork pass-through spending, define administration priorities and prohibit expenditures that do not support them. "I will make basic reforms that will gain the trust of our people so that we can move forward to reform our constitution and reform the way we invest in education," he said. Siegelman said the 1901 constitution contributes to the state's financial condition because the "people who wrote it didn't want government to work." "They wanted leaders to fail," he said. "They wanted special interests to rule the day and to rule the state." Siegelman voiced his support for a new constitution. "We need a new constitution only if it is written and ratified by the people of Alabama." His accountability package includes reforms to the state competitive bid laws, mandatory disclosure on contracts and grants, changes at the department of transportation and an end to legislators' pet projects. Many of the accountability measures arose after news stories questioned activities of state Sen. Roger Bedford, D-Russellville. "He laid out a solid agenda and one that can be accepted by the Legislature and he pointed out the need for constitutional reform," said Bedford, who added that he has introduced a bill to nullify any state warrant, or check, if hasn't been cashed within 90 days. Bedford carried around a $2 million state check for six months while trying to convince the Marion County Commission to buy $1 million worth of a friend's land for $3 million. The check was returned. "He doesn't blame me," Bedford said. "It's the system that is broken and I want to help him fix it." Sen. Bobby Denton, D-Muscle Shoals, and Rep. Nelson Starkey, D-Florence, both of whom have served as heads of the joint legislative transportation committee, have introduced resolutions to study forming a highway commission. Denton said he doubts a commission will be mandated under this governor. "If we don't do it this session under this governor, it will be another 10 or 15 years," Denton said. Siegelman also will ask House and Senate members to approve about $92 million for mostly nonstate agencies, bills that failed to pass earlier this year. The Legislature is in special session to redraw lines for seven congressional districts and eight school board districts. Sen. Jeff Enfinger, D-Huntsville, is proposing a congressional district plan that could make it a little easier for a Democrat to win or keep seats in Congress. Republicans hold five of seven congressional seats but one seat held by U.S. Rep. Bob Riley, R-Ashland, could be redrawn by the Democrat-dominated Legislature to favor a Democrat next year since Riley is giving up a re-election bid for a gubernatorial race. "We'll be trying to pass a plan that has broad consensus," said Enfinger. Sen. Larry Means, D-Attalla, said he will try to change the proposed state school board district plan that would affect the Shoals. Means' plan would shift Lawrence and Winston counties from District 7 represented by Sandra Ray of Tuscaloosa into District 3 represented by Mary Jane Caylor of Scottsboro. Ray's district would gain Chilton County and part of Shelby County. The Legislature has to complete its business in no more than 12 working days and within 30 calendar days. Rep. Marcel Black, D-Tuscumbia, co-chairman of the joint legislative reapportionment committee, said Siegelman's legislative agenda is "ambitious, but I think it's doable."

*From **Times Daily**, 29 August 2001*

AFRICA

OFFICIALS MAY HAVE TO EXPLAIN WEALTH

Business Day (Johannesburg): In cases of suspected corruption, law could remove the burden of proof from state - Prosecution authorities are investigating drastic new anticorruption legislation that will make it illegal for public servants or state officials to have unexplained wealth. If the new law is enacted, it would add to the power government is giving itself to fight corruption within its ranks. President Thabo Mbeki said last week that regulations would be drafted to govern the behaviour of officials in the negotiation of large government contracts. Willie Hofmeyr, the new head of the corruption-busting "Heath" special investigating unit, said yesterday that the law would reverse the burden of proof in cases of suspected corruption. If an official had money and was unable to explain where it came from, the burden of proving its origin would be on the official and not the state, he said. Hofmeyr, who was previously head of the state's asset forfeiture unit, which seizes the proceeds of crime, said the law would be based on Hong Kong legislation. While it would be a drastic measure, similar laws had survived constitutional challenges in other countries and it could become an important weapon against corruption. "There have been a number of corruption cases the (asset forfeiture unit) dealt with which were quite heart-breaking because you know these guys are as guilty as sin, but there simply isn't the evidence to put them in jail, even though they have millions which they can't explain and decline to explain," he said. The main opposition party, the Democratic Alliance (DA), said yesterday that it would scrutinise the formulation of any new law. But the DA's justice spokesman, Tertius Delport, said: "In principle, the DA will support all laws and measures that will enhance the fight against corruption." But laws alone would not combat corruption, Delport warned. "There must be a will especially the political will to root out corruption." African National Congress spokesman Smuts Ngonyama said last night his party was not aware of "that law. It has not been discussed." Hofmeyr also took issue yesterday with criticism from political parties about his political background and suggestions that he would favour political comrades. "We have shown that we can act against anybody," he said.

*From **AllAfrica.com**, by Bonile Ngqiyaza, 1 August 2001*

ZAMBIA: DELAYED 100% SALARY INCREMENTS MAY LEAD TO STRIKE, WARNS HIKAUMBA

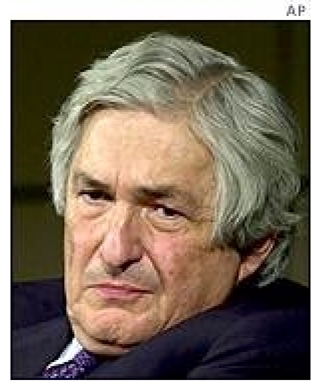
Civil Servants Union of Zambia (CSUZ) president Leonard Hikaumba yesterday asked Vice-President Enoch Kavindele to prevail over the delayed implementation of the 100 per cent salary increment to avert a looming strike by health workers. Lusaka - Hikaumba also urged the Central Board of Health (CBoH) to immediately implement the increment which was awarded to health workers early this year. He said the delay was very serious as it was depriving health workers their right to a salary increment. Hikaumba said his union was distressed that while other work categories have now been paid the 80 to 91 per cent, those in the Ministry of Health have not received anything. "We are saddened by the inconsistency on the part of government and the Central Board of Health that has caused anxiety among health workers who have not yet received the 100 per cent increment given well before the recent public service salary increment of between 80 and 91 per cent," he said. Hikaumba also disclosed that the de-linkage of health workers from the Ministry of Health to health boards will not be effected until several issues are clarified. He said this was agreed at a meeting between CSUZ, the Public Service Commission, the Ministry of Health and representatives from the CBoH. Among the issues to be cleared are accrued benefits, the financial sustainability of boards, the inclusion of the process of secondment. Hikaumba said his members should not be worried because the Public Service Commission was still the eligible employer of all civil servants. "Thus, all workers in health would not be transferred until or unless government first pays all the accrued terminal benefits including repatriation fund," said Hikaumba.

*From **Africa Online**, by Webster Malido, 3 August 2001*

PUTTING CORRUPTION ON TRIAL IN LESOTHO

Dams exploit Lesotho's one natural resource: water - The High Court of the tiny southern African state of Lesotho has postponed a high-profile corporate corruption trial until December. The postponement came after pressure from lawyers for a number of Western construction companies, members of a consortium accused of paying $2m or more in bribes over a dam-building project, and a request for more time from the state prospecutor. The companies concerned have much to lose. If the consortium is convicted of bribery in the Lesotho Highlands Water Project (LHWP), all concerned could, conceivably, be barred from taking part in any World Bank-funded project. The consortium is led by French company Spie Batignolles, but it also includes the

UK's Balfour Beatty as well as three other European construction firms. Seven other companies, three of them British including Stirling International and Kier International, are also alleged to have paid bribes as part of the LHWP. **Fault on both sides** - For the first time, the companies, and not just the person receiving the money, are in the dock. "Maybe this is a test case," Lesotho's attorney-general, Lebohang Fine-Maema, told the BBC. "But for once we are saying it takes two to tango." The government aims to see the case through, he said, despite the bigger financial muscle of the defendants. "It doesn't matter how much it's going to take," he said. Meanwhile the criminal case against the alleged middleman, former head of the Lesotho highlands development agency Musopa Sole, continues on 14 August. Mr. Sole denies the charges. He has already lost a civil suit on the matter and is appealing. **World Bank** - The accused consortium is involved in building a group of huge dams in Lesotho, a scheme agreed in the 1980s between Lesotho and the then-apartheid government of South Africa, which needed reliable sources of both water and electricity.



Wolfensohn's World Bank: accused of being soft on bribery

The World Bank arranged much of the finance, and is currently holding an internal investigation into the project. The World Bank representative in Southern Africa, Fayez Omar, told the BBC's Rageh Omaar that the Bank "will definitely take very strong action if companies are found to be guilty of misconduct of World Bank funded parts of the project". Over the past two years, 54 companies had been blacklisted from bidding on Bank-funded operations, he said. But a recent UK parliamentary committee report noted comments from Bank president James Wolfensohn that the Bank will only disbar a company if corrupt activity can be proved within a specifically Bank-funded part of the project. Given the wide range of other funding groups involved, the report says, "That position is based on the narrowest legal interpretation of the Bank's guidelines and a singularly selective view of the Bank's involvement in the project." The report quotes an internal 1991 Bank document to support its contention that the Bank will go as far as possible to avoid blacklisted any but the most minor construction contractors. "The Government of Lesotho explicitly requested that the Bank be the lead agency in raising the massive amounts of funds required," the confidential report says. "That the proposed project has reached its current stage is clear evidence of the Bank having successfully fulfilled this role to date." **UK weakness** - Meanwhile, few are surprised that UK companies should, however tangentially, be implicated. The UK has yet to include the well-regarded Anti-Corruption Convention drawn up by the Organisation for Economic Co-operation and Development (OECD) into domestic law. It plans to do so within the next 12 months. But the UK's record in fighting corruption, and its companies' reputation in avoiding it, is far from spotless, according to international anti-corruption lobby group Transparency International. Giving evidence to the UK parliament's international development committee, TI member Laurence Cockcroft said: "The UK is currently gravely at fault, to an extent which can be described as a national disgrace." The OECD's peer review of the UK's work against corruption was described by one lawyer as "lamentable and humiliating". Staff at the Department for International Development trying to fight corruption say they are stymied by officials from the Ministry of Defence and the Department of Trde and Industry, whose brief is to persuade foreign governments to "buy British". The DTI's Export Credit Guarantee Department, which backs projects such as the LHWP, said it has never refused cover because of allegations or proof of corruption.

From BBC, 7 August 2001

WHY PRESIDENT WANTS POWER TO DISMISS CIVIL SERVANTS

Although the details are still sketchy, the Federal Government appears irreversibly committed to its plan to overhaul the civil service, especially giving the president powers to summarily dismiss suspected corrupt officials. The Federal Executive Council (FEC) had, at its meeting on August 15, announced the introduction of new elements into the proposed bill on civil service reforms to be presented to the National Assembly, one of which is granting the president such powers. *The Guardian* learnt that the apprehension of some senior officials suspected to be involved in shady deals account for President Olusegun Obasanjo's strong commitment to the overhaul. A few weeks ago, eight officers of the Federal Ministry of Finance were allegedly caught for corrupt practices, and *prima facie* cases were established against them by the Presidency's economic intelligence unit. The eight were involved in collecting gratifications from contractors and even ministries before releasing statutory votes. It was learnt that President Obasanjo wanted them sacked immediately, but for the council's advice that Section 04601 on the retirement in public interest first be amended, to checkmate the officers' ability to seek court intervention. A circular is already in the works to intimate all federal ministries, extra-ministerial departments and agencies with the content of the proposed bill to avoid possible claim of ignorance. The new rule derives from the proposition that since every one serving government is an agent of the President who can sack, summarily, ministers, the same powers should be extended to civil servants. Another handicap to the government plan is the fact that the terms of federal civil service commissioners and chairman ended last June. Shortly after the expiration of the terms, Federal Civil Service Commission issued a circular that all matters relating to staff discipline hitherto being handled should be suspended. Another factor responsible for the president's resolve is the revelation from a recent report from some accounting and audit firms. The Presidency had last June engaged some notable private firms to probe claims of various ministries in the 2001 Appropriation Act, especially the capital votes. It was part of government's efforts to get to the root of the grand yearly fraudulent practice of filling the budget with non-existent expenditures on capital projects. The Presidency therefore had to ignore all its normal agencies of auditing, including the offices of the accountant-general and auditor-general and reached out to private firms. As a first step to transparency in budgeting in 2002 and beyond, the government also recently separated the Budget Office from the Federal Ministry of Finance where it used to have a separate permanent secretary before the 1995/97 Civil Service Reform white paper was released. The new Budget Office, which reports directly to the President has as its Permanent Secretary Dr. Haruna Usman Sanusi, a former director of finance in Education ministry. It was learnt that the private accounting firms report has been submitted and the content is quite devastating to the integrity of the service. President Obasanjo began a radical review early this year when he approved a proposal by the Accountant General of the Federation, Mr. James Kayode Naiyeju that all Directors of Finance in all establishments should now be Chartered Accountants. Consequently, the Personnel Department now has a new structure: Department of Administration and Supplies and the old Department of Finance and Supplies is now Department of Finance and Accounts. Effectively, 12 ministries and Agencies have begun the pilot scheme. Part of the rationale is that the department that gives out contract (Finance and Supply) should not be the one to pay. Now Administration gives out jobs and Finance pays. But sources said that the president is still miffed by reports of stupendous assets most public servants have used the porous budget system to acquire both at home and abroad. In that fact, it was learnt the presidency has a rich dossier on corrupt public officers who are now the target of the new power the president wants so that some corrupt officers can face Justice Mustapha Akanbi's Anti-Corruption Commission.

From Amebo.com, by Martins Oloja and Adeleke Adeseri, Abuja, 28 August 2001

AG DEFENDS FAILED ANTI-GRAFT BILL

Attorney General Amos Wako has defended himself over the failure of Parliament to pass an anti-corruption Bill. Mr. Wako, instead, accused those who opposed the Constitution of Kenya (Amendment) No 2 Bill, 2001, which would have entrenched the Kenya Anti-Corruption Authority in the Constitution, of being pessimistic, unreasonable and unrealistic. The AG said the Bill was perfect and any flaws in the Anti-Corruption and Economic Crimes Bill and the Public Service (Code of Conduct and Ethics) Bill should not have been used to impede the creation of the anti-corruption body. He defended the Bill clause by clause in a lengthy address at a Transparency International (Kenya chapter) workshop. His speech was on What Next? Fighting Corruption in Kenya after the Kaca Bill. "I take total responsibility, blame me not anyone else," he said. "There was intense consultations, especially with the International Monetary Fund, who reviewed the Bill and endorsed it." He caused an uproar when he said the IMF lawyers were international, recognised, experienced and more scholarly than the locals who were terming the Bill as flawed. He said the IMF did not endorse the contentious amnesty clause as it was a local matter requiring consensus among Kenyans. Mr. Wako said a committee has been appointed to give proposals on the fate of the Kaca employees following the rejection of the Bill and the creation of a police anti-corruption squad. Mr. Wako said there would have been no conflicts between his office and Kaca, clarifying that the Bill would have made the authority autonomous as it stated: "The board shall not be subject to the direction or control of any other person." He said Parliament would have given Kaca more teeth to deal with civil recoveries, perform more functions and take over pending cases being investigated by the previous body. He reiterated that there was no provision for blanket amnesty in the Bill. "There is no blanket amnesty. There are exemptions, like heinous crimes which won't enjoy it, for example Goldenberg," he observed. He accused investigators of failing the prosecution saying: "I have instituted prosecutions against my colleagues and very powerful people like (Mr.) Wilfred Kimalat," Mr. Wako said." But I cannot prosecute with poor investigations." But Mbita MP Otieno Kajwang' accused Mr. Wako of incompetence, saying he had failed to fight corruption. He accused the donors of "prescribing the wrong medicine" to fight corruption. Law Society of Kenya secretary general George Kegoro maintained that the Bill was flawed as the prosecution roles vested on Kaca and the AG were conflicting. The chairman of the Kenya Private Sector Foundation, Mr. Sam Mwaura, said the business community was forced to engage in the debate because the trade environment was worsening due to politics and poor economic measures. Webuye MP Musikari Kombo said that the government wanted a defective Bill that wouldn't arrest corruption. He revealed that his Parliamentary anti-corruption committee participated in talks with IMF before the Bills were published.

*From **AllAfrica.com**, by David Mugonyi, 28 August 2001*

ASIA/PACIFIC

THAI CONSTITUTIONAL COURT ACQUITS PRIME MINISTER OF CORRUPTION CHARGE

Bangkok - Thailand's Constitutional Court on Friday acquitted Prime Minister Thaksin Shinawatra of charges that he concealed assets while serving in a previous government, two judges said. Judge Kramol Thongdamachart said the 15-member panel voted 8-7 in Thaksin's favour. "Mr. Thaksin is going to be the prime minister," Kramol said. Had Thaksin been found guilty, he would have been forced to resign and barred from public office for five years. Now, Thaksin will be allowed to continue to head the government, which came to power in January after his Thai Rak Thai, or Thai Love Thai, Party won a sweeping victory in general elections. A judge who voted against Thaksin, Mongkol Saratan, said: "We made our judgment in accordance with the evidence and facts we have. I congratulate the prime minister even though I am a minority." The Constitutional Court rejected a finding in December by the National Counter Corruption Commission that Thaksin had intentionally failed to list as assets millions in company shares owned by him and his wife, but held in the names of several proxies, including some of their domestic servants. He had said his failure to list all his assets when he was deputy prime minister in 1997 was inadvertent and a result of confusion about the law. Thaksin had been waiting for the verdict with his wife at the Government House. He had joked earlier that he was unsure whether to hire a 10-wheel truck to remove his belongings out Friday or not. There have been concerns of possible street protests after the verdict, particularly if the court had found Thaksin guilty. Hundreds of people, mostly Thaksin supporters, had gathered outside the court and dozens of riot police deployed, but there has been no sign of trouble. Thaksin, 52, made his fortune in the telecommunications sector and is one of Thailand's richest people. He established the Thai Rak Thai Party in 1998 to serve as his springboard to the premiership. The Secretary General of the National Counter Corruption Commission, Klanarong Chanthik, said at Thaksin's trial that while the commission was not accusing him of corruption in obtaining his wealth, he showed clear intent to hide some assets, resulting in an absence of transparency required of politicians by the Constitution. The court faced strong pressures on both sides of the case. An impartial ruling applying the letter of the law was considered crucial for maintaining the momentum toward reforms, established by a new constitution to fight endemic graft in politics. On the other hand, Thaksin's supporters argued that his violation was technical and inadvertent, and the court should also consider the popular mandate Thaksin in the January election, which he won although he had the commission's indictment hanging over him. Several mass petition and letter-writing campaigns were launched to pressure the court on his behalf. At the same time, his lawyers tried to discredit the indictment against him as flawed and politically biased, although they did not challenge the facts of the case. Critics said the lobbying efforts were a step backward for Thai democracy, since they suggested that important people can remain above the law. They are also dismayed by efforts to discredit the National Counter Corruption Commission as Thailand has finally embarked on serious political reform. Since taking office in February, Thaksin has moved to rapidly fulfil his promised policies, although the economy so far has failed to show any quick sign of improvement, amid a global economic slowdown.

