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China to Speed up Reform of Statistical System

To meet the requirements following the entry into the World Trade Organization, China will speed up reform to establish a statistical system which conforms to both the national situation and international norms, said sources with the National Statistics Bureau.

*From **Peoples Daily Online**, 4 March 2002*

The Koo In-hwoi-Koo-Cha-kyung Study - LG Founder Devoted to Localizing Global Products

There is a particular uniqueness in the management philosophy of LG, most of it from the conglomerates early days when started by founder Koo In-hwoi in the 1940s. The differences between LG and other conglomerates became evident, when reviewing its determined efforts to localize products that led to many developments in Korea. Koo's determination to localize products immediately attracted the attention of the government, which recognized that it could provide the momentum for increasing exports. The concept behind the localization process was the fact that LG had to engage in areas which others had not ventured, that is making investments in order to boost exports and reduce imports. “Do what others have not done” was the credo of the LG founder, and this made it possible for LG to move into uncharted territories and realize market diversification. Koo was also different in the way that he separated and maintained company ownership as he established harmony among the Koo and Huh families up until his death in 1969. When it was time to hold a general meeting of “shareholders,” the late Koo would allocate shares to family members who had exceeded the age of 20. In all of these meetings, the allocation of shares was approved unanimously and this helped preserve harmony among family members. In the preceding years, Koo made sure that the harmony was sustained, by providing important positions to not only his direct kin, but the in-laws who had proven to be efficient businessmen. The family-oriented nature of the business environment did not end here and those who remember Koo say that he had made harmony a major part of the business. In a survey conducted at the end of the 1980s, 60 percent of LG employees said they thought that the company was “conservative and human.’’ Only 2 percent said they thought LG was competitive in nature. The same percentage of people said they applied for work at LG knowing that LG had those characteristics, and not many randomly sought work there for other reasons.

Interestingly enough, however, 60 percent of the employees said they would rather work more hours to make LG a more competition-oriented company, testifying to the changes in the times. The change in the attitude of LG employees is perhaps natural when considering the significant transformation in Korean corporate society through the decades. But the reality at LG has been that it was a company which was innovative on the one hand but very conservative one the other, with the top management positions being controlled by family members. Taking this one step further, it is also important to note that while LG has been a conservative company, it was innovative in every sense of the word, from management to research. For instance, LG was one of the most aggressive Korean companies in seeking foreign partnerships, and in listing its companies on the Korea Stock Exchange. (More recently, LG Electronics entered into agreements with Philips of the Netherlands for the braun tube and display (liquid crystal display) business, attracting billions of dollars of foreign equity in the process). The recognition that foreign investment is good for the economy led Koo to induce considerable foreign capital into his companies while listing most of his companies in the stock market. The main difference within LG was that it was insistent on keeping it a family business, but attracting qualified personnel and foreign expertise to help the company prosper. Along the way, 13 LG companies were listed on the stock market in the 1970s, and 30 foreign companies had injected their capital and technological expertise into LG. The initiative to bring in foreign capital and expertise marked the beginning of such partnerships in Korea, and this resulted in the first-time development of numerous products in Korea.

Looking at these special characteristics of LG, it is easy to develop an insight into the makings of the Korean conglomerates as they formed the pillars of the national economy. Starting with the basics - Koo In-hwoi advocated shared ownership and the well-being of the public in conducting his business - LG management set the standard in what a corporation should stand for. By focusing on the value of human resources, and the need to satisfy the needs of the general public, Koo and LG established the foundation for future prosperity. It had never been easy for business empires to sustain harmony among family members, but this was again one of the aspects in which Koo set LG apart from the rest. By recognizing the strength of family ties, and the value of other human resources, Koo was able to set a foundation for the future of what was to become one of the top three conglomerates in Korea. In essence, the motive had always been to make LG one of the top companies in the world through efficient management and strong research and development. With consistent investments in all aspects of business, Koo was able to provide the tools for his son, Koo Cha-kyung, to realize the objectives that he had set at the birth of the enterprise in 1947. Even as Koo launched Lucky Chemical and Goldstar, he had the spirit to challenge what the future held and find the elements that would make it possible to cross new boundaries. And such firm leadership later made it possible for his eldest son, Cha-kyung, to rise to power without dispute, and take LG to the next level as he successfully did before his retirement in 1995. Deputy Business Editor Nho Joon-hun translated this portion of the series.

*From **Korea Times**, by Prof. Koh Seung-hee, 5 March 2002*

Privatization law urgently needed

The controversy surrounding the sale of Bank Central Asia (BCA) continues, even in its final days, as the government claims the team that will name BCA's winning bidder is legally valid, while the agency in charge of the sale insists it is not. State Minister of State Enterprises Laksamana Sukardi ruled out the Indonesian Bank Restructuring Agency's (IBRA) charge that the setup of the team would violate regulations. "The BCA divestment process must be prudent but the formation of the team does not violate Government Regulation No. 17," Laksamana was quoted as saying by *Reuters* late on Tuesday. The government decided to set up a high-level team to pick the winner of the crucial BCA sale, which has, over the course of its three-year long process, become a litmus test of Indonesia's resolve to attract foreign investment. Laksamana said the team of senior ministers and the central bank governor among others, would ensure the credibility of the sale. Yet his decision came just a week before IBRA planned to announce a winner, drawing fire from IBRA chairman I Putu Gede Ary Suta. Ary Suta argued that IBRA had the full authority to direct the entire sale process of the state assets it controls. IBRA plans to sell off a 51 percent stake in BCA to one of the two remaining consortia. They are either Standard Chartered Bank Plc of Britain or Farallon Capital Management of the U.S. The two have been named the surviving bidders in a sale that floundered twice since it was launched three years ago. Last year's relaunch of BCA's sale has won the praise of the International Monetary Fund (IMF) for its "appropriate" conduct. Now, Ary Suta warned the team's setup might hamper the sale. "We don't want to create further complications, especially at the end of the (sale) process," he told reporters.

But the latest snag threatening BCA's sale process has had little effect on the market. The rupiah and the stock exchange maintained their upward trend on apparent confidence of an imminent BCA sale. Against the U.S. dollar, the rupiah rose to 9,958 from 9,980 the day before, while the stock market index rose a hefty 17.69 points to close Wednesday's trading at 476. Ary Suta said he would meet Laksamana to straighten out their differences, adding the latter would "understand". Their conflicting statements, however, may signal more than a simple quarrel among top government officials. Laksamana's decision to deny IBRA its right to set a winner for BCA is seen by some as being directly aimed at Ary Suta's integrity. With much of the country's economic potential locked inside the agency, IBRA has become a hotbed of vested interests. Ary Suta has dragged himself under the media spotlight on several occasions over a number of controversial IBRA decisions. His position, a legacy of former president Abdurrahman Wahid's administration, has so far remain unscathed. Under President Megawati Soekarnoputri, Laksamana has moved to place IBRA under his control, which many believe means that Ary Suta's days are numbered. Yet he managed to maintain a working relationship with Laksamana, even though he kept passing controversial decisions. It was not clear whether Laksamana had Ary Suta's IBRA in mind when he told reporters last Monday that leaving the entire sale process under one party may result in "funny things" happening. In a hearing with legislators on Wednesday, the two were seen avoiding each other, although they occupied the same row of seats. Ary Suta left one chair between him and Laksamana vacant, as he sat with his back slightly turned away from the state minister.

*From **Jakarta Post**, 6 March 2002*

Japan to Unveil New Recovery Plan

Tokyo: Japan said yesterday it would unveil another batch of economy-boosting measures later this month after an initiative launched last week was criticized as short on specific commitments. "The Cabinet Office is preparing a second round of the anti-deflation package. It will be an expansion of the five-point plan recently released," Finance Minister Masajuro Shiokawa told a news conference. "We need to announce more detailed measures, based on the basic policy," he said. A top economic council chaired by Prime Minister Junichiro Koizumi released a long-awaited plan to reverse Japan's price slide last Wednesday. But lawmakers and analysts said the package only pledged "bold measures," rather than outlining specific action to help banks dispose of bad loans, stabilize the financial system, strengthen stock markets and aid smaller firms. The plan also called on the Bank of Japan (BoJ) to provide more liquidity to the market, which it did by easing monetary policy on Thursday. State Minister for Economic and Fiscal Policy Heizo Takenaka hinted yesterday he wanted the BoJ to do even more. "Monetary and structural reform policy are entering unknown territory and it is unclear to what extent monetary (policy) should go forward," Takenaka said. "However, we need to prevent deflation by using all possible measures. We will not stop our efforts to work out measures," he told a Lower House budget committee in parliament. Tokyo should outline policy goals leaving the central bank responsible for deciding the necessary measures, he suggested. But BoJ Governor Masaru Hayami said the benefits of ample liquidity would only be felt if the government makes progress in structural reforms. "The government should put more weight on incentives to revitalize firms and their globalization efforts," Hayami told the committee. "(It) should promote deregulation in the fields of healthcare, human resources, urban redevelopment and welfare, to make monetary easing more effective," he said. Data released at the end of last week confirmed the dire state of the world's second largest economy, with consumer prices falling for the 29th straight month in January and the unemployment situation still critical. Agencies via Xinhua.

*From **China Daily**, 7 March 2002*

Challenges to Workplace Reform Bills

The Australian Labor Party last night resolved to amend a Howard Government proposal to remove unfair dismissal protection for casual employees for a probation period of 12 months. Labor will propose that the period be six months, with an option for it to be reduced further through certified wage agreements between employers and employees. Shadow Cabinet last night also discussed separate government bills prohibiting the levying of union bargaining fees for wage negotiations and requiring compulsory secret ballots before industrial action. Labor will oppose both proposals when they come before Parliament. The Opposition has already signalled it will amend a bill giving small businesses an exemption from unfair dismissal laws. The legislation is scheduled for debate later this week. Labor will move amendments simplifying the procedural requirements imposed on small business employers before they can dismiss employees. The Opposition will also put forward amendments reducing the cost of defending unfair dismissal claims and it will push for a wider Senate inquiry into the issue of small business employment. The Howard Government has indicated that it wants its "fair dismissal" legislation passed unamended, but has left open the prospect of discussions with Labor when the bill comes up for debate. The Government is keen to pressure Labor over its links with the trade union movement. Moves by Labor's workplace relations spokesman, Robert McClelland, to rethink the Opposition's industrial agenda have already caused disquiet with unions and the Labor caucus. Workplace Relations Minister Tony Abbott yesterday continued to challenge Labor to pass the unfair dismissal measure. "The real deadline for the Leader of the Opposition to prove that he has changed, to prove that he can be his own man and not just a union heavy, is actually three days [when the bill is scheduled to come before the Senate]," Mr. Abbott said.

*From **Financial Review**, by Katharine Murphy, 12 March 2002*

Asia Watch: Indonesia Gains on Reforms

Indonesia's stock market has risen sharply in recent weeks amid signs the government is prepared to keep the country's crucial economic and political reforms on track. The administration of President Megawati Sukarnoputri last week quashed a proposed debt relief plan for bankrupt tycoons and signalled her intention to crack down on graft through the detention of a prominent politician accused of corruption. "The market still has a lot of upside if the government continues down this track of conforming with its economic reform commitments," said an institutional sales representative with a foreign brokerage in Jakarta. On Monday, the Jakarta composite index was down 1.089 points, or 0.23 per cent, at 474.026. The index has gained about 21 per cent since the beginning of the year, helped by news on the reform front and inflows of foreign funds into the region. Indonesia's normally volatile currency, the rupiah, has also been steadier this year at around 10,000 against the dollar. On Monday, the country's US$400m sovereign dollar junk bonds rallied sharply with spreads tightening 60-70 basis points on news of the crackdown on graft. Mrs. Megawati came to power last year after parliament sacked her predecessor, Abdurrahman Wahid, an erratic Muslim cleric, for incompetence. She inherited an economy that was still growing thanks to rising consumption but one whose long-term future remains under threat from a public sector debt burden valued at more than 100 per cent of annual gross domestic product. Much of this debt is owed to the government by politically well-connected businessmen whose banks went broke during the Asian financial crisis of 1997/1998. Concerned investors were worried that elements in Mrs. Megawati's administration had been advocating softer repayment terms for these debtors until the president crushed the move last week. Her decision is bound to please the International Monetary Fund, which is sponsoring the government's economic reforms. "This is positive in terms of satisfying the IMF conditions for the next tranche of loan disbursement," said Anton Gunawan, an analyst with Salomon Smith Barney in Jakarta, in a research note. Mrs. Megawati's other economic achievements this year include cutting expensive fuel subsidies and pushing forward with the divestment of one of the country's largest retail banks, Bank Central Asia, in a deal that is expected to be concluded this week.

On the political front, Akbar Tandjung, the influential leader of Golkar, the country's second largest political party, has been detained on allegations he misused funds from a state food agency to buy votes. Police have also charged Hutomo Mandala Putra, the son of Indonesia's powerful former president Suharto, with the murder of a Supreme Court judge. Unknown gunmen killed the judge after he earlier convicted Mr. Hutomo for corruption. For investors in Indonesia's stock market, there is plenty of room for further upside if the government can maintain the current momentum on its reforms. Indonesia's best blue chips are trading at prices as low as 6 times forward 2002 earnings, less than half the average levels of companies in neighbouring Thailand. "Indonesia deserves a re-rating - it is the cheapest market in Southeast Asia," said Sriyan Pietersz, a regional equities strategist with SG Securities in Bangkok. He said Indonesia's strongest companies, such as cigarette producers, Gudang Garam and Sampoerna, and retailers Matahari and Ramayana, were trading at low prices because of the country risk premium. "These are companies that cater to a huge domestic economy, which have been growing unceasingly since the crisis and which are by no means in trouble, but yet they're being valued at three or four times earnings, which is crazy," Mr. Pietersz said. On Monday, Bank Central Asia was down 1.2 per cent at Rupiah1,925 per share, Gudang Garam was down 1.7 per cent at Rupiah11,150 and Sampoerna was up 1 per cent at Rupiah4,775. Bellwether domestic telecoms operator, Telekomunikasi Indonesia, was down 0.6 per cent at Rupiah3,950 and international telecoms operator, Indonesian Satellite Corp, was up 1.4 per cent.

*From **Financial Times**, by Joe Leahy, 11 March 2002*

Thailand Vows to Improve Shaky Corporate Governance

Bangkok - Thailand, shaken by the recent pullout of a major U.S. investment fund, pledged on Thursday it would act to improve corporate governance to restore foreign confidence. "I would like to see 2002 as a year of good corporate governance. We have to show that we will try all means to achieve this," Prime Minister Thaksin Shinawatra told a conference on corporate governance. "We will use a carrot and stick approach for this." Last month Calpers, the biggest U.S. pension fund, said it was pulling out of some Southeast Asian countries, including Thailand, because they fell short of minimum standards on corporate governance. The California Public Employees Retirement System said Thailand did not pass its reviews of financial, corporate governance and transparency standards for emerging markets. Securities and Exchange Commission Secretary General Prasarn Trairatvorakul said Thailand had made great strides on corporate governance since the 1997/98 economic crisis. "They (Calpers) say our regulations on information disclosure and accounting by listed companies are not effective...which is not true," Prasarn said at the conference. He said accounting was now on its way to meeting international standards, disclosure had improved and company directors now knew how to handle their jobs. A recent report on 140 listed firms, drawn up by consultants McKinsey and the Thai Institute of Directors, suggested Thailand was making progress but could do much better. Prasarn said it would probably take Thailand four years to meet international standards. He said representatives from the securities commission and the finance ministry would travel abroad in the next couple of months to discuss Thailand's efforts to improve corporate governance with Calpers. Kittiratt Na-Ranong, president of the Stock Exchange of Thailand (SET), told reporters the bourse would offer listed companies considered to have good corporate governance a 50 percent reduction in their annual fees paid to the exchange. Listed companies now pay about 0.01-0.035 percent of their registered capital a year to the SET. To be eligible for the reduced fees, companies would have to meet standards set by local rating agency Thai Rating and Information Services (TRIS), Kittiratt said.

*From **iWon**, By Orathai Sriring, 14 March 2002*

Malaysia's Secrets To Surviving Global Economic Crisis

Linda O'Bryon: The economic slowdown in the United States has had a ripple effect across the world. Among those countries to be hit hardest is Malaysia. But in an unusual way, Malaysia is counting itself lucky, since this downturn was nothing like its last economic crisis, which struck just over four years ago. Rian Maelzer reports from Malaysia's capital, Kuala Lumpur. Rian Maelzer: Malaysia was barely recovering from the Asian economic crisis of 1997-98 when it got hit by this latest slowdown. Last time, domestic factors such as poor corporate governance and slack lending practices helped trigger the economic problems. This time the causes were mostly external, the slowdown in the U.S. and recession in Japan. Mohamed Ariff, Malaysia Institute of Economic Research: Being an open economy it's very vulnerable to external fluctuations, but then that's a small price that we have to pay because it's economic openness that brought the progress and prosperity that Malaysians are enjoying, have been enjoying for years and years. Maelzer: Malaysia is heavily dependent on exports, particularly of electronic goods, including semiconductors. Around one quarter of the country's exports go to the U.S. Analysts say the government did its best to cushion the blow from the slowdown, pumping money into infrastructure projects to try to stimulate demand. Despite those measures, unemployment has doubled in the past year. It's still relatively low at about four percent. But that's because Malaysia employs so many foreign workers from countries such as Bangladesh and Indonesia. Those migrant workers are the first to get laid off and sent back home when the economy slows down.

Reforms the Malaysian government undertook since the 1997 crisis have also helped ease the impact. This time there was no danger of a run on the currency, which is now pegged to the dollar. The banks are much stronger thanks to more prudent lending practices and a series of mergers. And many businesses are stronger now after undergoing government aided restructuring exercises. One of those companies is Idris Hydraulic, with interests in insurance and in the timber business. Abdul Razak Abdul, Idris Hydraulic: We are at least better prepared, are ready to meet whatever the challenges that are to come, because now we are more lean and mean compared to before. Maelzer: Despite the slowdown, Malaysia managed technically to avoid recession last year, with growth of just a fraction of a percent. Analysts are predicting better for this year. Ariff: There's going to a gentle recovery, but we believe that by next year and the year after I think we will be back on track with a growth rate of more than six to seven percent. Maelzer: But that will largely be out of Malaysia's hands and far more dependent on the performance of the U.S. economy and global demand for Malaysia's electronic goods. Rian Maelzer, Nighlty Business Report, Kuala Lumpur. Nightly Business Report transcripts are available online post broadcast. The program is transcribed by eMediaMillWorks. Updates may be posted at a later date. The views of our guests and commentators are their own and do not necessarily represent the views of Community Television Foundation of South Florida, Inc. Nightly Business Report, or WPBT. Information presented on Nightly Business Report is not and should not be considered as investment advice.

*From **NBR**, 20 March 2002*

Philippines - Group Helps 'Refine' ASEAN Internet Roadmap

Through the help of a private sector e-commerce group, the eASEAN Task Force, an organization tasked to promote electronic linkages between governments and businesses in the Association of Southeast Asian Nations (ASEAN), plans to develop a roadmap on Internet development for the ASEAN region. The Global Business Dialogue on E-commerce (GBDe), an organization comprised of 57 chief executive officers (CEOs) and board-level representatives of leading companies worldwide, met in Manila last week to map out "crucial requirements for ASEAN economies to realize the full potential of the Internet." The two-day GBDe meeting was hosted by a Philippine-based member company, the Equitable Card Network (ECN), chaired by Roberto Romulo, also head of the eASEAN Task Force. The eASEAN Task Force and GBDe signed the ASEAN Framework Agreement on ICT Products and Services in Miami, Fla., in 2000. The pact included a provision allowing the eASEAN Task Force to tap the GBDe as a consultant. Romulo said that the Internet roadmap, expected to be completed "within the next few weeks," would incorporate relevant recommendations made earlier by the eASEAN Task Force. It would also recommend how ASEAN country members could attract more investments to boost their respective IT initiatives. ASEAN members include the Philippines, Thailand, Malaysia, Indonesia, Singapore, Brunei, Vietnam, Laos, Myanmar, and Cambodia. "Governments of ASEAN countries could use GBDe's recommendations in their fund-raising activities to support their e-governance projects," Romulo noted. "A key point raised during the meeting is that e-commerce is continuing to play an increasing role in driving economic growth worldwide, despite losing some of its high-profile glamor following the 'dot-com bubble burst' two years ago. GBDe, whose members are mostly from Europe have already done what the ASEAN is planning to do.

We could use their experience to our benefit," Romulo said. Established in late 1999, GBDe is committed to educating governments around the world on the impact of Internet on business and governance. The organization had worked on the e-commerce and e-governance plans of several European countries as part of the consolidation initiatives of the European Union. Manuel Avendaño, vice president of Telefonica, one of Spain's largest telecommunications firms, said the roadmap would specify that the government in each ASEAN country should allow the private sector to pursue market-driven IT projects. "To ensure the growth of the Internet, especially with regard to the e-ASEAN Task Force's initiatives, each country government should avoid unnecessary and ill-conceived regulations," Avendaño said. Bertrand Cousin, special advisor to the chairman of Vivendi Universal, said Asia's population could greatly benefit from e-ASEAN Task Force's initiatives. "Asia will have the fastest growth rate in terms of e-commerce transactions, with a projected 109 percent compounded annual growth rate for business-to-business e-commerce between 2001 and 2005. As such, the Internet could be a major tool to deliver services to Asia's constituents," Cousin said. Cousin added that the Asia-Pacific region currently accounts for around 22 percent of the global online population. Citing various global surveys, he said the region could have between 183 to 242 million Internet users by 2005, mostly as a result of lower access prices spurred by increased competition.

From Metropolitan Computer Times, by Alex F Villafania, 25 March 2002

Europe/CIS

European Commission Approves Country Strategy Paper for China

The European Commission on March 1 approved a document on its strategic cooperation toward China during 2002 to 2006. The document, the Country Strategy Paper (CSP) for China, provides an overall framework of relations of EU cooperation with China in the coming five years, it also offers a lawful support for its policy toward China.

*From **Peoples Daily Online**, 4 March 2002*

Poland Ranks 41st on List of Most Competitive Economies

Poland has been ranked 41st among 75 nations in the Davos World Economic Forum's listing of the most competitive nations around the world. Among the candidate countries to the European Union (EU), Slovenia, Estonia and Hungary placed higher in the ranking. Poland was given a "medium" ranking in technological advancement, placing 35th. The macroeconomic environment in Poland was estimated as poor, in 50th place, while Polish public institutions ranked 41st. Poland placed 45th on the corruption list, ranking before Salvador and China. However the report also mentions Poland as constantly improving its competitiveness, and is also perceived as an attractive country for foreign investors.

*From **Warsaw Business Journal**, 5 March 2002*

EU Candidates Need to Look to New Technologies for Competitiveness

Countries hoping to become part of the European Union need to acquire and use knowledge and new technologies if they are to match the economic competitiveness of existing EU members, a report from the World Bank says. The report, which looks at 10 EU candidate countries, found that spending on research and development, enrolment in higher education, computer availability and the presence of internet hosts were all low in those countries compared with states belonging to the Union. But the report added that each country had the facilities to make itself more competitive. Those included: a trained labour force, considerable capacity in science and technology, relatively well developed communications facilities and an increasing openness to foreign trade. Candidate countries needed to create an economic and institutional framework for promoting knowledge along with a better network of companies and research centres, the World Bank said. "In addition to capital, labour and land, knowledge has become an important factor in determining economic growth in the advanced economies of the 21st century," said Johannes Linn, World Bank vice-president for Europe and Central Asia. "If Europe is to become the most competitive knowledge economy in the world in ten years, as stated in the 2000 European summit in Lisbon, the challenge we face is to work together as partners in making this a reality for all EU members."

*From **Europemedia.net**, 14 March 2002*

Barcelona's Reform Agenda - Energy Deregulation is a Key Summit Goal

European leaders meeting in Barcelona this weekend are considering an ambitious agenda for economic reform. But in the two years since they first set concrete goals at the Lisbon summit - which aimed at making the European Union the most competitive and dynamic economy in the world by 2010 - progress has been slow. The Lisbon targets included creating 20 million new jobs and boosting productivity, in order to overcome the 50% gap in average income per head in Europe compared to the United States. So far, 5 million new jobs have been created - but the EU unemployment rate is still around 10%. Telecommunications have been liberalised and the use of internet is widely developed. But there is still a long way to go before other markets are opened up. And the downturn of the global economy is not playing in favour of further reform. Energy market tussle - Now a row between France and other EU members over opening up of energy markets may threaten to overshadow progress at the summit. With the presidential election due in six weeks, the French government has already warned that it won't take important decisions on sensitive issues. It said it would allow French businesses to choose between energy suppliers but it is still refusing to give the same freedom to French consumers, warning that job losses could result. The Germans seemed to agree with this last year at the Stockholm summit. But now, all EU countries have agreed that France should be forced to open its market to foreign companies, partly because its giant state-owned company EDF (Electricité de France) has moved aggressively to exploit the liberalisation of energy markets in the rest of Europe. How far to go? As well as energy deregulation, Spain, which holds the EU presidency, has put employment flexibility and the creation of a single financial market at the top of the summit agenda. They are backed by the UK and Italy, who also want more measures to encourage small business start-ups. But Germany, which is also facing an election this autumn, has been reluctant to agree to measures to make it easier to take over companies, blocking a reform measure in the European Parliament.

There may be more success in integrating financial markets. At the moment, European stock markets are smaller and less efficient than their American counterparts. It costs much more for a European company to invest in the EU area than in the United States, and it is harder to raise venture capital. The European Union is hoping to integrate European securities markets by 2003 and to join stock markets across Europe together by 2005. Labour mobility - As unemployment is rising again in countries like France and Germany, the Barcelona summit will place great emphasis on the importance of the mobility of the work force and a more flexible labour market. At the moment, only 0.4% of EU workers move across borders each year to find jobs. In order to enhance job seekers mobility, the European Union is trying to simplify the pension system and increase mutual recognition of qualifications. The UK attaches particular importance to labour mobility, and the ending of barriers that make it expensive for companies to hire and fire workers. But some countries are also pushing for a social agenda to protect employees rights. Other economic issues could also cause controversy at the summit. Following the successful launch of the euro, the head of the European Central Bank, Wim Duisenberg, has announced he is stepping down. The French are hoping to gain endorsement for their candidate, Jean-Claude Trichet, governor of the Banque de France, as his successor. And the EU President, Romano Prodi, wants eurozone countries to consider closer cooperation on fiscal policy and taxes to make economic policy more consistent and effective, now that interest rates are set centrally by the ECB. But such a move would be anathema to the UK and Sweden, whose doubts about joining the euro centre around their loss of economic sovereignty.

*From **BBC**, by Eleonore Dresch 13 March 2002*

EU: Preserving Cultural Identity Causes Dilemma In Era Of Globalization

As European integration deepens, opposition has grown in recent years in most European Union member states to the standardization effect that integration inevitably brings. These opposition voices say: "We don't want to lose our local habits, customs, and personality on the orders of faceless bureaucrats in Brussels." This same feeling is present among people in the candidate countries of Central and Eastern Europe. Can regional characteristics be preserved in an age of growing globalization? Prague - A feeling of belonging is an essential part of an individual's sense of well-being. But such has been the pace of European integration that it has produced a backlash among people who fear the old certainties are disappearing. As integration in the European Union continues, more national sovereignty is pooled, and more of the power moves to the center, to Brussels, which seems remote and opaque. In particular, many of the powers normally handled at the regional level, such as education, cultural policies, and health, became European competencies. This means regional and even municipal leaders in, say, central Finland or southern Portugal had to grapple with a stream of directives from Brussels. Competent as these local politicians may be, they rarely had much knowledge of the intricacies of the Brussels bureaucracy. This led easily to a sense of alienation. Regional leaders became aware that they needed contact with Brussels, and Brussels became aware that it needed more support at the grassroots level. Gabriel Toggenburg, a researcher at the European Academy in Bolzano, Italy, takes up the story: "The solution, or what was then proclaimed as a solution, was then found in the Maastricht Treaty [of 1992], where the European Union [created] the so-called Committee of the Regions, which now tries to influence the legislative process of the Union. And there you have 222 members, coming from the regions and also from the municipalities." At the secretariat of the Committee of the Regions, spokesman Patrizio Fiorilli explains the situation: "The treaty on the Union specifies that the [EU Executive] Commission, or the Council [of Ministers], or the [European] Parliament must consult the Committee of the Regions prior to taking any decision that is likely to affect regions or towns. In effect, about 75 percent of EU legislation is implemented at the regional or local level, which means they consult us on quite a few issues - basically, everything except diplomacy, defense, and finances." The problem is that the Committee of the Regions has a purely advisory role. It can try to influence decisions but has no power to change them. Toggenburg of the European Academy says the Committee is not always credited with having a big impact and that, because of this, the regions are still not a major player in the present system. Toggenburg sees the creation of the Committee as an encouraging sign, saying that until the Maastricht Treaty of 1992, EU thinking was completely dominated by economic considerations. But he says that with 1992 came a new mind-set, in that cultural diversity became a sort of "constitutional value" of the European Union. Under an article (article 151/paragraph four) in the treaty, the EU is obliged to respect cultural diversity. That's a fine thought, but how is it to be achieved, particularly in view of the standardization effect of continent-wide regulations, the single market, and the overall impact of globalization? Toggenburg says much importance rests with the courts, in this case the European Court of Justice in Luxembourg, which seeks to balance the interests of the common market with cultural diversity. An example is a case in Ireland in which a woman applying for a public sector job went to court because she did not want to learn the Irish native language, Gaelic. Knowledge of Gaelic is an essential requirement for filling such jobs, but she asserted that the requirement was a breach of her rights under the single market. Toggenburg says: "What the European Court did, and this is quite astonishing, was to say that the European Union has to respect national policies which aim to preserve the national identity of a small state. Of course, people then said, 'Well, this judgment refers only to small languages which, by chance, coincide with the official language of the state.'" But then, a subsequent case, dealing with the use of the minority German language in northern Italy, confirmed the broader thinking of the European Court on cultural identity issues. Toggenburg contrasts this with a fresh legal ruling concerning a member of the European Free Trade Area (EFTA). "There you had a judgment two weeks ago, on the question of whether one could protect the Icelandic book market, in the sense that one would give advantages to those books which are published in the Icelandic language. And there the EFTA court in Luxembourg said that this would infringe the principle of common market," Toggenburg says. "So you see, it is very important whether a political system stresses the value of cultural diversity, and the European Union more and more does so."

Despite this, there is still some anxiety both in present EU member states and among the candidate members of Central and Eastern Europe. Committee of the Regions spokesman Fiorilli says the Committee now regularly holds consultations with regional and local leaders from the candidate countries. He says that process started as the result of a chance encounter: "Committee of the Regions members - who are all mayors of towns or presidents of regions - virtually bumped into their peers from the candidate countries back in 1999. And these local leaders from candidate countries told them: 'You know, nobody talks to us. We have absolutely no information on what accession to the EU will mean to our regions or towns.' And then we decided to start a dialogue with all these candidate countries." There is also bilateral help from EU entities to candidates. For instance, the parliament and government of Scotland have been working closely with the Czech Republic. The deputy speaker of the Scottish parliament, George Reid, gives details: "Our government in Edinburgh is the main adviser to the Czech government on how to tap into European funding at sub-state level - that is, in terms of community centers, in terms of bridges, in terms of roads, in terms of the environment and so forth. And we are sharing our very real practical experience with them in that area." The question of identity in the European Union will continue to be a burning issue in the future, as eastward expansion almost doubles Union membership. At the center, the European Commission is now acutely aware that it must do a better job in presenting itself and its work to the people of Europe. And the minorities and regions must learn to use all the tools at their disposal to protect their heritage and interests, considering that their individuality contributes to the richness of European culture.

*From **Radio Free Europe**, by Breffni O'Rourke, 18 March 2002*

The Americas

S&P Report on Argentine Insurers' Challenges

Buenos Aires - The gravity of Argentina's economic and political crisis curbed the hopes of finding a timely solution to its insurance industry's chronic struggle toward efficiency and stability, said a new Standard & Poor's report. “After a decade of struggle to amend past errors, the Argentine insurance sector had managed to improve its solvency and transparency, turning itself into a more consolidated market on the verge of showing a profit for the first time in years," said Carina Lopez Espino, an associate director with Standard & Poor's financial services ratings group in Buenos Aires. The report, Argentine Insurers: Back to the Bad Old Times, added however that besides the prolonged recession that hurt the levels of underwritten premiums and collections, during the past year insurers suffered rapid credit quality deterioration of their investment portfolios, additional pressure on liquidity as a result of the distressed debt exchange and the banking crisis, and, more recently, a complete change in the operational insurance framework derived from the devaluation of the currency and the "pesification" (the conversion of dollar assets and liabilities to pesos) of the Argentine economy. Dozens of insurers dedicated to asset-accumulation businesses could disappear, since savings-related products lost all appeal after local policyholders suffered enormous losses due to the pesification of their funds. In this context, savings products provided by offshore companies, though prohibited, could become popular once again, as was the case in the 80s and early 90s. Further, whether foreign shareholders will ever decide to recapitalize companies whose current business profiles are uncertain, at best, remains unclear. In any case, some of the probable scenarios start to resemble the business model entrenched in the 80s insurance industry: a monopoly local reinsurer to replace the lack of international credibility, indexation clauses to protect balance sheets from escalating inflation, and increased "negotiation" of claims' amounts and dates of payment to match available liquid resources. For a copy of the full report, please visit www.ratingsdirect.com, or go to www.standardandpoors.com/Forum/RatingsCommentaries/FinancialInstitutions. Standard & Poor's is a leader in providing highly valued financial data, analytical research and investment and credit opinions to the global capital markets. With more than 5,000 employees located in 18 countries, Standard & Poor's is an integral part of the world's financial architecture. Additional information is available at http://www.standardandpoors.com.

*From **PR Newswire via Yahoo**, 11 March 2002*

Local Legislators Monitoring Budget, Trying to Move Bills

Frankfort - Local legislators say they are focused on getting the bills they have filed passed and gearing up to pass a two-year budget in the General Assembly's final weeks. Monday was the deadline for filing new bills in the House. "I'm just trying to get my bills out and keep them moving," said Rep. Dwight Butler, a Republican from Harned. The 2002 session is scheduled to end April 2. Butler, who serves on the House Appropriations and Revenue Committee, said he anticipates a long committee meeting Friday to deal with the budget. Governor Paul Patton's two-year budget anticipates nearly a half-billion dollar deficit. The House committees will continue to go through the document and make recommendations that will be included in the House's budget bill. Rep. Mark Treesh, a Philpot Republican, also sits on the House A&R Committee. He has been championing tax reform for several sessions. "I'm still working on tax reform," Treesh said. "I've had discussions with the chairman of A&R, and he has asked me to put together an income tax proposal to go with his bill. The goal will be tax simplification and relief." Rep. John Arnold, a Sturgis Democrat, said he also is concerned about the budget. "It's important for my whole district, and I want to make sure the rural communities are not left out," Arnold said. Rep. Jim Gooch, a Providence Democrat, said legislators are continuing to look for funding for needed services and programs so that they will not pass any unfunded mandates to local governments. "I want to make sure we honor our commitment to send 50 percent of the coal severance tax monies back to counties," Gooch said. "It looks like there is some effort to cut that out."

The governor's budget plan passed along a 2.7 percent salary increase for state employees and teachers, however, members of both chambers have indicated they will not ask local school districts to pick up the tab for those raises. Rep. Brent Yonts, a Greenville Democrat, hopes to get several bills to the House floor before the session ends. On Tuesday, Yonts was able to gain approval from the House State Government Committee on a resolution that would create a task force to study and make recommendations for standardizing the way deeds, mortgages and other documents are indexed in Kentucky's county clerks' offices. Another Yonts bill that would provide economic incentives for the hardwood products industry awaits hearing in A&R Committee. He is sponsoring a bill that would create stricter standards for county disaster and emergency services officers. That plan is posted for review in House Local Government. Yonts hopes his proposal to raise the dropout age from 16 to 18 will get a hearing in the Education Committee before time runs out. Gooch said he is continuing to work on passing legislation that would repeal the unmined minerals tax. "It's also in A&R, and I'm hoping to amend it to take care of some of the concerns members had," Gooch said. "We just missed getting it out of committee last by two votes." Another bill that would encourage companies to use Kentucky coal is posted in the Tourism Development and Energy Committee, Gooch said. Arnold said he is monitoring the biodiesel bill that has passed the House and has been sent to the Senate. That legislation would require diesel fuel used on Kentucky's highways to contain a 2 percent biodiesel blend by 2005.
Today is the last day to file bills in the Senate.

*From **Kentucky Messenger-Inquirer**, by **Joy Campbell**, 8 March 2002*

In wake of Enron Debacle, Bush Pushes Rules for Corporations

Washington - In another effort to distance his administration from the Enron collapse, President Bush on Thursday unveiled a 10-point plan that he says will provide investors with more information about a corporation's financial performance and result in more corporate accountability. The president outlined his plan during a morning event in which he also presented awards for excellence in business, the Malcolm Baldrige National Quality Awards. "Reform should improve investor confidence and allow our economy to flourish and grow," Bush said. "Our goal is better rules so that conflict, suspicion and broken faith can be avoided in the first place. Reform should begin with accountability and reform should begin at the top," he said. Under the president's proposal, top executives who are found to engage in "serious misconduct" would be barred from serving on the boards of any publicly held corporations, according to a fact sheet obtained by CNN. Such a move would require congressional legislation. The president proposes that leaders lose any bonuses or other compensation based on incentives if they are found to be profiting from "erroneous financial statements," the White House fact sheet says. Bush also calls on CEOs to personally vouch each quarter for the company's financial statements. Currently, corporate chief executives typically sign only a "bare-bones" certification about the company's annual financial statements, the White House said. Bush's plan also requires company officers to tell the public promptly when they buy or sell stock for personal gain. Currently, corporate leaders can wait as long as a year or more without revealing personal transactions within the company. "The goal of these [proposals] is to increase corporate responsibility," an administration official said. The official said Bush has repeatedly talked about an "era of responsibility" and how that extends to corporate leaders. Bush touched on this theme in his State of the Union address. Although he never mentioned Enron by name in that speech, he said, "Through stricter accounting standards and tougher disclosure requirements, corporate America must be made more accountable to employees and shareholders and held to the highest standards of conduct." In other comments to reporters, the president has expressed anger about the collapse of Enron, suggesting that investors were not given all the facts, and citing how his mother-in-law lost about $8,000 in her Enron investment.

