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The Chinese Variant of Globalization

The delegations of China and the Association of Southeast Asia will start the first stage of negotiations pertaining to the establishment of a joint free trade zone on April 1. The project is enormous. Some two billion people are living in the countries that are taking part in the talks, and the volume of industrial output reaches a level of more than two billion dollars a year. The decision to establish a free trade zone was made last November at a summit in Brunei. As is expected, a zone of customs-free trade is to be established in the region spreads from the Russian-Chinese border in the north to the northern coast of Australia in the south by the year 2010. Experts say that this will help to increase the volume of trade between the interested parties by at least 50%. At present, this volume makes up 1.23 billion dollars a year. China is a sure leader in this integration procedure. It seems there is no other country of the Far East and Southeast Asia that is able to competing with the Chinese economy (except for Japan). Therefore, it is not surprising that China is very interested in the realization of this project. China will be able to replace Japan as the leader of the Asian Pacific region if the project is realized, taking into consideration the fact that the Japanese economy cannot overcome its crisis, whereas the Chinese economy is demonstrating impressive success. China's administration has already announced that it plans to cancel tariffs in the trade with APEC (Asian-Pacific Economic Cooperation), in which Russia is incorporated. Therefore, this is the strategy that Beijing will use within the coming decades. The idea of the free trade zone came up after the notorious economic crisis in Asia that took place in 1997-1998. The crisis caused incredible damage to the economy of this vast region (as well as setbacks in the USA and Japan). At present, the excessive dependence on exports to America is considered to be dangerous. The prime minister of Singapore said at the summit in Brunei that it would create additional difficulties in connection with the setback of the American economy. That is why, he added, there should be a new inner dynamism set up, which implies the strengthening of Asian cooperation.

China is gradually replacing the USA and Japan as the major investor in the economies of Southeast Asia. This does not mean that Chinese businessmen will oust their American or Japanese colleagues. This means increasing and accelerating the integration processes in which the Chinese businessmen are already taking the leading role. China's influence is growing not only in the Asian region. The businessmen of China have recently started investing money in the economies of African countries, which are rich in minerals. Therefore, the predictions for the Chinese economy are really impressive. The following question comes to mind: what is Russia's role in all these processes? Cooperation between Russia and China in the energy field and construction of the transport system for bringing Chinese goods to European markets seem to become the most efficient. These are the projects that can bring a large amount of profit very quickly. Furthermore, Russia can sufficiently satisfy the growing needs of China's economy for energy carriers. However, this does not exclude the interest of the parties in other kinds of cooperation, for example, in high-tech industries. There can be one conclusion made for the time being: China's role in today's international trade will continue to grow. It is very important to create conditions under which all the interested countries could establish efficient and longstanding cooperation. Reference. The Bangkok Declaration, which was signed on August 8, 1967, in Thailand, established the Association of Southeast Asian Nations (ASEAN). The five original members were Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Brunei Darussalam joined the association in January 1984 and Vietnam became the seventh member of the ASEAN in July 1995. Laos and Myanmar were admitted in July 1997. Three main objectives were set by the ASEAN nations: - To promote economic, social, and cultural development of the region through cooperative programs. - To safeguard the political and economic stability of the region. - To serve as a forum for the resolution of intra-regional differences. In 1980, ASEAN and the European Community signed an agreement on cooperation. In 1992, ASEAN members agreed on the establishment of the ASEAN Free Trade Area (AFTA). By 1997, the AFTA area represented a market of over 435 million consumers.

From Pravda, 2 April 2002

Government Launches Science Website

Ireland's Minister for Science, Technology and Commerce, Noel Treacy, has launched universityscience.ie, a website to encourage students to study science in Ireland. Due to a declining interest in schools and universities in many areas of basic science, the deans and heads of science departments came together to develop the website under the banner "Irish Universities Promoting Science." The website provides information on scientific disciplines, undergraduate and postgraduate programmes in each university and careers and research opportunities in science. It also provides links to a range of other national and international science websites. It is hoped that the inter-university website will provide not only reliable information to students interested in studying science in Ireland, but also

to students and researchers in other countries who wish to inform themselves about scientific research currently being carried out at Irish universities.

From Europemedia.net, 3 April 2002

Middle East

Bahrain Blocks Opposition Websites

'Offensive and inciting sectarianism', says minister - The Bahrain government has blocked access to some websites run by opposition groups, which it says have been inciting sectarianism and carrying offensive content. One of the blocked sites is the London-based Bahrain Freedom Movement which labelled the move as "a stain on the good image of Bahrain". Nabeel Yacoub al-Hamer, the country's information minister, said that three or four sites were affected and that the groups would be allowed to resume if they promised to clean up their act. He denied that the action was part of any censorship of criticism, maintaining that the government "welcomed, and was open for, criticism". But it did not want websites that incited sectarian strife. Al-Hamer said that many opposition leaders contacted the Information Ministry and pledged to abide by the rules. The time is particularly sensitive as Bahrain is due to have its first elections in 27 years after the emir, Sheikh Hamad bin Isa Al Khalifa, reformed the government last year. Among the reforms are rules that will allow women to run for office. Many political observers see the reforms as an attempt to heal divisions between the Bahrain royal family and the Shia Muslim majority.

From Computing.co.uk, by Nick Farrell, 1 April 2002

The Americas

Fed's McDonough: Argentina Needs Sensible Policies

New York - New York Federal Reserve President William McDonough said on Tuesday Argentina needs effective policies that "make sense" if it is to address its fiscal and economic problems. "There are things that the Argentine government has to do. They have to have a monetary policy that makes sense. They have to have a fiscal policy that makes sense. They have to have an exchange rate policy that makes sense," McDonough told a forum on globalization at the Council on Foreign Relations. "You cannot help a country unless it is willing to help itself," he said, adding that Argentina also needs to observe the rule of law, particularly contract law. Argentina is desperately seeking aid from the International Monetary Fund as it struggles to keep its government running, raise money and shore up its plunging currency, the peso. The Latin American country earlier this year abandoned its decade-long peg to the dollar and defaulted on its government debt amid a political crisis capping a long recession. McDonough's comments on Argentina and on globalization were general in nature. He made no comment on the U.S. economy or monetary policy. On the Bush administration's recent decision to impose steel tariffs, McDonough did not condone the action but said it is understandable that politicians in Congress want to help small communities relying heavily on one industry, such as steel, and push for protectionist policies.

From [iWon](http://iWon.com), 2 April 2002

Senate's Website Rules Hurt Lawmakers Seeking Reelection

As far as Sen. Tim Johnson's website is concerned, today might as well be the last day that Congress meets until June 4. On that day, South Dakota voters will choose either Johnson or his opponent Herman Eilers in the Democratic primary. And because of a 6-year-old Senate rule, Johnson's staff cannot update his website for the next two months. In 1996, the Senate Rules and Administration Committee adopted regulations concerning the use of official Senate websites and e-mail. In order to create a wall between official activity and political activity, senators were banned from updating their websites for 60 days before any primary or general election. So for the next two months, Johnson's website will remain as it looks this week, but with a message explaining the rule that prohibits updating the site. And if, as expected, he wins the Democratic nomination, his site will shut down again in September. While the rule affects any senator who faces a challenge — those in uncontested races are exempted — Johnson and a few of his colleagues face a unique situation. His likely Republican challenger, Rep. John Thune, is a member of the House with his own official website. And the House does not play by the same rule as the Senate. When enacting the rule in 1996, the Senate used rules for mass mailings, which are prohibited in the 60 days leading up to an election, as a guide. But the House decided that information that a constituent sought on the Web was different than unsolicited mail sent to a voter's home. "I think I understand why the rule was initiated," Johnson spokesman Bob Martin said. "Some people feel that incumbents have too much of an advantage. But the rule as it exists actually makes it unfair to the incumbent. It limits how we can talk to people." There is hardly a candidate for office who does not campaign on the Web — incumbents, challengers and third-party long shots included. And by limiting access to a candidate's official site, the Senate may be encouraging constituents to turn to the incumbent's campaign site instead — apparently undermining the very purpose of Senate rules that separate political from official activity. In the case of Johnson that would lead Web surfers to the "Tim Johnson for

South Dakota” site, where they can learn how to contribute to and volunteer for the campaign. “We [already] have rules that restrict what we can talk about [on official sites],” Martin said. Current rules already restrict senators from posting any “political matter” on official sites. Johnson is not the only senator who will likely face a House member in this fall’s general election. Sens. Mary Landrieu (D-La.), Tom Harkin (D-Iowa) and Max Cleland (D-Ga.) are being challenged by Republican Reps. John Cooksey, Greg Ganske and Saxby Chambliss, respectively — meaning Cooksey, Ganske and Goss will be able to update constituents on congressional action, while the senators will not. In New Hampshire, Sen. Bob Smith (R) will have to shut down his official website two months before his September primary, but his opponent, Rep. John Sununu, will not. For Smith and other senators with a late primary, their Senate websites will remain unchanged starting July 12 and possibly continuing through the November general election. “No matter what the [rule], it should be consistent throughout the legislative branch,” said Smith spokeswoman Lisa Harrison. “We have a very aggressive electronic component to our office. We update our page daily. Congressman Sununu and [Democratic candidate Gov. Jeanne Shaheen] will be able to conduct their business electronically.”

The Congressional Management Foundation, a nonpartisan organization that has studied congressional websites, has not reached a consensus on the Senate rule. “Inherently, having different rules for House members and Senate members on ethics is problematic,” said Brad Fitch, a foundation spokesman. “Sometimes there are reasons to have different rules. This is one [case] where it would probably be in the best interest [to have the same rule].” The inconsistency is just one of many potential problems with the rule, according to Fitch. “This is not a simple issue,” he said. “The rule was established when the Web was in its infancy. On that alone, it’s probably a good idea to review it.” In a recent study of congressional websites, the foundation discovered that constituents prefer websites that provide information over those that promote the member. So even if a senator bent the rules and made his or her site more political than informational — a possibility that led to the rule — it would fail to serve its purpose, Fitch said. “They may be putting them up there,” he said. “But they’re not working.” The Congressional Management Foundation sees Sept. 11 as one of the best reasons to at least examine the rule. Senate and House websites proved their usefulness when thousands of Americans turned to them for information after the terrorist attack. “If [the attack] happened in 2000 instead of 2001, members of the Senate would have been unable to assist constituents with everything from how to give to the Red Cross to how to assist victims,” Fitch said.

From [The Hill](#), by [Michael S. Gerber](#), 3 April 2002

EIU Introduces Risk Alert Service, New Look for Its Online Store

If globalization and unbridled optimism—even “irrational exuberance”—were the terms and phrases used to depict the business climate of the 1980s and 1990s, risk and uncertainty are quickly becoming the theme for this decade. The Economist Intelligence Unit (EIU) has responded by introducing new risk services and opening up its existing (internal) country sovereign risk model to its global clientele. (The EIU sovereign risk model for assessing country risk in 100 countries is now being stress-tested by several organizations.) The company also unveiled a new look for its online store. EIU has launched a new product that delivers to the desktop risk analysis on key emerging markets. RiskWire (<http://riskwire.eiu.com>) is designed as a business-planning tool to help subscribers assess operational risk within a country or region. Events-driven alerts are published daily, highlighting improved or worsening risks in one or more of the 60 countries covered by the service (with coverage due to expand to 100 countries in the near future). Each RiskWire alert illustrates at least one of the many operational risk factors within a country: security, political stability, government effectiveness, legal and regulatory, macroeconomic, foreign trade and payments, financial, tax policy, infrastructure, and labor market. Providing comprehensive and timely analysis, forecasts, alerts, and background data, RiskWire is available as a channel within EIU’s existing ViewsWire service or as a stand-alone database. Pricing for annual subscriptions are based on the number of users within an organization. Merli Baroudi, director of EIU Country Risk Services, points to the increasing rate at which risks are shifting throughout the world. This makes it harder (and more important) to evaluate accurately what has come before (in order to be able to predict what is likely to occur in the future). With the number of emerging markets rising—and, within each country, both the number and types of risks are on the rise and changing fast—we are apt to experience increased volatility for quite some time.

Baroudi is quick to add that risks within developed markets are shifting too. And globalization has led to greater economic interdependence, with the result that unrest experienced in any one region of the world is apt to have repercussions elsewhere. In addition to these newer risks, we have not eliminated those of the previous century: currency devaluation, social unrest, commodity price volatility, and external indebtedness. With risk parameters shifting, it’s imperative that country-credit risk analysis (financial risk mediated through the political and economic system of a country) be paired with an analysis of risks that are associated with operating a business within a country. EIU’s Country Credit Risk model covers 100 countries and evaluates the ability (and willingness) of a country to pay its debt. Risks covered by this model fall into three major categories: currency risk; sovereign risk; and banking sector risk, which is the most difficult to monitor. More forward-looking and predictive is the measurement provided by Country Operational Risk (i.e., a measure of the various difficulties that may have an impact on a business’ ability to achieve profitability because of its country’s policies). This new risk model, which assesses the overall operating environment in emerging nations, sits at the center of the RiskWire product. Of the 10 major categories of country operational risk listed above, government-effectiveness risk is probably the most important criteria that influences operational risk within a country or region. At present, EIU’s Country Operational Risk model

covers 60 countries, including proto- or emerging markets, but the service is expected to grow to 100 countries to match the coverage in EIU's Country Credit Risk model. Users can now customize Country Operational Risk for a particular country by changing the weighting of its risk categories (and any of the underlying indicators), thereby affecting the overall scores and ultimate country rating (A–E, in which A is a country with relatively low risk and E is highly risky). Graph functions/capabilities that exist will prove particularly useful for subscribers who want to compare their own models with the results achieved using EIU's model. In effect, the Economist Intelligence Unit is turning itself inside out for its clients by providing access to the country data that feeds its economic models and qualitative reports. (Data dates to 1980 and forecasts extend 5 years out.) Sources and definition are given for each data element. None of this would have been possible prior to the advent of electronic publishing, which EIU has embraced with vigor. During the past decade, the Economist Intelligence Unit shifted from being primarily a print publisher to one that derives nearly 75 percent of its total revenues from electronic products. Improving its online store (<http://store.eiu.com>)—which makes it easier for users to identify and purchase products, reports, and articles that meet a specific need at a particular moment in time—will be much appreciated by the casual user as well as by those with corporate/enterprisewide accounts. This can, perhaps, drive that percentage even higher.

Pay As You Go, All You Can Access - There's a new look to the Economist Intelligence Unit's online store, which now features faster searching and additional options for payment. While "new" doesn't always equal "improved," in this case, the phrase "new and improved" is not only appropriate, but well-earned. The clean, straightforward on-screen presentation and enhanced navigation make it easier than ever for visitors to identify products that meet their needs of the moment. Users can execute a QuickSearch by keyword, choose a country or product, select a category (economic outlook, political assessment, or risk assessment), and hit the GO button. Prices for each "hit" are clearly posted, with a brief, but detailed summary of an article or the table of contents for any report retrieved by the search strategy. Given today's rapidly changing political, social, and economic climate, this service is essential for a business community that must assess the countries in which they operate (and to which they market their goods and services) on a continual basis. Lou Celi, EIU senior vice president and publishing director, describes the process: "Design your own knowledge system—choose the exact country intelligence, strategic industry, or management practices publications you need—at the level of access you require." The improvements made to the EIU store make it an excellent spot from which to begin any country, industry, or market research effort. A search on the EIU store Web site includes not only a 5-year archive of EIU reports, but also those of other publishers, such as eMarketer and IBS Research. In an area in which subscriptions can run into thousands of dollars, users can now purchase as much as they need, whenever they want. By accessing the online store, they can subscribe to a publication, purchase a single issue (important when the countries in which they are interested change from quarter to quarter), or purchase just the section (i.e., chapter of a report) that they need. Users can simply select the formats and media that suit their needs (e.g., Excel, Adobe PDF, HTML, or print) and within seconds of payment online, they can download purchases to the desktop.