*From **National Post Online**, 3 August 2001*

EUROPE/CIS

CIVIL SERVANTS' FIRST-CLASS AIR FARES COSTING TAXPAYER £4M

Civil servants are continuing to fly first-class on official trips abroad, two years after a report recommended that the practice should stop. A leading Sunday newspaper says air travel for civil servants is costing taxpayers £5.5m a year, with a massive £4m of that total going on business-class fares. The newspaper also says that a recommendation to carry out value-for-money audits on these travel bills has not been implemented. A plan to use the air miles clocked up by officials to get future discount fares for the State has also been ignored.

From online.ie, 05 Aug 2001

CIVIL SERVANTS QUALIFY FOR MASSIVE BONUSES

Ireland's top civil servants will be given massive bonuses to work harder under a new incentive scheme. Finance Minister Charlie McCreevy plans to introduce the programme which will see some state employees getting up to £27,000 a year on top of their salaries. The scheme is designed to prevent the cream of the Irish public sector defecting to private companies in order to earn more money. However, the bonuses will be strictly performance based and the criteria being drawn up anticipate that half of all senior civil servants will receive no bonus at all. A special committee is to be established which will individually evaluate state employees' performances before deciding whether or not to award the cash. To begin with the scheme will be open only to grades from assistant secretary to secretary-general in the civil service and chief-executives in non-commercial state companies. Senior gardai, including assistant commissioners and the commissioner himself will also be eligible. If this trial proves successful the incentive programme will be extended to all health boards and local authorities. The amount of bonus money available will be decided by a complicated system. For example, the amount free for the top-ups will not exceed 10pc of the total salary cost for that grade. In the case of the country's 17 secretaries general in Government departments, the annual wage bill is £2m. This means that £200,000 will be allocated to the bonus scheme for that particular grade. The maximum award to any individual cannot be more than one-fifth of basic salary. The maximum annual wage for a secretary-general is £135,000, so the most a performance related bonus can yield is £27,000. The incentive scheme could prove problematic for senior Gardai where crime figures would be taken into account when considering the bonuses. A senior Government source last night admitted that top officers who excel in their jobs could actually produce increased crime figures through higher convictions and encouraging the public to be more vigilant in reporting offences.

*From **Unison**, by Karl Brophy, 6 August 2001*

UKRAINIAN ANTI-CORRUPTION COLONEL KILLED

A high-ranking security officer has been shot dead in the Ukrainian Black Sea port of Odessa. Colonel Yevhen Zadorozhny, who was head of the local anti-corruption department, was killed by shots from a sub-machinegun early in the morning near his house. Colonel Zadorozhny is the highest-ranking member of the Ukrainian security service to be killed in recent years. There have been several high-profile killings in the past two years in Odessa, a city which correspondents say has become notorious for criminal activity.

From the newsroom of the BBC World Service, 7 August 2001

CIVIL SERVANTS WON'T TOLERATE UNCIVIL CUSTOMERS

Brussels civil servants have been given the right to tell customers to go away and calm down. Taxpayers who become irate will be told personal abuse from customers will not be tolerated. The move comes after one civil servant in the city became depressed and needed psychological therapy. Jean-Baptiste De Cree, top civil servant for the bureau of population, said the problems occur mainly at the registrar's office for foreign citizens. "Daily we receive citizens who can't speak French of Dutch, " he said. "We try to explain what kind of documents they need. But we can't ask our staff to speak 35 languages," he told De Morgen.

*From **Ananova**, 31 August 2001*

HUGE PAY RISE FOR CIVIL SERVANTS

Top Whitehall civil servants are in line for 50 per cent pay rises plus bonus payments which could result in some high fliers earning up to £200,000, it has been claimed. The move is likely to prompt accusations of unfairness from public sector workers such as teachers, nurses and doctors who this year received increases averaging just 3.7 per cent. Next month the Senior Salaries Review Body will propose new pay grades for 3,000 senior civil servants in an effort to attract private sector recruits and halt an exodus of the most talented staff, The Times has reported. **Basic salary increase -** As a result many officials now earning between £42,000 and £127,000 are likely to get big increases in basic salary as well as bonus payments worth thousands of pounds from next April. Under a consultation paper being considered by the Review Body, due to deliver recommendations shortly, the nine current senior pay grades - excluding permanent secretaries - would be reduced to three. The paper suggests that the first band, covering around 2,300 civil servants, should range from £49,000 to a maximum of £87,500; the second, affecting 600 officials, should vary from £67,500 to £129,000; while the top band, with about 100 officials, should range from £83,000 to £183,000. **'Wrong to comment' -** The suggested maximum for the top band would represent an increase of nearly 50 per cent from £127,000 to £183,000. All those civil servants would be eligible for bonuses of at least 10%, rising to up to 20% in future years - potentially pushing top salaries to £200,000. A Cabinet Office spokeswoman said: "The SSRB (Senior Salaries Review Body) have not published their report yet, and therefore it would be wrong to comment."

*From **Sky.com** 29 August 2001*

THE AMERICAS

TWO PHILADELPHIA COPS CHARGED WITH CORRUPTION

Two federal indictments have been unsealed that center on public corruption. In one, two former Philadelphia police officers are accused of issuing gun permits to convicted felons. In another, a former probation officer allegedly smoothed the way for drunk drivers to get back behind the wheel. In the first case, a federal grand jury returned an indictment against two former Philadelphia police officers who were with the department since the early to mid 80's. US Attorney Michael Levy alleges that Artina Sterling -- who just resigned -- and former officer Evelyn Grant, while working in the gun permit unit, took money from FBI undercover agents to get gun permits for people whom they believed had criminal records. Police Commissioner John Timoney: "It's shocking, and embarassing. I will make a personal plea to the judge to set an example. Official corruption is bad enough. What this involves is guns possibly getting into the hands of convicted felons." In an unrelated case, the grand jury returned an indictment against a former probation officer. Gary Robinson faces extortion charges for allegedly taking money from at least 21 people arrested for driving while intoxicated. They allegedly paid him off to avoid completing alcohol treatment programs.

*From **KYW News radio**, by KYW's Steve Tawa, 2 August 2001*

CIVIL SERVICE WORKERS RATIFY TWO-YEAR DEAL

Civil service workers at Southern Illinois University Carbondale almost unanimously ratified a new, two-year contract Monday. Association of Civil Service Employees Union members OK'd the new pact on a 46-2 vote. There are some 140 dues-paying members of the union, and 574 workers covered by the new deal. SIU Board of Trustees members are expected to approve the new deal during their next meeting. The contract calls for average 6 percent salary increases, the same level OK'd for SIUC's largest union, the Faculty Association. Some 700 employees are covered under terms of that contract. The new contract will cost SIUC an additional $442,054 during the fiscal year that began July 1. The 574 workers stand to be paid roughly $13.4 million during the year, said Ruth Pommier, president of the ACsE union. Pommier noted the turnout of 40 percent likely was the result of two factors: Vacations and strong support for the new deal. "I am very pleased with the outcome of today's vote," she said. "By addressing only economic issues, this contract, admittedly, was limited in scope, but the manner in which negotiations were conducted and the speedy resolution which resulted, vividly demonstrates that when fair-minded people treat one another with respect and commit to achieving a common goal, positive things happen," Pommier said.

*From **The Southern Illinoisan**, by Steve Binder , 1 August 2001*

FEDS INVESTIGATE DRUG, CORRUPTION ALLEGATIONS IN EBR

Federal prosecutors have started a preliminary review of allegations of political corruption and drug trafficking involving four people from East Baton Rouge Parish. The review of material compiled by the FBI, Drug Enforcement Administration and Sheriff's Office deals with "specific allegations" against "specific people," U.S. Attorney Brian Jackson said Thursday. "This is not a broad or widespread review of actions of legislators and lobbyists," Jackson said. The review comes one day after House Speaker Charles DeWitt, D-LeCompte, hired a defense attorney and denied any wrongdoing in the probe. DeWitt's attorney, Mike Small of Alexandria, contacted Jackson on Thursday and offered DeWitt's cooperation with any investigation. "I know essentially what evidence has been turned over," Small said. "I'm absolutely confident that the U.S. Attorney's Office will not file criminal charges in this case." Jackson would not confirm DeWitt's involvement, saying only that the drug trafficking allegations deal with four people arrested recently in Baton Rouge. Sheriff's Office spokesman Lt. Darrell O'Neal said the Sheriff's Office does not have a warrant for DeWitt's arrest "at this time." "The investigation is continuing," he said. The probe started with the arrests of four people -- a Baton Rouge business owner, a radio station ad executive, an exotic dancer and a suspected drug dealer -- in a case Sheriff's Office records say involves "prostitution, drug trafficking and political corruption within East Baton Rouge Parish." Kenneth Breitenbach, owner of Digital Press & Graphics, was arrested July 19 on an obstruction of justice count. Breitenbach was accused of asking an unnamed co-defendant "to lie about his having paid a prostitute for sex, as well as the defendant having provided cocaine to that prostitute," according to a sheriff's affidavit. Breitenbach was arrested again July 27 on counts of conspiracy to distribute cocaine and Ecstasy. Lisa Carr Yaegle, an account executive at Guaranty Broadcasting, which includes radio stations WDGL-FM and WTGE-FM, was arrested July 25 on the same drug counts. Warrants say both Breitenbach and Yaegle admitted to buying cocaine from Henry Marshall at Marshall's Fairway View Apartment on College Drive. Marshall, the suspected dealer, was arrested July 23 on the same drug counts as Breitenbach and Yaegle. Sybil Ann Truss, a former Gold Club dancer, was arrested Tuesday on a count of conspiracy to distribute crack and powder cocaine in the same investigation. Truss' husband, John Gonzales Jr., is wanted on the same counts as his wife, O'Neal said. No one has been arrested so far on prostitution or political corruption counts. So far, there has been no substantiation of the drug trafficking and political corruption allegations, Jackson said.

*From **The Advocate**, by BRETT BARROUQUERE, 3 August 2001*

OTTAWA BLOCKS MPs' ACCESS TO CIVIL SERVANTS

The Liberal government will not allow civil servants to appear before an all-party committee of MPs examining federal access to information legislation, says Don Boudria, the House Leader. The committee intends to hold hearings this month into the Access to Information Act with an eye to making more government documents public. MPs set up the ad hoc group on their own this spring to examine the Act and recommend changes to it before a task force of bureaucrats can forward its own proposed changes. The MPs say they do not want to see the amendment process taken over by mandarins more concerned with keeping information secret than with making it public. John Bryden, Liberal MP and chairman of the committee, wrote to the Prime Minister's Office and to several Cabinet ministers this summer to ask them to allow staff to appear. Only the Prime Minister's Office responded, with a flat refusal. But Mr. Boudria now says no officials will get permission to appear because the committee does not have parliamentary standing, which means bureaucrats would be open to legal liability for what they say. "The House has never resolved to form a committee. Mr. Bryden may have informally asked some MPs to join in a project with him, but that does not make a parliamentary committee," he said late Friday. "No government official will be attending this." Critics say the government is too quick to deny access to official documents. John Reid, the Information Commissioner, is facing 15 court challenges to his attempt to examine the agendas of Jean Chrétien, the Prime Minister. Mr. Reid wants the right to determine whether the agendas should be released to an unnamed applicant. Mr. Boudria said those court cases are another reason civil servants cannot appear. "Anything these officials say could be seen as having an impact on the court process." He insisted MPs will get a chance to review any changes to the legislation after the task force reports. "We have a task force of civil servants doing research and that report will be sent to a committee. So there will be a committee." Mr. Bryden said he is disappointed by the refusals and by the time it has taken to get a reply. "I'm a Member of Parliament. The idea is if a Member of Parliament makes a legitimate request, Cabinet ministers are supposed to make timely responses." The committee would also like to hear from five Crown corporations, including the CBC, that are excluded from requirements under the Act to make information available if a member of the public requests it. None of them have replied to the committee either. Mr. Bryden said the point is not to embarrass any of the potential witnesses but to get them to explain how the process works and why exemptions should be maintained. "These aren't terribly complex requests," he said. "Where they're missing the boat is this is their chance to express their position." Although the committee was not created by Parliament, it will meet on Parliament Hill and be able to use services including a Library of Parliament researcher. The House of Commons is not scheduled to resume sitting until Sept. 17, and it is unusual for a committee to meet during the summer. Mr. Bryden's group aims to report in October. The committee's work will go ahead even without government participation. "There are lots of people outside government who want to participate," Mr. Bryden said.

*From **National Post Online**, by Ian Jack, 7 August 2001*

CIVIL SERVANT STRIKE DELAYS PORT SHIPMENTS

Hamilton - Traffic in Canada's busiest fresh-water port was delayed again yesterday as striking federal public service workers set up surprise pickets at the Burlington Canal Lift Bridge. And their union threatened that the delays in and out of Hamilton Harbour could go on indefinitely. Yesterday, the 30 to 40 pickets only allowed the bridge to lift every two hours for waiting pleasure craft. The cargo ship Canadian Prospector, filled with iron ore and heading for Dofasco, was delayed about an hour and was allowed through the canal around 3:30 p.m. The only other commercial ship expected yesterday evening was the Canadian Transfer, scheduled to pick up 12,000 tonnes of grain and head to Montreal. "We draw a fine line," said PSAC strike co-ordinator Doug Kosakowski. We want to make an impact. At the same time, we don't want to get into a situation where we can't picket at all." Pickets set up at the bridge without warning Sunday night in order to prevent federal officials from raising the bridge yesterday and keeping it up indefinitely - as the government had announced. That would have inconvenienced motorists, but allowed for the free movement of harbour traffic. Last week, striking workers held up cargo ships for several hours. The lift bridge over the canal, connecting Hamilton Harbour with Lake Ontario, was part of the Public Service Alliance of Canada's (PSAC) surprise cross-country strike yesterday at "strategic locations," including Hamilton Airport, the Kingston Penitentiary and border crossings. It signals a new more-aggressive union strategy after a weekend of negotiations with the federal government failed to make any progress. At Hamilton Airport, information pickets slowed down traffic. Purolator and United Parcel Service, which both operate out of the Mount Hope facility, reported no business slowdowns. Kosakowski said the strike action at the lift bridge would continue "indefinitely", although he could not confirm that workers would still be there overnight and into today. They are definitely scheduled to be back on the picket line tomorrow to again delay harbour traffic as part of PSAC's ongoing Workless Wednesday - a national strike day. PSAC represents about 70,000 federal workers who have been in a legal strike position since June 2000. Wages are the main issue. Workers have asked for a five per cent salary increase in each year of a three-year contract. The government has offered two per cent in each of those years. "We're being more aggressive, which is what we said we were going to do," said PSAC Ontario coordinator Jim Chorostecki. "The first two (Workless Wednesdays) made it really clear we were trying to let them know what we were capable of doing in the hopes they would put something fair on the bargaining table." The union said it was delaying harbour traffic in order to directly affect industry, which in turn it hoped would pressure the feds into settling. It's no coincidence that federal Finance Minister Paul Martin owns Canada Steamship Lines. One of its ships was delayed last week. Harbour Master Ian Noble estimated an hour's delay on a turnaround could cost as much as $5,000 because it's keeping a ship from getting back on its way to pick up another load. But the overall impact may not be as great because summer is traditionally a slow time in the Seaway shipping season. Bill Gair, a spokesperson for Dofasco which is a major user of the harbour, said the company does not expect any long-term effects from the slow down. "All the inbound vessels have eventually entered," he said. "No boats have been turned around." Mike Kirkpatrick, general manager of Federal Marine Terminals which loads and unloads ships, said his company has only been "inconvenienced." One of its vessels was delayed a full day last week, which caused him to send home 15 men ready to unload its cargo. He had to pay them, but says he will be repaid by the company that owns the cargo. Noble said the slowdown could have a detrimental effect on the harbour's bottom line in the long run if ships decide to avoid Hamilton Harbour altogether and unload or pick up cargo somewhere else. Hamilton has the busiest fresh-water harbour in Canada with about 600 ships coming in each year. Its traffic has been delayed before due to lift bridge complications. PSAC held similar actions last year and 10 years ago.

From Torstar News Service, 28 August 2001

JUDGE SEEKS ETHICS RULING ON SEVERAL CASES

Baltimore - District Judge Catherine Curran O'Malley has asked an ethics panel for an opinion on when she should remove herself from cases because of a possible conflict of interest involving her husband, the mayor, and her father, the state's top prosecutor. Mrs. O'Malley asked for the opinion at the request of her boss, Baltimore District Court Administrative Judge Keith E. Mathews. She has been training since she was sworn in Aug. 16 and takes the bench Friday. In a letter to the state Judicial Ethics Committee committee, Mrs. O'Malley said she asked about civil lawsuits in which the mayor and City Council are named; cases involving city solicitors; cases brought by Attorney General J. Joseph Curran Jr.; and even cases involving police officers, because they answer to the commissioner, who was appointed by Mayor Martin O'Malley. Maryland's code of judicial conduct states that judges shouldn't participate in cases “in which impartiality might reasonably be questioned.” Until the committee issues its opinion, O'Malley will hear cases unlikely to raise questions of a conflict. “Judge Mathews is being abundantly cautious, so that if someone raises the issue, I can say, ‘If you'd like me to recuse myself, I will, but I can tell you the ethics committee has said I can be fair and impartial on this matter,’” Mrs. O'Malley said. Byron L. Warnken, a professor at the University of Baltimore law school - who taught Mrs. O'Malley and is a friend of her father - said the ethics committee would probably take the position of - ``Look, if it's close enough that we gotta talk about it, then don't do it.'' In Caroline County, the state's attorney stepped down after his wife became the county's sole Circuit Court judge.

*From **New Journal Online**, 28 August 2001*

Management Innovation & Trends

ASIA/PACIFIC

CITIZENS GIVE HIGH MARKS TO PUBLIC SECTOR REFORM

Members of the community who have tasted public services, gave relatively high marks to the reform process in the public sector, while those who have not used public services were still not satisfied with reform in the sector, according to the Ministry of Planning and Budget yesterday. The survey, covering 1,900 people, showed that satisfaction with the reform process in the public sector by those who used public services was recorded at 73 points (full marks is 100). They also gave 81 points to the privatization process of state-owned enterprises, according to the survey results conducted by the INCO Group. However, those who have not directly experienced public services evaluated reform achievement in the public sector as low. Their satisfaction level on reform in the public sector was 47 points, while confidence in the reform process in the sector reached 44 points. They also gave a poor mark to the quality of public services with 45 points. The INCO Group recommended the Korean government implement reform in the public sector so that more of the general public can perceive the changes in public services. Compared with reform achievement in the public sector implemented by the previous administrations, Kim Dae-jung's government received a high grade of 76 points, while the previous government scored 50 points. Those who received public services also gave 83 points to expectation for continuous reform in the public sector, while their confidence toward reform was graded at 77 points with the quality of public services receiving 73 points. (sam@koreaherald.co.kr)

From Korea Times, 4 August 2001

E-LEARNING THROUGH LAUNCH OF SINGAPORE LEARNING EXCHANGE

Lifelong learning in the public service got a boost with the launch of the Singapore Learning Exchange. A joint project between Accenture and the Singapore Civil Service College, the exchange is an online market place for those who want to upgrade themselves for better job opportunities. A dolphin may not be a symbol one associate with the civil service, but it is precisely what the service has adopted, together with Accenture, for the Blueflipper.com learning portal. Nearly 5,000 courses are available on topics ranging from mastering IT skills to leadership and management. With the dolphin symbol representing intelligence, the portal is indeed a gateway to a vast ocean of knowledge. Yam Ah Mee, Dean of Singapore Civil Service College, said: "In this case we ensure that public officers have the best opportunity and they take ownership of their learning and in this way we will better prepared for the new economy." The Singapore Learning Exchange wants to make sure it does not become just another dot.com portal. Kevin Dixon, Managing Partner of Accenture, said it was important to get both the power of the major corporations and government, who are buyers of the services, and the power of the providers of the industry expertise and training providers, to come together in the portal. Singapore is also confident that the venture will open up new markets for the public and private sectors.