To help investors in the wake of the Enron debacle, the president wants corporations to provide quarterly information to shareholders about a firm's "financial performance, condition and risks." To prevent some of the accounting problems associated with Enron - which have centered around the Arthur Andersen accounting firm and its auditing and consulting work for Enron - the president calls for a "stronger, more independent audit system." Bush's plan would require the Securities and Exchange Commission (SEC) to establish guidelines for audit firms to prohibit an auditor from performing any other service, including consulting, to a client if those services would compromise the independence of the audit. The president is also calling for the creation of an independent regulatory board, under the supervision of the SEC, to develop ethical standards for the accounting industry. Bush's plan stems from recommendations from a working group, made up of Treasury, Commerce, SEC and other agency officials, formed after Enron collapsed in December. The working group continues to meet to review other possible ways to promote more corporate responsibility and better disclosure requirements, an administration official told CNN. Last month, in another move to prevent an Enron repeat, Bush unveiled proposals to help protect workers' retirement savings. His pension reform proposals include allowing employees to diversify and invest in noncompany stock after three years of investing in their company's 401(k). The president also calls for "pension parity," which aides describe as preventing corporate leaders from buying or selling company stock when employees and shareholders are barred from making investment changes in their retirement plans. Enron and its executives were among the largest contributors to President Bush's political campaigns. While Bush administration officials continue to say that Enron did not get any special treatment in exchange for those contributions, the president's advisers and Republicans are doing what they can to prevent the Enron debacle from affecting the GOP's performance in the November elections. Meanwhile, the Malcolm Baldrige National Quality Award winners, announced in December, were Clarke American Checks Inc. of San Antonio, Texas; Pal's Sudden Service of Kingsport, Tennessee; Chugach School District in Anchorage, Alaska; Pearl River School District in Pearl River, New York, and the University of Wisconsin-Stout in Menomonie, Wisconsin.

*From **CNN**, 8 March 2002*

US Backs E-Government in TerrorismFfight

Ninety percent of US citizens said that they would endorse the development of e-Government systems that would aid communication between federal, state and local Government, and enable them to be more effective in their fight against terrorism. Hart Teeter has just completed a comprehensive study of US e-Government services, on behalf of The Council for Excellence in Government, and it discovered a whole new world of support for the virtual halls of Congress. The public's acceptance of e-Government has grown considerably and their willingness to contribute to e-Government developments through taxation, and 77% think it will improve its ability to respond to a health or bio-terrorist threat. It seems that fundamental beliefs are being challenged by the events of September 11th. Previously, the concern about online personal privacy was one of the biggies. And it still is for many. But 57% of US citizens would be prepared to discount their online privacy rights if they thought it would help in the fight against terrorism. And a further 70% would urge the Government to invest tax dollars in e-Government if it would benefit the Federal Agencies, like the FBI, in their fight against terrorism. The US public in general is feeling more positive about e-Government. In 2000, when polled, 37% of the study group said they felt positively about e-Government. In 2001 42% said that they felt positively about e-Government. Similarly, 61% think that e-Government will have a positive effect on the way that Government works, compared with 56% twelve months earlier. Using e-Government is getting very popular too. One in ten US citizens have used the Government's online services over the past twelve months. The last year has seen 76% of US Internet users, and an impressive 51% of the overall population, visit a city, county or state Government web site. And it's popularity appears to be on the increase. There is no blind belief in the system however. And concerns do still remain, particularly in relation to security of Government information, which 64% said they were very worried about. And 51% are convinced that online voting is a bad idea. But there is an overall belief that e-Government will help make the US Government more accountable, cited by 62% of those polled by Hart Teeter.

*From **IT-Analysis.com**. by Jack Of Hearts, 8 March 2002*

United States: Financial Services Alert

SEC Division of Investment Management Provides Guidance on Independent Legal Counsel Requirements Under New Fund Governance Rules - In a letter to the Investment Company Institute, the staff of the Division of Investment Management of the SEC (the "Staff") addressed various issues raised by new requirements governing who may act as counsel to the independent directors of registered investment companies. Under these requirements, which become effective July 1, 2002, a registered investment company relying on certain exemptive rules (the "Exemptive Rules") under the Investment Company Act of 1940, as amended (the "1940 Act"), *e.g*., Rule 12b-1, must determine that legal counsel retained to represent the independent directors is an "independent legal counsel" within the meaning of Rule 0-1(a)(6) under the 1940 Act. The Staff indicated that, in the absence of facts demonstrating that independent directors had failed to act in good faith or exercise adequate care.

*From **Mondaq**, 14 March 2002*

GlobalSight to Demo Leading Globalization Management System at LISA 2002 Conference

GlobalSight Product Guru to Demonstrate How Globalization Management System Provides Complete Solution for Localizing Web, Print and Database Content - San Jose, Calif. - GlobalSight Corporation, the leading provider of infrastructure software for content globalization, today announced that Clove Lynch, principal product manager at GlobalSight, will be presenting at a special product session at the LISA Global Strategies Conference 2002. Mr. Lynch's presentation will take place on Friday, March 15 from 2:30 - 3:00 p.m. at the Hyatt Crystal City in Washington DC as part of LISA's “Leveraging Content in Global Business” conference. While traditional Globalization Management Systems (GMS) have focused primarily on Web content, the bulk of localization work continues to be performed on more traditional print formats. GlobalSight has recognized the need for a GMS to handle all types of content and will be demonstrating this capability with its latest release of GlobalSight System4. In Mr. Lynch's session, participants will learn about how GlobalSight System4 enables organizations to access, leverage, and localize content in a number of formats and from all types of content repositories including Web, print, enterprise applications, and database. GlobalSight's co-founder and CTO, Jorden Woods, will also be participating in one of the conference panel sessions

“The Global Content Management Experts Discuss the Role of Localization” on Thursday, March 14, 4:00 - 5:30 p.m. At the LISA Summit more than 250 senior business executives will learn from international business, localization, translation and language experts how to launch new products, manage Enterprise Content (ECM) and achieve success by adapting to international market requirements. For more information about the LISA Global Strategies Summit go to www.lisa.org. About GlobalSight - GlobalSight makes it possible for companies to successfully develop and manage multilingual information and Web content across global markets. The company's globalization management system (GMS) is enterprise software that provides the infrastructure to control the complex process of adapting, translating and maintaining all of a company's content and information worldwide. GlobalSight has proven experience rapidly and successfully deploying its technology in global enterprises, including Hewlett-Packard, GE, Yahoo!, Imation and Mercury Interactive. The company's customers achieve a competitive edge through increased international revenue, reduced localization and operational costs, accelerated time-to-market and strengthened global brand presence. Investors include Draper Fisher Jurvetson, Deutsche Bank Capital Partners, Whitney & Co., 3i Group and Protege. For more information, visit GlobalSight at www.globalsight.com.

*From **PR Newswire via Yahoo**, 13 March 2002*

Leaders Flock to See Mexico's Model City

Some praise Monterrey for its healthy development; critics say it's too Americanized - Monterrey, Mexico - Nestled among jagged mountains 120 miles south of the Texas border, this city in many ways is everything Mexico is not: It's modern, the residents are university graduates, and you can drink the water. Monterrey is also what anti-globalization activists fear, with its suburbs, mini-malls and U.S. chains. When world leaders converge on Monterrey next week, Mexico will be presenting this industrial metropolis as the poster child for how to develop the third world. Monterrey is playing host to the U.N. International Conference on Financing for Development, an unprecedented world summit on how to combat poverty and redistribute wealth around the globe. Fifty-two heads of state are expected to attend, including President Bush and Cuban President Fidel Castro. 'Economic powerhouse' - U.N. spokesman Tim Wall said Mexican President Vicente Fox chose Monterrey to show world leaders its economic success "rather than a scenic place with great cocktails." "Monterrey is not what you would call a great town for tourism, it's not a center of colonial architecture, it doesn't have a beachfront, but it's an economic powerhouse," Wall said. "It's the home of Latin America's first steel mill, it has manufacturing, trade, commerce, high-tech industries." With more millionaires per capita than any other area in Mexico, the Monterrey metropolitan area of about 3 million people boasts the highest standard of living in Mexico. Just a prop? Wages for laborers can be as much as five times higher than in the rest of the country - where the urban minimum wage is $4 a day - and the people of Monterrey study an average of three years more than other Mexicans. The crime rate is among the lowest for Mexico's metropolitan areas, and its police are considered among the least corrupt. But some anti-globalization activists say the glossy image is nothing more than a Hollywood prop. "The restaurants are McDonald's, Los Kentucky (Fried Chicken), Los Carl's Jr.," said Marianela Madrigal, a Monterrey resident who is coordinating an anti-globalization meeting on the sidelines of the U.N. summit. "We are very Americanized. Little by little we are losing our own culture. We're losing our Mexican identity and instead absorbing the values of North Americans, which are, well, consumerism. Yes, consumerism, and that's about it."

*From **Corpus Christi Caller Times**, by Julie Watson, 17 March 2002*

Economic Salvation Through the Internet - The Poorest Indians Suffer from too Little Globalization

Bochil, Mexico - In this town in the highlands of Chiapas, the coffee-bean buyers are easy to spot. Their two-story concrete houses, complete with garages and metal doors, occupy half a city block. The homes of the Indian peasants who grow the coffee are adobe. And therein lies an unexpected story. The Indian peasants have no access to world coffee markets other than through the local buyers in Bochil. As a result, they are financially abused. Captive and poor, they pay for life's essentials by indebting themselves to loan sharks who abound near here. I went to Bochil recently to meet the members of a coffee cooperative, known as Mut Vitz, that was formed two years ago by 650 Indian peasant growers to break the stranglehold of the local coffee buyers. Mut Vitz - "Bird Mountain" in the Tzotzil Indian language - has a small office, warehouse and packaging operation. But it still exports less than 10% of the 950 tons of coffee beans it produces annually. All that would change if Mut Vitz had what it covets above all else - an Internet connection. Coffee buyers in other countries pay up to five times more than the buyers in Bochil do, but Mut Vitz can't contact them cheaply. Telefonos de Mexico, or Telmex, the former state monopoly, says that connecting the Indian cooperative to a major city that has Internet service wouldn't be profitable. So, the closest Internet connection is two hours away, in San Cristobal de las Casas, Chiapas' former capital. On Jan. 1, 1994, the day the North American Free Trade Agreement went into effect, the Zapatista National Liberation Army (EZLN) rebelled not far from Bochil. Protesting the abject poverty in which millions of Mexican Indians live, the EZLN in part blamed globalization for the Indians' sad fate. But the case of Mut Vitz demonstrates that, if anything, Mexico's Indians suffer from too little globalization. Globalization is connectivity to the world chiefly through technology and open markets.

Its basic tools are literacy, electricity, roads, airports, telecommunications and the Internet. The Indians in Bochil, as do their counterparts in the rest of Mexico, have none of these. They are victims of centuries of disinvestment in education, communication and transportation - the essentials of connectivity. Globalization has thrown into brutal relief just how isolated Mexico's Indians are. Some still live in areas that are accessible only by small aircraft on clear days. Many Indian villages are hours by foot from schools and health clinics. These are obvious signs of isolation, but the less obvious ones are no less pernicious. On my way to Bochil, I met Juan Manuel Perez, a 22-year-old Tzotzil Indian. He is a student at the Center for Full Indian Development, a private vocational school in San Cristobal de las Casas. Perez's goal is to learn how to type, a skill that rivals that of reading and writing in today's high-tech economy. No one in Perez's village knows how to type. So, he spends half his day at the center in front of a sticky manual typewriter, a towel draped over his hands and the keys, copying government documents for practice. Almost every student who arrives at the center doesn't know how to type. Many can't read or write. Some don't know how to drive a car. The school also offers courses in baking, weaving, farming and animal husbandry because the Indians' knowledge in these traditional activities is so paltry. This lack of basic knowledge is also the bane of the Mut Vitz coffee cooperative. Only two of the co-op's members know how to use e-mail. Andres Diaz, 19, and Mariano Gonzales, 21, both sons of coffee growers, take computer training one day a month as money permits. Web site design remains a total mystery to these young men. Improving Indians' economic lot has become a major theme of Vicente Fox's administration, Congress and Indian and human-rights groups. The Mexican president has proposed an ambitious infrastructure-building program, known as Plan Puebla-Panama, to connect the most isolated and poorest communities in Mexico's southeastern states, where the country's largest Indian population lives, to seven Central American countries. It's unclear where the money to pay for all the roads, bridges, airports and telephone lines will come from, but few doubt the need for such an undertaking.

Much smaller-scaled efforts are already underway. In Chiapas, Margarito Ruiz, coordinator of the National Indigenous Assembly for Autonomy, shops for science and engineering scholarships to award his Indian students. Eleven of them are in Havana studying medicine on Cuban government scholarships. "People who are malnourished and shoeless, that's poverty. It's not Indian culture," said Ruiz, a Tojolabal Maya Indian. "A strong society that uses cars and planes strengthens its identity because it has time to think how to develop its identity. It isn't thinking constantly how it's going to feed itself or its children who are dying." Indian doctors or computer technicians? For many Mexicans, those are strange notions. Mexicans often imagine Indians as colorful repositories of national culture--folks trapped in time and natural habitat. But geographic and intellectual isolation is a recipe for cultural decline and poverty. At the moment, most Indians face two fates: subsistence farming or, when that fails, selling gum on the streets of Mexico City. If globalization is allowed to reach the highlands of Chiapas, and if the Indians there and elsewhere in Mexico are given the opportunity to learn its tools, those alternatives will dramatically multiply. Indian economic self-determination, as with Mut Vitz, may only be an Internet connection away.

*From **Los Angeles Times**, by Sam Quinones, 25 March 2002*

Global

Character Attacks Used as Weapon of Choice Against Globalization's Critics

Calling them 'bank bashers' and 'America-haters' makes it easy to ignore criticism and the damages done to millions of the world's poorest people - It always struck me how quickly the term "bank-basher" was trotted out in the days of the bank merger debate. With similar quickness the word "America- hating" has become a staple of media discourse these days. The suggestion seems to be that anyone who questions how our banks or the U.S. government exercise power is suffering from some kind of near-demented, hate-filled rage. Another possibility is that such critics have no interest in bashing or hating anyone, but merely wish to express disagreement over how these institutions are exercising their considerable power. It's odd that such critics are so vigorously attacked in the media. (The Post gave huge play recently, for instance to a frothy commentary by novelist Salman Rushdie attacking critics for "America-hating.") I find this curious because most media commentators take pride in being critics themselves. They like to present themselves as being tough-minded, unsentimental even cynical - in their approach to human motivation. In keeping with this, they generally subscribe to the view, advanced by mainstream economic theory, that humans are primarily motivated by material self-interest. This view may have some shortcomings as a comprehensive theory of human behaviour, by leaving out some of the complexities. But as an approach to journalism, it seems quite sensible. Certainly, a bit of skepticism about human motivation seems like a healthy instinct in those whose job is, among other things, to keep a watchful eye on the exercise of power. How curious, then, that this healthy skepticism about the self-serving nature of human motivation somehow disappears when it comes to assessing the behaviour of those who wield serious power like those who own banks or major corporations or who run the U.S. government. Suddenly, when confronted with these sorts of enormously powerful individuals, many media pundits become strangely trusting, assuming that the motivation of the rich and powerful is different than that of regular folks who operate used care dealerships or work at check-out counters, that the superpowerful, unlike the rest of us, are out to do good in the world.

So when these pundits hear others criticize the superpowerful, they assume the critics are full of hatred and keen to bash, rather than simply doing what the pundits themselves should be doing applying a critical perspective to those wielding power. A recent article in the Guardian newspaper on the impact of "globalization" on poor countries helps illustrate the point. The article, written by John Kampfner, focused on the devastating story of a woman in Ghana whose life has become miserable, apparently due to the policies of the key western-controlled lending institutions, the IMF and the World Bank. As the article explained, the IMF and the World Bank would only lend money to Ghana if it agreed to create favourable conditions for foreign mining companies, providing them with a 10-year tax holiday, removing environmental regulations and allowing them to take over huge tracts of land, including the farm where this woman's family once supported themselves. Forced off her land, the woman now works alongside her children - breaking rocks for a living. The IMF and World Bank also insisted that Ghana privatize key public services including water treatment and delivery and remove government subsidies aimed at making basic necessities affordable to the population. As a result, the woman in the article not only faces user fees for basic health care and schooling, but also has to pay from her meagre earnings for the daily bucket of clean drinking water that she and her children carry from the local well, and she also must pay every morning so they can all use a public toilet. Now, it seems to me that this kind of tragic personal tale raises some powerful and compelling questions. There is considerable evidence that her plight and the plight of millions of others like her throughout the underdeveloped world is directly related to the policies of the IMF and the World Bank. Perhaps there is some justification for treating her and others like this. Perhaps there are some media or think-tank types who might argue, for instance, that breaking rocks for a living will teach her and her children the value of hard work, that paying to use a public toilet each day will instill in them the values of self-discipline and that, equipped with these skills, the whole family will be better off in the long run. But there are many ordinary people who, lacking the benefit of training in economics, would find her plight sad and unfair, and might question the role western governments, including Canada, are playing in allowing the IMF and World Bank to perpetuate situations like this.

But those who raise these sorts of questions for instance, the thousands of people who gathered earlier this month in Porto Alegre, Brazil to hold an economic summit to counter the World Economic Forum in New York - are generally dismissed as "America-haters" for questioning the way Washington and the U.S. corporate elite wield power. The attempt to suggest such critics have a screw or two loose has become quite imaginative in recent months. It's now common, for instance to insist that critics of Washington are simply suffering from a bitter-loser-syndrome, that, as Rushdie characterized it: "We hate America because it has made of itself what we cannot make of ourselves.'" By this logic, they can dismiss the criticisms of the Ghana woman breaking rocks for a living or anyone sympathizing with her plight as simply sour grapes. She's just bitter and twisted because she doesn't get to go to the spa every day and have her highlights done like a regular rich American woman. It is no doubt comforting to dismiss critics as hate-crazed bashers or simply sore losers. It's certainly easier than having to actually deal with their arguments. Linda McQuaig is an economic journalist and author of All You Can Eat: Greed, Lust and the New Capitalism.

*From **Straight Goods**, by Linda McQuaig, 28 February 2002*

Sweatshops: The Critical Public Anti-Globalization Issue: What Are the Facts?

New research on labor conditions in Vietnam, including a focus on factories supplying footwear and clothing to Nike and Adidas Salomon, challenges conventional wisdom about the promotion of sweatshops. This is important in the context of the globalization debate -a debate now riddled with misunderstandings, where the two sides pursue a dance of the blind and the deaf. Right now, leaders of transnational corporations (TNCs) are traveling to Manhattan for the annual meeting of the World Economic Forum, while an army of anti-globalization protesters is also descending upon New York - but the two sides will not meet. The rhetoric from either camp is unlikely to be fresh and compelling, leaving the media once again to focus on street demonstrations and sidestep the crucial issues of substance. Why are they crucial? Because the ways in which public opinion- especially in Western Europe and North America now - are influenced by the globalization debate will impact key international official negotiations in the immediate months ahead on trade, investment, foreign aid and the environment. Also, public opinion is more swayed by anti-globalization pictures of sweatshops in Asia than by pro-globalization essays from Washington "think tanks." The public is more influenced by dramatic campaigns against popular brands of shoes and clothes said to be produced by mercilessly exploited workers in Africa, Asia and Central America, than by good global corporate citizenship speeches by the titans of TNCs. The new research will be especially useful to the debate because it deals exclusively with sweatshops in Asia. The research case studies focus directly on two of the major firms that are often vilified by the anti-globalization forces. It shows that important innovations are taking place in Vietnam with regard to child labor, workplace health and safety, financial support for very poor families and social responsibility attitudes of TNCs.

The research does not seek to defend the companies. It does not claim that all TNCs are behaving well. It does not enter into polemical debates about the appropriate levels of wages for Asian workers relative to American workers. But it does provide perspectives on extremely controversial globalization issues that are needed to break the impasse in the high-level globalization debate. My hope is that both the pro- and the anti-globalization forces, and the media as well, will focus on the research findings of an expert team led by Laura P. Hartman, Professor of Business Ethics at DePaul University in Chicago. Her focus is ethics. Her fascination, aroused by the anti-globalization protests, is whether it is possible for companies to operate factories in poor countries that are profitable, ethical and accountable. Hartman does not belong to the pro- or the anti-globalization interests, nor has her research been funded by any of these interests. She talked about her interests at a meeting in 2000 of the Fellows Program of the Ethics Resource Center. This is a program in which about 60 invited people with expertise in organizational ethics (drawn from civil society, government, major corporations, consulting firms and academia) meet to discuss what the program's chairman, Steven Potts, former Head of the US Office of Government Ethics, calls the "burning big issues in ethics." Hartman raised the question of whether we can find some model factories in very poor countries that are not classic sweatshops but healthy workplaces where employees are respected and treated with dignity. Members of the Fellows Program were skeptical but, being convinced that the search was important and pioneering, they agreed to provide initial funding. Researchers have now visited Asian factories, met with scores of corporate officials, conferred with experts from the International Labor Organization and interviewed managers, workers, the families of workers and public officials in Asia. Several case studies have been completed.

Others are now in an advanced stage and the full study, currently under the working title of "Exploration of Management Alternatives to Global Labor Challenges," will be in the bookshops later this year. Hartman and her colleagues have been searching for hard evidence in factories in very poor countries of excellent practices that can serve as replicable models. She has been striving to discover why factory owners have introduced improvements and how and why they have sustained them. She has looked at the ways in which new practices are being monitored and how major TNCs are being held accountable. The researchers have focused exclusively on actions that can be measured and objectively evaluated in the field. Her overall conclusion so far from the research is: "Insufficient attention has been paid to firms which engage in truly good and beneficial activities with regard to their workforces, where the result is not a 'sweatshop' environment but instead is an economically viable enterprise in which laborers are respected and treated with dignity." Charge: TNCs have no incentive to do what is right by their Asian workers. Is that true? TNCs have traditionally asked only two questions of suppliers: Can you produce high quality products at a very low price? And can you provide assurances that you will be a totally reliable supplier? Now some TNCs are asking many more questions that go to the heart of working conditions in factories. They have been pushed to do so by the rage of consumers and investors over reports of sweatshop exploitation in poor countries. Hartman suggest that Adidas, Nike and no doubt many other TNCs are responding to the pressures and the negative press with detailed social-responsibility action programs that establish clear standards and demand compliance. The implementation of these standards is making it increasingly evident to TNCs, says Hartman, that their new approaches yield major benefits. These include: heightened productivity; stronger morale; decreased attrition; enhanced worker commitment and loyalty; better relations with local communities; improved social cohesion and civil stability; lower training costs; strengthened TNC reputation; reduced TNC risk management; greater TNC shareholder trust; and more positive consumer perceptions. In sum, these TNCs are learning the hard way that good ethics contributes to a stronger balance sheet. Charge: TNCs take no broad, industry-wide social-responsibility interest in the developing countries in which they operate. Is that true? Hartman looked at a project that refutes this assertion. The UK International Business Leaders Forum (IBLF) launched the project in late 1999, with the participation of Adidas, Nike and others to strengthen health, safety and environment conditions in footwear factories across Vietnam. The focus was on factories that were not currently under contract to supply major TNCs. Nike and Adidas are participating in this project. Their experts are working with others to develop low-cost health, safety and environment innovations in factories that can yield valuable improvements. This effort is still at an early stage, but the pilot work is encouraging. Charge: TNCs that claim to be socially responsible still take an arms-length approach to sub-contracts and to supplier firms that they do not own - basically, they just don't care about workers in these factories. Hartman notes that both Nike and Adidas are major foreign contractors in Vietnam, which gives them great leverage over supplier factories. Her findings from factory visits suggest that the TNCs are "walking the talk." They accept what Adidas says simply as, "Outsourcing supply does not mean outsourcing social responsibility." On evaluating new potential suppliers, Hartman reports that Adidas has found significant challenges in Vietnam, "including poor age documentation, paying less than minimum wages, local licensing of foreign-owned factories, maximum working hours exceeded, disciplinary rules not being published and wages docked as punishment."

Securing remedies has demanded that the factory owners "bought into" the Adidas reform effort - the response has been good, both because of fear that non-compliance would mean lost contracts and because they have gradually learned the benefits of full compliance for productivity and profitability. Adidas now has staff working with suppliers to enable them to come into compliance with new standards on labor treatment, health, safety and environment. A component of effective buy-in is the involvement in factory improvements of the workers themselves. Hartman highlights in her case studies a number of examples where workers made suggestions to reduce accidents in plant operations that were simple, inexpensive and effective. Charge: TNCs routinely use child labor. And, if they are publicly vilified on this count, then they just callously fire young people found to be in their factories. Hartman reports on an audit of an Adidas supplier factory in Vietnam where it was found that 10 percent of the 2000 workers were under age. She says that international employers like Adidas and Nike recognize that firing young people from factory jobs can bring ruin to their families and send the youths into the drug and prostitution rackets. They are working with local communities and nongovernmental organizations (NGOs) to directly address this critical problem by developing innovative youth education programs. Implementing the programs can be difficult, with many young people preferring to work than go to school, and with many factory owners reluctant to comply. Incentives are being developed to overcome these and other obstacles to implementation. The potential long-term social benefits can be formidable, Hartman suggests. Charge: TNCs pay inadequate attention to critical issues of family incomes in their practices in developing countries. Pregnant women and young mothers are often routinely unable to get decent jobs, leaving them and their families destitute. Hartman looked at Nike programs in Vietnam, which the firms is also promoting elsewhere in Asia, to provide micro-enterprise loans. "The micro-loan program helps to create a healthy community, which then provides other sources of income in the community, better workers and additional sources of support for the families of current workers, raising the whole village's standard of living," says a Nike executive quoted by Hartman. In each country, Nike has teamed with local NGOs in an effort to ensure that ongoing support is available for borrowers and that the programs are integrated. The loans are very small but very effective. Hartman has visited with recipients of the loans and tracked the benefits. She reports there have no loan defaults.

Charge: Cultural insensitivity is common by the managers of TNCs. Hartman provides insights into work that has been undertaken by Nike in Vietnam on this issue. Often, foreign managers have had basic language difficulties that have strained employee relations. Frequently managers have failed to appreciate that the ways used to motivate employees and build trust with them are different in Vietnam than in the US. The Nike program has been seeking to address these kinds of issues. Programs have been developed to make foreign managers acutely aware of critical cultural issues in order to strengthen working relationships in factories. At the same time, additional programs are being developed to assist Vietnamese workers to learn how to adapt to new roles as they are promoted into managerial positions. Hartman and her associate researchers have taken an in-depth look at some work by the International Labor Organization (ILO) in Asia that relates to this key area and focuses on poor management systems and skills in supplier factories; poor communications; language barriers and low employee literacy rates. Again, in these areas the study finds encouraging developments. Hartman has gathered an outstanding team of colleagues to pursue this research, including two other academic leaders who are members of the Ethics Resource Center's Fellows Program, Professor Sandra Waddock of Boston College and Professor Gary R. Weaver of the University of Delaware. Other contributors to the research include Charles Bodwell and Ivanka Mamic, who are associated with the International Labor Organization, Professor Denis G. Arnold of Pacific Lutheran University, Professor Sandra Rahman of Newbury College near Boston and Professor Richard E. Wokutch of Virginia Tech. This research only relates so far to some aspects of labor and human rights of people in poor nations working to produce the goods that fill our department stores. This is precisely the kind of knowledge that needs to be strongly supported and built upon if serious people engaged on both sides of the globalization debate are going to move forward, shifting public understanding and media coverage from verbal abuse to constructive dialogue. Enhancing understanding of efforts to translate TNC social responsibility rhetoric into effective, replicable actions to bring dignity to workers in the world's poorest nations is an excellent start.

*From **Earth Times**, by Frank Vogl, 28 February 2002*

The Ugly Side of Globalization

Life and Debt - Most North Americans have been bewildered by the anti-globalization protesters at recent meetings of the International Monetary Fund and the World Bank. Isn't free trade a good thing? Isn't a global economy great for everyone? What could the protesters possibly be objecting to? Life and Debt, a documentary by Stephanie Black, with a commentary written by Jamaica Kincaid, looks at the effect of the International Monetary Fund on the economy of Jamaica. The result, she argues, has been the destruction of Jamaican industry and agriculture, the end of Jamaica as a self-sufficient economic entity, and its conversion into a market for North American goods and a source of underpaid labour. A harsh indictment, but the film is persuasive, showing how powdered milk from the United States (purchased from subsidized American dairy farmers and dumped at a loss) has destroyed the Jamaican fresh milk industry, and how even the one remaining market for Jamaican bananas - England - is threatened by the Chiquita-Dole-Del Monte forces, who think one Jamaican banana not sold by them is too many. Latin American banana workers earn $1 a day. Other markets reflect the same policies: Subsidized Idaho potatoes have bankrupted Jamaican potato farmers, McDonald's refuses to buy local meat, sweet Jamaican onions are underpriced by American onions sold at a loss, and so on.

One scheme to help the Jamaican economy, the film says, has been the establishment of "free zones," fenced-in manufacturing areas where workers are paid $30 a week to assemble goods that arrive and leave by container ship without legally being on Jamaican soil. Labour unions are banned, working conditions are subhuman, strikers are forced back to work at gunpoint, and paycheques are taxed for health and retirement schemes that don't appear to exist. The Hanes clothing division of Chicago's Sara Lee company was one of the beneficiaries, until, the movie says, it pulled out to find even cheaper workers elsewhere. The IMF ideally loans money that can be used to help local businesses, but as former Jamaican prime minister Michael Manley observes, it charges twice the world rate for interest and forbids the country from charging its own lenders less. An IMF-backed small business loan in Jamaica might carry 25% interest. "You ask, whose interest is the IMF serving?" Manley says. "Ask - who set it up?" IMF policies can be changed only by an 80% vote. The U.S., Japan, Germany, England, Canada and Italy control more than 80% of the votes. The bottom line: Developing economies of the third world are deliberately destroyed and turned into captive markets for the rich nations, while their once self-sufficient inhabitants become cheap labour and local competition is penalized. Are these charges true? I do not have the expertise to say. I only bring you the news that this documentary, which has played twice on PBS, exists. If you're curious about why the demonstrators are so angry, this is why they're so angry.

*From **National Post Online**, by Roger Ebert, 4 March 2002*

Eight Challenges to Globalization

In The Lexus and the Olive Tree, Tom Friedman contends that globalization is "The One Big Thing" happening in the world today. Driven by the Internet, the end of the Cold War and free-market capitalism, "Globalization is ... shaping domestic politics and foreign relations of virtually every country." With the democratization of finance, information and technology, Friedman contends there is no turning back. Friedman is right, but globalization faces eight unanswered challenges before its total acceptance. Here is what we don't know: When to intervene in human rights abuses. We watch as millions are killed in Rwanda and Kurds are massacred, but we go into Kosovo and Bosnia. Where is the creative juxtaposition between democracy and free markets? Argentina has both the market and ballot, but goes bust. China, with a command political system but free markets, is the fastest growing economy in the world. How to transform command systems into cultures of enterprise and civic responsibility. Russia has been authoritarian for 1,000 years and overnight adopts democracy and free enterprise. But the same people are running the country the next morning. How to reverse the feminization of poverty in developing countries. The lower the educational level of women, the higher the birth rate and female poverty. Result: the potential of half the population goes undeveloped. How to deal with "failed states." It is no coincidence that Afghanistan, Somalia and Yemen, all failed states, were seedbeds for Osama bin Laden's terrorist camps. Anarchy reigns and guns and money hold sway in local power. How to detect and disassemble what Friedman calls "Super-Empowered Angry Men."

The West spent $10 trillion in defeating Communism. But one angry man - bin Laden - in a $200,000 assault brought America and the world to a shocking revelation: your power is impotent against me. How to minimize corruption. China's President Jiang Zemin warns that "corruption could bring the Party down." We have Enron; Africa has a scandal a week; and the Suharto family in Indonesia steals billions. Human greed is not limited to one culture, and the correctives are universal: transparency, free press and democracy. How to develop a non-violent way to deal with what Austrian economist Frederich Hayek called "workable messiness." When conflicts arise, are there institutions that people trust for reconciliation? In the fall of 2000, America's presidential election system was severely tested. It dragged on, finally to be decided by a controversial split vote of the Supreme Court. There were no tanks in the streets, no storming of barricades. Life went on, and as one pundit observed, "The grass was cut and school was taught." During that same period, 40 people were killed in the Middle East, one of the globe's messiest conflicts, with no apparent workable plan for reconciliation. Globalization may be irreversible, as Friedman argues, but it will be a rough ride until these challenges are addressed effectively. Dr. Billy O. Wireman is the former president of Queens College.

*From **Charlotte Business Journal**, by Dr. Billy Wireman, 6 March 2002*

Globalization Putting New Wrinkles in Textile Industry

Efforts to patch up the South's once-thriving textile industry have run up against NAFTA and the economic recession. Meanwhile, globalization and even the war on terrorism are rippling through competing clothing-manufacturing industries in places like Mexico and Pakistan. Martinsville, Va. — Some people climb mountains. Margaret Blankenship has sewn one — out of sweatpants; 21,565,440 pairs of them, to be exact. Every workday for the past 36 years, the bundles of fuzzy cotton kept coming and Blankenship kept stitching, making more sweatpants along the line at the VF Imagewear factory than anybody in company history. But recently she got laid off. VF is ceasing operations here, the latest in a long list of Southern textile mills to succumb to the pull of globalization. And Martinsville, once the sweatshirt and sweatpants capital of the world, is fast approaching its last batch of fleece. For years, these mills had eluded obsolescence with an iron-hard work ethic and investments in technology that kept production costs competitive. No more. Just as the textile industry left New England for the South 80 years ago, it's now shipping off for Mexico, Honduras, even Pakistan, thanks to looser trade laws. Thousands of middle-aged, minimally educated American textile workers have been left behind in a landscape of shuttered plants and cool smokestacks. The lintheads, as they were once called, have few prospects. "Dreams? Ambitions? Goals?" Blankenship asked, as if she were talking about foreign lands. "It's funny, but I've never thought about them. I always figured I'd be sewing." It's the same old story, one that many American steel workers or toy makers could tell.

But the last decade has been especially harsh on the textile industry, with 441,000 jobs disappearing, a loss of 44 percent. Last year, 110 mills shut (most of them in the South), 68,000 workers were laid off and several of the largest companies filed for bankruptcy. "It's so sad," said Judy Brooks, a bank manager in Andrews, N.C., where a Lee jeans plant just closed. "I got people calling up, telling me, 'Just come and get it. I can't pay for my car no more.'" Few places have been as hard hit as Martinsville and surrounding Henry County, along the Virginia-North Carolina border. In the past eight years, the area has lost 9,360 jobs, forcing county leaders to consider closing four schools because tax revenues are plummeting and folks are leaving. From red-brick factories looming over the hilltops and along the churning rivers, Martinsville used to produce wooden furniture, auto parts, grandfather clocks and more sweatshirts and nylon than anywhere else in the world. Its neighborhoods are lined with graceful Tudor homes — mill-manager homes — and downtown there's an arts center and history museum, symbols of a grander day. Now, abandoned trailers sulk outside the old Tultex plant, the DuPont factory is essentially a bulldozer practice pit and Bassett Chair, once home to the Chateau Marseille dinette set, is roped off with yellow police tape. But people here are trying not to get too far behind. Thick-handed mill workers are learning to type, others commute miles to new jobs, and a big new Mexican restaurant — a sign of the changing times — is going up on Memorial Boulevard, the main strip through town. "We thought it was the end of the world when tobacco left," said town historian Carl DeHart. "But then we got textiles. Who knows what's next?" American companies had kept themselves relevant by specializing in products composed of nylon and fleece and developing high-tech machines such as the "napper," a computer-controlled contraption that whips sweatshirt fabric with wire brushes to make it fuzzy. VF, a $5.8 billion international corporation, invested $25 million in the past five years for new machines in Martinsville. But starting in the mid-1990s, with the passage of the North American Free Trade Agreement, these companies began to suffer from foreign competition and falling prices.

The more labor-intensive apparel work went first, with sewing shops moving to Mexico. The textile industry has two components: textiles, the business of knitting, dying and cutting cloth; and apparel, the assembly or sewing stage. Many companies do both, and labor statistics tend to group textiles and apparel together. After the Asian financial crisis of 1997, which devalued currencies, overseas textiles became even less expensive. The final blow was the terrorist attacks, according to textile lobbyists, which left the industry with the bleakest outlook since the Great Depression. Since Sept. 11, 42 mills have closed or announced closings, including VF, the last of the sweatshirt makers in Martinsville. Also, President Bush is under pressure to lift textile tariffs on Pakistan, the third-largest cloth maker in the world, as a way to say thanks for the country's help in fighting terrorism. "The industry is doomed," said Wayne Hill, VF's vice president of textiles. "We used to compete against the mill down the street. Now we're up against the world." Today, 85 percent of VF's manufacturing jobs are offshore, compared with 20 percent just six years ago. Since 1997, VF has added 13,000 employees in Mexico and Honduras, while cutting 24,000 jobs in the United States. The company is paring its domestic operations to a handful of mills in the South. "It's four to five times cheaper to make sweatshirts offshore," said Cindy Knoebel, a VF spokeswoman. "We don't have a choice." These business realities leave huge holes in communities like Martinsville. Across town from the mill, in a new office in the Henry County government center, Wayne Sterling is an economic-development adviser earning $200,000 a year, more than twice the next-highest-paid county official and about 10 times the earnings of a veteran mill worker. Sterling is best known for leading the team that persuaded BMW to locate its first North American production plant in Spartanburg, S.C., which provided 4,000 jobs. It's hard to talk about jobs in Martinsville without Sterling's name coming up, whether in the halls of the county center, at the employment office or during lunch at the D & A cafe, where a plate of chicken and "taters" costs $3.90 and people who don't know each other cram into booths and swap stories about getting laid off. "Wayne better produce," DeHart said, "unless he thinks he looks good in tar and feathers." Martinsville's leaders are bracing themselves for the summer, when the last of VF's 2,300 textile workers are let go and the jobless rate is expected to hit 20 percent. "Let's be honest," said Tim Hall, Henry County spokesman. "Most of our people are not ready to step into some New Economy gig."

*From **Seattle Times**, by Jeffrey Gettleman, 13 March 2002*

Globalization Propels LG Into World-Class Status

Globalization has been at the core of LG's corporate strategy right from the start, from the days of LG founder Koo In-hwoi through to honorary LG Chairman Koo Cha-kyung. Globalization, and LG's initiatives toward coping with the changes that it brings, was a key element in elevating the conglomerate to the status of a world-class enterprise. In fact, the campaign toward globalization, that is moving into foreign markets, began most aggressively in the 1980s, with Goldstar setting up branch operations in foreign countries. By establishing manufacturing operations in foreign markets, LG could get around increasing trade protectionism in advanced countries while bolstering business diversification. The entry into foreign markets was also made necessary by the government's measures to regulate large companies like LG but the globalization strategy also proved to be an essential part of improving international competitiveness. Starting with the establishment of GSPS in Panama in July 1981, Koo Cha- kyung set up GSAI in Huntsville, in the United States, for the production of color television sets in September of that year. Moving briskly, LG launched production of video cassette recorders and color television sets in Munich and established UMI in Sunnyvale for research and development in July 1984. Globalization was not confined to Goldstar. Lucky Chemical opened Lucky- SABIC in Saudi Arabia with a capital investment of $126 million in a joint venture with the National Plastic Co. The project, launched in March 1984, proved to be the largest single production plant in the world for polyvinyl carbonate, the basic material for manufacturing linoleum. These globalization efforts not only included the establishment of branches, production facilities and ventures overseas but also rapid diversification into genetic engineering, computers and fiber-optic communications. With Lucky Chemical taking responsibility for genetic engineering, other strategic fields of businesses fell to related subsidiaries, with the establishment of new subsidiaries when and where was necessary.