A fixed-fee program offers members of an organization unlimited access to all EIU publications. EIU will even create a referral page on users' intranets that points them to the content they select that's hosted on eiu.com. Access for multiple users within an organization is also possible by utilizing either prepaid accounts or multiple credit card accounts with ID codes (user names and passwords) so that all can benefit from prearranged discounts. A new account-management feature permits users to easily track their purchases and account balances online. The new rewards program offers store dollars for users to redeem at the site. Founded in 1946, the Economist Intelligence Unit is the business information arm of The Economist Group, publisher of *The Economist*, *CFO* magazine, and numerous other specialist journals. Operating a global network of specialist business analysts, economists, and editors in more than 100 countries enables EIU to continuously monitor political and economic developments that might affect business decision making, operations, and profitability. By gathering consistent economic and market data across 195 countries and regions, the firm provides comprehensive analysis of world events, along with objective, original research and forecasts, to subscribers of its print and electronic products. With the recent changes made to its online store, this information is now accessible worldwide to individual purchasers as well as to its corporate clientele. [Author's Note: An overview of EIU forecast databases appeared in the article "Economic Statistics & Forecasting Data via the Web: A Master List" (*Searcher*, November/December 2001, pp. 42–70). A discussion of *The Economist* Web site (<http://www.economist.com>), with links to related group products, appeared in the March 2002 issue of *Searcher* ("Getting from Print to Online," pp. 59–65). For more information on EIU's joint venture with EcoWin to create a new international economic and financial database, see the November 5, 2001 NewsBreak at <http://www.infotoday.com/newsbreaks/nb011105-1.htm>] Barbie E. Keiser is an information resources management consultant in New York. Her e-mail address is barbieelene@att.net.

From *Information Today*, by Barbie E. Keiser, 2 April 2002

Argentina Hopes for Aid Package After IMF Visit

Easter may have brought a welcome lull to Argentina's smoldering social tensions, but a visit by an International Monetary Fund contingent this week could make or break a government desperate for billions of dollars in aid. Daily protests of everything from deepening poverty to economic policy thinned as thousands of Argentines headed out of town for the five-day public holiday. Police reported only a handful of isolated, small-scale shop robberies and looting incidents. But amid fears that unrest could flare into repeat scenes of the bloody rioting and pillaging that toppled the elected government late last year and left 27 dead, President Eduardo

Duhalde faces a race against time to win international aid. The IMF has hinted that aid could be around the corner if all goes well in negotiations with officials due to arrive in Argentina today. Argentina hopes the IMF will front a multibillion-dollar aid package to help end its grinding four-year recession. Duhalde must restore confidence among international lenders and investors alike and contain the fears of a public that continues to scramble to seek refuge from the depressed peso--raising the specter of a return to Argentina's hyperinflationary past. Vice Economy Minister Jorge Toderca had said the government intended to raise export taxes on commodities, agricultural oils and flour to about 20% to help rake in an additional \$1.2 billion to offset a sharp slump in tax revenues. Investors, awaiting word on promised economic measures from the government, also will be looking to see if the central bank manages to stem the slide of the peso when local foreign exchange and stock markets resume trading Tuesday. If you want other stories on this topic, search the Archives at latimes.com/archives.

From [Los Angeles Times](#), 1 April 2002

ITAA's Anti-Terrorism Recommendations

INS Commissioner Ziglar forwards group's findings to Office of Homeland Security Director Tom Ridge. Businesses are committed to "cooperation between the private and public sectors that is needed to meet this crisis." The Information Technology Association of America (ITAA) has sent a series of recommendations aimed at helping the Immigration and Naturalization Service (INS) and other government agencies improve the conduct of counter-terrorism operations through the use of integrated information technology. Earlier this month, INS Commissioner James W. Ziglar sent the ITAA recommendations to Office of Homeland Security Director Tom Ridge. Ziglar said the recommendations, "will provide a more disciplined and better-managed response to the business needs of integrated enforcement and intelligence operations, support good investment decisions, and shorten the time for IT support to become an effective underpinning for our operations." A group of ITAA member firms met with law enforcement and intelligence agencies last November to begin developing these recommendations. Al Edmonds, EDS' president of Government Information Solutions and an organizer of the meeting, testified before the U.S. House of Representatives Subcommittee on Technology and Procurement Policy on Feb. 26 commenting, "EDS strongly believes that private sector involvement in homeland security initiatives is essential to success. We are committed to doing our part, in partnership with government, to preserve our economy and way of life."

INS Associate Commissioner for Information Resources Management and Deputy Chief Information Officer Scott O. Hastings said, "We believe that the forum that produced these recommendations represents the type of cooperation between the private and public sectors that is needed to meet this crisis." The nine recommendations, available on the [ITAA website](#), include: Leapfrog to federal enterprise planning in order to develop the interagency/extra-agency business needs to counter terrorist based threats - Establish a managing partner, an authority to manage the enterprise - Define the federal enterprise - Develop and record the business objectives that will accrue to the federal enterprise - Identify data required to support these processes - Develop and maintain a quick inventory of existing interagency projects or projects that could be leveraged by agencies while the management and administrative structures for the federal enterprise are being put in place - Work with the Administration to examine federal budget mechanisms that will support these federal enterprise projects - Establish and maintain common project management structures and reporting so that these interagency IT issues will become standardized for these federal enterprise projects along with commonly understood measures, roles and responsibilities, schedules and costs; and Identify a legal review and policy group to support federal enterprise projects "ITAA believes integrated information could be the most powerful tool available in the war against terrorism, and we hope that Gov. Ridge will give our recommendations strong consideration," said ITAA President Harris N. Miller. "We are proud to have been able to contribute to the strategic thinking of the INS and other federal agencies as they move to address this issue, and we anticipate building on this excellent start by supporting the federal government going forward." The Arlington, Va.-based ITAA consists of over 500 corporate members throughout the U.S., and a global network of 46 countries' IT associations.

From [ISP-Planet](#), by [Roy Mark](#), 1 April 2002

Canadian Pact Against Online Fraud

The U.S. Federal Trade Commission (FTC), law enforcement groups in eight U.S. states, and four counterpart groups in Canada, known collectively as International Netforce, are taking legal steps to halt fraud and other deception on the Internet. The FTC announced that the various agencies have already sent out over 500 warnings to perpetrators that not only outright fraud is illegal, but that deceptive mass electronic mailing ('spam') is illegal as well. 63 legal actions have been initiated against websites. Part of the investigative effort includes checking spamming sites to see if their 'unsubscribe' or 'remove me' options actually work, so that Internet users actually have the option of getting off spam lists. The converged international effort will work to close sites that investigators have reason to believe conduct illegal activities - such as auctions that don't deliver anything sold, bogus cures for cancer, and other schemes. Fraud involving online gambling will naturally fall under their remit. Howard Beales III, Director of the FTC's Bureau of Consumer Protection, said: 'Illegal Internet schemes and deceptive spam don't stop at state lines or international borders ... The FTC and its law enforcement partners are sending a signal to scammers: 'We're out there surfing the Net, reading our spam and working

together to stop Internet scams.' To file a complaint to the FTC, or to get free information on any of 150 consumer topics, call toll-free, 1-877-FTC-HELP (1-877-382-4357). You can also use the online complaint form at <http://www.ftc.gov>.

From *Online Casino News*, 5 April 2002

Corporate Financial Reforms Urged by Pension Fund

The third-largest pension fund in the United States, the California State Teachers' Retirement System, on Thursday urged significant reforms in how corporations audit and report their financial performance. CalSTRS board says the fund will urge other pension funds, regulatory agencies and legislative bodies to push for reforms in corporate governance practices. "We've worked for years behind the scenes for good corporate governance, however, recent meltdowns such as Enron and Global Crossing have shown us it's time to elevate our level of activism," says Gary Lynes, chairman of the Teachers' Retirement board. "The CalSTRS portfolio is the bedrock of our members' retirement security and good corporate governance is essential to the safety of that portfolio." CalSTRS says its top priorities are such board governance issues as audit committee members' independence and qualifications, external auditor independence and disclosure, accounting standards, disclosure of executive compensation, and reforms of deferred compensation and defined contribution plans. It's calling for independent and qualified audit committee members, independent oversight of the accounting industry, that non-audit services by external auditors be limited to taxation issues and external audit firms be limited to seven consecutive years of audit service with a one-year moratorium before an audit firm employee is hired as staff or board member of the company audited. "We will team with other pension funds, regulatory agencies and legislative bodies to advocate for improving corporate governance practices," Lynes says. "We all, including the companies themselves, have a stake in maintaining the integrity of the financial markets." CalSTRS has some clout with corporate America. Its investment portfolio totals about \$100 billion.

From *Sacramento Business Journal*, 5 April 2002

Global

Blackboard and Welocalize to Offer Customized Globalization Services

Blackboard has selected Welocalize to help offer globalization services related to the Blackboard 5: Learning System. This new service offering is to help educational institutions abroad tailor the elearning process to their local instructional approaches. Blackboard offers a suite of enterprise software products and services that power an "e-Education Infrastructure" for schools, colleges, universities, and other education providers. Blackboard solutions employ the Internet for online teaching and learning, campus communities, auxiliary services, and integration of Web-enabled student services and back office systems. Welocalize specializes in globalization services for the elearning industry and offers Integrated Globalization Services for faster international time-to-market. The forthcoming international version of Blackboard is intended to help establish the e-campus outside the traditional university and to offer one platform for a number of other learning institutions. (www.blackboard.com, www.welocalize.com)

From *EContent*, 3 April 2002

Could Global Terrorism Be the Dark Side of Economic Globalization?

Washington, D.C. - The September terrorist attacks might end up having even more far-reaching effects on the international economy than those seen so far. Some experts worry that global terrorism could be the dark side of globalization, unleashing forces that might cut the economic ties that have increasingly linked nations over the past decade. Economic historian Daniel Yergin said the world's first wave of globalization was derailed by similar forces at the beginning of the 20th century. A Serb nationalist group assassinated an Austro-Hungarian archduke, triggering World War I and a breakdown of the globalization movement. "When you look back at history, you see that a lot of mistakes were made during that period," Yergin said. "Things can really spin out of control. We got the Great Depression, fascism, the Nazis and a second world war." Could something similar happen this time? Could the anti-globalization forces gain acceptance of their argument that the move toward freer markets and more liberalized trade is benefiting only multinational corporations at the expense of ordinary workers. "Up until Sept. 11, there was a sense that the movement toward globalization was irreversible," Yergin said. "Since then, there is a recognition that things could go in another direction." Over the next three Wednesday nights, PBS will examine these issues in a six-hour series based on "Commanding Heights: The Battle for the World Economy," a bestselling book by Yergin and Joseph Stanislaw. The series examines all facets of globalization, focusing in particular on the anti-globalization forces that have become a fixture at all important economic gatherings since Seattle in 1999. While the protesters represent a patchwork of different causes, labor unions have turned their members out in large numbers to protest the push by the Clinton and Bush administrations to lower trade barriers around the world. The White House contends such deals are good for American workers because they boost U.S. exports. Opponents argue that trade agreements have allowed U.S. companies to close factories in this country and move the jobs to low-wage nations. On the other hand, the television series shows simmering anger in many poor nations about the refusal of rich countries to lower barriers further in such politically sensitive sectors as steel, textiles and farm products, all areas in which developing countries see good export opportunities. Harvard University professor Jeffrey Sachs, a

leading authority on development issues, said policymakers must address the wide gaps in annual incomes, from \$30,000 per capita in many rich countries to less than \$300 per person in poor nations. "It is astounding to be on the same planet and have this extreme variation," he said. Yergin said he does see glimmers of hope since Sept. 11 that the world will deal with the promise and the problems of globalization. He noted that the World Trade Organization, after failing spectacularly in Seattle to launch a new round of negotiations to further lower trade barriers, succeeded last December - launching negotiations that have been dubbed the "development round" for their goal of lowering trade barriers that are most harmful to poor countries. Former President Bill Clinton concedes in the program that he repeatedly failed to get Congress to give him the authority to negotiate new trade agreements. But he said the debate over trade needed to go forward, emphasizing help for Americans who lose jobs to exports and higher living standards in all nations.

From [Star Tribune](#), 3 April 2002

The Myth Of The Global Economy

Now that the US recession is over (Federal Reserve Chairman Alan Greenspan has pronounced it), it is worth glancing back at the widespread concerns of a global economic slowdown that prevailed just a few months ago. These fears turned out to be overblown, and there's a reason for that: the "global economy" is itself somewhat of an exaggeration. Last year, when the economies of the United States, Europe, and Japan were all slowing at the same time, many people took this as further evidence that globalization had finally put us all in the same economic boat. But the slowdown of the three major economies - which together account for more than three-fourths of the world's output - was, more than anything, a coincidence. The downturn had different, mainly internal, causes in each of these economies. In the United States, it was the partial bursting of the stock market bubble that ended the longest economic expansion in our history. Europe is constrained primarily by the tight monetary policy of its central bank: it is holding short-term interest rates twice as high as ours, despite much higher unemployment there. And Japan is caught in its own unique deflationary slump - with consumers and businesses holding back on spending - that has persisted for most of the last decade. More importantly, any one of the Big Three economies can pull itself out of its own slump without help from the others. This is especially true for the United States, where more than 88 percent of the goods and services we produce are still sold right here at home. The larger-than-life portrayal of our global economic inter-connectedness is but one of numerous exaggerations that have come to dominate the discussion of globalization. Think of it as a marketing strategy: our political leaders, backed by most economists at major think tanks, are trying to sell a particular brand of globalization to an increasingly skeptical public. Call it "the Washington Consensus," for its place of origin. This brand is marketed as an inexorable march of progress, driven by technological advances in such areas as communications and transportation. If the majority of Americans have actually lost out in this process - as economic research and wage data for the last quarter-century clearly show - well, they will just have to adapt better to the "global economy."

To question the consensus is portrayed as futile and senseless, like opposing the weather. But in reality, the rules that govern global commerce are made by people - mostly politicians. These rules can be changed so that the majority of people - in the world as well as here - benefit from globalization. That certainly hasn't happened yet. Contrary to the mythology of the global economy, the vast majority of low and middle-income countries have suffered a drastic decline in economic growth over the past 20 years. From 1980-2000, the per capita income of the low and middle-income countries grew at less than half the rate of the previous two decades. This is World Bank data, and any economist who is literate in this area knows what happened - but few are willing to even talk about this profound economic failure. They do not want to be seen as spoiling the overall effort to market the Washington Consensus. Meanwhile, in the United States, we are by no means out of the woods just yet, despite positive growth in the fourth quarter of last year and the current quarter's expected improvement. US consumers, with their debt at record levels, cannot continue to drive the engine of recovery by themselves. And there is no indication so far that business investment, down 9 percent from its peak a year ago, is coming back. Exports could help, but not so long as the US dollar remains over-valued. That leaves the government. But the bond markets are already anticipating that the Fed will raise interest rates as early as May (the Fed has never been all that comfortable with unemployment below 6 percent). And sadly, more than 60 years after World War II pulled this country out of the Great Depression, military Keynesianism is still the only expansionary fiscal policy that can command a majority among our political class. Hence the real economic stimulus package of the Bush Administration, whether calculated as such or not: the War Without End. It seems that globalization is not only area of economic debate where ideology has crowded out reason.

From [Black World Today](#), by Mark Weisbrot, 2 April 2002

Needed: New Skills For Professional Success in the Globalized 21st Century

As a result of globalization, business executives and professionals face new challenges in the 21st century. New skills are needed to meet these challenges in order to achieve professional success. These skills include adaptability (e.g. quickness at recognizing and seizing emerging opportunities), the ability to adjust to culture shock, political and diplomatic savvy, and the ability to maintain smooth relations with foreigners in the shape of customers, suppliers, bosses, colleagues, subordinates and political and legal authorities. "Globalization" refers to the increasing economic integration of the nations of the world through international trade, investment,

production, currency trading and so on. The influence of new communication and transportation technologies and the role played by the multinational corporation (MNC) in the spread of globalization are widely recognized. Some observers have also pointed out the impact of globalization on local norms, values and behavior. Certain academics argue that globalization is not a new phenomenon since global trade, investment and labor migration were already significant at the end of the 19th century. According to this view, contemporary globalization is not something new but only qualitatively different because of advances in technology and organization that result in "space-time compression". Space-time compression means that vast geographic distances and time zone differences are being surmounted by high speed travel, movement of large amounts of goods over long distances at relatively low cost and in a timely fashion, and convenient high speed communication and transmission of data and information. These technological advances have facilitated transnational economic activities and therefore speeded up the rate and extent of contemporary globalization. Globalization and the Business Executive/Professional - What does globalization imply for the business executive or professional of the 21st century? As the cliché goes, it implies both opportunities as well as threats. Opportunities in the sense that the possibilities of production for export, foreign investment, joint ventures and strategic alliances with foreign companies etc. would be enhanced. Threats in the sense that competition from foreign products and services would become greater.