*From **channelnewsasia.com**, by S. Ramesh, 6 August 2001*

EUROPE/CIS

EU PLANS E-GOVERNMENT CONFERENCE

The European Union is planning a conference on electronic government on 29 and 30 November in Brussels, headed by Belgium, the EU announced yesterday. The conference targets all interactive public e-services, including e-health and e-transport, and aims to show how citizens and businesses can benefit from these. The event is aimed at showing how far Europe currently stands in its online practices, and at stimulating best practices. A competition for "eEurope Prizes for eGovernment", tol be awarded to the best applications at the end of 2002, is also to be launched at the event. EU-commissioner Liikanen and the Belgian Ministers Daems (Telecom) and Van den Bossche (Public Administration)will invite their EU-colleagues responsible for eGovernment to attend. Administrations from the local, regional and national level will be key participants. The conference will also include citizens and businesses (user-side) as well as industry and international organizations. Participating countries will be the EU Member States, the Candidate countries, the EFTA countries, as well as some key countries outside Europe.

*From **Content-Wire**, by Arthur Graaff, 28 August 2001*

HOUSING CORP. OFFERS PROGRAM FOR LOW-INCOME FAMILIES

The Kentucky Housing Corp. is offering a new program to assist low-income families in buying their first home. The new set-aside by the state's housing finance agency furnishes funds for closing costs and down payments for eligible two-parent families who receive a first mortgage from the agency, according to a news release. The housing corporation already offers similar assistance programs to single-parent families, but this is the first time it will be offered to families with a mother, father and children living together, the release said. Qualified applicants will receive as much as $20,000 of funds needed to qualify for a loan through the Kentucky Housing Corp. Applicants must have a household income below $29,260 for three-person homes or $35,300 for larger families. For information on the program, call (502) 564-7630, Ext. 291.

*From **Business First of Louisville**, 1 August 2001*

COUNTY ACQUIRES UP-TO-DATE RECORD KEEPING TECHNOLOGY

It bothered Miller County Deputy K-9 Officer Charles Lemley that the sheriff's department lacked the kind of modern technology and computer support that many other law enforcement agencies have. Lemley approached Sheriff H.L. Phillips about obtaining more contemporary criminal information and crime-fighting tools almost two years ago, but was told the money wasn't available in the budget. It's still not. But Lemley didn't give up his quest and the sheriff eventually found funds from proceeds of the inmate telephone system. "This system did not cost the taxpayers a penny," Phillips said. "We have been needing to modernize for some time now. It will make us a lot more efficient department." For Lemley, getting the computer system is about improved law enforcement operations, but it's also about pride. "We hope that one of the things we'll accomplish with this is better recordkeeping," he said. "The sheriff's department has had a reputation in the past of not being professional and not doing better recordkeeping. It is embarrassing when another agency calls you and says, "You arrested John Doe last year. What happened to him?' For us to find that information out right now it would take two to three people an hour or two to find it, because it's in the archive, all handwritten, and go through all the arrest reports to find that information." From here on out that shouldn't be a problem. The Computers on Patrol System, or COPS, went online Wednesday morning. The system will preserve color mug shots, arrest reports, offense reports, civil papers, warrants, dispatch and radio logs, photographs and written evidence and will produce statistical information. In two to three months the system will provide instant access to the new data and that which is currently archived or otherwise difficult to obtain. Lemley said the new system will save the county in areas such as paper and film use. But the biggest savings will be in time and manpower in maintaining and retrieving criminal information. Lemley, who worked as a manager of a computer store before donning a deputy's uniform, installed all the hardware and software for COPS and conducted the initial training for all of the department's employees. Many were anxious about being brought into the computer age, but Lemley said they all support the system. "There have been some real nail-biting times. Some of them didn't even know what a mouse was. They were looking for a rodent on the floor. If the training had been done by the company we bought the system from it would have cost us up to $500 a day. It took two weeks to train all our deputies. They all see the benefit of it in the near future. Once everyone got to sit down and play with it, they loved it." Lemley's enthusiasm for the project is evident as he reels off the advantages of the new information system. He sees this project as a perfect example of county departments doing their share to alleviate the current budget crunch. "We want to be professional. We've got an image to fix with the current budget and jail problems we've had," he said. "We want to be able to walk around and hold our heads high. Now we can provide the Quorum Court and others with the information they need."

*From **Texarkana Gazette**, by ANTHONY DAVIS, 2 August 2001*

MANULIFE FINANCIAL BRINGS ENHANCED TECHNOLOGY TO ITS 401-K- PARTICIPANTS

Manulife Financial, the number one seller of 401(k) plans in 2000, today announced new online tools for its pension clients. Now participants in Manulife Financial's 401(k) plans will be able to download transaction information for each statement period after June 2001 from the Manulife Web site to their Intuit Quicken(R) or Microsoft(R) Money personal financial software. These enhancements are part of Manulife's ongoing effort to offer its pension clients the most effective technology available to better manage their finances and plan for the future. "Manulife is committed to using technology to make it easy for our participants to take control of their retirement planning. Enabling participants to download their 401(k) information to these personal financial software packages, is another step in this process," said Kendall Kay, Chief Strategy Officer of Manulife Financial's U.S. Group Pensions Division. Participants viewing detailed statements on the Manulife Web site can download their transaction activity information to Intuit Quicken(R) or Microsoft(R) Money personal finance software, 2000/2001 versions. All detailed statements will now include a link to download information for that statement period. Users viewing their summary statement will be notified that they can access a detailed statement for $1 per statement period by calling 1-800-395-1113. "By listening to our customers and meeting their needs in terms of investments, communication and customer service, the small business market has responded and made Manulife its number one 401 (k) choice," Mr. Kay added. About Manulife Financial - Manulife Financial is committed to offering the highest quality pension, life insurance, annuity, and college savings products to our U.S. clients. Its family of products has been built around a powerful combination of investment options chosen with the goal of providing risk-adjusted returns and broad diversification across asset classes, investment styles, and asset managers. With its broad product lines, competitive underwriting, excellent ratings, and quality customer service, Manulife is committed to providing quality products designed to help create and preserve wealth for our clients. Group annuity contracts are issued by The Manufacturers Life Insurance Company (U.S.A.). Product features and availability may differ by state. In New York, products are issued by The Manufacturers Life Insurance Company of New York (Manulife New York.) Manulife Financial is a leading Canadian-based financial services company operating in 15 countries and territories worldwide. Through its extensive network of employees, agents and distribution partners, Manulife Financial offers clients a diverse range of financial protection products and wealth management services. Funds under management by Manulife Financial (Manulife Financial Corporation and its affiliated companies) were U.S. $92.8 billion (Cdn$140.9 billion) as at June 30, 2001. Manulife Financial Corporation trades as `MFC' on the TSE, NYSE and PSE, and under `945' on the SEHK. Manulife Financial can be found on the Internet at www.manulife.com. Manulife Financial and the block design are registered service marks of The Manufacturers Life Insurance Company and are used by it and its affiliates including Manulife Financial Corporation.

*From **Insurance News Net**, 2 August 2001*

INDIANA ON COURSE TO MODERNIZE VOTING EQUIPMENT

Based on the recommendations made this week by a national commission on election reform, Indiana appears to be moving in the right direction in revamping statewide voting systems and procedures, Secretary of State Sue Anne Gilroy said Wednesday. Gilroy, who chairs the state's Bipartisan Task Force on Election Integrity, said several measures suggested by the National Commission on Federal Election Reform already have been enacted in Indiana or are under consideration. Earlier this year a law was enacted providing $5 million to create a statewide computerized voter file and another $4 million to help counties modernize their voting equipment, some of which still consists of decades-old lever machines and controversial punch-card technology. Those two measures already are being put into place, Gilroy said, and the task force is mulling over other reform proposals, including extending voting hours, improving absentee voting procedures and establishing an Election Day holiday. Gilroy, however, seemed reluctant to support the holiday proposal, saying that such a move might pose too much of an economic burden on businesses by forcing them to close for an extra day each year. At the same time, she added, "I'm heartened that we are a dramatic part of the national debate and discussion moving forward, and I believe our voters will see some reform by the next presidential election" in 2004. Gilroy, a Republican, and Gov. Frank O'Bannon, a Democrat, announced formation of the statewide task force late last year in the wake of the presidential election fiasco in Florida. The panel has been working since January to devise reform initiatives aimed at preventing similar election-related problems here. The commission's report "confirmed to me that Indiana is on the right path to innovation and technology when it comes to running our elections," she said. "What's helpful here is that (the report) provides use with a gauge with which to take our election reform temperature. When we do that, it looks as if we're doing very well." On Tuesday, the commission, which was headed by former presidents Gerald Ford and Jimmy Carter, recommended several reform initiatives, which included making Election Day a national holiday, establishing uniform standards for counting ballots and requiring Congress to provide as much as $2 billion in matching funds to the states to help update election equipment and procedures. To qualify for the money, states would have to allow voters to correct ballot errors and make voting more accessible to the disabled. The states also would have to permit voters to cast ballots, even if their registration is in question, setting aside those "provisional" ballots until after the election. The commission also recommended that states establish electronic voter registration systems as a way of ensuring more accurate voter rolls. The statewide task force is expected to have final election reform proposals ready for the governor and lawmakers by late October or early November. Terry Burns can be reached at tburns@howpubs.com or (317) 637-9078.

*From **Munster Times**, by Terry Burns, 2 August 2001*

SIEBEL TARGETS E-GOVERNMENT

Today the CRM giant rebranded its ePublic Sector Group to Siebel eGovernment and made three key personnel appointments to invigorate the division. New to Siebel's Board of Directors is Marc F. Racicot, former Governor and Attorney General of the State of Montana, and current lawyer in the field of government relations and public policy resolution. Siebel's two new executives are Michael C. Maibach and James F. McGuirk, II. Maibach, designated SVP of Government Affairs, will handle Siebel's worldwide public policy strategy out of a new Washington D.C. office. Maibach was formerly VP of Government Affairs for Intel. He has also been on the Illinois State Senate staff, the National Advisory Committee on Semiconductors, and the Commission on Industrial Competitiveness. Maibach ran for Congress in 1992. James F. McGuirk, II was named VP of Federal Sales. He is a 30-year veteran of Unisys, where he was GM of North America Sales and Services. Siebel already has a number of clients in the public sector. State customers include California, Kentucky, Virginia, Michigan, and Florida. Other customers include the U.S. Army, Census Bureau, Department of Defense, Department of Education, FAA, INS, and the Postal Service. Siebel Chairman and CEO Thomas Siebel said that his company is "increasingly well-positioned to meet the complex and growing needs of this important and rapidly growing market segment."

From Line56.com, 2 August 2001

SECRETARY OF STATE LAUNCHES NEW WEB SERVICE FOR BUSINESS INFO

Helena - Secretary of State Bob Brown on Thursday unveiled an online "business entity search," a first step in his plan to make many of his office's services available through the state's Web site. The business entity search allows anyone to look up a business name to determine if a business under that name even exists, where it is, what kind of business it is and other information such as addresses and incorporation dates. People can also instantly order and print some business documents through the Web site, something they would previously have to do either in person or through the mail. "This service will be invaluable for lenders, attorneys, business owners, budding entrepreneurs and just plain folks," he said in a press release. Of the more than 6,000 requests for information Brown's office receives every month, more than 1,000 are requests for information that will now be available through the business entity search, Brown said. Responses could take up to 10 days but would be instantaneous through the new search program. Those using the portal will be charged a $2 fee on top of what they would pay to order documents using the former system. The search is free.

*From **Missoulian**, 3 August 2001*

STATE SEEKS TIPS ON WEB SITE – CHILI MEETING WILL CALL ON PUBLIC FOR ADVICE ON WHAT ONLINE SERVICES TO OFFER

Soon, ordering vehicle registrations and license plates over the Internet won't be the only New York state services you can get online. But state officials still need help in finding out what other services can be offered electronically, such as selling state goods online. Representatives from the state Office for Technology are holding 11 meetings statewide to ask local government officials how they and their customers can benefit from being plugged into the state's evolving services offered over the Internet. A meeting in the Rochester area will be in Chili on Thursday. "We're looking to find out where does it make sense to do it, and where does it makes economic sense to put some information online," said Thomas Duffy, spokesman for the Office for Technology. Gov. George Pataki in June instituted an e-commerce, e-government initiative that involves developing a plan for state services to be offered electronically -- and for local government services to be connected with the state, as well. Although most state offices have their own Web sites, many do not offer services online yet. However, vehicle registrations can be renewed online with the state Department of Motor Vehicles and state Thruway EZPasses also can be purchased. State officials are looking for more ideas. "E-government will continue now to forever, it's not something in a year where we'll be done," Duffy said. "We're trying to bring government to the people on their terms." The Chili meeting will take place from 10 a.m. to noon Thursday at Chili Town Hall, 3333 Chili Ave.

*From **Democrat and Chronicle**, By Lauren Stanforth, 3 August 2001*

IBM TO HELP CONSTRUCT A NEW-GENERATION INTERNET

IBM joined a global computer grid yesterday to construct a new-generation internet which will immensely surpass the internet in power and user friendliness. The incentive to build the grid, so far, has mainly come from state-funded scientists looking to work together on genomics and high-energy physics projects which would involve huge quantities of data that would saturate the existing internet. Recently, the British government committed £55m (E89.3m) to eight universities in order to create a national grid. IBM hopes to acquire the grid, which it has stated to be the next critical step "in the evolution of the internet". IBM has been selected to construct a grid connecting five Dutch universities as well as setting up Britain's first regional national grid centre. Though the concept was born in the US, European governments are beginning to substantially invest in this future technology.