With drive for diversification, Goldstar Cable founded Goldstar Optical Communications, with the latter giving birth to Goldstar Medical for the development and production of electronic medical equipment. At the same time, numerous Goldstar companies joined hands with foreign companies to acquire new technologies and marketing expertise, with Goldstar Honeywell being a good example. Along with the establishment of Goldstar Honeywell in May 1984, LG also set up STM in a joint venture with EDS of the United States, in preparation for the onset of an era of advanced technologies. While most of the rapid globalization and business diversification took place from the 1980s and onwards, their origins actually date back to the years when Koo In-hwoi was busy turning LG into a household name. The initial phase was in the 1960s, when the government launched a five- year socio-economic development plan which made it possible for strategic industries to secure foreign funds. Then came the boom in the Middle East between 1972 and 1980 which provided opportunities for Korean companies to zoom in on the oil dollar and achieve strong growth. It also started in the construction sector, but companies like LG quickly capitalized on demand to move their engineering skills into the shipbuilding and industrial plants. In essence, the boom in the Middle East offered LG strong proof of the potential it had to succeed in the global market and that innovation and diversification held great benefits. At the same time, globalization provided LG with the opportunity to adapt itself to changing business environments and identify ways through which it could compete effectively with foreign companies.

The globalization and diversification did have side effects. Moving into unknown territories with nothing other than belief in success resulted in the birth of numerous uncompetitive companies. Conglomerates were engaging in a virtually unlimited range of businesses, including the print media, broadcasting and financial businesses, through whatever means necessary. Based on heavy investments in research and development, which saw the localization of numerous products like refrigerators and washing machines, LG was able to introduce products that were in demand in foreign markets. And by joining hands with leading foreign companies, LG managed to come up with new products in a timely manner, taking full advantage of the low manpower cost that was then available in Korea. LG's globalization was also made possible through the establishment of Bando Trading, now LG International Corp., which was one of the country's first general trading companies. Riding on the government's export drive, Bando quickly gained momentum and benefited strongly from the support that the government provided in various avenues. As a result, LG emerged as a major player in the Korean business community and led the initiative by heading out into foreign markets. In the process, LG identified numerous foreign markets in which Korean companies were not active and led the way in becoming a market leader in those regions. In hindsight, the development of new technologies and the willingness to challenge existing situations in foreign markets is what made it possible for LG to emerge as a world-class enterprise. The combination of research and development, and the desire of Koo In-hwoi and Koo Cha-kyung to cross international boundaries were elementary factors in making LG what it is today.

*From **Korea Times**, by Prof. Choi Chung-tae, & Prof. Yoo Byung-joo, 11 March 2002*

Globalization Rough Ride Unless Challenges Are Met

In "The Lexus and the Olive Tree," Tom Friedman contends that globalization is the "One Big Thing" happening in the world today. Driven by the Internet, the end of the Cold War and free-market capitalism, "Globalization is ... shaping domestic politics and foreign relations of virtually every country." Friedman is right, but globalization faces eight unanswered challenges before its total acceptance. Here is what we don't know: When to intervene in human rights abuses. We watch as millions are killed in Rwanda and Kurds are massacred, but we go into Kosovo and Bosnia. Where is the creative juxtaposition between democracy and free markets? Argentina has both the market and ballot but goes bust. China, with a command political system but free markets, is the fastest-growing economy in the world. How to transform command systems into cultures of enterprise and civic responsibility. Russia has been authoritarian for 1,000 years and overnight adopts democracy and free enterprise. But the same people are running the country the next morning. How to reverse the feminization of poverty in developing countries. The lower the educational level of women, the higher the birth rate and female poverty. How to deal with "failed states." It is no coincidence that Afghanistan, Somalia and Yemen, all failed states, were seedbeds for Osama bin Laden's terrorist camps. Anarchy reigns, and guns and money hold sway in local power. How to detect and disassemble what Friedman calls "super-empowered angry men." The West spent $10 trillion in defeating Communism. But one angry man - bin Laden - brought America and the world to a shocking revelation: Your power is impotent against me. How to minimize corruption. China's President Jiang Zemin warns that "corruption could bring the Party down." We have Enron; Africa has a scandal a week; and the Suharto family in Indonesia steals billions. Human greed is not limited to one culture, and the correctives are universal: transparency, free press and democracy. How to develop a nonviolent way to deal with what Austrian economist Frederich Hayek called "workable messiness." When conflicts arise, are there institutions that people trust for reconciliation? In the fall of 2000, America's presidential election system was severely tested. It dragged on, finally to be decided by a controversial split vote of the Supreme Court. There were no tanks in the streets, no storming of barricades. During that same period, 40 people were killed in the Middle East, one of the globe's messiest conflicts, with no apparent workable plan for reconciliation. Globalization might be irreversible, as Friedman argues, but it will be a rough ride until these challenges are addressed effectively.

From ***Cincinnati Business Journal****, by* *Billy Wireman, 19 March 2002*

Mexico — A Report on Globalization

Globalization is turning tides around the globe — and changing ways of life from African deserts to Latin American cattle pastures. And from each individual place, the view of that change is incredibly unique. Lawrence Herzog takes a snapshot of the changes happening in Queretaro, Mexico — the rooftop of the world. ere on the vast plateau that joins the U.S. Rockies with Mexico's Sierra Madre mountains, ancient peoples of Middle America believed they had found the roof of the world. Their prophets spoke of five great periods of time, each destined to end in disaster: in the beginning, the sky would fall upon the earth. Then, in turn, would come these periods marked by storms, fire and floods. In the fifth and final era — the modern one — the world would disintegrate due to a spectacular earthquake. Calamity no longer rules - But this sense of doom that has long pervaded Mexican culture — and driven stereotypes north of the border — is finally receding and may be yielding to a different outcome: the rumbling, slow change of globalization. Seen from the northern suburbs of one of Mexico's booming high-tech cities, along the "NAFTA corridor," Queretaro offers a glimpse into one possible future south of the border. Here nearly a million people live in a city where the streets are clean and quiet, and freeways work well. You can watch Los Angeles Laker games on Direct TV, shop at Costco or Walmart, buy computer materials at Office Depot, rent videos at Blockbuster — and see first run Hollywood films in modern stadium-style movie theaters. The boom in the Queretaro region is driven by the influx of foreign high tech companies, mostly from the United States. The arrival of talented investors and professionals from Mexico City adds to the line. A dazzling landscape of the new "global" Mexico abounds with elements of modernity and comfort. Consider these exhibit items: Items of an exhibition - *Telephones:* Mexico's privatization of the telecommunications industry in the 1990s yielded one of the best public telephone systems in North America.

The country's largest telecom company, formerly state-owned Telmex, has installed pay phones that can be found almost everywhere — on neighborhood street corners, public squares, shopping avenues, malls and parks. These well-designed phone modules are reliable, cheap and easy to use. Customers purchase 30, 50, 100 or 200 peso cards at the corner store or from ubiquitous street vendors in mobile carts. *Bus travel:* The high-quality inter-city buses, designed by either Volvo or Mercedes Benz, are spanking new and loaded with the latest in technology, ultra-comfortable seats, sound-proofed interiors, video systems and TV monitors that show movies. The coaches are not only affordable, clean and safe. Contrary to traditional Mexico, they are very punctual. Modern consumers - *Internet cafes:* Mexico has embraced the computer revolution in a very public way. Yes, millions of Mexicans own their own computers, and Internet service providers like Prodigy do a whopping business in online hookups. But there are also scores of Internet cafes in every large Mexican city. At the Mexico City airport, there are also individual stations where, with a Telmex phone card, users can go online right at the gate as they await their flight. *Malls:* Mexico has hundreds of shopping malls, many of which rival their counterparts in the United States — in terms of the quality of interior gardens, fountains and food courts. Most malls have top-notch multi-cinemas attached, as well as locally popular restaurants. Rise of the service economy - *Gas stations:* Mexico's still-nationalized petroleum company, Pemex, has built a national system of high-quality filling stations. Immaculately dressed attendants in green overalls wave a friendly hello as you enter. In addition to filling your gas tank, they routinely carry out a complete inspection of tire air pressure, engine fluids under the hood, fan belts, battery and anything else you ask for. The service economy is alive and well here. And yet, for all its virtues, the primary challenge for the new post-NAFTA, globalizing Mexico is that it must continue to modernize its political system to avoid incidents like the following: Scene from a movie - As the plush "Aero Plus" bus from Queretaro eased in traffic toward the international airport in Mexico City, an unmarked federal police car swerved into it, lightly scraping its side. The police vehicle turned on its siren and pulled the bus over in the middle of a huge traffic jam. In full view of a busload of people anxiously needing to get to the airport, two plain-clothed *federales* dressed in faded blue jeans and work shirts, looked as if they came right out of the recent movie "Traffic." They jumped out of their car and began to harass the bus driver. The cop on the passenger side emerged with a revolver in his hand, which he then jammed, macho-style, down his pants. Street theatre of machismo - Here in front of thousands of freeway commuters, these men performed the rituals of old Mexico, a street theater of extortion and machismo. Even though they probably caused the minor collision themselves, they were the federal police — and this poor, scared bus driver was going to pay. As average citizens came off the bus to *protest* this illegal stoppage, they suggested that the cops ought to work this out with the company, and not intimidate the poor driver. But these tough street cops were not going to back down. Mexican ninjas - The bus stood precariously in the middle of heavy traffic on a major highway in Mexico City. Two more federal police of Mexico City showed up. They looked like Mexican ninjas in black tee shirts and matching black jeans, seemingly reinforcing the power position of the original cops. But then, a Mexico City highway patrolman pulled up on a shiny, new oversized motorcycle. This cop, sporting a pressed brown and tan uniform with helmet, gloves and large black boots, strode purposely into the fray. Now, the situation became even more complicated. Playing out the time-worn cycle - For more than one hour, these various actors played out the time-worn cycle of head shaking, finger pointing, declaration of authority, threat, humor and appeals to reason. In the end, the federal cops avoided losing face by insisting that someone on the bus accompany them to the airport where the situation would be "worked out." This decision should have been made within the first five minutes. Yet, this too is an integral part of Mexico, part of the rumbling that can still be heard high up on the plateau that is the umbilical cord that continues to join our two cultures

*From **The Globalist**, by Lawrence Herzog, 18 March 2002*

Monterrey Conference Highlights

Monterrey, Mexico - The Conference opened with indications of North - South accord on critical financial elements of development and with reactions to last week's pledges of increased development assistance from countries of the North. Speaking to the plenary session as chairman of the Development Committee of the Bretton Woods institutions, South African finance minister Trevor Manuel said that the agreement at the heart of the Monterrey Consensus was acceptance by the developing countries of responsibility for sound national policies and good governance, and that financial institutions and the developed countries should ensure that sufficient finance is available to support development. Mr. Manuel added that agreement on terms of the North - South partnership needs to be matched by willingness to change the status quo of international financial governance, particularly in respect to increased participation of the developing countries in economic decision-making and standard setting. At a press conference earlier in the day, UN Development Programme Administrator Mark Malloch Brown emphasized other aspects of the Consensus. The developing countries agree to place a higher priority on spending for education, health and the environment and on democratic governance, he said, while receiving fair trade access to rich country markets and fresh sources of investment and development assistance. A set of practical proposals to enhance finance opportunities in developing countries were presented by corporate leaders meeting under the auspices of the International Business Forum to the Conference. These included ways to strengthen information and analytics regarding investment opportunities and new modes of equity and debt finance to be advanced through public-private partnerships.

At an afternoon session of the Business Forum, financier and philanthropist George Soros presented a plan to utilize "special drawing rights" that countries make available through the International Monetary Fund as a source of development finance. In contrast to the newly established Millennium Challenge Account of the United States, which would provide up to $5 billion over a three-year period beginning in 2004, Mr. Soros said that an allocation underwritten by rich countries to the International Monetary Fund would make immediately available a total of $18 billion in credits, of which $3.5 billion would come from the US. The Global Forum of civil society activists, for its part, presented a critique of the Monterrey Consensus to the plenary. Forum organizer Laura Frade told the plenary that civil society are not participating in the Consensus, because under its terms there are no mechanisms to mobilize new financial resources to meet the Millennium Development Goals, such as halving extreme poverty by 2015. Antonio Jose Ocampo, executive secretary of the UN Economic Commission for Latin America and the Caribbean, presented a regional study prepared for the Monterrey Conference. It highlights the close relation between the economic fortunes of Latin American countries -- and of middle-income countries in general - to favourable access to credit markets. In 1990 - 97, for instance, easy terms of private credit were accompanied by an average Latin American growth rate of 4 per cent, Mr. Ocampo noted. But in the more difficult financial environment of the last five years, Latin American economic growth has not even kept pace with population growth. The Monterrey Consensus covers key corrective measures that are needed, he said, including strengthened standards for national banking systems and strengthened regional and sub-regional financial institutions

*From **AllAfrica.com**, 20 March 2002*

Mozambique's Judges 'Corrupt'

Mozambique's attorney general has admitted the entire legal system in the country is plagued by corruption. Mr. Joaquim Madeira told parliament in the capital, Maputo, that all arms of the legal system, including the judiciary, have been tainted with sleaze. Presenting his annual report to members of parliament on Thursday, Mr. Madeira sited incompetence, corruption and abuse of power at all levels of the administration of justice - police, attorneys, judges, lawyers and prisons. He criticised the work done by the Criminal Investigation Police (PIC), saying that it is often of such poor quality, that the public prosecutor's office has to carry out supplementary inquiries of its own before it can draw up a proper charge sheet against suspects. As a result, cases concerned with theft from the state, banks and other private bodies are stifled by either destroying or hiding the cases' documents, Mr. Madeira explained. Corrupt judges - Attorneys were also blamed for failing to press charges against suspects, when there was more than enough evidence to indict them. The Mozambican attorney pointed out that his office is aware of a case where a judge condemned a criminal to 12 months in jail, but the sentence was reduced to two months after a relative of the criminal consulted the judge. The attorney general's report fell short of naming the corrupt culprits. However MPs, especially from the opposition want him to name and shame the elements involved in the sleaze. The government of President Joachim Chissano had announced the introduction of a special anti-corruption unit amid mounting murder and other violent crimes.

*From **BBC**. by Jose Tembe, 7 March 2002*

Democracy, Best Means to Eradicate Terrorism, Extremism, King Mohammed Says

Morocco's King Mohammed VI has pointed out that democracy is the best means to eradicate terrorism, extremism and marginalisation, and called for seeking peaceful solutions to all tensions and disputes, everywhere in the world. King Mohammed VI, who was delivering a speech Sunday before the inter-parliamentary union (IPU) - which is holding its 107th conference in Marrakesh March 17-23 - recalled that Morocco has always held a leading position in seeking peacefully and democratically negotiated solutions in its regional environment and internationally. The sovereign lauded the IPU efforts to disseminate democratic culture as an efficient means for managing disputes at the international level through dialogue, tolerance and respect for the right to differ, saying this "is the strongest indication that democracy is still the best means to eradicate terrorism, extremism and marginalisation, and also to devise peaceful solutions to all tensions and disputes, everywhere in the world." He said "This is because you stand for democratic legitimacy and you voice in earnest the concerns and worries which preoccupy our peoples, as well as the hopes and expectations they pin on you, in securing coherent and democratic responses to these expectations and in catering for good governance." Touching on the situation in the Middle East, King Mohammed VI said Morocco is voicing "concern and bitterness about the Israeli Government embarking on the logic of force and killing against the defenseless Palestinian people, along with the daily bloodshed of innocent people, instead of opting for a civilized approach to negotiate in the framework of international legitimacy."

He stated further that "the logical sequence of history confirms that the cycle of violence and counter-violence, is not an inescapable fate, because the will to build peace, justice and security is bound to prevail, especially in a region which is the cradle of religions and where the brotherly Palestinian people have the right to establish their independent state, with Al Quds Al-Shareef as its capital, and as a symbol of coexistence, integration and brotherhood among all the peoples and religions in the Middle East region." King Mohammed VI, who lauded the IPU's leading and sustainable effort to instill the universal values of freedom, human rights and peace, and to disseminate the culture of dialogue, openness and tolerance between civilizations and between peoples, commended the Organization for its eagerness to encourage developing countries, particularly African nations, to achieve sustainable development and to curb the adverse effects of heavy indebtedness and of the logic of commercial globalization. "Democracy shall remain fictitious or threatened unless it gets an economic and social content and so long as marginalization and mistreatment in all their manifestations are not stopped from harming the disadvantaged, particularly women who account for half the population of society, as well as children and the young who are the pillar and the source of hope for the future," the sovereign said, calling on world parliaments to play, through the IPU, an efficient role in humanizing globalization and in setting up a new international order, with more democracy, fairness and solidarity and expressing hope that the parliamentary dimension of diplomacy would be enhanced so that the Inter(Parliamentary Union becomes a major partner for UN institutions and international NGOs, working for the emergence of active citizens of the world and endeavoring to build universal democracy.

*From **Arabic News**, 18 March 2002*

African Leaders Gather to Woo Money

Nairobi - Twenty African heads of state were expected to gather in the Nigerian capital to declare their support for democratic practices in hopes of attracting billions of dollars in new investment from the West. The leaders are hoping their plan for economic growth - called New Partnership for Africa's Development (Nepad) - will achieve the support of the G8 summit later this year. The declaration due to take place Tuesday is designed to be the political cornerstone of the plan, according to officials accompanying the heads of state. Nepad, which was designed last year, asks the West for 64 billion dollars of investment and aid each year, and lays out the priorities of how the money should be spent. In exchange, Nepad member states promise to adhere to democracy, human rights and good governance. The initiative is being spearheaded by the four African presidents: South Africa's Thabo Mbeki, Nigeria's Olusegun Obasanjo, Senegal's Abdoulaye Wade and Algeria's Abdelaziz Bouteflika.

*From **Business Day**, 26 March 2002*

Asia/Pacific

Group Warns Government

The New York-based Human Rights Watch has reminded Thailand of its international obligations in guaranteeing freedom of expression and called on the government to reinstate the visas of Far Eastern Economic Review journalists. “Thailand will seriously damage its reputation and undermine its commitment to international human rights if these two respected reporters lose their work visas or are deported,” said Mike Jendrzejczyk, director of the HRW's Asia division. Rodney Tasker and Shawn Crispin had their visas cancelled on Feb 22 after an article in the magazine's Jan 10 edition described strains between Prime Minister Thaksin Shinawatra and the palace. The Review has lodged an appeal with immigration authorities. The watchdog group pointed out that Thailand is a party to the International Covenant on Civil and Political Rights, which protects everyone's right to “seek, receive and impart information of all kinds regardless of frontiers, either orally, in writing or in print”. It also expressed concern about police moves to ban the distribution of The Economist magazine because of an article in its latest edition which touched on the monarchy.

*From **Bangkok Post**, 4 March 2002*

Chinese Premier Promises Corruption Crackdown

Beijing - Chinese Premier Zhu Rongji has opened the annual meeting of China's parliament promising to stamp out corruption and warning of an "arduous" year ahead as Chinese industry adapts to increased foreign competition. Speaking to nearly 3,000 delegates attending the National People's Congress (NPC) in Beijing's Great Hall of the People Zhu launched a stinging attack on corrupt officials he said were wasting state money while failing to pay wages on time. "Deception, extravagance and waste are serious problems," he said. Addressing an issue which polls have shown to be consistently the top public concern he said some officials repeatedly used public funds for "wining and dining, extravagant entertainment and private travel abroad." "This misconduct invariably consumes large sums of money, so we must resolutely stop this tendency," he told assembled delegates. The premier's opening speech is the traditional launch pad for the 10-day meeting of the NPC, laying out the government's broad economic plan for the future, reporting on the government's achievements and promising improvements to the lives of ordinary Chinese. WTO challenge - Aside from the challenge of corruption, much of his wide-ranging address focused on the problems posed in China's first full year as a member of the World Trade Organization. Zhu said membership of the WTO and the opening up of China's markets to cheaper imports would be a significant challenge for "less competitive industries and enterprises." However, he said one of the government's priorities would be ensuring that the jobs of Chinese workers and farmers would not be hurt by the influx of overseas goods.

China's leaders have acknowledged that in the short term millions of Chinese are likely to suffer at first from the impact of changes brought about by membership of the WTO. However, in the longer term they argue the move will create jobs, boost investment and force state companies resisting reform to shape up or face bankruptcy. In the coming year Zhu said the key to China's continued growth would be boosting domestic demand by raising the incomes of millions of rural and urban poor. The most pressing task he said was to ensure that pensions and welfare payments to former workers at state-owned enterprises (SOEs) were paid on time and in full. China's pensioners and massed ranks of unemployed from downsized SOEs have staged increasingly frequent protests over what they say is inadequate state support. Zhu said a large chunk of additional state spending in 2002 would be used to beef up the social security system, including unemployment and medical benefits. Farming under pressure - He also devoted a sizeable part of his speech to the challenges facing China's 800 million farmers whose income has lagged far behind earning levels of urban residents.

Zhu pledged that financial burdens on farmers, including taxes and other levies, would be lowered while electricity and other costs would also be reduced. On a broader level he said the "success or failure of China's modernization" would rest on regulating its often-chaotic economy, mixing communist central planning and market forces. Such increased oversight he said was essential to ensure China's rapidly changing economy was ready to face the challenges of global competition. Zhu said the government would ensure a continued growth rate of around 7 percent during 2002. Much of this he said would rest on continued heavy spending on public infrastructure construction programs financed by more than $18 billion of long-term treasury bonds. That would make 2002 the fifth year in a row that the central government has undertaken massive borrowing to stimulate spending, but Zhu said despite this China's national debt was "still within safe limits." The Chinese premier said a continued growth rate of 7 percent was essential to ensure employment, raise standards of living, preserve social stability, and facilitate economic restructuring.

From ***CNN Europe****, 5 March 2002*

Government Has a Role to Play

Datuk Seri Dr Mahathir Mohamad said yesterday that the government has a role to play albeit the current thinking that governments are su-perfluous and that the capital market should be left to regulate itself. “The market is not free from the corruption of power if power is given to it exclusively,’’ the orime minister said at the *KLSE Corporate Awards 2001* presentation in Kuala Lumpur. Dr Mahathir said there were cases that had made a mockery of the belief that markets could regulate themselves and even discipline governments. “The market needs the government because the market is all about making profits while the government is concerned about the well-being of the people and the country as a whole,’’ he said. He said a corruption-free government and properly regulated and transparent private sector would give the best results, as they would ensure rapid growth of the country. “But this is too much to expect. The government will have to be checked by the private sector through refusal to invest and the private sector will have to endure the regulations and supervision of the government,’’ he said. He also said that the last financial crisis had showed the weaknesses and the malpractices of many public companies and yet some companies had been so well managed that the crisis hardly affected them. He said the tycoon mentality, which had contributed to the very rapid growth of some corporations and conglomerates, was not necessarily bad, but the management must always be in accord with good corporate governance. He said that the government had stepped in to rehabilitate several major public corporations following the difficulties faced, mainly in overcoming loans problems. He pointed out that if there had been any bailout, it was for the workers, the minority shareholders and the public in general. “Of course now there is not so much criticism of the Malaysian government’s action…but when the same thing happens in countries associated with the foreign press, the need for the government to step in and rescue seems less like a bailout,’’ he said. Earlier, Mahathir said the *KLSE Corporate Awards* sponsored by the KLSE was commendable as it en-couraged high standards in corporate conduct, boosting investors’ confidence and interest in Malaysia. A total of 12 listed companies – 9 from the main board and 3 from the second board – were yesterday honoured for their excellence in corporate conduct.

The awards from the KLSE in-clude the corporate sector award, as well as the corporate excellence award. Public Bank Bhd and Malayan Banking Bhd bagged the *KLSE Corporate Excellence Awards* for main board companies, and Computer Systems Advisers (M) Bhd (CSA) and Globetronics Technology Bhd for second board companies. Public Bank and CSA were the winners of the award for the second year running. The main board companies that won the KLSE Corporate Sectoral Awards were British American To-bacco (M) Bhd (consumer products category); Malayan Cement Bhd (industrial products), Road Builder (M) Holdings Bhd (construction), Tanjong Plc (trading and services), Public Bank (finance and closed-end fund), Kumpulan Guthrie Bhd (plantation), Powertek Bhd (infrastructure project companies) and AIC Corp Bhd for the technology category. There were no winners for hotels, property and trusts as well as mining sectors. As for the second board companies, the sectoral award winners were Ireka Corp Bhd from construction/property/plantation category, CSA (trading and services) and Globetronics for the technology category. There were no winners for consumer products and industrial products. KLSE executive chairman Datuk Mohd Azlan Hashim said the awards recognised public listed companies which established and practised a greater degree of accountability to shareholders and investors. Azlan said that corporate conduct had become a key investment criterion with investors willing to pay a premium for capital issues of companies with quality track record for excellence corporate conduct. A total of 72 companies were shortlisted from the public opinion poll. After applying the elimination process based on a set of criteria developed by the independent adjudication panel, 43 companies were picked for the detailed adjudication process. The KLSE corporate sectoral awards covers 16 sectors compared with 14 previously.

From ***thestar.com.my****, 6 March 2002*

Indonesia Debates Corruption Inquiry

Several hundred supporters of Indonesia's former ruling party, Golkar, demonstrated outside parliament in Jakarta, as deputies debated whether to form a special committee to investigate allegations of corruption against the party's leader, Akbar Tandjung. Another protest was held outside the attorney-general's office, where Mr. Tandjung was reportedly being questioned. The allegations against Mr. Tandjung, who is currently Speaker of the House, go back to the last election in l999. They concern the misuse of $4m from the national food agency, Bulog, when Mr. Tandjung was in charge of a food relief programme. He is accused of siphoning off funds for his party's election campaign. He denies the allegations. The governing PDI-P, which has a majority in parliament, has backed establishment of the special investigating committee. Correspondents say the case could have far-reaching repercussions for the political elite in Indonesia.

From the newsroom of the BBC World Service, 7 March 2002

Chinese Seek Justice, Clad in the Armor of Persistence

Beijing — Yu Baozhong crept into Beijing with a bundle of petitions and documents, harboring a dim hope of exposing the corruption of village officials to China's legislators, gathered here for their annual meeting. But he was also scared, jumpily scanning the streets for officials from his home province of Shandong who might bundle him away before anyone heard his account of how lawless party officials have ousted and jailed elected village leaders there. Like Mr. Yu, thousands of petitioners try to make their way to Beijing while the National People's Congress meets, hoping for redress against unresolved complaints. They must contend with a nationwide dragnet of police officers and officials whose job is to protect the capital's image of untroubled stability, especially while the country's legislators are on show. Mr. Yu said he ventured to Beijing only after deciding that timid local courts offered no justice, and after making hundreds of visits to lower government offices. He said he was one of 50 elected village heads who have resigned because party officials stymied their efforts to exercise power and investigate corrupt village finances. Four previous visits to Beijing and a sympathetic report in the People's Daily have failed to restore the elected officials' powers or to keep other villagers from being intimidated. Asked why he had come again, Mr. Yu said: "This is the only time when the higher-ups might pay attention to us. I knew it was dangerous, but this is the only road open to us." Similar sentiments were offered by dozens of petitioners here, clutching heavily thumbed files filled with accounts of murders and rapes gone unpunished, wrongful imprisonment and torture, gross medical neglect, unpaid wages and compensation, confiscated land and livestock, unchecked corruption and political vendettas.

Gao Yujie, a former hospital administrator, traveled on crutches from Fushun in China's northeast for this year's meeting of the national legislature. She said that "if a delegate raises questions about a case and calls for action, it's hard to ignore it." She is seeking compensation after she denounced corruption in her hospital and was beaten to the point that she is now crippled. Of late the pilgrimages to Beijing have been most associated with followers of the banned Falun Gong sect. But the practice — part entreaty, part protest — has deep popular roots. Petitioners who do not feel satisfied after complaining to local offices can nudge their cases upward to offices in bigger cities, then provincial offices and eventually Beijing. Here they line up at the central office for petitions and appeals and at dozens of departmental offices, often in groups and carrying petitions. But often the complainants are then sent to other department offices, or back to the very officials who first passed them on or even back to the officials who are the subject of the complaints. The process exhausts the patience and savings of many of the petitioners. Only the stubbornest persist; Ms. Gao, for one, estimates that she has come to Beijing nearly a hundred times over 10 years, this time in defiance of a police guard on her home. For her and others, the Dongzhuang neighborhood is base camp, though of late demolitions have scattered many of its residents. Its primitive hostels offer shared plank beds for as little as 30 cents a night, and a place to swap stories and pick up tips on how to win a case. The petitioners' chances are slim, but enough to keep many trying. Sun Hongqing, a veteran campaigner who runs his own petitioners' hostel here, said, "I take in a few hundred of them every year, and maybe six or seven go home satisfied."

Hundreds of Dongzhuang's residents have settled into a permanent if forlorn life of going from office to office, and feeding themselves by begging, selling scrap and hawking maps. Asked how many times they have visited Beijing's various offices, which will see them once a month, petitioners in one cramped, smoky hostel break into raucous laughter. They pull out fistfuls of visit receipts, and one shouts: "We're nuisances, that's all. We'd be worse than Falun Gong if we could get organized." One of this hostel's recent residents is Wang Youfen, who exemplifies the determination of many petitioners. A dignified woman of 36, she tells her story in shy fits and starts. Her brother was arrested in 1987 for a murder that she and her family say they are sure he did not commit. He was sentenced to life imprisonment. In 1990 Ms. Wang's brother won an appeal and was ordered to face a retrial. But, she says, the trial court refused to hold the new trial and kept him in prison, hiding the fact that his sentence had been overturned. Ms. Wang later saw a copy of the appeal decision by chance. After years of effort, she finally won his freedom, though not his acquittal, and now he is house-bound and mute, having been tortured in detention, Ms. Wang said. For a dozen years now, Ms. Wang said, she has devoted herself to vindicating her brother and gaining him compensation. "I've spent pretty much every day going to courts or police or petitions offices," she said. Last year, scared by threats from the police in her hometown of Sichuan, she left her husband and two children and settled down in Dongzhuang's "petitioner village." Petitioners are becoming more numerous as awareness of legal rights deepens. Last year the state petitions and appeals bureau received 160,000 individual visits and 1,200 visits by large groups, each up by about a third from 2000. A few days after being interviewed, Ms. Gao, the petitioner from Fushun, made a quick call to say that she and others from there had been detained by Fushun government officials and were being taken back there.

*From **New York Times**, by Chris Buckley, 11 March 2002*

China Corruption Linked to Triads

More than 2,600 influential officials were last year implicated in crimes including corruption, with triad groups increasingly implicated in this scourge of Chinese administration. Six ministerial-level cadres were among those included in the figure, indicated the problem tainted even senior levels of government. In his report to the National People's Congress (NPC) on Monday, the Head of the Supreme People's Procuratorate (SPP) Han Zhubin also disclosed that 40,195 people were investigated for graft-related crimes in 2001. The head of the SPP, which handles investigations and prosecutions in the Chinese legal system, also indicated that the state was able to recover losses of 4.1 billion yuan (US$550 million) as a result of timely action by legal officials. The best known among the six ministerial-level cadres who lost their jobs was former Governor of Yunnan Province, Li Jiating, who reportedly took bribes worth more than 1 million yuan ($120,000). Judicial officials said there was a growing link at the NPC between corrupt officials and triad societies, or Chinese-style mafia. In his report presented Monday to the legislature, the President of the Supreme People's Court Xiao Yang said the courts heard 350 cases of triad activities last year, up 630 percent from 2000. Lengthy jail terms - The number of suspected triad members put on trial was 1,953, up 380 percent from the year before. Provincial papers have reported that triads played a key role in the well-publicized corruption cases involving senior officials in Yunnan and Shenyang. For example, former governor Li Jiating's son, who reportedly pocketed 20 million yuan, was said to be a leader of a triad gang. However, Han's report also admitted growing problems with the probity of law-enforcement officials. Four hundred and six officials at various levels of the procuratorate were last year subject to investigation for corruption and other reasons. Fifty six procuratorate cadres were put on trial for criminal offences. Among them, head of the Shenyang Procuratorate, Liu Shi, was given a jail term of 20 years for corruption and leaking state secrets. In his NPC report, Han also said a top priority of law enforcement this year would be to launch "strike hard" campaigns against subversive and anti-government groups, including terrorist and cult organizations.

*From **CNN Europe**, by Willy Wo-Lap Lam, 11 March 2002*

Philippine Corruption Rating Improves Slightly - Still Below Average Grade

Singapore – Singapore, Japan and Hong Kong have the least corrupt economies in Asia, but corruption remains high in the rest of the region and is getting worse in some places, a survey of foreign business executives said. The Philippines, where the level of corruption was described by the Political and Economic Risk Consultancy (PERC) as "bad," scored 8.0 in a survey of foreign businessmen, an improvement on last year's 9.0. PERC noted a "marked improvement" in the Philippines after President Macapagal-Arroyo took over from Joseph Estrada last year, but stressed that Manila's score remained well below the average grade of 5. Corruption risks becoming intractable as Asian governments and companies use the collapse of US energy giant Enron Corp. as an excuse to resist demands for greater transparency especially by the United States, PERC said. In a survey of 1,000 expatriate businessmen working in Asia, Singapore again emerged as the least corrupt among the 12 Asian economies covered. The city-state, along with Japan and Hong Kong were the only economies to have above-average scores. On the positive side, the survey revealed that perceived corruption is lower compared to a year ago in the majority of the region's economies. However, "with the exception of a couple of countries in Asia, the problem of corruption remains far too high for comfort," it said. In some of the places where the problem is worst, "it is perceived to be growing." "What is particularly interesting is that in almost every country the range of grades was very narrow. There was a broad consensus on the magnitude of corruption as a problem for business," the survey said. In a scale of one to 10 with one being the best possible score, Singapore was graded 0.90, followed by Japan (3.25) and Hong Kong (3.33). "Of the countries covered here, only Singapore really stands out as having a reputation that matches or even surpasses that of developed Western economies like the US, the UK and Australia," it said. The rest scored below the average grade of five. Malaysia was judged the fourth least corrupt with a score of 5.71, better than the 6.0 it got in 2001, followed by South Korea with 5.75, down from 7.0 last year. Taiwan was graded 5.83, beating China's 7.0, which was an improvement on its 7.88 rating in 2001.

*From **INQ7.net**, 10 March 2002*

Nepal Sets Up Judicial Probe to Tackle Corruption

Kathmandu, - Nepal's King Gyanendra on Friday ordered a judicial probe dating back over a decade into assets of high ranking government officials in a bid to stamp out corruption in the impoverished nation.

*From **MSNBC**, 8 March 2002*

Thai PM Urges Transparency

Improving corporate governance and operating with transparency, integrity and accountability are crucial if Thai firms are to remain competitive, according to Prime Minister Thaksin Shinawatra. “There is no company in the world that can grow on its own. Instead, it is necessary to use other people's money. But without efficient controls, transparency and integrity, other people's money will just vanish,” he said yesterday at the opening of a day-long workshop on corporate governance. Both the Stock Exchange of Thailand and the Securities and Exchange Commission pledged to reduce fees for listed companies and expedite regulatory procedures for firms with good governance. Authorities also agreed to laws in order to strengthen the rights of minor shareholders and increase the responsibilities of directors. Fifteen core principles were also adopted as guidelines, covering issues such as board responsibilities, the need to protect shareholders' rights and the importance of recognising and controlling risks. The prime minister will chair a national-level committee aimed at improving corporate governance. Mr. Thaksin said it was crucial to change attitudes, particularly the mentality of companies that those abiding by the rules were at a competitive disadvantage to others. Rulebreakers must be penalised, he said, with the SET, the SEC, independent auditors and the Revenue Department taking the initiative in enforcing regulations and promoting good corporate governance. As companies grew and developed into publicly held companies, the importance and need for good governance increased. “When I was a small businessman, everytime I travelled abroad I would have to phone back to my company to check what was happening,” Mr. Thaksin said. “But once my company grew larger, and implemented good governance principles, I could travel without worry, since I had confidence that our internal controls were sound.” Mr. Thaksin founded Shin Corp, the country's giant telecommunications conglomerate. Shin and its subsidiary, mobile-phone operator Advanced Info Service, consistently rank among the top Thai companies each year in corporate governance according to foreign market surveys. But good corporate governance is more an exception rather than the rule. According to the Institute of Management and Development, Thai firms last year ranked among the lowest in Asia in terms of governance, based on criteria such as shareholder rights, social responsibility and insider trading. Last month, Calpers, one of the largest pension funds in the world, announced it would divest holdings in Thailand and three other Asean countries following a review of investment criteria for emerging markets, including market transparency and corporate governance. Prasarn Trairatvorakul, the SEC's secretary-general, said the authorities planned to meet Calpers to clarify points raised by the fund. Several factors raised by Calpers about the Thai market were incorrect.

Suvarn Valaisathien, a deputy commerce minister, said that within two months, the ministry would work with the Thai Rating and Information Services, the SET and other agencies to rate listed firms on their governance. Top performers would receive ``gold cards'' and incentives such as reduced market fees from the SET, accelerated tax refunds from the Revenue Department and other benefits. Dr Suvarn said around 30 to 40 listed firms were expected to qualify for gold cards initially. Suparat Khawatkul, director-general of the Revenue Department, said top-ranked exporters would receive value-added tax refunds within 60 days, or within 30 days if submitted online. Procedures for corporate tax refunds would also be eased for listed firms with good governance. SET chairman Chavalit Thanachanan said the exchange would offer a 50% discount on annual fees for two years for top-ranked firms, a measure expected to cost 200 million baht. The SET would also subsidise training fees for 850 directors of listed firms over the next two years. SET president Kittiratt Na Ranong said training sessions would also be held for listed firms to educate companies about corporate governance. An Investor Relations Unit would be established by the SET to assist investors in monitoring disclosure by listed firms. Somjate Moosirilert, president of the Association of Securities Companies, said the structure of the SET board would also be adjusted to increase representation of investors and other stakeholders, in addition to brokers and regulators. Finance Minister Somkid Jatusripitak said Thailand's efforts to improve corporate governance came at an opportune time as the equity markets and the economy continued to recover. But building a strong regulatory system and good governance would not occur overnight.

