



Table of Contents

Public Policies and Globalization	3
Africa	3
<i>Zimbabwe Reporters to Face Huge Fees</i>	3
<i>In Search Of A Renaissance</i>	3
<i>Africa Offers Reform in Exchange for Aid</i>	4
Europe/CIS	5
<i>Russia Parliament Bans Selling Farmland to Foreigners</i>	5
Middle East	5
<i>Syrian Leader Charts Rocky Path to Reform</i>	5
The Americas	6
<i>Bush aims to double spending on education in Africa</i>	6
<i>Reforms Meet Resistance in Restless Peru</i>	6
<i>Brazilian Economy Stumbles on Moody's Ratings Drop</i>	7
<i>Mexican Workers Pay for Their Success</i>	8
Global	9
<i>U.N. Chief Urges G-8 Leaders to Fight Poverty</i>	9
<i>G-8 Economic Summit to Focus on Terrorism</i>	9
Governance Systems and Institutions	10
Africa	10
<i>Cameroon President Postpones Poll</i>	10
<i>Low Turnout for Second Round of Congo Elections</i>	10
<i>Nigerian Leader Faces Test of Unity</i>	11
Asia/Pacific	12
<i>HK Faces Major Government Shake-up</i>	12
<i>Karzai Names Key Cabinet Ministers</i>	13
<i>Afghans Split Over Brutal Laws</i>	14
<i>Provinces to Get 2pc of GST: Funds for Local Governments</i>	15
<i>Mahathir Keeps Malaysia Guessing on Transition</i>	15
<i>Malaysia's Mahathir to Step Down in Late 2003</i>	16
Europe/CIS	17
<i>Albanian Presidency Deal Averts Political Impasse</i>	17
Civil Service and Ethics in Public Sector	17
Africa	17

<i>Africa's Leaders 'Stole \$140bn'</i>	17
Asia/Pacific	18
<i>Bowing Out? China's Cadres Set to Linger Longer</i>	18
<i>Hong Kong Leader Announces New Cabinet that Critics Fear Will Politicize Government</i>	18
<i>Afghanistan Loses Female Minister in Row Over Sharia Law</i>	19
Europe/CIS	19
<i>Fraudsters Siphon Off Greek Leader's Salary</i>	19
The Americas	19
<i>A New Attitude: Mexico's Police Put Bite on Corruption</i>	19
<i>Democrats Call Terror Bill 'Ruse' to Fire Civil Workers</i>	20
<i>Honduran Teachers to Strike for Better Pay</i>	21
Management Trends and Development	22
Asia/Pacific	22
<i>China Wrestles an Online Dragon</i>	22
<i>Blaze Kills 24 in Unlicensed Internet Bar - China Shuts Web Cafes After Fire</i>	23
The Americas	23
<i>Government Sets Rate for Internet Royalties</i>	23
<i>Federal IT Integration Takes Shape</i>	24
<i>Demand for High-Speed Internet Access Growing, Surveys Find</i>	24
<i>U.S. Government at Cyber Risk</i>	25
Public Finance Management	25
Asia/Pacific	25
<i>Japanese Panel Recommends Tax Cuts</i>	25
The Americas	26
<i>IMF Makes \$10 Billion Available to Brazil</i>	26
<i>Senate Bank Panel Approves Compromise Accounting Bill</i>	26
<i>Ecuador Finance Minister Resigns Following Corruption Charges in Ministry</i>	27
<i>Brazil Currency Hits New Low</i>	27
<i>Senate Panel Backs Accounting Board</i>	27
<i>Argentina's President names Aldo Pignanelli as New Central Bank Chief</i>	28
Private Sector Development	29
The Americas	29
<i>Strike Claims Peru's Interior Minister</i>	29
<i>Peruvian Leader's Backpedaling on Privatization May Hurt Economic Program, Political Standing</i>	29

Zimbabwe Reporters to Face Huge Fees

The Zimbabwean government has gazetted new tough media regulations requiring foreign journalists wanting to operate an office in Zimbabwe to pay US\$12,000 (£8,000) in application and licence fees. The new regulations are in line with a draconian media restrictions made law days after Robert Mugabe was re-elected in a controversial presidential election in March. The fees are to be paid in US dollars to the media commission, run by a well-known government supporter, Tafataona Mahoso. The commission will enjoy overweening powers to refuse accreditation. Under the law, foreign journalists applying to open an office in Zimbabwe will pay a non-refundable \$2,000 application fee and another \$10,000 to operate. A foreign journalist will pay \$100 to apply and \$500 for the accreditation. Zimbabwean journalists working for foreign media will pay \$50 and \$1,000 respectively, and if working for the local media will pay about \$20 and \$100 in Zimbabwe dollars respectively. Local publishers, cinema operators and advertisers will pay the Zimbabwe dollar equivalent of \$10,000 to register. Every mass media service in Zimbabwe will also be required to pay a levy of 0.5 per cent of its annual gross turnover. Mr. Mugabe's government has already arrested 11 journalists, including Andrew Meldrum of *The Guardian*, who is on trial after being accused of publishing a false report. The Zimbabwe police dispersed a prayer meeting yesterday called by the opposition Movement for Democratic Change in Harare and arrested an independent film maker, Newton Spicer.

From UK-The Independent-Africa, by Basildon Peta, 17 June 2002

In Search Of A Renaissance



Themba Hadebe / AP

Africa's most powerful leaders have made history by daring to think big. It's time for the West to listen - Two of Africa's most powerful leaders: Nigeria's President Olusegun Obasanjo and South Africa's Thabo Mbeki. It's all too easy to disparage the "New Partnership for Africa's Development" (NEPAD), yet another roadmap for African recovery. That's the program where African leaders who commit themselves to principles of democracy and good governance ask for \$64 billion in Western financial and technical assistance—and it's going to be high on the agenda when G-8 leaders meet in Canada next week. SO MUCH of the African continent still is headed south that solemn declarations about which way is up can seem risible. The former Zaire, a mother lode of mineral resources, still lies hamstrung as its neighbors bleed off swag. On top of widespread war and pestilence comes a new blight—drought that threatens millions of people across southern Africa with famine. On the diplomatic level, many of Africa's leaders remain so pliable that a rogue such as Libya's Muammar Kaddafi can buy himself a place of honor at their table—and even bid to sit at its head. The same group seems

incapable of self-policing: only one head of state, Abdoulaye Wade of Senegal, has spoken out clearly against Robert Mugabe's rigged reelection in Zimbabwe last March. That and Mugabe's unlawful land grab fly in the face of some of the basic tenets underlying NEPAD—free elections and free markets. NEPAD aims to accomplish in the economic sphere what postcolonial politics hasn't yet delivered, and probably can't. But it is precisely Africa's political failures that make NEPAD important. NEPAD aims to accomplish in the economic sphere what postcolonial politics hasn't yet delivered, and probably can't.

The long-invoked dream of a United States of Africa seems set to remain a distant ideal, but at least the continent now has moved to speak with one voice to business interests, the world's economic powers and aid agencies. The five economic zones NEPAD postulates make sense; Africa's political borders don't mean much any more, everyone agrees. And by striving to put together a coherent economic policy, Africa can begin to defend itself against the predations of unscrupulous business people seeking a fast buck. NEPAD so far may just be words, but its statement of basic principles is made up of words that need to be spoken, and repeated often. People need to state and restate core values, whether or not these always are honored. That's why schoolchildren across America stand every morning to recite the Pledge of Allegiance. And for once, the West likes what it is hearing out of Africa. Nobody can argue with NEPAD's central plank—good governance. Outsiders will need to be convinced that NEPAD's "peer review" mechanism for disciplining errant leaders, formally adopted last week in Rome, will have any teeth. But this move, too, is at least is a

step toward greater accountability. Above all, NEPAD is, as Nigerian President Olusegun Obasanjo said in Rome, "An authentic African initiative." G8 leaders, meeting in Canada June 26 and 27, undoubtedly will greet the evolved NEPAD program as warmly as they did the original version last year in Genoa. The September 11 attacks on New York and Washington have reminded everyone that failed states invite terror, and the Bush administration has signaled a willingness to be creative with the uses of U.S. aid, possibly freeing more funds for debt relief and direct payments in place of loans. Although there's not a snowball's chance that the Canada confab will allocate \$64 billion annually some Africans say NEPAD needs, they won't come away from Alberta empty handed. G8 leaders already are sold on the idea that globalization needs to lift all boats. South African President Thabo Mbeki first framed the vision of a united stand on African development when he began to speak of an "African Renaissance" after taking office as vice president in 1994. But NEPAD's difficult delivery—it has been two years in the making—is deceiving. The delay has been due mainly to jockeying among the continent's would-be power players: Mbeki and Obasanjo, leaders of the continent's two economic powerhouses, and newcomer Wade, the only African head of state with a long track record as a free marketeer.

In spite of the endless palavering, the thinking is simple. In the space of one generation, the disparity between the wealth of Westerners and Africans has increased by an order of magnitude. And yet Africa is rich, both in human talent and natural resources. Africans are fundamentally no different from any other people on earth, notably the Asians who have shown how education and investment can drive the creation of a modern economy. The world needs to give Africa another chance—not least because multinationals can make wads of money there exploiting a huge and largely untapped market of 700 million people. Firms that have been willing to invest in infrastructure in countries like Ghana and Senegal as their governments privatized—notably Coca-Cola and Unilever—already are fattening their bottom lines. The squabbling isn't over. Kenyans complain that no East African sits on NEPAD's top councils. And at the top, egos are bumping. Wade was miffed when Obasanjo announced he couldn't attend the most recent NEPAD fiesta, a meeting between heads of state and more than 1,000 international business leaders in Senegal's capital, Dakar. Obasanjo finally relented and showed up on the last day. Wade wants the whole plan financed by the private sector; nobody else is ready to go entirely off the dole. Most recently, Mbeki has had to go to Libya to fight off a bid by Kaddafi to chair the new African Union, which soon will replace Organization of African Unity and serve as the primary sponsor of NEPAD. Mbeki's decision to keep the new bureaucracy of NEPAD under his wing, near Pretoria, has some observers concerned that he plans to run it as a personal fiefdom. These won't be the last glitches. But Africa's most powerful leaders already have made history by daring to think collectively, and to think big. The rest of the world should wish them Godspeed.

From UK-The Independent-Africa, by Tom Masland 21 June 2002

Africa Offers Reform in Exchange for Aid

Five African leaders will this week present the world's richest countries with a bold new plan to bring Africa back into the global economic mainstream, offering good government in return for increased aid and investment, and easier access for African goods to Western markets. Along with terrorism and the fragile world economic recovery, the so-called Nepad initiative – the New Partnership for African Development – will top the agenda of this year's G8 summit, which opens in Kananaskis, Canada, tomorrow). The plan, which aims to attract an extra \$64bn (£42.5bn) of resources a year to the world's most impoverished continent, will be unveiled by Presidents Thabo Mbeki of South Africa, Hosni Mubarak of Egypt, Olesegun Obasanjo of Nigeria, Abdelaziz Bouteflika of Algeria and Abdoulaye Wade of Senegal. Its authors say it offers the best, and perhaps also the last, real chance of breaking the vicious circle of bad government, war, disease and poverty in which Africa is trapped. Under the scheme, the rich world will increase debt relief, aid and long-term investment. In return, participating African countries will commit to standards of good governance and human rights which they will police.

In this way, they hope to lay to rest the negative image of Africa, perhaps the greatest single deterrent to private investment in the continent. But just as at the UN development summit at Monterrey last March, the promises will be easy, delivering on them less so. Kananaskis will be a new test of the sincerity of the rich developed world's promises to do more to help Africa, and of Africa's ability to put its own house in order. On both scores, substantial doubts exist. Having agreed in Monterrey to increase American foreign aid by 50 per cent by 2004, President George Bush undid much of the good work shortly afterwards by announcing a 10-year, \$190bn subsidy package for US farmers. It will generate extra surpluses of agricultural goods, which will be dumped on African markets, making it even harder for African producers to sell both on their own markets and in a key potential export market such as the US. And Africa must lay to rest the spectre of Zimbabwe, as it plunges deeper into economic misery and political crisis. Despite expressions of concern, neighbouring countries have failed to pressure President Robert Mugabe to moderate his brutal, self-defeating policies, which have brought Zimbabwe to the brink of ruin. In an effort to get back to the G8's origins as a chance for world leaders to talk informally, the summit will be at the idyllic Rocky Mountain retreat of Kananaskis, with the press kept 50 miles away in Calgary. But magnificent mountain vistas will be no guarantee of a smooth ride for the G8, which comprises the US, France, Britain, Germany, Italy, Canada, Japan and Russia. Hopes of a vigorous US-led recovery from a shallow recession are fading, and concerns over the runaway US current account deficit and the rash of corporate scandals are reflected in the plunging dollar. The G8 leaders will try to show all is

well. But there may be strong differences over the dollar between the US and its partners. The leaders will also take stock of Mr. Bush's "war against terror" and the fear of new attacks by al-Qa'ida.