There would also be stiff competition from foreign multinational corporations that may have significant financial, technological, product development and managerial capability. Corporations that produce for the local market would need to meet world product standards in order to compete successfully with foreign-made products, they would need to upgrade their technology continuously, hire high level personnel who are "world class" and so on. If these corporations decide to invest in foreign countries or form joint ventures or strategic alliances, their personnel would need many skills. The skills would include not only international finance, marketing and negotiation skills but also political savvy, diplomatic skills, linguistic skills, the ability to avoid cross-cultural misunderstandings, etc. Individuals who work for a foreign MNC may face more demands and pressures from the international headquarters of the MNC: as MNCs rationalize their activities worldwide, local subsidiaries will be under pressure to increase profits and cut costs, contract out, downsize and delayer and so on. Thus, as globalization continues unabated, business life would get more interesting as well as more demanding. New Skills Needed for Professional Success in the 21st Century - The range of skills needed for professional success in the 21st century will be quite broad as a result of globalization of business. Business schools and MBA programs typically teach traditional business skills such as finance, accounting, marketing, human resource management and so on. Innovative business schools have introduced MBA programs that focus on international business management. Thus, these schools have "internationalized" and "globalized" their curricula. Students studying such curricula may also be required to spend a semester or two in a foreign country in order to broaden their outlook and prepare them for future work as global managers. Business executives and professionals who have not been exposed to business education programs that focus on international business will need to learn the necessary skills on their own. International business skills include not only those skills that are taught in traditional business education programs but also knowledge and skills that are important for professional success in a global context but that are seldom taught in business schools. Such skills and knowledge would include knowledge of the politics of foreign countries; an understanding of the norms, values and culture of foreign customers, foreign suppliers, foreign colleagues, foreign workers being managed by oneself, foreign business partners, foreign authorities, etc. Foreign language skills would also be useful for international business success.

An understanding of the norms and values of foreigners would also enhance the process of business negotiations. Americans are straightforward, impatient with hierarchy, dislike cautious and drawn-out negotiations ("beating around the bush") and like to sign clear-cut contracts. Americans are often puzzled by "Asian" behavior such as vagueness, deference to higher authority, avoidance of making anyone lose face in public, emphasis on the building of trust and the building of long-term business relationships and so on. An understanding of the values and business etiquette of different nationalities would help to facilitate international business enormously. The "*Culture Shock!*" book series published by Times Books International in Singapore make for amusing as well as eye-opening reading. In my opinion, they are a very informative as well as relatively painless way for the entrepreneur or manager to increase his or her "I.B. Quotient" (International Business Quotient) quickly. The business executive or professional will need to be familiar with "no-nos" and taboos in foreign societies in order to avoid faux pas or to avoid offending foreign customer, supplier, business partner or government authority sensibilities. For example, if American corporations wish to penetrate Third World markets, they need to be aware that it is offensive to market products made from pig by-products to Muslims, that Hindus will not eat products made from cattle and so on. Educational systems and outlooks need to be globalized and internationalized too. This is not impossible to achieve: small European nations that are also economic powerhouses such as the Netherlands, Switzerland and Sweden are showing the way for the rest of the world. Students need to be taught to be less ethnocentric and to be more broad-minded when it comes to the subject of the norms, values, beliefs and behavior of foreigners. Such training can only help them as they deal with foreigners in the years ahead. Students need to be taught that, in the future, they are likely to work for foreign-owned corporations operating locally. Even if they work for home grown corporations, they are likely to deal with foreign business partners and they may also be posted overseas as managers of MNCs operating overseas. Personnel who have been assigned to live and work in foreign countries will need to develop adequate coping skills as well as the ability to adjust to life in a foreign (and often very different) environment. These skills are not taught in schools and universities and therefore need to be learned individually. Those who have lived or studied overseas are relatively advantaged compared to those who have not had the chance to do so. An extended period of time spent as a student in a

foreign country enables one to deal more easily with foreigners from that particular country when one becomes an adult working professional. Thus, in my opinion, the effective professional of the 21st century would definitely need to possess "effective functioning in foreign environment" skills. These range from personal skills (e.g. an open mind, adaptability, quick adjustment to culture shock) to interpersonal skills. By interpersonal skills, I mean the ability to manage a dissatisfied or even unhappy spouse who has followed one to a posting in a foreign land, children who are having trouble adjusting to life in an alien environment, coming to terms with incidents of xenophobia, dealing with foreign colleagues and foreign bosses, managing foreign workers in their own country, dealing with foreign business partners and foreign authorities etc. Those who have studied or lived overseas can remember how they had to adjust to the culture shock they experienced as foreigners in an alien environment, e.g., they may have experienced surprise/shock at how the locals differ so much in their norms, values, beliefs and behavior. Western women may find the way in which women are treated in certain Middle Eastern, African or East Asian countries to be very difficult to accept. Interpersonal Skills in Foreign Environments - Earlier, I mentioned the challenge of managing dissatisfied or unhappy spouses and children while working in a foreign land. There are some writers who believe that an unhappy spouse is a major reason for failure in an overseas job posting. Thus, managers who are posted overseas need to be aware of this challenge if they want to perform effectively overseas. Individuals who work overseas may also experience incidents of xenophobia. Thus, it is necessary to be able to cope with incidents of xenophobia when these unpleasant events occur to oneself or to one's spouse or children.

A useful skill that a person working overseas needs to have is tact/diplomacy. As an alien working in a foreign country, one needs to be careful not to offend one's local boss, colleagues or subordinates. Thus, one may need to be very diplomatic when talking about local politics, local religious beliefs and practices, the foreign policy of the country one is working in, etc. American professionals working overseas also need to understand how the local political system works and how to handle the local authorities (politicians, police etc). In certain countries, access to local politicians and other influential people can help to facilitate business transactions considerably. In other countries, petty corruption and even high level corruption is widespread and the American professional is likely to be faced with an ethical dilemma when he or she is expected to make "under the counter" payments or expensive presents in order to get business going. In such cases, the counsel of local business partners and local advisers can be of enormous help. The challenges brought about by globalization for business executives and professionals are great indeed. However, they are impossible to avoid and therefore, new skills such as those discussed above need to be developed or acquired in order to meet these challenges successfully. Kai-Lit Phua is a Malaysian sociologist who received his tertiary education in the United States. He has worked as an analyst with a U.S. state health department and as a manager in the private sector of one of the world's most globalized nations - the Republic of Singapore. His personal website is located at: <http://phuakl.tripod.com/index.html>

From [CEO Refresher](#), by Kai-Lit Phua, 2 April 2002

Development and Globalization: Friends or Foes?

"Demonstration effects" are important, especially when they come from within your peer group. It is one thing to dismiss "lessons" from strangers; it is another thing to ignore your friends and relatives. Many emerging market participants, including country populations and governments, are observing with interest two contrasting cases in two different regions. Call it the Argentina versus Mexico contrast in Latin America, and South Africa versus Zimbabwe in Africa. As well as providing interesting micro insights, the lessons drawn from these comparisons will impact the manner in which people react to the question of whether globalization helps or hinders development. This, in turn, will impact returns on EM bonds—this at a time when the asset class has continued to reward soundly its investors. In this context, and as part of the regular on-the-ground updating of our credit assessments, I had the opportunity recently to hold meetings in two of these countries: Mexico and South Africa. These two globally-oriented investment-grade credits are anchored by solid macro fundamentals. This has allowed them to navigate well through last year's global slowdown, and facilitates the needed implementation of structural reforms. The experiences of Mexico and South Africa could legitimately act as regional examples of success, thereby benefiting the asset class as a whole. But most of the media focus is elsewhere: Both countries currently have regional neighbors (Argentina and Zimbabwe) that are in the midst of multi-faceted homegrown crises. As the contrasts among these countries are significant, the question arises as to which demonstration effects will ultimately prevail—not only for populations, governments and investors in the respective regions; but also for countries elsewhere that are at an earlier stage in the development and globalization process. One last bit of preamble before we dive into some of the specifics.

Economics and finance are not the only drivers of this comparative analysis; there is also an important socio-political dimension. Indeed, this debate is part of an interesting shift in the traditional analytics of EM contagion: away from purely economic and financial considerations and toward a greater emphasis on political and ideological components. The Latin American Contrast - Mexico vs. Argentina. Latin American populations and governments are currently confronted with diametrically opposite demonstration effects from within the region: Argentina and Mexico. And the debate is not just a theoretical one; it can have important political consequences. This is particularly true for Brazil in the run-up to its October presidential elections. It could also influence the political maneuvering in Colombia and Venezuela. According to conventional wisdom, both Argentina and Mexico were models of countries pursuing the globalization model. Yet the outcomes could not be more different in terms of impact on the development process. In the

case of Mexico, the steadfast commitment to macro discipline and economic liberalization has enabled the country to maintain healthy multi-year economic growth and, most recently, navigate well through the 2001 sharp drop in U.S. demand and the decline in oil prices. This has not been lost on the major rating agencies: all three have upgraded Mexico's sovereign credit rating in the last couple of months. Despite these achievements, the Mexican authorities are not even close to resting on their laurels. On my trip there last month, I was impressed by the extent to which officials are aware of the "challenges of success;" are committed to maintaining their macro-economic momentum; and are attempting to speed up lagging structural reforms. In short, Mexico is an example of a country where development and globalization are progressing hand in hand. Argentina is, regrettably, on a very different path. Its population is having to come to grips with the grim realities of the vast wealth devastation resulting from the country's multi-faceted crisis.¹ The economic characteristics are now well known. GDP growth and budget deficits. Argentina's negative GDP growth and its relatively large fiscal deficit (especially if cyclically adjusted) stand in sharp contrast to Mexico's numbers. Argentina's sad situation now includes collapsing domestic demand, imploding tax revenues, accelerating inflation, a disorderly devaluation, the largest sovereign default in history, frozen bank deposits, spreading poverty, etc... And the damage is not limited to the economic and financial domain. Political legitimacy has been severely eroded, the social fabric is under enormous stress, and repeated street protests raise the specter of broader socio-political instability. Not surprisingly, the Argentine government is having difficulties developing a comprehensive and consistent policy response. It does not yet have the political support needed to dictate the way in which various segments of society will see their wealth reduced. Instead, it is responding in an ad hoc manner to localized pressures, in a sequence that is often self-defeating and exemplifies the fallacy of composition.

What accentuates the regional and systemic interest in this tragedy is that many observers (and participants) still remember being told that Argentina is the "poster child" for the globalization model. It is therefore not surprising that they are led, mistakenly in my opinion, to conclude that the model is the cause of Argentina's de-development. To distinguish between these two very different, real life experiences with development and globalization, one must go behind appearances and assess a fundamental issue: the extent to which the two countries actually implemented the globalization model. A serious analysis of the data would come to the following conclusion: Argentina talked the talk, while Mexico walked the walk. Interestingly, this hypothesis is starting to enter the official re-interpretation of Latin American economic history in the 1990s. The African Contrast - South Africa vs. Zimbabwe. Unlike Mexico, South Africa has not been totally immune from the crisis of its neighbor. Specifically, while external bond spreads have been steady in South Africa, currency market volatility has increased mainly as a result of the reaction of trading accounts to Zimbabwe's unstable political and financial situation. Interestingly, the most-often stated rationale for this contagion is not economic; it is political. It runs something along the following lines: (a) Both countries are overcoming the legacy of a race-inspired repression of a majority by a minority; (b) after initial gains, Zimbabwe has seen growing violent tensions between blacks and whites and, in the most recent presidential elections, undemocratic suppression of the black opposition; (c) Zimbabwe's fragile political situation is accompanied by an economic and financial collapse; and (d) since Zimbabwe was ahead of South Africa in establishing majority rule, its most recent experience may well be a predictor for South Africa. For some, the analysis goes further. They argue that since Zimbabwe is now threatened by international sanctions, even its limited interaction with the global economy serves as a significant source of economic vulnerability. This viewpoint sees globalization as undermining the economic development of Zimbabwe.

These arguments, while understandable, are intellectually naïve and are inconsistent with the basic data. For example, just look at the same set of charts that was used for Latin America. South Africa has established an enviable record of improving fiscal discipline in recent years, including a deficit of only 1.4% of GDP in 2001; Zimbabwe's budget deficit is spectacularly out of control at over 25% of GDP. The economic growth record is also very different. The contrast is also picked up in all other measures of economic and financial performance—be it the balance of payments, monetary variables, debt indicators, poverty alleviation, etc... It is this fundamental difference in flow measures that differentiates the two countries' abilities to deal with the stock legacy. And this legacy is not insignificant: It includes the impact of what was an unnatural concentration of wealth and political power in the hands of a small minority of the population; the withholding from the majority of basic freedoms (including education, health, and self-expression); and overcoming the impact of international sanctions (imposed during the "lost years" and lifted when majority rule was achieved). The vast majority of people visiting Southern Africa empathize deeply with the struggle for freedom that the majority black populations have endured. They support the process of black economic and political empowerment. In this regard, they admire what the South African government is doing, and they increasingly despair at the government of Zimbabwe. South Africa's economic approach has been anchored by the traditional components of the globalization model: establish and maintain fiscal and monetary discipline (including by fundamentally strengthening fiscal institutions and the central bank); strengthen the net international reserve cushion; embark on a process of deregulation, liberalization, and privatization of domestic economic activity; and gradually liberalize the external payments system. My best insight as to why South Africa is succeeding in this regard comes from listening last week to the officials leading the transformation and reconciliation process. Their deeply-held belief essentially boils down to the following: We fought hard for freedom; we must consistently anchor it by responsible economic and financial management. This mindset places the country in a good position to deal with difficult structural challenges that include large employment creation and the AIDS/HIV problem. Contrast this with Zimbabwe: increasingly horrendous economic and financial policies have led to the imposition of distortive controls. The resulting severe deterioration in the economy has alienated growing segments of the population. To retain control, the government has resorted

to increasingly undemocratic methods, thereby severely undermining international support (including last week's declaration of a one-year suspension from the membership of the Commonwealth). The Bottom Line - As an economist and an EM investor, I derive a simple message from this comparative analysis: The globalization model works provided (a) it is sustained and (b) seemingly compelling short cuts are resisted. To use one of my colleague's (Bill Powers) favorite phrases: "It's a marathon, not a sprint." Mexico and South Africa show that the development process benefits significantly from the responsible and consistent implementation of the model. I will take this any time over the seemingly opportunistic, but ultimately disastrous, approaches adopted by Argentina and Zimbabwe. I suspect that I am not alone in this regard. The vast majority of investors, governments, and populations are likely to come to the same conclusion. Indeed, the demonstration effects from the two sets of contrasting experiences (Argentina versus Mexico and South Africa versus Zimbabwe) will likely reinforce what I believe is a secular change in the risk/return characteristics of the asset class—one that, as discussed in the last EMW, allows decoupling and differentiation to prevail, reduces systemic contagion risk, and reinforces the returns and diversification characteristics of the asset class.

From [Invest Avenue](#), by [Mohammed El-Erian](#) from [Pimco](#), 4 April 2002

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The White House contends such deals are good for American workers because they boost U.S. exports. Opponents argue that trade agreements have allowed U.S. companies to close factories in this country and move the jobs to low-wage nations. On the other hand, the television series shows simmering anger in many poor nations about the refusal of rich countries to lower barriers further in such politically sensitive sectors as steel, textiles and farm products, all areas in which developing countries see good export opportunities. Harvard University professor Jeffrey Sachs, a leading authority on development issues, said policymakers must address the wide gaps in annual incomes, from \$30,000 per capita in many rich countries to less than \$300 per person in poor nations. "It is astounding to be on the same planet and have this extreme variation," he said. Yergin said he does see glimmers of hope since Sept. 11 that the world will deal with the promise and the problems of globalization. He noted that the World Trade Organization, after failing spectacularly in Seattle to launch a new round of negotiations to further lower trade barriers, succeeded last December - launching negotiations that have been dubbed the "development round" for their goal of lowering trade barriers that are most harmful to poor countries. Former President Bill Clinton concedes in the program that he repeatedly failed to get Congress to give him the authority to negotiate new trade agreements. But he said the debate over trade needed to go forward, emphasizing help for Americans who lose jobs to exports and higher living standards in all nations.