*From **Bangkok Post**, 15 March 2002*

KICAC Emphasizes Firm Action Against Corruption

In accordance to the Anti-Corruption Act of Korea enacted in July 2001, the Korea Independent Commission Against Corruption (KICAC) was established this January. The presidential anti-corruption body seeks to improve the legal framework for anti-corruption laws and policies, and respond to corruption complaints. "Corruption is one of the oldest and most difficult problems to solve. Only when we eradicate corruption in all areas of society and rebuild the public sector on higher moral ground can our nation regain its ethical integrity," said Kang Chul-kyu, chairman of KICAC. Most Koreans perceive that the level of corruption in Korea is seriously high. Domestic and international indicators also demonstrate that Korea's ethical integrity is much lower compared to its economic standing than other nations in the global community. Eradication of corruption is one of the most urgent and imperative tasks that must be accomplished if Korea wants to become a fair society and globally competitive nation and thus join the ranks of leading countries in the world. KICAC was designed to fulfill this task at a national level. KICAC pursues fundamental solutions to the corruption issue. The commission will ultimately shift its policy from detection and punishment of corrupt acts to the removal of its cultural, social and institutional breeding grounds to ensure that corruption is uprooted from our society. The main functions of KICAC are providing anti-corruption policies and institutional improvement measures for the public sector, surveying and evaluating anti-corruption policy and enforcement progress in the public sector, educating and campaigning against corruption, supporting non-governmental organizations' efforts to prevent corruption, and promoting international cooperation among anti-corruption organizations. It also responds to corruption complaints, protects complainants and carries out other various activities related to combating corruption. According to the Anti-Corruption Act, an act of corruption is the act of any public official abusing his or her position or authority or violating laws to seek gains for him or herself or any third party. It includes acts causing damages to the property of any public institution in violation of laws; in the process of executing the budget of the relevant public institutions; acquiring, managing or disposing of the property of the relevant public institution; or entering into the executing a contract to which the relevant public institution is a party. Both citizens and public officials are obliged to report any form of corruption to relevant authorities for corruption complaints. Those who are aware of any act of corruption should submit complaints to KICAC at any time. To file a report in person, visit the KICAC Report Center across from Seoul Station, near the Namdaemun Police Station. The mailing address is Seoul City Tower Bldg., 581, 5-ga, Namdaemun-ro, Jung-gu, Seoul, 100-095, Korea. The 24-hour phone service is +822-1398, fax, +822-2126-0098~9, and the Web site, www.kicac.go.kr. Responses to corruption complaints against high-ranking public officials are managed in seven stages. When the complainant files the complaint, KICAC receives it and starts its fact-finding operations. All fact finding should be completed within 30 days upon receipt of the complaint. Once sufficient material has been gathered, KICAC files the accusation with the public prosecutor's office (PPO). PPO starts its investigation then notifies the investigation results to KICAC. KICAC then applies for adjudication with the High Court. Finally, KICAC notifies the result to the complainant. High-ranking public officials are administrative officials with the rank of vice minister or higher, mayors or governors of special metropolitan cities and metropolitan cities, police officers with the rank of superintendent general or higher, judges or public prosecutors, military officers with the rank of general, and members of the National Assembly. In cases of non-high-ranking public officials, once the complainant files the complaint, KICAC completes its fact-finding within 30 days of the receipt of the complaint. Then KICAC requests investigation to the relevant investigative agency. The agency, such as the Board of Audit and Inspection (BAI), investigative agencies or other public supervisory authorities, carries out its investigations. The investigation should be completed within 60 days of the initiation of investigation and the results are notified to KICAC. If KICAC finds that the report is incomplete, it can request reinvestigation.

At the end, KICAC will notify the final result to the complainant. KICAC is well equipped with legal and institutional measures to protect corruption complainants from any reprisal, in order to strongly encourage inside whistle blowing of public officials. The Anti-Corruption Act stipulates that any complainant shall not be subject to any detriment to his or her position or any discrimination in his or her working conditions. The complainant may also request KICAC for reinstatement, transfer or other forms of relief. The commission can ask for the concerned public institution to take disciplinary actions and impose a fine of up to 10 million won against a person who took reprisal against the complainant. No investigative agency may disclose or suggest the identity of the person who reported the issue without his or her consent, and should take additional protective steps to protect his or her identity. KICAC can also request an investigation into the disclosure and take disciplinary action against the offenders. The commission will refer the issue to another investigative agency with his or her identity protected if the complainant does not want to disclose his or her identity. If necessary, KICAC will ask the head of a competent police station to provide physical protection for the complainant. In cases which the corruption brings material benefits to a related public institution or prevents a possible loss, the complainant concerned may be rewarded up to 200 million won. Upon receipt of a request for reward payment, KICAC Compensation Deliberative Board meets to determine the amount of the reward. After deliberation, KICAC pays the appropriate amount of reward according to legal procedures. To be an impartial and independent anti-corruption authority backed by public trust, KICAC has set up a strict internal code of ethics and control. he code dictates the qualifications of the commissioner. The commissioner of KICAC is to be a person of absolute integrity with profound knowledge and experience in corruption issues, such as scholars/professors, judges, prosecutors, lawyers or public officials. KICAC has established the Code of Ethics to apply to all officers of the organization so that they can maintain moral strength. Necessary steps are being taken to improve remuneration and treatment so that all officers can devote themselves to their duties. To ensure fairness and impartiality in the process of deliberation and decision making, commissioners, including the chairman, shall be rescued when such a person is a party or a joint obligor or joint obligee with the party. The same applies to a relative, a family member, or the head of a family of the party and those who have provided testimony, consultation, legal advice or damage assessment, and have been involved in the investigation or inspection. The operations of KICAC are based on its four missions.

The missions are: doing its best to prevent and eradicate corruption; being certain to protect and reward corruption reports; focusing on reforming the mind set of public officials and citizens; and taking care to prevent reoccurrence of corruption. "As an overarching authority of counter-corruption, we focus our full strength on the fight against corruption nationwide. Ultimately, shifting from the detection and punishment of corruption toward the uprooting of its causes and its associated corruption-prone culture and environment, we will approach the corruption problem in a comprehensive and integrated manner to ensure that corruption is eradicated from our society," said a KICAC official. By fostering an atmosphere in society at large that corruption shall be uncovered and brought to justice, KICAC hopes to build a clean, decent and fair society. Also by handling corruption complaints in a fair and transparent manner, and providing protection for complainants and implementing legal rewards for them, the commission will foster and facilitate a culture of reporting corruption in our society. To eradicate the deep-rooted culture of corruption in public administration and the everyday lives of citizens, KICAC will continue to be engaged in promoting activities of effective education and campaigns against corruption. The reoccurrence of the same pattern on corruption will be blocked by imposing employment restrictions on public officials dismissed for corruption. The two central functions of KICAC, under the Anti-Corruption Act are its policy making function and enforcement function. When it comes to handling corruption complaints, KICAC is closely related to existing investigative agencies such as the PPO and BAI. KICAC will play its role as an independent and comprehensive corruption eradicator in collaboration with the investigative agencies such as BAI and the Ministry of Justice (MOJ), respecting their locus of power. The commission is entitled to policy recommendations, which separates it from the other investigative agencies. It seeks to improve institutions and practices and deals with corruption complaints in a fair and objective manner. It will make sure that government investigators in other agencies do their utmost in dealing with referred cases by the commission. KICAC can exercise a request for reinvestigation and file and application for adjudication with the High Court in cases involving high-rank public officials.

*From **Korea Herald**, 15 March 2002*

ADB Tells Government to Improve ODA Use

The Asian Development Bank (ADB) has reiterated its call for the government to improve its use of foreign assistance as a means of easing poverty in the country. Newly installed ADB Philippine country director Thomas Crouch, an economist, said the state's poor use of official development assistance (ODA) continues to burden the government with additional costs while delaying program and project benefits. Mr. Crouch identified ODA usage as one of four key ecnomic challenges the state must meet in its bid to alleviate poverty. He said the government must also sustain efforts to enhance fiscal management, extend support to the private sector and improve governance. The ADB official noted the government's rate of ODA usage and implementation of foreign-assisted projects is one of the poorest in the region, despite initial efforts to enhance the government's absorptive capacity. ODA comprises loans extended by multilateral lenders and donor institutions. "Once a loan is approved, we find too many projects in our portfolio are being implemented too slowly. This means the benefits are delayed and the financial costs increase - neither of which is good for poverty reduction," Mr. Crouch told reporters. Multilateral lenders have scored the government for its poor absorption of ODA. The World Bank, which co-chairs the Consultative Group Meeting with Philippine donors, said the country used only one billion Philippine pesos (US$19.575 million at PhP51.085=$1) or 12% of PhP8 billion in available ODA in 2001. ADB chief Philippine country officer Richard S. Ondrik said country usage of ADB loans, as measured by the bank's disbursement ratio, reached only 19% of total program and project loan funds available in 2001. He said the rate was an 11 percentage point improvement from a previous disbursement ratio of only eight percent in 2000. But it remained one of the weakest in Asia compared with other ADB client-nations.

Mr. Ondrik said other client-nations like Bangladesh and China achieved disbursement ratios above 20%. He said ADB's disbursement ratio for Philippine projects was one of the lowest at 12% to 13% in 2001 from eight percent in 2000. Mr. Ondrik said the country's poor ODA usage rate also resulted in $7 million in penalty fees on undisbursed loan amounts, 17% up from $6 million in 2000. Multilateral lenders charge "commitment fees" on undisbursed loan amounts to cover the administrative cost of holding on to their funds. ADB slaps an annual 0.75% commitment fee. Mr. Ondrik said increasing ODA usage will enable the government to shore up savings for important development expenditures. "The average grant assistance extend to the Philippine government averages $7 million yearly but because of poor ODA usage, the government ends up returning this amount to us in the form of commitment fees," he said. Mr. Crouch said the government can improve its absorptive capacity and speed up project implementation by ensuring compliance with "project filters" it had already identified with multilateral lenders. He said the "filters" are requirements the government needs to meet first before multilateral lenders approve and disburse ODA funds. "Projects need to pass these filters before the ADB and other lenders approve a project. These filters will ensure that projects will indeed be ready for implementation before we approve loans," Mr. Ondrik said. Such filters include the readiness of bid documents required for auctions; readiness of implementing personnel; availability of state counterpart funds; and the settlement of "right of way" issues related to infrastructure projects. Apart from ODA usage, Mr. Crouch said the government must also sustain efforts to improve fiscal management and governance, and increase assistance to the private sector. He said the state must improve tax collection while sustaining efforts to cut back on expenses to "create space for new investment, operation and maintenance of existing assets." Mr. Crouch said the government must work with donor institutions like ADB in extending assistance to private enterprises which he described as primary engines of economic growth for the country. He said, the state must also curb corruption to encourage the inflow of foreign investments in to the country.

*From **Business World**, by Earl Warren B. Castillo, 21 March 2002*

Europe/CIS

Germany's Reputation Slips in International Corruption Index

Berlin - Mutual dependence, dishonest practices and corruption do not have to be the logical consequence of close relations between business and politics. But it is increasingly looking this way in Germany. The most recent case in point is a scandal over undeclared donations currently rocking the Social Democratic Party in Cologne. Overall, Germany has dropped from 14th place last summer to 20th place on the corruption index of the independent organization Transparency International, a statistic that is updated each year with new figures. According to the index, Finland and Denmark are the models of rectitude. At 18th place, even Chile enjoys a better image among the business people, scholars and risk analysts who are asked about their perception of corruption in the individual countries. Is corruption really on the increase or is the public simply becoming more sensitive with each new case that is uncovered? "That is hard to say," said Dieter Biallas, professor of mathematics and former science minister in Hamburg. "What counts is the trend. Germany is falling back, although to some extent that is certainly due to the Christian Democratic Union's slush-fund scandal last year," he added, referring to the donations scandal surrounding former Chancellor Helmut Kohl. At the same time, Mr. Biallas, Transparency International's chairman in Germany, pointed out that "there has always been corruption." He added that it is the frequency that gives cause for concern. "The point at which gifts become bribes and those who reap the advantages become caught up in a web of corruption is fluid. Corruption is the abuse of power with which one has been entrusted for one's own advantage," Mr. Biallas said. "The advantage must not always be financial, it can also be political influence." Customs also vary from one country to the next. The culture of giving gifts in Asian states is not considered to be corruption. "Corruption starts where gifts are cloaked in secrecy, and each country and culture has its own starting point," said Mr. Biallas. The reason why the Germans - widely considered to be upstanding people - do so badly in the corruption tables is also due to the legal situation. Procedures for awarding public contracts literally invite whispering. "The existing legal situation in Germany is characterized by the principle of confidential records and confidentiality in the administration," as the draft of a freedom of information law drawn up by the Federal Interior Ministry, that has not even yet found its way into Chancellor Gerhard Schröder's cabinet, puts it. Freedom of information means that every member of the public can scrutinize the actions of the administration and can therefore obtain information about the awarding of public contracts. Scandinavian countries, where this is a long established right, rank far better in the corruption tables than Germany.

In Sweden, the right to see official files is even anchored in the constitution. And the government actions in the United States are also more transparent than in Germany. But the planned law is moving no closer to implementation in Germany. For over a year, the paper has been stuck at the discussion phase among the coalition parties. Nor have the other ministries had the last word yet. Dieter Wiefelspütz, the Social Democratic Party's domestic affairs spokesman does not believe the law has much chance of being passed in this legislative session. Too many other tasks had to be and still have to be carried out, he says, adding that the law would not be able to wipe out corruption in Germany completely. In his opinion, the problem has to be tackled at the root - in business, for example - by excluding companies that have been found guilty of bribery from public contracts. According to Mr. Wiefelspütz, the Social Democrats has at least planned an anti-corruption initiative. Legal and domestic policy experts would be meeting during the coming week to draw up a package of measures. This is where lawmakers have to accept their responsibility, say observers. Only a small number of state parliaments - such as those of Berlin, Brandenburg and Schleswig-Holstein - have enacted transparency legislation. North Rhine-Westphalia, the state laboring under the donations scandal has a freedom of information law, but it only came into effect last November. Had the law been passed earlier, it may have come in handy in limiting, or maybe even preventing the fallout from the Cologne scandal, observers say. Scandals In Germany. • **The Flick Scandal -** In early 1982, the Düsseldorf-based industrialist Friedrich Karl Flick donated money to all the existing political parties and many leading politicians, opening up the whole question of donations influencing politicians and government authorities. Investigations revealed that the former economics minister, Hans Friderichs, and then-economics minister, Otto Graf Lambsdorff of the Free Democratic Party, had received hundreds of thousands of deutsche marks from Mr. Flick, but had not entered the donations properly in their tax returns. As a result of the scandal, the party financing law was amended in 1983. **The Neue Heimat Scandal -** In 1982, the weekly newsmagazine Der Spiegel revealed that the chairman and several other board members of the trade-union owned construction company Neue Heimat had used the company to enrich themselves unlawfully. **The Amigo Scandal -** In 1993, the Amigo scandal destroyed the reputation of then-Bavarian Premier Max Streibl of the Christian Social Union. He was forced to resign after allowing a company to pay for his private travel. It was alleged that a widespread network of Bavarian "amigos" had provided each other with money and services.

The North Rhine-Westphalia Flights Scandal - In 1999, tax officials in Düsseldorf accused the Westdeutsche Landesbank of chartering and paying for flights made by former state Premier Johannes Rau, Finance Minister Heinz Schleusser, and current Premier Wolfgang Clement as far back as 1989. As a result, Mr. Schleusser resigned. **The Christian Democratic Union Slush-fund Scandal -** The CDU received donations which were paid into a four-tiered system of undeclared bank accounts. Former Chancellor Helmut Kohl is believed to have received up to DM2 million ($900,000) from anonymous donors, while his parliamentary group leader, Wolfgang Schäuble, received DM100,000 from arms dealer Karlheinz Schreiber. The money was not listed in any of the CDU's financial reports. Mr. Schreiber had handed over DM1 million to the CDU tax advisor Horst Weyrauch as early as 1991. It was also revealed that the Hesse branch of the CDU had kept secret Swiss bank accounts since the early 1960s. **The Social Democratic Party Donations Scandal -** Early this month, improperly entered donations appeared in accounts belonging to the Cologne branch of the Social Democrats. The donations have been linked to a garbage incineration facility built by the Trienekens waste disposal company. There is no end in sight to the scandal, with new revelations every day.

*From **Frankfurter Allgemeine**, by Inge Kloepfer, 18 March 2002*

The Americas

Clouds of Corruption

The credibility of Panama's democratic institutions faces an extraordinary challenge as the three branches of national government have been rocked by allegations of corruption. Charges that bribery influenced recent legislative votes to confirm two Supreme Court justices and approve a US$400 million shipping infrastructure project "have brought to light other questionable practices that spatter mud across the political spectrum," Willy Carrera Loza and Eric Jackson noted (Jan. 25) in *The Panama News*. Popular reaction has been swift, they added, with “a broad section of Panamanian society stirred to protest” by the allegations. “There is no feeling of revolution in the streets, Carrera Loza and Jackson wrote, “but it does seem that the country has reached a point at which few people have much confidence in any branch of the government, political party, or individual leader. The national discourse of the moment is an inquiry about what can be done to get rid of the corruption that’s damaging Panama’s democratic institutions and business climate.” Paulino Romero, a Panamanian academic and diplomat writing in *La Prensa* (Feb. 7), argued that President Mireya Moscoso and the National Assembly are reaping the bitter fruits of Panamanians’ “experience of anguish, deception, disillusionment, frustration, and repudiation” inspired by repeated failures to punish and eradicate official corruption. “Opposition legislators, businessmen, educators, workers, lawyers, journalists, and finally, the entire citizenry have pointed out and denounced scandals of corruption, nepotism, and other violations of the constitution and the law,” Romero wrote. “But at no time has the government been disposed to swiftly correct it. Quite the contrary, its response has always been the same, ‘Let them present the evidence’—and nothing more!” Carlos Guevara Mann, former Panamanian director general of foreign policy, offered an incisive analysis in *La Prensa* (Jan. 31), tracing the roots of parliamentary corruption back to the origins in 1984 of the present Legislative Assembly. The military dictatorship reorganized the national legislature “to apply a ‘democratic’ veneer to the arbitrary actions of an authoritarian regime....[It] converted the assembly into a business for legislators and political parties,” who routinely traded votes for “bags of cash” and other special favors. Guevara Mann lamented that the nation’s return to democratic rule in the early 1990s failed to produce “the political will to...democratize state institutions,” evidenced by a series of well-publicized vote buying and other bribery scandals that have roiled the legislative assembly over the past decade. “As a consequence of that lack of will..., today a frightful degree of corruption predominates in the legislature,” Guevara Mann concluded. “The culture of corruption...has undermined the foundations of the Panamanian political structure. Now is the time for us to rebuild on solid and democratic bases.”

From ***World Press Review****, by Robert Taylor, 11 March 2002*

George F. Will: Campaign ads, Media Corruption

Washington - The New York Times and The Washington Post are guilty of corruption. To be precise, they probably are guilty only of the *appearance* of corruption, as they define it. But as they so frequently tell us, the appearance of corruption is the equal of actual corruption as a justification for campaign finance reform, for which they have tirelessly campaigned. The Supreme Court has said that preventing corruption or the appearance of it is the only constitutional justification for limits on political contributions, most of which finance the dissemination of political speech. So advocates of the House-passed Shays-Meehan campaign finance reform bill, and of its close cousin, the Senate-passed McCain-Feingold bill, pretend (we shall come in a moment to what they are really doing) that their aim is merely to prevent corruption and - this is more important because it is more ubiquitous - the appearance of it. Well. Shays-Meehan, which the Senate will accept as a replacement for McCain-Feingold, no longer contains a provision that is in McCain-Feingold that would have strengthened the requirement that television stations sell time to candidates at the low rates the stations charge their best customers. The House dropped this provision from the bill. Broadcasters lobbied hard for this action, which will be worth many millions of dollars to television stations. But that probably was not the primary reason the House did it. Nor was the reason just gratitude for the media's cheerleading for Shays-Meehan. Rather, the House probably did it primarily to help incumbents: Challengers usually have less money, and hence are hurt more by high broadcasting rates. However, our concern is not with the motives of the House in removing the provision, but with the *appearance* the removal creates regarding two passionate advocates of Shays-Meehan. The New York Times Company owns eight network-affiliated television stations, and The Washington Post Company owns six such stations. Shays-Meehan is potentially a windfall for both companies. Gracious. The Times and the Post incessantly instruct their readers that the appearance of corruption exists when someone who has benefited an elected official with a campaign contribution then benefits from something the official does. But contributions are not the only, or even the most important, benefits that can be conferred upon elected officials. The support by powerful newspapers for a political official's legislation can be much more valuable to the politician than the maximum permissible monetary contribution ($2,000 under current law, $4,000 after Shays-Meehan becomes law) to his campaign.

It probably would be unfair to ascribe the Times' and the Post's support for Shays-Meehan to corruption. But it would be no more unfair than are the Times, the Post and other reform advocates in routinely impugning the motives of politicians who are conservative (or liberal) and hence support particular conservative (or liberal) policies after, but not because, they have received contributions from people who support those policies. Still, the *appearance* of corruption on the part of the Times and Post, which are exquisitely sensitive about (other people's) appearances, is compounded by this fact: The media, which comprise the only intense constituency for campaign finance reform, advocate expanded government regulation of all political advocacy *except that done by the media*. Many reformers' ostensible concern about the appearance of corruption is just for appearances. The politicians' real concern is to silence their critics. Recently John McCain gave the game away. He was discussing the bill's provision that puts severe - for many groups, insuperable - impediments on any group wanting to run a broadcast ad that so much as refers to a candidate within 30 days of a primary or 60 days of a general election. He said: "What we're trying to do is stop" - note that word - "organizations like the so-called Club for Growth that came into Arizona in a primary, spent hundreds of thousands of dollars in attack ads. We had no idea who they were, where their money came from." McCain's attack was recklessly untruthful. He knows perfectly well what the club is - a mostly

Republican group formed to support fiscal conservatives. The only ad the club ran - a radio ad - contained not a word of attack: It was an entirely positive endorsement of a candidate's views, and did not mention or even refer to anyone else. All contributions to the club over $200 are disclosed. But on one matter McCain, who wishes he could criminalize negative ads, was candid. He - like the Times and Post - is trying to stop others from enjoying rights they now enjoy.

*From **sacbee**, By George F. Will, 10 March 2002*

Civil Service and Ethics in Public Sector

Africa

MPs Commend Botswana Police Service

Members of Parliament have commended the Botswana Police Service for its good work. They were responding to budget proposals for the State President that the Minister of Presidential Affairs and Public Administration, Daniel Kwelagobe, presented to Parliament last week Friday and today. MPs, who supported the budget, said improvements have been made at various police stations, particularly on public relations. They however, urged the minister to build more police stations and camps to enable the police to deal with the increasing incidences of crime in the country. Tebelelo Seretse, the works, transport and communications minister and MP for Serowe South said, most police officers have not studied law but they face lawyers when they prosecute cases in court. She said the Performance Management System should cascade to junior officers, especially security guards and receptionists in the public service because they are the customer's first contact with government departments and agencies. On the Department of Information and Broadcasting, Seretse said localisation and training should be on the same level. Foreigners holding engineering and other positions at the Botswana Television should be understudied to make it easier and faster to localise their posts. Seretse also called on the minister to consider buying additional cameras for Botswana Television and to extend radio coverage in rural areas. She also said there is a need for the Directorate of Economic Crime and Corruption to change the definition of corruption to include fronting. Seretse expressed disappointment regarding the Inter Congolese Dialogue, which she compared to pouring water into a bottomless bucket. Gaborone West MP Robert Molefhabangwe also supported the budget and the fact that Botswana Defence Force will get about 60 per cent of the budget, saying the force has a demanding job. About refugees, Molefhabangwe said Botswana has to prepare to receive them in large numbers because of the political turmoil in Zimbabwe and Jonas Savimbi's death in Angola. He called on the ministry to consider building additional offices at Gaborone West Police Station to reduce shortage. Jacob Nkate, lands, housing and environment minister and MP for Ngami, said some police camps need to be revamped. Nkate said police presence is needed on the streets and that they should be provided with motorbikes for easier patrol.

*From **Republic of Botswana**, 8 March 2002*

Paying Lip Service to Ethics

Results of the first ever ethics survey conducted in South Africa indicate that there is a basic ethics infrastructure in place in the country's organisations — but it is too basic, and potentially ineffective - The SA Ethics in Practice 2001 survey — carried out by KPMG, the Public Service Commission and Transparency SA — shows that codes of conduct exist in a healthy 84% of the organisations surveyed; 74% have good whistle-blower protection, and 54% have confidential reporting mechanisms, good organisational values and principles. "But," says the report, "the survey shows that organisations have not been able to integrate ethics management practices into their existing management processes." KPMG business ethics consulting manager Daniel Malan said: "Many organisations have not assigned a senior manager to handle the ethics responsibility. Few train new employees in the application of the organisations' code of conduct, or teach them ethical decision making, and only 12% assist new employees in integrating ethics into their everyday activities." The implication, he said, is that some organisations merely pay lip service to ethics. Issues that organisations are grappling with most are "quite clearly … fraud and theft, security of information, financial management procedures, racial discrimination and workplace safety", according to Public Service Commission director Roderick Davids. "Following closely are corporate governance, employee and client privacy, competitive practices, discrimination against HIV/Aids sufferers and sexual harassment."

*From **Daily Mail & Guardian**, by Shyaka Kanuma, March 18, 2002*

Asia/Pacific

Command Structure Boosts Minister's Power

Military Reform: Changes to the military's command structure reduce the influence of the chief of the general staff and give the defense minister greater control - The new military command structure - which places the defense minister higher than the chief of the general staff and has been in effect since Friday - reverses the balance of power between the two major leaders of the nation's military over the past five decades. The development was the result of efforts which began in 1990 to reform the military by a group of DPP lawmakers, including President Chen Shui-bian. These lawmakers launched their reform efforts mainly because they could not understand why the military didn't want to solve the confusion caused by the imbalance of power between the defense minister and the chief of the general staff - despite the fact that the problem had been around for decades. The confusion was caused by the lack of a law to clearly describe the power relationship between the defense minister and the chief of the general staff. Over the past five decades, the military only had an organizational law governing the office of chief of the general staff, which offered a rough explanation as to the relationship between the two major leaders of the military. Under the law, the chief of the general staff had a confusing dual status - he was at the same time chief of staff to the president and the defense minister. Prior to the law's amendment late last year, the chief of the general staff acted as chief of staff not only to the president in the military command system, but also to the defense minister in the military's administrative system. The arrangement, though confusing, did not appear to have experienced operational problems until the election of reform-minded lawmakers in 1989. New lawmakers like Chen could not accept that the military command system led by the chief of the general staff was immune to supervision by lawmakers, while the military administrative system headed by the defense minister had to directly face inquiries from lawmakers about the command system over which it had no control. Efforts were launched by Chen and other DPP lawmakers to solve the longstanding problem through legislation. In 1991, Chen brought up a draft law for a new military command structure, which laid the foundation for the follow-up reform efforts. Nine years later, the legislature passed the landmark defense law and the amended organizational law of the Ministry of National Defense, which were the types of laws President Chen had been requesting. In the two legal changes, the defense minister is clearly described as having the authority to command the chief of the general staff under the authorization of the president.

As well, the chief of the general staff has become chief of staff to only the defense minister. The two laws, formally put into effect on Friday, are expected to unify the originally divided military command and administrative systems by shifting power from the chief of the general staff to the defense minister. The unified military command and administrative systems are to operate on the same standing under the defense minister as the armament procurement system - the third operational system of the military introduced by the two defense laws. The defense minister now has two deputy ministers to handle administrative and armament-procurement affairs for him, while the chief of the general staff is authorized to deal with command affairs such as combat training. In the past, the defense minister had only one deputy minister and had far less manpower and resources than the chief of the general staff. As of Friday, the situation has been reversed in favor of the defense minister, who takes over most of the manpower and resources from the chief of the general staff. The power of ordering a first shot against hostile forces has also been removed from the chief of the general staff and assigned to the defense minister.

*From **Taipei Times Online**, by Brian Hsu, 4 March 2002*

Public Service CEOs Get Big Payouts with Resignation

The Northern Territory's auditor-general has found that several chief executive officers (CEO) who have decided to leave the public service since November have received big payouts. The new Labor Government restructured the public service in November, but officially sacked only one CEO. The restructuring removed several CEOs from their positions, they were offered continuing employment on the terms of their existing contracts. But the auditor-general, Iain Summers, has found that those who chose instead to leave the public sector received termination payments as if they had been sacked. They received up to 48 weeks of their notional salaries and an extra five weeks payment in lieu of notice. Mr. Summers found there was insufficient documentation to show why those termination payments were made. The Office of the Commissioner for Public Employment says the matter will be addressed in the future, but that the Government expected to make considerable savings from the departures.

*From **ABC Online**, 4 March 2002*

Prime Ministers Should Not Infringe on Ministers? Autonomy

The recent brouhaha surrounding management of personnel at the Foreign Ministry has raised the question of how to balance the prime minister's power with the authority of individual cabinet ministers. Foreign Minister Yoriko Kawaguchi's pledge to implement a thorough reshuffle of ministry personnel has doubtlessly given former Foreign Minister Makiko Tanaka, who saw her own attempts to reorganize the ministry thwarted, a case of deja vu. Appearing as an unsworn witness before a Diet session, Tanaka explained that she could not get on with reorganizing the ministry because, as she said in her famous remark, "someone was standing on the hem of my skirt." Later on, Tanaka found out that it was the very person encouraging her the most to reform the ministry that was doing the standing. A typical example of this interference with her management involved the selection of the administrative vice foreign minister in August. Tanaka wanted to appoint Ryozo Kato, who was councilor in charge of political affairs, to the post. But the prime minister's office forced her to accept Yoshiji Nogami, who since has been discharged from the position along with Tanaka. Prime Minister Junichiro Koizumi and Chief Cabinet Secretary Yasuo Fukuda were both at the forefront when it came to blocking her attempts to clean house, she said. "I thought the real foreign minister was in the prime minister's official residence," she added. Cabinet ministers have the right to appoint and dismiss bureaucrats in their ministries and agencies. However, a cabinet panel to examine personnel affairs was established in May 1997. Since then, this body has screened the appointments of administrative vice ministers, bureau chiefs, directors general of affiliated agencies and ambassadors. The panel includes the chief cabinet secretary and the deputy chief cabinet secretaries, both of whom are close aides to the prime minister. The formation of the panel increased the cabinet's power by giving it control over the appointment of senior ministry officials. However, it is important to remember that the main purpose of the system was to check proposed appointments submitted by administrative officials in ministries. The system was not meant to deprive ministers of their power in deciding personnel appointments. An examination of the political situation at the time explains how the system came into being. In May 1997, Prime Minister Ryutaro Hashimoto's plans to reorganize central ministries and agencies and implement structural fiscal reforms were entering a crucial stage. The then prime minister and his aides needed to suppress resistance from bureaucrats whose main concern was for their own political empires. It was a stick that was rarely used.

But it was once wielded in an unexpected way. In January 1998, then Finance Minister Hiroshi Mitsuzuka resigned to take responsibility for a scandal involving the arrest of ministry financial inspectors on suspicion of being wined and dined by securities companies. Thinking that Administrative Vice Finance Minister Takeshi Komura was going to try to ride out the trouble and remain in office, Hashimoto summoned him to his office and told him, "As I'm also the finance minister, I'm ordering you to tender your resignation." In an adroit move, Hashimoto exercised his right to decide personnel affairs at the Finance Ministry by wearing his finance minister's hat, albeit temporarily, and not his prime ministerial one. The commission underlined the importance of this by pointing out that this would mean "that the loyalty of bureaucrats would be directly to the cabinet instead of to a bureaucratic hierarchy." The reason for having a system that enables the prime minister and the cabinet secretariat to intervene in the appointment of senior ministry staff is to eliminate sectionalism and the tendency of bureaucrats to put priority on internal interests. But if instead of using the system as originally intended, the prime minister and his aides use it to overrule the leadership of ministry heads, and at the same time help bureaucrats maintain their vested interests, it is like placing the cart before the horse. Such misuse of the system is not what is meant by prime ministerial leadership.

*From **Daily Yomiuri**, Haruki Sasamori Yomiuri Shimbun, 5 March 2002*

More on Solutions to Corruption

The root of government corruption is government monopoly on justice, according to Mr. Marlowe Camello, meaning that the people have no direct control on the dispensation of justice in the present system. And the solution is for a jury system such as that in the United States of America. The American jury system has two parts: a regular jury which decides on the guilt or innocence (at least not proven guilty) of an accused, and a grand jury which is an independent prosecution panel. In both cases the membership is chosen at random by a lottery among listed voters. Also in both cases secrecy on what transpired in their deliberations to the outside world is observed. And neither do they have to justify their decision to outsiders to the jury. The regular jury is normally composed of 12 members who with guidance from a judge on the legalities of the case are the arbiters of the case. Prosecution and defense panels are given an opportunity to object to a juror as possibly biased but can do so only to a limited maximum number of jurors. Mr. Camello argues that the jury system will speed up the dispensation of justice. Furthermore, the legalities or legal technicalities that vitiate the present justice system is avoided, that is, legal technicalities do not over rule justice or what is right. The possible objection to this jury system is that we have such a forgiving culture that a lot of guilty people will be let go. But it can be argued that the jurors have the duty to decide on the guilt or non guilt and pity or fear of offending has no bearing on this decision.

Another objection is that the Americans who introduced their democratic system in these islands did not institute the jury system during their 50 years of colonization but kept the existing Roman or European system in use then. But it can be introduced even now if the people feel the present justice system is not working or could be improved with a jury system. The other part is the grand jury which is according to Mr. Camello is an independent body of prosecutors rather than judges. Their membership can go as high as 23 and their function is to decide whether there is enough evidence to indict someone for a criminal offense. Their mandate allows them to seek for more evidence and they do not have to justify their decision. Since it is not a court of justice there is no question of human rights violation. Their function is to indict or not to indict and it is in the courts that possibilities of human rights violation can be presented. Collusion between regular prosecutors and judges is minimized. The problem of not presenting available evidence in order to get an acquittal because of insufficient evidence, is avoided. In the American system also most of the prosecutors and trial judges are elected by the people so that they have direct accountability to the citizens who elect them. Mr. Camello thinks that this lack of accountability directly to the people is part of the dissatisfaction on the local dispensation of justice. And the weakness in the justice system is a serious factor in the promotion of prosperity. These are thoughts to ponder especially the ability to by pass legal technicalities that obstruct justice itself and the avoidance of possible collusion to favor a criminal with a verdict of insufficiency of evidence.

*From **Manila Bulletin**, by Fr. Emeterio E. Barcelon, 8 March 2002*

Staffing Service Emerges as New Paradigm of Comprehensive HR Development

The following article is contributed by Lillian H.S. Kim, president of Manpower Korea. - The private sector has been diversifying the boundary of its services, since the entry into force of the treaty on fee-based recruiting agencies N.34 by the International Labor Organization in 1933, which developed to the treaty No. 181 in 1997 by the organization. In particular, companies' needs are increasingly expanding in tune with a protracted recession, which follows the financial crisis, breakdown of lifelong employment, globalization, informationalization, growth of the service sector, aging society, changes in workers' value, and spread of the Internet. Companies started to contract out non-core businesses including back office functions in their relentless bid to strengthen competitiveness, increased utilization of human resources from outside, which led to a cut in costs and enhanced flexibility in management. People and society also started to recognize the rising importance of the roles and functions of private (human resource) companies amid the diversifying forms of employment and hiring, caused by spin-offs, outsourcing, dispatch, headhunting, recruiting by agencies, and outplacement support in the corporate world. This is because private companies can effectively compliment the role of the government in smoothing the transfer of labor. The reality in Korea, however, is that outsourced workers tend to have low-paid jobs, compared with ordinary employees, while carrying out simple tasks to help permanent workers. This appears to be caused by deep-rooted tradition of seniority-based organizational structure, institutional limits, and outdated social perception, which still exist in Korea. Also, a big difference in using a staffing service between Korea and the U.S. or Europe is that Korean companies tend to use the service to cut labor cost, while firms in those countries do so to boost flexibility. Companies in those countries are required by law to pay the same amount to temporary workers as they pay to their own employees for the same tasks. In this circumstance, the role and function of staffing service should be focused on securing flexibility in the labor market, and the development of human resources.

It should encompass the selection of personnel, employment, provision of vocational information, counseling on occupation and training, and vocational education, as well as supports to permanent workers, dispatched workers, and workers for outplacement. Staffing service effectively meets the demand for companies as they change their human resource development strategy from "make" to "buy," and respond to calls of labor that want more flexibility in their work environment. At the same time, it has the function of complimenting the government's role, and enhancing efficiency as a one-stop service for human resource management. Against this backdrop, staffing service should contribute to the development of human resources that is centered on companies by comprehensively linking production, positioning, and utilization of manpower, and offer chances to work to college graduates facing difficulties in landing jobs, as well as the chance for them to become permanent workers. That is, by enhancing the flexibility in the labor market, the staffing service should help activate the labor market. In addition, they need to have the function of public service in cooperation with the public sector, and educational institutions. According to a report complied by Mckinsey, the consulting firm, at the request of International Confederation of Temporary Work Business, staffing service can reduce the unemployment of women, the elderly, and the long-time unemployed, who are in tougher environment for finding decent jobs. The service can also raise the chance for workers to find jobs by prompting the flow of workers. However, when misused, the staffing service can create inequality in wage and benefits between permanent and temporary workers, and cause lasting job insecurity. Especially, introducing staffing service only for the sake of cutting costs can have a serious negative impact on enhancing overall efficiency in the economy, it is reported.

*From **Korea Herald**, 2002.03.12*

Europe/CIS

Advisers to Be Subject to New Laws

New laws to control special advisers are to be brought in to prevent a repeat of the damaging row over Stephen Byers' treatment of Jo Moore and his civil servant press chief, Martin Sixsmith, it emerged today. Downing Street has confirmed that the senior civil servant, Sir Richard Wilson, is to set out the principles he believed were needed to maintain the service's impartiality. Ministers have faced claims that their personally appointed spin doctors are politicising the government and damaging the credibility of its statements following the "Whitehall war" in Mr. Byers' department. Meanwhile, Sir Nigel Wicks, the chairman of the committee on standards in public life, was today launching an inquiry into the roles of special advisers and civil servants. Sir Nigel said when his committee published its list of 19 central questions today, "you will see there is no punch-pulling". Downing Street last promised that a Civil Service Act setting out the limits on special advisers' power would be introduced "shortly". The prime minister's official spokesman said that while legislation could help define the relationship between civil servants and special advisers, it would not necessarily have prevented the problems which arose in the transport department. "No legislation can deal with internal feuds or civil servants not keeping to their code of conduct," the spokesman said. A spokeswoman said Sir Richard was to have his say on what should be included in the bill and that a speech could be delivered within weeks. A report in the Times said he will suggest a strict limit on the number of advisers employed by ministers. The newspaper said Sir Richard will also set out what he believes should be the limits of their remit. He is also expected to propose an independent watchdog to police the new rules, with the power investigate apparent breaches and report to parliament. Ms Moore has been accused of regularly breaking civil service rules by interfering in the appointment of officials or ordering them to act politically. Both Ms Moore and Mr. Sixsmith are also expected to be called to give evidence to the standards in public life committee. Technically, Mr. Sixsmith is still a civil servant and would be required to attend. Ms Moore, now a member of the public, could be issued with a warrant for her arrest by the Serjeant-at-Arms if she refuses to appear.

*From **Guardian Unlimited**, 4 March 2002*

Byers 'Wouldn't Talk to Top Civil Servant'

Stephen Byers, the transport secretary, faced a fresh blow to his credibility yesterday over allegations that he refused to speak to his most senior civil servant at the height of the latest Jo Moore row. As Mr. Byers faced renewed calls to resign, his ousted press officer Martin Sixsmith claimed that the transport secretary became so paranoid that he refused to speak to Sir Richard Mottram, his permanent secretary. "He is so furious with me that he is refusing to return my calls," Sir Richard is quoted as saying in Mr. Sixsmith's account of the affair, published in the Sunday Times. "I think he feels that you and I are plotting against him to undo [your resignation] deal and get you reinstated." The disclosure of a breakdown of trust between Mr. Byers and his most senior civil servant will alarm Tony Blair, who tried to draw a line under the affair by inviting the two men to Downing Street. Mr. Sixsmith's account confirms the widely held view in Whitehall that relations between Mr. Byers and Sir Richard have suffered a catastrophic breakdown. Amid the new allegations, the Tories renewed their calls for Mr. Byers to resign. Tim Collins, shadow Cabinet Office minister, said Mr. Sixsmith's account of the affair suggested Mr. Byers had misled MPs last week. The transport secretary tried to defuse the row last week by insisting he had not vetoed attempts to move Mr. Sixsmith to another Whitehall job. Mr. Sixsmith was forced to resign from the transport department last month - along with Mr. Byers' long-standing spin doctor Jo Moore - after a row over a leaked email.