From UK-The Independent-Africa, by Rupert Cornwell, 25 June 2002

Europe/CIS

Russia Parliament Bans Selling Farmland to Foreigners

Moscow - Russia's parliament banned foreigners from owning agricultural land, letting them rent it for as long as 49 years instead, as the government sought to appease parties opposing the sale of land to any private owners. President Vladimir Putin has said opening the market is key to strengthening the economy. He faces the opposition from Communists and allied parties seeking to stall land sales. The government and agricultural cooperatives own most Russian farmland, which can't be transferred or mortgaged. "We haven't shut the door on foreigners completely, though we didn't fling it wide open," said Gennady Kulik, head of committee on agriculture in the lower house of the Russian parliament. "Foreigners can still work Russia's land." The lower house passed amendments to ban selling land to foreigners, with 366 votes for, six against and two abstentions. In considering a bill on the sale of agricultural land in the second of three required readings, parliamentarians voted to give tax breaks to companies and individuals, including foreigners, who rent land long-term. The bill treats companies with foreign-held minority stakes as equal to Russian companies. It also pledges reductions in land tax for companies who rent land for more than 10 years. Long-term rent contracts can only be terminated by mutual agreement or through the courts, according to the bill.

The Communist Party, led by Gennady Zyuganov, and the Agrarian party, led by Nikolai Kharitonov, say the free sale of land will rob ordinary Russians of their livelihood. The question of who should own the "motherland," as Russians call their country, has plagued the nation throughout its history, triggering numerous peasant riots over the centuries and the assassination of Prime Minister Piotr Stolypin in 1911. The Bolsheviks secured peasants' support for the Communist revolution in 1917 partly by promising to take land from its aristocrat owners and distribute it to all peasants. Prohibitions against selling land prevent farmers from borrowing money to buy new equipment and introduce more efficient practices, analysts have said. Russia estimates 18 million hectares (44 million acres) of agricultural land, an area the size of France, have fallen out of use over the past 10 years. Farmland covers about 24 percent of Russia, or 406 million hectares, an area half the size of the U.S. The land has a total value of about \$100 trillion, Agriculture Minister Alexei Gordeyev said, Interfax reported. In the 1920s, Soviet leader Joseph Stalin began to collectivize the land, combining traditional plots worked by peasants into giant state-controlled farms. Many peasants protested by burning crops and slaughtering livestock, and as many as 7.5 million people were killed in the process, historians estimate. An additional 7 million died in the famine that followed.

From Bloomberg-Politics, by Irina Granik and Vladimir Todres, 21 June 2002

Middle East

Syrian Leader Charts Rocky Path to Reform



SYRIA'S SPHINX: Syrian President Assad (left) touring with Egyptian President Mubarak in Cairo this March. They discussed the Saudi plan for Mideast peace. Assad, still young and consolidating power, is pushing Bush this week to support Palestinian rights. While President George W. Bush drafts a speech this week to advance the cause of Mideast peace, Syrian President Bashar al-Assad is warning that a lasting settlement in the region cannot be achieved unless the rights of the Arabs are fully restored. "Moderation cannot be attained as long as there is [Israeli] killing and destruction, and extremism will only lead to more extremism and violence," he said, in remarks published Sunday in the state-run Al-Baath newspaper. It is familiar advice from President Assad, who inherited one of the

toughest jobs in the Mideast from his father, Hafez, two years ago. Described by those who know him as charming and a good listener, the tall, lanky, and unassuming 36-year-old former eye doctor nonetheless has relayed some of the strongest anti-Israel rhetoric delivered by an Arab leader in recent times. Assad's critics accuse him of being weak and manipulated by the regime's old guard. Others say his desire for peace with Israel and needed reform in Syria is genuine but he has to maneuver with caution. "There are sharks around and he has to tread carefully," says a Western observer of Syria. "In order to implement your program, you have to maintain power. And he's learning the hard way." The heir unapparent - Indeed, Assad has had much to learn in the past eight years. As the second son of the shrewd and uncompromising Hafez al-Assad, who took power in 1970, Bashar was never meant to be leader of Syria. That position had been entrusted to his elder brother Basil, a popular and dashing character who was groomed from youth to one day succeed his father. Bashar devoted his career to medicine, studying ophthalmology in Iran and then from 1992 in London. But

he was summoned back to Damascus in 1994 following the death of Basil in a car accident and immediately enrolled in a military academy for an accelerated course in leadership. While swiftly ascending the Army ranks, Bashar was taught the intricacies of Middle East diplomacy. His apprenticeship was not without pitfalls. On a visit to Kuwait in 1999, he caused a diplomatic upset by reportedly describing Iraqi President Saddam Hussein as a "human beast." Syria had just launched a rapprochement with Iraq in a bid to end three decades of mutual hostility, and Syrian officials quickly denied Bashar had made the comment. Swift transition to power - Hafez al-Assad died in June 2000 and Bashar, at the age of 34, was ushered into office 10 days later. His inheritance was hard to envy. Peace talks between Syria and Israel had collapsed two months earlier, and in September 2000, the Palestinian intifada erupted, plunging the Middle East into deep crisis. But anyone who thought the new President Assad would be a pushover was wrong. He soon made it clear in a series of fiery speeches - which some critics said bordered on anti-Semitic rants - that he would not compromise on his father's tough conditions for peace with Israel. Washington has been dismayed by Syria's growing economic and political relationship with neighboring Iraq, fueled by suspected exports to Syria of over 100,000 barrels of oil a day in breach of United Nations sanctions. At home, Assad pressed ahead with an anticorruption drive, introduced the Internet to the country, released political prisoners, approved the creation of private universities, and promoted tentative economic reforms.

But mounting calls for political liberalization led to a backlash, which saw several dissidents arrested and an end to the public debate on reform. Although the crackdown has caused despondency in Syria, most blame the aging and powerful old guard. "He's up against a great deal of opposition from a body of entrenched interests who don't want change," says Patrick Seale, the biographer of Hafez al-Assad. "I think the real test will be in the next year or so, when he has to confront these people in order to get the country moving." Hope for reform remains - And it appears that President Assad is attempting to speed up this process. In March, he passed laws requiring state employees to retire at the age of 60 to speed the emergence of a younger, more technically minded generation. Yet in Syria, it seems that each step forward is matched by a step back. Much legislation remains unimplemented, especially key economic reforms. Diplomats believe that President Assad lacks the viselike control exerted by his father, Hafez. This has encouraged the rise of a new generation of hard-liners - mainly powerful businessmen and officers in the security services. But Syrians continue to have faith in their young leader. "I am very optimistic about him," says Mohammed Shukri, professor of law at Damascus University. "He's open-minded, educated.... He's proving a master in realpolitik. He will win because the people are backing him. Sooner or later he will rearrange his house."

From Christian Science Monitor, by Nicholas Blanford, 17 June 2002

The Americas

Bush aims to double spending on education in Africa

Washington - President Bush will propose spending an extra \$100 million over five years for education in Africa, a continent he plans to visit next year. The president plans to announce his travel plans and the new spending initiative Thursday night at a dinner in memory of the Rev. Leon Sullivan, a Philadelphia minister credited with helping end apartheid in South Africa, White House officials said. The \$100 million would double spending on a U.S. initiative for education in Africa. It is the second relatively modest investment in Africa unveiled by Bush this week as he prepares to attend a summit of industrialized nations next week. White House press secretary Ari Fleischer said the proposed new spending will train more than 420,000 new teachers in Africa, provide more than 250,000 scholarships for girls, and, with help from historically black colleges in America, provide 4 1/2 million more textbooks for children in Africa. Africa will be a major focus of the Group of Eight meeting that Bush attends next week in Canada. The \$10 billion U.S. foreign aid budget is the lowest among rich nations as a percentage of economic output. The White House hopes the African initiatives ease criticism about U.S. spending while projecting a compassionate image of Bush to both foreign leaders and American voters. On Wednesday, the president promised an extra \$500 million over three years to help prevent mothers in parts of African and the Caribbean from transmitting the AIDS virus to their children.

From CNN-Politics, 20 June 2002

Reforms Meet Resistance in Restless Peru

A nationwide strike yesterday protested Peru's move to privatize electric companies. After this story went to press, President Alejandro Toledo announced the suspension of the sale of the state-owned electric companies pending a court ruling. Peru's President Alejandro Toledo is getting a stark reminder of just how hard it can be to make economic reforms in South America. Riots started in the southern state of Arequipa last Friday to protest the sale of two state-owned power companies. The demonstrations have spread to neighboring Tacna and have left two dead and more than 150 injured. The police and military have battled protesters, which has prompted an upcoming meeting of mayors from seven southern departments in Arequipa to debate a region-wide strike against the government's policies. Privatization lost much of its luster during authoritarian former President Alberto Fujimori's reign from 1990 to 2000. Congress charges the Fujimori government with squandering some \$9 billion brought in through the sale of state assets, which allegedly went

into the pockets of government officials instead of for development. As well, citizens fear rate increases and layoffs by the private owners. "Privatization only means more unemployment and higher rates for the population. There are no benefits," says Luis Saraya, a leader of the Broad Defense Front of Arequipa, which has led many of the protests in the state. Sixty percent of Peruvians reject privatization, public opinion polls find. But Mr. Toledo, approaching one year in office, made it clear in a televised address Monday that his administration's economic policies – and in particular the privatization of state-owned companies – are not open for debate. The riots are the latest example of the difficulties Toledo's government faces in trying to meet the immediate needs of the country's 27 million people while moving forward with economic improvements. South America contains other examples of how similar problems led to the demise of leaders in the region. Argentine President Fernando de la Rúa resigned in late 2001, unable to deal with the country's staggering economic crisis that many attribute to poor privatization schemes. Since then, a parade of presidents has come and gone, and the current one, Eduardo Duhalde, continues to face difficult economic choices.

Ecuador's President Jamil Mahuad was sacked in January 2000, after attempting to push through tough economic reforms, including privatization of state-owned companies. While Peru is not faced with an immediate economic crisis – the economy grew by nearly 4 percent in the first five months of the year – the administration has been unable to address the pressing demands of a growing population. The problem is complicated by numerous unfulfilled promises made by Toledo during the 2001 campaign and after his election. Protesters say Toledo broke his promise not to privatize the power generators. The government acknowledges this, but says that the country's economic needs forced a change in course. Carlos Franco, a political analyst with the Development and Participation Research Center, Lima think tank, says the government has ignored complaints against its economic policies. "The protests in Arequipa were predictable, given the climate in the country over the past few months," says Mr. Franco. "The government decided not to listen to complaints, and has backed itself into a difficult corner." The president's missteps have led to a massive decline in support. A recent survey by the Apoyo polling firm found that Toledo's popularity has sunk to 21 percent from 60 percent in September. The protests in the south are the latest in a series of uprisings since September. The national police have registered nearly 500 protests in the past 11 months, including a nationwide strike in May against privatization.

Yet privatization is a cornerstone of Toledo's economic policy, which he says will spur foreign investment. It is also a key element in a two-year agreement with the International Monetary Fund. The government promised the IMF that it would bring in \$700 million from privatization this year and nearly \$1 billion in 2003. The problems of Argentina's Mr. de la Rúa and Mr. Mahuad of Ecuador were complicated by pressure to meet agreements with the IMF. The mayor of Arequipa and six other mayors have been on a hunger strike for a week to demand that the government revise its privatization plans. Congress is also getting in on the act, with members of Toledo's own party calling for a halt to future privatizations and a review of recent generator sales. And investigators are looking into why Tracatabel, the Belgian buyer of the two utilities, was the sole bidder. The administration, however, has reiterated that the government is not going to veer from its plan. Finance Minister Pedro Pablo Kuczynski said backing away from privatizations would send a disastrous message to foreign investors. Even if the government did change its approach, Franco fears it might be too late to convince Peruvians that Toledo is capable of solving the country's problems. "The president's word has been discredited to such an extent that whatever he says means nothing," he says. "People simply do not trust him any longer."

From Christian Science Monitor, by Lucien O. Chauvin, 19 June 2002

Brazilian Economy Stumbles on Moody's Ratings Drop

Rio de Janeiro - Stocks tumbled, the currency crumbled and Brazil's risk premium soared Thursday after Moody's Investors Service changed its outlook on Brazil's credit rating to negative from stable. Even by the standards of the recent financial turbulence this country has been suffering through, thanks to doubts about the political future and its ability to service its debt, the jolt was a stiff one. The Sao Paulo Stock Exchange plunged 584 points to close down 5.1 percent, the steepest loss since Sept. 13, when the index fell 7.3 percent after the terrorist attacks in New York. Brazil's currency, the real, shed 7 centavos against the dollar Thursday to close at 2.77. A Central Bank intervention, selling \$100 million, didn't alleviate the pressure. Also Thursday, the country's risk premium, as defined by the J.P. Morgan Emerging Bond Market Index, soared 15.95 percent to 1,595 basis points surpassing Nigeria and placing Brazil behind only Argentina. The index measures how risky it is to invest in a given country by measuring the premium it must pay over U.S. Treasury bills.

More bad news came after markets closed with the Fitch agency announcing it had lowered its rating for Brazil's currency to B+ down from BB-. "The Brazilian economy is solid, democracy stable and we live in climate of social tranquility, Vice president Marcos Maciel told reporters in Brasilia. "For that reason I don't see any reason for this, except for mere speculation." But analysts said the outlook was likely to remain gloomy unless government-supported candidate Jose Serra begins to take off in the polls. A new poll released Thursday showed Serra with just 19 percent of the vote while opposition candidate Luiz Lula Inacio da Silva of the leftist Workers' Party has about twice that. In the past, Lula spooked markets by openly flirting with "renegotiating" Brazil's \$90 billion public foreign debt. A term that was widely interpreted to mean a default. But the problems run deeper than the specter of a left-leaning president. Under eight years of rule by the center-right coalition of President Fernando Henrique Cardoso, Brazil's debt burden has swelled to

unprecedented proportions. In recent days, the Central Bank has taken steps to calm the markets drawing \$10 billion from an existing International Monetary Fund facility to shore up confidence. The Central Bank has also been swapping long- and medium-term debt for short term debt in an effort ease tensions.