From [Star Tribune](#), 4 April 2002

Corruption Could Hamper Angola's Oil-rich Future

The peace agreement signed at the weekend that ends Angola's 27-year civil war deprives the rulers of the country - potentially the richest in Africa - of further excuses for high level corruption, poor governance and the continued impoverishment of its people. The ruling MPLA blamed the war for 125 per cent inflation, devastated infrastructure and the fact that four million out of 12 million Angolans had become internal refugees. The peace deal between the MPLA (Popular Movement for the Liberation of Angola) and the UNITA guerrilla movement followed hard on the heels of the killing last month of the legendary and notorious UNITA leader Jonas Savimbi. Savimbi's guerrilla campaign was the excuse the government gave for spending its vast oil and diamond wealth on military hardware, ignoring social investment in health and agriculture while mortgaging future oil production. "What was the point of building a bridge if Savimbi was going to blow it up? You know how expensive a bridge is," said Manuel Augusto, the deputy information minister. Savimbi provided the necessary excuses to preserve the lavish lifestyle of the ruling Marxist-turned-capitalist elite and a 100,000-strong army. "This war severely pushed us," said Mr. Augusto. "It was one of the most costly wars in the world." None bore the cost more heavily than Angola's children. One in four die before the age of five. A preventable disease kills an Angolan infant every three minutes, say UNICEF, which has judged Angola "the worst country on earth for a child to be born in". Oscar Sarroca, a director of the UN's World Food Programme in Angola, said the government had for years been more focussed on the war than the continually deteriorating humanitarian situation. "The war entirely changed the population pattern," he said. "Most people are in the cities and the countryside is almost empty." The government has geared the economy to the war effort for so long that the sudden change in priorities threatens to upset the patronage network among the rulers.

The human rights group Global Witness last week released a report in which it estimated that some \$1.4 billion in Angolan oil revenues "disappeared" from official finances in 1991 alone, sometimes piggy-backing on official transactions with big international oil companies. Angola, currently the second biggest oil producer in Africa, will overtake Nigeria within the next few years as more and more offshore oilfields come into production. Geologists believe its reserves will prove to match Saudi Arabia's. The world's largest offshore platform, the Girassol, was inaugurated in Angolan waters this month by Total/FinaElf: it will add 200,000 barrels of crude per day to the country's current 950,000 barrels per day output. The United States expects to get 15 per cent of its oil needs from Angola by 2009, compared with the current figure of just over 5 per cent. Global Witness director Simon Taylor criticised the MPLA's secrecy and the web of intricate finances that had linked the government, the central bank, the state oil company Sonangol and foreign arms dealers. He hoped the death of Savimbi and the peace deal meant that the country's massive oil revenue could now be used for economic development instead of funding the war. "Rising oil revenues have been diverted straight into parallel budgets of the shadow state," he said. Despite oil revenues of around \$8 billion last year three-quarters of the population live in abject poverty, surviving on less than one dollar a day. Life expectancy is less than 45 years. Mr. Taylor said a move by Britain's BP last year to release voluntarily financial data had drawn fire from Sonangol which threatened to kick the company out of the oil-rich country. With little public money devoted to schools, roads, health care or wages for civil servants, the extremes in Angola are grotesque: international tycoons and starving refugees, fabulously wealthy cabinet ministers with luxury seaside villas and countless thousands of dirt-poor children who sleep in city sewers. Underpaid teachers demand payments to enrol students in schools that are nominally free. Doctors and nurses at state-run hospitals and clinics demand payments before attending to injuries and diseases. "If you want to get anything in Angola you must pay off someone," says 23-year-old Henriques Lopes who last year dropped out of Agostinho Neto University, in Luanda, the capital, when a professor demanded a \$20 bribe he could not afford. "People see how corrupt the government is and that it doesn't care about them and their suffering. There is no right or wrong anymore. People feel they must do whatever they can to survive."

From [Hoovers via Oil News](#), by Fred Bridgland, 2 April 2002

BBC Governors' Roles Modernized - Gavyn Davies was Appointed Chairman in September 2001

Changes in the way the BBC is governed have come into effect to bring it into line with public expectations of the corporation. The main change is in the Governance and Accountability department, formerly the Secretary's Office, which will aim to give a clear distinction between the role of the governors and the executive committee. Chairman Gavyn Davies outlined his vision for the way the BBC will be regulated earlier in the year, with plans to formalise a relationship with the proposed new communications watchdog Ofcom. The changes should also see more robust and independent advice given to support the governors in fulfilling their responsibilities as well as greater openness and accountability. Disability services - Another major change at the BBC is the launch of

a new, wholly-owned commercial subsidiary, BBC Broadcast Ltd. The company will offer services to other television providers such as creating and managing new channels as well as technical and editorial skills. Broadcast Ltd's remit will also include branding, cross-media promotional campaigns, subtitling and other disability access services. The changes to the way the governors work has been implemented ahead of the creation of Ofcom. Many commercial broadcasters have said it would be unfair for the BBC to sit outside Ofcom's regulatory powers, which will act as a watchdog for viewers' interests and ensure channels keep their promises. Decency - The BBC is currently regulated by a board of governors, chaired by Mr. Davies, with the remit of setting key objectives and ensuring public accountability. But last year, members of the House of Commons' Culture Committee said they wanted the BBC to be fully regulated by Ofcom, which would oversee broadcasting and telecommunications services. But Mr. Davies has already pointed out that the BBC would be regulated by Ofcom in several key areas, including economic regulation, taste and decency issues and quotas on regional, independent and original production. He has said the only difference between BBC regulation and the regulation of commercial broadcasters would be that the final "back-stop" powers will rest with Ofcom for commercial broadcasters and the culture secretary for the BBC.

From [BBC](#), 3 April 2002

Civil Service and Ethics in Public Sector

Asia/Pacific

Tung's Message to Civil Servants: I'm the Boss

Taming the Civil Service May not Improve the Quality of its Advice - Tung Chee-hwa has no intention of moving fast on democratic reform, but at the start of his second term he is showing no reluctance to remodel the 184,000-strong, British-style civil service. On July 1, he will introduce a new "accountability system," where he will appoint eight officials under contract to take responsibility for policy areas. Some commentators liken it to a ministerial system of government. These officials will sit in the Executive Council, his top advisory body. Critics see it as an attempt to deflect pressure for political reform. "I fear it is a response that aims to pre-empt the democracy discussion for 2007," says Michael Davis, a constitutional expert at Hong Kong's Chinese University. Tung is also accused of trying to tighten Beijing's grip on the civil service by appointing cronies to positions previously won on merit. Long-serving officials doubt simply adding a layer at the top will improve the relationship between him and bureaucrats. They say Tung needs to trust officials to give fearless and frank advice based on due process. They then must carry out his instructions, whether they like them or not. Hong Kong's powerful, apolitical civil service is touted as one of the city's competitive strengths in a region where efficient government is rare. It also plays an important role in acting as a "check and balance" in a community without democracy, the officials say. However, to pro-Beijing factions in Hong Kong, it is more like a British fifth column allowed to retain perks of pay, housing and power while frustrating Tung's administration. In January last year, popular civil service head Anson Chan quit after being sidelined in the corridors of power and undermined in Beijing. This cleared the way for a reshuffle allowing Tung to name as financial secretary banker Antony Leung--who plans to marry a Chinese Olympic diving star and prominent Communist Party member. These changes combined with the appointment of policy "ministers" will give Tung a group of sympathetic officials at the top of the civil service. But some believe it will do nothing to boost the quality of advice on offer. "All he will be left with will be yes-men," contends one insider.

From [Far Eastern Economic Review](#), by David Lague, 4 April 2002

India's Key Public Services Have Greater Reach but Fall Short on Quality

New Delhi - While 73% in the country have access to a medical facility within 3 kms from the place of residence only 13% of the users are fully satisfied with the behavior of doctors and paramedical staff across the country. Access to a Public Distribution System outlet is a whopping 87% across the country but less than 10% are fully satisfied with the different aspects of PDS. Across the country over 66% of Indian citizens can access an educational facility within 1km from the place of residence but only 16% are fully satisfied with the teachers and an abysmal 5% with the sanitation levels in the schools. More than half the population in the country has access to protected source of drinking water within 100 meters of the house but the levels of satisfaction vary dramatically across states from only 25% in Kerala to 53% in Tripura. Public Transport is available to 54% round the year but only 22% are fully satisfied with the overall system. The Central and State Governments in India have till now focused more on extending the access to key public services and given less attention to the quality, reliability and effectiveness of these services. This fact has been brought to light in the first ever independent, nation-wide study on the quality of public services in India. Pioneered by the Public Affairs Centre, an independent Bangalore-based, non-profit think tank, the study was released today formally by Dr Manmohan Singh, MP and former Union Finance Minister, at a press conference here today Titled 'State of India's Public Services: Benchmarks for the New millennium', the study

attempts to provide a well focused and independent assessment of key public services, create an independent database and benchmarks to measure the progress and performance of these services over a period of time and stimulate public debate on critical issues affecting the users of these services. Conducted over 4 months (April-July) in 2001 by ORG-MARG in 24 states and covering 37,000 households, the millennial study focuses on the five basic public services that are of special concern to the weaker sections of society, and in which the government has invested thousands of crores of rupees. These include Drinking Water, Health & Sanitation, Education & Childcare, Public Distribution System (Fair Price Shops) and Road Transport. The study is unique in its perspective on the citizen's viewpoint and in its use of 'satisfaction' as a measure of the citizen's overall assessment of essential public services. Speaking on the occasion Dr Samuel Paul, Chairman, Public Affairs Centre said, "Underlying the survey is the conviction that feedback from the users, those for whom public services are meant, will effectively fill the information gaps for assessing the efficiency of public expenditure." "The satisfaction scores are tellingly reflective of the people's concerns. Governments now need to shift gears to address this challenge and search for new ways to enhance the effectiveness and quality of public services without incurring mindless expenditure. This feedback can provide early warning signals that can be used by governments to redesign services and make mid-course corrections so as to improve the service outcomes", He added. The survey highlights interesting state-wise facts on the five public services. These services have been compared across India with respect to citizens' access to facilities, usage of public services, quality/reliability of public services and satisfaction with the qualitative and quantitative dimensions of service delivery. In overall terms, drinking water is ahead of other services; however, in terms of access, it lags behind the rest.

Dependence on public sources is found to be high for PDS and primary education and low for road transport, health services and drinking water. Reliability of services is found to be relatively high for drinking water (public sources) and health and low for PDS, primary schools and road transport. Scores on full satisfaction are generally observed to be on the low side; a significant proportion of users are partially satisfied. Services with a high element of human interaction report significantly lower satisfaction. According to the findings high income levels and infrastructure spending by themselves do not ensure a higher quality of governance. On the other hand, disadvantages to the poor and marginalised sections arise not only from low incomes, but also other features such as remoteness of location of state funded services. To sum up, the factors behind the achievements and problems highlighted by the survey findings can either be attributed to the success or failure of public policy or can be traced back to the design and management of service delivery mechanisms. The Government of India and the state governments seem to have just focused on providing basic services than insuring reliability, effectiveness and quality. Every public service therefore needs to be assessed from all angles. If the policies are at fault, fine-tuning the delivery mechanisms may not help. Public Affairs Centre - Public Affairs Centre (PAC) was established in Bangalore in 1994. Its underlying premise is that the quality of governance will improve only when civil society is aware and active in demanding greater accountability from government and its agencies. PAC's strength and credibility lie in its independence and commitment to strengthening civil society institutions. PAC's uniqueness is in bringing together research and action, an appropriate approach for an institution attempting to influence the quality of governance. Its research aims to provide a stimulus for action. And, its action in turn is powered by knowledge derived from research.

From [IPAN Online](#), 5 April 2002

The Americas

Stan Bunn Fights State Lawsuit Over Ethics Violations

Salem, Ore. - Stan Bunn, the state Superintendent of Public Instruction, has asked a court to dismiss the state lawsuit against him, claiming that an ethics panel acted one month too late in accusing him of more than 1,400 violations. The state Government Standards and Practices Commission ruled in January that Bunn illegally made personal use of state phones and cars since taking office in 1999. Bunn, who is running for re-election, refused to accept the ruling, forcing the panel to take him to court. The commission sued Bunn in February, seeking a fine of as much as \$1.4 million. In filings Friday in Marion County, Bunn said the commission has 120 days to complete an investigation, which would have required the agency to finish by late December. He said the commission decided in late November to extend its investigation by 30 days, which it is allowed to do, but improperly added the extra time to the 120-day period. John DiLorenzo, Bunn's attorney, said the commission had to act 30 days from the date of its vote, which would have meant completing the inquiry by Dec. 28. The commission didn't finish the case until Jan. 22, when it ruled against Bunn. State attorneys wouldn't comment to *The Oregonian* on Monday, but the commission's attorney had advised the group in November that the law did allow the agency to stretch the case into January. The commission extended its investigation because Bunn filed several hundred pages of material with investigators a month after the Sept. 28 deadline they set. Investigators said they needed more time to study Bunn's material and obtain additional information. Bunn, who denies any wrongdoing, objected to the extension in November, saying, "I want to get this over with." DiLorenzo said he and the state have agreed to get a ruling on Bunn's challenges soon. He said he wasn't sure that would happen before the May 21 primary election. Bunn faces two opponents, Susan Castillo and Rob Kremer, in the nonpartisan race for superintendent.

From [Channel6000](#), 3 April 2002

Commissioners Want Watchdog to Pay Up

The Leon County Commission is looking for a way to turn the tables on citizen watchdog Eugene Danaher, saying his recent unsuccessful complaints against Commissioners Cliff Thael and Tony Grippa were factually inaccurate. Danaher countered that other complaints have found fertile ground on the commission, and a formal ethics code for the commission is overdue. Grippa, who last week requested the commission pursue reimbursement, said he spent roughly \$2,000 in defending himself from the complaint that included allegations he had a voting conflict when the county selected its insurance providers. "It's obviously not the amount; it's the principle of the issue," Grippa said. "I don't think the ethics process should be used for political gain or to assault somebody." "This is a commission that's not even concerned about ethics, and as a citizen I am concerned about ethics," said Danaher, a retired General Motors executive. Danaher emphasized his successes with the Ethics Commission. He pointed to penalties levied by the ethics commission against former Commissioner Gary Yordon and current Commissioner Bill Proctor, as well as a finding of probable cause against suspended Commissioner Rudy Maloy. The complaints against Thael and Grippa were the most recent. "I just don't think that's a bad batting average for someone who's seriously interested in improving ... the commission," Danaher said.

Thael already has submitted a request for reimbursement to the county for his successful defense under a policy that allows the county attorney to repay commissioners for legal expenses. He said Danaher should pay back the county. "The Florida ethics law requires citizen participation to work, but for me, with that right comes responsibility," Thael said. "Danaher had the responsibility to check his facts and failed to do so." The Florida Commission on Ethics cannot investigate alleged violations of the Sunshine Amendment or the state Code of Ethics unless a person files a sworn complaint. Bonnie Williams, executive director of the Ethics Commission, counted 37 complaints filed by Danaher since 1992. She couldn't immediately give a tally of how many he'd won or lost but said he'd been successful in several prominent cases. "He doesn't have a bad record," Williams said. Danaher's frequent complaints have drawn criticism from public officials - some themselves subjects of complaints - who maintain that dealing with his complaints costs the government time and money. The law allows an official to seek reimbursement for a complaint if it is filed "with a malicious intent to injure the reputation of such officer or employee by filing the complaint with knowledge that the complaint contains one or more false allegations or with reckless disregard for whether the complaint contains false allegations of fact material to a violation of this part ..." Danaher said he's saddened by the situation. "There's no malice. Heaven's sakes," Danaher said.

From [Tallahassee Democrat](#), by John Fleming, 3 April 2002

SAG Members Sign Off on Governance Plan

The membership of the Screen Actors Guild voted overwhelmingly in support of adopting a new Governance plan that will reduce SAG's current 107-member board by 33%. Of the 20,719 ballots tallied Thursday, 18,503 (89.37%) were in favor the plan, while 2,151 (10.39%) were opposed. Only 65 of 96,167 ballots mailed out March 8 were deemed invalid. The plan, approved by the SAG Board in October, calls for a new 71-member board to share in a total of 60 votes, which will be divided up based on proportional representation of members in three geographical sectors: Hollywood, New York and the regional branches. "The approval of the new Governance plan is a very significant step in moving us toward our goal of becoming the most respected and effective union in the entertainment industry and advancing our mission of better serving our members," SAG national executive director Bob Pisano said. Much controversy surrounded the Governance plan, which pitted members of the Hollywood branch against East Coast and branch members. Members of the Hollywood board, citing the fairness of proportional representation and the need to cut costs, favored the plan. Many East Coast members and branch offices feared a loss of influence because the original plan called for some of those offices to lose direct representation on the board, which some foresaw as the first step toward office closures.