Mr. Byers told MPs he was "not in a position to block" any arrangement between Mr. Sixsmith and the civil service. But the Sixsmith dossier alleges he was told on six separate occasions by senior figures, such as Alastair Campbell, that Mr. Byers was blocking a move. The prime minister's official spokesman insisted Mr. Byers had not lied. Insisting Downing Street did not "recognise" Mr Sixsmith's account, the spokesman said: "There were strong feelings around but no one had a veto." However, Tessa Jowell, the culture secretary, admitted yesterday that the government had been damaged by the row. On GMTV, she said: "It's very hard to get the real message about the business of government ... through the noise generated by, in many cases, unfounded allegations." Tam Dalyell, father of the House of Commons, said that Mr. Byers should resign. "Prime ministers ... have to be good butchers, even of their friends," he told BBC Radio 4. Tory leader Iain Duncan Smith said the affair highlighted a "disturbing pattern" of political appointees undermining civil servants. In the Sunday Telegraph, he pledged to restore confidence by abolishing a ruling allowing two political appointees in Downing Street, Alastair Campbell and Jonathan Powell, to issue orders to civil servants.

*From **Media Guardian**, Nicholas Watt, 4 March 2002*

Watchdog to Summon Spin Duo

Jo Moore and Martin Sixsmith are likely to be called to give evidence to an inquiry into the relationship between ministers, their special advisers and the civil service. The investigation by the Committee on Standards in Public Life will include an examination of the spin row which has led to calls for the resignation of Stephen Byers. The transport secretary's former spin doctor, Ms Moore, and Mr. Sixsmith, the transport department's former head of communications, both lost their jobs as a result of the 'Spingate' affair. Committee chairman Sir Nigel Wicks has published a consultation document raising 19 questions about the roles played by politicians and civil servants. Asked who would be called to give evidence, he told BBC Radio 4's Today programme: "Certainly we have not drawn up a list yet but I would not be at all surprised were Ms Moore and Mr. Sixsmith on that list. "I would be surprised if we did not see them. "It is up to them to come, to see whether they want to talk to us, but I would hope they would because I'm sure they can give us some useful enlightenment." 'Blair saved Moore' - Later he added: "Special advisers are specifically exempt from the requirements of impartiality and objectivity [applied to civil servants]. "Some recent cases have highlighted, however, that uncertainties and grey areas remain concerning roles and functions." BBC Political Editor Andrew Marr told

Today it had been suggested to him that Ms Moore, who previously faced calls for her resignation after her notorious 11 September e-mail, stayed on at that time on the say-so of Mr. Blair. He said: "Stephen Byers was quite willing to see Jo Moore go and then worried that it might set a worrying precedent and I think - fairly clearly - did get in touch with the prime minister and the message came back 'you hold on to her'." Meanwhile Downing Street has confirmed that Cabinet Secretary Sir Richard Wilson is to have his say on what should be included in a government civil service bill. A report in the Times newspaper says he will suggest a strict limit on the number of advisers employed by ministers.Byers pressured - It adds that Sir Richard will also set out what he believes should be the limits of their remit. He is also expected to propose an independent watchdog to police the new rules, with the power to investigate apparent breaches and report to Parliament. A Downing spokesman said: "We are prepared to legislate on the Civil Service - we will be starting a consultation exercise shortly. "We are relaxed about it but it needs to be made clear to the electorate what such and act can and cannot do." But he stressed: "No legislation can deal with internal feuds or civil servants not keeping to their code of conduct." Ms Moore was accused of regularly breaking civil service rules by interfering in the appointment of officials or ordering them to act politically. The pressure on her former boss, Mr. Byers, continues as veteran Labour MP Tam Dalyell joined opposition calls for his resignation. 'No punch pulling' - The standards committee will also examine the central charges that the civil service has become acutely politicised. Sir Nigel has already said he supports the idea of a Civil Service Act to clarify the relationship between ministers, their special advisers and civil servants. Cabinet Office Minister Chris Leslie said the government had been talking about producing a Civil Service Act for some time and had already produced the first code of conduct for special advisers. The Conservatives have said they will support a Civil Service Act.

*From **BBC**, 4 March 2002*

Government Urged to Tackle Civil Service Pay Gap

The Government is being urged to tackle a pay gap among civil servants after new research showed women earned 28% less than men. The Public and Commercial Services union says it is "shocking" that the Government is failing to tackle such blatant pay inequality. About half the UK's 500,000 civil servants are women, but their pay is on average 28% lower than men's. Women are also twice as likely to be low earners, on less than £15,000 a year, the union said. "Civil service departments should carry out equality audits to identify unfair differences in pay so that inequalities can be rectified," said Pat Campbell, the union's head of equalities. A spokesman for the TUC said: "This is the Government's opportunity to lead from the front and show companies that the voluntary approach can work."

*From **Ananova**, 6 March 2002*

Public Sector Reform Angers Unions

Tony Blair's latest effort to persuade public sector staff to embrace his reform agenda was overshadowed by mounting union concern over the Government's stance on workers' rights. The Prime Minister used the launch of a pamphlet setting out the principles behind the planned changes to call on nurses, teachers, police officers and other public servants to become partners in the Government's reform programmes. But following reports that Mr. Blair could veto plans to protect employees' rights when they transfer between public and private sectors, unions were pursuing assurances that the Government's position on ending the so-called two-tier workforce in local government and health services had not changed. Transport and Local Government Secretary Stephen Byers has promised to take action to end the two-tier phenomenon - in which private contractors offer new recruits worse terms than existing staff. Unions want legislation to address the problem but, according to a document leaked to a national newspaper, Mr. Blair is leaning towards business leaders' proposals for a non-statutory "code of practice", under which employers would be obliged to offer new staff "fair and reasonable" terms but would still be able to set flexible rates and conditions. Downing Street insisted that the Government stood by its past commitments to ensure that staff were properly treated. But the Prime Minister's official spokesman said that a balance had to be struck with the need of employers to retain "flexibility" to deal with local conditions. The spokesman said the leaked Cabinet Office memo was an "early draft" which had not gone to ministers. John Edmonds, general secretary of the GMB, said any move to veto the protection of workers' rights would be a "stab in the back" for millions of public sector staff. There was concern too on Labour's backbenches. David Taylor, Labour MP for North West Leicestershire, who has been a fierce critic of plans for a greater private sector involvement in the public services, said he remained deeply concerned that it could undermine workers' living standards.

Health Secretary Alan Milburn insisted that the Government was committed to ensuring that a two-tier system did not take root. "That's precisely what we want to do. There is absolute agreement on the principle. What we have got to do is find the best way of implementing it," said Mr. Milburn. At the beginning of a seminar in Downing Street with public service leaders to mark the launch of the 30-page pamphlet on the principles behind reform, Mr. Blair acknowledged that the Government's agenda for change depended on the co-operation of frontline staff. "We know that though we have our obligations to make sure that the money and investment gets through, we can't make these programmes of change without you the public servants working in partnership with us," said Mr. Blair. The pamphlet, produced by Mr. Blair's Office of Public Services Reform and entitled "Reforming our Public Services - Principles into Practice", acknowledged that the reform agenda could mean changes to public servants' working terms and conditions. That included tackling inflexibilities. "Good customer service cannot be compromised by labour market rigidities, restrictive practices or role demarcations," it said. Changes in working patterns might also be necessary. "Opening hours or working patterns may need to become more flexible. Staff may need to be better trained so that they can relate better to customers." The pamphlet also envisaged an expanded role for the voluntary and private sectors. "Sometimes, where there is neither the capacity nor the capability to meet national standards, they will only be delivered by involving alternative providers." Downing Street said the pamphlet, which will be distributed to 10,000 public service managers, was part of the Government's effort to develop a "genuine dialogue" with public sector workers. "It is not a propaganda exercise," Mr. Blair's spokesman said. "The private sector is welcome, but only on conditions - only if the public sector does not have capacity, only if it accepts the level of control exercised over the public sector."

*From **itv.com**, by **John Sergeant reports for ITV News**, 7 March 2002*

Blair Pushes for 'Partnership' with Public Services

The prime minister, Tony Blair, today urged public sector workers to become "partners" with the government in making public services more consumer friendly, but warned that this could mean potentially unpopular changes to their pay and conditions. Mr. Blair warned that more "flexibilities" in the way public servants work were needed - these might include performance related pay, changes in work patterns and opening hours, and ending what he called "restrictive practices" and long-established job demarcations. "Good customer service cannot be compromised by labour market rigidities," he told a seminar attended by public sector leaders at Downing Street. The proposals were "ambitious" and asking a "great deal" of public sector staff, Mr. Blair admitted. But he said that with the help of staff the reforms programme could work. Publishing a 30-page pamphlet setting out the principles behind the government's reform plans, Mr. Blair also reaffirmed his commitment to expanding to the role of the voluntary and private sectors in service provision. "Sometimes, where there is neither the capacity nor the capability to meet national standards, they will only be delivered by involving alternative providers. Not doing so leaves customers deprived of their right to a proper service," he said. Mr. Blair added that he was regularly impressed by the "huge dedication and commitment to public service" of those who work in the services "but often I feel they are working flat out in systems that desperately need redesigning and change". He said there was a general willingness within the public service to modernise services provided the government could find the right way of redesigning the system. Mr. Blair said the basic principles of reform were to have proper national standards and frameworks for accountability; devolving responsibilities to frontline workers; modern and flexible terms and conditions for staff, and greater choice for consumers. He told his audience that if the reform programmes could be implemented successfully, "we have got the chance of getting ahead of the game and not simply catching up". Downing Street said the pamphlet was part of the government's effort to develop a "genuine dialogue" with public sector workers. "It is not a propaganda exercise," the prime minister's official spokesman said. "This an exercise in showing that the philosophy, the strategy, the approach is the same throughout the public services. "It is helpful for people to know that what we are not asking them to do things solely in their area. It is part of a coherent strategy."

*From **Guardian Unlimited**, 7 March 2002*

Mayor Laments Lasting Corruption - Kasl Says His Efforts to Clean Up City Hall Have Failed

Four years as mayor of Prague have opened Jan Kasl's eyes. He doesn't always like what he sees. Or hears. Corruption, he admits, is enduring. "You hear voices. You see how people work. You see what's going on in different levels of society or the decision-making process," he says, sipping an energy drink in his city hall office as evening closes in. "I get frustrated. I feel a bit desperate." In a meeting at Prague's American Chamber of Commerce on Feb. 27, Kasl shocked local business leaders by admitting he has made almost no progress in his efforts to create a more efficient and honest city hall. He even offered apologies to businesses that have encountered corrupt officials. "I said that I apologize to people who have met with these problems," he says. "I can't say there's no corruption in city hall. I'm not that naive. There are people who have had that experience. How to solve it is beyond my capacity." Since taking office in 1998, Kasl has been praised in the media and the business community for making city hall more accessible. The building is now open to the public. Business is more often conducted at the front desk than in back rooms. Brady Clough, deputy chairman of the executive board of Transparency International in the Czech Republic, says that based on conversations with business leaders, he believes Kasl has made considerable progress. "The time Mayor Kasl has been in office was something like a breath of fresh air," he says. "Even if it's just for appearance' sake or public promotion, there seems to be a willingness in city hall to behave more openly." But Kasl remains dour. His e-mail account, he says, is still glutted with citizens' complaints regarding surliness and indifference among city clerks and state officials. "Twelve years after the Velvet Revolution, I don't see any principal change in offices, in ministries - anywhere," he says. "It's an endemic attitude. It's an atmosphere. It's related to the whole process." Corruption, he explains, is also part of the formula. "If you apply for something, you have to go to the office and meet the clerk, and you're in danger of being asked for [a bribe]," he says. He estimates that about 50 percent of encounters with clerks go over without a hitch.

But it's a different story for the other half. "Some of them will say, 'I had a feeling that if I offered [a bribe] it would be faster,' and some will say they had to pay," he says. Kasl believes the real estate and construction industries are especially susceptible. Dozens of state permits - and countless encounters with state officials - are required for even the most basic construction jobs. The problem extends beyond city hall, Kasl says, to municipal offices throughout the capital and across the country. Clough says corruption at the local level was among the reasons the Czech Republic dropped in Transparency International's Corruption Perception Index last year. The nation occupied 47th place among the 91 countries ranked - between Colombia and Brazil. The Czechs have dropped on the index every year since 1996, when they were first included. Currently, Prague city council is dominated by members of Kasl's conservative Civic Democratic Party (ODS). The mayor says he receives too little support from his party in his efforts to reform city hall. While Kasl admires the party's national leadership, he says old loyalties have paralyzed ODS city officials. "It's the quality of the people, their behavior, and the people behind them," he says. "It's the legacy of the past and of my predecessor [ex-Mayor Jan Koukal]. It's strong links between people and among groups." Without stronger leadership, Kasl worries that the only hope in making city hall more efficient will come from the Internet. "We're approaching the time when you'll apply for everything by remote on the Internet, eliminating human interactions," he says. "In a certain sense that's a good thing, but of course from another point of view it is terrible, inhuman."

*From **Prague Post**, , 7 March 2002*

Population Rise Fuels Pressure on Public Services

London's population is set to rise to 8.1m by 2016, putting massive pressure on public services, says a report by the capital's mayor, Ken Livingstone, today. The 700,000 increase - about half a million more people than official government estimates - is the equivalent to London absorbing a city the size of Leeds. The forecast, made in Planning for London's Growth, a report commissioned by Mr. Livingstone, will fuel the mayor's campaign for extra government investment in the city. The figures are higher than the 7.6m people predicted in the 1996 office for national statistics figures used by the government. Without adequate forward planning and resources the increase will inevitably put pressure on housing, the environment, transport infrastructure and other public services, Mr. Livingstone argues. "A rapidly growing city cannot function on the resources of a smaller one, particularly as many of London's public services are already suffering the effects of under-investment," he said. "Crucial decisions must be made now on major projects to maintain and improve London's infrastructure and ensure the city's long-term economic future." In the past two years London's population has grown by 190,000 people. By 2016 it is expected that employment will rise sharply with more than 400,000 additional jobs being created in business services. Strong growth in the financial and business sector will result in these industries becoming even more concentrated in central parts of the city, the report says. Mr. Livingstone's predictions are based on natural population increases and movements of people in and out of the region. The excess of births over deaths that represents the natural increase accounts for about 40,000 people a year, according to the calculations. London experiences an average net loss of 50,000 people a year as young people travel to the capital for their first job and older people retire and move out. Overall growth is sustained from overseas immigration. The government's population growth figures are based on the number and size of households. Mr. Livingstone said: "London now accounts for 72% of the natural increase in population of England and Wales. It adds to its inhabitants at the rate of a major city every decade and a borough every two years. "Almost every part of London is expanding in population, with the consequent requirements for infrastructure and public services. This build up is driven by deep economic forces and will continue."

*From **Guardian Unlimited Society**, 11 March 2002*

Winners in 'World Class Public Service Battle'

Five public sector organisations in Warrington are among a total of 13 in Cheshire to receive the Charter Mark from the government for the quality of their service. They are: United Utilities, Golden Gates Housing, Warrington Register Office, Warrington Collegiate Institute and Borough Council School Meals Catering Services, Direct Services and Housing Department. They received their accolades from Gus Macdonald, minister for the cabinet office, at a presentation in Crewe. He said : "The battle for world class public services will be won on the front line by public servants like the Charter Mark winners who are willing and able to consult with customers and make improvements to the way they work." At a separate ceremony in London, Warrington Jobcentre was among a network of Jobcentres to receive the Charter Mark.

*From **This Is Warrington**, 8 March 2002*

10-Point Plan to Deal with Corruption

Faced with the ever-growing problem of corruption in all sectors of public life, the government yesterday announced 10 measures aimed at stamping it out, following Prime Minister Costas Simitis's declaration of war on the problem last month. The crackdown has already prompted a ban on all slot machines and arcade video games in an effort to end illegal gambling. Interior Minister Costas Skandalidis said the government would strengthen inspection mechanisms in the public sector, speed up legal procedures for dealing with incidents such as bribery and dereliction of duty, and extend to local government officials the measure demanding that they declare the sources of their assets. In addition, the Finance Ministry is looking into ways of dealing with financial crimes, especially with respect to offshore companies. “The government, with great seriousness and responsibility, is opening a permanent front in the war against corruption, at all levels and in all areas of public services and functions,” Skandalidis said after a meeting with Public Order Minister Michalis Chrysochoidis, Cabinet secretary Socrates Kosmidis and Simitis's legal aide Giorgos Papadimitriou. Public Works Minister Vasso Papandreou, who is part of the group given the task of fighting corruption, was absent yesterday. “In this effort, we must have the support of all citizens and forces in society,” Skandalidis said. “We are open to all suggestions, because this effort will not end with today's proposals or the announcements we will make, but (will be followed by) a series of other measures that must be made,” he added. “After the main sources of corruption have been located, it is the first step in a major effort that has been decided upon." Cases of corruption by civil servants (such as bribery, fraud, embezzlement, dereliction of duty and so on) will be dealt with by the courts within three months, with another three months granted for appeals to a higher court. Citizens will be able to complain to the police force's Internal Affairs Department. Inspecting bodies will be granted new powers and will be upgraded. The State Audit Council, the highest administrative court which oversees State spending, will have greater involvement in overseeing the functioning of local governments, construction projects and the workings of public corporations.

*From **eKathimerini.com**, 14 March 2002*

Government to Implement Corruption Black List

Frankfurt - The German federal government intends to intensify its campaign against corrupt companies. To this end, a register will soon be kept by the Federal Office of Economics and Export Control, in Eschborn near Frankfurt, containing the names of companies caught paying bribes, which had subsequently been excluded from bidding for a public contract. A spokeswoman for the German Ministry of Economics told the Frankfurt Allgemeine Zeitung that any company on the list shall be excluded from bidding for government contracts for a fixed time period. The German government is hitching its new idea to planned law-enforcment agreements. It will include a centrally held catalog of "unreliable" companies that will be exempt from bidding when public contracts are being awarded. Companies on this "black list" will include not just those that have been caught using illegal employees, for example, but also companies that have been proven to be corrupt, the spokeswoman said. Under just what circumstances a company will make it onto the black list is to be detailed in a soon-to-be published legal directive. The German parliamentary chamber of state representatives, the Bundesrat, will have to approve the measure. "We intend to get started on this right away," the spokeswoman confirmed. Details of new regulations are not yet available, however. Experts think it will take more than just government sanctions to get a handle on corruption. This view is shared by senior executives such as Wilhelm Bender, chairman of Fraport AG, the company that operates Frankfurt's international airport.

Mr. Bender said recently in Frankfurt that corporations needed internal trip wires. Fraport, for example, wants to provide its employees with precise guidelines for their behavior in view of the future expansion of Frankfurt airport. They stipulate, among other things, how employees should react if they are offered a bribe, Mr. Bender said. Since the damage to the company's image is enormous once a scandal is disclosed, corruption needs to be identified as early as possible. Companies can make use of the services of law offices and auditing companies, which can check on suspected employees. Nothing so obvious as a brand new Porsche being suddenly driven by a junior employee is needed to arouse interest; a senior executive, for example, who still manages a customer account completely by himself is just as suspicious. This behavior could mask a relationship that goes beyond just business. Experts recommend prevention: Before contacts between employees and customers can develop too far, the best defense is to rotate the employee to another job. People in "sensitive areas" such as purchasing, for example, should be transferred to other divisions every few years.

*From **Frankfurter Allgemeine**, by Elke Bohl, 18 March 2002*

The Americas

Jobs Cut by State Still Paid for by State

The number of state employees has been going down, while the number of Floridians making a living from state government has gone up. The Legislature's Office of Program Policy Analysis and Government Accountability last week released an interesting report on jobs that depend on state tax dollars. The reporting period runs right up to the day Service First took effect - which is a little like studying San Francisco on the eve of the earthquake. Barring an unlikely mass infusion of Democrats to the Capitol, the push for privatization and downsizing will continue, even accelerate. "State government is the largest employer in Florida, and that is counting only state employees whose positions are established within state personnel systems or whose jobs are funded by other personal services (OPS) dollars appropriated by the Legislature," OPPAGA said. "Often overlooked are the thousands of 'outside' workers, such as employees of state service contractors, grantees, community colleges, and public school districts, whose positions are funded in whole or in part with state dollars." OPPAGA said the number of jobs generated by state government rose from 500,389 in fiscal 1996-97 to 540,724 in the year that ended last June 30. That's an increase of 8.1 percent. You might find that surprising. Even before the Republicans took over, it was generally assumed that government employment was holding steady or shrinking. "This increase was primarily due to growth in outside jobs, which increased from 298,038 to 332,552 jobs," OPPAGA said. That's a rise of 11.6 percent over five years in jobs that are dependent on state government, but aren't part of the state personnel systems. "The increase in outside jobs was likely due to several factors," OPPAGA said, "including increases in school district employees and the trend to outsource more state functions." OPPAGA said the number of established state positions rose only 1.8 percent from the end of 1996 to the end of 2000 - from 169,414 to 172,511 - and that, too, takes a bit of explaining. Actually, the number in the main state personnel system (Career Service, Selected Exempt and Senior Management) fell by 1,152 jobs - nearly 1 percent - while the State University

System gained about 3,000 employees. The Lottery also lost more than 200 positions, while the state courts, justice administration and Legislature gained slightly. The biggest governmental leap was seen in the school districts, which added more than 15,000 employees statewide due to rising enrollments. OPPAGA also said "the estimated number of state service contractor and nonstate organization and local government jobs funded by state appropriations increased from 130,702 to 149,296" - a bit over 14 percent. "Some of the growth in these jobs may reflect the state's recent efforts to outsource programs and functions in areas such as human services and transportation," OPPAGA said. Apart from education, the findings might be seen as a sort of trickle-down economics. The state sheds jobs and local governments pick them up, or private companies are hired to do the work. Will it be cheaper? Probably, at the state level. Better? Maybe that's something OPPAGA will evaluate in next year's review.

*From **Tallahassee Democrat**, 4 March 2002*

Albany-Colonie Chamber Program Also Develops Leaders of Tomorrow

To the Editor: I am prompted to write after reading the article written by Robin Wood (February 22-28, 2002) on the important role chamber of commerce leadership programs play in developing the community and business leaders of tomorrow. Specifically, I am disappointed the article failed to mention the excellent Capital Leadership program run by the Albany-Colonie Regional Chamber of Commerce. Now in its 17th year, the program has graduated more than 450 men and women who are committed to addressing community challenges and improving the quality of life in the Capital Region. In fact, the individuals who participate in the program go through a rigorous selection process, based on a high level of leadership in their respective careers and a deep commitment to the community. The Albany-Colonie Chamber's Capital Leadership program includes a two-day orientation retreat, followed by nine monthly full-day sessions that center on topics such as the legal system, government, education, health care reform, community services and economic development, to name just a few. Next year, in an effort to provide still another important community linkage, The Doane Stuart School is partnering with the chamber on the program, a collaboration that provides additional benefits to both the participants and one of this area's prized institutions. I believe each chamber of commerce in the region should be applauded for developing and operating a leadership program. Certainly, the Albany-Colonie chamber deserves equal recognition for helping to mold the individuals who will truly shape the future of our region.

*From **Albany Business Journal**, by Karl R. Johnson, 4 March 2002*

Bush's Ethics Bill Falters

Tallahassee - Under Florida law, if county commissioners or state legislators use their offices for personal profit, tamper with bids or lie under oath, it's no worse than someone disturbing a stone crab trap. Gov. Jeb Bush thinks the state ought to have tougher public corruption laws. Elected officials, government appointees and public workers should "abide by the highest standards of behavior and avoid any type of official misconduct," he said. He said that nearly three years ago. He is still waiting for the Legislature to agree with him. As the current session approaches its March 22 deadline, the fate of the latest version of the "Citizens' Right to Honest Government" legislation is again in doubt. "We think that public officials should have a high bar and high standards set for them in terms of ethics," said Lt. Gov. Frank Brogan, the governor's chief legislative lobbyist. "We're frustrated." In his first year in office, Bush, concerned about improving the public's trust in government, assembled a panel of prosecutors, ethics officials and lawmakers to review the state's anti-corruption laws. James T. "Tim" Moore, head of the state Department of Law Enforcement, told the governor's commission that many of the existing ethics laws were unenforceable or too vague to fit the crimes. "We have experienced cases in Florida involving obvious public misconduct that have somehow 'missed the mark' for prosecution because the closest criminal statute did not fit the circumstance," Moore said. "Our inability to deal with this issue has serious ramifications," he added. "Chief among them is the erosion of the public's basic trust in government." Based on the commission's findings, the governor recommended a series of reforms, redefining "public misconduct" and strengthening penalties for misusing public offices for personal gain, bid tampering, falsification of records and lying. Those crimes are now classified as third-degree felonies, the same as disturbing crab traps.

The maximum penalty is a five-year prison sentence. First-time offenders rarely face jail time. Under the "honest government" act, those crimes would become second-degree felonies, carrying up to a 15-year sentence. More significantly, the public-office crimes would be re-ranked as Level 7 offenses, up from Level 1, bringing mandatory prison time unless the court cited mitigating circumstances. But the severity of the penalties coupled with the attempt to redefine official misconduct -- which has been ruled unconstitutionally vague by the courts in the past -- has left the Legislature unable to agree on the bill. In 2000, the House and Senate voted out separate versions of the legislation. But it died when they couldn't agree on a final bill. Last year, the bill died in a Senate committee, while the House was ready for a floor vote. This year, the House has the bill (HB 147) ready again for floor action, while the Senate bill (SB 1996) faces a critical test in the Ethics and Elections Committee this week. Sen. Jim Sebesta, R-St. Petersburg, sponsor of the Senate bill, said there have been concerns about the scope of the legislation. "There's always the fear that an innocent person is going to be accused of something," he said. To allay some of those fears, Sebesta said a provision has been added to allow a public official who is accused of a misconduct to be reimbursed for attorney's fees if the charges are dropped or if he is acquitted. Sebesta said the bill is "substantially the same" as it was in 2000. "I'm hopeful that three times is the charm and this is it," he said.

Brogan said he understands lawmakers who worry that a vaguely worded misconduct standard could be used by political opponents. "You don't want to turn public officials into targets," he said. But he said those concerns have been met by various revisions to the proposal over the last three sessions. "I'm not sure now what you can do to the legislation to make it any more palatable and yet make it the important piece of legislation that it is," he said. Sen. Rod Smith, D-Gainesville, as the only former state attorney serving in the Legislature, also supports the bill. He voted for it when it was approved by the Criminal Justice Committee last month. Although some have raised questions about the Legislature's ability to legally define "official misconduct," Smith said the bill should meet any court tests. "I think this statute is narrowly drafted, sufficient to withstand challenge and we should act," he said. "We're making public corruption a serious crime." As former prosecutor, Smith said he had a case where he thought a public official was involved in "questionable" real estate deals. But with the existing ethics laws, Smith said he was unable to find a specific violation and instead could only ask a grand jury to review the situation. After the grand jury issued its report, the official was defeated for re-election. "Maybe that was justice, I don't know," Smith said. But he said lawmakers shouldn't leave Tallahassee this year without strengthening the anti-corruption laws as Gov. Bush first called for in 1999. "If there's one thing the public expects us to do, it's to avoid corruption and avoid the appearance of corruption and to make sure that there is integrity in the process," Smith said.

*From **The Ledger**, by Lloyd Dunkelberger, 5 March 2002*

State Officials Bemoan Plan on Fresh Cuts

Still struggling to figure out how to cut 1 percent from this year's budget, some state officials learned Thursday that they may have to cut another 3 percent when the next budget year begins in July. "I can honestly say with all confidence that we haven't even begun to figure out what we are going to do in that regard," Tom Carney, a spokesman for the Department of Public Health, said of the 3 percent cut proposed by Gov. Tom Vilsack in next year's state budget. "We just now digested how we're going to do the 1 percent." Vilsack on Thursday proposed a $4.7 billion spending plan that grows 2 percent over the current fiscal year, but spends less overall than it did two years ago. He was forced to revise his budget after projected revenues for the upcoming year dropped $132.5 million. Most departments would see a 3 percent cut. However, the biggest areas of the budget would be exempt, including public schools, human services, universities, community colleges, courts, public safety, corrections and natural resources. Democrats quickly endorsed the plan. "With his new budget, Governor Vilsack offers Republicans a win-win solution," said Senate Minority Leader Michael Gronstal of Council Bluffs. "He adopts essentially the same framework that Republicans used to fix the current budget, which includes a combination of budget cuts, transfers and rainy-day money." Cynthia Morton, division administrator for the Iowa Department of Revenue and Finance, said it was too soon to think about the effects of the latest proposal. It was just a week ago that Vilsack signed into law Senate File 2304, a bill that fills this year's $121 million shortfall by making a 1 percent cut to Morton's department and others. "We're still trying to determine how we can best manage that cut," Morton said. "What are we doing with 3 percent? We know we've got to deal with it, but let's get through the 1 percent."

Those whose areas of state government were protected from further cuts expressed relief Thursday. Vilsack's budget proposes an additional $60.2 million for public schools, which would seem to indicate a 1 percent increase in spending authority, also called "allowable growth" by school officials. Property taxes would make up any difference between what the state provides and what schools are allowed to collect. "We were bracing for K-12 schools for anything from zero percent allowable growth down to negative two," said Marc Haack, associate director of the School Administrators of Iowa. "So when we looked at the description of what the governor is proposing, we were pleasantly surprised." Those getting about the same or slightly more money than this year include the Department of Human Services with $850.5 million, the Department of Natural Resources with $16.5 million and public universities with $671 million. "It's a wonderful thing," said Ross Harrison, a Department of Natural Resources spokesman. "We've endured quite a few cuts and our park system needs the support. We don't use that much general funds. Our total general fund budget is 15 percent of our money." Vilsack's proposal must still be approved by the Legislature. Republican leaders anticipated having disagreements with the way Vilsack chose to balance the budget. They said Thursday night that they had not seen the budget, which was released just before 5 p.m. However, based on a budget outline Vilsack released Wednesday, they said he wasn't making enough cuts and was using too much money that won't be replenished. "We're going to try our very darnedest not to spend more and more one-time money because that's just going to push the problem off into the next fiscal year," said House Speaker Brent Siegrist of Council Bluffs.

*From **Des Moines Register**, by **LYNN OKAMOTO**, 8 March 2002*

Mayor Pushes for Reform of Civil Service System

Spokane Mayor John Powers said Thursday it's time to reform Civil Service, and announced that he's appointed a task force to study the issue. "This is an old system that hasn't been the subject of considerable reform of late," said Powers. Powers said he is particularly frustrated with the infrequent testing Civil Service conducts to hire new employees. If a potential employee has to wait six months for the next test, Powers said that qualified employee may just go elsewhere. The newly appointed Citizens Task Force on Civil Service Review will be headed by former Mayor Jack Geraghty. Other members include two former Civil Service Commission members - Jim Kirschbaum and Ivan Bush - high-tech businessman Scott Wetzel, Julie Prafke of Humanix, Spokane Labor Council

President Timm Ormsby and Jean Conger of the Inland Northwest Chapter of the American Red Cross. Powers said he has directed the group to look at every aspect of Civil Service - from recruiting and testing to promoting - and to make recommendations for changes by the end of the year. The city's Civil Service office is in charge of classifying city employee positions, recruiting and testing for city jobs and handling employee complaints and appeals. The way Civil Service tests people for jobs could be dramatically improved, Powers said. For one thing, testing should be done more frequently, he said. Civil Service Director Harvey Harden said he is concerned about Powers' motives for creating the task force. "I think the mayor would like to abolish Civil Service," Harden said. There has been some dispute between the Civil Service Commission and the mayor's office over the amount of money budgeted for Civil Service this year. Powers had proposed reducing the Civil Service's 2002 budget by about 25 percent. That cut was ultimately reduced by half in a City Council-engineered compromise. "He said he wanted to cut us to make us more efficient. I think he cut us so we couldn't do our job," Harden said.

*From **Spokesman-Review.com**, by Amy Cannata, 8 March 2002*

Public Servants Set to Strike at Midnight

Toronto - Contract talks between Ontario's 45-thousand public service workers and the province have broken down. Leah Casselman, president of the Ontario Public Service Employees Union says unless the government dramatically improves its offer by midnight, a strike will begin at that time. She says "usually calling a strike is a difficult decision, but in this case it is very straightforward." Casselman says the key features of the government's central offer are unchanged from the one that 88 per cent of the OP-SEU members rejected at the end of February. The union claims the government is still demanding major concessions and has rejected union proposals aimed at rebuilding a public service shattered by nearly seven years of cuts, layoffs, and privatization. Those on strike will include driver's licence examiners, truck inspectors, court reporters and correctional workers.

*From **canada.com**, 13 March 2002*

FEI Reissues Code of Ethics for Financial Professionals

Emphasizes Responsibility to Proactively Promote Ethical Behavior - Morristown, N.J. Financial Executives International (FEI), the leading organization for CFOs and other senior financial executives, today reissued its Code of Ethics for Financial Professionals, which is signed by all FEI members. The Code now requires those who sign to “proactively promote ethical behavior as a responsible partner among peers, in the work environment and the community.” • (Photo: http://www.newscom.com/cgi-bin/prnh/20001222/FEILOGO) SEC Chairman Harvey Pitt encouraged the review and reissuance of the FEI Code of Ethics in the wake of the Enron bankruptcy. As part of its review process, FEI invited public comment on the Code for a 30-day period in February and March 2002. More than 200 executives provided input on the revisions. “FEI recommends that all senior financial officers, accounting officers, controllers, treasurers and chief investor relations officers - whether they belong to FEI or not - sign the Code of Ethics and deliver it to their audit committee,” said Philip B. Livingston, President & CEO of FEI. “Best practice in this area is that all finance, accounting, tax and investor relations personnel annually sign the Code.” A recommendation urging adherence by financial executives to a specialized code of conduct was first among 12 recommendations published today by a special FEI task force assembled to address industry reform in response to Enron. FEI Code of Ethics - Following is the updated Code, also available on the FEI Web site at www.fei.org FEI's mission includes significant efforts to promote ethical conduct in the practice of financial management throughout the world. Senior financial officers hold an important and elevated role in corporate governance.

While members of the management team, they are uniquely capable and empowered to ensure that all stakeholders' interests are appropriately balanced, protected and preserved. This code provides principles which members are expected to adhere to and advocate. They embody rules regarding individual and peer responsibilities, as well as responsibilities to employers, the public, and other stakeholders. All members of FEI will: 1. Act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships. 2. Provide constituents with information that is accurate, complete, objective and relevant. 3. Comply with rules and regulations of federal, state, provincial, and local governments, and other appropriate private and public regulatory agencies. 4. Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one's better judgment to be subordinated. 5. Respect the confidentiality of information acquired in the course of one's work except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of one's work will not be used for personal advantage. 6. Share knowledge and maintain skills important and relevant to constituents' needs, including employers, peers and the public. 7. Be recognized as a responsible partner among peers and in society. 8. Achieve responsible use of and control over all assets and resources employed or entrusted." About FEI - Financial Executives International, the leading advocate for the views of corporate financial management, is a professional association of 15,000 CFOs, treasurers and controllers. FEI enhances member professional development through peer networking, career management services, conferences, publications, and special reports and research. For more information, visit FEI's web site at http://www.fei.org.

*From **PR Newswire via Yahoo**, 20 March 2002*

Awards Spur Civil Servants to Innovation - Some Government Departments are Helping to Break the Poverty Cycle

Last year James Mlawu's team — although he sees himself as part of the team, not its leader — won the top Impumelelo Innovations Award for the KwaZulu-Natal government. Since then delegations from all tiers of government and even from the United States have come knocking on his door. "Winning that award was a big advantage for the KwaZulu-Natal Department of Transport that initiated the project and the provincial government," says Mlawu, who is KwaZulu's chief director of strategic planning. "The Zibambele Road Maintenance programme set out to create jobs particularly among female-headed rural households in a truly innovative way and this was recognised by the Impumelelo judges. "Now that project is being replicated all over the country — in fact it has become a national project — and it is quite likely this wouldn't have happened, or might not have happened as quickly, had it not been for the award." The programme gave destitute rural families jobs repairing gravel roads. With 17 000km of roads throughout the province in need of repair, the department dished out wheelbarrows and spades, showed the women what to do, allocated them a strip of road about 600m long, and paid them R31 a day for a 60-hour month. For households dependent on subsistence farming the cash income was in many cases a life-saver. Perhaps more significantly, the principle behind this project is now finding new applications.

Says Mlawu: "We're discussing the possibility of adapting the principle to cleaning a township street, for instance. Once again you could target a female-headed household where the income is minimal and pay them to keep the street litter-free and the gutters clear. All it takes is some innovative thinking." For Mlawu the Impumelelo awards are a major factor in stimulating creative ideas within government. "We can't just sit back and be civil servants," he says, "we've got to apply our minds. And right now, from where I sit I don't see enough of this happening." Perhaps the 216 entries from government departments that were submitted for this year's awards are some indication of how seriously the three levels of government are beginning to take them. This is the highest number of entrants since the awards started in 1999. However that no projects from Mpumalanga, Free State and Northern Cape made it into the list of finalists is a disappointment to Rhoda Kadalie, executive director of Impumulelo — the name is from the Xhosa word that means "success through working together". "My objective is to have all nine provinces represented among the finalists," says Kadalie. "In just two years we've noticed that the competition is getting tougher and the projects we're seeing reflect some cutting-edge thinking. "Obviously it is gratifying to receive so many entries and encouraging to see that government departments regard the awards as significant and prestigious. "But even more important, each entry represents a positive and innovative project that government has initiated in the long and often untold process of rebuilding the country. "Also, when the pervading perception tends towards doom and gloom, Impumelelo is there to remind us that government can enable people in the most desperate communities to take control of their lives." Started in 1999, initially under the auspices of the Institute for a Democratic South Africa, Impumelelo became autonomous in 2001 with a new board of trustees, each well respected for their commitment to the eradication of poverty.

Funding came from the Ford Foundation, the Open Society Foundation of South Africa, Sida, and USAid, Shell, and with Impumelelo, a non-profit organisation, set about giving recognition through the awards to public-sector projects and public- private partnerships that were creative in their efforts to reduce poverty. "We believe that government is primarily responsible for delivering social services," states Kadalie. "But it doesn't have to provide these services alone. Often effective partnerships between the public and the private sectors can make a huge impact on supplying and improving services. Impumelelo aims to reward these initiatives and maybe through this process an idea will be picked up and implemented elsewhere in the country." This year R100 000 will be awarded to the overall winner, while the next nine exemplary entries will receive R60 000 each, and a further five R20 000 each. Other promising ventures will be awarded R5 000 each. Among the entries to the Impumelelo 2001 awards are a food garden project in Tembisa organised by various departments in the Gauteng provincial authority as well as NGOs; a vibrant business partnership between Durban Metro, the City of Pietermaritzburg, Vivendi Water (the principal water utility in France), Umgeni Water and Mvula Trust (an NGO) focusing on new ways of providing sustainable water and sanitation services to urban and peri-urban poor communities; an Aids project undertaken by Cape Town Unicity and the Western Cape; a job-creation project initiated by the Department of Trade and Industry and Port Elizabeth municipality — examples of what Kadalie calls "successful projects breaking the poverty cycle". "Increasingly, the most enterprising provincial and local authorities are spending their money in a way that draws in the unemployed, the youth, the disabled and single mothers struggling to feed their children. "There are many truly innovative ventures going on around the country making a real difference to poorer communities.