From MSNBC, 21 June 2002

Mexican Workers Pay for Their Success

With labor costs rising, U.S. factories are now departing for Asia - [TIJUANA, Mexico](#) Cesiah Ruiz Brena came to Tijuana in 1989, deliriously happy to get a job at a new Japanese factory. Her work space was grand, the lights were bright and the pay was unimaginably good: \$100 a week to start. But after 13 years during which her wages rose to \$200 a week, Ruiz Brena lost her job on June 1. Her Canon inkjet printer factory shut down. She and her co-workers shared a cake, snapped photos of one another and said good-bye. The factory, they were told, was moving to Thailand and Vietnam, where wages are as low as \$15 a week - less than what she earns in a day. All along the Mexican border with the United States, once-busy factories are closing. Since the end of 2000, tearful farewell parties have been held for 250,000 factory workers in Mexico. Some of the same jobs that have left North Carolina textile plants and Ohio auto-parts assembly lines for Mexico in the 1980s are now moving to Asia. The reason is the same: cheaper labor. The loss of jobs in part reflects the slowdown in the U.S. economy. But many of the plant closings are just the globalized economy at work. Factories came to take advantage of low wages; now that success has driven wages up, they are moving on. Mexico is left with a bittersweet legacy: higher wages, but fewer jobs. More than 500 foreign-owned assembly-line factories in Mexico, called *maquiladoras*, have closed in the past two years, in part because wages have doubled in the past 10 years and are no longer considered low in the world economy. An entry-level factory worker in Tijuana earns \$1.50 to \$2 an hour, compared with 25 cents an hour in parts of China. International companies once wary of China are increasingly inclined to invest there.

Those include a golf-club manufacturer that laid off 1,500 employees in Tijuana and an electronics factory in Guadalajara that left 4,000 workers jobless when it moved. Suddenly Mexican workers feel that China is their fiercest competitor, sucking their jobs east. "It's a reality of globalization," said a Mexican economist, Rogelio Ramirez de la O. As he surveys companies in Mexico, he said, talk is increasingly of moving to China. "This is not going to turn around automatically," he said. "It's a structural adjustment in the world economy." The factory closures are a jolt to an industry that until 2001 had never known a year in which it did not grow. Started in the mid-1960s, the factories had been expanding steadily, with double-digit annual growth after passage of the North American Free Trade Agreement, or NAFTA, in 1994. The pact meant that designer jeans could be sewn and television sets assembled in Mexico cheaply, then shipped tax-free to the United States, the world's largest consumer. From 120 export factories in 1970, the industry swelled to more than 3,700 in 2000. In Tijuana, a border city of 1.5 million residents just south of San Diego, one new industrial park after another opened over the last 15 years. Today, sprawling electronics, auto- and medical-supply factories ring the city.

The maquiladora industry produces half of Mexico's \$143 billion annual exports of manufactured goods. But in responding to the new reality of overseas competition, the industry is trying to shift from labor-intensive assembly, in which China and other Asian countries now have the edge, toward higher-skilled, higher-tech manufacturing. As a result, the number of factories has receded to about 3,200. "It's similar to the reinventing that had to be done in the United States" in the 1980s, said Ramirez de la O. But, he said, Mexico is ill-prepared for the transition. The government has been lax about monitoring wage increases and supporting worker education and training programs, preferring to believe that the factory problems will disappear with the U.S. recession. "That has clouded their eyes to the problems," he said. Wages in Mexico have risen faster than inflation, and faster than those in the United States and Asia. Rolando Gonzalez, president of the National Maquiladora Association, said that is not all bad. Fatter salaries mean better housing and better living conditions for workers, he said, and Asian competition is forcing an improvement in workers' skills.

In what many see as a harbinger, Pratt Whitney just opened an aircraft parts repair factory, locating its high-tech operation in what was once a low-tech Styrofoam packing plant. "Times are changing," said Tijuana's mayor, Jose de Jesus Gonzalez Reyes. "Companies used to come here for our low-cost labor. That is not our best selling point anymore." The mayor said a natural evolution is taking place: Over time workers do better, more difficult work and, therefore, earn more money. Now, rather than promoting Tijuana as a hub of cheap labor, Gonzalez said, the city is focusing on its location next to the United States. "This is our new strategy, selling the Tijuana-San Diego region," he said. It is cheaper to truck most goods from Mexico to the United States than to ship them from Asia. But the wage differential between China and Mexico is so great that the bottom line usually tips to production in China. Still, for some large items that are the most costly to transport, such as automobiles, Mexico has an advantage. Toyota recently announced plans to open a new pickup truckbed factory. Tijuana has a long history of reinventing itself to respond to economic changes. In the 1980s, the city took advantage of a pre-NAFTA free trade zone to create what many called the "perfume capital of the world." Companies imported perfumes from Europe, then took advantage of free trade benefits to sell them duty-free to large U.S. retailers. When NAFTA provided tax-free incentives for maquiladoras, Tijuana substituted perfume bottles for crates of electronics components and became one of the world's leading television assembly sites. But Asian manufacturers have made steady inroads into Tijuana's television

territory. "If we don't want to lose the title of TV capital, we need to get into plasma and high-definition TV," said Humberto Inzunza Fonseca, Tijuana's director of economic development. "We are in the process of changing again."

From International Herald Tribune, by [Mary Jordan](#), 21 June 2002

Global

U.N. Chief Urges G-8 Leaders to Fight Poverty

U.N. Secretary-General Kofi Annan urged leaders of the world's major industrialized nations to make firm pledges of action and money at their summit next week to fight the poverty that billions of people face every day, especially in Africa. In an open letter to the leaders of the eight richest and most powerful nations, he said Wednesday that people in the developing world "have suffered disproportionately from the slowdown in the world economy, and they are also the primary victims of terror and violence." "Even the richest and most powerful countries ... are unlikely to achieve lasting security, either in the economic or the physical sense," as long as billions remain poverty-stricken, Annan warned. The secretary-general welcomed the decision of the Group of Eight summit to focus on Africa, the world's poorest continent, at the June 26-27 summit in Kananaskis, Canada. He thanked the summit leaders for inviting him and five African leaders to attend a daylong working session on June 27. While progress in combating poverty depends "first and foremost" on the developing countries themselves and especially their leaders, Annan said "the best efforts of these countries to break out of the cycle of poverty, ignorance, disease, conflict and environmental degradation are likely to be insufficient unless they can count on the support of the international community." "The peoples of the developing world would therefore be bitterly disappointed if your meeting confined itself to offering them good advice and solemn exhortation, rather than firm pledges of action in areas where your own contribution can be decisive," he said.

Annan called on the Group of Eight - the United States, Japan, Germany, Britain, France, Italy, Canada and Russia - to stand by their commitments at the World Trade Organization meeting in Doha, Qatar in November. At that meeting, they promised negotiations to open markets to exports from poor and developing countries, especially textiles and agricultural products. Annan urged them to build on the financial commitments made at the recent U.N. aid financing conference in Monterrey, Mexico, and work toward the additional \$50 billion a year in foreign aid that is the minimum needed to meet the goals set by the world's leaders at the U.N. Millennium Summit in September 2000. By 2015, the leaders pledged to halve extreme poverty, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, and start to reverse the HIV/AIDS epidemic. He also called for further debt reduction for the world's poorest countries, increased contributions to the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria, and new commitments to preserve the environment.

From Nando Times-Global, By Edith M. Lederer, 20 June 2002

G-8 Economic Summit to Focus on Terrorism

President Bush and his colleagues in the rich-country club will focus on terrorism in all its aspects at this year's economic summit - from improving intelligence cooperation to devoting more effort to address a prime breeding ground for terrorists, abject poverty. In fact even before the Sept. 11 attacks, Canadian Prime Minister Jean Chretien, this year's host, had put Africa at the top of this year's Group of Eight agenda, hoping to prod the G-8 into endorsing a major new aid program for the world's poorest continent. But even before the two days of discussions get under way Wednesday at Kananaskis, Alberta, a remote resort in the Canadian Rockies, critics are contending that the programs the G-8 will put forward fall far short of what is needed. In a report released Monday, ActionAid, a global aid group, said the world is far behind meeting the United Nations' goal of cutting global poverty in half by 2015. It urged the G-8 to double aid over the next three years. "Unless they radically change their approach, 2015 will come and go and 66 million children will have died needlessly because of poverty," said Matthew Lockwood, the report's author. Bush and the leaders of the other G-8 countries - Russia, Japan, Germany, France, Britain, Italy and Canada - have been devoting the days leading up to the summit announcing various initiatives for Africa dealing with education and HIV/AIDS.

Activists say the aid increases fall far short of what is needed. However, Mark Malloch-Brown, administrator of the U.N. agency spearheading the poverty reduction drive, said he believed the Sept. 11 attacks sparked a major new commitment to deal with the root causes of poverty and despair. "In the 1990s, aid to Africa dropped by one-third. Now we are seeing that dramatically turn around," he said. As always at these summits - this will be the 28th - political hot spots will intrude in the economic discussions. U.S. allies are coming with plenty of questions about what Bush might have in mind in terms of expanding the war on terrorism to Iraq and other countries. The president, in a commencement address at the U.S. Military Academy on June 1, said the United States will strike preemptively against suspected terrorists or the states that support them if necessary to deter attacks on Americans. The remarks raised new misgivings about what many allies see as a troubling U.S. tendency toward unilateral action. German Chancellor Gerhard Schroeder said he did not expect Bush to apply pressure for G-8 backing for an imminent expansion of the campaign. "Demands are

not on the agenda in Canada," he said. Security will be extraordinarily tight for the discussions, with the tiny mountain resort accessible only by a two-lane road. That will help authorities make sure there will not be a repeat of last year's violent street clashes in Genoa, Italy, in which one protester was killed by police and hundreds were injured. The G-8 leaders will be joined in their discussions by U.N. Secretary-General Kofi Annan and the leaders of five African countries, including South African President Thabo Mbeki. Mbeki is seeking support for his "New Partnership for African Development," which some see as the modern-day equivalent of the U.S. Marshall Plan that rebuilt Europe after World War II. The G-8 program would provide billions of dollars of aid to African countries that pledge to eliminate government corruption and pursue free-market economic reforms. However, a report Monday by a group of prominent former diplomats from G-8 countries, including former Secretary of State Henry Kissinger, said the summit needs to raise tough questions about the commitment of African nations to political reform. "The absence of effective African pressures for sound practices around the recent election in Zimbabwe raises serious doubts about the prospects for both good governance and effective peer pressure on the continent," the Group of Eight Preparatory Conference said. C. Fred Bergsten, head of the private Institute for International Economics in Washington and a co-chairman of the group, said officials also were concerned about rising trade tensions, including the Bush administration's decision to impose steep tariffs on imported steel. Russian President Vladimir Putin is hoping to win backing at the summit for a program in which the United States will provide \$10 billion over the next 10 years, to be matched by other wealthy countries, to help Russia decommission its nuclear stockpile.

From Nando Times-Business, by Martin Crutsinger, 24 June 2002

Governance Systems and Institutions

Africa

Cameroon President Postpones Poll

Cameroon's president dismissed his interior minister after parliamentary and municipal elections were halted Sunday because of logistical problems. Balloting had already started in some areas when a presidential decree was broadcast on state-run radio postponing the two votes until June 30. A statement issued by the secretary-general of the presidency, Hamidou Marafat Yaya, said the state-run printing press had not finished producing all the ballots. It promised "severe sanctions" against those responsible. Later in the day, the president's office issued a second statement announcing the dismissal of Interior Minister Ferdinand Koungou Edima, who was responsible for organizing the elections. Edima could not immediately be reached for comment. Government and hospital officials, speaking on condition of anonymity, said Edima collapsed Saturday after hearing the ballots were not ready and was being treated at the Yaounde Central Hospital. Yaya will replace Edima until a new interior minister can be appointed. The head of the Cameroon Printing and Publishing Corp. was also replaced by a subordinate. Opposition leaders said the postponement of the vote was evidence of the failings of President Paul Biya's government. "It is proof again, with immediacy, that Mr. Biya is not democratic," said Tazoacha Asonganji, secretary-general of the main opposition Social Democratic Front.

The ballot marks the first time municipal and legislative elections — usually held every five years — were to take place on the same day. Legislative elections were last held in 1997. The opposition claimed massive vote fraud in that ballot and unsuccessfully demanded the results be annulled. The ruling party currently holds 116 of parliament's 180 seats, while six opposition parties together hold 64 seats. The last municipal vote was in 1996. Voting for 336 mayors was originally scheduled for last year, but was twice postponed for logistical reasons. The elections had already sparked violence in the central African nation. Ten people were injured in clashes Thursday in Northwest Province between opposition supporters and members of Biya's ruling Cameroon People's Democratic Movement, the government said Friday. Biya has held power in Cameroon since 1982, when his late predecessor, Ahmadou Ahidjo, retired. The political spectrum opened in 1992 with the advent of multiparty politics, but the opposition remains weak. Cameroon is home to a French-speaking majority — from which Biya hails — and an English-speaking minority that comprises about 20 percent of the nation's 15 million inhabitants. English speakers say they are treated as second-class citizens and have lobbied for years for autonomy or secession. About 4.5 million people were registered to vote.