The plan calls for no office closures. "It has been a long, hard fight, and I am just grateful to (previous SAG president) Bill Daniels, who kept the board focus on the issue of fair government for every member of the guild," said Gary Epp, chairman of the Governance Committee. "Bill was a strong supporter of doing something about that 107-seat leviathan. I got to give a kudo to (SAG president) Melissa Gilbert when she picked up the mantle, she supported equal representation for SAG members, regardless of where you live and who you are - and as a little perk, it saves a half-million dollars a year." SAG's Hollywood board members, representing 53% of the guild's 98,000 members (according to a 2000 census), will receive 32 of the 60 votes. New York will be allotted 15 votes, while the remaining regional branches will share in 13 votes. Among the branches, Florida and Chicago will have two votes each, San Francisco and Washington will each have one vote, while the remaining 16 branches will share equally in the remaining seven votes. Membership approval also sets into motion a new election for the 69 national board seats will take place in September. The current national president, treasurer and recording secretary will serve out the rest of their terms. The plan also calls for the board of directors to be reapportioned every two years, to reflect any changes in the membership. SAG will conduct a new census this month. Other changes include a reduction in the number of vps from 12 to three, with the first, second and third vps representing Hollywood, New York and the regional branches, respectively. In two years' time, the positions of recording secretary and treasurer will be folded into one position called secretary-treasurer. The national executive committee will now be composed of 25 members - 12 representing

Hollywood, six representing New York and five representing the regional branches, with the president and secretary-treasurer each wielding one vote, with no affiliation to any of the three geographic regions.

From BackStage.com, by Peter Kiefer, 3 April 2002

Shadow Government Offers Chance to Serve

Minneapolis - In recent weeks, a news story emerged explicating the current George W. Bush administration's use of an Eisenhower plan creating a shadow government to mind the shop should the course of world events get a little harried. In secret bunkers somewhere on the East Coast, a group of apparently not really missed civil servants sit and wait for 90 days until relieved by an equally pasty-faced group of shadow elite. Why the secret bunkers are on the eastern seaboard and not somewhere completely innocuous like Canada is beyond my grasp. I can only imagine the amount of overtime pay for these secretive groups sitting 24 hours per day in concrete bunkers, surrounded by an inspirational decor of military green and overhead, phosphorescent lighting illuminating copies of Dale Carnegie's "How to Win Friends and Influence People." Perhaps the bunker reading list also contains copies of Antonio Gramsci's "The Prison Notebooks," and maybe an antique-paper-style reproduction of the U.S. Constitution. On second thought, who's kidding whom? We left that silly old piece of paper guaranteeing a representational democracy on a pile of burning Floridian chads in 2000. Many social and political critics have spilled deep wells of ink regarding the shadow government situation; I have read those essays with great critical attention. In the final analysis, I think most commentators have fundamentally missed the important aspects of the Bush administration's "Continuity of Operations Plan." As with some other recent cultural gems produced by rampant American nationalist delusions (incidentally, thanks to those who continue to help my cause with the American Council of Trustees and Alumni), I am deeply hurt by one thing: I am not directly involved in the Bush administration's shadow government. In no uncertain terms, I want into the elite group of bunker dwellers ready to ride shotgun with Vice President Dick Cheney when some counter-Americans need smokin' out of their holes. Brief pause: I am struck by the odd homoerotic overtones of Bush's rhetoric when discussing military action. But to be clear regarding my commentary, I am not asking, I am not telling and I am absolutely not pursuing - since the grounds for expulsion from the United States appear rather shaky in our current historical moment.

To restate my central point: I really want to be one of the secretive civil servants locked away in the bunker, fantasizing about ruling with supreme power in a crisis state of martial law while sipping bottled water. In order to facilitate my dream, I have compiled the following list demonstrating my qualifications for the elite job of bunker sitting. Since my father is a funeral director, the proper paperwork could be arranged so my 90-day disappearance would allow me to claim my own unexpected death, thereby freeing me from ever paying back any of my student loans and/or credit card bills. I am ready to die for my country in this time of national crisis, and nothing says qualified bunker sitter better than a dead man who's still alive. I did not vote for Al Gore, and I imagine that must carry some kind of political capital with the Bush administration. I do frequently vote in most elections, however, so that might be a problem. I have never invested in Enron or any of the energy companies frequently stroked, er, I mean, "consulted" by the Bush Administration, thereby guaranteeing a balanced opinion on whether or not to smoke out the tree huggers with sniper fire. As an actor proficient in mime and performance poetry, I could keep fellow bunker mates entertained for hours with my syn-co-p-a-ted verse and slow motion walking on invisible tight ropes behind glass walls. I've also been known to sing a show tune or two, but that might be crossing some lines, so I would refrain from presenting my interpretation of "Memories" from "Cats." I am a white, heterosexual, college-educated male who likes to wear cowboy hats. Since 1992, I have subscribed to The New York Times, thereby guaranteeing my full and complete understanding of how the liberal media establishment operates. In a few years, I will complete my interdisciplinary studies doctorate. And I think being locked in a concrete bunker for 24 hours per day with complete strangers would be an excellent opportunity to test my theories on group behavior resulting from prolonged exposure to explications of 19th century medical writings on human sexuality. A sublime experience for all involved - just ask my students. I can lift heavy objects.

I never eat pretzels. Assuming the entire world went up in flames and I was responsible for re-populating the earth with my pre-selected female bunker buddy, I could promise good results. For the sake of full disclosure: Sure I tried to work for a sperm bank once and got rejected twice because not enough Marines were reaching the beachhead, but that was a long time ago. I guarantee no more stems and seeds circulate through the old system that would cause plumbing problems to my bunker-ready body. Now I know some people will say I am being too glib, a little too cheeky regarding the apparent constitutional issues involved during this time of national crisis blah, blah, blah ... the ruins of Europe in back of me. Yes, yes, the issues involved are complex, but as long as the stock market stays strong, the axis of evil keeps producing the fruits of the devil and the Twins baseball franchise gets a new stadium - who really cares? If Abraham Lincoln can suspend the writ of habeas corpus, then by all means the Bush-Cheney power-sharing agreement can operate a secret shadow government organization prepared to run a country legally required to hold democratic elections. The first President Bush did quite well with those situations in Central and South America during the 1980s, and I am sure the current President Bush can ask for his father's help 24 hours a day. Meanwhile, I hope to soon be deep within a bunker, fingers on various buttons attached to launch codes, thinking about more critically engaged times in American history.

From U-Wire.com, by John Troyer, 2 April 2002

Bush To Boost Head Start Programs

Media, Pa - President George W. Bush called reading the "new civil right" in America as he unveiled his new initiatives for Head Start programs during an appearance Tuesday at a Penn State University satellite campus. "We must leave no child behind. My administration will not be distracted from these goals. As we fight for freedom, I also understand that freedom means no child in America will be left behind. The new civil right in America is reading." Bush said. Bush left Washington in the early afternoon for the short trip to the city of Media, where U.S. Department of Education Secretary Rod Paige and Pennsylvania Republican Sen. Arlen Specter joined Bush as he announced plans to boost the quality of Head Start, a comprehensive education and health services program for low-income pre-school children. Afterwards he headed off to attend a campaign fundraiser for a GOP gubernatorial candidate. The new program, Bush said, would focus on pre-reading and language development in children. Head Start centers across the country would be required to enhance activities for children to acquire language and number skills and provide the youngsters with essential social service programs. "We've got to work with Head Start centers to make sure that they've got the curriculum necessary to teach every child the building blocks for reading," Bush said during the roundtable discussion. "We've got to work with states to encourage states to develop a strategy that will help focus the time and attention and resources on the programs that will not only give children the basics for reading, but give children the essential nourishment so that they can become ready to compete in the public school system in America," Bush said. Bush said he wants to reach nearly 50,000 Head Start teachers over the next 12 months with the tools necessary to teach basic skills. Bush also said he wants individual states receiving federal funds for child care to submit a plan promoting early childhood education. Those states would be required to provide pre-kindergarten programs with pre-reading and literacy skills, and have a plan to expand the training of their child-care and preschool teachers. First lady Laura Bush will also be launching a public awareness campaign with a series of booklets that give parents suggestions on child development during the crucial early states of a child's life. The publications, Bush said, will be available nationwide to families with newborns. In January the president signed the sweeping education reform legislation into law that set goals for the public education system. Under the reform package, the nation's schools will be required to increase annual performance testing for children in grades 3 through 8 in reading and math. Bush's reform package provides about \$1 billion aimed at ensuring all children read by the third grade while requiring states to have "highly qualified" teachers in every classroom within five years. The Bush White House expects that America will need more than 2 million new teachers by 2005. Congress approved \$3 billion in funding for teacher training, recruiting and hiring in fiscal year 2002, an increase of more than 35 percent over 2001.

Critics of the new education law - many of whom are school administrators - say the Bush White House has not provided enough funding to carry out its ambitious plan to overhaul the education system. They say that public schools, particularly those located in rural or poverty-stricken urban areas - suffer from a lack of qualified teachers and that Bush is asking some schools to dump successful learning programs for what the administration calls scientifically proven curriculums. "We applaud the general direction of improving teacher training," said Paul D. Houston, executive director of the American Association of School Administrators. But Houston said he was concerned about where the administration would find the money to fund the initiative. He also said he was concerned that Bush's focus was too concentrated on the education segment of Head Start and not enough on the social services aspect. Houston said he also had concerns as Head Start teachers fulfilled enhanced training requirements, they would continue to move into higher paying K-12 positions. The average salary for a Head Start teacher, he said, was \$20,000 per year, while the salaries for K-12 teachers range from \$35,000 to \$40,000 per year. After leaving the Penn State's Media campus, Bush headed for the Four Seasons Hotel in downtown Philadelphia. The president was expected to help raise \$1 million for Mark Fisher, Pennsylvania's attorney general, in a \$1,000 a plate dinner and a \$10,000 per person private reception. The president has been on an aggressive fund-raising blitz, traveling last week to South Carolina and Georgia where he helped raise some \$2 million for GOP candidates. Next week he is expected to be in Connecticut where he will attend fund-raising luncheons for three Republican moderates.

From [Insight Magazine](#), by [Hans S. Nichols](#), 4 April 2002

Employers Call for Building Industry Watchdog

A leading employer group has called for a national taskforce with sweeping powers to stamp out corruption in the building industry. The Australian Industry Group has made the call in a submission prepared for the Cole Royal Commission. The royal commission has heard evidence of rorts and standover tactics in the building industry in several states, and is currently sitting in Perth. The head of the Australian Industry Group, Bob Herbert, says the national taskforce is long overdue. "Previously when royal commissions have been undertaken, taskforces established on a state-by-state basis have happened in New South Wales and Western Australia," he said. "We're saying that why not look at this with a taskforce that applies nationally, which has quite wide and extensive powers to deal with abuses so that employers have got access to a body which has got some legal clout."

From [ABC Online](#), 2 April 2002

Governments Take a Hard Look at Privacy

With the Internet threatening the invasion of personal privacy, Asia-Pacific governments are taking measures to address this issue. The governments in Asia-Pacific have been behind the region's ongoing drive for privacy, both in and outside of the enterprise. This is because regional authorities have become increasingly aware of the need to ensure users' privacy in their goal of riding the Internet wave. Analyst group [IDC](#) conducted a survey in February that said countries throughout the region are launching "ambitious" government initiatives, using electronic technologies to improve both internal operations and public service delivery. "By embracing technology, governments are finding they can reap the same type of rewards as e-business," said Lisa Shishido, senior analyst for eBusiness and eGovernment, IDC Australia. "These rewards include more efficient business processes, improved public services, and cost savings, allowing governments to do more with less—all of which lead to greater satisfaction with government." Privacy is a key part of the e-government drive in Asia-Pacific, as exemplified by privacy guidelines set by the [Asia-Pacific Economic Cooperation \(APEC\)](#) on creating an environment for infrastructure investment and technology development. An APEC statement emphasised: "Economies that promote approaches to protect personal data are able to build trust and confidence in secure communication and information systems." To do that, the organisation advocates privacy protection be targeted at specific categories of data. For example, more rigorous approaches can be implemented for situations involving personal medical data and a less stringent approach for data such as personal contact information. Hong Kong is one Asia-Pacific economy that has been more proactive in responding to the need for privacy. Early last month, the privacy commissioner for Personal Data issued a draft of the Code of Practice on Monitoring and Personal Data Privacy at Work to provide a framework to employers that monitor and record the activities and behaviour of employees at work. The Code promotes balanced and transparent privacy practices and was developed based on the ["Office of the Privacy Commissioner for Personal Data's \(PCO's\) 2001 Data Users Survey"](#).

Alarmingly, the survey uncovered that only 22.1% of the surveyed companies had written memos informing employees of their monitoring policies although 63.6% of the surveyed companies admitted to having installed at least one type of employee monitoring device. High Priority - Although Hong Kong's survey revealed that some companies have a lax attitude towards protecting employee privacy, there are also others who take employee privacy seriously. Singapore's [Housing Development Board](#), for instance, gives employee privacy high priority, said the Board's CIO Alex Siow. Besides salary matters, which are treated as private and confidential, staff information such as names of family members and academic records, are revealed only on a "need-to-know basis", he said. Circulation of addresses and hand phone numbers are also restricted to those who need it, e.g. for a crisis exercise recall. In developing privacy policies, Jayne Radbone, manager, Business Solutions, Intelligent Internet, [Nortel Networks](#), said: "Asian enterprises must find their own balance of internal security and employee rights, while still operating in diverse areas of legislation." She explained this can be done through intelligent security on the network, which secures information the organisation deems as important while ensuring that staff have access only to the data that is required for them to perform their jobs. Among the methods recommended by the US government to ensure online privacy, in a draft on privacy and e-commerce, are the Platform for Privacy Preferences (P3P), and the Open Profiling Standard (OPS). Although both have similar functionalities, OPS allows the user to control the release of data in a secure manner, unlike P3P. P3P allows users to set their browsers according to their individual privacy preferences.

From [Asia Computer Weekly](#), by Loo Po Li, 31 March 2002

Aberdeen Group: Business Process Management Key to Efficient Government

Metastorm e-Work helps government agencies to improve services to citizens - Aberdeen Group has heralded Business Process Management (BPM) as the answer to efficient government. The report, developed in response to demand for high quality citizen services, highlights Metastorm as a supplier of applications directly targeted at the government sector. "BPM technology enables government agencies to dismantle obsolete bureaucratic divisions by cutting the labour and paper-intensive inefficiencies from manual, back-end processes," said Darcy Fowkes, research director for the Internet infrastructure practice at Aberdeen Group. "Faster and auditable processes allow employees to do more in less time, reducing paper use as well as administrative overheads and resources." The Modernising Government agenda in the UK has created strict deadlines for government agencies to deliver services electronically. At the same time, citizens are demanding higher accountability and better service from their elected and appointed public officials. The combined pressures have placed an onus on government agencies to change their structures and become more efficient by using technologies like BPM. "Both local and central government are working hard to get all of their services online by 2005," said Kim Lewis, vice-president, EMEA at Metastorm. "We ease the administrative burden and allow government agencies to devote their resources to serving citizens rather than serving the bureaucracy and paperwork that have defined government for so long." Metastorm is an established player in the government sector at a local and central level. Its government customers include: Bracknell Forest Borough Council, British Waterways, Dundee City Council, the US Department of Justice and Small Business Administration. The full report can be downloaded at <http://www.metastorm.com/aberdeen>. About Metastorm - Metastorm, Inc. (www.metastorm.com) is the leading supplier of BPM software to government and commercial markets. Its flagship product, e-Work™, automates the people-intensive and paper-based processes that divert employees from their higher-value activities. Flexible, scalable and compatible with legacy systems, e-Work solutions deploy quickly to provide efficiency with near-immediate and trackable ROI across the enterprise. Metastorm's European operations are based out of London, with headquarters in the U.S. Metastorm has hundreds of customers with thousands of users, worldwide. Organisations include national, regional and local governments, as well as commercial and services enterprises. For further press information please contact: [mailto: metastorm@lewispr.com](mailto:metastorm@lewispr.com) www.metastorm.com

From [LEWIS Virtual Press Room](#), 28 March 2002

B2C Reached E2m in 2001

A recent study issued for Romania by [Roland Berger](#) Strategy Consultants, a German advisory company, shows positive trends for the Romanian e-commerce sector. According to the study, the main B2C e-commerce actors in Romania are [Flamingo Computers](#), a local computer and components distributor, and two websites, [emania.ro](#), a general items e-commerce site, and [teora.ro](#), a online bookstore. The average monthly sales via websites were E6,750 for Flamingo, E4,625 for Emania and E3,750 for Teora, the study says. At the same time, the average number of monthly visitors was 14,000 for Flamingo, 2,000 for Emania and 3,000 for Teora. The study also says the Romanian B2C market reached about E2m in total sales last year. During the same period, Slovakia reached a total sales volume of E7.4m, while Hungary reached E8.6m and the Czech Republic E16m. "Once investments in performance IT systems grow, joined by the development of the legal framework, one can expect good growth rates of the sector, especially in terms of B2B," said Mihnea Mocanu, senior consultant with Roland Berger. In Romania's case, Roland Berger couldn't make an accurate estimate of the market, due to the fact that the vast majority of electronic transactions between companies lacked transparency. "However," Mocanu added, "with the recent launch of the public procurement system via the internet, [e-licitatie.ro](#), we are confident the B2B market in Romania will grow and will become more transparent."