And behind these ventures are public officials taking risks to find new solutions to old problems. We need to give them recognition. "And we need to find ways to inspire government to replicate some of these exceptional projects on a much broader scale."

From The Mail&Guardian, by Angela Field, March 11, 2002

Africa Struggles to Get Online

Abidjan, Ghana - It may take all day to phone Ghana from the country next door, but if you want the latest news from a shadowy group of rebels fighting in remote West African jungles, you can always go to their Web site. Small ads, chat rooms, government propaganda, dissident tracts, soccer scores, news, horoscopes, lonely hearts, pornography and racist rants - Africa's Web sites have it all. And Ghana in West Africa is playing host this week to a showdown among the global gatekeepers of the Internet - the Internet Corporation for Assigned Names and Numbers (ICANN). At one the plushest hotels in one of the world's poorest countries, the nonprofit body that oversees the use of the global computer network has to decide who should run the Net. But for many in Africa the cyberwar taking place by Ghana's palm-fringed beaches is far removed from their daily grind. And like many of the continent's young nations, struggling to develop stable political systems and falling ever further behind Western economies, the Internet faces a host of obstacles getting a foothold in the world's poorest continent. Long way to go - More and more people are logging on in Africa. In 1995, there were 1.2 Internet hosts in South Africa for every 1,000 people. Five years later there were 8.4. Cybercafes are sprouting like mushrooms in cities and Internet service providers (ISPs) proliferate. In Kenya, 40 ISPs serve a modest 40,000 Internet users and you can get hooked up in hours in Ivory Coast. But despite the leaps made in the last few years, only a tiny proportion of the more than 800 million people in Africa have access to the Internet. A study by research group NUA Internet Surveys put Internet users worldwide at 513 million. But just four million were in Africa, and more than half of them in one country, South Africa. And there is a long way to go. The bottom 28 countries in the United Nations human development league, which ranks 162 countries, are all in Africa and the highest score among them is 0.2 hosts for every 1,000 people in Senegal and Zambia. The continent's highest proportion of Internet users is in the Seychelles with 7.6 percent, or 6,000 users. In Seattle, home of software behemoth Microsoft, 60 percent of the population have access to the Internet at home. Wired magazine has identified 46 "technology hubs" in the world - places where knowhow, finance and opportunity converge - based on numbers of corporate offices, venture capitalists, business startups, universities and research labs. Africa had two: El Ghazala in Tunisia and Gauteng in South Africa, ranked 45 and 46 respectively. New needs the old - A new innovation, the Internet has failed to take off in Africa for simple reasons.

Two older inventions - electricity and the phone - are absent from large swathes of the continent. Even in capital cities such as Accra in Ghana, where the Internet is a handy way of by-passing the country's poor international phone service, power cuts hamper computer use. Oliver Fortuin, head of IBM's PC division in South and Central Africa said one of the biggest obstacles to IT growth - except in South Africa - was limited telecoms infrastructure. The poorest continent on the planet has just two percent of the globe's telephone lines and for many, access to clean water, healthcare or education would come top of any wish list. "Africa can't leapfrog the technology because it doesn't have the capital required to invest in the infrastructure," he said. "Africa is three to four years behind the technology curve in terms of infrastructure, as the start-up costs are high." Information and communications technology was highlighted by the African Development Bank as a key infrastructure - along with water, energy and transport - desperately in need of private sector funding to help Africa develop. Cost constraints - Optimists argue that Africa's tardy development provides both an opportunity to learn from the mistakes of the West and to use new innovations to kick start development The Internet is a powerful tool as it has few barriers to participation and provides access to such a depth of information that the transfer of knowledge, notably in key areas for Africa such as health and education, can be accelerated. For example, remote Internet centers have been set up at refugee camps in Tanzania to provide long-distance health and education advice to those fleeing from Burundi. But few should expect home Internet use to take off anytime soon. The technology costs too much. In Ivory Coast, one of the more affluent countries in West Africa a decent computer costs about $1,000, well above the annual per capita income. The minimum monthly wage is $40. IBM says its revenue base in West Africa has doubled in each of the last three years, but most clients are multinationals and fears of political instability continue to crimp investment. "We're not going to see big growth in pervasive computing, where everything is connected, in the next 18 months in Africa," said Fourtin.

*From **CNN**, 14 March 2002*

Asia/Pacific

E-Government is a Key Priority for Australia

A new IDC regional study examines the impact of eGovernment initiatives in the Asia Pacific, focusing on Australia, China, Hong Kong, Korea and Singapore, and highlighting the opportunities and challenges for governments and their suppliers. Governments in the region are launching ambitious eGovernment initiatives, and IDC's 2001-2003 eGovernment forecast illustrates that spending on eGovernment programs will claim a growing portion of Australian public sector IT spending in the years ahead. www.idc.com.au

*From **Sydney Morning Herald**, 5 March 2002*

The New E-power of the People

Modern citizens are expecting more of their governments as they go online in increasing numbers, according to a leading e-governance researcher. Professor Thomas Riley, chief executive of the Commonwealth Centre for Electronic Governance, is in Australia to talk about the issues facing governments in the electronic era. He will tell a seminar at Melbourne's RMIT University next Wednesday that modern communications are changing the way people relate to government. Private-sector progress in electronic service delivery has led people to expect the same level of access to governments, Professor Riley believes. This "interactive citizenry" wants to be more involved in government, and is ready to move into more participatory forms of "e-democracy" using new communication tools.

*From **Business Day**, by Jenny Sinclair, 26 March 2002*

Europe/CIS

Commission Initiative Leads to Pan-European Platform for E-Government

A secure communications infrastructure which links the intranets of the EU's national governments, institutions and agencies has been established by the European Commission. The structure will act as a platform for new pan-European eGovernment services. Financed and managed under the interchange of data between administrations (IDA) programme, the structure is centred on a central private backbone network, TESTA (trans-European service for telematics between administrations). This provides for secure transmission of data from all intranets operated by national authorities. Some 13 of the 15 Member States have already signed up to this, as well as Iceland and Norway, and candidate countries are expected to join up sometime during 2002. Data that was carried over the network during the implementation phase included information on communicable diseases, road accidents and trade licenses. The growth of the flow of data during this period was around 30 per cent higher each month. Groupware tools are also available over the system, which provides secure transfer of data through its own security measures. The objective of the IDA programme is to help EU decision making, assist the Internal market and accelerate policy implementation. For further information, please consult the following web address: http://europa.eu.int/information-society/eeurope/index_en.htm

*From **Cordis**, 11 March 2002*

EU SUMMIT Leaders Demand 'eEurope' Action Plan by June

Barcelona - Leaders called for an 'eEurope' action plan on the implementation of new technology, to be presented ahead of their next summit in June. They asked the European Commission to draw up a comprehensive plan, eEurope 2005, focussing on the rollout of broadband networks and development of the next-generation IPv6 internet protocol. The action plan should also cover the security of networks and information, "eGovernment, eLearning, eHealth and eBusiness", EU leaders said in their final communique at their summit. Leaders are attaching "priority" to the widespread availability and use of broadband networks throughout the EU by 2005, the communique said. Adoption of earlier EU telecoms laws means that the same rules will apply to all converging technologies, "creating more competition and a level playing field in Europe," the communique said. Leaders asked member states to ensure full implementation of the new communications regulatory package by May 2003. In addition, the directive on data protection should be adopted rapidly, they said. However, "further progress is needed," the communique added.

*From **Interactive Investor International**, 17 March 2002*

Leaders Bank on a Better Service

Midland business leaders have welcomed Chancellor Gordon Brown's support for the Competition Commission report on business banking, particularly for small firms. Louise Beard, policy director at Birmingham Chamber of Commerce and Industry, said: "We will certainly judge any package of measures implemented on whether it does provide small businesses with a more competitive and affordable service. "The measures proposed by the commission are a step forward for business and Birmingham Chamber is already working with a number of the large banks to provide competitive and affordable services to its members. We recognise that this sort of service should be readily available for all. "Allowing small business customers to compare and switch their bank accounts is important. Requiring banks to publish comparative information would be welcome, although to an extent, many banks already do this. It certainly ought to be the norm." She said that it was good to see Mr. Brown urging more transparency on bank service charges and that they must investigate the possibility of sharing branches and publish findings within a year. "Many small businesses value basic banking services most. Banks should be encouraged to share infrastructure and, therefore, provide greater access to banking services, particularly in rural areas, where there may only be one bank branch."

*From **icCoventry**, 18 March 2002*

New Technologies are Also Affecting the Way Governments Administer Themselves

The Centre for Electronic Governance is a panel of advisers run by the Commonwealth Secretariat in London. It has published several reports on e-governance issues in Commonwealth countries. Professor Riley is Visiting Professor, Law and Technology, at the University of Glasgow and writes the e-mail newsletter The Riley Report, an update on e-governance issues. In his most recent newsletter, he observes that "Whether (technology) does in fact bring about a revolution in governance and public sector reform will be not so much a function of the technology of e-government as it will be of the ideology that underlies its implementation." He says that achieving the full potential of communications technology in government will be partly up to "entrepreneurs within government", rather than traditional, rule-bound bureaucrats. If successful, this will lead to what Professor Riley calls "networked government", which leaves behind informational monopolies and hierarchies. He cites the example of the way the British Government posted all the public documents about its response to the September 11 attacks on a website. "This was done to keep British citizens informed of ongoing developments," Professor Riley writes. "It is becoming evident that much of the leadership for change between government and the citizenry is coming from outside groups, individuals with drive and vision, and the citizenry itself." RMIT's Centre for International Research on Telecommunications and Information Technology is at www.circit.rmit.edu.au.

*From **Sydney Morning Herald**, 25 March 2002*

Middle East

Kingdom Keen to Reap Benefits of E-governance

Deputy Commerce Minister Dr. Fawaz Al-Alami yesterday highlighted the Kingdom's efforts to establish e-government. Addressing a press conference here, he said Crown Prince Abdullah, deputy premier and commander of the National Guard, will open a conference on e-government in Riyadh on April 21. The four-day conference, to be held in cooperation with Riyadh Exhibition Company, will shed light on the concept of e-government, he said. Alami, who is chairman of the standing committee on e-government and the conference's organizing committee, said the crown prince's participation in the conference reflects the Saudi leadership's keenness on implementing e-government. He said the conference will center on three major topics — the concept of e-government; global experience in e-government; and the national plan. "The Saudi government has given utmost importance to this issue as it will facilitate government services and expedite official procedures," the deputy minister said. The committee working for the implementation of e-government comprises representatives from the ministries of commerce, finance and national economy, interior, information, and posts, telegraphs and telephones, the Saudi Arabian Monetary Agency, and the King Abdul Aziz City for Science and Technology. He said the plan includes creation of the necessary infrastructure, development of systems to complete all banking operations electronically, enactment of laws to protect e-commerce, identifying requirements to ensure security of information, creating an electronic system for government purchases, creation of a marketing site on the Internet, taking steps to enhance public awareness on e-commerce and e-government, and training a national cadre to meet the growing requirement in the fields of e-commerce and e-government. Alami highlighted the private sector's role in promoting e-commerce in the country, taking benefit from the government's support in this respect. He said a consultative panel comprising a number of businessmen has been formed to support the project. "Saudi Arabia is the world's fifth largest country in using computers as the annual growth reached 32 percent in 2000," Alami said The Kingdom is also the largest computer market in the Middle East. as the number of computers in the country reached 223,187 in the year 2000. "The Kingdom has also gained first place in the number of Internet subscribers in the Arab world," he pointed out.

*From **Arab News**, 25 March 2002*

The Americas

Precision Response Corporation Companies Win Two MVP Quality Awards

Fort Lauderdale, Florida- Precision Response Corporation (PRC), a leading provider of outsourced consumer care services, announced today that two of its subsidiaries, Access Direct and Hancock Information Group, have been named Gold Award Winners of Customer Inter@ction Solutions' 2001 MVP Quality Award. PRC is a division of USA Networks, Inc.'s Interactive Group (Nasdaq: USAI - news). "Having two PRC Companies, Access Direct and Hancock Information Group, recognized for their outstanding achievements in quality outbound consumer care as well as achieving Gold-level status is a true mark of distinction," said Wes O'Brien, PRC CEO. "This type of service excellence is an integral part of our entire company's philosophy, and has certainly driven our success throughout our 20-year history." Introduced in 1993, the MVP (Marketing Via Phone) Quality Awards recognize companies that have demonstrated a true commitment to high ethical standards, stringent policies and challenging goals. Award applicants were asked to submit an essay describing a specific teleservices program, its results and explain its overall policies and procedures, including human resources, technologies, customer services, ergonomics and public image used to establish, sustain and measure the program's quality. Awards were given in three categories: Gold, Silver and Bronze based on a 15-point set of criteria and a score from 0 to 5 for each point. PRC's Access Direct was recognized for the 5th consecutive year with a Gold Award for their achievements involving a Business-to-Consumer Inbound credit card activation program, which entailed an up-sell of 5 different products, depending on the client's preset demographic information. In response to the client's sales goal, Access Direct implemented a wide-spread inbound sales training program to increase the number of agents available, expanded hours and shifts to provide nearly 24/7 coverage, and performed sales analysis to determine the specific profitability of each of the 5 products in relation to the demographic profile of the inbound call. These efforts resulted in a 300% campaign growth, and a 23.49% increase in the client's total sales. Also a Gold Award recipient, PRC's Hancock Information Group was highly praised for its service to a large technology company that consisted of 3,063 hours of outbound lead generation, targeting various markets within the United States. The scope of the program was to launch a fourth-quarter storage campaign to create short-term demand for the client's product. The quality of the program was gauged by the client's tremendous return on investment -- an estimated $31.2 million in potential business. Hancock Information Group is a business-to-business telemarketing and sales support firm dedicated to providing high-quality lead generation, appointment setting and database services.

Thomas Cardella, President of Access Direct and Hancock Information Group, commented, “The programs for which we were awarded are just two examples of how the dedication we show to our clients, and our firm commitment to quality can achieve amazing results. It is an honor for us to be recognized, and to receive this award from one of the industry's most reputable sources for information, Customer Inter@ction Solutions.'' Precision Response Corporation, a division of USA Networks, Inc.'s Interactive Group, is a proven, experienced, global leader in Consumer Care Services. Using the most advanced Customer Relationship Management (CRM) technologies, PRC provides a fully integrated mix of traditional call center and e-commerce customer care solutions to more effectively service its clients' consumers. PRC's clients include American Express, AT&T, British Airways, DIRECTV, Federal Express and priceline.com. The Company's subsidiaries include Access Direct Telemarketing, a proactive consumer care company, Hancock Information Group, a business-to-business lead generation company, and Avaltus, an e-Learning and Learning Content Management company. Headquartered in Fort Lauderdale, Florida, PRC currently employs over 12,000 CRM professionals worldwide. For more information, visit www.prcnet.com .

*From **PR Newswire via Yahoo**, 11 March 2002*

New Web Site Provides Schools' Financial Data

At a time when education funding is tight, the state Department of Education has set up a Web site where the budgets of all 501 school districts in Pennsylvania are displayed. The site, which cost $2.5 million to launch, provides details of each district's spending, broken down by school and by cost categories such as classroom, instructional and student support, and facilities and maintenance. "It gives parents and taxpayers information about how their specific schools are using tax dollars to educate children," Beth Gaydos, state Department of Education spokeswoman, said Thursday. "It empowers parents and other stakeholders with information that may be necessary to have reform." Gaydos said Pennsylvania may be the only state offering this kind of information over the Internet. Not everyone agrees that the information will help taxpayers. Ken Bean, Bellefonte Area School District business manager, said the site oversimplifies complex information. In so doing, it doesn't provide enough details for people to accurately compare one school's expenses to another school, he said. "When you try to compare schools, even within a district, you're not always talking about comparing apples to apples," Bean said, pointing to grants that some schools receive for low-income children. "We have a couple schools qualify and one or two of them don't because of the income levels of the students, so you could have a lot more money going into the school, but it might be funded by grants," Bean said. "So, it might be higher income, but it's being paid for with grant money versus district funds." Those details don't show up on the Web site, Bean said. The Web site shows that, of the five school districts in Centre County, State College had the biggest budget in fiscal 2000-01 - $62.6 million. Administrative expenses totaled $6.4 million, slightly more than 10 percent of the budget. The district carried $47.1 million in debt. Among the smaller districts in the county, Bellefonte Area spent the most on administrative expenses last year, some $2.8 million. Philipsburg-Osceola Area carried the most debt, $21.5 million, which was bigger than its annual budget of $17.1 million.

Sonja Brobeck, assistant superintendent of the Philipsburg-Osceola Area School District and a board member in the Bald Eagle Area School District, also said that the site may not do a good job of explaining budget details to the public. "I think it's really hard for the public to use unless they know something about the district. For example, the population of the schools could be different, and the age of the staff could be different," Brobeck said. "As soon as you look at it, you start making assumptions." The funds used by the department to develop the site include two $2,500 grants to each school district - one in 2000-01 and another in 2001-02 - to get their budget reporting procedures in place because each school district is responsible for data input, Gaydos said. Additional information will be added to the Web site in the coming year, including district-level spending on special education, noninstructional costs and spending on instructional costs, which will be broken down by grade level at elementary schools and by subject at middle and high schools. Those details will make the site more valuable, said Patricia Best, superintendent of the State College Area School District. She believes the first round uses "a fairly broad brush stroke to paint the picture." But, Best said, the section that has general school financing information is very helpful. "Anyone that takes the time to really read that section comes away with a much broader understanding of the scope of school financing and also the factors that impact it," Best said. Anne Danahy can be reached at 231-4648.

*From **Centre Daily Times**, by Anne Danahy adanahy@centredaily.com, 8 March 2002*

Integrated Web Services Development Made Easy

XML and Internet protocols to simplify Web Services creation. Cape Clear Software says it has one focus: creating Web Services technology that reduces the business costs of software development and integration. This week they launch CapeStudio 3, a developers environment to create a Web Service automatically from existing enterprise components or can design the service using the intuitive WSDL Editor. Once the service is defined, CapeStudio provides a comprehensive range of tools enabling the automatic creation of Java, Visual Basic and Web clients; creation of server-side implementation code; and a mapping tool to easily link XML-based systems with Web Services applications. The tools come bundled with an integrated runtime environment for Web Services, which is ideal for smaller scale deployments. An upgrade path to full enterprise level deployment capability is provided with Cape Clear's CapeConnect 3.5 Web Services-based integration platform, which is also being released today. "The growth in popularity of integrated desktop software suites clearly illustrates the productivity benefits you get from bringing together distinct tools into one common environment" says Annraí O'Toole, chief executive officer at Cape Clear Software. "Today, developers working with Web Services incorporate elements of design, development, integration and deployment in their day to day jobs. CapeStudio 3 brings these different elements into one central, easy to use environment. We believe it offers a real productivity gain over the existing piecemeal approach to Web Services development." The mapping tool creates XSLT transforms which are then deployed in the runtime environment enabling XML based components to accept SOAP calls and Web Service components to accept XML invocations. The mapper works with any WSDL, DTD, W3C Schema or BizTalk Schema including RosettaNet PIPs, OAGIS documents, FpML etc. (www.capeclear.com).

*From **Content-Wire**, 14 March 2002*

Cardiff Software Offers First Nationwide eGovernment Automation Tour To Help Agencies Quickly Implement Online eForm Solutions

Federal Agencies Must Comply With Mandates, Including the Government Paper Elimination Act, by 2003; Solutions From Cardiff, Interlink, Kofax, NewWave And OTG Will be Presented - San Diego - Cardiff Software Inc., a leading global provider of business process-automation solutions, today announced the nationwide schedule for its eGovernment Automation Tour. This first-ever tour is designed to educate government agencies on solutions that can help reduce manual processes with online, process-automation systems in compliance with the Government Paper Elimination Act (GPEA) and other legislative mandates. The half-day seminars, which are free and open to any local or federal agency, also educate organizations on how they can leverage their existing technology investments. The eGovernment Automation Tour comes 18 months before the Government Paperwork Elimination Act (GPEA) goes into effect on October 21, 2003. The GPEA requires federal agencies to have a clear strategy for enabling individuals or entities to submit information or communicate with the agency electronically and to maintain records electronically, when practical. For more information on the GPEA and other government legislation initiatives, please visit http://www.cardiff.com/egov/ . The nine-city seminar tour begins in Olympia, Wash. on April 16 and makes additional state capital stops in Denver, Colo. (April 19), Madison, Wis. (April 23), Springfield, Ill. (April 25), Columbus, Ohio (April 30), Albany, N.Y. (May 2), Richmond, Va. (May 7), Tallahassee, Fla. (May 9) and Austin, Texas (May 14). Joining Cardiff at the seminars will be representatives from other leading solution providers including Interlink Electronics, Inc., Kofax Image Products, NewWave Technologies and OTG Software. Many government agencies have benefited from Cardiff's eGovernment solutions, including the California Department of Developmental Services; Chicago Department of Public Health; City of Los Angeles Department of Transportation; States of North Dakota, Tennessee and Kentucky; Maricopa County Assessor's Office; Federal Aviation Administration; State of Montana Department of Revenue; Georgia Department of Community Affairs; Oklahoma Bureau of Narcotics; New York City Board of Education; and the U.S. Air Force.

“Cardiff Software helps us meet processing mandates with a complete business process automation platform that rapidly implements paperless solutions while providing automation for paper forms processing,” said CeCe Medford, chief of Air Mobility Command, Family Programs, U.S. Air Force. “Point solutions are available to government organizations like ours to comply with these mandates, but Cardiff is unique in that it offers paper and electronic processing solutions.” For more information about the eGovernment Automation Tour or to register, visit www.cardiff.com/ebusiness . “As an established leader in business process-automation solutions, Cardiff has helped several city, state and local agencies over the past few years move their business processes online - all the while reducing their costs and increasing their productivity,” said Dan Shirra, vice president worldwide marketing with Cardiff Software. “This conference is an ideal opportunity for government technology decision makers to examine new advances in XML, eForms, print-on-demand, digital signatures and document capture solutions that meet the requirements of GPEA and other legislative mandates.” Cardiff solutions help reduce the cost of paper forms by 90 percent or more while eliminating manual data entry. Using Cardiff's newly-released TELEform v8.0, an organization can both automate paper and implement online forms. TELEform v8.0 can launch electronic routing of forms and documents in partnership with Cardiff's LiquidOffice(TM) eForm Management System. A new LiquidOffice Connect Agent creates a seamless migration path from paper-based to electronic forms processing - which includes routing, tracking and approval - to extend the business process-automation lifecycle for maximum efficiency. More than 5,000 professionals have attended Cardiff's informative seminars in the past, and all have come away with the knowledge that they can 'Put Information to Work.' At the seminars, attendees will learn about scan/OCR solutions, how to quickly capture paper documents for online archive and retrieval and how to use the Web to route, approve and process online forms and automate delivery of citizen response documents. Attendees will also learn the value of using digital and electronic signatures and HTML, PDF and XML solutions to put paper processes online. About Cardiff Software Inc. Put Information to Work - Cardiff Software is a leading global provider of business process - automation solutions. Cardiff helps organizations gain tremendous advantages by automating their core business processes. The Cardiff family of integrated software solutions empowers organizations to capture, process and automate strategically relevant business processes and information for employees, partners and customers, thereby raising employee productivity, improving customer service and increasing revenue. In business since 1991, Cardiff has a global distribution network spanning every continent and more than 20,000 customers worldwide. Cardiff customers are Global 2000 organizations in the financial/banking services, manufacturing, pharmaceutical, healthcare, education and government industries. For more information on Cardiff, visit www.Cardiff.com . For further information, please contact: Steve Tenwick of Cardiff Software, Inc., +1-760-936-4704, stenwick@cardiff.com; or Jennifer Zwiebel of ContentOne: Innovative Communications, +1-760-479-1380, ext. 111, jennifer@contentone.com, for Cardiff Software, Inc. TELEform and LiquidOffice are trademarks of Cardiff Software Inc. All other trademarks and registered trademarks belong to their respective owners.

*From **PR Newswire via Yahoo**, 21 March 2002*

Public Finance Management

Africa

Public Inquiry Strengthens Rand

The launch of a public inquiry into the rand's weakness has helped to lift the troubled South African currency. Monday is the first day of hearings in an inquiry set up by President Thabo Mbeki to investigate the rand's unprecedented slide last year. The move prompted strong gains in the currency, which hit a six-week high. The rand lost 37% of its value against the dollar last year, and some business leaders and economists said there were not adequate reasons to justify the demise. The collapse of Zimbabwe's economy and the troubles in Argentina, they claim, should not have caused such dramatic movements. Fearful speculation - The inquiry will examine whether the fall was in any way due to illegal manipulation of the markets. Currency dealers said there was very little speculative trading on Monday because of the concerns over manipulation. And this helped the rand to rise 1.6% and trade for $11.12, a level it has not reached since 25 January. The rand has regained about 19% of its value since the historic low of $13.85 reached in late December. The inquiry was announced after allegations of underhand dealings in the foreign exchange markets by the leader of the South African Chamber of Business. Increasing trade - The inquiry heard that, unlike trade in other major currencies, turnover in the rand has risen substantially over the past few years. This increases the suspicion of manipulation. Trade in the rand averaged $8bn a day in 2001 compared with $7bn a day in 1998 and $4.5bn in 1995, according to Robert McCauley of the Bank for International Settlements. Exchange control regulations enforced by the central bank state that trade in the currency must be related to business or trade activities. Analysts are hoping that, as the inquiry continues, it will also focus on the broader financial infrastructure of the country. The liquidity and size of South Africa's financial markets have made the rand an easy target. It has been hard hit by the troubles in Argentina for example, while other emerging markets have fared much better.

*From **BBC**, 4 March 2002*

IMF Okays Government’s Withdrawal from Programmes

Nigeri’s resolve to devise a home-grown economic programme and withdraw from its standby agreement with the International Monetary Fund (IMF) yesterday received the World body's support. It, however, continued to advise the government on monetary policies, calling attention to the possibility of the 2002 budget thrusts inducing inflation and hurting the economy. The Fund also expressed fears that the withdrawal may jeopardise the country's debt relief arrangement with the Paris club. But the government action has continued to attract applause from members of the public, who express the belief that by the decision, the country has begun to truly assert its economic sovereignty. A statement by the Federal Government on Tuesday had announced the withdrawal, attributing the action to the government's bid to discontinue "with arrangements where only narrowly defined macro-economic targets come into play." The statement added that the decision was a demonstration of government's commitment to "political stability, democratic consolidation, credibility and accountability." But at a press briefing by its President Mission in the country yesterday, the IMF exonerated itself from the economic programmes of the current administration. The Fund's Senior Advisor, African Department Mr. Hiroyuki Itino said the withdrawal would have serious implications on the country's debt rescheduling programme, especially with the Paris Club. The IMF, however, expressed support for an alternative economic programme by the country. It said in a statement. "The staff mission supports the government's resolve to devise a home-grown program taking account of Nigerian realities. It also welcomes the government's invitation for the IMF's technical expertise in developing such a program after the budget for 2002 is finalised." The statement added: "The mission would urge that any such program be strong and prudent enough to help achieve Nigeria's social and economic objectives that the IMF fully shares." The IMF argued that the key targets relating to the implementation of macroeconomic policies were missed, adding: "it was expected that successful implementation of policies under this frame work would lead to a medium-term economic program that would foster growth, reduce poverty, and keep inflation low." It maintained that the government's envisaged economic programmes for 2002 will definitely be distorted by the volume of government spending which will trigger more inflation, which had abated in the last few months. ^t said: "further, given the current environment, there appear to be risks that the government spending in 2002 could be very high. "First, this could compromise the quality of capital projects, reducing the benefits for the Nigerian people, second, this expected level of spending could exceed substantially the government's resources, thereby generating inflation and hurting the poor.

*From **Amebo.com**, by Sunday Obidigbo, Jude Olatuyi, Kola Alade and Saxone Akhaine, 11 March 2002*

Asia/Pacific

'NTS Will Realize Advanced Tax Administration Through Transparent, Fair Taxation and Taxpayer-Centered Services'

Following is a message contributed by Son Young-lae, commissioner of the National Tax Service (NTS). - The National Tax Service (NTS) has been pushing ahead with intensive tax reforms since September 1999 in all-out efforts to adapt itself to rapidly changing circumstances surrounding the national tax administration. Above all, NTS has transformed itself from an organization structured according to tax category to a taxpayer-centered functional body. It introduced the Taxpayers Advocate System to actively safeguard the taxpayers' interests. Also, NTS opened the Call Center, a consulting service organization for taxpayers, and thus has upgraded the qualities of its services for taxpayers. In addition, it has enhanced the transparency of the tax administration by abolishing the Area In-Charge System and thus removing any grounds for irregularity. NTS has improved the tax payment environment on a constant basis by establishing a sound infrastructure for taxation, through fundamental restructuring of the national tax administration and promotion of credit card use. Also, it has laid the groundwork for faithful payment of taxes by establishing the information system for the management of tax sources based on the Tax Integrated System (TIS). As a result of such efforts to reform the tax administration, the degree of taxpayers' satisfaction about tax payment has continuously increased, while the level of integrity of government officials serving in the national tax administration has also been greatly improved. Accordingly, the foundation for clean tax administration has been established. NTS will realize the advanced taxation system in all arenas, encompassing services for taxpayers, management of tax sources, investigations, tax collection, and others, by insuring practical reform in the tax administration. Accordingly, it will pursue "national tax administration for the public, and trusted by the public." Toward that end, NTS will push forward with the following five priority tasks: First, NTS will realize "fair taxation," which is a call by the nation, by correcting unfair tax burden across income type, industrial sectors and social class. NTS will normalize taxation of the self-employed, and strengthen the enforcement of taxation on unlawful income earners and tax evaders, as well as curb the drainage of the national wealth into foreign countries.

Second, NTS will consider taxpayers its customers and provide them with the best service possible, while conducting the national tax administration in a way that gives a boost to the national economy. This way, NTS will improve conveniences in tax payment to a maximum extent. Third, NTS will institutionalize the information system for the national tax administration comparable to that of an advanced information society, while thoroughly carrying out its basic duties, such as management of tax sources, settlement of taxes in arrears and tax collection. Fourth, NTS will endeavor to solidify the image of its taxation officials as exemplary public officials who are loved and trusted by the nation, by improving their qualities through education and training and the establishment of the diligent working culture of the officialdom. Lastly, NTS will help the country maintain a sound national budget by faithfully carrying out its inherent responsibility of securing a stable source of the national budget. For the efficient operation of the aforesaid five priority tasks, NTS will apply the "Principle of Selection and Concentration." That is, with the various constraints in budget, manpower and time, NTS will carry out the national tax administration through a strategy in which it selects priorities in each sector and concentrates its administrative capacity on such tasks. If NTS implement the priority tasks according to the "Principle of Selection and Concentration," I am confident that NTS will be able to attain the advanced tax administration in this nation.

*From **Korea Herald**, 2002.03.05*

China Budget Deficit to Cushion Reform Blows

Beijing - Economists expressed a variety of concerns Monday over China's record 2002 budget deficit, but agreed there was little else the government could do to cushion debilitating but badly needed economic reforms. Finance Minister Xiang Huaicheng is expected to announce a 19 percent increase in the deficit to a record 309 billion yuan (37 billion dollars) in his annual report Wednesday to China's parliament, the National People's Congress (NPC). He is also seen announcing, for the third year running, a 150 billion yuan special treasury bond package to be plowed into projects aimed at stimulating a slowing economy and creating employment, especially after China's World Trade Organization (WTO) entry. "At present the expanding fiscal and monetary policy has already reached its limit and is entering a downward trend of effectiveness," NPC delegate and leading economist Yu Zuyao warned in a commentary carried Monday by the influential China Economic Times. "A large fiscal deficit, a heavy debt burden, and an over-expanded money supply in the end can only brew a serious fiscal and financial crisis, or create chronic inflation," said Yu. Yu added, however, that China's four-year-old pump priming fiscal policy had succeeded in curbing slow economic growth and created relatively good conditions for future growth. "But a loose monetary policy can only alleviate the symptoms and not the root causes ... any wise government leader will not continue an expansionist monetary policy in the long-term," he advised. China's economy grew by 7.3% last year but only 6.6 percent in the fourth quarter, prompting government officials to announce that the interventionist fiscal policy would continue for yet another year. Premier Zhu Rongji is expected to announce a 7.0% growth target for this year during his annual address to the near-3,000 NPC delegates on Tuesday, the start of their annual full session in Beijing on Tuesday. However, he will also announce deeper reforms at loss-making state enterprises and in the state banking system.

Millions of urban employed are expected to be laid off due to enterprise reforms, while up to 20 million rural workers could be out of work due to increased foreign competition after WTO entry, officials said recently. Deepak Bhattasali, a Beijing-based World Bank economist, said the budget deficit should be manageable in the short-term and downplayed Yu's warnings of inflationary dangers. "From all the signs that we are getting, the deficit level is not changing," Bhattasali said. "If this year you have a 309 billion yuan deficit, 7% growth and one or 2% inflation, then the budget deficit will remain within 3% of GDP (gross domestic product), which is safe," he said. But much of this hinged on whether the world economy recovers in the second half of the year, as widely predicted, he said. "If the global economy does not recover, then the Chinese government will have to rethink how they are going to stimulate the economy and maintain a ceiling on unemployment," he said. Andy Xie, a Hong Kong-based economist for Morgan Stanley, said: "I'm not terribly worried about the budget deficit, but am much more worried about what is happening behind the deficit." "If the deficit is to help economic adjustments and cut out inefficient activities and strengthen the economy, then the budget deficit is like a down payment or investment on the future," he said. Should the government plunge spending into inefficient projects or in a blind attempt to stimulate domestic demand then China's economy could end up stagnating like the Japanese economy, he warned. Although he said this was unlikely, Xie said Beijing had to get it right. "The government right now must focus on adjusting the economy and shutting down inefficient industries, like coal mines, while cushioning the blow of economic dislodging and helping people get by," he said.

*From **Business Day**, 4 March 2002*

S&P's Outlook on Malaysian Debt Turns Positive

Standard & Poor's Corp. revised its outlook on Malaysia's long term creditworthiness to positive from stable, citing the resilience of its currency peg and progress in returning ailing companies to health. The improved outlook on Malaysia's investment-grade BBB debt indicates its next rating change is likely to be upward. A higher rating may make it cheaper for the government and companies to raise money through debt sales. The "positive" outlook may also increase confidence in Malaysia after the biggest U.S. public pension fund left the country last month, investors said. The fund, California Public Employees' Retirement System, said it would sell its stocks in Malaysia and three other Southeast Asian countries, citing a lack of transparency, political instability and poor labor standards. Prime Minister Mahathir bin Mohamad has spent much of the past year trying to reshape Malaysia's companies by getting tougher on defaulters, and pressing ailing companies to replace their management. A higher credit rating would make it easier for Malaysia to finance an expected 18.6 billion ringgit ($4.89 billion) budget deficit in 2002 as it builds more roads, homes and ports to try to spur consumer spending. "The government's fiscal position will improve as the global economic recovery takes hold, which in turn will ease pressure on the country's fixed-rate foreign- exchange regime," S&P said. It said the improved outlook also "reflects the progress made in restructuring the corporate sector." The news came as the government reported that the trade surplus in January shrank more than 8 percent from December as a 7 percent rise in imports of intermediate goods wiped out a 4.4 percent rise in exports. (Bloomberg, Reuters)

*From **International Herald Tribune**, 5 March 2002*

NTS Successfully Carries out Policies to Encourage Credit Card Use, Contributing to Transparent Taxation

In January 2000, the National Tax Service (NTS) introduced policies to encourage credit card use including a lottery for card receipts and income deduction from taxes for card transactions, which have been successfully carried out since. The Credit Card Lottery selects credit card users who purchase goods or services using credit cards, including debit cards, and credit card member stores every month and gives prizes to them. Monthly, prizes totaled up to about 1.7 billion won in the beginning. Since then, the number of lottery winners was increased and a new prize named "Lucky Prize" was introduced. The current monthly prize amount, including prize for the merchants, is about 1,800 million won and total number of lottery winners is about 120 thousand won. Income tax deduction for card transactions is a policy that gives deduction calculated under the relevant law to the labor income earners who buys on credit, of which limit is 20 percent of total amount of credit card use minus 10 percent of total salaries. There is a limit of 5 million won. There are also benefits for merchants. It consists of increasing the VAT deduction rate to 2 percent of transaction amount on credit card from the current 1 percent and the limit to 5 million won from 3 million won. The object of the policies described above is to make transparent taxation on self-employed persons by encouraging credit card use by consumers. In other words, the taxation on retail and service business persons that has the biggest portion of self-employed persons becomes transparent and as a result, NTS is able to find additional tax base on businessmen, who engage in distribution and manufacturing business by making the dealings transparent. These policies to encourage credit card use have brought results faster and better than expected.

The total number of transactions using credit cards and total amount of annual credit card uses in 2000, when both income tax deduction for card transactions and lottery for card receipts were introduced, increased respectively by 101 percent and 86 percent compared to 1999. The total number of transactions using credit cards and total amount of annual credit card use during the period between January 2001 and September 2001 increased respectively by 69 percent and 111 percent compared with the same period in the previous year. That means credit card use by consumers is increasing considerably. Additionally, purchasing patterns of consumers changed by introduction of lottery for card receipts. Statistics show that they use credit cards for even small transactions of around 10 thousand won after the introduction of lottery for card receipts. This implies the change in paying pattern from by cash to on credit. The merchants can't help accepting credit cards and it makes it easier for consumers to use their credit cards. Accordingly, the ratios of expenditures paid by the credit card to final private consumption expenditures for the year 1998, 1999 and 2000 were 12.7 percent, 15.7 percent and 26.3 percent, respectively. There has been more than 10 percent of increase in the year 2000 in comparison with the ratio for the year 1999. The increase of the credit card usage results in actualization of the tax basis of the self-employed, especially the tax basis of the person who receives most of his/her income by cash. Though the sales paid by the credit cards are exposed and they cannot be omitted from the tax return of the cash-receiving self-employed businessman, it has been possible to omit the sales paid by the cash from the tax return. Usage of cash is being replaced by the usage of the credit card and the replacement results in the increase of the tax basis. The policy to expand the number of member stores of the credit cards has been promoted continuously from the year 1999 to remove any inconvenience on the part of the consumers in using credit cards. Consequently, the number of member stores increased from 6.192 million in December 1999 to 11.673 million in September 2001 and this increase played a large part in the increase of credit card usage of consumers. To increase the number of member stores, NTS has plans to administrate the business entities continuously by holding social meetings for the industries of which the joining rate is lower than that of the whole industries during the "concentrated promotion period" every quarter, and performing tax audits for the business entities which are under suspicion of omitting their taxes by not becoming a credit card member store when taking into consideration the size of the business. "We are doing our best in making a qualitative development by the inducement of the normal usage of the credit card as well as a quantitative increase in the usage of the credit card," said an NTS official.