*From **Europemedia.net**, 03 August 2001*

CITRIX - THE HEART OF 21st CENTURY INFORMATION TECHNOLOGY

Since this magazine began almost three years ago, no article has excited as much interest as the one we ran this time last year about Citrix. This had a lot to do with its timing. A couple of days before their London iForum 2000 opened, the company issued its first profits warning, and founder Ed (Entrepreneur of the Year 1998) Iacobucci was unable to leave the company's Fort Lauderdale headquarters to speak at the conference. Nor did he address, as scheduled, the CEO Summit which the Wall Street Journal held in London around the same time. The bad news had just begun. With indecent haste, piqued analysts and investors savaged Citrix's stock price and demanded, and got, Iacobucci's resignation. What happened last year marked the beginning of the end of the love affair between finance and technology. What started as mutual desire has now become mutual recrimination. A negative subtext has passed into the reporting of technology issues. It seeks to blame the technology companies for the bad investment decisions of financial institutions by suggesting that Wall Street and City bankers were overwhelmed by the complexity and constant pace of innovation, or were conned. Charles V. Payne, CEO of Wall Street Strategies, in a January 4th 2001 article for The Internet Analyst, an online magazine for independent investors, put it well. "Ironically a decidedly non-tech Wall Street had the chore of assigning value to a never-ending stream of hype. The biggest problem for tech and the underlying equities is that innovation is coming too fast." By February 22nd he was well into his stride. Referring to Nortel's earnings warning he suggested that "The damage from the warning also goes to the heart of another matter: the rapidly deteriorating credibility of tech CEOs who just can't get it right". To reinforce this perception, the financial sector made sure that almost every technology company that missed its quarterly forecast received an obligatory class action law suit. In the US, at least, this transparent attempt to divert attention from their own responsibilities has backfired. The investment banks now face a real investigation into their own IPO behaviour and its attendant profiteering and corruption. Journalists, however reported it all at face value. Their complicity began with the assumption that as technology writers they had to take the viewpoint of the investor. From that perspective, there was no difference between an important and profitable software company like Citrix and some upstart dot com with a media group behind it. Influencing the share price became the reason for writing about a technology company. Instead of doing their job, enlightening readers as to how new technology could help its users to achieve their business goals, journalists and sell-side analysts got used to seeing their simplistic writing about technology companies move stock prices. It made them feel powerful. So having totally adopted the investor's point of view, many of them probably did feel as aggrieved as Charles V. Payne. Only those who focused on the benefits of technology to the end user could distinguish real technological innovation companies like Citrix from the dross of most dot coms, and the defensive plays of incumbent telcos. That the financial sector failed to do this, choosing instead to just welcome a mountain of cash from naïve investors and create the IPO vehicles to soak it up is wholly their own responsibility. Getting their message across has been Citrix's constant problem. Until the collapse in TMT stock prices it didn't seem to matter that the technology press and analysts had only a superficial understanding of what the company did. Unfortunately it did matter. Both John Glendenning, Director, iBusiness EMEA, and John-Marc Clark, Director, WW Market Research & Analyst Relations alluded in their presentations to frustration in this area. Having spent the last year patiently educating writers and analysts who have tracked the company and its products for years, they are in many cases still waiting for enlightenment to dawn. Meanwhile the Citrix user community continues to grow, to more than 100,000 worldwide, amongst which are found 90% of the Fortune 500 and over half the FT 500. The iForum is primarily an opportunity for Citrix to assure its users that it is consistently developing and improving its product range, and for the users to show Citrix, and each other, some of the amazing things which the they have achieved in the Metaframe environment. I Forum is billed as "a knowledge exchange of technology innovations". Users speak for themselves about the straightforward implementations, minimal support requirements, and staggering cost savings that server-based solutions deliver. Most attendees are IT managers in SME and Corporate environments. The lively Q & A with their peers, who are , remember, technicians, maybe speaking in public for the first time, shows real excitement in sharing knowledge. Most IT managers are content to suffer the increasing complexity of the systems they support, because it makes them indispensable. They find themselves harassed beyond belief, and sceptical of any "solution" that would reduce the size of their internal empire and their budget for maintaining the systems. By contrast, those who accept the logic of a server based computing environment take pride in the savings they have delivered to their company and the reduction in support staff. These are not "inside men" for the product vendors, they are corporate solution providers. Quite often it is the move to a Metaframe environment that lets technicians become true managers for the first time, rather than firefighters constantly dealing with support issues. Let's just be clear what Citrix products actually do, since this company is world dominant in server-based computing in the way Microsoft is in operating systems. Metaframe allows currently used software to be run on centralised and centrally managed servers. No costly rewrites. Thin client technology extends the life of existing terminals by making them dumb. Since the user interface is on the central server, the disparate operating systems of various client machines do need not be standardised. Thus no need for hardware expense, and less to go wrong since applications are no longer run locally. Support costs are also reduced. Nfuse, Citrix's portal software allows fast publishing of applications to a customisable browser. Again, because the user interface is on the server, then rich applications can be accessed on any device. The ICA client architecture requires such little bandwidth that even mobile phone access at slow data speeds can deliver acceptable results. Let's put all this another way. "In its first year", says Peter Scott, Customer Service Director at One 2 One, "Metaframe saved us at least £12 million in IT infrastructure costs. But that's a small fraction of the overall savings and business benefits that flow from the Citrix server-based architecture." Still not getting it? Well try this from Bernhard Goovaerts, IT Technical Manager, Rubbermaid Europe (Part of Newell Rubbermaid Inc, a $6.4 billion turnover company). "Rubbermaid has saved more than $200,000 in IT infrastructure costs thanks to our Metaframe computing solution. Our IT administration cost savings have been substantial too - instead of installing and upgrading applications on thousands of desktops, we now only have to do it on 18 servers. We also used to have numerous external consultants supporting our IT infrastructure, but now the company runs its entire European operations with just one local IT administrator per site, plus myself in the Belgium HQ. This has resulted in savings worth more than $300,000 per year." At the iForum, everyone already knows that this order of savings can be achieved. Outside, though, it begins to look as if vested interests are preventing the message "this stuff pays for itself fast" from reaching those M.Ds, F.Ds, CEOs, and CFOs who desperately need to hear it. That is why the failure of Iacobucci to speak at the Wall Street Journal CEO Summit last year was not just a tragedy for Citrix. The value of server-based computing is obvious even to non-technical people, if they ever get to hear about it. One of the greatest benefits of Citrix has not yet been widely recognised. When a public company is merged or acquired there is always a figure quoted for post-acquisition integration costs. A whole slew of IT consultants and systems integrators feed very well on this kind of business. Up to now, what with fees to investment banking advisers, fees for due diligence from accountants, lawyers fees and IT integration costs, the value to shareholders of a takeover usually disappears pretty fast. Most surveys conclude that mergers & acquisitions are rarely driven by industrial logic and synergy. Citrix now have a chance to show how it should be done. Their own $184.6 million acquisition of Sequoia Software Corporation, a leading provider of XML-based portal software was completed on May 1st 2001. Business logic was certainly the driver, and if Citrix can't keep integration costs to a minimum who can? President Mark Templeton said of the acquisition "Our customers asked us to extend the capabilities of Citrix NFuse application portal and MetaFrame, our application serving software, to include Web content, Web applications and Web services. We now have a robust suite of XML-based products and technologies to be able to give our customers exactly what they've asked for - the ability to easily use any device to find and get connected to any information from anywhere." There is another dimension to the Sequoia purchase that is less well known. Like Citrix, the company has a high proportion of software engineers and developers. Traver Gruen-Kennedy, Citrix Chief Strategist and Vice President, Strategy, but perhaps better described as the conscience of the company, told WebComms.Com that when Ed Iacobucci was forced to resign, the feeling among the staff was akin to mourning. Kind of like the day the music died. Gruen-Kennedy and others chose to stay and continue with Iacobucci's vision. Now, with a new team arriving from Sequoia, sitting shiva has come to an end, and life must go on. Sequoia brings a renewed spirit to the company. We wrote last year about the difficulties Citrix were having in closing large account customers by themselves. They decided to abandon this path in favour of partnering with global consultancy and integration companies, thereby cutting their margins. For what it's worth, we disagreed with this strategy for two reasons. Firstly, they had not given their own effort long enough and seemed to be under external pressure to conform. This was a bad precedent. Secondly, those partner companies were often themselves part of the conspiracy against the user that large IT projects had become. Survey after survey described catastrophes, cost overruns, and huge fees. No wonder corporate decision makers were taking longer to decide. When a genuinely transformational solution presents itself, it ought to come from people untainted with the super-salesman ways of the global consultancies. We were wrong. Citrix is a broad church, and by not antagonising those who could have swayed corporate users against them, the company got both sales and time. The time was to develop the skills and capabilities of their secret weapon, their channel organisation. The iForum is a microcosm of the real environment. IT managers rub shoulders with Application Service Providers , consultants and Citrix staff. People with the same technical knowledge about server-based computing and Citrix solutions value it differently. They exhibit characteristics, varying from the short-term sales approach to the long-term partner attitude, based on their own background. So a corporate customer who is guided towards a Citrix solution by IBM will be expected to pay also for the reassurance their role is supposed to provide. An ASP solution for the same corporate user will not be priced the same way. There are more pricing models in the ASP space than there are ASPs but they all involve a margin of profit for the service provider on a recurring basis. A solution provided by one of Citrix's Solution Provider partners working with a committed IT manager in his own company is now emerging as the most exciting way forward. By justifying itself as an investment that can make huge improvements to the bottom line, the skills developed during implementation and ongoing management of the server farm environment become part of the intellectual capital of the end user company. This should not be underestimated. In a sense, an ASP solution is simply selling Citrix's capabilities to those who have not examined them. For example, two years ago, ASPs such as Netstore and Esoft Global were charging ISVs £10,000 up front as "proof of concept" fees. In other words getting paid to learn how to Citrix-enable software. No ASP now charges for this because they need more applications to stand a chance of finding customers. The problem is that potential customers have their own IT managers. How does an ASP sell the concept without the IT manager realising that he could be talking to Citrix or one of their Solution Provider partners directly. Could this be why so many ASPs try to bypass the IT manager in their sales efforts, writing him off as likely to be a negative influence? By fully outsourcing to an ASP, a large corporate forgoes for ever the possibilities which derive from learning the skills of managing a server-based computing environment. An acquisitive corporation may not mind outsourcing its own IT to an ASP, but it could start to resent giving away the IT integration work on its takeover targets simply because it no longer has the in-house capability to run a Metaframe environment. These themes have been playing themselves out for a while now. Those ASPs which target professional sectors such as law and accountancy may be well placed. These sectors are unlikely to have skilled IT managers and probably have some dependence on outside help already. However the ASPs still have to be flexible enough to offer an unbranded wholesale service, priced to stop a prospect doing it themselves. They will never be able to compete, however, with an entrepreneurial IT manager running a Citrix environment in-house, solely for the benefit of his company. He knows the marginal cost of integrating users into the system, whether they are takeover targets or partner companies. What emerges from the above musings is that ASPs define themselves too narrowly as offering business, and particularly office, applications to companies. The server-based computing environment embraces businesses like Bloomberg, which streams TV and financial information to rented desktop terminals. It should also cover consumer applications like ringtones and logos, stored on IP databases and accessible from, and deliverable to mobile phones via SMS. The essence of these services is the centralised hosting of content on a web server, and interfaces that permit access from multiple platforms and devices. Hosting content and allowing dial-in access by customers of third party service providers could be just the thing to fill up an ASP's empty data centre. So will this be the year Citrix are recognised for their dogged adherence to Iacobucci's vision of any information, accessible on any device, over any network? Well, the current anti-technology, anti-progress, climate has to be checked. One way to do this is for writers to report the user experiences and cost savings of those adopting Citrix solutions, instead of the shenanigans in the secondary market for Citrix stock. Over the next year we intend to do this, but we want to find the users ourselves, not just rehash press releases. So if you are an IT manager looking to implement Metaframe let us know. At WebComms.Com we know that some of our subscribers are day traders, looking for market moving information. We don't have any, though you're welcome to stay. What we do know is that behind the ASP phenomenon was Citrix technology, just as it underpins the IT architecture of some of the world's biggest corporations, and some of the smallest too. The bottom line benefits of server-based computing are so compelling that every IT professional must seriously examine it now, and bring their ideas to board attention, unless they want their loyalty questioned by a boss who hears about it from somewhere else.

*From **WebComms.Com**, 6 August 2001*

TECHNICAL REALITY OF ELECTION REFORM HITS HARD

As Florida prepares to enact its sweeping update of voting systems, companies circle in for the hard sell. If the 36 days that followed Florida's famously broken election seemed stressful, consider the aftermath: a tedious repair effort that threatens to linger long past the Nov. 7 anniversary. From the Suwannee River to Biscayne Bay, officials in 41 Florida counties are spending their summer pondering an election supply market that teems with sleek new machines and eager sales people. Eight companies big and small, each with its own fix for Florida's election woes, have applied to the Division of Elections to have their systems approved for sale in the state. Six of them have hired lobbyists to mind their interests in Tallahassee, a telling measure of their political sophistication and their desire to capture Florida's newest market. To prepare themselves, some companies are beefing up manufacturing capacity by teaming with much larger partners, including Dell Computer Corp. and Diebold Inc. When the Legislature passed the nation's most sweeping election reform bill in May, it was only the beginning. Now comes the weighty task of replacing the aging equipment that could not resolve the statistical tie between George W. Bush and Al Gore. If "chad" was the word of the moment last fall, thousands of Floridians are being introduced this summer to a slew of new terms as they sample voting equipment at demonstrations around the state. Terms like "touch screen" and "optical scan," and product names like AccuVote, iVotronic, eSlate, AVC Edge and the Patriot. "It's just like going to buy a new car," said Kay Clem, the elections supervisor in Indian River County. Clem has tried to question sales people closely but has struggled to make meaningful comparisons. Having narrowed the field to two computerized touch screen companies, she has resorted to the low-tech approach of listing the pros and cons on a yellow legal pad. "It's been very difficult to try to get down to the root," said Clem who, under the state's extensively rewritten election law, must replace her old punch-card system before the September 2002 primary. "When you buy a new system once every generation," she said, "the competition's hot." With systems that cost millions and can last 15 years or more, the pressure is on for supervisors to buy one that works well. The anxiety was clear last week when the Hillsborough County Commission voted 5-2 to seek bids for a touch-screen system. Some commissioners fretted about the cost, about whether the new machines could be vulnerable to hackers, and about whether they would be obsolete in just a few years. Many supervisors note that the world will be watching when Florida conducts its next major election in November 2002. "This is probably going to be the biggest decision I've had to make in the election industry," said Lee County Supervisor of Elections Philinda A. Young, who has worked in the office for 26 years. "It's an awesome responsibility." But the pressure also is on the companies, some of which have fallen on difficult times since the election. Sales are down 90 percent in the past six months at Sequoia Pacific Voting Systems Inc., an Oakland, Calif., company whose AVC Edge touch screen is emerging as a favorite among Florida supervisors who are considering the new technology. At Global Election Systems Inc., based near Dallas, company officials reported $4-million in losses for the first quarter of 2001, a problem that brought layoffs and pay cuts. Both companies attribute the down cycle to "near gridlock" in the elections industry as state and local governments pause to sort through the implications of the 2000 election before buying new voting equipment. Indeed, while Florida and a few other states pressed ahead with serious election reform recently, most states appointed commissions to study the situation first. Meanwhile, many counties are waiting to see if the federal government will chip in for election equipment. When the spigot finally turns on again, Global estimates that U.S. election officials will spend $1.5-billion on equipment over the next three years. Florida's supervisors report that the competition has seemed relatively tame, but the companies are leaving no doubt they want the business. At the supervisors' summer convention at Saddlebrook Resort in June, one speaker related a tip that the best way to find out about a company's faults was to ask a competitor. "They're all trying very hard," said Karen Krauss, elections supervisor in Sumter County, where commissioners have decided to go with touch screens. Most companies also realize that Florida will be a major testing ground that will affect buying decisions in states such as Georgia, California, Maryland and even New York, all of which will replace aging equipment in the next few years. Florida supervisors, meanwhile, are wary about companies that promise too much as the competition heats up. In addition to new equipment, they want a company that can comfortably train poll workers and be present during elections to handle glitches. The eight companies competing in Florida have markedly differing views on this subject. Take, for example, Unilect Corp. of California and MicroVote General Corp. of Indiana. Both have fewer than 30 employees, both are privately held and both generally compete in smaller to mid-size counties. But their hopes for the Florida election market could not be more different. Unilect founder Jack Gerbel says his company could install Patriot touch-screen systems in every Florida county by 2002, and also provide service after the sale. He added, "We can literally take care of just about the whole country by 2004." Gerbel, an industry veteran who helped install Chicago's punch-card voting system, said training new employees would be relatively easy if his company got the business. The manufacturing could be done by any number of companies in the San Francisco Bay area and beyond, he said. "We are growing exponentially in resources, people and financing," Gerbel said. "We were fine before. But now, since last November, the whole world is changing and we are rising to the occasion." In contrast, MicroVote founder Jim Ries Sr. said no single elections company, large or small, could supply voting systems to even the five largest Florida counties in time for the September 2002 primary. His Infinity Voting Panel offers an electronic ballot that uses buttons rather than a touch screen. MicroVote is pushing its product in only eight or nine counties with 500,000 or fewer voters, Ries said. "We feel there's plenty of market for all of us. We don't want to take on something that's not in our league." Among the larger companies, Sequoia Pacific Voting Systems says it would take on no more than 15 Florida counties. Sequoia chief executive Peter Cosgrove has been outspoken in his view that the election industry not overcommit itself in the state. But rival Global Election Systems says it could handle the entire state with the help of Diebold Inc., the Ohio-based ATM manufacturer that has signed a letter of intent to buy Global. Larry Ensminger, a Global executive, noted it was a Diebold subsidiary that supplied Brazil with the 186,000 electronic voting machines used in that country's election last October. A staggering 109-million people voted with an error rate of 0.03 percent. The results were available in six hours and Diebold supplied 9,000 workers to support the election, said Ernesto Unanue, a Diebold vice president in Tampa. "If you take those numbers," Ensminger said, "doing the whole state of Florida doesn't seem that remote." Of course, the whole state is not up for grabs. Under the new law, 41 of Florida's 67 counties must buy new voting equipment this year that gives voters the chance to correct their ballots at the precinct. No county may buy a new system until the state certifies it, and certification is not expected until this fall, leaving little time for supervisors to take delivery and train poll workers and voters before September 2002. Most counties are considering optical-scan systems that require voters to fill out a paper ballot. But 11 mostly larger counties are seriously considering the more expensive computerized touch-screen systems that operate much like ATMs, and those counties contain more than half the state's registered voters. The decision has sparked lively debate in many counties. In Broward recently, the County Commission voted for an optical-scan system, citing the lower cost, but Supervisor of Elections Miriam Oliphant continues to fight for a touch-screen system. Last month in Miami-Dade County, elections supervisor David Leahy persuaded the commission to pay for a touch-screen system. Now, as he solicits bids, he'll be looking for a company that has the capacity to deliver on its promises. "I don't think any company that contracted with us could have us fail -- we're a plum," said Leahy, who expects to have 1-million voters by the next election. "If we fall on our face, that company might as well just close its doors."

*From **St. Petersburg Times**, by Thomas C. Tobin, 6 August 2001*

IS THERE A FUTURE FOR SOFTWARE AS A SERVICE?

What factors affect the adoption of software as a service for core business applications, such as accounting, human resources and payroll? What is the long-term outlook for this software deployment model? Software as a service - renting hosted business applications to customers, usually via the Internet - once appeared to be on the verge of becoming a common method for deploying software. Recently, amid the IT and economic slump, support for software as a service has lost momentum and questions remain regarding the viability of this software deployment model. Software as a service will probably eventually re-emerge in a more refined form that will be successful for certain applications and customer types. However widespread adoption of this model will not materialise for at least three years. One of the issues discouraging adoption of hosted applications in general has been the crumbling viability of application service providers (ASPs). However, for common business applications, such as accounting, expenses and HR/payroll, much of the rental activity has not involved third-party ASPs (at least not directly), since many software vendors provide the hosted service directly to the customer. Established vendors, such as Oracle and PeopleSoft, offer their own applications as a hosted service through their ASPs. Specialist Internet application providers, such as NetLedger and Employease, offer software as a rental service only, delivered using a multi-tenant application model. The business viability of many of these smaller Internet application providers continues to be an issue. Beyond vendor viability, the issues limiting adoption of rental applications include solution flexibility, control of sensitive data and cost-effectiveness. Larger companies tend to have more complex requirements, making them less suitable candidates for hosted software solutions. Not surprisingly, most of the adoption has occurred in the small to mid-market, where solution flexibility is less of an issue. Companies may also be concerned about data confidentiality in the context of maintaining sensitive financial and personnel records off-site via Internet applications. This is perhaps more of a perceived than an actual risk, but a potential issue nonetheless. Finally, the cost-effectiveness of hosted rental applications versus on-site installations of licensed applications has not been convincing. In many cases, the arrangement has offered no savings or even proved more expensive. The specialist Internet application providers offer a potentially more promising cost structure, where software and infrastructure costs are spread across multiple customers using the multi-tenant model. Some change has occurred in certain application areas. Concur Technologies, an expense management software vendor, has seen a rapid increase in customer adoption of its ASP offering to the point that hosted customers now account for more than half of its customer base of 800 companies. Employease has approximately 1,300 customers (small to medium-sized companies) renting its human resources application. In general, however, many specialist rental software providers are struggling for survival and some, such as small-business accounting vendor eLedger, have folded. Whereas eLedger was unable to obtain funding to stay in business, NetLedger was recently propped up by Oracle's $30m (£20.7m) cash infusion and rebranding as an Oracle Small Business. Traditional licensed software providers are also experiencing soft demand for hosted solutions. The future promise of software as a service was a major factor in Microsoft's acquisition of Great Plains. However, the company is sticking with a traditional licensed, on-site software delivery model for existing products and its new offering, Small Business Manager. Microsoft Great Plains indicated to Giga that the software as a service model is not a priority for it right now, but the company is redesigning its applications for Internet deployment via .Net and still believes that this model will be viable eventually. Oracle's E-Business Suite Online hosted offering has approximately 125 customers currently, but it has experienced slower growth than expected, despite aggressive promotional efforts. Similarly, PeopleSoft's eCenter hosting business has also been slow. Although the software as a service delivery model for common business applications has not lived up to expectations, it still holds promise for the future. The potential is stronger in the small to mid-market sector, where flexibility is less of an issue and internal IT resources are limited. The benefits of quicker software deployment, lower up-front costs and outsourced maintenance and support appeal to many companies. Solutions that were designed for Internet deployment and multi-tenant hosting are more likely to be cost-effective and solution flexibility and functionality will probably improve. As the general application software market and economy as a whole recovers and rental solutions mature, software as a service will regain its lost momentum, reaching mainstream levels of adoption in three to five years. Clients should consider the software as a service model if both the solution and deployment model meet their specific needs and if vendor viability is a manageable and acceptable risk for them.