From MSNBC, 24 June 2002

Low Turnout for Second Round of Congo Elections

Congo Republic held the second round of parliamentary elections on Sunday but many voters in the capital, Brazzaville, stayed away, shaken by fighting last week which left scores dead. Polling booths began shutting up after a quiet day and some voters said they

were disillusioned by the return of violence to the capital after several years of stability. "I don't even want to hear people talk about voting in this country, where those in charge have no concern at all for the population," said Norbert Mbani, 56, who is retired. "My house was burned down by (rebels). Who is going to compensate me? Nobody, so why should I bother going to vote?" The party of President Denis Sassou Nguessou, which took a commanding lead in the first round by winning 29 of the 51 seats decided outright, was expected to win a hefty majority in the central African country's 137-member assembly. Most of the other seats decided went to members of a pro-government coalition. The country, which borders the much bigger Democratic Republic of Congo, is a substantial oil producer and stands to benefit from heavy new investment in deep offshore reserves. But it has suffered from inter-ethnic violence and Sassou is seeking to consolidate his power in the first general election since he seized power in a 1997 civil war. About 100 people died just over a week ago when rebels known as the Ninjas attacked the airport in the worst fighting in Brazzaville for four years. Congo's two opposition figureheads, Pascal Lissouba and Bernard Kolelas, both live in exile and would face prison if they returned to the former French colony. Because of the troubles, second-round voting will not take place in eight constituencies, leaving 78 seats to be decided by Sunday's runoffs -- required in those constituencies where no candidate secured more than 50 percent in the first round.

LOW TURNOUT - Sunday's poor turnout appeared to be due to a variety of factors, including stiffer identification rules for voters, the disqualification of several candidates after the first round and fear of returning to parts of the capital worst hit by fighting. In the first round, Congolese could vote by showing specially issued voter cards. This time the national organising committee is insisting on full identity cards, driving licences or passports for proper identification to avoid fraud. "For the second round, I haven't been to vote because I don't have a national identity card," said Clementine Mabila, 32, a teacher in Brazzaville. Some Congolese only have flimsy slips of paper attesting to their nationality after the authorities stopped printing full-blown identity cards nearly five years ago. Some younger voters said the success of ruling party stalwarts in the first round had dented their enthusiasm. "I preferred to stay at home. Why vote if it's always the same ones who come back, and who are still there," said Luc Mbila, 27. "I voted in the first round as I was hoping for change." "My candidate was disqualified so I don't see any point in going to vote," said Paul Matingou, 46, an electrician who lives in the south of the capital.

From MSNBC, 24 June 2002

Nigerian Leader Faces Test of Unity



OBASANJO: Nigeria's president, recognized for his statesmanship, speaking in Australia in March on the Zimbabwe crisis.

Despite reforms, religious tension looms over Obasanjo's reelection bid - The five-story whitewashed building downtown is barely a month old. The air-conditioning is purring, the name plaques outside the offices are shiny, and the lounges smell of leather from the brand new couches. But the place is deserted, except for the sound of a football match emanating from a TV down some corridor. This is President Olusegun Obasanjo's reelection campaign headquarters, and his team is taking it slowly, seemingly sure of victory next year. General Obasanjo, the onetime military ruler who was democratically elected three years ago, announced in April that he would seek the nomination of his People's Democratic Party (PDP) and run for

another term. The elections will be historic. Since independence from Britain in 1960, Nigeria has been rocked by one military coup after another and has never had successive elected governments. "Democracy has been solidly established and no one wants to return to military rule," says Silva Opusunju, one of Obasanjo's top campaign coordinators. Mr. Opusunju admits, as does Obasanjo, that progress has been slow on many fronts, and the country still faces major social and economic challenges. But, he argues, "the right path has been taken.

People are thankful for that and credit Obasanjo." But critics say Obasanjo is on his way out, having not done enough to better the conditions of the nation's 125 million people, or to bridge the widening ethnic and religious divides. Though no strong opposition candidate has emerged, on Saturday, three new parties officially registered for the poll. Two of the three are pushing Gen. Ibrahim Babangida, the former military leader who ruled Nigeria from 1985 to 1993, to run. General Babangida is a northern Muslim who backed Obasanjo, a southern Christian, in 1999. But the relationship between the two has allegedly soured, reflecting a national religious rift. Some warn that no leader will be able to unite the differing sides, and Africa's most populous nation may descend into violence and fracture into several smaller nations. In some ways, the path of democracy ushered in with Obasanjo has indeed benefited many. Human rights have improved, courts have become more independent, restraints on the media have been removed, and some economic privatization has taken place. Obasanjo has been broadly praised for his mediation and peacekeeping efforts in Zimbabwe, Liberia, and Sierra Leone, as well as for his role in helping design the New Partnership for Africa's Development (NEPAD), the pan-African development program due to be unveiled next month. But in other ways, much is still the same. Accusations of government corruption and mismanagement -- which sap this oil-producing country (the world's sixth-largest) of its wealth and keep an

estimated 70 percent of the population under the poverty line – still persist, despite promises of reform. A majority of the population lacks access to clean water, consistent electricity, satisfactory education, or gainful employment. "Perhaps we all expected too much of Obasanjo," says Kabiru Yusuf, editor in chief of the Weekly Trust newspaper. "We thought he might do more in terms of reforms for the people who elected him.... In regards to corruption, it's business as usual." For three years running, Nigeria has been ranked as one of the most corrupt countries in the world by Transparency International, a watchdog group. More worrying still, interethnic, geographic, and religious tensions, always in existence here, have arguably worsened since the end of authoritarian rule. Fighting over the past three years has claimed thousands of lives. Sectarian violence, especially between Christians and Muslims, is rising steadily, and many predict that it will get worse as the elections approach. "Issue-based platforms don't come into play much," says one Western economist here, speaking on condition of anonymity. "It's about being Igbo or Yoruba or Christian ... and ... getting your candidate in so you can then get your hands on some of the goodies of power."

The culture of democracy has yet to be understood in Nigeria, says the economist. Violence hit the easygoing, temperate city of Jos last September, when Christians and Muslims – goaded on by politicians – turned on one another, killing some 500 and destroying homes, shops, churches, and mosques. More riots broke out in January and again in May, spreading to other towns and villages in the region. A curfew is now imposed in Jos. "We used to live very cordially together," says Rev. Dallhato Abdu of Jos, "but then the Muslim northerners started getting jealous that the president is a Christian. They claimed he was ignoring them and they started attacking us. Now we are divided." The Muslims see it differently. Sheikh Ahmed Suleiman used to live around the corner from Mr. Abdu. Now, after his house was burned down in the riots, he is looking to sell the land to a Christian and move to a Muslim neighborhood. "The problem is with the Christian politicians," he claims. "They are inciting the youngsters for selfish reasons. They are trying to tell us we do not deserve as much as them because we are Muslims." Political power struggles have found a fertile new testing ground in the Islamic courts. Twelve northern states with Muslim majorities have adopted full *sharia* (Islamic law) since January 2000, sparking anxiety among nonbelievers and Christians.

Obasanjo, who originally said the commotion over *sharia* would "fizzle out," recently tried to quell the growing turmoil by having his justice minister declare *sharia* punishments – such as beheadings, stonings, and amputations – unconstitutional. *Sharia* states accused the president of discrimination and meddling in their democratic right to choose their legal system. And while it seems Obasanjo's campaign coordinator Opusunju is right to say democracy is solidly established, not everyone credits the president with it. "We don't have a choice but to hold onto our democracy," says Oronto Douglas, a civil society activist. "What is the alternative? The old brutal military dictatorship?" Mr. Douglas, like many here, worries about the fragmentation going on, but trusts these will not tear the country apart. "Someone will rise who cares about national equalities and is able to stabilize this vast country," he says. "And we will vote for that person."

From Christian Science Monitor, by Danna Harman, 25 June 2002

Asia/Pacific

HK Faces Major Government Shake-up



Hong Kong's chief executive Tung Chee-hwa begins his second five-year term on 1 July with a new Cabinet

Hong Kong, China - A day before Hong Kong's leader was set to unveil the territory's biggest government shake-up since it was handed back from Britain to China, his opponents predicted a political catastrophe and complained their voices were ignored. Chief Executive Tung Chee-hwa will reveal Friday the much-anticipated lineup of a new Cabinet in which political appointees will get seats once occupied by civil servants -- a reshuffle that his critics are dreading as a massive tightening of his control. "It will be disastrous for Hong Kong, because Tung is getting people who are like-minded to him," opposition lawmaker Cyd Ho said Thursday. "The administration, by high-handedly forcing this system through, is asking for more opposition." The formation of a new Cabinet comes as former shipping magnate Tung prepares to begin his second five-year term at the helm of the former colony, where freedoms and rights unknown in mainland China were guaranteed as part of the handover arrangements in 1997. Tung's re-election earlier this year was called a farce by many concerned about the erosion of those rights. He was picked in an unusual electoral process that gave votes only to 800 members of a committee made up mostly of pro-Beijing figures or big business representatives - nobody else was nominated. Tung calls his new plan an "accountability system," but opponents argue that political appointees will be accountable only to Tung - and say that Tung is beholden only to Beijing. The new Cabinet members will replace civil servants who worked their way through the ranks in a government structure viewed as one of Hong Kong's main strengths because of its uncorrupt

and fair reputation. Local media have been abuzz with speculation about who will be in and who out in the new system, but there seems to be no dispute that Tung's top two deputies - Chief Secretary for Administration Donald Tsang and Financial Secretary Antony Leung - will continue to play key roles. Opposition lawmakers have accused Tung, who begins his second term July 1, of pushing his plans through without adequate consultation and worry that he may end up giving undue power to appointees with ties to Beijing and big business. Ho said there was not enough time to discuss an array of critical issues, such as rules on conflicts of interest and codes of behavior for the new officials, who will not even be vetted by lawmakers before they take their jobs. "It is far, far beyond reason," Ho said. Tung's spokesman, Stephen Lam, has dismissed such naysaying. "We are preserving the best features of an apolitical and professional civil service," Lam told The Associated Press in a recent interview. The political opposition, which holds little power in Hong Kong's Legislative Council under a system critics also say is unfairly rigged, has tried to modify Tung's plans without success. The Legislative Council on Thursday approved Tung's plans to shift power to the political appointees on a 36-21 vote, following a stormy session in which four lawmakers who represent trade union interests walked out in protest.

From CNN, 20 June 2002

Karzai Names Key Cabinet Ministers



Delegates sleep after a four-hour session of the historic meeting

[KABUL, Afghanistan](#) -- Afghan leader Hamid Karzai has named the ministers who will help the country try to rebuild after decades of war and famine. Foreign Affairs Minister Dr. Abdullah and Defense Minister Mohammed Fahim of Afghanistan's interim government were Wednesday renamed to their posts for the transitional government. Karzai named adviser Ashraf Ghani as finance minister. In total, Karzai named 14 ministers. He said he would announce others later. He also appointed three deputy presidents and a chief justice to the country's highest court. Fahim was also named a deputy president. "Do you accept this Cabinet," Karzai asked the loya jirga, the traditional Afghan grand council that is meeting to establish the transitional government. [\(A very Afghan gathering\)](#) After hands went up in support, he said, "All have accepted it and I am happy about it." Karzai later delivered a speech envisioning a positive future and an end to the horrors that the country has endured. He said he would resign if he could not deliver an effective government. "We have agreed to the people of Afghanistan that we will bring peace in this country, we will bring dignity to this country, that our sisters and mothers should not have fear of weapons. We do not want this anymore," Karzai said, adding: "I will not accept government that is useless

and cannot do anything." Karzai spoke of human, economic, and social rights for Afghan citizens and said all Afghans should benefit from the fruits of education, health care and economic development.

He said security should be under the command of the central government. "We should safeguard our religion. We should safeguard our independence. We should keep total integrity and keep Afghanistan under one leadership in unity." He said "normal people" who are members of the Taliban, the former rulers of the country, "should go respectfully to their homes." Karzai was elected last week to the presidency of the 18-month transitional government, which assumes power Saturday. Karzai, who has been head of the country's interim government since December, said he wanted to be sworn into the transitional position Wednesday. The loya jirga has not yet come up with a plan for a national assembly. Karzai urged the group to develop one. The assembly "is your job, not mine," Karzai said, and urged delegates to be chosen to hammer out a blueprint for an assembly. Meanwhile Afghan officials have blamed a rocket attack in the capital on the penultimate of the meeting on remnants of the ousted and hardline Taliban movement, driven from power last year. [\(Full story\)](#) 'Under pressure'- In coming up with a list, Karzai has been under pressure to please all factions and tribes as well as the United States. [\(Key players\)](#) "We have more qualified people than we have posts.

I wish I could either increase the size of the cabinet or cut down on the number of qualified people," Reuters quoted him as telling the loya jirga on Tuesday. Since his landslide election last week to the presidency of the 18-month transitional government, all sides have been trying to pull Karzai in different directions. The Northern Alliance, a coalition of non-Pashtun former Mujahideen fighters who dominate the present administration created under last year's Bonn accord, want to keep their posts in the new government which will run the country until general elections are held in December next year. Karzai's fellow Pashtuns and supporters of the ex-king Zahir Shah, many of them back from long exile in the West, seek a more balanced government, where their ethnic group, the biggest in the country, will be more fairly represented. The loya jirga, created under the Bonn accord to shape the structure of the new government, wants to have the final say at least on the cabinet's key portfolios, but has yet to come up with a plan for a national assembly.