From [Europemedia.net](#), 3 April 2002

British Library Bids to Save the Web

Huge project to archive 'disappearing history' - The race is on to save the millions of web pages that disappear from the net every day. Concerned that the huge amount of data and information, which is of historical significance, could be lost, the British Library is having a crack at saving it. The library, which has been saving books for more than 200 years, is running a pilot project that will archive some 100 British websites. Once it is up and running it plans to save more than 10,000 sites in a scheme called Domain UK. Sites being selected are of social and historical importance to the UK and require the library to get copyright clearance to make its archive available to the public. This is because the archiving of material has changed dramatically since the development of the computer. Previously book, magazine, periodical and newspaper publishers sent copies of everything they produced to the British Library, which filed them away. Digital information does not have the same obligation, meaning that much electronic information is lost forever. The British Library estimates that thousands of web pages and sites, which one day could be seen as invaluable documents of our time, are disappearing. For example some of the pages that people put up to commemorate the death of Diana, Princess of

Wales, or the loss of friends in the 11 September attacks, have all but disappeared from the web. As well as regularly archiving 10,000 sites, the library will take a look at, and store some of, the .uk domains which currently run to about 25 million pages.

From Computing.co.uk, by Nick Farrell, 1 April 2002

Ministers Urged to be More Web-Wise

The government has "much to do" to deliver services - such as applying for a driving licence - on the internet, according to the auditor general. Despite the millions spent on government websites, it is still not possible to claim or receive benefits online, says the National Audit Office report. While the government has indicated that 100% of services should be available via the web by 31 December, 2005, only a limited number are, says the Better Public Service Through e-Government paper. More than half of the 524 services routinely provided are online, but most offer information only. There are only seven services that provide grants and benefits on the internet and none collect revenue, the NAO report found. Costly - Auditor general Sir John Bourn said government departments had "much to do" if taxpayers are to see the full benefits of online technology. He warned the creators of internet services to avoid excluding lower-income groups who have less access to computers. He said there was a danger of low take-up from the public and the possibility of failure to develop projects that the public required. The report stated that internet services should be made quicker and cheaper than the alternative of filling forms on paper, making them more attractive to online users. Sir John said: "A significant amount of taxpayers' money is being spent on delivering public services through electronic means. "We have found examples of innovative practice, but there is much to do to realise the full potential from using internet technology and ensure a sufficient number of people use public services delivered electronically. "The major challenge is to get services online and to encourage and enable people to use them. "Otherwise, the considerable potential gains in departments' efficiency will not be delivered and large amounts of public money will have been wasted."

From BBC, 4 April 2002

Report Urges E-Government Extension

Despite massive spending on Government websites, few of the routine contacts which citizens have with state agencies can be carried out electronically, a new report says. Tasks like applying for a driving licence or claiming and receiving benefits still cannot be done online, the National Audit Office's report "Better Public Service Through e-Government" found. The Government has "much to do" if taxpayers are to reap the full benefits of internet technology, said auditor general Sir John Bourn. The Government has set itself the target of making 100% of services available online by December 31 2005. But while more than half of the 524 services routinely provided by departments have an online presence, most offer information only. Just seven services provide grants and benefits online and none collect revenue, the report found. Developers of online Government services must guard against the dangers of low take-up from the public, exclusion of lower-income groups who have less access to computers and the possible failure to develop projects of the type and quality required by the public, said Sir John. The report recommended an extension in the number of routine contacts with Government departments which can be carried out via the internet and more active marketing to alert the public to their existence. Users should be encouraged to use online services by making them cheaper and quicker than the alternative of filling forms on paper, it proposed. Sir John said: "The major challenge is to get services online and to encourage and enable people to use them. "Otherwise, the considerable potential gains in departments' efficiency will not be delivered and large amounts of public money will have been wasted."

From Ananova, 4 April 2002

The Americas

U.S. Contracting Must Revive Real Competition

In anything as massive and complicated as the federal government's annual \$230 billion purchases of goods and services, attempts to cut costs can backfire. Example: Clinton-era reforms to reduce paperwork and otherwise streamline government purchasing may have reduced competition as well. That's what the Associated Press discovered when it analyzed records of government contracting for the 2001 fiscal year. The Federal Procurement Data Center (<http://www.fpdc.gov>), maintains detailed information on contracts over \$25,000 made by executive branch departments and agencies. (It summarizes the smaller ones.) The FPDC statistics showed Washington bought more than half its goods and services in 2001 without competition - \$123 billion out of \$230 billion. That 53.5 percent represents a big increase since the 1990s reform of the contracting process. Government contracts on all levels are put up for open competition for good reason. Doing so reduces opportunities for official corruption and can save the public significant money. Proof? The Pentagon compared what it paid for commercially available spare parts when it bought them under competitive conditions and when it didn't. Between 1993 and 2000, the prices increased only half as fast when there was competition. Here's a horror story from the U.S. Department of Education: Auditors found it had paid the Puerto Rico Department of Education 400 percent too much to operate elementary school learning centers. They demanded DOE get back \$7.76 million of the total of \$9.7 million it had paid out

under a contract awarded without competition. What has happened? The failure claims many fathers. A 1984 law demanded full and open competition for all government purchases unless just one supplier existed. But the 1990s cutback on contracting paperwork, personnel and oversight opened the door to shortcuts that bypassed bidding. One reform let companies that were the only source available for a product or service quit having to certify their costs and prices. Many couldn't or wouldn't provide such information, meant to deter overcharging. That solved the problem all too well; last year, single source contracts (no bids solicited) accounted for \$78.5 billion, a whopping 34 percent of all the spending. Another 6.5 percent of contracts were covered by "multiple-award contracts" under which agencies may choose from a list of qualified suppliers and should (but often don't) shop among them for the best deal. And 7 percent of the government's spending went in contracts where only one bidder answered the call. It costs so much to prepare a bid that potential contractors refuse to compete unless they have a pretty sure shot at success. This trend away from competition in federal contracting, with opportunities for fraud and excess cost to taxpayers resulting, must be reversed. Maybe a task force can do the job - temporarily. But constant vigilance is the only lasting protection.

From [Macon Telegraph](#), 2 April 2002

Government a Bad Shopper - Half of Purchases Made Without Bids

Washington— The government bought more than half of its products and services last year without bidding or with practices that auditors say do not fully shop the marketplace, an Associated Press analysis of contracting records found. While such shopping accelerated in President Bush's first year, it has been on the rise since the 1990s when the Clinton administration and the GOP-controlled Congress streamlined purchasing under its "reinventing government" initiatives. Some of those well-intentioned efforts to cut red tape — epitomized by Al Gore's smashing of a government-issued ashtray on television — may have gone too far, inviting new risks of fraud, contracting experts and watchdogs say. "Scandals are coming," predicted Charles Tiefer, a University of Baltimore law professor who spent a decade investigating contractor abuses as a House lawyer. "You can see them coming as clearly as you could in the early 1980s looking at the defense buildup then and the lack of safeguards." In all, the government bought \$123 billion of its \$230 billion in goods and services in 2001 without bids or with methods that auditors say are frequently used to bypass competition, the computer analysis found. Everything from computers and office supplies to background investigations of federal workers and education services were bought that way. Concerns about the government's new-style shopping are simply put: buying without competition often means the public treasury gets overcharged.

A Pentagon review, for example, found the prices paid for commercially available spare parts bought without competition increased more than twice as fast between 1993 and 2000 as did prices for similar parts purchased competitively. At the Department of Education last year, auditors demanded repayment of 80 percent of the \$9.7 million in federal money spent under a contract the Puerto Rico Department of Education awarded without competition for the operation of elementary school learning centers. Congress enacted legislation in 1984 requiring full and open competition for all government purchases except in special cases, such as utilities with only one supplier or weapons systems made by just one company. But critics say the contracting reforms of the 1990s, coupled with a government-wide reduction of contracting officers and auditors, have made it easier to bypass bidding. With fewer buyers and less oversight, "nobody is looking over their shoulders," said George Washington University professor Steven Schooner, who monitors the federal contracting system. For their part, federal contracting officials say competition often is hard to achieve because contractors will not bid if they are not convinced they have a pretty good shot at closing the deal. "Because of the costs involved in competing, companies have to judiciously apply where they think they can win," said Tom Reynolds, deputy director of the contracts management division at the Savannah River Site, the government's nuclear weapons facility in South Carolina. "If they think they would be wasting their money, they just don't compete," he said. The analysis of federal contracting records for the 2001 budget year traced 34 percent of all government purchases to contracts where no bids were solicited. An additional 19 percent was spent either on contracts awarded after only one bid, on credit card purchases that required no bids, or on multiple-award contracts that lawmakers and auditors contend are being used increasingly by federal agencies to avoid competition. In multiple-award contracts, an agency qualifies a list of contractors for something the government wants to buy.

Then, any agency that needs that product or service can purchase it from a contractor on the list. Agencies are supposed to shop the list for the best deal, but auditors say that rarely is done. The Defense Department inspector general, for example, reviewed 423 orders placed under multiple award contracts and found 304 had been awarded without competition. Harvard professor Steven Kelman, who spearheaded the 1990s acquisition reforms as head of the federal procurement office, said the changes for the most part have enhanced competition. Still, he acknowledged, they have had the opposite effect on occasion, such as in the buying of information technology services through multiple-award contracts. "Preserve the good and where changes you made lead to a problem, you fix that," he said. "The reform effort in part was to encourage people to try new things." One change relaxed the rules governing "sole source" buying. In the past, companies that were the only source of a product or service for the government had to certify their costs and prices to ensure they were not overcharging. Now, they do not have to do that if the government initially offered the contract for competition. Kelman said the goal was to make it easier for more companies to bid on government work because many are either unwilling or unable to provide required financial information. "If it turns out that for whatever reason, we have a large

number of situations where the government is getting only one bid, my personal view is we should revisit that part of the statute," he said. Such single-bid contracts have skyrocketed in recent years, reaching \$15.4 billion last year. That was up by one-third just from the previous year. The Defense Department alone spent \$8.5 billion last year using one-bid contracts, an increase of 76 percent since 1997. The Pentagon was surprised by the rise, telling the AP in a written statement it would examine the purchases "more closely to determine why it is happening so frequently."

From [New Haven Register](#), 1 April 2002

Government Trains Cyberdefenders, But Numbers Still Small

Monterey, Calif. - Long before Sept. 11 and last year's virus-like attacks over the Internet, the U.S. government announced plans to train an elite corps of computer security experts to guard against cyberterrorism. Officials warned it would be only a matter of time before terrorists learned to exploit vulnerabilities in major systems, from air traffic and banking to spacecraft navigation and defense. Now, more than three years later, the first students have been awarded scholarships to study computer security in return for working at least two years at a federal agency after graduation. But is it too little, too late? "In terms of solving our cybersecurity problems, it doesn't have a chance," said Michael Erbschloe, vice president of research at the consulting firm Computer Economics and author of books on cyberwarfare. Only about 180 students over four years will get scholarships from the first round of federal grants awarded last May to six universities. More schools will be added this year, increasing the corps by 120 students. Though President Bush has asked for an additional \$19.3 million for the cybercorps this fiscal year as part of a larger supplemental appropriations package, he has proposed only about \$11 million for fiscal 2003 - the same amount Congress granted the past two years. "Eleven million dollars just doesn't buy you a lot," Erbschloe said. Organizers acknowledge the numbers are small, but they believe even a few well-trained experts can make a difference and demonstrate the wisdom of more spending in security education.

Graduates are expected to become more well-rounded than most network specialists, who receive training merely on specific systems, or even computer science graduates whose academic programs often ignore security altogether. The aim is to create experts who know enough about security to make decisions on buying equipment and software for government and to anticipate vulnerabilities. "It might be nice to have 39,000 people, but the fact that we can have 100 is a lot better than having zero," said Andy Bernat, program director of Federal Cyber Service at the National Science Foundation, which is overseeing the program along with five other federal agencies. At the Naval Postgraduate School in Monterey, about a dozen civilians are participating in the cybercorps and taking the same computer security classes as military students. After two years, the students will have a master's degree in computer science with an emphasis in information security - along with practical experience. In one exercise, each student will try to secure a system that will be targeted by hackers from the National Security Agency, Air Force and Army. Other classes focus on hackers' techniques and security theories. "We cannot ahead of time predict all the things someone might do to a system," said George Dinolt, a professor at the Naval Postgraduate School. "That's part of the problem with the approach people are taking to try to solve the security problem." The cybercorps schools' emphasis on security differs from most college computer science programs, which tend to focus on programming and other basics rather than making systems all but impenetrable. That is likely to change, given not only recent reports of serious vulnerabilities but also the realization that terrorists can and will exploit weak points - whether in airline security or computer networks. "Historically, people played nicely with each other - enough so that we could get away with saying we don't need to think about security," said Steve Chapin, a professor at Syracuse University. But many schools face a shortage of professors trained specifically in security. When Iowa State University recently advertised a computer-security faculty opening, only two applied. Other computer-related fields usually attract dozens of candidates.

The National Security Agency, which established guidelines for computer science security programs, has certified only 23 schools nationwide, including Iowa State and the five others in the cybercorps program. As part of the cybercorps program, separate grants of up to \$100,000 per year are being awarded to schools to develop or improve security programs. As academia slowly gears up, security experience is increasingly becoming a hot commodity. Many companies, including Microsoft Corp. and Cisco Systems Inc., have announced plans to make security a top priority. With little competition from traditional computer science programs, cybercorps students will have no problem finding high-paying private sector jobs after the two years of service at government salary are over. Organizers hope many will stay on. Some students are taking a wait-and-see attitude, while others say serving the government is important. "I'm more driven by other factors than money," said Paul Schoberg, a student at the Naval Postgraduate School. "If pay is decent enough, I'm happy." Still, private-sector firms will always be interested in employees with the right mindset, something difficult to pick up in on-the-job seminars or hacking schools where tech employees learn the latest exploits. Security training needs to be more like law school - a way of thinking - and less like trade school aimed at teaching specific knowledge, said Scott Blake, security strategy director at BindView Corp. Even if the cybercorps isn't a panacea, it could begin to solve the problem, said J.D. Fulp, a Naval Postgraduate School instructor. "Nobody thinks we're going to stop the bleeding," he said. "But it doesn't mean you don't buy a bandage and try to reduce it." <http://www.ehr.nsf.gov/ehr/DUE/programs/sfs/>

From [digitalMASS](#), by Matthew Fordhal, 1 April 2002

US, Canadian Authorities Announce New Spam Crackdown

US and Canadian authorities have announced they have taken 63 law enforcement actions against those behind deceptive e-mail advertising, known as "spam," and have issued warnings to 500 others. The actions were aimed at e-mails promoting get-rich-quick schemes, bogus cancer cures, fake diploma mills and others accused of misleading come-ons. The announcement comes as part of a coordinated effort by the US Federal Trade Commission, Canada's Competition Bureau and several US state and Canadian provincial governments. "Cyberspace is a wondrous place, but we are quickly learning that it can also be a dangerous place for the unwary," said Washington Attorney General Christine Gregoire, who participated in a news conference with the FTC. "Con artists who once relied on telephone boiler rooms and mass mailings can now rip people off through websites and e-mail. While the scams are often very familiar, use of the Internet creates some major new challenges for consumer protection organisations. "That's why it's so important that those of us who enforce state, provincial and national consumer protection laws work together to meet these new challenges." The agencies sent out some 500 warning letters to persons alleged to be operating illegal chain letter schemes on the Internet, or using false links that promise to remove the recipient from further e-mails. Chuck Harwood, director of the FTC's north-west region, says the agency's probe fails to substantiate a popular myth that clicking on the "remove me" link will stimulate more spam. But he says most of these messages go to either "dead" or invalid mailboxes, and that authorities consider the use of such tactics a violation of FTC rules on deceptive advertising.