*From **CW360.com**, by Paul Hamerman, 31 August 2001*

HAWAII MOST IMPROVED IN E-GOVERNMENT SURVEY

Hawaii is the most improved state in the union in the arena of putting government functions and information online, says the Center for Digital Government. The nonprofit group's fourth annual Digital State Survey measured e-commerce and regulation, in which Hawaii's ranking soared from 49th place to 15th, and tax/revenue, where Hawaii rose from 47th to 23rd. "I love watching a state like Hawaii that goes from a poor score to respectable scores like these," says the organization's executive director Cathilea Robinett. Gov. Ben Cayetano last year issued an executive order directing that all primary state government services be available online by July of next year. The governor told Pacific Business News the project would be farther along but a $25 million fund to add more sources was cancelled by the legislature to pay for teacher raises. Most services are routed through http://www.ehawaiigov.org, a portal that is run by a local subsidiary of National Information Consortium. In Hawaii and more than a dozen other states, NIC is setting up egovernment functions for free in return for getting a dollar or two from state fees paid online. The Hawaii operation is not yet profitable but NIC says it will be.

*From **Pacific Business News**, 24 August 2001*

NONPROFITS MUST URGE POSTAL REFORM

New York - "Do you get nonprofit rates on your telephone?" Jerry Cerasale, senior vice president at the Direct Marketing Association, asked yesterday at a government affairs session at the DMA's Nonprofit Federation 2001 Nonprofit Conference. Cerasale posed the question to drive home the importance of fundraisers getting involved in postal-reform issues, though he doubts reform will happen this year. Still, Cerasale urged nonprofit mailers to contact the DMA to find out how they can help push for it. Mailers also should prepare for another rate increase next year, he said, because the U.S. Postal Service is expected to file for one in October. Another key concern for nonprofits these days is privacy. "There are a lot of bills out there, and a lot more are coming," Cerasale said. "Charities need to be aware of how privacy legislation would impact their organizations." Other issues addressed at the conference held at the New York Hilton and Towers included telemarketing regulations, data collection within schools, sales tax and spam. Though some of these issues may not have affected nonprofits in the past, Cerasale recommended that organizations follow developments in each area, citing telemarketing as an example. Though nonprofits are currently exempt from do-not-call lists, he said, it could prove disastrous if a national list were created. Even if the exemption were upheld, such a list still would cause problems for nonprofits because of consumer confusion, he said.

*From **dmnews.com**, 29 August 2001*

GLOBAL

THE CODE RED WORM THAT HIT THE INTERNET AS GLOBAL CLOCKS ROLL OVER TO AUG. 1 HAS ALREADY COST AN ESTIMATED $1.2 BILLION IN DAMAGE TO NETWORKS, A RESEARCH ORGANIZATION SAID TUESDAY

The cost of cleanup, monitoring and checking systems for the self-propagating worm, which has infected about 395,000 servers, is $740 million, said Michael Erbschloe, vice president of research at Computer Economics, an independent research organization in Carlsbad, Calif. The loss of productivity associated with the worm is estimated at $450 million, Erbschloe said. "Information technology people are not cheap," he said. "A lot of companies have outsourced this and they have to pay sometimes $300 an hour to have people come in and look at their servers." An estimated 6 million servers are still at risk, he said. Microsoft has reported more than 1 million downloads of its patch to plug the hole in its Internet Information Server. The worm affects computers running Windows NT and Windows 2000 operating systems, but not those running Windows 95, 98 or ME. The economic cost of Code Red will not be fully tallied until the worm finishes its cycle, experts said. The worm, which has several known variants, was first recognized in mid-July and is programmed to infect other computers the first 20 days of the month and then lie dormant indefinitely. However, infected computers with incorrect internal time and date settings are likely to keep it going into August, experts said. Erbschloe had estimated the economic impact from last year's Love Bug virus to be $8.7 billion and the economic damage from the Melissa virus in 1999 to be about $1 billion. While some people have questioned his figures, Erbschloe said that Lloyds of London put the estimate for Love Bug at $15 billion. "In my opinion, $8.7 billion is not ludicrous," he said. "Some companies reported 7 million Love Bug messages and 10 days to clean up."

*From **ZDNet**, 1 August 2001*

GLOBAL INTERNET POPULATION UP TO HALF A BILLION

Global home internet access has risen to 459m users across the world, according to new research findings, a rise of 30m in just three months. A new report from internet survey group Nielsen/NetRatings, looking at the internet populations in 30 countries across the world, discovered that net use in Europe, the Middle East and Africa remained static in the last quarter, with 27% of the net population based there. Continental North America saw its share of the internet population drop one per cent to 40%, while Asia and the Pacific's share rose slightly from 20% to 22%. The survey, which now includes Argentina, India, South Africa and Israel this quarter, also found that the biggest Western economies lagged behind other countries when it came to home PC proliferation. "In terms of penetration levels, around 65% of households with telephones in South Korea, Sweden and Australia have PCs at home," said Nielsen/NetRating's Richard Goosey. "It is interesting that a number of well-developed European markets are way behind these levels – Germany with 48%, UK with 46%, Italy with 41% and France with 34%. Because of their relatively large population bases and their high disposable incomes these markets present a great opportunity for PC manufacturers in the consumer market." More than 10.5m UK households have at least one PC, with 26% of the population having more than one computer in the house – the UK leading the way alongside Australia, Taiwan, Denmark and Holland. Out of home internet access, either through work, school, WAP or via internet cafés is also on the rise, according to the survey, with 51% of the internet population in Latin America using the Internet away from home. In stark contrast, just 33% of users in Europe, the Middle East and Africa – and 23% in Asia and the Pacific – use the Internet away from domestic locations. "We see for the first time markets with majority number of surfers who have access and who use the Internet from locations other than home," said Goosey. "Internet use is clearly an activity engaged in outside the home in Argentina and Mexico, as surfers in both those countries are actually more likely to have access and to use the Internet from a location other than home or work."

*From **Netimperative**, by Iain Hepburn, 29 August 2001*

ASIA/PACIFIC

RELIEF HAS COME AT LAST FOR TAX AGENTS WITH THE AUSTRALIAN TAXATION OFFICE INDICATING IT WILL GRANT A TWO-WEEK EXTENSION ON BUSINESS ACTIVITY STATEMENT LODGEMENTS, DUE TO PROBLEMS FOUND IN TAX SOFTWARE SYSTEMS

This year's tax time has been disastrous for some tax agents, with a number of software programs wrought with problems due to the limited time software suppliers had to translate recent Budget promises into systems. The Australian Tax Office (ATO), however, has indicated to tax practitioners that it will grant a two-week extension on tax return lodgements. The BAS lodgement deadline has been pushed back to August 27. The software programs, reported to the ATO as having system problems, are MYOB, Elite, Handitax/Handisoft and Microtax. The ATO says the extension only applies to tax agents using the faulty systems.

From ZDNet, 2 August 2001

CHINA MOVES TO FACILITATE FINANCING FOR SMEs

Lu Shuanghui, chairman of the Shenzhen-based Huida Business Development Co. Ltd., is badly in need of 20 million yuan (some 2.4 million U.S. dollars) in funds to produce a bio-tech instrument, a "marketable product" his company developed. "We have been making applications to several banks for the loan for a couple of months, but have got no money from them," the small high-tech firm executive said Wednesday at the on-going APEC Small and Medium-sized Enterprises Bushiness Forum in Shanghai. Lu's complaint about the ineffective financing was echoed by many of the forum participants who are executives of small and medium-sized enterprises (SMEs) and have had similar experiences to him. A recent sample survey conducted in Shanghai shows that 69 percent of the 1,000 local SMEs surveyed have encountered difficulties in getting bank loans. In Beijing's Zhonguancun, a high-tech center reported to be attractive to financial institutions, as many as 8,000 high-tech SMEs are thirsty for a total of 27 billion yuan in funds, but only 400 of them have received 1.6 billion yuan in bank loans. What is encouraging to Lu is his company has got special financial aid of 1.5 million yuan from the government. "It is a good beginning to our financing effort though the sum is still far from what we want," he said. In fact, ineffective financing for SMEs has aroused concern from the Chinese government. Li Rongrong, minister in charge of China's State Economic and Trade Commission and chair of the current APEC SME ministerial meeting, said related Chinese government departments are considering launching a credit system for SMEs. Some breakthroughs in improving the financial service system for SMEs are expected at a national meeting on financial work to be called soon, he said. The draft SME promotion law, the first of its kind in China, will be submitted to the country's top legislature for consideration this December. If adopted, the law will play a great role in settling the difficulties SMEs have encountered in getting funds for development, Li said. China has so far established 260 credit guarantee institutions for SMEs, which have raised 7.6 billion yuan in guarantee funds by the end of June this year. In 1999, the Chinese government set up a one-billion-yuan special fund to boost SMEs' technological innovation. Despite all these measures, most forum attendants say much remains to be done to improve the services of the less market- oriented state-owned banks, and upgrading the credit rating of SMEs. They called on the government to take comprehensive measures, including energetically fostering small and mid-sized financial institutions serving SMEs, giving more financial support to SMEs, and developing SME credit guarantee funds.

*From **Peoples Daily Online**, 29 August 2001*

EUROPE/CIS

IMF REPORT TO PRAISE – IRISH TAX REFORMS

In a forthcoming report on the Irish economy, the International Monetary Fund will describe the Government's tax reforms as commendable, *The Irish Times* has learned. Its position puts the IMF at odds with European Commission criticisms of the last budget. However, the report, which will not be made public until later this month, is expected to conclude that the Republic's fiscal policy for 2001 should have been neutral rather than expansionary, and it will caution the Government to control spending tightly. The report was compiled by an IMF team which visited Ireland in May and was approved at an IMF board meeting on Wednesday. The IMF outlook for the economy is favourable, but the report is believed to identify risks to achieving a sustainable rate of growth. One of the greatest risks is that the Government will succumb to pressures on spending. Another is that wages in the public sector will exceed levels conducive to continued rapid growth, or that industrial unrest will grow because workers feel they are not getting a fair share of the gains from growth. The report is expected to indicate a belief that national partnership agreements have out lived their usefulness, while warning that pay norms under the *Programme for Prosperity and Fairness* should not be breached and pressure from groups to leapfrog over other pay increases should be resisted. It will suggest that to promote employment, the net effect of tax adjustments and household transfers should be to increase remuneration for wage earners compared with the unemployed. The Government's tax re forms, which the EU Commission criticised as inflationary, are judged by the IMF to be commendable, with scope for further rationalisation. The IMF disagrees with the EU's emphasis on setting precise targets for Exchquer deficits and surpluses, and Irish officials may use the report to make the point to Brussels that it is the EU Commission, not Ireland, that is out of step on fiscal policy. The IMF is expected to recommend a neutral or balanced fiscal stance by the Minister for Finance, Mr McCreevy, this year and next. Another key it sees to a high rate of sustainable growth is the privatisation of utilities and mass transport, and it believes that increasing public resources to health and education should be accompanied by a study of alternative funding, including private sector services.

*From **Irish Times**, by Conor O'Clery, 3 August 2001*

THE AMERICAS

FINANCE CENTER POOR AT COLLECTING DEBTS – WHITEHALL FACILITY CRITICIZED IN NEW FEDERAL REPORT

Washington -- In another sharply critical assessment of the Pentagon finance center in Whitehall, a new government report says the center has been "ineffective" in collecting millions of dollars in taxpayer money owed by defense contractors. The report by the General Accounting Office concludes that the center has not "effectively and proactively" tried to recover overpayments to companies providing weapon systems and other material for the U.S. military. The longer those overpayments remain in the hands of defense companies, the more it costs taxpayers. Money that could be earning interest for the public is instead earning interest for contractors. Although the GAO said many overpayments are quickly returned by contractors, as of last September the Whitehall center had an inventory of nearly 3,000 debts worth $750 million that either had not been resolved or were not yet collected. This week's findings represent the third critical report issued this year -- and the second within a week -- by the GAO of the beleaguered Defense Finance and Accounting Service office in Whitehall. And this year's series echoes similar critiques dating from the mid-1990s. The Whitehall center, one of five Pentagon finance units across the country, has about 2,400 employees and pays more than $70 billion annually to defense contractors. "It's a little unbelievable that these problems persist," said John Tierney, D-Mass., who requested the latest report. "At some point, we're going to have to get a little more aggressive. The Department of Defense is never shy about coming here and looking for additional appropriations. At some point, they ought to look in house before they look for new resources." Tierney said this year's defense- spending bill may have language added requiring the Pentagon to improve its financial management. JoAnn Boutelle, director of Commercial Pay Services at the Whitehall center, said in a statement that the agency has revised its debt-collection procedures and also deployed a "more capable" system in May 2001 to track the status of contractors' debt. The GAO reported in February that defense contractors returned $1.3 billion in overpayments made by the Whitehall center during the past two years. A second GAO report last month charged that the Whitehall center last year made more than $600 million in illegal and improper contract- adjustment payments to defense contractors. The latest report examines the Debt Management Office at the Whitehall center, which collects debts owed to the Pentagon by defense contractors. Pentagon procedures require that once the Whitehall center determines a contractor has been overpaid, it sends out letters demanding the return of the money. If two of those letters do not lead to return of the money, any debt greater than $600 is transferred to the Debt Management Office. When the office determines the debt is valid, it issues a third -- and final -- letter insisting upon return of the money. But the GAO found that the debt office fails to send out the letters in a timely fashion. In an examination of 15 debts, the GAO discovered that not one demand letter was issued within 30 days -- and that one letter took 1,147 days. In addition, the GAO determined that the debt office's records were in such disarray that it was difficult to determine what companies owed the Pentagon. In biting language, the GAO complained that the debt office's files "did not contain required documentation. Copies of checks issued or disbursement records were not in the files and were not included with demand letters. "Without required documentation, the Office could spend time and effort on pursuing debts that are not valid and have difficulty in collecting debt if documents are not available to convince contractors of the debts' validity." The report also charged that the debt office was slow to refer cases of tardy debt collection to the Justice Department for investigation. In a letter to the GAO from Boutelle, the center pledged to adopt a series of reforms suggested by the GAO. Those recommendations include making certain the correct documents are in each debt file and a requirement that the final letter demanding payment be issued no later than 30 days after the debt is transferred to the Whitehall debt office. The report number is GAO-01-686 and is available at http://www.gao.gov on the GAO Web site.

*From **Columbus Dispatch**, by Jack Torry, 2 August 2001*

SOFTWARE WILL SHOW LAWMAKERS TAX IMPACT

Concord – The Legislature is nearing the final stages of securing a $1.3 million software program that would project what any change in the tax structure would raise in state revenue and the resulting impact on the economy. A working group of the Legislative Fiscal Committee came to agreement Monday with officials from Charles River Associates on five sample tax scenarios that the panel will receive Aug. 24. "I don't want people to think this committee is taking any position on any of these scenarios,'' stressed committee Chairman Neal Kurk, R-Weare. "What we are trying to do is test how the system works.'' All five scenarios are based on the existing tax structure in 2000 and the two-year $200 million revenue gap that the Legislature faced at the beginning of the 2001 session. They will include a 10-year forecast for these tax changes: -- Business tax increase law (HB 170): The increase in state taxes on business enterprise, corporate profits and telephone calls that lawmakers came up with to close the revenue gap. This law also lowers the statewide property tax from $6.60 to $5.80 per $1,000 of value in April 2002. Gov. Jeanne Shaheen allowed it to become law without her signature. -- Income tax (HB 759): The 3.3 percent income tax and $4.75 statewide property tax plan introduced by Sen. Clifton Below, D-Lebanon, and Sen. Mark Fernald, D-Sharon, along with Rep. Elizabeth Hager, R-Concord. -- Sales tax (HB 767): The 2.5 percent sales tax and $4.90 statewide property tax contained in the Excel NH plan proposed by Shaheen and supporting lawmakers, including Rep. Jane Clemons, D-Nashua, Rep. Cynthia Dokmo, R-Amherst, and Rep. Peter Leishman, R-Milford. -- Consumption tax (HB 766): A 1 percent tax on goods and services and $4.60 statewide property tax that Rep. Andrew Peterson, R-Peterborough, offered with many exemptions. These included food, clothing, prescription medicine and goods produced here but sold outside the state. -- Statewide property tax increase: Closing the entire gap by raising the existing state tax from $6.60 to $10.15 per $1,000 of property value. This would include exempting anyone who pays 10 percent of personal income for property taxes in support of public schools. The sales, income and consumption tax bills would have lowered existing business taxes. "We would expect to be able to get legislators better information on consequences of their tax proposals,'' Kurk said. Sen. Clifton Below, D-Lebanon, said this should help give lawmakers the technical knowledge to judge competing tax plans. "The value is not only to be predictive but comparative,'' Below said. Charles River executives agreed in mid-September to make a public presentation on the program and then to give lawmakers the capability to figure out what would happen from any tax change in nearly all cities and towns. Kurk's subcommittee recommended increasing the $1.25 million contract by $75,000 to get this town-by-town information. The committee is expected to take up this request Aug. 8. Charles River Vice President W. David Montgomery said the program will answer questions about how tax changes affect jobs and individual business sectors in 232 of the 234 municipalities. "I believe the remaining two communities are very small,'' he said. Two months ago, Shaheen angrily accused Kurk of putting a stall on this package to keep lawmakers from exploring new tax options to close the gap. Shaheen proposed a sales tax, later urged lawmakers to try to rework Peterson's consumption tax plan and had refused to say she would veto an income tax. But on Monday, Below and Kurk were all smiles over what the final product will offer. Rep. Raimond Bowles, R-Portsmouth, is a member of the House Main Street Republicans, who joined Shaheen in criticizing the pace of this program. "I am totally satisfied with the candor and speed as of now,'' Bowles told reporters. Kurk said this still will lead to future battles over the economic assumptions behind any tax change. "For the sake of argument, I could propose an income tax and Senator Below could propose one, and we could come up with wildly different revenues depending on how we viewed the future of the economy,'' said Kurk, a longtime opponent of an income tax. "This will not change that and, in fact, we'll require anyone seeking to use it to supply their assumptions behind any request.'' Kurk said computer-driven forecasts aren't infallible, and he remains doubtful this new system will be as accurate in estimates as Phil Blatsos, a longtime bureau chief with the state Department of Revenue Administration. "This model is the brainchild of a couple of human beings,'' Kurk said. House Speaker Pro Tem Robert Clegg, R-Hudson, has criticized Charles River, charging it with making mistakes since an initial contract was signed in June 2000. Senate Finance Committee Chairman Jack Barnes, R-Raymond, continued to sound skeptical. "We've got $1.2 million invested in this thing. What if it doesn't work?'' Barnes asked rhetorically. *Kevin Landrigan can be reached at 224-8804.*

*From **The Telegraph**, by Kevin Landrigan, landrigank@telegraph-nh.com, 1 August 2001*

Private Sector Development

AFRICA

THOUSANDS PROTEST PRIVATIZATION IN SOUTH AFRICA

Cape Town - Labor unions staged demonstrations in several major centers Thursday, stepping up pressure on the South African government to abandon its plans to privatize state assets. The protests marked the second day of a two-day strike, called by the Congress of South African Trade Unions, which is demanding a moratorium on the sale of public utilities. Traffic in Cape Town's city center came to a standstill as about 8,000 workers marched on Parliament in gale-force winds. In the capital, Pretoria, some 5,000 union supporters sang and danced outside the main government complex, while in the central city of Johannesburg, about 9,000 workers joined in a march to the provincial government offices. Smaller protests were staged in several other towns. While the unions say millions of workers supported the action, the government and business leaders say the strike has had a limited impact, with most employees turning up for work. The industrial action, which comes on the eve of a major U.N. conference on racism in South Africa, has caused friction between the ruling African National Congress party and its traditional trade union allies. The government says it is sticking to its plans to sell utilities worth over 120 billion rand ($13 billion) over the next five to seven years, arguing it needs to reduce costs and encourage competition in order to stimulate growth. But the 2 million-member labor federation says restructuring has already cost nearly 200,000 jobs, and more strikes will follow unless essential services are kept in government hands. Utilities earmarked for restructuring include transport operator Transnet, defense logistics company Denel, electricity supplier Eskom and telecommunications utility Telkom.