Entered the fray - The United States, too, has entered the fray, flexing its muscles to ensure its interests are taken into account. Lacking cash resources of its own, Afghanistan is still waiting to receive some \$4 billion in foreign donations. In the meantime, Karzai

has used emergency funds from the United Nations to finance his interim administration and hopes to get money from the World Bank to pay for his transitional government. The new interim administration is set to take power on Saturday.

From CNN, 20 June 2002

Afghans Split Over Brutal Laws

Debate over Islamic law roiled the national assembly as it drew to a close Wednesday. During the Taliban's six-year reign in Afghanistan, the hard-line Islamic regime was internationally famed – or reviled – for its radical style of justice. The Taliban laid down the most extreme form of *sharia* (Islamic law) seen in Afghanistan in more than 1,000 years. Crime plummeted as convicted thieves faced the amputation of a hand. Adulterers, both male and female, were stoned to death. And to convert from Islam was an offense punishable by death. With the Taliban's fall has come real progress on some issues of human rights, particularly in the nation's larger cities. But observers, Western and otherwise, who hoped for Afghanistan's new president to lead the way to a more moderate interpretation of Islamic law have been disappointed so far. In fact, during this week's *loya jirga* (grand assembly), President Hamid Karzai has given Islamic traditionalists fresh hope – and human rights activists new concerns – with his declaration that the nation will continue to follow *sharia*, and his inaugural wish that "... God cut [off] the hands of people who try to steal our national heritage." That kind of language sends a chill through Mohammed Afzal. In 1997, Mr. Afzal was one of three accused thieves who were sent to a chopping block in Kabul's central stadium. Tens of thousands of spectators watched that day as a man in a black mask cut off Afzal's left hand. "In the early days, after the amputation, I was ashamed, I didn't even leave my house," he says. "Even now, if someone asks me, I don't usually tell them that the Taliban chopped my hand off. It has been very hard to explain to every stranger that I am not a thief." But only 35 miles west of the capital, Taliban-era *qazis*, or Islamic judges, many of them the same men who issued verdicts from 1996 to 2001, have taken heart in President Karzai's declarations.

It wasn't clear from Mr. Karzai's statements, or the more ethnically balanced cabinet he appointed Wednesday, how strictly or loosely the new Afghan government plans to follow the Taliban's interpretation of the legal code. Several delegates at the nation's *loya jirga*, or grand assembly, who stood up early last week to suggest that the new Afghan government should not use the word "Islamic" in its title and should be more secular in nature, were quickly jeered inside the massive white tent. Here in Midan, the judges say they are pleased with Karzai's announcement and insist that they have no plans to stop ordering the lopping off the hands of thieves or the stoning of male and female adulterers. But other religious leaders in larger cities disagree, saying that the harshest practices of *sharia* must be reviewed and altered to fit the new era. "The *sharia* that Karzai speaks of should be the same as it was during [King Zahir Shah]'s era; officially *sharia* should be the law, but in practice it should not be implemented 100 percent," says Maulvi Sami Ullah, an Islamic scholar, the headmaster of a Sufi Islamic school, and a delegate to the grand assembly. In Afghanistan today, most courts operate under *sharia*, but the majority are not as strict as those of the Taliban era. Many courts have liberalized, particularly those in large cities. Both sides in the debate over *sharia* are trying to seize the moral high ground. Those who prefer the Taliban's legal methods see their struggle as a battle against foreign immorality. "We need a modern Islam that is capable of dealing with the Western threat from imperialist nations who try to occupy Muslim countries," says Mohammed Gul, a judge in Midan's *sharia* court. "There are imperialist powers that want to interfere in the Middle Eastern holy lands and who oppose our use of the *sharia* laws.

But our religion requires it and so we will fight for it." Judge Gul says there must be witnesses to convict thieves and adulterers before their punishments are handed down. "If a married woman commits adultery, she must be stoned," he says, sitting cross-legged with a fellow *qazi* on the floor of a crumbling, bombed-out judiciary building. "If the woman is single, she should receive 100 lashes," he adds. The homeless beggars in big Afghan cities like Kabul are the only indication of the Taliban's effort to follow *sharia* down to the last letter. The Taliban kept no statistics on how many Afghans suffered amputations or death. Religious scholars here say that the Taliban era from 1996 to 2001 was one of the sternest periods of *sharia* enforcement in the nearly 1,000 years since most Afghans converted to Islam. The scholars say that the severity of the law was, at least in part, a direct reaction to perceived immorality during the 12-year Soviet occupation between 1979 and 1991. Taliban rule, which ended late last year, saw an initial and dramatic drop in crime across the country – a success that is still admired by many Afghans. Under the Taliban, the chief justice of Kandahar's Islamic Supreme Court became a key adviser to the country's supreme leader Mullah Omar, who is still at large. In much of rural Afghanistan, the Taliban's struggle to implement strict Islam remains popular. Wali Ahmad, a Taliban-era *qazi* in Midan who has kept his job, says "the only thing that the Taliban lacked as a good government was relations with foreign countries."

All else they did, he insists, was good, "especially their interpretation of the *sharia*." "People here accept the harshness of the law," he says. "We will still implement it in full. The judges interpret and implement the law, not the government. If the government tries to interfere, the people will revolt." Local judges in Midan warn their citizens against the corrupt influences of the foreign troops in Kabul and recommend to their women that they continue to wear the all-enveloping blue burqa to guard against the probing eyes of Western men. Earlier this year, a small civil war broke out in Midan-Wardak Province. Over a dozen locals died and 20 were injured in the fighting that pitted fundamentalist-minded former Taliban and elements of the country's Northern Alliance against fellow Afghans who follow a far more liberal Sufi code of conduct. Afghanistan's Sufi leaders, who also enjoy much popular support, oversee four sects of

mystical Islam, all of which emphasize a personal relationship with God and give far less importance than the Taliban did to an ongoing "holy war" with Western influences. In Midan-Wardak Province the military garrison remains in the hands of Sufi followers, though Karzai's government has thrown its weight behind a fundamentalist-minded security chief. Said Aqa, the province's deputy military commander, says his fighters do not venture into remote villages higher in the mountains. "Our problem is that the Taliban are still popular in these areas and they continue to wield influence," he says. "They are aggressive and still think they are fighting a holy war – which ended for us when the Russians left." "We want Islamic law, but we don't want a harsh version of it," he says. "We believe, for example, that hand of a thief should not be cut off. Instead of crippling a man for life, the state should try to find him a job."

From Christian Science Monitor-South & Central Asia, by Philip Smucker, 20 June 2002

Provinces to Get 2pc of GST: Funds for Local Governments

Islamabad: The federal government has decided to transfer 2.5 per cent of the 15 per cent General Sales Tax (GST) amount to provinces to enable them run their respective local government administrations. Official sources told Dawn that the decision came at a meeting presided over by President Gen Pervez Musharraf, here on Thursday. With the decision, the federal government would transfer an additional amount to the tune of Rs32 billion to provinces during the year 2002-03, they said. According to the formula on the basis of which the amount would be disbursed among the provinces, Rs18 billion would be transferred in lieu of octroi and the remaining Rs14 billion would be distributed on the basis of National Finance Commission (NFC) award, they said. It was the provinces, they said, that would distribute it among the district governments through provincial finance commissions (PFCs). The government has projected an amount of Rs205.7 billion under the head of the GST for the year 2002-03 against the last year's projection of Rs185.2 billion, an increase of 11.06pc. Elaborating, the officials said the additional amount of 2.5 per cent in the GST was believed to be made to provinces to compensate for defunct octroi zila tax (OZT).

They further said that the executive board of the IMF would meet on July 3 to approve the next tranche of \$109 million, out of \$1.36 billion Poverty Reduction and Growth Facility (PRGF) program. The officials said the government had also constituted a high-level committee under the head of secretary-general finance Moin Afzal for decision in cases of anomalies. The committee would receive the complaints by June 30 from all the stakeholders and would announce the decision within next couple of days, they added. The distribution formula of the GST has remained a contentious issue among the provinces. The formula evolved during the Nawaz Sharif government stipulated that of all the collection under this head 62.5 per cent would be retained by the federal government and the rest, 37.5 per cent, was to be distributed among the four provinces according to population basis. However, provinces, specially Sindh, expressed its reservations and the matter could not be resolved. Sindh claimed that its 47 per cent of the collection was made through octroi and zila taxes, which could not meet its needs. A number of representations had also been made in this regard and the announcement may become another source of debate.

From Dawn (Pakistan), 21 June 2002

Mahathir Keeps Malaysia Guessing on Transition

Malaysia faced intense political uncertainty on Monday after Asia's longest-serving leader said he wanted to quit and immediately set off for a sailing holiday in the Mediterranean. Stocks and bond prices dipped as veteran prime minister Mahathir Mohamad, 76, left behind a fog of confusion. After 21 years in power, Mahathir is expected to stand down in favour of Deputy Prime Minister Abdullah Badawi, following a lengthy handover period worked out by the ruling party's leadership, sources close to Mahathir told Reuters on Monday. Under the plan, Mahathir is likely to only make way for Abdullah some time in 2003 in order to allow both his United Malays National Organisation (UMNO) party and the country to come to terms with the transition. "It (the handover) will be quite a long period of time. They (the UMNO leaders) want a comfort zone," said one of the sources close to the prime minister. There is strong speculation the government will call a general election next year, although it has 2 years of its term still to run. The prime minister dropped his bombshell on live television on Saturday night, during a speech to the annual assembly of the ruling UMNO. Party leaders refused to accept his resignation and said later he had retracted it. The next morning Mahathir left for Italy without saying another word. His family were quick to quash any suggestion of health worries. "Until the market hears it from Mahathir himself, that he is staying on, uncertainty will prevail for the next few weeks," said Jason Chong, research head at Merrill Lynch.

Mahathir oversaw Malaysia's industrialisation and, on the international stage, was a strong champion of developing nations and one of the rare strong, moderate voices in the Muslim world after the September 11 attacks on U.S. cities. Ordinary Malaysians were in the dark about the intentions of the only national leader many have known. "If it's true he's going, I will cry," said a 30-year-old ethnic Chinese woman banker, reflecting his popularity among Malaysia's non-Muslim ethnic minorities. "LEADER OF VISION" "He is the only leader of vision we have," she said. Government ministers sought to allay public concern. "You can rest assured the prime minister will come back as prime minister," Rafidah Aziz, Minister of International Trade and Industry, told a news conference. Yet privately UMNO leaders told Reuters Mahathir would step aside, but they were not clear when. One UMNO leader said Mahathir might stay on until late next year as he is due to take over as chairman of both the Organisation of the Islamic Conference and the Non-

Aligned Movement. "Given the way he announced his resignation, I don't think a prolonged handover was something he had in mind," said one source close to Mahathir. Abdullah is expected to make an announcement on national television at 4:45 p.m. (0845 GMT) on Tuesday after a meeting of the UMNO leadership, to clarify the prime minister's plans. "Everything will be clear tomorrow," an aide to Abdullah said. Mahathir has said when he leaves power he wants to become an ordinary UMNO member, without coveting the sort of elder statesman role filled by founding father Lee Kuan Yew in neighbouring Singapore. A year ago he said: "When my successor takes over I have no intention to be an adviser. I have no intention to be a Senior Minister. I will keep my mouth shut." HUNCHED AND SOBBING - The last words Malaysians heard Mahathir utter on Saturday, before alarmed UMNO leaders ushered him away from cameras, hunched and sobbing, were: "No, I have decided, I have decided." He broke down before he could give his reason for resigning. That led to speculation it was disappointment with the ethnic Malays' failure to catch up with other ethnic groups faster despite three decades of affirmative action policies. But both his son, Mokhzani Mahathir, and Abdullah insisted that he had wanted to quit because he felt the time was right with the country and the party back on a sound footing after the economic and political crises of 1997-99. Mahathir, a former medical doctor, underwent heart bypass surgery in 1989 but has since kept up a punishing schedule. "He's all right, thank God. If he wasn't I don't think he would have been able to withstand the pressure he was under for those few hours on Saturday," Mokhzani told Reuters. After Mahathir's public resignation, Abdullah urged the nation and the UMNO faithful to stay calm as it was "business as usual." But on Monday it didn't feel that way. The Kuala Lumpur Stock Exchange, which at one point in the morning was down nearly three percent, closed off 2.27 percent, but still hitting three-month lows with analysts expecting more selling to come.