From [ABC Online](#), 4 April 2002

Nearly 60 percent of Americans Use Government Web Site

New York - Nearly 60 percent of online Americans have renewed auto registrations, researched tourism opportunities or performed other tasks at a government Web site, according to a survey released Wednesday. Connecting with the government online is more common than seeking financial information, sending instant messages or getting sports scores over the Internet, the Pew Internet and American Life Project found. Popular tasks include checking tourism and recreational information, doing research for work or school and seeking information about public policy or government services. Half of the government site users also have researched health or safety issues. The survey was completed before last fall's anthrax deaths, so the numbers may have climbed since then. Less common are e-commerce transactions, like paying a fine or getting a fishing license. But 12 percent have used a government site to renew a driver's license or auto registration, and 16 percent have filed taxes online. As of January, 68 million adults have visited at least one government site, an increase from 40 million in March 2000. "The population of people using government sites is growing," said Lee Rainie, director of the Pew project. "People are using them for all kinds of reasons. It reflects the variety of ways people deal with government or are dealt with by government." Nearly two-thirds sought information on public policy, while one-third contacted an official online. Nineteen percent used the Internet to lobby government. Most of the online interaction is at the federal or state level, with only 41 percent of government site users visiting something local. Rainie said local governments have fewer resources to develop good sites. In addition, he said, they already have closer relationships with constituents offline, reducing the need for citizens to go online. Government sites do not give citizens everything they want, however. The most cited desire was access to Social Security information. Because of privacy concerns, the Social Security Administration in 1997 dismantled a service giving people the opportunity to check their Social Security records online. Now, citizens may request a benefits report online, but must wait to have one mailed. The survey is based primarily on telephone interviews Sept 5-27 with 815 American adults who indicated in previous random-based surveys that they have used a government site. The survey has a margin of error of plus or minus 4 percentage points. Information on what percentage of Internet users visit government sites came from a January survey of 2,391 adults, including 1,451 Internet users. That margin of error is plus or minus 2 percentage points.

From [Daily Herald](#), 4 April 2002

General Bank Turns Up Competition Among Asian Banks

America's melting pot has not dissolved all of the racial and ethnic differences among its people. Some in fact, such as ethnically oriented financial institutions, are clung to with pride by their constituents. Best known in the Boston area is the Boston Bank of Commerce, a bank owned by and operated for blacks. Asian-Americans also have banks of their own here, such as Asian American Bank & Trust Co. The Asian-American market just got more crowded, with the arrival of Los Angeles-based General Bank, which recently closed on its deal to buy Liberty Bank and Trust Co. of Boston for about \$11 million. Peter Wu, General Bank's president, recently said he believes there's room in Boston for another Asian-American bank. "We'll complement Asian American Bank & Trust," Wu said. Wu said he'd long eyed the Boston market, for its growing Asian-American population and its vibrant high-tech industry, a sector in which the bank specializes. Liberty became available because, with \$37 million in assets, its growth opportunities were limited because it didn't have the cash to invest in products that would attract more customers. The deal was announced in October. General Bank, whose holding company is GBC Bancorp, can make much larger loans than Liberty ever could -- up to \$50 million. And its staff speaks at least 10 languages other than English, Wu said. Wu is an accidental banker. A Taiwan native, he came to the United States in 1971 to study math, then stayed. He noticed that the Taiwanese-speaking population in California was underserved by area banks, so in 1980 he joined a group of Taiwanese immigrants who put up money to form General Bank. It started with \$6.6 million in assets and has grown to a \$2.2 billion enterprise with 18 branches in California, one in Seattle and one planned for New York City. As it's settling into the Bay State, the bank also is investigating whether to expand to Houston. The United States has a long tradition of ethnic retail banks. Bank of America, for instance, was founded in San Francisco in the early 1900s as a lender to that city's burgeoning Italian-American community. Mellon Financial lands - \$2.7 billion in accounts Mellon Financial Corp.'s Boston money management group continues its wheeling-and-dealing ways, signing up two new accounts with a combined \$2.7 billion in assets.

In the first deal, Mellon Global Securities Services, based in Boston, won the job of trustee of Philadelphia chemical company Rohm and Haas' \$1.7 billion pension fund. Mellon will provide trust, accounting and benefit disbursement services to the company. Mellon Global also was awarded the \$1 billion custody account of the Nature Conservancy, an Arlington, Va., nonprofit that, as its name suggests, works to preserve animals, plants and land. Overall, Mellon is the financial services giant out of Pittsburgh, which, since selling its retail assets to Citizens Financial Group Inc. late last year, has concentrated on asset management and custodial services. It has \$2.6 trillion in custodial assets under management. Clock ticks for Swift signature - More than five years after former President Bill Clinton signed into law the National Securities Market Improvement Act, or NSMIA, the state Legislature has approved a bill that would bring Massachusetts law into alignment with the 1996 federal law, which streamlined securities regulation. Now, all that remains is for acting Gov. Jane Swift to sign the bill into law. NSMIA cleared the clutter in securities law by pre-empting some state authority over the securities industry. For instance, certain types of securities, such as those listed on the major national securities exchanges, no longer had to be registered at the state level. States could no longer create book and records requirements different from federal ones. And it also clarified which types of investment advisers had to register with the state, and which must be on file with the U.S. Securities and Exchange Commission. Large ones, those managing \$25 million or more in assets or advising mutual funds, would register with the feds. However, states retained the right to police securities fraud. For example, registration documents filed with the SEC also have to be sent to the Secretary of State. Although the bill essentially is a housekeeping measure, Sarah Magazine, a Swift spokeswoman, said the acting governor wants to study the bill a little longer before signing it. She has until March 31. Edward Mason, finance and government reporter for the Boston Business Journal, can be reached by e-mail at EMason@bizjournals.com.

From [Boston Business Journal](#), by Edward Mason, 2 April 2002

Government Eyes P15.44-B from New Tax Measures

Government hopes to generate P15.44 billion in additional revenues from proposed legislative and administrative tax measures including the controversial redefinition of automobiles for excise tax purposes. The new estimate is down from an original figure of P21 billion. A summary of possible new measures now under consideration shows that the government would be able to generate an average of P2.5 to P3 billion from various administrative and legislative tax measures pending approval by various government agencies. The tax measures under consideration include a redefinition of automobiles for excise tax purposes, a redefinition of gross income for income taxation of companies located in special economic zones and setting a 50-percent cap on representation expense as allowable deduction for income tax purposes. The proposed cap will limit the amount that corporations will be allowed to deduct from their gross income to determine the taxable income. From this measure, the government hopes to generate additional revenues of P2.3 billion. The government also intended to amend the existing revenue regulation to address what is perceives as an inequity in

the taxation of automobiles which, at present, is based on total seating capacity. From this redefinition, the government calculates that it can collect an additional P5.5 billion. The government is also thinking of redefining the gross income for income taxation of companies located at the Subic Freeport and other special economic zones. This would contribute P2.6 billion more. The list also includes the fringe benefits tax and the tax on foreign currency deposit units (FCDUs) under the Comprehensive Tax Reform Program. Although the potential collection in 2000 was estimated at P2.6 billion, the government said it only collected P269 million from the fringe benefit tax and P255 million out of the estimated P1.8 billion from the FCDU tax. The government said the Bureau of Internal Revenue needs to fully and correctly implement the FBT and FCDU tax in order to generate an additional P2.56 billion. The total revenue impact of pending legislative measures was initially estimated to be at least P2.48 billion, pending the final estimates of the revenues to be collected from the restructuring of the excise tax on automobiles which would base the tax on the price or value of the car instead of using the existing classification by engine displacement and fuel type. Government is also waiting for Congress to approve the proposed law that would impose a minimum on gross receipts for common carriers tax on land, air and water transport. Earlier, the Department of Finance estimated that it would generate an additional P80 billion this year, about P21 billion was to come from new administrative measures and improved collection by the Bureau of Internal Revenue (BIR).

From [Philippine Star](#), by Des Ferriols, 1 April 2002

Europe/CIS

UK's FSA Seeks More Transparency For Unit Trusts

London - The U.K.'s Financial Services Authority said Thursday that it plans to introduce a more transparent and flexible single-pricing regime for unit trusts and open-ended investment companies. Current methods of accounting for certain costs can lead to misunderstanding and confusion among consumers, the U.K. market watchdog said, because certain costs of dealing in the underlying assets of a fund can be allocated either to the fund or to the individual investor. The FSA said it wants fund managers to be more transparent about how these costs affect consumers. Interested parties can comment on the FSA's proposals by May 31. FSA Web site: <http://www.fsa.gov.uk> - By Rupert Cocks, Dow Jones Newswires; 44-20-7842-9280; rupert.cocks@dowjones.com

From [City Comment](#), 28 March 2002

Breaking the Bank?

The government is not planning to privatize the banking sector with the participation of foreign strategic investors. State-owned banks, on the other hand, are slated to hit the Warsaw Stock Exchange. In March, the government briefed deputies from the Sejm Treasury Committee on its plans for restructuring the banking sector. A joint project of the Ministries of the Treasury and Finance calls for keeping state domination in PKO BP-Poland's largest retail bank in addition to Bank Gospodarstwa Krajowego (BGK), Bank Gospodarki Żywnościowej (BGŻ) and Bank Poczty. Treasury Minister Wiesław Kaczmarek said that in a situation in which Poland has one of Europe's highest indicators of foreign capital share in its banks (75 percent), the government does not plan further privatization programs with the participation of foreign strategic investors. The government plans to make banks public, thus listing their shares on the Warsaw Stock Exchange (WSE). This should take place over the next five years. However, the Treasury plans to retain a dominant share with scattered shareholding. The government wants to use the funds of state-controlled banks to stimulate other sectors of the economy. PKO BP will continue to operate under Treasury control, but the government plans to sell a small stake in it. The WSE debut of PKO BP is scheduled next year, after a recovery program for the bank is completed. PKO BP is expected to continue specializing in services for individual clients, but greater stress will be placed on services for small and medium-sized companies. BGK, 100-percent of which is owned by the state, will become a "Treasury bank," according to the government's plans: an institution guaranteeing the service of government programs. BGK is to specialize in services for the public sector. It will also manage domestic and foreign public debts and finance major investment projects. To this end, the bank will be provided with shares of other companies. The Treasury owns 65.2 percent of BGŻ; the rest of the shares are held by regional and cooperative banks.

It will remain a bank specializing in rural areas and agriculture. As with PKO BP, BGŻ shares will reach the WSE. The state will retain a controlling stake, accompanied by an increase in the bank's capital. The Treasury will purchase BGŻ shares from other shareholders. Operations linked with government environmental protection programs will be moved to the bank. Bank Poczty-66.6 percent of which is owned by Poczta Polska postal service and 33 percent owned by Prokom Investment-will take over the role of the main settlement bank from PKO BP. It will use Poczta Polska's network of more than 7,800 post offices nationwide to achieve this end. The bank will specialize in only one type of activity so that it does not rival PKO BP. If Poczta Polska is privatized, Bank Poczty will be included into a group created around PKO BP. The government also controls Bank Ochrony Środowiska (BOŚ). The National Environmental Protection and Water Management Fund (NFOŚGW) holds 44.36 percent of the bank's stock, while 45.66 percent is held by Sweden's SEB bank. According to the government, in connection with the deteriorating financial performance of BOŚ and a drop in its market value, leaving NFOŚGW shares with BOŚ would not be a good policy. After moving NFOŚGW funds to BGŻ, the

Ministry of the Treasury plans to sell BOŚ shares. Profits from this transaction will be invested in BGŻ. National Bank of Poland (NBP) President Leszek Balcerowicz has criticized the government's restructuring plans. "International reports clearly show that a country in which banks are wholly privatized has the highest indicator of foreign investment," he said. "Nor should one be afraid of a bad influence of foreign capital on Polish banks. I know of no country where a foreign investor interested in their own benefits would act to the detriment of this country's banking system." However, foreign banks are thinking of taking over existing institutions instead of starting operations in Poland anew. Only one application for a banking license is awaiting review at the NBP. Market specialists are mentioning institutions interested in running a bank in Poland, but these are chiefly Polish companies. Most often, the Commercial Union insurance company is being mentioned in this context, which has officially confirmed its plan to add a bank to its group. Potential foreign investors are putting decisions to enter the Polish market on hold, due to Poland's unfavorable macroeconomic situation and the approaching accession to the European Union. Banks are assuming that after Poland joins the EU in 2004, they will be able to open branches in Poland without the need to secure a banking license. Obtaining the license and starting operations takes about two years.

From [Warsaw Voice](#), 4 April 2002

The Americas

Government Shifts Retirement Funds to Avoid Default

Washington — The Bush administration will take steps this week to prevent an unprecedented default on the national debt by moving federal retirement funds into a non-interest-bearing account, freeing up room for more borrowing. The juggling of federal retirement accounts, which has been done before in standoffs with Congress over raising the debt limit, will not harm federal employees' retirement nest eggs, Treasury officials said Tuesday. The lost interest payments will be made up in coming months. Treasury Secretary Paul O'Neill explained his plans in a letter to congressional leaders. He said his action involving the Federal Employees Retirement System interest-bearing account known as the G-Fund was done previously in 1995 by Robert Rubin, who was treasury secretary in the Clinton administration. Without the shifting of funds, Treasury would not have been able to borrow the money it will need in coming weeks to keep the government operating, including making payments on debt that is coming due. If it had missed those payments, the government would have been technically in default on the \$5.95 trillion national debt, something that has never happened in the country's history. "I know that you share the president's and my commitment to maintaining the full faith and credit of the U.S. government, especially at this critical time," O'Neill said in a letter to congressional leaders. "Together we must continue working to enact an increase in the statutory debt limit as quickly as possible to avoid any negative repercussions at home or abroad," O'Neill said in his letter. Republicans, who control the House, lack the votes to pass a measure increasing the debt limit because of opposition from GOP conservatives, who are leery that it will lead to more spending, and from Democrats.

Democrats seek to use the issue to drive home their message that the Bush administration's \$1.35 trillion, 10-year tax cut last year was too generous and has pushed the country back into deficit spending. Republicans counter that the tax cut was needed to lift the country out of recession. They blame the economic downturn and the war against terrorism for bringing back government deficits. Treasury officials also announced Tuesday that they will auction 19-day and 12-day short-term cash management bills totaling \$46 billion on Tuesday and Wednesday to refill government coffers. Officials said the shift in the federal retirement accounts, which makes room for the increased borrowing, will begin Thursday and continue to around April 18, when the government will be receiving billions of dollars in income tax payments. O'Neill stressed that the government retirement account "will receive complete restoration of all funds temporarily affected by this necessary action, including full and automatic restoration of any interest that would have been credited to the fund." Treasury had warned that the \$5.95 trillion debt ceiling would be hit sometime this week without action from Congress to raise the borrowing limit. O'Neill has repeatedly asked Congress to boost the ceiling by \$750 billion. But so far, Congress has not moved on the request. Since the government began raising money to fight World War I in 1917, Congress has let the Treasury borrow the money it wants, as long as it stays within limits set by Congress.