From CNN, 31 August 2001

ASIA/PACIFIC

DALKIA TO OFFER SERVICES IN NORTH ASIA

Residents of Pundang, a new town of the outskirts of Seoul went to court to demand the cancellation of the privatization of Korea District Heating Corporation (KDHC) on July 24. They claimed that the privatization of the KDHC would cause an increase in heating costs although residents have already paid part of the facility investment fee. Concerns that the state- run company's privatization would be balked are growing. The deadline of privatization set by the end of this October. As for the dispute between residents and the government about the privatization of the state-owned company, French heating system operator Dalkia's Korean branch head Erick Mejean said if what they were paying for had been clearly explained to people when they initially bought their apartments along with what the heating bill and related tariff consisted of, things would have been different. He went on to say in a recent interview with The Korea Times, “Each company has the right to reflect the true costs through its billing. Transparency is of the essence when you deal with the end users' money. I can understand the residents' anger but I also understand the need for the operator to increase prices.” “If the government cuts off its subsides toward the heating industry after privatization, someone has to pay for the shortfall that is created because you cannot ask a private company to run a money loosing business. I believe that there is no alternative but to have the heating costs reflect the economic reality. However, this has to be carefully scheduled and phased with all the participants and not done under economic pressure,” he concluded. Dalkia, a district-heating business, has been doing business here since 1994 and it announced it would make a bid for the privatization of KDHC last March. The company provides heat management services including district heating management here through the investment in Hanbul Energy Management Company. Dalkia is a subsidiary of Vivendi Environment, an environment related business entity and Electricite de France, the largest power company in terms of operating capacity in the world. It's annual sales are projected at 4.7 trillion won in 2001. Asked about services the company provides, Mejean said, “The company offers a proactive approach to our services. We constantly look for improvements which can benefit the client and provide consulting on how to manage a building in terms of facilities or energy management. On top of that, we are giving guarantees to the client that should we fail to deliver the service and the performance which we have stated in our contract, in accordance with our responsibilities, we will pay penalties related to under performance.” According to Mejean, Dalkia wants to make Korea the cornerstone in its strategy for development in North Asia, including North Korea, China and Japan and to position the company as the market leader in heat management services in this region.
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*From **Korea Times**, by Seo Jee-yeon, 3 August 2001*

RETIREES BACK SSS PRIVATIZATION

The Social Security System (SSS) strike--illegal and unconstitutional as it was--is over. But the issue of privatization that set off the illegal strike won't go away. The illegal strikers and their communist supporters themselves won't let it go. Two days before Vitaliano Nañagas was kicked upstairs to the chairmanship of the Development Bank of the Philippines, I received a fax message from the office of my friend Horace Templo, SSS executive vice president. The message said SSS funds, collected from private sector employees and their employers' are public, not private. I will not go into the specious reasons put forward by Templo who now claims, for the first time, that SSS funds are public. Let me simply quote from the Social Security Act of 1997: "No portion of the Investment Reserve Fund or income thereof shall accrue to the general fund of the National Government or to any of its agencies or instrumentalities, including government-owned or controlled corporations, except as may be allowed under this Act." The Investment Reserve Fund (IRF) is money not needed to meet current operating costs and benefit obligations. Also, the law lists in great detail the areas where the IRF must be invested. A maximum 30 percent of the IRF can be invested in government securities, the balance of 70 percent in the private sector: private securities, housing, real estate-related industries, short and medium-term loans to members, and so forth. Actually, in 1999, only 19.7 percent of total investments went to the public sector. The balance went to the private sector: marketable securities (28.6 percent), housing loans (27.5 percent), members' loans (12.2 percent), business loans (8.2 percent), and real estate (3.8 percent). Some quarters have said that this heavy bias in favor of private investments breeds graft and corruption. At any rate, SSS funds are private and investments have always been privatized. However, the SSS employees are public; they are government employees. Except for some who have signed up for voluntary membership, SSS employees do not contribute into SSS funds at all. They contribute to GSIS. No wonder they are, oh, so generous with SSS members' money that is not theirs. As government employees, they are subject to civil service rules and the constitutional ban against staging strikes, walkouts and work stoppages even during lunch breaks. Those who broke these rules will have to suffer the consequences even if Malacañang has decided to be lenient. At SSS, the in-house investment department carries out all investments. What Nañagas wanted to do was to allow outside fund managers to do some of the investing. Why are SSS employees against this? Because they will have less money to monkey around with?

*From **Philippine Daily Inquirer**, 5 August 2001*

PRIVATIZING NURSERY SCHOOLS IRKS TAKAISHI PARENTS GROUP

With Prime Minister Junichiro Koizumi making vague noises on the importance of education, this city of 62,000 people is realizing that words alone aren't the answer. In recent times, Koizumi has often quoted a Meiji Era parable in which a leader invested capital in schools and education rather than on short-term gratification. Residents of this city, however, are learning that cash speaks louder than words. The city announced administrative and financial reforms in August 2000 that include privatizing six city-run nurseries starting from next April. The reason: to ease the 820 million yen local financial burden -- the antithesis to the spirit Koizumi has espoused. The news shocked parents because the city had previously had a sound welfare policy based on abundant tax revenues from fixed property taxes in the coastal industrial district. But officials say tax revenues fell by about 2 billion yen from their peak of 15.3 billion yen in fiscal 1996. They also contend that turning nurseries over to the private sector is a viable way of achieving spending cuts. "In terms of managing nurseries, private corporations can do a better (and more efficient) job," city official Tomofumi Oue said. Parents disagree, however, saying the extra 820 million yen should be spent to maintain the service. Indeed, some families even moved to the city because of its high-quality nursery services. "I came to live in Takaishi seven years ago and bought a house because I thought my children could be raised in a better environment here," said Junko Yamamoto, whose 2-year-old son attends one of the nursery schools. "I didn't foresee such a (privatization) plan being implemented." For some parents, privatization spells cost-consciousness and a consequent decline in care standards. "The nursery service in Takaishi is a lot better than the minimum standard set by the central government," said Megumi Yamashiki, who represents the parents' associations of the six nurseries. "For example, at a 1-year-old class, six kids have to be looked after by at least one staffer, while one staffer cares for less than five at Takaishi's nurseries. This means a higher level of care by the staff, whose status is guaranteed as city officials." The perceived evasiveness by the city on the rationale behind the privatization prompted the parents to petition against the plan in December. They garnered more than 20,000 signatures out of the city's 49,490 eligible voters. Despite this opposition by more than 40 percent of voters, the petition was effectively ignored by the city assembly as most of them have no doubts over the efficiency of private-run nurseries. The parents' busy working schedules -- the very reason they rely on the nursery system -- did not stop them from going one step further in March and again collecting signatures, this time to enact an ordinance to hold a plebiscite on the issue. But it was much harder the second time around because they had to meet strict legal requirements for the petition. Still, the parent associations secured 5,314 signatures, more than five times what was required. Unsurprisingly, however, the assembly rejected the petition in May with the support of most members. Shinroku Sakaguchi, an independent assembly member who joined five others in voting to adopt the petition, said the assembly does not serve its function of scrutinizing the administration. "It is obviously financial mismanagement by Mayor Tamezo Terada, who could have foreseen the plunge in tax revenues a few years back," Sakaguchi said. "Despite a cut in welfare expenditures, a 20 billion yen redevelopment project of the area in front of (Nankai Electric Railway's) Takaishi Station and a 2.2 billion yen city clinic construction project were not reviewed. "Privatization of nurseries

Children at Higashi-Hagoromo nursery school listen to a staff member read a story.

is only a means of shifting the mayor's responsibility. After all, the privatization of all six nurseries can save only 820 million yen out of the city's 30 billion yen budget." After a bill to privatize the Higashi-Hagoromo nursery was passed by the assembly in June, all the parents could do was seek assurances that conditions at the nursery would be as good as possible. But negotiations with the city ended in despair last week as demands on staffing and staff age were rejected. The city said the nurseries will be privatized gradually, but city official Oue said no decision has been made on the number to be privatized or the timetable. He said there is no grand design on whether nurseries should be predominantly private or public. "If any social changes are observed or the privatization causes any troubles for citizens, the privatization plan could be reviewed," he said. Assembly member Sakaguchi criticized city hall, saying it is not considering children's welfare. Yamashiki and her colleagues all complain that their antiprivatization campaign and the subsequent negotiations with the city merely added an extra burden to them on top of their jobs, housework and child care. "We working mothers are in a weak position," she said. "And child nursing is a minor issue that most people don't pay much attention to. We'd rather spend more time with our kids (than campaigning against the privatization.)"

From The Japan Times, by Kenzo Moriguchi, 7 August 2001

UNION OFFICIAL AN ADVOCATE OF PRIVATIZATION

In a continuing series of behind-the-scenes looks at local businesspeople in the news, PBN features the man who heads the HGEA. When it comes to privatization of government services, Darwin Hamamoto says it will work. That's an unusual statement considering the source. Hamamoto is the newly appointed president of the Hawaii Government Employment Association, one of the largest public employee unions in the state. "If there is sincere commitment with practical considerations, like financial or cost effectiveness, and an equal quality of civil services can be performed, then it will work," Hamamoto says. "But if it is a political show to get attention, then it will not work." With many areas already being handled by private businesses, like project managers and consultants for construction, his concern rests in the implementation and areas being chosen. "It should be select areas, so we don't create a one-person bidding process," he says. "We also have to keep in mind that we don't have the luxury of other states that can import people and equipment. We have some restrictions." Senate Bill 1096, which passed this year, allows the governor and county mayors to privatize any services they choose. For years, public worker unions fought bitterly against it. Besides the loss of jobs, unions stated concerns about the quality and loss of services, which many take for granted. Hamamoto admitted there are areas and employees who take advantage of the system and its protections, which were hard-won by the union. "Yes, there are those with perpetual coffee breaks and easy work," he says. "But, it has a lot to do with management and the executive branch." Hamamoto says elected or appointed officials need to have the right qualifications to accomplish such things as fiscal efficiency and increasing morale. "If you have someone who doesn't know how to run a shop of, say, 50 workers, how do you expect that person to effectively manage?" he says. "Or that person, with no experience, might become too caught up with micromanaging, creating new problems and little vision." He says people need to pay attention to who gets elected. "We put them in power and expect the inexperienced to perform miracles," he says. "People need to step back and look at what they are doing." With about 40,000 active members and thousands of retired members, HGEA gets involved with elections and legislation to promote labor and union concerns. This year, HGEA lobbied for the appropriation for raises, increased benefits and getting additional personnel in areas like the Child Support Enforcement Agency. In the upcoming year, Hamamoto wants HGEA to not only to get involved with elections, but also education and preserving Hawaii's unique way of life. "We have to think outside of the union box and bring unique and meaningful contributions to our members and our state," he says. Name: Darwin Hamamoto Position/length of service: Newly elected president for Hawaii Government Employees Association. Construction management engineer for 30 years. Family: Wife, Alice, and five children, Daven, Dayna, Jared, Darrick and Justin. Birthplace: Wailuku, Maui. Age: 57 years. Education: Kaunoa and Baldwin High School on Maui and University of Hawaii, Manoa with bachelor in civil engineering. First job: Architect with the U.S. Navy at Pearl Harbor Naval Shipyard. Previous career positions held: Civil engineer with Navy in Vietnam and Japan; deputy director of Public Works. Essential business philosophy: Contribute to make Hawaii a better place. Most important business accomplishment in the past year: Served as chairman of the Employee Retirement System Board. What do you see in the next five years as the most important trend in your industry? Lack of revenues to provide increasing government services and privatization of more government services. What big project are you working on at your union? Developing an agenda that 40,000 members can be passionate about. What's your take on the Hawaii economy for the rest of the year? Slow but steady growth. If I weren't in my current position, I would be: Running a business. What's the best thing that happened to you or your family in the last year? Son got married and daughter passed her CPA exam. The best idea you ever had: Invest in real estate. Greatest achievement: Getting married and helping five children to become responsible, caring and independent adults. Personal motto: Make a difference! How did you meet your significant other? Since we are both from Maui, we lived in the UH dormitories and got to meet at social events. Favorite way to spend free time: Sit in outdoor spa and read a magazine. Do a carpentry project. Any pets? Two dogs, six turtles, five carps and a chinchilla. What's in the trunk of your car? HGEA, credit union and Employee Retirement System Board meeting materials. (Hamamoto also serves the boards of a credit union, a high school PTSA and the ERS, plus he coaches soccer.)

*From **Pacific Business News**, 27 August 2001*

NO PRIVATIZATION OF HIGHWAY ENTITIES FOR 20 YEARS

Tokyo - Construction minister Chikage Ogi said Sunday it will take 20 years before four government-backed highway and bridge entities can complete the planned construction of a national highway network and the privatization of their operations. Speaking on a

TV Asahi program, the minister of land, infrastructure and transport said the four entities, including Japan Highway Public Corp, should be consolidated into a private company, tentatively called Japan Highway Co, which would primarily manage highways.

From Kyodo News, 27 August 2001

INNOVATION KEY TO SMEs' DEVELOPMENT

Shanghai: Over 1,000 delegates at the APEC SME Business Forum reached a consensus that technological innovation will become a pivotal tool to ensure a speedy, healthy and sustainable growth of SMEs in the APEC member economies on Monday. "The member economies will team up to find better ways to facilitate growth of SMEs as technological innovation plays an increasingly important role in promoting economic and social progress in today's world," said Zhang Zhigang, vice-minister of the State Economic and Trade Commission. "Strong innovation capability is a powerful driving force to the development of SMEs, especially in the new century when economic growth will be fueled by new technologies," Zhang added. He asserted that the growth of SMEs is crucial to creating more job opportunities and social stability in the region, where economies have been seriously hurt by a global slowdown. After Zhang's keynote speech, four speakers from business communities also extended their opinions on SMEs and innovation, the core theme for the first plenary session of the forum. All the speakers emphasized the importance of creating a tolerant environment to foster innovation. "At Nokia, we rarely fire any of our staff. We allow them to make mistakes to give them enough space to maximize their capability," said Liu Chijin, vice-president of Nokia China Investment Ltd and the executive chairman of the forum. "If every creative idea turns into a success, there will be great prosperity. But that is not realistic," said Ma Seen Soon, chairman of the Singapore-based ASME Institute Of Entrepreneurship Development. He called on the member economies to create a failure-tolerable society for SMEs across the region. But he also warned that innovation still needs management and control, otherwise it will run wild. The speakers also emphasized that innovation is not limited to products. "Innovation can be geared towards a physical product, but it also can mean creating a new business model," Liu said. "Our expectations towards the conference, just like the suggestions raised by Zhang Zhigang, is the creation of an environment that fosters innovation through regional co-operation under the framework of APEC," said Ma. "Besides co-operation on trade issues, it is vital to co-ordinate research and development. Otherwise the duplications would cause great waste for member economies as a whole," he added. He called on member economies to work towards common prosperity in the region. Wang Hai, president of Qingdao Double Star, said the forum offered a great chance for Chinese enterprises and the government to communicate with its overseas counterparts. "It helps our domestic enterprises prepare for China's accession to the World Trade Organization," he said.

From China Daily, by Feng Qihua and Huo Yongshe, 29 August 2001

PTCL PRIVATIZATION TO BE 'PAINLESS'

Karachi - The Federal Minister for Science and Technology, Prof Dr Atta-ur-Rehman, has said the envisaged changes in the Pakistan Telecommunication Company (PTCL) are within the purview of the Privatization Commission but added that he would intercede on behalf of the workers in such a manner that changes were introduced "painlessly". He was talking to Asian-Pacific Regional Executive Secretary of Geneva-based Global Trade Union Secretariat. The delegation discussed the uncertainties and apprehensions emerging in the Telecom Trade Unions regarding the proposed privatization of the PTCL, said a PTSU press release issued here on Wednesday. The other members of the delegation were Mohammad Amin Mian Iftikhar, Qazi Zafar-ul-Islam, Khan Nawaz Khan and Abdul Ghafoor. Basil De Silva expressed his confidence that the minister would ensure workers entitlements and rights to employment security and other conditions of work in the transition from a telecom corporation to a privatized business entity and thereafter a deregulated and competitive telecom market in Pakistan. The minister informed the delegation that the envisaged changes were within the purview of the Privatization Commission but he would intercede on behalf of the workers in such a manner that changes were introduced "painlessly". He asked the unions to make written representations which, he said, would be looked into sympathetically. He, however, emphasized that there was nearly a 100 per cent excess work force in the PTCL and in the process of adjustment due attention would be paid to ensuring attractive "packages".-

*From **DAWN Group**, 30 August 2001*

PRIVATIZATION IN WORKS FOR 6 CORPORATIONS

The government effectively decided Tuesday to privatize six public corporations affiliated with the Land, Infrastructure and Transport Ministry-including the Japan Highway Public Corp. and the Housing Loan Corp., government officials said. Prime Minister Junichiro Koizumi instructed the land, infrastructure and transport minister to produce plans to abolish or privatize the six special-status public corporations, formally getting the ball rolling on his crucial administrative reform drive. According to government sources, Land, Infrastructure and Transport Minister Chikage Ogi will as soon as possible compile plans to either abolish or privatize the public corporations that fall under her ministry's jurisdiction. The six entities are Japan Highway Public Corp., Metropolitan Expressway Public Corp., Hanshin Expressway Public Corp., Honshu-Shikoku Bridge Authority, Housing Loan Corp. and Urban Development Corp. How to privatize these special-status public corporations has recently become the hottest issue in the public corporation reform debate. The ministry and the Koizumi administration differ on specific methods to privatize Japan Highway Public Corp., and there are still disagreements outstanding, according to the sources. “We would like to start work immediately and hear from the heads of these public corporations,” Ogi said at Tuesday's news conference after she met with Koizumi. She said she had instructed related ministry bureaus to submit plans by around Sept. 20. The sources said by giving Ogi what amounted to a direct order, Koizumi had left little wiggle room and had demonstrated his determination to beat down any ministry resistance. They said Koizumi said that Ogi's ministry was viewed as "resisting" his reforms, and told her he wanted to see the ministry "at the forefront of administrative reform'" in the future. Before her talk with the prime minister, Ogi had said it would take at least 20 years to privatize the four road-related public corporations. As for privatization of the Housing Loan Corp., Ogi is reported to have previously told Koizumi the ministry would "try to come up with (privatization) ideas that would not raise interest rates for people who have taken out loans (from the corporation)," but that "it would be difficult to do." Sources say such obvious reluctance by Ogi indicates there may still be conflicts on privatization details. Earlier this month, the government's Administrative Reform Promotion Secretariat asked ministries and agencies to submit by Sept. 3 reports suggesting ideas to privatize or abolish special-status public corporations under their jurisdictions. They were also told to defend why they felt specific entities should not be privatized or abolished.