NTS established a tax guard and accusation center in the National Tax Service and receives reports through Internet (www.nts.go.kr) and ARS (080-333-2100) regarding the abnormal usage of the credit card including avoidance of payment by the credit card and imputation of the credit card fees. It administrates the reported business entities by several steps, namely, administrative guiding (first step), warning (second step) and tax audit (third step). Industries will be selected for concentrated administration through analysis of frequency in reports and relatively low credit card usage rate. Business entities that are selected as one industries and are suspected of omitting their taxes shall be classified as the target of the pre-notice or the target of the tax audit depending on their credit rate. Regulations regarding avoidance payment charged on credit card and imputation of credit card fees will be intensified. Also, NTS has been operating an early warning system for a fraud credit card member shop, including a reward system for reports of fraud credit card member shop, to prevent such fraud credit card members from doing illegal transactions continuously. In order to significantly reduce the number of fraud credit card member shops, NTS has plans to operate special prevention measures such as establishing an effective monitoring system including automatic selection of the list of member shops subject to field audit, prompt post-measures and reinforced discovery of fraud businesses, by operating the early warning system on an ongoing basis and establishing a task force team for fraud credit card member shops, and establishing and utilizing a database of the information relating to the placement of credit card checking machines and a database of the information relating to Internet shopping mall businesses with the help of payment service businesses. The base of Value Added Tax of retail and service businesses, which comprise a substantial number of total businesses, will be exposed through the increase of credit card member shops, increase in the use of credit card and the establishment of sound culture in the use of credit card. Then, such businesses will have to expose the actual amount of their salary expenses, rental expenses, material and other expenses to reduce their income tax. Further, since most of the self-employed businesses, who do not receive relevant tax documents such as VAT invoices, have no alternative but to receive relevant tax documents, it will additionally cause wholesale and manufacturing businesses to expose their tax base, and ultimately the culture in which all businesses receive relevant tax documents will be established. Consequently, NTS believes that a credit society can be set up by establishing a firm infrastructure through the use of credit card, and fair tax administration can be realized based on the effects to be reflected in our tax administration.

*From **Korea Herald**, 5 March 2002*

Government to Sell Stake in Chohung Bank by Issuing DRs

The Ministry of Finance and Economy said yesterday that the government will sell a majority stake in Cheju Bank to Shinhan Financial Group this month as part of its privatization plan for nationalized banks. The government has also decided to issue depositary receipts (DRs) worth $500 million for Chohung Bank in international financial markets next month to sell its 15 percent stake in the bank. “We've finalized a plan to dispose part of the government's stakes in the two banks in accordance with the timetable for bank privatization,'' said a ministry official. He said the government plans to sell its 51 percent stake in Cheju Bank to Shinhan Financial Group before the bank convenes its annual shareholders' meeting in late March. He added the state-run Korea Deposit Insurance Corp. (KDIC) is in the middle of talks with Shinhan to set the sale price. The KDIC owns 95.4 percent of Cheju Bank on behalf of the government. The government has injected a total of 53.1 billion won in public funds into Cheju since the country was battered by the 1997 financial crisis. Banking experts speculated that the sale price of the bank might be below its face value of 5,000 won per share. The KDIC has recently selected Credit Suisse First Boston (CSFB), the Union Bank of Switzerland (UBS), Samsung Securities and LG Securities as co- lead managers for the issuance of Chohung Bank DRs. The government plans to sell Chohung DRs to foreign investors in April after holding a road show in New York City and other major world's financial centers. The DR plan came after the government sold to foreigners exchangeable bonds (EBs) worth $500 million in December. The government also decided to list 10 percent of Woori Financial Group shares on the Seoul stock market through public offerings worth 300-500 billion won in May or June. Woori is scheduled to apply for preliminary public offering procedures with the Korea Stock Exchange (KSE) this month. In addition, the government promised to auction off the troubled Seoul Bank as early as possible, saying that the bank sale could gain momentum if the National Assembly approves a revision bill on the banking law, which is designed to raise the 4-percent bank ownership ceiling to 10 percent. The government has made an abortive effort to sell Seoul Bank to foreign investors. And now, it is studying ways to sell the bank to some local financial groups and industrial conglomerates when the ownership limit is increased. The government now owns 80.1 percent in Chohung Bank and 100 percent each in Woori and Seoul Bank. Woori, which was created in April last year, received 3.6 trillion won in public funds, while Chohung and Seoul were given 2.7 trillion won and 610 billion won, respectively. Woori is composed of five affiliates - Hanvit Bank, Peace Bank of Korea, Kwangju Bank, Kyongnam Bank and Woori Investment Bank.

*From **Korea Times**, by Park Yoon-bae, 6 March 2002*

With Growth in Sight, Korea Plans Privatization for Banks

Seoul, South Korea — The South Korean government unveiled today a far-reaching plan to sell back to the private sector most of the controlling stakes in banks that it acquired at the climax of the 1997-98 economic crisis, when they were threatened with bankruptcy. It includes new measures and additional details about some that had previously been announced piecemeal. The Korea Deposit Insurance Corporation, an agency of the finance ministry, described the plan today at a time when the Korean economy seems set to resume robust growth and its stock market is at heights not seen since 2000. As an industry, Korean banks turned a profit in 2001 for the first time in five years. The corporation is already scheduled to reduce its 80 percent stake in the Chohung Bank, one of the largest, to less than 50 percent next month by issuing $500 million in depository receipts for sale outside Korea. The government now plans to sell the rest of its stake by the first half of 2003. It has also pledged to trim its stake in Woori Financial Holding, the wholly state-owned parent of Hanvit Bank and three smaller institutions. Woori will be listed on the Korea Stock Exchange this year, as previously planned, and the government will sell all its shares by the end of 2004. The plan calls for finding a foreign buyer to take a controlling stake in SeoulBank, which emerged as a symbol of Korea's troubles after the corporation acquired it along with Korea First Bank in the darkest days of the crisis, near the end of 1997. The government promised to sell both SeoulBank and Korea First Bank as a condition of receiving a $58 billion bailout package from the International Monetary Fund in December 1997. It sold 51 percent of Korea First to Newbridge Capital (news/quote) in 1999, but repeated attempts to find a buyer for SeoulBank have failed.

The timing may have been the problem. Kim Jong Tae, head of the resolution planning team at the Korea Deposit Insurance Corporation, said: "Privatization seems to depend on the economy. Now the economy is doing well." The government has poured $120 billion over five years into cleaning up nonperforming loans, many of them to the country's giant chaebol conglomerates, whose profligate borrowing and spending helped precipitate the 1997-98 crisis. Bad loans now account for just 4 percent of the industry's total portfolio. Many analysts say that privatization is needed to foster management independence and lending discipline. "There's a suspicion the government mucks around with the banks," said an analyst at the International Monetary Fund. With one-quarter of Korean companies losing money, he said, banks often face political pressure to keep them on life support. Officials said there were no plans to privatize the Korea Development Bank, the Industrial Bank of Korea or the Export-Import Bank, which were government-run before the economic crisis. These banks often are the lead creditors in large bankruptcies like those of Daewoo Motor and Hynix Semiconductor.

*From **New York Times**, by Don Kirk, 7 March 2002*

ADB Warns NPC on Backdoor Privatization

The Asian Development Bank has warned the government against resorting to 'backdoor privatization' of the National Power Corporation's (NPC) assets, as this would later hound it in its future borrowings with the bank. ADB chief country officer Richard S. Ondrik said the bank would closely monitor the implementation of the NPC's privatization and the restructuring of the local power industry. He noted if the government would twist the application of the policies laid down for the sector, this would backfire on it, by encountering difficulty securing new loans and other financial grants from the bank, either for the power sector, infrastructure projects and/or policy loans that would be applied for by Philippine government in the future. Ondrik pointed out that the implementing rules and regulations (IRR) of the Electric Power Industry Reform Act have set sound policies for the industry, "but the success or failure now lies on how they get implemented." The IRR, which was made mince meat of the original draft submitted by the Department of Energy in November, was promulgated last month by the Executive Branch and the Joint Congressional Power Commission. The ADB has extended a $300 million Power Sector Restructuring Loan to finance projects tied to the privatization of the NPC assets. The last tranche of $100 million is expected for release by the third quarter of the year, depending on the capability of the Wholesale Electricity Spot Market (WESM) which would set "make or break" decision on the scheduled loan drawdown. On top of the power reform debt facility, the Bank is also set to extend additional $50 million loan for the establishment of the permanent WESM, which is scheduled to commence commercial operation in June 2004. The privatization of the NPC assets have been expected to encounter delays, because of some pre-conditions that needs to be met before any bidding could be conducted. Energy Secretary Vicente S. Perez said the government remains firm in its stand to privatize the Transco first, if possible within the year, before the disposal of the spinoff generation companies (gencos) would be carried out.

*From **Manila Bulletin**, by Myrna M. Velasco, 10 March 2002*

Thousands Protest About Indonesian Bank Sale

Thousands of employees of Indonesia's largest publicly-owned bank have staged a protests in Jakarta against plans to sell off the bank to foreign investors. The government is set to announce on Tuesday the winning bidder for a 51% share in Bank Central Asia. Indonesia's vice-president, Hamzah Haz, has reiterated that the sale will go ahead, saying it is a central demand of the International Monetary Fund. Correspondents say the sale is a litmus test of Indonesia's resolve to reform its banking sector. A previous attempt to sell BCA foundered due to interference from legislators, causing the IMF to suspend its $5bn programme to Indonesia in December 2000.

From the newsroom of the BBC World Service, 11 March 2002

Kerala Budget Focuses on Fiscal Development, IT, Tourism

Kerala has decided to unveil a number of corrective measures to take the state out of the prevailing financial crisis and attract more investments. While presenting his budget to the state assembly Friday, Kerala Finance Minister K. Sankaranarayanan proposed several initiatives to put Kerala on the road to recovery by creating the right atmosphere for investment. The budget for 2002-03 proposes the setting up of four new industrial development zones at Thiruvananthapuram, Kochi, Palakkad and Kozhikode with private sector participation. Sankaranarayanan said his budget is one with long-term objectives and one with a vision, which would take the state a long way from the present economic crisis. With regard to IT, the minister said he proposed to enhance the existing infrastructure and has set apart Rs.70 million for this. He said Rs.40 million has been earmarked for developing Kochi as the premier IT investment location in South Asia. Tourism is an area that the minister hopes would help Kerala in the coming years in mobilising additional revenue. The finance ministry has decided to spend Rs.1.06 billion for various development programmes in this sector. He said Rs. 500 million has been set aside as an annual plan, with Rs.300 million for undertaking various infrastructure projects.

The thrust of the tourism sector is promotion of backwater, ayurveda and eco-tourism activities. The total revenue receipts envisaged in the budget is Rs.116.93 billion as against a total revenue expenditure of Rs.138.93 billion. The revenue deficit placed at Rs.22 billion is up from the previous year's Rs.18.86 billion. On the taxation front, the minister said, "Despite the constraints on us, we have taken a decision that we would not impose any new burden on the common man. The only change is tax structure for gold and jewellery. "Gold dealers who have opted to pay compounded tax would be increased to 200 percent of the tax paid by the dealer in the previous year. This would bring in an additional revenue of Rs.150 million." In order to check large scale smuggling of high value goods into the state, the minister has decided to levy a tax structure ranging from 8-37 percent on products like electrical goods, sanitary items, timber and granite. This would bring in additional revenue to the tune of Rs.300 million. Among other allocations made were Rs.29.76 billion for education, Rs.10.03 billion for health, Rs.1.45 billion for irrigation, Rs.2.19 billion for industry and Rs.15.79

billion for agriculture and allied activities. The budget, however, made no mention of any schemes or programmes to benefit of the nearly 1.5 million non-resident Keralites. Concluding his budget speech, Sankaranarayanan said: "The path forward is a difficult one but collectively we all could go ahead. "When the vital sectors of the economy struggle for survival, we cannot remain as silent spectators and the only way out is to prune expenditure and the need of the hour is fiscal prudence."

*From **Reuters via Yahoo**. by Sanu George, 8 March 2002*

Indonesia Bank Chief Jailed for Corruption

Indonesia's central bank governor was on Wednesday sentenced to three years in jail after being found guilty of corruption in a 1999 bank scandal. Syahril Sabirin said he would immediately appeal against the verdict and refused to resign. The board of Bank Indonesia, the central bank, said that Mr. Sabirin had its "full support", and he would serve as governor until the decision was reviewed by a higher court - a process that may take months. Mr. Sabirin was accused of involvement in the Bank Bali scandal, in which some Rp546bn ($54m) of state money was channelled into a finance company with links to the ruling Golkar party between April and June 1999. Presiding judge Subardi told the Jakarta court that there was "valid and convincing evidence" of "ongoing corruption". Many in Indonesia had expected Mr. Sabirin to be acquitted. Lucky Fathul, head of the BI employee association, said that members were "stunned" at the guilty verdict. "We question the legal basis of this decision," Mr. Fathul said. Anton Pradjoto, a legal analyst who helped make the Bank Bali scandal public, said: "I think he's innocent. He was just the cashier." As BI governor, Mr. Sabirin approved the disbursement of Rp904bn ($90m) in funds for liquidity support for the near-bankrupt Bank Bali, which then paid a Rp546bn commission to finance company Era Giat Prima. The disbursement was originally approved by the powerful bank restructuring agency, Ibra, under a bank support scheme approved by the International Monetary Fund. An audit by PwC, the accountant, found that the funds were disbursed to Golkar officials and recommended Mr. Sabirin be further investigated. The Bank Bali revelations prompted strong complaints from Indonesia's multilateral lenders, the World Bank and the IMF. The scandal also drew widespread public condemnation and damaged the 1999 re-election hopes of President BJ Habibie. Mr. Sabirin's lawyers had argued that he was the victim of a political conspiracy between former president Abdurrahman Wahid, who replaced Mr. Habibie, and former Attorney-General Marzuki Darusman. Mohammad Assegaf, Mr. Sabirin's lawyer, said that Mr. Wahid was seeking revenge over BI's closure in 1999 of a bank in which he owned shares. Mr. Sabirin was appointed by former president Suharto in February 1998 amid debate over the establishment of a currency board.

*From **Financial Times**, by Tom McCawley and Taufan Hidayat, 13 March 2002*

Singapore Exchange to Look into Audit Rotation

Singapore - The Singapore Exchange (SGX) (SGXL) will look at the consequences of compulsory auditor rotation for publicly listed firms, SGX Executive Chairman J.Y. Pillay said on Friday. Speaking to reporters at the sidelines of a marketing conference, Pillay said the SGX would have to examine the issue to see what impact such a rotation of auditors would have on foreign companies listed in Singapore. The Monetary Authority of Singapore (MAS), in charge of financial regulation in the city-state, recently made it mandatory for Singapore incorporated banks to rotate their audit firms every five years, and said it was looking at whether to extend this rule to all publicly listed companies. The MAS ruling is expected to lead to higher audit fees and comes in the wake of the Enron Corp (ENRNQ) debacle in United States, where accounting firm Andersen has just been indicted for obstruction of justice tied to probes into the former energy trading giant's collapse. On whether auditor rotation would be too onerous, Pillay said: "Personally, I don't think so. We have to wait for the MAS to decide. We haven't had much time to look at the consequences (on foreign companies)." "There is certainly merit in the rotation of auditing firms and not just the audit partners," he said. Currently, Singapore public firms have to rotate the audit partner who is in charge of its audit every five years. "Fortunately, in Singapore, corporate governance standards are high...but that doesn't mean we should sit back and say no change is necessary," he said.

*From **iWon**, 15 March 2002*

Mainland Banks 'Hit by Poor Management'

Poor management and inadequate capital are to blame for the mainland state-owned banks' huge level of non-performing loans, according to the Bank of China (Hong Kong). In its latest economic review released yesterday, the BOC said that because of their heavy social and economic burden, state-owned banks were required to pay all profits and operational income to the government and there was little left for banks to increase their capital base or set aside for necessary provisions. The bank said the mainland should transform these banks into modern financial enterprises with good corporate governance, sound operations, clear targets and healthy financial conditions. This could be achieved through three steps - incorporating, becoming shareholding companies, and going public. "If we conclude the existing reform that is directed towards financial framework and infrastructure as a basic or initial one, then the current reform with a focal point on corporate governance, a brand new subject to China's business community, should be more advanced and of deeper level," it said. With the construction of the socialist market economy in China, BOC said, protecting banks' credit and interests should become an important component of the mainland economic order. The report urged the creation of "a clear development strategy and market positioning, an efficient and scientific decision-making process, a prudent accounting system, strict information disclosure and public supervision, and effective incentive and constraint mechanisms with well-balanced rights, responsibilities and benefits". Although there were still many difficulties and obstacles on the road of reform, BOC said, if the state-owned banks persisted in their reforms and had the courage to explore, reformers would gain the respect of the international banking community and through that the initiative in market competition.

*From **HKiMail**, by Karen Chan, 20 March 2002*

Vice-Premier on Development of Banking Sector

Chinese Vice-Premier Wen Jiabao said Saturday that state-owned commercial banks should adopt system reforms to face the challenges following China's entry into the World Trade Organization (WTO). Chinese Vice-Premier Wen Jiabao said Saturday that state-owned commercial banks should adopt system reforms to face the challenges following China's entry into the World Trade Organization (WTO). Wen told a forum sponsored by the Bank of China that Chinese banks must act swiftly and decisively to improve corporate governance and assets quality. They must also work hard to divest themselves of non-performing assets, he said. It is of vital importance to set up a supervision system in accordance with international standards, he noted, adding that greater efforts will be made to rectify the order of social credit and protect creditors' rights. Meanwhile, Dai Xianglong, governor of the People's Bank of China, the central bank, told the forum that he is confident about Chinese banks' ability to weather the impact of China's WTO entry. He said that the central bank will step up its efforts in the sphere of credit supervision to guard against the occurrence of new risks. Policy and legal means will be employed to crack down on debt dodging and prevent the appropriation of credit capital into securities markets. The forum was held to mark the 90th anniversary of the establishment of the Bank of China.

*From **Peoples Daily Online**, 18 March 2002*

Europe/CIS

Brown Favours Competition to Tackle Banks

Gordon Brown (left) has said he favours promoting competition over increasing regulation to tackle the failures of banks in the services they offer small businesses. He made his remarks in a meeting with business representatives just before the expected publication this week of the long-delayed report by the Competition Commission into small business banking. The government's response to the report has become a political hot potato because of fears within the Department of Trade and Industry about a backlash from appearing to override the Competition Commission's recommendations. Next week ministers are expected to publish the enterprise bill, which features plans to remove ministers from Competition Commission inquiries. Some inside the DTI are arguing that amending the report's recommendations just ahead of that bill would send out the message that ministers lacked faith in the competition body. The report has been delayed by a series of wrangles, first over cutting out commercially sensitive information from the published document and then between the Treasury and DTI over the government's response. Banks are expecting demands for more transparency and moves to make it easier for businesses to transfer accounts. However, they are fighting calls for price controls and demands that interest be paid on accounts. The case for interest on accounts was strongly put to the chancellor yesterday when he met representatives from the Confederation of British Industry, the British Chambers of Commerce and the Federation of Small Businesses. They argued that the amount of money in current accounts not deriving interest was almost equal to the overdraft facilities on which interest is levied. Forcing or persuading banks to offer interest would be a way of promoting competition. The chancellor used the meeting to set out his plan to use next month's Budget to promote business. A spokesman said: "We are committed to further reducing the corporate tax burden on small businesses."

*From **Financial Times**, by Robert Shrimsley, 11 March 2002*

OECD Says Mexican Treasury Should Outline Long-Term Goals

The Organization for Economic Cooperation and Development (OECD) says that the Mexican economy is still frail and the Treasury should establish a series of multi-year spending and reform goals in order to boost the GDP by 2%. Although the organization says the federal government has made important steps in issues of transparency and credibility, it has not done enough to tackle its liabilities, a public deficit of 0.67% of the GDP in 2001. "Spending has been volatile and financing of fundamental programs has been spotty," the OECD reported. If Mexico would fix long-term goals to integrate accounts and outline debts, it could fix a goal for the public deficit, the organization said, adding that the Mexican economy's recent recession laid bare its vulnerability to the whims of the international market. Long term goals would increase stability and give the economy an extra buffer against such external shocks.

*From **Institutional Investor**, 13 March 2002*

The Americas

S&P Says Argentine Provinces Negotiate Toward Reform

New York - In addition to correcting the gap between federal tax collection and transfers to the Republic of Argentina's provinces, current negotiations, while far from solving the structural deficiencies, represent an opportunity to set the basis for building consensus, which can no longer be postponed, said a new Standard & Poor's report. "A consensus on the urgency for reform must be reached, and that is the main challenge Argentina faces going forward," said Sebastian Briozzo, credit analyst with Standard & Poor's international public finance ratings group in Buenos Aires and author of the report. "This is a precondition for any new comprehensive agreement. The question now is whether Argentina's leadership will be able to make it happen." The report, Provincial Agreements in Argentina: Why Are They So Difficult?, said a new provincial agreement was signed on Feb. 27, 2002 in the midst of challenging times for the government of the Argentina. The need to put fiscal accounts in balance while tax revenues fall-at a time when there is no external financing-requires expense reductions that are sure to receive little political favor and be extremely difficult to implement during a now four-year-old economic depression, the report said. Beyond the central government adjustment, most of the current international attention (driven primarily by the International Monetary Fund (IMF)) has shifted toward the fiscal situation in Argentina's provinces. The reason for this is twofold: Institutional inconsistency - Although the provinces are, in fact, dependent upon the central government for most of their revenue, they are, according to Argentina's Constitution, economically and financially independent. This gives the central government neither the incentive nor the ability to directly interfere in provincial fiscal policies. The issue of "provincial" currency - This is a relatively new event, which complicates the evaluation of provincial fiscal performance and makes it difficult for the central government to instrument a consistent, or controlled, monetary policy. Although difficult to quantify, provincial money is estimated at about Argentine peso (ArP) 4.3 billion, while pesos in circulation represent about ArP12.2 billion. The full report is available on RatingsDirect, our online credit analysis database, at www.ratingsdirect.com, or at www.standardandpoors.com/Forum/RatingsCommentaries/NonUSPublicFinance . Standard & Poor's is a leader in providing highly valued financial data, analytical research and investment and credit opinions to the global capital markets. With more than 5,000 employees located in 18 countries, Standard & Poor's is an integral part of the world's financial architecture.

*From **iWon**, 4 March 2002*

Law-Makers Draft Toughest Accounting Reform Bill Yet

Differences of opinion between House Democrats and Republicans have resulted in the introduction of a second bill in the House Financial Services Committee. Known as the Comprehensive Investor Protection Act (CIPA), this new proposal is the toughest accounting reform bill yet. It was the result of close coordination with the Securities and Exchange Commission (SEC), and it is supported by the AFL-CIO, consumer groups, and former SEC Chief Accountant Lynn Turner. Among other things, CIPA would: Create a Public Accountability Board with a 7-member majority selected from the public and the remaining 6 members drawn from groups representing institutional investors and pension funds. Empower the Board to conduct reviews of audits and audit firms, institute disciplinary actions and set standards for quality control of audits, auditor independence, and ethics. Impose tougher legal penalties on auditors by restoring joint and several liability in certain circumstances and restoring the aiding and abetting liability for accountants and outside professionals. Require the SEC to review more filings more systematically based on a risk-rating system that uses analytics (such as price-earnings ratios) to determine the frequency of reviews. Restrict auditors from providing a list of specified nonaudit services and require audit committee approval of any nonaudit services not listed in the bill, such as tax services.

Require a 4-year rotation of auditors, with the possibility of one 4-year extension, if approved by the Public Accounting Regulatory Board. Require audit committees to meet quarterly with auditors and have an opportunity to do so outside the presence of management. Require a 2-year cooling off period for certain former auditor employees before they could work for an audit client. Prohibit directors from providing consulting services to the companies on whose boards they sit. Double the resources for SEC's Division of Enforcement, Corporation Finance, and Office of the Chief Accountant. Set restrictions on security analysts to prevent conflicts of interest. In introducing the bill, Representative John LaFalce said, the reforms are not "cosmetic" and do not "paper over the problem." Georgetown University law professor Donald Langevoort told Reuters, "If it were just the little guy who got trounced [by the Enron collapse], we would simply get cosmetic changes. But this has hurt more than the little guy." Read the news release. Read the summary of the bill. View a side-by-side comparison with the bill introduced by the House Financial Services Committee Republicans.

*From **AccountingWEB**, by Rosemary Schlank, 4 March 2002*

IBM Joins Trend for Greater Financial Transparency

IBM yesterday published its annual report, which gave additional financial information and further details of its business units' performance. the group has been criticised for not providing enough detail for its $85.8bn business. The sudden collapse of Enron has prompted investors to demand greater transparency from companies. IBM's move follows a similar decision by General Electric to provide additional financial details. For the first time, IBM provided details about the income generated by its intellectual property business. Previously, details about IBM's $7.7bn net income were unclear. Last year, the operation generated income of $1.54bn, against $1.73bn in 2000 and $1.5bn in 1999. Last year's figure included a $280m pre-tax gain from the sale of its optical transceiver unit's intellectual property to JDS Uniphase. The company also broke out retirement related benefits for the first time, an issue that has caused concern to analysts, who had worried the group was flattering profits by possibly overstating pension investment returns. The company said it booked a pre-tax profit from retirement related plans in 2001 of $437m, compared with $327m in 2000 and a charge of $83m in 1999. The gains were generated by higher than expected rates of return. In the past 15 years, it had generated an annual rate of return of 10.3 per cent, slightly above assumptions. An SEC filing showed t hat Lou Gerstner, former chairman and chief executive, realised $115m after acquiring 1.25m shares through an options programme. Mr. Gerstner also received a salary of $2m and a bonus of $8m during 2001, the same as last year. At the end of 2001 Mr. Gerstner, who stood down as chief executive in March, held 4.3m "in the money options", which were valued at $296m. Sam Palmisano, the new chief executive and chief operating officer, received a salary last year of $1.1m and a bonus of $3m.

*From **Financial Times**, by Tom Foremski and Paul Abrahams, 12 March 2002*

Bank of Canada Brightens Economic Forecast

Ottawa - Bank of Canada Governor David Dodge declared on Tuesday that the worst of the economic downturn was over, in a speech that suggested the bank was accelerating its timetable for economic recovery. In the prepared text for a speech he was giving in Paris, made available in Ottawa, Dodge made subtle changes to the central bank's detailed outlook, bolstering last week's bullish but brief statement that accompanied its interest rate decision. He repeated the forecast of 3 percent to 4 percent annualized growth in the second half that he had made in January and February, but he dropped a prediction of 1 percent to 2 percent growth in the first half, in the face of much brighter forecasts by the private sector. Instead he said first-half growth should be moderate, accelerate in the second half and strengthen further in 2003. Dodge also said it could be "well into 2003" before the actual level of output reaches its potential level, a slight improvement over his previous time frame of "late 2003." Such time calculations are important for clues to when the bank will begin to hike interest rates. It works on the assumption that its rate policy affects economic activity in 12 months to 18 months and affects inflation in 18 months to 24 months. Dodge pointed to economic figures, such as 2 percent annualized growth in the fourth quarter of 2001 and an increase of 82,000 jobs in the first two months of this year, that were better than the bank had originally expected. "Recent economic indicators for Canada show that the worst of the downturn is over. A recovery is under way," he said in his speech, delivered in French. "It seems to be a subtle shift to accelerate the timetable, but nothing dramatic," BMO Nesbitt Burns senior economist Doug Porter commented. On March 5, the bank left interest rates at 41-year lows, ending 13 months and 3.75 percentage points of cuts. Its next interest rate decision comes on April 16. As of last month, analysts had said they did not expect a hike until the second half of 2002, but many dealers have since then advanced their timing estimates, with some but not all mentioning the possibility of a rate hike as early as June 4.

J.P. Morgan Canada's Ted Carmichael said this jibed with the idea of the U.S. Federal Reserve moving earlier than originally thought as improved U.S. data comes in. "Both the Fed and the Bank of Canada's timetables are probably moving forward," he said. Therese LaFleche of BLC Securities agreed that Dodge was more optimistic, but her firm was unchanged in its view that rates would not change till the fourth quarter. Dodge repeated his prediction that inflation would move back up to the bank's target 2 percent in approximately two years. Inflation in January was 1.3 percent, or 1.8 percent if volatile elements such as food and energy are stripped out. He made veiled criticism of the European Central Bank for having an inflation ceiling rather than an inflation target of 2 percent. "This may look like a subtle difference, but it is important," he said, noting that the Canadian policy pays attention to any rise above or fall below that level. In practical terms, that means that the Bank of Canada would stimulate demand when the economy is weak so that inflation will rise to 2 percent, not just worry if inflation goes over 2 percent. Dodge recognized that France and other European countries had chosen monetary union and a single currency, but repeated that "a separate, floating currency continues to make the most sense for Canada for the foreseeable future." Citing reasons, he said Canada's production and trade structures differed from those of the United States; unlike in Europe, North America does not have a single labor market; and whereas in Europe no single nation is dominant, the United States clearly dominates in North America.

*From **iWon**, 12 March 2002*

Brazilian President Lashes Out at International Monetary Fund

Fortaleza, Brazil - Using unusually blunt language, Brazilian President Fernando Henrique Cardoso lashed out at the International Monetary Fund on Monday, saying its accounting rules should be changed to help developing countries fend off financial crises more easily. Speaking at the 43rd annual meeting of the Inter-American Development Bank in this northern coastal city, Cardoso fired a broadside at the Fund and its attitude toward developing nations. "Why freeze our possibilities to finance our development by using mere accounting maneuvers?" asked Cardoso, adding that the Fund's accounting rules for developing nations were not the same as those used in Europe, for example. He also said the Fund's Special Drawing Rights should be increased to allow the IMF to react faster and more effectively in helping poorer nations fend off financial crises. Special Drawing Rights are the IMF's artificial currency units used to supplement members' reserve assets and determine their loan availability. "We have already asked the IMF several times to clarify this issue," said the usually diplomatic Cardoso. "The answers they've given us so far were as if we were illiterates," he said. "We're not. The Peruvian President is an economist. He can read. I am a sociologist." Cardoso's remarks, coming on the heels of an appeal from Peruvian President Alejandro Toledo that the pursuit of free-market reforms should not eclipse Latin America's need to combat widespread poverty, won Cardoso a hearty ovation. There was no immediate comment from IMF officials at the meeting. The broadside came as Latin American nations are increasingly questioning the effectiveness of free-market reforms as a bulwark against financial crises.

*From **Nando Times**, 12 March 2002*

Make Bands Accountable, Indian Affairs report says - Rights Need Not Be Infringed, Minister Advised

Ottawa - Changes to the Indian Act should require all native bands to adopt a financial management and accountability code with minimum standards approved by their members, says a ministerial report prepared for Robert Nault, the Minister of Indian Affairs. "The Indian Act is silent on the subject of financial accountability," says the final report of the joint ministerial advisory committee. "All other governments in Canada are obliged by legislation to follow rigorous financial accountability regimes open to public scrutiny." The report also says any changes to the Act must in no way "infringe on the aboriginal and treaty rights." These and other recommendations came from a committee of government officials and native representatives that was created by Mr. Nault to give him options to consider before he updates the 126-year-old Indian Act. The Assembly of First Nations withdrew its representative from the committee in December because of objections to the process for formulating the legislation. The wide-ranging report, dated last Friday, also addresses such topics as band elections, administration and legal authority. The report is expected to be reviewed by the Department of Justice before it begins drafting legislation for the so-called First Nations Governance Bill that Mr. Nault is expected to table in Parliament by June. In the absence of financial accountability legislation, there is "only a weak policy base to ensure that band councils are accountable to their members," says the report. "The amendments should specify that all bands must adopt a financial management and accountability code with specified minimum elements which must be approved by all band members." The report also says amendments to the Indian Act must not open the door to diminishing the inherent right of self-government or any aboriginal or treaty right. Chiefs across Canada who are opposed to the planned legislation view it as an unacceptable step backward, fearing it will define and limit treaty and inherent rights and erode their right to self-government. Representatives of native groups such as the Assembly of First Nations, the Union of B.C. Indian Chiefs and the Assembly of Manitoba Chiefs gathered this week in Winnipeg to push for an alternative to Mr. Nault's governance plan. A national day of protest across Canada and legal action based on alleged violation of native rights are among several strategies that were debated at the two-day emergency meeting. The federal government's process for reshaping the Indian Act takes the same paternalistic approach as the law it seeks to replace, said Matthew Coon Come, national chief of the Assembly of First Nations, when he appeared recently before the Commons aboriginal affairs committee, which is reviewing the Act.

*From **National Post Online**, by Rick Mofina, 14 March 2002*

U.S. Economist Asks Businesses to Help World's Poor

Monterrey, Mexico - The world's largest corporations must play a bigger part in helping the poorest nations lift themselves out of misery, U.S. economist Jeffrey Sachs said Monday. Speaking at a five-day United Nations Conference on Finance for Development, Sachs said “business needs to play a very big role to help solve the problems of the world's poorest people.” Foreign Direct Investment flows were transforming the economies of a handful of emerging countries but many of the poorest nations were missing out on the bonanza entirely, said Sachs, director of Harvard University's Center for International Development. “Foreign Direct Investment is the lifeblood of successful economic growth in poor countries but it's incredibly concentrated in a few countries,” Sachs said. Leaders from some 50 countries, including President Bush, are meeting in Monterrey, Mexico, to try to mobilize the resources needed to fight poverty and disease in the world's poorest countries. It is widely recognized by economists that development aid from governments of industrial nations is not enough to help poor nations haul themselves out of grinding poverty. Private businesses also must invest there. “Business needs to attend to the issue of equity as well as efficiency,” Sachs said. “All of us support privatization, but when you get to privatization the real issue is access of the poor to services, not just efficiency.” Sales of state assets in many emerging economies have improved the efficiency of companies, but services often remain out of reach of the poor. “This is an area where business has to do more so they are not surprised when there are riots over privatization proposals,” Sachs said. He said multinational corporations, such as pharmaceuticals firms, should lower the prices of their products in poorer countries and do more to encourage the transfer of technology and know-how to help the less well-off.

*From **Sun-Sentinel.com**, 19 March 2002*

Global

Globalization: A framework for IMF involvement

The critical debate on globalization, though temporarily subdued by the events of September 11, 2001, continues to raise issues that are at the core of national and international policy agendas. This note offers a conceptual framework for the IMF's involvement in the global economy. It describes what is being done by the Fund, within the framework of its mandate, to (1) safeguard the international financial system and (2) enable more countries to reap the benefits, while minimizing the risks, of globalization. At the same time, it recognizes that the IMF is part of a wider network of international institutions that each has an important role to play in making globalization work better. I. Introduction - Globalization—the process through which an increasingly free flow of ideas, people, goods, services, and capital leads to the integration of economies and societies—is often viewed as an irreversible force, which is being imposed upon the world by some countries and institutions such as the IMF and the World Bank. However, that is not so: globalization represents a political choice in favor of international economic integration, which for the most part has gone hand-in-hand with the consolidation of democracy. Precisely because it is a choice, it may be challenged, and even reversed-but only at great cost to humanity. The IMF believes that globalization has great potential to contribute to the growth that is essential to achieve a sustained reduction of global poverty. Globalization, or internationalization, is not a new phenomenon. The period through the end of the 19th century was also characterized by unprecedented economic growth and global integration. But globalization was interrupted in the first half of the 20th century by a wave of protectionism and aggressive nationalism, which led to depression and world war. International economic and political integration was reversed, with severe consequences. Since 1945, democracy and capitalism have been embraced by an increasing number of countries—including, since 1989, by most of the previously communist world.

As a result, the past 50 years have been a period of growing economic and political freedom and rising prosperity. Global per capita income has more than tripled, and most of the world has experienced a major improvement in life expectancy. Many developing countries have already taken advantage of the opportunities of the global economy. More rapidly globalizing countries, such as Brazil, China, Costa Rica, the Philippines, and Mexico on average doubled their share in world trade and raised per capita incomes by two thirds from 1980 to 1997. Their experience demonstrates that integration into the global economy can bring major advantages for developing countries. However, other countries have not done so well. A large part of the world's population—especially in sub-Saharan Africa—has been left behind by economic progress. As a result, the disparities between the world's richest and poorest countries are now wider than ever, with increasing incidences of poverty within countries. Poverty is not only unacceptable on moral grounds, it also forms the breeding ground for war and terrorism. It is, therefore, the greatest challenge to peace and stability in the 21st century. Reversing the process of globalization would not solve the problem of poverty—that was amply demonstrated by the events of the 20th century. The world needs instead a new approach to globalization that exploits its enormous potential for improving human welfare. In order to carry the process forward, and build support for a better globalization, a common political understanding of how to maximize the benefits, while minimizing the risks, must be developed.II. The Role of the Bretton Woods Institutions - The Bretton Woods Institutions—the IMF and World Bank—have an important role to play in making globalization work better. They were created in 1944 to help restore and sustain the benefits of global integration, by promoting international economic cooperation.

Today, they pursue, within their respective mandates, the common objective of broadly-shared prosperity. The World Bank concentrates on long-term investment projects, institution-building, and on social, environmental, and poverty issues. The IMF focuses on the functioning of the international monetary system, and on promoting sound macroeconomic policies as a precondition for sustained economic growth. The greatest asset that the Bretton Woods Institutions have in fulfilling these objectives is their culture of consensus-building, which is based on trust and mutual respect among the more than 180 countries—and their governments—that make up their membership. However, both institutions also recognize the need for change and internal reform. The IMF has implemented many reforms in recent years, designed to strengthen its cooperative nature and improve its ability to serve its membership. To mention a few: The IMF has increasingly become an open and transparent organization, as demonstrated by the overwhelming amount of information now available on its internet website. It is also encouraging transparency among its membership. It is taking action to strengthen economic governance. For instance, it is promoting the use of standards and codes as vehicles for sound economic and financial management and corporate governance. It is working to safeguard the stability and integrity of the international financial system as a global public good. In particular, the joint IMF-World Bank Financial Sector Assessment Program (FSAP) is at the core of efforts to strengthen financial sectors and combat money laundering in member countries. It is encouraging true national ownership of reforms by streamlining the conditions attached to IMF-supported programs. While conditionality remains essential, countries must themselves take responsibility for implementing the necessary reforms. Lastly, the IMF is an institution ready to listen and learn, and not just from its member governments. It recognizes and values the role of civil society organizations in articulating the moral foundations for collective action and building grass roots support. III. Safeguarding the International Financial System - The IMF seeks to mitigate the negative effects of globalization on the world economy in two ways: by ensuring the stability of the international financial system, and by helping individual countries take advantage of the investment opportunities offered by international capital markets, while reducing their vulnerability to adverse shocks or changes in investor sentiment. Private capital flows have become the most important source of financing for economic growth, job creation, and productivity. But they can also be a source of volatility and crisis. To address some of these problems, the IMF is encouraging its members to increase the transparency of their financial and corporate sectors as a means to reduce financial abuse, such as money laundering and fraud, and ensure a level playing field for all investors. It is also stepping up its surveillance of international capital markets, and is improving its ability to predict and preempt crises. While improved supervision and effective analytical tools are important, the IMF recognizes that more fundamental reform of the international financial architecture may be needed. It has therefore devoted considerable resources over the past few years to ensuring greater involvement of the private sector in crisis resolution, but without deterring much needed investment in developing countries. As part of this work, it recently suggested the establishment of a sovereign debt restructuring mechanism (SDRM). If adopted by the international community, such a mechanism could help countries avoid costly and protracted defaults. IV. Providing Help for Self-Help - Many countries are still in the earliest stages of integrating with the global economy. Even so, they must still shoulder the main responsibility for making globalization work to their advantage. A country opening up to the global economy should have the institutional capacity to implement necessary structural reforms (such as trade and capital account liberalization) and should adhere, as a general rule, to a flexible exchange rate regime. But many poor countries simply do not possess the resources to start the process of fuller participation in the global economy. They need additional assistance from the international community. As a universal institution, the IMF is committed to maintaining its engagement with the world's poorest countries.