From MSNBC, 24 June 2002

Malaysia's Mahathir to Step Down in Late 2003

Malaysia's ruling party said on Tuesday Prime Minister Mahathir Mohamad, one of Asia's longest-serving leaders, will hand power to his deputy late next year in a move investors praised as an orderly transition. But politicians in neighbouring countries fretted over the potential for instability in Muslim-majority Malaysia and said a smooth succession was paramount in a region coping with political uncertainty in Indonesia and the threat of Islamic extremism. The party said Mahathir, 76, a shrewd politician who has presided over 21 years of immense change, had agreed to postpone his retirement plans to ensure a smooth transfer of power and responsibilities to Deputy Prime Minister Abdullah Ahmad Badawi. "All these things about lame duck is in your mind. During the transition the status of Dr Mahathir as Prime Minister should be preserved," Abdullah said after a party leadership meeting. The departure of Mahathir, who tearfully announced his resignation on Saturday on live television, was always bound to cause jitters among investors in a region familiar with political upheaval, but financial market reaction was relatively positive. "I went weak when I heard he resigned on Saturday and felt better when I heard he hadn't. Now he's resigned again," said Marie, a 45-year old ethnic Chinese building contractor. Malaysia remains one of the most prosperous and stable countries in southeast Asia, and Abdullah is regarded as a mature and pragmatic politician even if he does not possess Mahathir's visionary and steely qualities, analysts said. Speaking after a meeting of leaders of the governing United Malays National Organisation (UMNO), Abdullah told a televised news conference the date of the next general election had not been discussed. A national poll need not be held until 2004, and the ruling Barisan Nasional coalition appears well set to build on a two-thirds majority as the Islamic opposition has faltered since the September 11 attacks on the United States. UNDIMINISHED - Abdullah said Mahathir's position was in no way diminished and he would keep the finance ministry portfolio for the rest of his tenure. "There is no question that during the transition I will steal the limelight from him, that should not be the case," said Abdullah, who has a reputation as Malaysian politics' nice guy.

UMNO Secretary General Khalil Yaakob said the party leadership had accepted Mahathir's offer to defer his resignation, saying Abdullah will take over after a summit of the Organisation of the Islamic Conference (OIC) in October 2003. Mahathir dropped his resignation bombshell on Saturday before leaving the next day for a Mediterranean holiday. UMNO officials insisted the premier had quickly retracted his resignation, though sources close to him said his mind was made up. Tuesday's news conference took place after Kuala Lumpur money markets had closed. Malaysian shares fell for a second day due to the uncertainty, the main index ending down 1.28 percent. Analysts said UMNO's plan boded well for a smooth transition of power, and doubted whether there would be any policy shocks. "It's looking fairly good for now. Investors were looking for a timeline, clarity and a succession plan. The uncertainty has been cleared for now," said Chong Yoon Chou, an investment director at Aberdeen Asset Management, which has about US\$2.8 billion under management in Asia ex-Japan.

NO LEE KUAN YEW ROLE Lim Kit Siang, leader of the Chinese-based opposition Democratic Action Party saw potential pitfalls. "Only time will tell whether the 15-month power transition can work satisfactorily - whether it will result in two prime ministers and two finance ministers or without a proper prime minister and finance minister," he said in a statement. The UMNO official said Mahathir would withdraw to an elder statesman role once he did retire, but would take no formal post. Mahathir has said in the past he had no intention of assuming a titular role like that of Singapore's Senior Minister Lee Kuan Yew. The official said that position was unchanged. Mahathir, a champion of developing countries and a strong moderate voice in Muslim world, will chair the Non-Aligned Movement summit in February before capping his reign by hosting the OIC summit in October in Putrajaya -- the administrative capital

he built as the 1997-1998 Asian crisis raged. Mahathir, Philippine President Gloria Macapagal Arroyo and Indonesian President Megawati Sukarnoputri have been at the forefront of the anti-terror campaign in the region. In Indonesia, still racked by separatist and ethnic tension since the departure of its long serving President Suharto in 1998, the concern was that these problems might spread. "Malaysia's stability is paramount for (Indonesia) and his end will not guarantee that," said Amris Hassan, an MP from Megawati's political party, and a lecturer in international politics at the University of Indonesia. For Singapore, which still feels the impact of the political and economic turmoil in Indonesia, politicians were cautious about commenting on the fast changing situation in Malaysia. Singapore Prime Minister Goh Chok Tong, reacting to Mahathir's sudden decision to resign then stay on Saturday, has emphasised the region's need for political continuity. "At this stage, the region cannot live with another political uncertainty in another country, after Indonesia. That would be very bad for the region," Goh told the Singapore Straits Times newspaper on Sunday.

From MSNBC, 25 June 2002

Europe/CIS

Albanian Presidency Deal Averts Political Impasse

Albanian parties from across the political spectrum closed a prolonged chapter of animosity on Friday by agreeing on EU ambassador Artur Kuko as their favoured choice to become the Balkan nation's next president. Although the European Union and former NATO ambassador will need to be officially nominated by a group of MPs on Monday and get three-fifths of a vote in the 140-member chamber to replace outgoing president Rexhep Meidani, his nomination and election seem just formalities now. The agreement is a rare example of cooperation among Albania's normally fractious political classes, but a necessary outcome to avoid the prospect of potentially destabilising early elections. Choosing Kuko was the culmination of four days of talks and endless wrangling since last Autumn. "The signatory representatives of the parliamentary ruling and opposition parties agreed to propose Mr. Artur Kuko as a consensus candidate for president of Albania," said ruling Socialist Party chief Fatos Nano, who sponsored the talks. Nano said decision to choose a man seen as an able EU negotiator reflected the unanimous will among Albanian parties to reach consensus, improve the political climate and stability, and guarantee Albania's European and NATO integration.

Kuko could not be immediately reached for comment. Former president and current opposition Democratic party leader Sali Berisha joined Nano in hailing Kuko as a diplomat who represented Albania with dignity in Brussels over the last 10 years as EU and NATO envoy. "I believe we have taken a decision which is in the interest of all Albanians and their integration in Europe, and the transformation of the presidency in Albania into the most respected institution of the country," Berisha said. The EU gave the green light for Albania to start talks on a stabilisation and association agreement as a reward for coping with a wave of half a million refugees from Kosovo during the conflict with Serb forces there three years ago. But Albania's efforts have been dogged by political instability, conflict over the last parliamentary elections -- which Berisha charged were manipulated -- and infighting in the ruling Socialist Party. Last Monday, EU foreign ministers agreed to negotiate closer economic and political ties with Albania, but said Tirana had to improve political stability first. The president can be simply a figurehead under the constitution. But previous occupants of the post shaped it according to their style, an autocratic one under Berisha and a ceremonial one under Meidani. The restored dialogue of Albanian parties was praised by the EU as precisely the kind of stability sought.

From MSNBC, 21 June 2002

Civil Service and Ethics in Public Sector

Africa

Africa's Leaders 'Stole \$140bn'

Corrupt African leaders have stolen at least \$140bn (£95bn) from their people in the decades since independence, the Nigerian President, Olusegun Obasanjo, said yesterday. He accused European countries of "sitting" on much of the stolen money stashed in European banks. There was little action from Europe to try to bring back the money to Africa and improve living conditions. European countries and banks providing a safe haven for stolen African money had to share the guilt. He said Africa needed a watertight international convention to allow money hidden in foreign bank accounts to be repatriated. "A man who provides a safe haven for stolen things is equally guilty as the one who stole the things," Mr Obasanjo told representatives of African civic groups meeting in the Ethiopian capital to prepare the African Union to be launched in South Africa in six weeks. The Nigerian leader had been defending a deal he made with the family of his late predecessor, Sani Abacha. It handed over \$2bn looted from Nigeriabut retained \$100m. Mr

Obasanjo said he was forced into the deal because European banks insisted on proof the money was stolen, although the Abachas had no business that had a \$2bn turnover.

From UK-The Independent-Africa, by Basildon Peta, 18 June 2002

Asia/Pacific

Bowing Out? China's Cadres Set to Linger Longer



President Jiang Zemin, 75, may be allowed to hang on to the powerful position of chairman of the CMC for a while

Beijing has failed to set a retirement age for senior cadres in spite of pronouncements by central authorities that they had accomplished the goal of the reform of government institutions. And a number of powerful cadres in the Communist party and People's Liberation Army (PLA) are lobbying vigorously to allow senior officials to serve beyond 70. The state media on Thursday quoted Premier Zhu Rongji as saying in a conference on organizational reform that China had "basically completed the reform of its government structure." The China News Service reported that as a result of administrative streamlining started by Zhu in early 1998, 1.15 million party and government officials have been lopped off. CNS said staff in party units had been cut by 20 percent. Corresponding figures for the State Council and provincial administrations were respectively 47 percent and 48 percent. The central government and official media have also claimed that much headway has been reached in rejuvenation. CNS said the proportion of civil servants below 40 years of age had been raised from 53 percent to 59.6 percent.

Party sources in Beijing said, however, that party and government authorities had failed to reach an agreement on the retirement age for top cadres, including Politburo members, premiers and vice-premiers as well as members of the policy-setting Central Military Commission (CMC). While it has generally assumed by party members and civil servants that the retirement age for senior cadres is 70, nothing has been formalized. A spokesman at the National People's Congress last March confirmed that there was no definite or legally-binding retirement age for top leaders. The party sources said since late last year, senior PLA officers led by the Chief Political Commissar General Yu Yongbo had been lobbying for a retirement age of 75 for CMC

members. The less stringent retirement age, if adopted, will allow veterans such as Yu, 72, and the Chief of Staff General Fu Quanyou, 72, to serve for a few more years. Most significantly, President Jiang Zemin, 75, who is known to want to keep his concurrent post of CMC chairman, will be allowed to hang on to the powerful position for a while. It is understood that Premier Zhu and Vice-president Hu Jintao, who was with Zhu at the conference on institutional reform, have opposed efforts to extend the retirement age. However, Jiang aides have subtly encouraged military officers as well as civilian cadres to write petitions to party authorities asking for the president to postpone his retirement "in the interest of continuity and stability." At the 15th party congress in late 1997, Jiang, then 71, had offered to step down from all his positions for age reasons. However, he allowed himself to be persuaded that he should stay on for the good of the country.

From CNN, by Willy Wo-Lap Lam, 20 June 2002

Hong Kong Leader Announces New Cabinet that Critics Fear Will Politicize Government

In Hong Kong's biggest government shake-up since its return to Chinese rule, the territory's Beijing-backed leader named a new Cabinet of political appointees and brushed aside criticism he was chipping away at the civil service left behind by the British. The 14 members of the Cabinet will be accountable to Chief Executive Tung Chee-hwa, replacing a system in which top bureaucrats were responsible for government departments. The chief executive described the new arrangement as the "dawning of a new era for the governance of Hong Kong." But his political opponents worry about the concentration of power in his hands. Although Hong Kong is now part of China, it maintains a separate economic and political system, and Western-style civil liberties remain in place under an arrangement dubbed "one country, two systems." At a news conference introducing the new Cabinet lineup, Tung sought to ease concerns that the change will distance Hong Kong's government from its roots as an evenhanded and honest civil service. "In pursuing any reform, I will not allow the integrity and stability of the civil service to be compromised," he said. "On the contrary, I intend to strengthen these core values." The former shipping magnate is highly unpopular among Hong Kong citizens who view him as beholden to Beijing and big business. The deep economic troubles faced by the territory since it reverted to Chinese sovereignty in 1997 haven't helped. Tung calls the new arrangement an "accountability system." Critics call it a disaster in the making, saying the

new government chiefs will be accountable only to Tung, who is accountable only to Beijing. "It's got nothing to do with accountability to the people. I call it a sham," said lawmaker Martin Lee, head of the opposition Democratic Party. The new Cabinet will be in place for the start of Tung's second five-year term on July 1, the fifth anniversary of the handover. The chief executive was re-elected — without opposition — in a restricted electoral process that gave votes to just 800 people, a committee full of pro-Beijing figures and special interest representatives. The new lineup, which was approved by Beijing over the weekend, contains many officials who worked their way up through the ranks of the old system. Tung's top three deputies — Chief Secretary for Administration Donald Tsang, Financial Secretary Antony Leung and Justice Secretary Elsie Leung — will keep their jobs. However, as political appointees they would be easier to fire if Tung becomes unhappy with their work. The political opposition has complained that Tung's appointees will not be vetted by Hong Kong lawmakers. Lee grumbled that Tung also was giving seats on his Executive Council — which helps Tung set policies — to leaders from Hong Kong's biggest pro-Beijing party and its biggest pro-business party, while shutting out opposition. "The battle line is clearly drawn," Lee said. Local rights activists fear that the government will become more politicized and more likely to crack down on those who criticize Beijing. Tung's spokesman Stephen Lam dismissed such charges as groundless.

From MSNBC, 24 June 2002

Afghanistan Loses Female Minister in Row Over Sharia Law

A former women's affairs minister in Afghanistan fears for her safety because she is opposed by the country's powerful religious establishment. Sima Samar's opponents, some of them allied with the President, Hamid Karzai, have even branded her the Afghan Salman Rushdie — raising chilling memories of the *fatwa* that haunted the Indian-born writer for more than a decade. "I don't want to leave," Ms. Samar. "But I think I need protection." Mr. Karzai swore in his new cabinet yesterday but he was unable to find someone for the women's affairs portfolio after Ms. Samar opted for a lower-profile job. Since her appointment in December to the interim administration, Ms. Samar, a member of the Hazara minority, has become one of the most visible women in the country and has travelled abroad to promote the interests of Afghan women. Back home, however, she has been threatened. Men in police uniforms have pounded on the gates of her home at night, telling her to leave. An Afghan newspaper owned by the Jamiat-e-Islami party published this month what it said was an interview she gave to a Persian-language magazine in Canada in which she allegedly said: "I don't believe in sharia [Islamic law]." Ms. Samar denied saying this but the report was circulated among *loya jirga* delegates meeting to choose a new government. The chief justice, Abdul Hadi Shinwari, said her reported words were "against the Islamic nation of Afghanistan". Yesterday, however, the Supreme Court threw out a blasphemy charge against her. Fazel Ahmad Manawi, the deputy chief justice, said "many people" had complained about her but the case had been dropped for lack of evidence.