*From **Asahi.com**, 30 August 2001*

GOVERNMENT PUSHES AHEAD WITH PRIVATIZATION PLANS

The Ministry of Land, Infrastructure and Transport on Friday decided to privatize four public road corporations and two housing and development corporations as companies specially designated under law, officials announced Friday. Ministry officials plan to enact an establishment law covering the government's sale of the corporations, and designate the groups as special companies operated under government regulations. The corporations targeted under the privatization plan include the Japan Highway Public Corp., the Metropolitan Expressway Public Corp., the Hanshin Expressway Public Corp., and Honshu-Shikoku Bridge Authority. Also scheduled for privatization are the Housing Loan Corp. and the Urban Development Corp. A formal announcement on the plan is expected to be announced by the ministry on Sept. 20. Land, Infrastructure and Transport Minister Chikage Ogi gave the green light Tuesday to sell the corporate bodies, which come under the ministry's jurisdiction, after receiving instructions from Prime Minister Junichiro Koizumi to flesh out plans to privatize all the public corporations under her jurisdiction. The government will reportedly require the six corporations, which will be organized in the same way as joint stock companies, to operate as special companies subjected to fixed regulations and the government's financial assistance. The regulations and assistance will cover such areas as facilities on national highways and housing loans for the backbone working class. In the past the government has used similar methods to privatize the former Japan National Railways Corp. and Nippon Telephone and Telegraph, for which special privatization laws were also set up. Current firms operated as special companies include Kansai International Airport Co. Ltd. and the Central Japan International Airport Co. Ltd., which receive interest-free loans and investment from the government. (Mainichi Shimbun, Aug. 31, 2001).

*From **Mainichi Interactive**, 31 August 2001*

EUROPE/CIS

SLD TO CHANGE TACK ON ENERGY PRIVATIZATION

Wieslaw Kaczmarek, tipped to be the next treasury minister in a future Democratic Left Alliance (SLD) government, said last week that if the SLD won the next election it would radically slow down the pace of electricity privatization, first prioritizing producers and consolidating distribution companies before any sell-off. The former economy minister was critical of the government's approach to energy privatization saying the current strategy, based on the sale of distribution companies, would not continue under an SLD government. "First we have to deal with the generators while distributors should be privatized at the end," Kaczmarek said. "The implementation of current plans is scandalous, they approach things from the wrong direction." But Kaczmarek's proposed changes to energy privatization strategy were given a lukewarm reception by analysts. Michael Davies, partner at Allen & Overy, said investors will be far less interested in energy producers. "International energy companies are probably more interested in the distribution than they are in the generation," Davies said. "This is an international phenomenon, people are moving out of generation." Kaczmarek said the privatization of the sector must concentrate on vertical consolidation of fuel suppliers, producers and distributors, which should begin by an appraisal of the costs of coal production and long-term contracts. "We will first have to assess the effects of the restructuring of the coal sector and the real cost of coal," he said. "We have to decide whether long-term contracts are a barrier for investors or a privileged position." Davies said that lengthy deliberations about consolidation and vertical integration would mean delays in privatization and a negative effect on Poland after its borders are opened up to competition from large European producers. "If the process is delayed then these companies are not going to be in good enough shape to face the joining of the European Union (EU) and cross-border competition," Davies said. Kaczmarek said the restructuring of the country's internal market is a higher priority than Poland's entry into the EU energy market. "There's no reason to hurry," he said. "For now, we don't intend to be an exporter of energy. First we have to get our own house in order. "This external aspect is of little interest to us until we have a really privatized sector."

*From **Warsaw Business Journal**, by Greg Goodale, 2 August 2001*

HUNGARY: GOVERNMENT CRACKS DOWN ON FOREIGN LAND DEALS

Since the fall of communism, the people of Central and Eastern Europe have been wary of the prospect of foreigners coming in and buying up relatively inexpensive land. RFE/RL correspondent Tony Wesolowsky reports that for some people in Hungary, that worry has now become a reality. Prague, 2 August 2001 (RFE/RL) -- In three counties on Hungary's western fringes, up to a quarter of the land has been purchased by Austrians. But according to Hungarian Prime Minister Viktor Orban, a majority of these sales violate the country's ban on foreign ownership of arable land. Vowing to crack down on illicit land sales, Orban has set aside $17.7 million in government funds to buy back illegally purchased farm land. He has also set up a telephone hotline to trace down perpetrators of the questionable deals. In a particularly sharp remark cited last month by a Western news agency (AFP), Orban said, "Austrian farmers who have bought land here should be glad if they can save their skins." He then added a softer comment, saying: "It's enough if they leave. Then we [will] welcome them back later as tourists." Austrian officials have been more cautious in their comments on the affair. Some have dismissed Orban's rhetoric as mere campaigning ahead of Hungary's general elections next year. Others wonder how Hungarian officials can distinguish between illegal land deals and the legitimate purchases by foreigners that were permitted in Hungary in the early 1990s. Hungary, which has over 46,000 square kilometers of farm land, outlawed such sales in 1994, four years after land privatization began. The move was supported by both officials and citizens alarmed by the growing number of foreigners -- many of them Austrians living in the border region of Burgenland -- who were buying up large tracts of inexpensive land. The land issue is a sensitive one for European Union candidate countries in Eastern and Central Europe. In its negotiations with the EU, Hungary has struck a deal allowing it to enforce a temporary ban on land sales to foreigners once it joins the union, which may happen as soon as 2004. Exceptions will be made for foreigners with three years' residency in Hungary. Justice Minister Ibolya David has said he expects land prices to jump up by "10 to 15 times" once Hungary joins the EU. Not all Hungarians are opposed to selling their land to foreigners. To get around the existing ban, some landowners have resorted what so-called "pocket contracts." Zoltan Szekeres, the president of the Hungarian Real Estate Association, spoke to RFE/RL about how the contracts work. He says many of the deals are off the books, meaning the agreements are not registered with Hungary's Land Registry Office. Most of the transactions take the form of leases, beneficiary agreements, and purposely undated sales. In such instances, Szekeres says, the hope is that such deals will become valid once the land-sale ban is lifted -- which is due to happen seven years after Hungary joins the EU. In the meantime, the deals are kept unregistered -- and, as Szekeres explains, hidden from the prying eyes of the state: "In this kind of pocket contract, land is sold to a foreigner, and [the contract] is maintained [and] guarded [in] the pocket." In the three Hungarian counties under dispute -- Vas, Zala and Gyor-Moson-Sopron -- Orban has said as much as 25 percent of the arable land is owned by foreigners. But Ernst Zimmerl, the agricultural attaché at the Austrian Embassy in Budapest, questions the figure, saying there are no statistics available to distinguish land purchased legally from land purchased after the ban on foreign ownership was passed: "We don't know. We have no statistics regarding the land which was purchased by foreigners -- [including] Austrians -- between 1990 and 1994. Some land was even arrogated not by Austrians, but by former Hungarians who came over the last 30 years to Austria. So we have no statistics on how much of the 70,000 hectares, which were mentioned by Mr. Orban, were purchased or arrogated before 1994." Franz-Stefan Hautzinger, president of Austria's Burgenland Chamber of Agriculture, says Orban's remarks have left many Austrian farmers -- even those who legally farm Hungarian soil -- feeling threatened. The "Budapest Sun" quotes Hautzinger as saying: "This chamber will give maximum legal assistance to any Austrian farmer who purchased land via so-called 'pocket contracts' since 1994." According to Szekeres of the Hungarian Real Estate Association, the root of the current land dispute lies in the country's privatization drive in the early 1990s. He says when farmland was returned to its original owners, they often lacked the livestock, machinery, and know-how needed to work their newly returned property. But when the owners turned to Hungarian banks for loans, he says, more often than not they were turned down: "It was very difficult, [much] as it is today, to receive money from banks for agriculture, because the banks are not sure in the return on the money. A big majority of the land is in little parcels, and today, with such little parcels it is difficult to cultivate the land economically." But while their own banks turned them away, Hungarian landowners were welcomed with open arms by their counterparts across the border in Austria. With farmland selling for up to $10,000 a hectare at home, Austrian farmers were eager to buy land in western Hungary -- where, Szekeres says, a hectare currently sells for between 30,000 and 50,000 forints, or between $100 and $170 on the domestic market. Unable to receive bank loans, some Hungarian farmers gladly sold their land to the Austrians for up to $3,300 a hectare. Now, however, many Hungarians resent the Austrian presence. Last month (17 July), Orban convened a special government session in the tiny village of Kalocfa, some 200 kilometers southwest of the capital Budapest. Residents there reportedly are unable to increase the area of their farm land because of the preponderance of Austrian landlords. Hungarian farmers are not the only ones to give up land. A news agency (AFP) reported that the government itself sold a large parcel of land, located in the western Hungarian town Bardudvarnok, to an Austrian farmer in 1992. The farmer then sold the land to two Austrian businessmen, who, in the end, got more than they bargained for. In purchasing the land, the two unwittingly also became the owners of a part of the town's infrastructure, including power cables and 240 of the town's 270 roads. Orban has pledged to do what he can to rectify the situation in Bardudvarnok. His spokesman, Rudolf Viragh, told reporters the Hungarian government is looking into whether the parcel in Bardudvarnok can be exchanged for state-owned land elsewhere. But Viragh admits that would break the country's current law outlawing foreigners from acquiring farm land, whatever the means of exchange. The Hungarian government is stepping up efforts to retake the farm lands now in foreign hands. On 25 July, it announced it was setting aside $17.7 million to buy back illegally purchased farm plots. The National Land Fund is due to be in operation sometime before this fall's parliamentary session. Officials say Hungarians who have signed "pocket contracts" do not face the prospect of criminal charges if they cooperate with authorities. Justice Minister David has also promised to introduce legislation ahead of the parliamentary session to plug up any loopholes still allowing such contracts to be made. Hungary is not alone on the issue of foreign land ownership. The Czechs and the Poles have voiced similar concerns. In May, the European Commission proposed a seven-year grace period for the purchase of agricultural and forestry land for Hungary, the Czech Republic, Poland, Slovakia, and Bulgaria once they enter the EU. Such transitional periods are not new. Sweden had similar restrictions on foreign land ownership before it joined the EU in 1995. Those restrictions were eliminated by the end of 1999. Today, virtually any EU citizen can buy or sell land or property within the EU. Switzerland, which is not an EU member, does allow foreigners to buy real estate and land, but only after they have lived in the country for five years.

*From **Radio Free Europe**, by Tony Wesolowsky, 3 August 2001*

TROUBLED CESKE RADIOKOMUNIKACE PRIVATIZATTION GIVEN THE ALL CLEAR

Finance Ministry irons out remaining details with Deutsche Bank and Danish TDC - The Ministry of Finance said last week that the sale of the state's controlling stake in Ceske Radiokomunikace, the country's second largest telecoms company, is close now that outstanding details had been more or less agreed. A joint venture of Deutsche Bank and Danish telco TDC (former Tele Danmark) placed the only binding bid for the state's 51 percent stake but negotiations over the price and other conditions have been dragging on for months. "I can see very significant progress... but I would not talk about any dates when the government would meet on it," Finance Ministry privatization head Igor Fojtik told Reuters. "There is basically nothing left to solve," he added but declined to give any details. Fojtik said the ministry had recently received a letter from an unnamed investor expressing tentative interest in Radiokomunikace but his intention was very vague and this was unlikely to change the talks with Deutsche Bank and TDC. Radiokomunikace holds a stake in the second largest mobile operator in the country RadioMobil, which is controlled by Deutsche Telekom, and has a fixed-line joint venture Contactel with TDC. TDC already controls 21 percent of Radiokomunikace. The bumpy privatization has been plagued by negative sentiment in the telecoms sector, which sent Radiokomunikace shares to their lowest levels since 1996. The highly volatile share traded at Kc 430.80, up 19.5 percent over the week, at the end of trading on Friday. Analysts have said the market priced in the possibility that the new owner would split the group into several parts and de-list the stock. According to analysts, Radiokomunikace is likely be split into the fixed-line business, which would go to TDC; the share in RadioMobil which would go to Deutsche Bank; and the broadcasting business which would be sold to a third company.

*From **Prague Business Journal**, 27 August 2001*

WOULD PRIVATIZATION HELP WOMEN?

Social Security reform that includes a component of personal investment accounts would be a good thing for women. Those who don't think so cite examples of today's most vulnerable population: impoverished women with meager or no lifetime earnings, alone in retirement, qualifying for neither spousal nor survivor benefits. This is a smokescreen. Women at or near retirement have nothing to lose from Social Security reform. Benefits for the already retired and for those near retirement will not change. That's the overarching mandate for those considering reforms. The women who will actually be affected by Social Security reform are today's younger women, as well as their daughters and granddaughters. These women have the most to gain from investment-based reform. In 1960, when most of today's retirees were entering the work force, women made up about 35 percent of the work force. By the time today's Social Security reform starts to affect retirees, women will likely be close to 50 percent of the work force and will have accumulated substantial Social Security credits. Plus, welfare reform is working. The employment rate for single mothers who are high-school dropouts jumped from 36 percent in 1996 to 50 percent in 2000. Nevertheless, women's wage-earning patterns will probably continue as now. Women will still move in and out of the work force as they take time to care for their families, and they will continue to be more likely to work part time. Because of this, their private savings and employer-sponsored pensions will probably be smaller than their male counterparts'. Thus a comprehensive reform that strengthens Social Security while putting more money into women's pocketbooks is critical. Comprehensive reform will most likely include a minimum benefit guarantee. This would ensure that retirees would fare no worse than the benefits that are promised under current law. Disability and survivor benefits will be preserved. How will personal retirement accounts help? Primarily, by reducing the tax burden needed to fund future benefits. If no reforms are made, payroll taxes now at 10 percent will increase to 18 percent by 2035. Most importantly, the opportunity to invest in personal accounts aligns with the emerging character of women in the modern economy. Seventy-five percent of today's working women prefer some investment opportunity with their Social Security taxes. The current Social Security system is a relic of a different age and is unsuitable for up-and-coming generations of women. Colgan is a senior fellow with the National Center for Policy Analysis, a conservative think tank.

*From **Sun News Myrtle Beach**, by Celeste Colgan, 27 August 2001*

MIDDLE EAST

EL AL SET FOR FULL PRIVATIZATION

Transportation Minister Ephraim Sneh will submit a proposal to the Ministerial Committee for Privatization after the high holidays, for the full privation of state owned El Al Israel Airlines, the Transportation Ministry said today. "I really hope the government will move forward on this decision, as it is a complicated matter," Government Companies Authority Director Yaron Jacobs told the Jerusalem Post. Once the government adopts Sneh's proposal, Jacobs expects the process of El Al's privatization to take some 15 months. "We have to deal with the workers' union, and with the government's special relationship with the airline" Jacobs noted. He said the government would keep a special "golden stake" in the firm. "This will allow the government to maintain its national and security interests in the airline," he claimed. The issue of El Al's privatization has also drawn public interest in case it results in the national carrier flying on the Sabbath, something that has been blocked by the government for some 20 years. In the past, the issue of Sabbath flights has been a prime stumbling block in the effort to privatize the airline. Allowing El Al to fly 365 days a year may bring in more passengers, imperative as the airline has lost much ground to its foreign competitors. Continental Airlines, British Airways and Lufthansa, are the main competitors, flying passengers to and from Tel Aviv seven days a week. According to Jacobs the issue of Sabbath flights should not be a key issue in the airline's sale. "The government has decided that there is no prohibition on Sabbath flights, once the airline is sold," he said. "We cannot block the airline once it is privatized from flying on the Sabbath."

Jacobs added that the airline effectively does already fly on the Sabbath through various schemes under which its planes are rented on weekends. The privatization move comes at a difficult time for the national carrier, which has been hit hard by nearly 10 months of Palestinian uprising. It has reportedly racked up a loss of $83 million so far this year, following a loss of $109m. for 2000. The proposal to sell 100% of the airline would override a government decision in 1998 to sell just 49% of the firm, leaving a 51% stake of the airline in state hands. "We decided that there was no way to execute the government decision of privatization, selling El Al in pieces, therefore we are going to sell it all," explained Jacobs. Today's proposal was the result of a lengthy discussion between Sneh, Jacobs, and EL Al chairman Michael Levy and airline director general David Hermesh. While there are no concrete plans yet, McKinsey & Co. Inc. was hired last week to value El Al. The US company's report is due by year's end and will analyse El Al's recent efforts to cut costs this year by reducing its work force and suspending unprofitable rotes, such as its flight to and from Manchester, UK.

*From **Jerusalem Post**, by Tal Muscal, 27 August 2001*

THE AMERICAS

PRIVATE GARBAGE COLLECTION SEES BATTLE LINES DRAWN IN HAMILTON

A proposal to contract out garbage collection on Hamilton Mountain is setting the stage for a showdown over the privatization of megacity services. The idea isn't going over well with any of the three Mountain councillors and the city's public works union is pledging to fight to keep the old city's garbage collection in the public domain. The proposal is part of an overall blueprint for reorganizing garbage and recycling. It was outlined to councillors last month and comes back to council later this month with more details. It contains a number of far-reaching proposals. Some are aimed at increasing recycling, some at cost cutting and efficiency, some at harmonizing the service across the new city. It includes limits on the number of bags people can put out, and the idea of penalties for people who put out more bags or incentives for those who put out fewer. Garbage pickup is already privatized in Ancaster, Stoney Creek and Flamborough, and staff want to privatize collection in half the former city. They insist they haven't formally recommended which half. But several councillors says they have been told the likely target is Hamilton Mountain. "I'm not sure private garbage collection will be better than what we have right now," said Ward 8 (west Mountain) councillor Frank D'Amico. "And I don't necessarily want to use my ward as the guinea pig to see whether it will be a success or not." Garbage is a critical battleground in the debate over alternate service delivery and the staff plan will be a major test of council's willingness to go down the road toward privatizing services. It is a service of great political sensitivity and a vital bargaining lever for unions. Picture a strike by municipal workers where garbage pickup was not affected, versus one where it is. So while about 30 city workers could be affected, the importance of garbage is far greater to the union than the proportion of its membership at risk. Vickie Houston, vice president of CUPE Local 5167, says the city should expect a fight over any attempts to take away the jobs. "There are legal issues. We will challenge them. We are very protective of our work. We believe we deliver the best service, so we would fight them in every way possible to maintain those jobs and more importantly, the service to the community, which we think is important." CUPE has long anticipated this fight as city managers have kept dozens of unionized positions unfilled in hopes of privatizing their work. As part of its preparation, CUPE has done polls that measure public feelings toward contracting out. Those polls suggest there is little public support for privatization and that there is not any great dissatisfaction with the service as it is now provided. The staff plan is to divide the megacity into six zones: two rural, two suburban and two old city zones, upper and lower. The idea is to contract out one of each of the zones. By creating pairs of zones equal in size, there is the chance to compare the cost and performance of the private sector versus the public sector. "Then we're not into monopolies one way or the other and you can get a good clear comparison," said Scott Stewart, director of waste management. "It lets us see where we are. It will allow us to make sure everybody's pencil is sharper and stays sharper. I think the comparison works for both sides."