From [USA Today](#), 2 April 2002

Failing the Taxation Test - U.S. Tax Policy is Second-rate on the World Stage

The U.S. Congress finally passed a stimulus package after making sure to strip out elements that would benefit the economy over the long run. Nonetheless, the plan includes an accelerated depreciation provision that will be beneficial if it is later made permanent. But a new corporate tax survey by KPMG makes clear that this is only the first of many needed business tax reforms in the United States. KPMG found that the U.S. has the fourth highest corporate-income-tax rate in the 30-nation Organisation for Economic Co-operation and Development (OECD). The combined U.S. federal and average state rate of 40% is almost 9 percentage points higher than the average OECD top corporate rate of 31.4%. This is a dramatic reversal of the U.S. tax situation. After cutting the federal corporate rate from 46% to 34% in 1986, policymakers fell asleep at the switch, perhaps assuming that the U.S. had claimed a low-tax advantage permanently. But most industrial countries followed the U.S. lead and cut tax rates in the late 1980s. Then another round of tax-rate

cuts began in the late 1990s, with the result that the average OECD corporate rate fell from 37.6% in 1996 to just 31.4% by January 2002. The average corporate rate in the European Union is now 32.5%, down from 38.2% in 1996. Americans sometimes write-off European countries as uncompetitive welfare states, and ignore that many have improved their business climates. But a recent study by the Economist Intelligence Unit placed the U.S. second, behind the Netherlands, for the "best place in the world to conduct business." And a study by GrowthPlus, a European think tank, compared 10 major countries to determine which had the best environment for entrepreneurial growth companies. Again, the U.S. finished second, this time behind Britain. In the last few years, the corporate tax rate was cut in Denmark, France, Ireland, Germany, Poland, and Portugal. Even socialist Sweden has a top corporate tax rate of just 28%. It is certainly true that overall European taxes, as a share of gross domestic product, are much higher than in the United States. But Europe has shifted about one-third of its overall tax burden to less distortionary consumption taxes. What the Europeans and others are realizing is that countries shoot themselves in the foot by imposing high tax rates on mobile capital. IMF data show that annual global portfolio-capital flows rose six-fold during the past decade. United Nations data show that direct investment also rose six-fold during this period. The U.S. attracts a big share of these flows because of its large economy and stable currency. But investment flows are increasingly sensitive to taxes, so it makes less and less sense to have a high corporate rate.

After all, last year's recession, the Enron collapse, and the high-tech bust all show that the U.S. business sector is not as invincible as it seemed in the late 1990s. A high statutory rate isn't the only aspect of U.S. business taxation that needs reform. The new depreciation rules should be made permanent, and the current global reach of the corporate income tax should be replaced with a "territorial" tax. Glenn Hubbard, chairman of the Council of Economic Advisers, has noted that "from an income tax perspective, the U.S. has become one of the least attractive industrial countries in which to locate the headquarters of a multinational corporation." As a consequence, there has been a "marked increase" in the number of U.S. firms reincorporating abroad, according to a new U.S. Treasury analysis. The critics of course will say that big corporations and their shareholders should pay their "fair share" of taxes, and that the government needs to crack down on tax-avoiders like Enron. Such views ignore big-picture realities. First, the huge rise in global capital flows means that the corporate tax burden falls more on immobile workers, and less on the mobile capital income it is ostensibly placed on. Second, the high U.S. corporate tax rate is the reason why Enron and other firms go to such wasteful lengths to avoid and evade taxes. As the world economy changes, so must U.S. tax policy. Pressures to attract mobile capital through international "tax competition" will continue to increase. These trends dictate that the U.S. reform its tax system by moving away from a high-rate income tax system to a low-rate consumption-based tax system. — Mr. Edwards is director of fiscal policy at the [Cato Institute](#).

From [National Review](#), by Chris Edwards, 1 April 2002

Private Sector Development

Asia/Pacific

Good Corporate Governance Key to Eradicating Corruptive Practices

Good corporate governance efforts by domestic companies combined with an effective regulatory framework is the best way to promote transparency in the Korean corporate sector, still plagued by lingering corruption, a leading global consulting firm expert said yesterday. At the moment, though stepped up corporate regulations, such as the newly strengthened audit rules, and a more wary public are keeping Korean companies on their toes, they still have a long way to go in terms of corporate governance based on an effective checks and balances system. "The role of corporate governance is to undertake the fiduciary responsibilities of representing shareholders, while government regulators should focus on not only strengthening regulations, but also improving management systems and changing the mindset of owners and managers," says Sunny Yi, Vice President of Bain & Co. in an interview with The Korea Herald. According to Yi, the biggest reason for the scandals and corruption in the corporate sector is that Koreans are still confused between ownership and governance. Korean companies still tend to forget that there are different roles for owners and governors. The latter should be in charge of the firm's profitability, asset building and other business matters. Korean owners continue to take over the duties that should actually be carried out by governors and professional managers, while also raking in profits for private pockets, which inevitably leads to corrupt business activities. Therefore, it is not appointed managers of firms who are entirely to blame, but the management and regulatory systems as well. "Still, it's gotten a lot better, since shareholders have been more empowered, while companies are now burdened with the social and ethical responsibility to give back to shareholders, not like in the past when everything was about reinvesting and expansion," Yi said. The enhanced technology at regulatory organizations such as the Financial Supervisory Service and the Financial Supervisory Commission are proving to be efficient in detecting scandals in advance and identifying those involved. "A good check-and-balance system at both the financial watchdogs and companies

themselves is also required to eradicate corrupted corporate practices," Yi said. He added, however, that it would take considerable time for effective an check-and-balance system to take root, as more developed countries, such as the United States have had a long time to develop expertise in the area. The Korean market needs to mature, while investors and minority shareholders should be better empowered to voice their opinions in important company transactions. The consulting vice president also called for an end to government interventionist economic policies, as too many issues are driven by the government rather than market forces, unlike in the U.S. More supervision over the domestic corporate sector was found to be required, particularly over companies formed mainly of Korean investors where outside directors are mostly professors appointed by owners. Yi pointed out that U.S. companies were subjected to wider scrutiny, including minority shareholders empowered by class action suits. Meanwhile, regarding the corporate governance fund that the International Finance Corporation (IFC) said it was planning to establish in Korea within this year, the Bain & Co. vice president raised some doubts as to exactly what kind of companies were the target of the fund. The fund envisioned by IFC is to be pooled in order to provide financing for companies showing potential for good corporate governance, but the IFC has already made it clear that only listed domestic firms would be included. "I don't really know where the fund is headed, but my question is, what is the point of making a corporate governance fund for investing in good and stable companies," Yi said. "In the end, the fund must make profits, but it becomes tricky for a socially-contributing fund like this that's aiming to facilitate reforms." As for the financial reforms, Yi stressed that further restructuring should take place, commending the recent crack down on credit card firms and the insurance sector.

From [Korea Herald](#), by Kim Ji-hyun, (jemmie@koreaherald.co.kr), 28 March 2002

Shin Broadband Offers ASP Solution for SMEs

Thai operator beefs up services with three new partnerships. Shin Broadband Internet of Thailand has signed a contract with Advance Vision System, Cyber Power, and Abstract Computer to promote application service provision over the iSTAR Broadband network. Shin Broadband intends to "be number one" in the provision of e-solutions to SMEs in Thailand, Komson Seripapong, the company's general manager, said in a statement. It is intended that the new partnerships will enhance the service portfolio to provide "low-cost, flexible and effective networking solutions." Among the services on offer will be eWebNet, which can be used to create templates and product catalogues and will be supported by Advance Vision; eMeeting, which is a multi-point video conferencing system and will be supported by Cyber Power; and eHospital, which is a hospital management system. Abstract Computer is the partner for this service.

From [Total Telecom](#), 2 April 2002

Samsung Moving to Bid for KT Privatization

The government has set up a four-point strategy to sell its 28.37 percent stake in the state telecom giant KT by the end of June, officials said yesterday. The strategy features strategic selling for conglomerates, offering for individuals, issuing exchangeable bonds and a share buyback scheme. The strategy carries the dual benefits of countering overhanging concerns and providing safety measures to reduce investors risk of a sharp price fall, if fears of a massive oversupply of shares are realized in the planned sale, they said. Given current market prices of KT shares, the 28.37 percent stake or 88.57 million shares are estimated at some 5.4 trillion won, analysts said. With privatization a key feature of Kim Dae-jung administration's economic reform program, the government does not want to delay its stake sales any longer. Earlier last month, KT had selected three local brokerages as lead managers, Daishin Securities, Hyundai Securities, and LG Investment & Securities, for the offering, and has also chosen JP Morgan Chase as an advisor in the stock sale. The four securities firms are now in negotiations with the government, including the Information and Communication Ministry, the Finance and Economy Ministry and the Planning and Budget Ministry, to orchestrate the timing of the stake sale. "The government and lead managers will announce a final plan for the stake sale in the middle of this month," one official said. The government currently owns a 28.37 percent stake in KT, while various foreign investors hold a 37.22 percent stake. Domestic investors and KT also own 22.63 percent and 11.78 percent shares respectively in the telecom giant. If the government successfully unloads its shares in KT by June, domestic investors' shareholdings will be raised to 51 percent.

As for strategic investors, the Samsung group is reportedly moving to bid in the KT stake sale. Analysts said Samsung group has felt expansion of its telecommunications business difficult because of a lack of network service operators. "KT, which has the country's second-largest mobile phone carrier KTF, is an interesting pie for Samsung," said Yang Jong-in, an analyst at Dongwon Securities. LG group and SK group, the country's second and fourth biggest conglomerates respectively in terms of assets, are also expected to participate in the KT stake sales, in a bid to block Samsung from buying a controlling stake in the telecom giant. The government has raised the ceiling for a single buyer to 15 percent, to encourage conglomerates to buy KT shares. "Unlike the first domestic offering in February last year, conglomerates are likely to show greater interests in the sale" Yang said. For individual investors, the government has softened a sales condition, by allowing individuals to buy small amounts of the shares, in a bid to increase interest in the stock. The last two measures, issuance of exchangeable bonds and a share buyback plan, are still being finalized, but some analysts said these measures are needed to cope with psychological factors stemming from a massive supply of shares. kdh@koreatimes.co.kr

From [Korea Times](#), by Kim Deok-hyun, 1 April 2002

Europe/CIS

Bulgaria Opens up Telecom Business to Bidders

Sofia, Bulgaria - The Bulgarian government on Thursday called for bidders in its second try to sell the state telecommunications company. The government Privatization Agency said it was taking bids until May 27 for a 65 percent stake in the company. Bidders will be required to have annual revenue of at least 500 million euros (\$435 million) from telecom services if they are telecommunication companies and 300 million euros (\$261 million) if they are not. Transport Minister Plamen Petrov has said 13 companies had expressed interest in the privatization, but hasn't named any of them. The government had previously announced it would offer a separate 20 percent of the telecommunications concern's stock in an offering on the Sofia stock exchange. The government tried to sell the company in 2000, but failed to reach a deal with the only bidder, a Greek-Dutch consortium.

From [Modesto Bee](#), 5 April 2002

Middle East

The Road to Privatization: Too Fast, Too Slow or Just Right?

As the government studies plans to privatize a sweeping range of public services, including public telecommunication, post services and some banks, it remains caught between critics who say such changes will bring disaster to Yemen's economy, and the World Bank, which wants faster action. Sources say the World Bank has not been satisfied with the work achieved by the government's plan to date. Critics, however, maintain that in an underdeveloped country like Yemen, where unemployment and lack of appropriate production policies are absent, it sounds that the privatization won't help. The privatization trend is sweeping the Developed World under the recommendations of the World Bank and the International Monetary Fund. Critics say they are seeking to sell public enterprises, regardless of productivity. They add that governments will evolve into management tools simply for protecting brokers, catastrophic in a country that has a very weak infrastructure like Yemen. Like other developing countries, Yemen is a victim of financial and administrative corruption, something further aggregated by the difficult economic circumstances and the lack of qualified human resources. So it's important to look at other ways it can improve, in addition to privatizing its public sector. Some other suggestions - The status of public sectors enterprises show that the majority of production institutions are being run by unqualified managers who have no expertise in running industrial and agricultural production facilities. This has led to the bankruptcy of some and the bad performance of some others. Thus, many of these enterprise have failed and usually ask for government help.

Accordingly, government should think of taking the following measures. • Change the key staff of these institutions; • Provide training courses for the staff of these enterprises; • Give them financial incentives for increasing production; • Pay attention to market research relating to increasing exports; • Introduce new technologies to boost production at these institutions; • Involve the private sector in the management of these institutions. The government has been very occupied since the beginning of 1990s with restructuring the economy of the newly unified Yemen. That has taken time and resources. This has forced the government to ask help of the World Bank and the International Monetary Fund. World Bank experts have advised the government to go ahead with implementing the privatization program in a drive to cover the budget deficit. Thus, the government has embarked upon on its implementation despite its negative social and economic consequences. Critics of government privatization plan say that private sector problems can be solved without selling these productive enterprises because Yemen is still an underdeveloped country and lacks manufacturing infrastructure. However, the government says that it can't bear additional burdens and it's best to sell unproductive organizations. The Executive Office for Privatization, a body directly supervised by the cabinet, has on its list of organizations to sell the Nashtoon Port on the Arab Sea (to lease) and the Shuqra fish-canning plant (to sell). It's desired that such enterprises can keep their workers, upgrade their products and services and increase their production.

From [Yemen Times](#), 31 March 2002

The Americas

Launch of Ethics Hotline Service to Manage Corporate Risk

Future Catastrophes Such as Enron Could be Avoided by Providing an Independent Source to Report Corruption or Inconsistencies - San Francisco - The Steele Foundation has launched an Ethics Hotline service that will help companies manage risk and fight corruption by providing an independent ethics information point for employees to report misconduct or inquire about liability concerns. Key elements of the strategy are centered on education, prevention and investigation. "A company's employees need a place where they can report an issue and know that it is going to be handled seriously, with diligence, and without the risk of being targeted as a

whistleblower," said David Patterson, Director of Consulting services at The Steele Foundation. "Future catastrophes such as Enron could be avoided by providing an independent source to report corruption or inconsistencies. Our clients' employees have a larger role to play and will be able to access the toll-free number anonymously from any telephone, including public lines, to report known cases of corruption, mismanagement and any unethical behavior including fraud and bribery." In addition to the telephone hotline, Steele offers clients an intranet portal for their employees to send electronic messages anonymously or they can view educational material and answers to frequently asked questions. Confidentiality is guaranteed as the people answering the hotline work for The Steele Foundation and are not affiliated with client companies. About The Steele Foundation - The Steele Foundation is a multinational firm providing a broad range of specialized risk management services that are designed to control loss by providing innovative and strategic business solutions. Headquartered in San Francisco with offices in Europe, Asia, Latin America, and Africa, The Steele Foundation services a multinational clientele of governments, corporations, individuals and non-profit organizations. The Steele Foundation has six core business segments including Crisis Management Solutions, Business Intelligence, Executive Security, Behavioral Sciences, Environmental Health and Safety Services and Information Security. Recognized as a leader in risk-mitigation strategies, The Steele Foundation specializes in the areas of social contingency planning, crisis management, institutional, architectural and personal safety and security, information management, and corporate program development. www.steelefoundation.com.

From [PR Newswire via Yahoo](#), 2 April 2002

Privatization Would Mean Changes

Want to buy a dark green, 90-gallon trash Poly-Kart? How about 15,000 of them? If the city of Hutchinson sells its residential trash routes to a commercial hauler, it will be looking for a buyer for its approximately 15,000 non-stackable Poly-Karts, as well as its packer trucks. Besides receiving a new Poly-Kart, city customers probably will experience another change if the refuse collection is privatized: higher monthly rates. Representatives of Stutzman Refuse Disposal Inc. and Nisly Brothers Inc., both of South Hutchinson, sat down earlier this year with city officials to discuss what the city would pay them in compensation for barring the private residential trash haulers from competing with the city service. The city council had directed staff to negotiate the buyout, voting unanimously in support of exclusivity for the city service. But at the very first negotiating session, when Stutzman and Nisly cited prices they thought justified - about \$100,000 combined - discussions took a U-turn. "It was just sort of strange by the end of the first round," John Stutzman said, as city negotiators wondered what a private hauler would pay the city to buy its routes. "Staff, in my opinion, has always been interested in getting out of the business," Marvin Nisly said.

From [Hutchinson News](#), [By Mary Clarkin](#), 4 April 2002