From UK-The Independent, by Kathy Gannon in Kabul, 25 June 2002

Europe/CIS

Fraudsters Siphon Off Greek Leader's Salary

The Greek Prime Minister, Costas Simitis, has been confronted by the narrow limits of his authority after part of his salary donated to charity was siphoned off by corrupt employees. Mr. Simitis pressed charges last week because auditors discovered that more than £50,000 of his income as a tenured university professor had found its way into the pockets of staff. The former professor of commercial law at Panteion University, Athens, had done the decent thing on leaving the post to take control of the agriculture ministry in 1981, offering his tenured salary to help to maintain the university library. "The Prime Minister had given orders that his salary ... go towards activities beneficial to the [university community] such as the Panteion library," said a government spokesman. "There was a problem in the management of these funds ... Charges have been filed against employees." The affair became public as Mr. Simitis' government faced pressure from Brussels to account for the disposal of EU structural funds. Mr. Simitis, an academic educated in Germany, returned to the professorship for a second four-year spell after resigning from the socialist government in 1987. In 1993 he returned to the cabinet and, when Andreas Papandreu died in January 1996, became Prime Minister and ceased to be paid by Panteion. "The Prime Minister donated his salary ... for very specific purposes of public benefit and this must be respected," the Education Minister, Petros Efthymiou, told the university's rector, Yiannis Vavouras. A fellow Panteion academic told *The Independent* the real scandal was that a decade of professorial income amounted to such a modest fraud.

From UK-The Independent-Europe, by Daniel Howden, 18 June 2002

The Americas

A New Attitude: Mexico's Police Put Bite on Corruption

In an effort win back public trust, Mexico City is sending its cops back to school. It's a common scenario in this traffic-choked megalopolis: A motorcycle patrolman roars up behind a car, flashing his lights. Whether or not the driver of the car committed an

offense, he pulls over, sinks in his seat, and wonders, "How much is this going to cost me?" After looking over the driver's license and registration, the patrolman leans toward the window. "I can see you are in a rush," he says, smiling. "Perhaps we can come to an arrangement." The driver hands over some cash – an average of \$11 for all traffic- and nontraffic-related bribes, according to Transparency Mexico, a watchdog group – and continues on his way. He just paid a bribe commonly known as a *mordida*, or bite. The scenario is typical in this sprawling city of 22 million, where 63 percent said they were bitten last year, according to a survey by Transparency Mexico. It's a situation that Mexico City's Public Safety Department hopes to change. In the latest in a series of nationwide cop-cleanup programs, 814 motorcycle patrols were sent to the sprawling police academy for an intensive reeducation program. It includes classes in law, anticorruption, self-defense, human rights, and, after more than 10 percent failed basic fitness tests, daily calisthenics. Academy director Juan Torres admits it can be difficult to change entrenched habits. "With a young mind you have a fertile field," he says, referring to the almost 3,000 fresh-faced cadets also attending his school. "With these [older] guys, it is a matter of rescuing values."

Mr. Torres and other instructors at the academy say the deep mistrust most Mexicans have toward the police contributes to a generally low sense of self-esteem on the force, which brings many to indulge in criminal behavior. "We treat our police very aggressively," says academic director Maria Teresa Glase, adding that programs to reeducate Mexico's finest should be coupled with a national campaign to improve public attitudes toward them. In a nearby classroom, meanwhile, a group of 50 motorcycle cops are role-playing in a workshop designed to teach self-respect and public relations. One of the students pretends to pull over a motorist, played by a classmate, who spews a string of obscenities at him. The class erupts in laughter. "Stay calm," urges the teacher. "Speak with authority, but stay calm." Other workshops teach the patrolmen safe driving skills, or suggest ways they may turn down proffered bribes. But in a city where starting salaries for police are as low as 4,000 pesos (\$410) a month, even the academy director admits the temptation to accept bribes is high. "I've been wearing this uniform for 32 years," says Torres. "And I can tell you, it is not an easy life." In addition to taking bribes from passing motorists, some of Mexico City's men and women in uniform have been accused of being on the payroll of local restaurants, bars, and drug traffickers. Police themselves complain that they have to pay their commanders to move up the ranks, or to get assigned to lucrative patrols in nightlife districts where opportunities for dirty money abound. Experts agree the fastest way to solve the problem would be to boost police salaries, and raise the basic standards of those accepted on the force. But it is unlikely Mexico's cash-strapped government can come up with the funds. Yet President Vicente Fox and Mexico City Governor Andrés Manuel López Obrador are both under pressure to show they are doing something to fight crime.

A nationwide survey of 35,000 people published last week found that 75 percent perceive crime rates as rising, but that two-thirds don't bother reporting crime because they view the police and justice systems as inefficient, incompetent, and corrupt. Mexico City led the way, with 39 percent of residents reporting that they or some member of their household had been a victim of crime in 2001. The nationwide average was 14 percent. Experts say reforming Mexico's complicated patchwork of police forces will be difficult. For example, a Mexico City police cadet must have a high school degree and train for at least six months before hitting the streets. In the western state of Guerrero, however, police cadets don't even have to have finished elementary school, and they train for a mere three months. Torres says the academy is keeping extensive files on the patrolmen currently under their tutelage. Based on drug tests, academic scores, fitness tests, and psychological profiles, he will soon send an assessment of each candidate to the department of public security. "Of course we hope all of them pass the program," says Torres, when asked what percentage of the motorcycle cops can make the grade. Then he laughs. "How many will patrol the streets again? Who knows?"

From Christian Science Monitor-Americas, by Gretchen Peters, 5 June 2002

Democrats Call Terror Bill 'Ruse' to Fire Civil Workers

Congressional Democrats and their labor allies yesterday threatened to kill a key component of President Bush's homeland security plan — the executive authority to remove civil-service protections from some federal employees. "I will oppose that vigorously," said Rep. Steny H. Hoyer, Maryland Democrat. "It is simply using Americans' and Congress' justifiable support of ensuring our security as a ruse to do the agenda that I think this administration has, to undermine the rights of workers in the federal government." The White House is proposing to merge dozens of agencies with about 160,000 employees into the new Department of Homeland Security. About one-third of those are civil-service workers, with job protections that make them notoriously difficult to fire. Because of the sensitive nature of some of the homeland security jobs, the Bush administration wants the new Cabinet secretary to have the flexibility to waive civil-service protections for some employees. "It is critical that the new secretary have the flexibility he needs to be able to respond to the threat," said Rep. Rob Portman, Ohio Republican and a member of the new House Select Committee on Homeland Security. "The task is too important." But the resulting protest from unions and their supporters in Congress is emerging as one of the most serious threats to the anti-terrorism plan and presents a political problem for Mr. Bush, who has been aggressively courting support from unions such as the International Brotherhood of Teamsters. "This proposal appears to be an attempt to punish and blame rank-and-file federal employees for the security lapses that made our nation vulnerable to the September 11 attack," said Bobby Harnage, president of the American Federation of Government Employees. "This blame is mislaid, and the punishment unwarranted." Several lawmakers, including Sens. Edward M. Kennedy, Massachusetts Democrat, and John McCain, Arizona Republican, raised the

issue last week in a closed briefing with Homeland Security Director Tom Ridge. Mr. Kennedy will chair a hearing today of the Senate Health, Education, Labor and Pensions Committee to examine "how workers could be hindered in forming unions under the President's new Department of Homeland Security proposal," according to a committee news release. Mr. Ridge has said he will be meeting with labor leaders to reassure them that the new department will respect collective-bargaining rights. But he did not indicate that he would back away from the occasional need to waive civil-service protections, which his office said the president could do for national security purposes. Sen. Mitch McConnell, Kentucky Republican, said, "You certainly need flexibility when it comes to defending the homeland. That's a lot more important than complying with the current civil-service rules, whatever they are." Mr. Hoyer, ranking Democrat on the House Appropriations subcommittee on general government operations, said the proposal is part of an anti-union pattern at the White House. "This administration, first at the Justice Department, then at the Transportation Security Agency, now in this 160,000 employees they want to put in the Department of Homeland Security, what they want to do is to remove from these employees the protections that now exist by law," Mr. Hoyer said. Yesterday, Mr. Bush received enthusiastic union support when he spoke to the United Brotherhood of Carpenters and Joiners of America about the need for a terrorism insurance bill limiting punitive damages in lawsuits. "They've got to make sure this bill doesn't open up all kind of lawsuits," Mr. Bush said. "What we're interested in is job creation, not lawsuit creation. We've got plenty of lawsuits all around America as it is."

His audience, a strong backer of the Democratic Party, applauded. Democratic lawmakers in the Washington area, who represent many federal employees, are among the most outspoken opponents of the proposed civil-service waiver. Rep. James P. Moran, Virginia Democrat, called the plan "deeply troubling." "Just because career federal workers are being shifted to a new department under this restructuring does not mean that they should go without their civil-service protections," Mr. Moran said. "Throughout this debate about the new department, I will fight to ensure that federal employees, who have dedicated their lives to public service, do not lose the civil-service protections they so rightly deserve." As the House approved the homeland security committee yesterday, some lawmakers urged their colleagues not to become sidetracked with such disputes. "Let's not forget what this is all about," said Rep. Dana Rohrabacher, California Republican. "Three thousand of our citizens were slaughtered by a hostile foreign enemy. We are at war. The defense of the homeland is about winning that war."

What is necessary for victory is a unity, not just between the executive and legislative branch, but also between the political parties." Mr. Portman said the same civil-service waiver was a crucial tool in restructuring the Internal Revenue Service a few years ago. "We did give the [IRS] commissioner flexibility that he has used to the maximum to be able to hire and retain the best people and to be able to improve performance through bonuses and promotions that would not have been permitted under pre-existing rules," Mr. Portman said. "So I've seen it work. I want to be absolutely sure that we protect the collective-bargaining rights, but at the same time we give the secretary the flexibility he needs. I think we'll be able to work it through." Mr. Harnage said in a statement, "This bill has the potential to allow the new Department to engage in personnel actions that are today illegal, such as picking out individual employees for transfer or removal from their jobs. In opening the door to hiring and firing on the basis of politics and favoritism, the legislation would impose a modern day 'spoils system,' undermining the nation's long-standing civil service principles that ensure the integrity of our government."

From Washington (DC) Times-Nation, by Dave Boyer, 20 June 2002

Honduran Teachers to Strike for Better Pay

More than 150,000 teachers across Honduras are planning to strike for better wages this week, a work stoppage that would cancel the classes of 2.5 million students. Rafael Izaguirre, president of the National Teachers Federation, said Sunday that the teachers will walk off the job on Wednesday, closing all public schools in 17 of the 18 Honduran provinces indefinitely. He said thousands of teachers plan to take to the streets of the Honduran capital of Tegucigalpa on Thursday to drum up public support for their cause. Izaguirre accused the government of "intransigence" for balking at the union demand for a 15 percent wage increase this year followed by a 16 percent raise next year. The government has offered a 16 percent raise spread over two years and Education Minister Carlos Avila has said publicly that "the state can't satisfy the teachers' demands due to the current financial crisis." Teachers earn about \$ 200 a month in Honduras, though many work at two jobs a day, sometimes mixing private and public employment. Teachers also receive two months of paid vacation and do not have to pay property taxes. The union walked off the job June 3, but returned to work the next day to allow government and union negotiators to hammer out a new contract. This week's strike will not come to an end until teachers have a contract that meets union demands, Izaguirre said. Copyright 2002 The [Associated Press](#). All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.

From CNN, 23 June 2002

China Wrestles an Online Dragon

China is shutting down Beijing's Internet cafes after a fire that killed 24 people earlier this week. China's leaders are launching a nationwide crackdown on unregistered Internet cafes, following a fire on Sunday that killed 24 people in Beijing. But as police move to shutter as many as 2,400 cafes in the nation's capital, young Chinese are asking why the government fears the free flow of information. "In China, there are so few sources of information for ordinary people. Why is the government limiting the expansion of Internet bars? Do they want to block us from getting ahold of knowledge?" asks one Web user, signing on as "The Angry One." Just a week earlier, the People's Daily was boasting how China had surpassed Japan with an Internet population of 56 million, second only to the United States, with its 156 million users. But as the number of users in China has skyrocketed, so have the demands on regulating authorities. For the past three years, the Communist Party has been trying to find effective ways to monitor what people are writing or reading without intimidating the youthful entrepreneurs who have started up China's more than 200,000 cafes or 250,000 websites.

An ongoing battle - But the postfire crackdown is just the latest salvo in an ongoing struggle between the government and the Internet. China shut 2,000 cafes and suspended another 6,000 last year. The businesses could reopen only after proving that their policies were in line with those of the many state agencies that regulate cyberspace. The regulations are prompted by the freedom - and security - of online information. Using the cloak of anonymity provided by the Internet, youths have been logging on to criticize the government's controls and question its motives. In response, the government has mounted a big publicity campaign to justify its new controls, saying China's young people are becoming addicted to "online heroin." Internet cafe owners, however, blame the fire on the government, which they say has driven them underground - and into unsafe conditions - by overregulation. "My Internet bar opened half a year ago," says one owner. "I invested half a million RMB [\$60,000] in it, spent a lot of money rewiring it and making a fire exit, but the process to get the legal licenses was endless." He had to get permits from four separate ministries - but he now faces indefinite closure. Most of the city's illegal Internet bars are typically frequented by students. Dingy, 24-hour halls with blocked-up windows, they often have only a single exit to minimize detection by the police. As a result, fires are often fatal - but fire-safety standards are equally lax in other privately run entertainment centers such as cinemas, video parlors, hotels, and discos. Although Sunday's terrible blaze gave Beijing's Mayor Liu Qi justification to launch the crackdown to enforce proper safety regulations, the campaign comes hard on the heels of increasingly desperate efforts to bring the new medium under tight control.