*From **Toronto Star Online**, 2 August 2001*

PRIVATIZED TRASH PLAN NO SAVING, STUDY SAYS

The mayor disputes a union-commissioned study that claims a two-year contract with a company to pick up trash will cost about $440,000 more than if the city did the work. Central Falls -- The city is losing instead of saving money by contracting out for trash collections, a union-commissioned study has determined. Privatizing trash collections has resulted in a net loss of $261,863 during the first year of the city's two-year contract with a private waste-carting company, according to the study by Sam Mirmirani, a professor at Bryant College, where he is chairman of the Economics Department. And the privatization will result in net loss of $178,759 next year, the study concludes. Mayor Lee M. Matthews dismissed the study as flawed, saying it overlooked significant information that could have been obtained if Mirmirani had sought the city's input. He alleged Mirmirani relied exclusively on the union for his facts. A key union official, Joseph R. Peckham, business agent for Council 94 of the American Federation of State, County and Municipal Employees, defended the study, saying it was based on hundreds of pages of documents and information provided by former city employees who actually did the work of collecting city garbage. "As usual the mayor is wrong," Peckham said. "He's covering up his errors." Privatizing trash collection, Peckham said, has turned out to be a costly mistake. Peckham acknowledges that the union has an ax to grind. Privatization led to the layoff of seven city sanitation workers and reduced the size of the bargaining unit, AFSCME Local 1627, by more than 20 percent. But, Peckham insisted, Mirmirani's study is credible. Rather than rely on its own economists in Washington, D.C., Peckham said, the union sought out a professor of economics at a local business college. "We emphasized we wanted an honest, objective and complete report." The Matthews administration privatized trash collection a year ago, when negotiations aimed at obtaining a new contract for the more than 30 members of Local 1627 members were nearing an impasse -- the matter is now in arbitration -- and the mayor was looking for ways to cut costs. The city administration entered into a two-year, $492,500-a-year contract with a private waste-carting company, New England Ecological Development Inc., of Johnston, estimating it would save taxpayers $538,741 by, among other things, making it unnecessary for the city to buy expensive new trucks. Mirmirani disputed the claimed cost savings. In a detailed analysis, he found that hidden expenses were incurred when trash collections were privatized, among them, $49,151 for unemployment compensation paid to the seven laid-off sanitation workers, $25,984 for health insurance, $7,572 in accrued vacation pay, $1,944 in workers' compensation payments, and $397 in accrued sick pay. In addition, $32,498 in operating expenses were incurred by the city, plus $54,526 for two municipal employees -- a mechanic and sanitation worker who, despite privatization, had to be kept on the city payroll. Mirmirani concluded that the hidden expenses boosted the cost of trash collection to $644,572 during the first year of the contract -- $261,863 more than if the city had continued the trash collections. Although the city will not be on the hook this year for unemployment compensation, health insurance and accrued vacation or sick pay, it will still have to cough up $54,526 for the two municipal employees, make $1,944 in workers' compensation payments and foot the bill for $32,498 in operating expenses, including liability insurance, administrative costs and utilities. That will boost the cost of trash collection to $581,468 this year -- $178,759 more than if the trash collection had not been privatized, according to Mirmirani. He estimated that trash collections would have cost the city just $402,709 during the last fiscal year if the work had been kept in-house. In an interview, Matthews said the $402,709 figure was far too low. He said it arose from Mirmirani's failure to understand that city workers earned holiday pay and overtime on top of their regular salaries, and often took five or six days picking up garbage, rather than the regularly scheduled three days a week. Gene R. Noury, the City Council president, said he found the report credible, partly because it was done by a professor at Bryant College, his alma mater, and partly because it agreed with a City Council cost analysis, done 18 months ago, that concluded it would be cheaper for the city to continue collecting trash.

*From **Providence Journal**, by John Castellucci, 2 August 2001*

COMMISSION'S FIRST 'DRAFT' REPORT SETS STAGE FOR MAJOR BATTLE ON PRIVATIZATION

Area employers and employees who have been anxiously awaiting release of the first draft of the presidential commission studying changes in Social Security are probably in for a long wait to see the plan come to fruition. A draft report released on July 24 by the 16-member commission of eight Republicans and eight Democrats, with co-chairmen former Sen. Daniel Patrick Moynihan and Richard Parsons, chief operating officer of AOL/Time Warner, concluded the existing program "does nothing to promote individual savings or investment." The findings support President Bush's belief that a new system of individual retirement accounts is needed to allow retirees to pass on their earnings to their heirs. However, the ink on the draft wasn't even dry when Democratic leaders denounced the commission for warning that the retirement system was in trouble, and accused the panel of using "biased" and "misleading" scare tactics to promote private investment accounts. The battle began in May, when Bush appointed the commission with the explicit mission of finding a system to let Americans invest some of their Social Security taxes in private markets. The panel is bipartisan, but Bush made support for some form of privatization a condition of appointment. Older Americans would not be affected by the personal investment provision, which is designed for the baby boomer generation. There are no estimates of how the changes would affect employers' added costs to administer the plan. In fact, in speaking to many employers for this article, we found most had little knowledge of the plan and less about what the costs might be. We asked a specialist, Daniel Moynihan, principal of Compensation Resources Inc. in Upper Saddle River, N.J., for his opinion. "This is a payroll and HR transaction, as far as the 2 percent deduction to be self-invested," he answered. "What it means is there would be more third-party administrators clamoring for the business of handling the money and financial institutions looking to gain access to those assets." He explained: "In some ways, it seems practical, but the government is converting the average American into an investor, and many may lack the necessary skills necessary to make the appropriate choice with their money, given their current situation, years to retirement, risk tolerance, etc." Pensions in the past? - Moynihan believes that pensions are becoming a thing of the past, especially in smaller and mid-tier firms. "They simply cannot afford the plans over time and using 401(k) programs could work, but the problem there is access, which allows withdrawals in hard times, possibly creating a problem for the future," he said. Moynihan advocates that companies need to do a better job with financial counseling for their employees, and offer as many competitive tools that they can. "It is a relatively inexpensive perk that can go a long way," he added. Charles Klein of Cadarb Grant Co. of Stamford, Conn., also favors passage of the plan. "I would strongly encourage passage of the law to allow private access to investment choices for Social Security and ownership-type control in the same manner as employer-sponsored plans," he said. "I think there is a valid concern that people could make bad investment selections and endanger their retirement funds." Klein pointed out the success of the employer-sponsored plans in which millions participate. "As threatened as Social Security is, you'd best plan so that your qualified money, which you control and direct, is going to be where you're retirement income is coming from," he added. "Those who are under 50 have a higher tolerance of the volatility of the market, but should be aware of which investments to choose." Anthony De Stefano of the Westchester Advisory Group, who is in the unique position of being an employer and a financial advisor, agrees. "One of the fears I have is that many people are not very well-versed to handle their own investments," he said. "High risk does not always mean high return, and many will never get their money back if they bought bad companies at bad times." The specifics - How the program is to be administered is the big question, according to DeStefano. "If, like an IRA, it's something the employee checks off on his tax return, it would be simple," he said, "but if the employers have to do it, it's going to be a pain in the neck." As an employer himself, DeStefano sees little problem for large companies with human resource and accounting departments. "Right now, deductions for Social Security, Medicare and employee benefits are in the 30 percent range," he explained. "Also, smaller companies pay more for medical insurance, which has tripled in the past 12 years." Tom Skinner, a certified public accountant and financial consultant in Hartsdale, says that the greatest benefit of the change would be allowing people to invest savings in the future. "Historically, good securities of solid companies have shown a 10 percent return over the years, but this type of investment is not for short term," he cautioned. "These are long-term investments, not something you check on every day." Skinner claims there are many solid investments that outdo Social Security. "The difference is tremendous over simple savings accounts against solid securities over a long period of time," he added. "The proposal would lessen government control of our funds and give it to the people, where it belongs in the first place." Skinner believes that allowing people to invest would make them save more for their retirement. "I recently had an elderly client, a secretary, pass away, leaving an estate of $6 million, of which $3 million went to charity – the result of longtime savings," he said. John Coughlin of Coughlin Financial Services, Larchmont, favors the change. "Small steps into the Social Security plans are in the right direction," he said. "The change from defined benefit plans to the 401(k), where people gained control of their investment, has been a great success and given people confidence in controlling their financial destinies." Putting plan into action - Coughlin questions the feasibility of an employer administering the plan, which entails only 2 percent of the Social Security contribution. "But if it's a first step and a trial balloon, I think it's worth doing," he added. "It certainly makes sense when you consider the performance of the market over a longer period of time exceeding what the government is paying." He credits the recent swings in the stock market for convincing people of the wisdom of long-term investments. "People are starting to realize that the time of 20 percent-plus return is over and they have to focus on making plans on a more realistic basis," he said. "While money is moving out of trading accounts, it is moving into asset-management accounts." Arthur Norton of Business and Financial Services Inc. of Stamford thinks that conceptually the plan is good, although he has some reservations. "I think it can work with some limitations, but a lot depends upon how the final legislation is drafted," he said. "When IRA accounts were first proposed, there were similar arguments against adoption, like the volatility of the stock market." Norton is concerned about the regulations that will follow passage of a bill. "Congress passes legislation and it takes the IRS two years to publish the regulations, that often change the thrust of the legislation," he explained. "A 2 percent contribution for most people is virtually 'diminimus,' unless they are paying the maximum Social Security rates." Finally, Tom Kemnitz, owner of a printing plant with 30 employees, opposes the proposal, "because there are affluent people who have access to competent investment advice, and others who are unsophisticated in the investment world, the plan creates inequality." Kemnitz adds, "As George Orwell said, some people will be more equal than others."

From __Westchester County Business Journal__, by Ed Klein, 6 August 2001

JAIL A TIGHT SHIP, DESPITE PLAN TO PRIVATIZE

The average employee in Otero County and Alamogordo does not walk into work prepared for a hostile situation. At the Otero County Detention Center (OCDC), however, that's business as usual. "We have an excellent staff here. They all support each other," said Assistant Detention Administrator Virginia Blansett. "When they have hard times, they're there for each other." So that staff is a little perplexed at the Otero County Commission's intent to bid out the jail for privatization. Its 42 employees only learned of the plan when they read the commissioners' statements in the Daily News. "My staff members," said Detention Administrator Vick Jenkins, "have addressed their concerns to me verbally. I don't have the answers for them." "We have a lot of single parents that are really concerned," Blansett said. The staff are also embarrassed. After the newspaper story, someone erected a sign on jail grounds that read: "For sale by owner." While employees are frustrated - they could lose jobs, medical benefits and retirement - they insist they cannot just hang up the keys and walk away. They have spent too much time and effort, they say, building up trust and rapport with judges, law enforcement and probation officials, and even inmates. "Most employees would sink with the ship to do the job," Blansett said. Jenkins has 13 years there. Blansett has 14. Detention Booking Officer Jean Braziel has been with Otero County, in more than one capacity, nearly 14 years. Although tours are given to school groups and the Boy and Girl Scouts, most area residents have never seen the jail's innards. Most wouldn't want to be inside, where doors clang, whir and whump, and the only places to go are down the hall or into your cell. Not being an employee there generally means looking out without the option of being able to walk out any time soon. In the OCDC - with 208 beds and an average 185 population - men and women are serving sentences of up to a year or more for numerous crimes, from domestic abuse to forgeries. Or, they may be awaiting trial for sex crimes and even murder. "Most of them are felons, and they're kind of in limbo waiting for the court system," Jenkins said. Being responsible for the everyday needs of such persons is stressful, and the number one liability is medical. "You're an open target for any attorney that wants to sue you," Jenkins said. In spite of such pressures, Braziel said professionalism governs their actions. "We have problems here, everybody comes together," Blansett said. "Our goal is for the welfare and the safety of the inmates. Our goal is to keep them calm. We try to give them respect." Moving to the OCDC when it opened in April 1998 alleviated many problems inherent in the former two-decades'-old, rank, dank, jail at the Otero County Courthouse. Visiting times were expanded from one to four days a week, and children are now allowed to visit. "It helps the inmate and the families," Blansett said. A contracted commissary sells candy, sodas, and personal- hygiene items. At the old jail, a staff member would run down the street to the Yucca Newsstand. Hot meals are served seven days a week. Dishes and utensils are rigorously accounted for. Inmate workers (formerly known as trustees) dish out the food, and Detention Sgt. Brad Martin said he is responsible - every day - for testing that food. Inmate workers also perform other jobs such as laundry, and, according to Jenkins, are used in work-release jobs outside the OCDC's walls. He said the county road shop uses inmates to clear and patch roads, as well as clean the Otero County Fairgrounds. Eligible inmates can earn up to 50 percent good time off sentences. Whether inside or out, he said it all saves the county money. "A lot of the things we do for the county-run facility are going to stop," he said, "if we're privatized." Services and rehabilitation opportunities are also numerous. Alcoholics Anonymous and Narcotics Anonymous have chapters there. The Counseling Center is available for mental health services. Two church services are held: a non-denominational on Sundays, and a Catholic Mass on Thursdays. On Mondays, any pastor may visit. Two Emergency Medical Technicians coordinate medical services through a contracted physician in Alamogordo. There are law books available, and inmates can be transported to the courthouse to access a more in-depth law library. Does the institution have its problems? Of course, Martin said; but then, so does any entity, from the small Mom-and-Pop shop to the largest super retailer. Martin did not want to hide their problems. He cited an instance where two inmate workers taking trash to an outside dumpster "decided to make a beeline for Airport Trailer Park," he said. Police were called. Yet before the escapees could even get near the small subdivision, Martin said the OCDC's staff reacted and "apprehended them before law enforcement agencies" even arrived. Martin, a former New Mexico Department of Corrections employee, attributed such professionalism to the employees' training. "You'll have a hard time finding an officer back there that doesn't give 110 percent every day," he said. "For some reason," said Jenkins, laughing, "they keep showing up for work."

From Alamogordo Daily News, By:Michael Shinabery, 29 August 2001

JAIL PANEL TO ESTABLISH PRIVATIZATION GUIDELINES

A committee of county officials was appointed Monday by the Bowie County Commissioner's Court to establish guidelines for proposals to privatize the Bowie County Correctional Center. Members of the committee include Bowie County Judge James Carlow, County Auditor Tom Kesterson, Assistant District Attorney Carol Dalby and Sheriff James Prince. Prince initially requested that Captain Inez Jones and Warden Bob Page serve on the committee, but Dalby said their presence would be a conflict of interest. Prince received approval for his top aides to remain in place in some capacity under any new management agreement. The search will be an expeditious one, Carlow said. "We hope to send out requests for proposals within three days," he said. "We are still waiting for examples from other counties who have dealt with similar situations." Carlow said the committee would allow two weeks for a response to the requests and hopes to have a recommendation for the court within a month. Commissioners also approved a recommendation by Carlow and Miller County Judge Hubert Easley to have David Miller as the new Veterans Service Officer for Bowie and Miller counties. Miller comes to the area from Lufkin, Texas, where he was employed as preventive maintenance technician. He previously worked for the Angelina-Neches River Authority and in the reinery industry. Miller, 58, served four years in the United States Air Force where he received an honorable discharge. He replaces Art Candelaria, who is retiring from the position. Precinct 4 Commissioner Carl Teel asked Carlow whether veterans groups were consulted in the hiring of Miller. Carlow said that the different organizations representing veterans' interests were too numerous and specialized to seek their input in the selection process. "We couldn't find a way to do it without it getting out of hand," he said. "Mr. Candelaria spent a lot of time with him and feels comfortable that he can do the job. As long as he is intelligent and has a heart for veterans, that's the most important thing." Miller will assume the post Sept. 1. In other business, commissioners took the following action on agenda items: n approved the transfer office equipment from the Bowie County inventory to the Red River Redevelopment Authority. Appointed Ostine Hearon to the Bowie County Housing Authority Board of Directors. On approved renewal of the Interlocal Agreement regarding the Economic Development Grant Contract and a new Interlocal Agreement concerning the Defense Economic Adjustment Assistance Grant. Approved a contract with Guy Benefit Managers to prepare and analyze the request for proposals for Bowie County employees' insurance benefits. n extended the lifting of the ban on burning until further notice.

*From **Texarkana Gazette**, by ANTHONY DAVIS, 28 August 2001*

COUNTY TO EXPLORE PRIVATIZING SENIOR SERVICES

Galveston - County officials in the coming months will investigate whether the county's senior citizen program can be better managed by a non-profit organization. Privatizing the program holds the potential of gathering more contributions from the cities and private benefactors, said Curtiss Brown, the county's director of community services. County leaders stressed no move would be made until more facts were gathered. The county could require whichever entity took over the program to maintain and perhaps add services a recent survey revealed area senior citizens wanted, officials said. The program provides meals and recreation at its headquarters on the island and several facilities on the mainland. The program also provides transportation to its clients and delivers meals to the homebound. A non-profit corporation would be more agile at making decisions on the day-to-day operations than the county government, Brown said. A private organization could run the program better than the county with the same amount of money, he said. Commissioner Eddie Janek said he would only be in favor of privatization if services for the seniors were maintained or improved. "If it's going to enhance the program, fine," he said. The county in the current budget provided the program with around $540,000, officials said. Grants from the federal government provided an additional $500,000. A key question to be answered is whether a non-profit corporation could receive the federal money for the program, officials said. Brown said he wanted to work with other county officials including Julie Penrod-Glenn, the program's executive director, on an invitation for organizations to present proposals for running the program. He hoped to have the request for proposals ready by April. The winner could be contractually obligated not to arbitrarily cut services, officials said. Brown estimated three to six organizations - most from Harris County - would respond.

From Galveston County Daily News, By Carter Thompson, 28 August 2001