As a guidepost for reducing world poverty, it has joined countries and other international institutions in supporting the 2015 Millennium Development Goals. The fight against world poverty should be centered on the principle of "help for self-help". Poor countries must strive to establish peace, the rule of law, and good governance, as well as implement economic policies that encourage private initiative and integration into the global economy. Meanwhile, rich countries should be offering stronger financial support in the form of investment, official development assistance, and debt relief. Even more important, they should open up their markets in products where poor countries have a comparative advantage. To further the process of help for self-help, the IMF and World Bank established in 1999 a new approach to their lending programs that gives a central role to a country-led process for reducing poverty. A key component is the country-owned Poverty Reduction Strategy Paper (PRSP). This approach has now been accepted as a promising way to design poverty reduction strategies that can command broad support, both within a country and among its development partners. However, there is clearly room for further improvement, not least, through deeper analysis of the root causes of poverty, and increased technical assistance from the IMF and the donor community to build institutional capacity. To bring about a decisive reduction in world poverty, the efforts of poor countries must be matched by more comprehensive support from the international community. That is why the IMF and World Bank are spearheading an effort under the enhanced HIPC Initiative that has already provided $40 billion of debt relief to 25 poor countries. But debt relief is no panacea. Indeed, the resources available from further debt relief or outright cancellation are relatively small when compared with the potential for action by the rich countries in the key areas of trade and aid. Trade liberalization is the best form of help for self-help, both because it offers an escape from aid dependency and because it is a win-win game; all countries stand to benefit from freer trade. The true test of the credibility of rich countries' efforts to combat poverty lies in their willingness to open up their markets and phase out trade-distorting subsidies in areas where developing countries have a comparative advantage—as in agriculture, processed foods, textiles and clothing, and light manufactures.

The United States, the European Union, and Japan spent almost $270 billion in 2000 on agricultural subsidies alone. The achievement of the UN target of 0.7 percent of GNP for official development assistance (ODA) should be viewed as a concrete expression of solidarity between rich and poor countries. Yet, today, the average level of ODA in the OECD countries is only 0.22 percent of GNP—an unacceptably low figure that translates into a shortfall of over $100 billion a year in aid flows. A successful effort to enact legislation in rich countries to meet the UN target within the next decade would, in the first year alone, generate enough new resources to meet the estimated $10 billion annual requirement for a new global effort at HIV/AIDS prevention and treatment. Achieving these goals will require difficult political decisions on the part of both poor and rich countries. But if the international community decided to implement the necessary reforms, world poverty would be significantly reduced, and the 2015 Millennium Development Goals would come within reach. V. Conclusion - The IMF believes that economic growth is the only way to improve living standards in developing countries, and that this is best achieved through globalization. It is doing its utmost, within the mandate given to it by its members, to safeguard the international financial system, and help its members take advantage of the opportunities offered by integration into the world economy, while minimizing the associated risks. However, it also recognizes that, while much progress has been made in making globalization work better, much work still lies ahead. 1 This Issues Brief is based on a speech, "Working for a Better Globalization", given by the

Managing Director of the IMF at the United States Conference of Catholic Bishops in Washington D.C. on January 28, 2002. The speech is available at : http://www.imf.org/external/np/speeches/2002/012802.htm

*From **Invest Avenue**, 19 March 2002*

Private Sector Development

Asia/Pacific

Concerns Rising Over Delay in Privatization of State Firms

Concerns about a delay in the government's plan to privatize some debt-ridden state corporations are rising, despite the settling labor unrest behind a joint strike by some utility service sectors over the privatization plan. State gas and rail workers ended their joint strike after reaching a compromise with management over issues of contention such as working conditions. Striking power plant workers are in last-ditch negotiations with management. But labor and management stopped short of reaching an agreement on the government's privatization plan, which workers feared would lead to mass layoffs. Under the agreement made between labor and management at the Korean National Railroad, the two sides said they will try to work together to develop the railroad industry. Workers and executives at the Korea Gas Corp. agreed earlier that the established tripartite labor-management-government panel will decide on concrete plans for their corporation's privatization. Analysts said labor and management for the state-run firms superficially patched up the conflict over the privatization plan, rather than completely ironing out differences, amid growing public pressure to normalize utility service operation. "In this sense, labor unrest to oppose privatization may flare up again ahead of the June local elections," said an economist, who asked to remain anonymous. The government refused to dump the privatization plan, repeatedly vowing to sell off ineffective state firms before President Kim Dae-jung steps down early next year. Commerce, Industry and Energy Minister Shin Kook-hwan said Thursday that the government's privatization plan remains unchanged, stressing that state policy cannot be a topic of negotiations between labor and management. President Kim also said he would not retreat from his commitment to privatizing giant state corporations, promising to take necessary legislative action within the year.

The rival parties welcomed the end of the strike, but wary of a possible backlash from the labor circle in key elections this year, both failed to present clear-cut positions on the privatization legislation. "We are going to review the situation carefully and listen to various opinions before deciding when and how to implement the proposed privatization," said Lee Nak-yon, spokesman for the ruling Millennium Democratic Party (MDP). The main opposition Grand National Party (GNP) held a similar position. "Our party reaffirms that privatization is an irreversible trend. However, we intend to cooperate fully for a reasonable and realistic solution," said GNP spokesman Nam Kyung-pil. "Given the political burden ahead of elections, the ruling and opposition parties are expected to delay the push for privatization of the state-run firms after a new government takes office early next year," said Kim Sung-sik, a research fellow at LG Economic Research Institute. But the delay would have a negative effect on the nation's international credit rating because foreign countries have regarded the restructuring in the public sector the yardstick measuring Kim's economic reform, the analyst said. Privatizing the national railway and other ineffective state firms was one of President Kim's top economic policy priorities in his last year in office. The change is one of the reforms being pushed as a means to strengthen the South Korean economy after the 1997-98 Asian financial crisis.
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*From **Korea Herald**,by Shin Yong-bae, 1 March 2002*

Government Defers Napocor Privatization Roadshows

The government has deferred all scheduled roadshows abroad on the privatization of the National Power Corporation (NPC) until after the privatization plan secures the go signal of the Joint Congressional Power Commission. An executive session is slated on Wednesday next week for the Executive Branch's continued presentation and discussion of the power firm's privatization blueprint to the JCPC members. "We have deferred any roadshow on NPC's privatization…we will work first for the approval of the privatization plan," Energy Secretary Vincent S. Perez pointed out. Earlier, he said that the NPC privatization team is planning to plunge into another roadshow in Asian countries immediately after the promulgation of the power industry reform law's implementing rules and regulations. The privatization of the state-owned power firm is seen as an "acid test" for the Arroyo administration, on how far it can go as far as attracting foreign investments is concerned. At present, however, even if the Department of Energy (DOE) would try to evade the truth, the schedule of disposal of the NPC assets is already falling behind schedule. In January, President Arroyo led the launching of NPC privatization roadshows in Europe, Canada and the United States.

Even after that marketing drive, however, the government cannot boast yet of any firm commitments from potential investors. The government has just hinted that even the auction for the stake of the National Transmission Company (Transco) may skid to October this year, instead of June, because of the need to secure a new measure for the transferability of franchise to the future owners of the transmission assets. The energy department has pegged the enterprise value of the Transco at around $2.0 billion, if comparative analysis would be employed in its valuation. Meanwhile, the privatization of the generation companies is now seen suffering the same fate as that of the Transco, as the government hinges its auction to the sale of the transmission assets and the establishment of the Wholesale Electricity Spot Market.

*From **Manila Bulletin**, by Myrna M. Velasco, 4 March 2002*

South Korean Power Workers Protest Privatization Plan

Seoul, South Korea - About 100 striking state power workers camped inside a Buddhist temple in central Seoul on Sunday in a show of opposition to a government privatization plan. The protest was in support of about two dozen union leaders who have been holed up at a Roman Catholic church in the city center since thousands of power workers went on strike two weeks ago. Earlier Sunday, about 2,000 striking power workers and supporters peacefully marched down Seoul streets after a rally, shouting "No privatization." About 5,000 state thermal power workers vowed to fight until the government withdraws its privatization plan which they fear will lead to mass layoffs. The government outlawed the strike. By law, private-sector workers cannot strike in South Korea. About 500 riot police surrounded Chogye Temple after the 100 workers moved into the precinct. Religious facilities have often been used by anti-government protesters as a sanctuary. Privatizing the power utility and other inefficient state firms is one of President Kim Dae-jung's economic priorities. The change is part of a reform program to repair damage from the 1997-98 Asian financial crisis.

*From **Nando Times**, 11 March 2002*

Privatization Makes POSCO Younger, Stronger

A debt-to equity ratio of 72.8 percent. An operating profit of 1.4 trillion won on a turnover of 11 trillion won. These are impressive statistics for a company in a struggling economy. Those figures belong to POSCO, a company which used to be called Pohang Iron and Steel Co. and whose corporate identity changed in October last year on the first anniversary of its privatization. Privatization. That has been a magical word for POSCO and the Korean government saw it through one of the most successful privatizations of it government enterprises in years. In the aftermath of the financial crisis of 1997, the Korean government recognized the need to privatize state-run companies to help commercial enterprises to gain greater competitiveness. Selected in July 1998 as the first of state-run companies to be privatized, the government and POSCO's owners, including the Korea Development Bank, moved swiftly. And this was necessary as POSCO, unlike most other state-run firms, like Korea Telecom and Korea Electric Power Corp., had to compete globally with some of the toughest steelmakers from Japan and Europe. In actuality, preparations for the privatization had been underway at POSCO for years, with a clear separation of ownership and management and higher corporate transparency. Come October 2000 and POSCO was finally in the hands of private stock owners, many of which were foreign, and away from the direct interference of government, providing it with the set of tools necessary to emerge as a truly world-class corporation. In the process, the KDB sold its 26.7 percent holding in POSCO, including the last 2.24 percent of which was bought by POSCO itself on Oct. 4, the privatization process was completed. At the same time, restrictions of 3 percent on single ownership and a 30 percent limit for foreigners were removed so that investors could freely hold stock in the world's top steelmaker.

The privatization could not have come at a better time. With a supply glut in the international steel market, POSCO needed all possible resources to optimize customer and shareholder values. Even under tough circumstances, POSCO managed to post an operating profit of 1,429 billion won for a net profit of 819 billion won on a turnover of 11.1 trillion won. While operating and net profits are lower than the two previous years, analysts are quick to point out that they are strong figures in consideration of the global market conditions. What is even more remarkable is that POSCO has been able to consistently reduce its debt-to-equity ratio, from 89.6 percent in 1999 to 88.4 percent in 2000 and 72.8 percent last year. And POSCO is determined to continue making strategic investments in other businesses, focusing on developing a new identity as a strong and young company. In this spirit, POSCO chairman Yoo Sang-boo said in a recent CEO Forum, that POSCO will be spending 10.7 trillion won over the next five years on new developing new businesses, like biotechnology, and to boost its international competitiveness. “We obviously have to make the necessary investments to further boost our competitiveness in the steel industries but we also have to focus on future potential businesses, like biotechnology, energy, information and communications” Yoo told investors. Presiding over the CEO Forum, Yoo said 95 percent of this investment will initially go towards enhancing POSCO's competitiveness in important markets like China and Southeast Asia. “Owing to increasing protectionism in the United States, steel products are converging on Asian markets and this is feared to delay the recovery of international prices,” Yoo noted. As part of efforts to sustain competitiveness and profitability, POSCO will increase the production proportion of value-added products, raising the volume of stainless steel production from last year's 1.2 million tons to 1.6 million tons this year. At the same time, POSCO is concentrating on installing a global professional management along with a more global identity that is represented by in its new corporate name “POSCO.” By sourcing eight of its 15 board members from outside of the company, POSCO is making the board of directors more independent, to allow company management to operate with greater responsibility and accountability. The installation of POSPIA also emphasizes a reorientation to introducing a e-business element to all aspects of its operations, from procurement and marketing to production and financing. With the process innovation in place, POSCO is bracing for a strong year. “We have a situation where production is decreasing against increases in demand and this is raising predictions of improvements in international market prices,” said Yoo during the forum. “We have taken a number of steps to boost our operating profit and return on invested capital and ensuring the highest value for our investors and customers,”' said Yoo. As yet another initiative to protect the interest of shareholders, aside from reducing debt and improving profitability, POSCO took 3 percent of its own shareholdings off the market last year while setting aside another 100 billion won to buying more of its shares. Meanwhile, POSCO is accelerating the development of new steel-making technologies, including FINEX, which will go into commercial operations from the year 2005. It is currently in the development of new steel-making technologies as well as of steel products, including ultra-light materials for auto bodies and components as part of its efforts to get by in an increasingly competitive global market. jakenho@koreatimes.co.kr

*From **Korea Times**, by Nho Joon-hun, 10 March 2002*

Indonesian Support for Privatization Program Weak, Paper Says

Jakarta - Almost half of 1,033 Indonesians living in and near the capital who were surveyed object to the government's privatization program because of a lack of transparency, the Jakarta Post said, citing a poll taken by the University of Indonesia's faculty of social and political sciences. The government plans to privatize 24 state enterprises this year to raise 6.5 trillion rupiah ($652 million) to help finance the budget deficit, estimated at 43 trillion rupiah this year. Among them are PT Bank Central Asia, the largest retail lender. The survey, which was carried out from Feb. 28 to March 7, showed that 43 percent agreed there was a need for privatization, the report said. While analysts say privatization will reduce corruption, the survey showed that many think it will persist because of systemic problems, the report said.

*From **Bloomberg.com**, by Claire Leow, 13 March 2002*

Pakistan's Bankers Clean House

Moves to reform the bloated and politicized industry are making headway. Now, privatization is next on the agenda - Walk into a branch of any state-owned bank in Pakistan, and you're sure to find poorly equipped, shoddily maintained premises where weary employees pay scant attention to long lines of customers. That may be about to change. Pakistan's three state-owned banks, which control two-thirds of total deposits in the country, are being put through grueling reforms in preparation for privatization. Balance sheets with gaping holes are being cleaned up, excess staff reduced, and obsolete technology upgraded. New emphasis is being put on customer service. **VISIBLE BAROMETER.** "If you walk into a National Bank branch three to four years down the road, there should be no difference between the service you get there and the service at a foreign bank," says Syed Ali Raza, president of National Bank of Pakistan. The veteran banker was previously in charge of Bank of America's operations for Pakistan, the Middle East, and North Africa. With Pakistan now a pivotal ally in the U.S. fight against terrorism, the reforms also have geopolitical importance. They're a key - and highly visible - barometer of whether General Pervez Musharraf's government can succeed in turning the nation around economically. That, in turn, is key to political stability in the region. Big money is at stake, too. There are no estimates yet of what No. 1 National Bank of Pakistan and No. 2 Habib Bank are worth. But United Bank - the smallest of the three and likely the first to be sold - is expected to fetch $150 million to $200 million. Potential buyers include a local group that already owns a bank and two banking groups from the United Arab Emirates. **SUCKED DRY.** Pakistan started restructuring its deeply troubled banks in 1997, but the path to reform has been bumpy. National Bank was formed in 1949 as a government-owned entity.

Habib and United were taken over during the mass nationalizations of the '70s. Over the years, the banks were sucked dry by a corrupt civil bureaucracy, according to the the bank's current managers. Political considerations rather than merit influenced decisions about lending and employment, leading to huge losses and enormous inefficiency. "Senior echelons of management were appointed and then transferred at the behest of the civil service," says Ahmed Zafar Khan, president of United Bank. "Because of this, institutional loyalty was lost and commercial agency died with it." Bad loans swelled to more than $2.5 billion, becoming a huge drag on both the banking industry as well as the overall economy. Meanwhile, the three banks grew into unmanageable behemoths employing a total of 76,500 people and operating 4,800 branches nationwide. Even as all three were fast approaching financial collapse, political interference continued. "Career bankers were ignored, and political appointees were promoted," says Sharif Hasan, a former banker at Habib Bank who was forced to retire in 1997 and now runs his own financial consultancy. **MORE AUTONOMY.** Under pressure from the International Monetary Fund, the government finally began making economic reforms in 1997, and the financial sector came under close scrutiny. The World Bank approved a $250 million loan for banking-sector reform, under which one-third of defaulted loans were recovered and operating losses were stemmed. A new "banking court" system was set up to process loan cases. The three banks shed thousands of workers and shut down hundreds of branches to curb spiraling costs. More important, the banks were given considerable independence. The State Bank of Pakistan, the central bank, was made autonomous, the big three banks were given independent boards of directors, and professional top managers were brought in. "My greatest challenge has been to make people realize that this is a commercial organization, not a [civil-service] organization," says National Bank's Raza. Progress slowed in 1998, when the government seemed to lose interest. But managers who took over under Musharraf gave reform new life two years ago, moving quickly to streamline operations and improve balance sheets. In October, 2001, the World Bank approved a second $300 million loan for restructuring and privatization. **PRETAX PROFITS.** Restructuring is again moving apace. Raza closed 200 more National Bank branches in 2001 and plans to eliminate 3,500 more jobs in the next few weeks. By yearend, the number of employees at the bank is expected to be 12,000 - down from 23,730 in 1996. The bank is also working to reduce its bad-loan portfolio and is widening product offerings by introducing debit cards, kiosk bill payment, and fund-management services. The bank, which lost $21 million in 1996, posted $17.7 million in pretax profits in 2001. New management at Habib Bank laid off nearly 12,000 employees and shuttered more than 500 branches. Zakir Mahmood, the president at Habib Bank, also slashed bad loans and unnecessary layers of management while embarking on a marketing drive to boost deposits. United Bank, which had to be bailed out by the central bank in 1997, last year reported a pretax profit of about $18.3 million. After years of drastic downsizing and closing branches, Khan plans to focus on enhancing earnings, upgrading technology, training staff, and improving the ambience of branches. "Historically, these branches have operated like government offices, with 20% of the space for customers and 80% for the staff," Khan says. His team has recently completed work on a prototype that allocates branch space equally. All three banks expect political uncertainty, residual bad loans, and higher interest rates to make this a tough year. But Pakistan knows that the only way to sustain reform is to move ahead with privatization, so Pakistan's Privatization Commission will sell United and Habib before the end of the year. And those sales will be important steps - not just for the industry, but for Pakistan, too.

*From **Business Week**, by Naween A. Mangi, 18 March 2002*

Korean Government to Push Ahead with Privatization of Public Firms as Planned

Seoul - The Korean government is on schedule and pushing forward with the privatization of public companies, according to Chang Seung-woo, Minister of Planning and Budget. Chang said in a meeting on March 13 at the Korea Chamber of Commerce and Industry (KCCI) that privatization of public entities is necessary to enhance management and improve competitiveness. The government will maintain strict management to ensure that prices are not unfairly increased if public firms and the public railway are privatized, Chang said. He added that the government plans to sell its remaining 28 percent stake in Korea Telecom Corp. (KT) during the first half of 2002, and will designate a lead manager for the sale of Korea Tobacco & Ginseng Corp. (KT&G). (Maeil Business Newspaper, Korea)

*From **Nikkei BP Asia BizTech**, 17 March 2002*

Europe/CIS

Privatization Efforts to Be Leverage for Development

Treasury minister heads country's largest business empire, covering 2,000-plus enterprises - Savings giant Powszechna Kasa Oszczędności Bank Polski (PKO BP) will remain under the state's umbrella for at least the next five years, while a consortium led by pan-European insurer Eureko will control Powszechny Zakład Ubezpieczeń (PZU) only under "different conditions," Treasury Minister Wiesław Kaczmarek said last week. "At the end of 2003, there will be a public offering (IPO) of PKO BP on the Warsaw Stock Exchange," Kaczmarek told the WBJ. "But privatization will be leverage for development of the bank, not for the sake of privatization itself." The minister said minority stakes would only be sold after a review of the bank's "medium and long-term missions and strategy." Kaczmarek wouldn't go into specifics on the size of the IPO. De facto head of Poland's largest business empire, covering some 2,000-plus enterprises still in state hands, Kaczmarek's vision for sectors across the economy is crucial to the country's development. But his vision thus far has fallen afoul of some governments, opposition parties and foreign investors. Plans for some of the country's most valuable assets are still emerging. With PKO BP, for example, Kaczmarek has not laid down a definite plan but analysts expect 30-40% of Poland's largest bank by assets to attract considerable interest. "Over the long term, PKO BP will have to be part of the global financial group, and the strategy of keeping it independent isn't sustainable," said Grzegorz Zawada, banking analyst at Erste Securities Polska.

Ensuring investors - On another front, he has mightily frustrated a foreign investor that thought it had locked up one of the country's biggest companies. Kaczmarek insists the Eureko-BIG Bank Gdański consortium can still control PZU, the nation's top insurance group. "It can happen, but under quite different conditions," the minister said, refusing to outline those terms. He added that rejection of a treasury-backed compromise to the Eureko affair prompted the dismissal of Zygmunt Kostkiewicz as PZU president, along with two members of the insurer's management board. "If the investors rejected our compromise, I said I would make two decisions," Kaczmarek said, referring to a conversation with Dutch government officials in Warsaw last month to mediate the row. "One, the second privatization agreement will be rejected, and two, I will take over responsibility for management of PZU." Lorrie Morgan, spokeswoman with Eureko, insists no alternative proposals have been offered to date, and no new conditions for control of PZU have been forwarded to them. “We have no desire to change the agreement, which we still consider legal and binding,” Morgan said. The fight for control of PZU is shaping up to be settled via international arbitration if both sides fail to settle in the next six months. Eureko and BIG Bank Gdański bought into the company in 1999, acquiring a 30% stake, before signing a separate deal with the previous Solidarity Election Action (AWS) government last year for another 21%. But Kaczmarek, who took power after the Democratic Left Alliance (SLD) won September’s election, has essentially rejected the second agreement as fundamentally flawed. “The signals from Poland is that it doesn’t stick to its deals, and as a partner to accession negotiations, it should beware of the messages it’s sending to business communities in member states,” said Jean-Christophe Filori, enlargement spokesman for the European Commission. Filori said the row won’t weigh on accession negotiations and insists Eureko hasn’t lobbied Brussels directly for intervention in recent months. Meanwhile, the minister said that a decision on the sale of Rafineria Gdańska (RG), the nation’s second-largest oil refiner, to the U.K.’s Rotch Energy should be ready this week. If the deal collapses, Kaczmarek has suggested that consolidation of the nation’s fuel sector will follow, which includes a merger of RG with Polski Koncern Naftowy Orlen (PKN Orlen), Poland’s leading oil group. “It’s too early to say whether this will happen or not,” he said of the sale. “Rotch still has a chance.”

*From **Warsaw Business Journal**, by Paul Shockley, 18 March 2002*

Privatization Minister Says Sell-offs So Far Unsatisfactory

Turkey has carried out $7.4 billion worth of sell-offs since 1985, which is an unsatisfactory figure, Privatization Minister Yilmaz Karakoyunlu said. Of this total, $4 billion has been performed in the last four years. In response to an official question by Saadet (happiness or contentment) Party (SP) Deputy Zeki Celik, Karakoyunlu said a shortage of capital and technology accumulation and political instability had deterred privatization over the past 15 years. "Substantial progress has been made in privatization in the past four years, particularly during 1998-2000," he added. Turkey aims to carry out $1.5 billion worth of privatizations in 2002. In its first major privatization attempt since the financial crisis that broke in February 2001, the government last week secured $183 million in proceeds from the secondary public offering of a 16.5 percent stake in oil retailer POAS. Another major company slated for privatization this year is oil refiner Tupras, which the government wants to put on a third offer by June. Looking at the track record on privatization, the government has largely failed to meet its targets. Turkey projected $4 billion in privatization receipts in 1999 and managed to raise $38 million. In 2000 the target was $5.2 billion and the figure that actually turned out was $2.7 billion. Last year, the government expected $1 billion worth of privatization operations and managed only $119 million. Karakoyunlu suggested that the agency responsible for privatization should acquire autonomy, so that sell-offs can be carried out more efficiently and swiftly. He added that work on the legislative changes that will establish an independent privatization body has been completed. The government has drafted a privatization bill to accelerate sell-off operations by handing over the final decision-making to a privatization agency, which will partly transform from the current Privatization Administration. The bill empowers the Cabinet for marking the companies slated for privatization, but after that the autonomous privatization agency will be responsible for the whole sale procedure.

*From **Turkish Daily News**. 25 March 2002*

Middle East

Bezeq Urges Sharon to Keep Privatization Moving

Concerned about outstanding issues that could delay privatization, Bezeq this week urged Prime Minister Ariel Sharon to personally oversee its sale and keep the tender on a tight schedule. Last month, six groups submitted intentions to bid for the company. Since then, the Government Companies Authority has examined the requests and passed them on to the Communications Ministry and defense establishment, which must rule on their suitability by March 18. A final decision on which of the potential bidders qualify for the next stage will then be made by a committee, led by authority head Yaron Jacobs, which could meet by the end of the month. The entire sale process is expected to take about a year, but Bezeq seems concerned it could drag out even longer if Sharon does not take a personal interest in resolving a property dispute between the company and the Israel Lands Administration. At issue is how to account for properties on which Bezeq has built installations, which the ILA says must be returned to the state after the controlling stake is sold. The courts have ordered Bezeq and the ILA to come to an agreement. Discussions are under way, but no progress has been made on how to calculate the value of the property, estimated at about $250 million, Bezeq CEO Ilan Biran and chairman Ido Dissenchik said in a letter sent to Sharon on Monday. "We find it appropriate to once again turn to you personally with a request you involve yourself directly and immediately to move forward the tender that is of vital importance to Bezeq and the state," the letter said. Biran and Dissenchik also voiced concern about the delay in the drafting of a new operating license taking into account the new competitive nature of the local telecommunications market. According to a decision taken by the Ministerial Committee on Privatization, Bezeq is to be given time to review and possibly appeal conditions set down in the license before the tender moves into advanced stages. The Communications Ministry said yesterday the license is almost ready to be presented to Bezeq. Before the license is finalized and the property dispute settled, it is unreasonable to assume any serious bidding can take place.

*From **Jerusalem Post**, by Gwen Ackerman, 6 March 2002*

Bush Renews Push to Partially Privatize Social Security

Washington — Wading into what is expected to be a major battle of the 2002 midterm elections, President Bush today promoted his plan to let workers invest part of their Social Security money in the stock market. Mr. Bush also spoke out for pension changes in the wake of the filing for bankruptcy protection by Enron that cost thousands of workers their retirement savings but left top executives with millions of dollars from selling the company's stock. "What's fair on the top floor should be fair on the shop floor," Mr. Bush said to applause at a retirement savings conference held by the Labor Department in the Capital Hilton. The White House is promoting the proposed pension changes and partial privatization of Social Security as part of an overhaul of retirement savings that Mr. Bush today called part of the American dream. But even before Mr. Bush spoke, Democrats eagerly criticized the Social Security plan as irresponsible, saying it would cut deeply into guaranteed benefits and create unacceptable financial risks for retirees, a major line of attack that the Democrats are planning for this midterm election year. Senator Tom Daschle, the South Dakota Democrat who is the majority leader, called Mr. Bush's proposal a "retirement insecurity plan" at a news conference and later issued a pointed statement about the proposals. "I'm pleased that Republicans are now openly discussing their plans to privatize Social Security and cut the benefits of Social Security recipients," Mr. Daschle said. "The American people need a plan to protect Social Security, not deceptive promises designed to conceal the truth and protect politicians at the polls." Representative Dick Armey, the Texas Republican who is the House majority leader, said recently that he would bring a bill to the floor to propose that the government mail every Social Security recipient a certificate guaranteeing that future benefits would not be cut. Mr. Armey has argued that the bill would immunize Republicans from Democratic attacks. But Democrats and the Social Security commissioner assailed that proposal today as an empty gesture that could frighten rather than reassure retirees. "I'm concerned about possible unintended consequences, such as creating undue alarm, particularly among those who are nearing retirement age but don't receive a written notice," the commissioner, Jo Anne Barnhart, said in an appearance before the Social Security Subcommittee of the House Ways and Means Committee.

Representative Robert T. Matsui of California, the ranking Democrat on the subcommittee, echoed Ms. Barnhart. "Mailing out meaningless certificates to seniors is a blatant attempt to provide political cover in an election year," Mr. Matsui said in a statement. "It is a cavalier response to a serious issue." Most Republicans do not want the volatile Social Security issue to be seriously debated before the November elections. But some have said they would welcome Mr. Armey's proposed bill as a way to fend off Democrats. Mr. Bush did not mention Mr. Armey or the certificates in his speech today, but he did say his plan would allow older workers to keep their Social Security benefits exactly as they are. Younger workers, Mr. Bush said, might want to take advantage of compounding interest and personal retirement accounts. "The average return on Social Security is less than two percent," Mr. Bush said. "And in the long run, Social Security can pay retirees less than 30 percent of what they earned before retiring. And that's not good enough as we head into the 21st century." Mr. Bush said a person retiring today after 45 years of work would receive $1,128 a month from Social Security. If that same Social Security money had been invested in the stock market over the last 45 years, Mr. Bush said, the person would receive $3,700 a month. Mr. Bush also said he was proposing that workers be allowed to sell company stock and diversify into other investment options after three years. Mr. Bush also proposed that workers be given 30 days' notice before a company blackout, the time when workers cannot change or have access to their retirement accounts. In addition, Mr. Bush said, company officers should not be allowed to sell their company stock when workers cannot. "All these measures," he said, "will help build faith in America's pension system, and I urge Congress to act."

*From **New York Times**, 1 March 2002*

Privatization Isn't Always Better, Cheaper

The jobs of hundreds of state employees working in personnel are on an invisible "bargain sheet" for the horse-trading phase of the legislative homestretch. Gov. Jeb Bush wants to privatize "human resources" in government agencies. The House gave him its customary blank check, but the Senate isn't interested - not yet, anyway. The Department of Management Services worked out a deal with Convergys last year, subject to approval by the joint Legislative Budget Commission. The House agreed with puppy-like alacrity, but Senate Governmental Oversight chairman Rudy Garcia, R-Hialeah, said he didn't think DMS had made its case. Lt. Gov. Frank Brogan withdrew the Convergys deal from legislative consideration, but there's a funny thing about that. Nothing really changed, legally. Personnel privatization can still be decided in the last days of the session by a joint budget conference committee, a sort of high-stakes swap meet that happens every year. The House passed a bill last week allowing DMS to proceed without approval by the Legislative Budget Commission. The Senate - yawn - has its own version of that bill but hasn't even sent it to committee. No one cares, or should, that Convergys has partnered with Arthur Andersen on personnel privatization. Before we heard of the Enron horrors, Andersen was part of a July 10 presentation made to DMS to land the Convergys contract. It's doubtful that Andersen Enron-izes every job. Any seven-year, $278 million project needs subcontractors and consultants, if only to run the shredders. But Miss Cleo is busy and that French skating judge has left the country, so Andersen will have to suffice. Instead of House-Senate bargaining on personnel privatization, legislators should look honestly at the whole idea of "outsourcing." The Department of Children and Families last week fired a Pinellas Park company amid allegations of shoddy work and falsified records in child-abuse cases. Employees of the nonprofit firm said they were pushed to meet "quotas" of completing child-abuse cases, and some are suspected of cutting corners. So now, state employees will have to review - that is, duplicate - the private company's work. In January, the Office of Program Policy Analysis and Governmental Accountability called for abolishing the Occupational Access and Opportunity Commission. OPPAGA said job services to about 100,000 disabled people had deteriorated, while the privateers managed to spend $343,000 renting a building they didn't use and paid $830,000 for services not shown to be "reasonable or necessary." Reps. Loranne Ausley and Curtis Richardson, D-Tallahassee, unsuccessfully tried to amend the personnel bill last week to let the Legislative Budget Commission certify whether privatization is cheaper and better. They knew the amendment would fail. But that's still the test that should apply, rather than making privatization a House-Senate bargaining chip. Legislators should be asking, "Should we privatize?" - not, "We've decided to privatize, so how can we do it so it maximizes profits for our campaign donors?"

*From **Tallahassee Democrat**, 11 March 2002*

State's Privatization Effort Involves Enron Auditor Andersen

Tallahassee — The auditor mired in the downfall of Enron could play a role in Gov. Jeb Bush's plan to privatize state personnel offices, even though the firm is being investigated by the state. Arthur Andersen LLP would be a subcontractor in the plan to move the work into the private sector. Bush is pushing the seven-year $278 million privatization, but so far the state Senate has balked. Attorney General Bob Butterworth has asked the state Board of Accountancy to investigate Andersen's business practices in Florida. The firm has been criticized because its auditors failed to catch and may have helped cover up Enron's financial problems before the Houston energy company collapsed. Bush has said he supports the investigation. Under the privatization plan, which advanced in the House Thursday, Andersen's Human Capital subsidiary would be a subcontractor under Cincinnati-based Convergys Corp., which the state Department of Management Services wants to hire to take over state government's human resources operations. The House on Thursday passed the bill (HB 1967) allowing the agency to move ahead with the privatization on a 77-36 vote. But the Senate has refused to go along and Bush said last month that he was giving up on the plan. Management Services Secretary Cynthia Henderson said that while the measure appears dead in the Senate, her agency would look carefully at the Andersen issue if it were revived. "That would be something we'd be interested in," Henderson said. "The department would have some say over that." House Speaker Tom Feeney, R-Oviedo, has said that he is unconvinced that questions about Andersen's Enron work should block the state from doing business with the company's subsidiaries. A phone message seeking comment from Andersen officials was not immediately returned Thursday.

*From **Naples Daily News**, 8 March 2002*

Privatization of Electricity Distribution in Ecuador

Over the past decade, Ecuador has been experiencing electric power shortages, reflected in frequent blackouts that disrupt the country's economic activity. The problems are not only due to the generation of electricity, but also to the distribution system, as inefficiencies and investment shortages yield significant financial losses. Indeed, operating costs exceed revenues, since electricity consumption is subsidized and the country's distribution technology and infrastructure are not up to date. These ongoing losses have generated considerable debt for the electrical sector and put a substantial burden on the government, since practically all the generation and distribution of electricity is in government hands. All in all, the problems of Ecuador's electrical sector are the result of poor public administration of the electric companies. Power shortages threaten the recovery of economic activity for obvious reasons, and the electrical sector badly needs new investment to improve its service. But the Ecuadorian government is in no position to invest money here because of tight budget limitations due to the dollarization program and IMF agreements. Under these circumstances, the government has proposed the partial privatization of companies devoted to electricity distribution, by selling 51% of their assets to private companies. The government hopes these companies will then inject investment into the troubled sector, making it more productive and efficient. The general public is tired of the frequent interruptions in the country's electrical service, and Ecuador's private manufacturers favor the partial privatization plan since they expect improved service and eventual reduction in their electricity costs. Nevertheless, as expected in Ecuador, many other segments oppose this government move.

Part of the labor sector, most of the leftist parties, and the indigenous native movements are opposed, with many declaring that they will resist through labor strikes. Some labor unions estimate the value of these companies at more than $5 billion and argue that the sale diminishes the nation's public wealth. The recent evaluation presented by Salomon Smith Barney valued the 17 distribution companies at $0.6 billion, a price that the government adjusted to $0.8 billion. Other opponents say the government should devote resources to improve the efficiency of the distribution sector, but Energy Minister Pablo Terán declared that those companies were showing losses and ultimately in too bad shape for a quick government fix. While opponents present their populist and nationalistic arguments against the privatization sale, they ignore the possible benefits to both consumers and producers, as well as to economic activity in general. What is the real measure of wealth for these public electric companies if they cannot provide adequate services to the general public? Moreover, how can Ecuador attract badly needed foreign direct investment if a fundamental input for economic activity does not operate properly? Perhaps the sale is not perfect in all its aspects, but opponents cannot demand perfection when the poor management of public companies has occurred for so long and taken such a heavy economic toll.

*From **WEFA.com**, by Fernando L. Lugo fernando.lugo@dri-wefa.com, 13 March 2002*

Base Housing Goes Private

For the first time in Hawaii, the military is privatizing base housing, a move that will allow private developers to own and operate 11,500 base homes on Oahu. Military housing at Hickam Air Force Base is the first Hawaii housing scheduled to be privatized, said Marge Roberts, base contracting officer for housing privatization. The deal between the base and a developer is expected to be finalized in November with construction to begin within six months, Roberts said. The developer will own, operate, finance, design and construct improvements on 1,356 homes at Hickam, Roberts said. Instead of collecting lease rent from the developers, the agreement makes developers responsible for funding construction of 16 new units and renovating 986 existing units at Hickam. Developers agree to maintain and manage all units for 50 years and will collect rents on the two-, three- and four-bedroom homes for that entire time. "This is a project that would normally take about 30 years to be completed but will now be done in eight years," said Maj. Stephen Clutter, base spokesman. "The military has a smaller and less predictable revenue for housing maintenance," he said. "It's estimated that it would cost the military $169 million to renovate the housing; this is money we don't have right now." The project size is equivalent to that of the combined homes in Aina Haina, Niu Valley and Kuliouou, said Ricky Cassiday, research director for Prudential Locations LLC. Who will step up? Those familiar with the project say the likely developers are mainland companies with military-housing backgrounds. "You may see a bigger mainland company, like J.A. Jones Construction or Hunt Corp., get involved in this type of project," said Russell Young, president of Albert C. Kobayashi Inc., a Honolulu-based general-contracting firm. Sources told PBN another possible developer is Napa, Calif.-based Lend Lease Actus, which works primarily on U.S. Department of Defense homes. The company has designed and built more than 16,000 military-housing units. "The learning curve is probably fairly long on a project like this," said Mark Richards, president of Maryl Group Inc., a Big Island-based company that considered the project. "We took a real hard look at it and it has such a long tail on it that it didn't look like a worthy project for us."

Because there is a cap on rent for military housing, such projects results in low rewards, Richards said. Military members receive a basic housing allowance according to rank, Roberts said. A set number of homes are assigned to each rank, she said. The project is a partnership opportunity for a developer and asset manager, Young said. "From a contractor's standpoint, they would want to build it and get out," Young said. "The basic risk for renting would fall with the developer." Richards added: "A successful bidder will be an asset manger with a construction partner, both with large-scale multifamily experience." More privatization to come - The Department of Defense plans to privatize about 1,978 homes in "regional Oahu" and 8,178 homes at Fort Shafter and Schofield Barracks, according to the department's Web site, http://www.defenselink.mil. While the Hickam privatization is a first for Hawaii, the military began privatizing mainland homes in 1996 after former President Clinton passed the National Defense Authorization Act. Since enactment of the legislation, about 17,400 military homes on the mainland have been privatized. Monthly basic housing allowance for military members, with dependents, by rank: E1-E4 $1,113 E5 $1,196 E6 $1,479 E7 $1,612 E8 $1,759 E9 $1,869 Officer $1,228 Officer 2 $1,473 Officer 3 $1,843 Officer 4 $1,921 Officer 5 $1,971 Officer 6 $1,987 Officer 7 and above $2,010 Source: Department of Defense - Reach Christy L. Cain at 955-8038 or at ccain@bizjournals.com.

*From **Pacific Business Journal**, by Christy L. Cain, 17 March 2002*