'Cleaning up' the Internet - In April, the Ministry of Public Security held a conference on national surveillance which decided to "clean up the Internet environment" before the 16th Party Congress this fall. China's security chiefs called for fresh efforts to detect suspects, especially "hostile foreign forces" who allegedly threaten the country's information security and aim to "subvert China through the Internet." China's Communist Party loves to import the latest technology as quickly as possible but has been unpleasantly surprised by how dissident groups like the Falun Gong have used encrypted e-mails and mobile phones to organize themselves into hard-to-break cells. In the pursuit of such dissidents, the government has slapped cafes with tough regulations. To operate cafes, owners have to install monitoring software to enable police to track what websites have been browsed on public computers. Owners of registered cafes report that the police come once or twice a month to make checks. China's great firewall - Internet cafes are also forbidden within 600 feet of primary and secondary schools, and government, Communist Party, and military offices and installations. China originally tried to erect a firewall against the outside world and establish what was really a giant, national Intranet - a closed system with only tightly controlled gateways to the outside world. When this seemed unachievable, it began hungrily importing software and high-capacity computers to allow the state to monitor the huge flow of e-mails and the proliferation of websites.

Two years ago, it introduced sweeping Internet regulations restricting foreign investment in Internet content providers and requiring websites to maintain highly detailed records that must be turned over to the police on demand. "We cannot neglect the influence of the Internet on teenagers' growth and social development," information industry minister Wu Jichuan was quoted as saying at the time. Not only do Internet content providers have to register with the Chinese government, they must keep detailed records of what they publish. Companies are also required to "record the times users log on to the Internet, users' account numbers, Internet addresses or domain names and the phone numbers users dial in from." These records are to be maintained for 60 days and are to be turned over to the government upon request. The new regulations effectively limit what content can be made available to the public. Beijing also bans any content that "harms the reputation of China," or that could be classified as "disrupting social stability." The regulations prohibit content that is "harmful to ethnic unity" and that will hurt the country's efforts to assert sovereignty over Taiwan. In practice, the

Ministry of Security has found it hard to track down dissent through the cyber cafes. Even if a digital trail from an illegal message leads to a computer, the venues hook up numerous computers to the same Internet connection and a single IP address.

From Christian Science Monitor-Asia Pacific, by Jasper Becker, 18 June 2002

Blaze Kills 24 in Unlicensed Internet Bar - China Shuts Web Cafes After Fire

Beijing has ordered its 2,400 Internet cafes to close for safety inspections after a fire that killed 24 people in the Chinese capital's university district, state media said Monday. THE OWNER OF the cafe where the fatal fire broke out before dawn Sunday has surrendered to police, said a woman who answered the phone at the district administration office. She wouldn't give her name or any details, and police weren't immediately available to confirm the report. Mayor Liu Qi ordered Internet cafes in Beijing to close while the city draws up new regulations, the official Xinhua News Agency reported. Cafes that can't meet safety and other standards will be shut down and their property confiscated, Liu was quoted as saying. Those that meet the standards will have to reapply for licenses, although the mayor added that he did not want to encourage an increase in the number of cyber cafes, which are immensely popular in this city of 12 million. China's tight controls on the Internet and Web cafes have driven many operators underground, where they operate illegally behind locked doors to avoid scrutiny in their rush to serve millions of people seeking Internet access.

Few cafes hold licenses - Xinhua said just 200 of Beijing's 2,400 Internet cafes are properly licensed. Many are typically smoky and crowded, located in converted residential buildings or other spaces not necessarily equipped to handle large numbers of customers. State media also branded Web games played at Internet cafes a drug preying on China's youth. "Don't let Internet bars destroy kids," read the front-page headline of a blistering article in the Communist Party mouthpiece People's Daily, quoting a concerned mother from the central province of Henan. The paper told how her 12-year-old boy turned from a star student into a strung-out Internet addict paying cheap prices to stay the night — usually locked in — at the crowded parlors, most of which are unlicensed and ignore rules prohibiting minors. "The Web games were like a drug tormenting the child's soul," said the paper. Student surfers - The fire at the 24-hour Lanjisu Cyber Cafe in the lively Haidian university district broke out early Sunday, when most of the customers were students taking advantage of lower Internet access rates. Neighbors said they were awakened by screams for help. A survivor, who was identified only by the surname Li, told the state-run newspaper Beijing Times that there were about 30 customers at the cafe, which could seat 100. "It was around 3 a.m. when I smelled gasoline and saw thick smoke coming up from the bottom of the stairs," said Li, who went to the cafe with about 10 other students from Beijing Technology University. "I told a cafe employee who went downstairs to check. He yelled that there was a fire and we all tried to escape," Li said.

Li said the fire had blocked the stairs and people began yelling for help through the windows, which were covered by iron grills. Neighbors managed to unscrew one grill and Li said he escaped with about seven other people. "My throat was filled with smoke and I couldn't breathe and couldn't talk," he said. Twenty people died at the scene and four others in the hospital, Xinhua reported. It said 13 people were treated for injuries. New web cafe - Xinhua said the cafe had been operating for about a month without a license. Haidian, in northwestern Beijing, is the site of Peking and Tsinghua universities, two of China's most prestigious schools. The area is the center of China's growing computer and high-technology industries. Operators of bars, movie theaters, Internet cafes and other businesses often ignore safety rules or fail to provide emergency exits. In December 2000, a fire at a disco in the central city of Luoyang killed 309 people. Investigators blamed the high death toll on locked emergency exits.

From MSNBC, 17 June 2002

The Americas

Government Sets Rate for Internet Royalties

In a victory for Internet music broadcasters, the government on Thursday decided that songs delivered online will be charged royalty fees at a rate that is half of what was originally proposed by an arbitration panel. Webcasters will be charged at a rate that amounts to 70 cents per song for each one thousand listeners, the U.S. Copyright Office announced on its Web site. Librarian of Congress James H. Billington, who oversees the Copyright Office, found that the original proposal that set a higher rate for Internet-only programs than the radio rate "was arbitrary and not supported by the record of evidence," said spokeswoman Jill Brett. In May, Billington rejected a government panel's rate proposal - up to \$1.40 per song heard by one thousand listeners. That was double the rate for broadcasts sent out simultaneously on radio and the Internet. "It's good news for a number of Internet webcasters who will now likely be able to stay on the air," P.J. McNealy, research director with the analyst firm, GartnerG2. Opponents to Thursday's ruling can appeal to the U.S. Court of Appeals for the District of Columbia Circuit within 30 days. The court could modify or set aside the decision if it finds the ruling was highly unreasonable. Internet radio, either simulcasts of traditional over-the-air radio or Internet-only stations streamed through the Internet to computers, is becoming more popular as people get high-speed connections at home. Webcasters said the rates initially proposed were too high and would cost larger Internet radio broadcasters hundreds of thousands of dollars annually, more than they get from advertising or listener contributions. Many webcasters said the fees, which would be retroactive to 1998,

would force them to shut down. The record industry had sought higher royalties, saying more was needed to compensate artists and music labels for using their songs. Webcasters, as well as over-the-air radio stations, already pay composers and music publishers royalties for the music they play, based typically on a percentage of their revenues. But traditional radio broadcasters have been exempt from paying the royalties for each song played - the standard that is now being applied to webcasters. Broadcasters successfully argued before lawmakers that they already were promoting the music. After the recording industry failed to impose those new royalties on traditional broadcasters, the industry turned to webcasters - and a 1998 law granted the industry its wish

From Nando Times-Technology, by David Ho, 21 June 2002

Federal IT Integration Takes Shape

The Office of Homeland Security is moving forward with plans to integrate disparate data systems across at least 22 federal organizations to improve communication and information sharing. The office has crafted two high-priority integration programs that are ready to go into pilot phase as early as next month. In addition, the office is working with a number of agencies to create a governmentwide enterprise information portal architecture. Spearheading the effort is Steve Cooper, special assistant to President Bush, senior director for information integration and CIO for the Office of Homeland Security. At the core of the effort, Cooper told eWeek last week from his Washington office, is the need to identify different data types and metadata and then transform them into a new, as-yet-to-be-determined end state. "We're trying to move to a single point of decision making and have every decision maker have access to the same information," said Cooper. "I want to make these faster, better and cheaper to deploy and maintain. I want to move as much to the Web as I can, and a lot of this stuff is still server-based." The first project on Homeland Security's agenda is the consolidation of 11 "most-wanted" lists of potential terrorists maintained by several federal agencies.

The software being developed to organize incoming data into a single form is expected to be operational by Sept. 30. The second initiative is to create an enterprise portal for Homeland Security that will allow federal agencies to share information more easily. Both programs will get the green light when Congress passes a \$75 million supplemental appropriation bill for Homeland Security IT projects through Sept. 30, which it is expected to do before July 4, Cooper said. In the meantime, the office is taking part in a federal enterprise program, in which the CIOs of all the federal departments have been directed to develop a standardized IT architecture. The goal is to enable information sharing among all agencies. Cooper doesn't have to look far for ideas on how to integrate government operations. The Air Force Research Laboratory last month completed a project to streamline information sharing between two technology directorates and the Air Force Office of Scientific Research using commercial enterprise application integration technology from WebMethods Inc., of Fairfax, Va., according to Richardo Negron, chief of technology for the Transfer Branch at Wright-Patterson Air Force Base, in Dayton, Ohio.

Mandating an XML messaging format, the integration allowed for the transfer of remote program and financial information from one database to another, where batch information is verified and balanced, said Negron. Even though these two divisions had already been sharing information manually, Negron found the electronic integration more difficult than he expected. "We learned that something that people might consider simple, like security and encryption, took some work to get that working right," said Negron. "Some people would question if it is possible [to interface] effectively, with a minimum impact on the legacy system. ... We did very minor [code rewriting]." Homeland Security's Cooper said he expects similar balking. "Let's get real. It's cultural, political, organizational; this is where turf comes into play," said Cooper. "We're human beings; we do quirky stuff. Not because anyone is doing the wrong thing, but people have succeeded and been rewarded for certain behaviors. And, guess what, someone just moved everyone's cheese. We have to change, and that's not easy." Cooper is bringing in change management experts from the public and private sectors to help people see the need for doing things differently. If that's not enough muscle, Rep. Tom Davis, R-Va., has introduced a bill, expected to be considered this summer, that would require agencies involved in fighting terrorism to deploy a common IT architecture. "A common architecture will facilitate information sharing and efficiency. ... We have too many duplicative functions and programs from agency to agency," Davis said. "Legislation may be necessary to eliminate turf wars."

From eWeek, by [Renee Boucher Ferguson](#), 24 June 2002

Demand for High-Speed Internet Access Growing, Surveys Find

The go-go days of the dot-com era may be gone, but consumers' appetite for high-speed Internet access and the online activities associated with it is getting bigger, recent surveys by the Pew Internet and American Life Project show. Roughly 24 million Americans, or 21 percent of all Web users, now have high-speed connections at home, an increase of more than a quarter since the start of the year, and quadruple the number of broadband users just two years ago, according to a Pew survey last month. "This places broadband adoption rates on par with the adoption of other popular technologies, such as the personal computer and the compact disc player, and faster than color TV and the VCR," Pew researchers said in reporting their findings. A separate Pew survey revealed some mildly encouraging signs for those hoping that broadband will help resuscitate the industry by driving new data traffic onto all the dormant fiber-optic cables put into the ground during the boom. Nearly six in 10 broadband users have generated their own online

content such as a personal Web page, posted information to a Web site or shared music and other types of files online, according to a survey of 507 adults with high-speed service conducted in January and February. About a quarter of them perform such activities on a typical day. Similarly, about 63 percent have downloaded games, video or pictures at least once, and 50 percent have downloaded music files, Pew said. About 43 percent have displayed or developed photos online. Pew also found that the average Internet user with high-speed home access does seven online tasks or activities per day compared with about three a day among dial-up users. "Broadband users spend more time online, do more things, and do them more often than dial-up Internet users," the Pew report said. Another key finding, Pew said, was that the extra time spent online due to broadband comes at the expense of other activities such as watching television and shopping. Thirty-seven percent said their Internet use has cut down on TV time; 31 percent said it has decreased time spent in stores; and 18 percent said it has reduced their newspaper reading. The dominant mode of high-speed access was still through cable TV modems at 71 percent, followed by DSL telephone lines at 27 percent, while 2 percent were using satellite or wireless broadband services. As might be expected, high-speed connections also appear to be enabling more work to be done at home, with about a third of the survey's respondents saying they "telecommute" at one time or another. Pew said the margin of error for its broadband user survey was plus or minus four percentage points.

From Nando Times-Technology, by Bruce Meyers, 24 June 2002

U.S. Government at Cyber Risk

Washington - Information technology professionals think a major attack on U.S. government computer systems is coming and that the government is not adequately prepared for it, according to a survey released Tuesday. Nearly half of IT professionals believe that the U.S. government will be hit with a "major cyberattack" in the next 12 months, according to the survey, conducted for the [Business Software Alliance](#). BSA President Richard Holleyman, announcing the survey results at an e-government conference here, said an attack could range from a discrete attempt to get at a select group of highly sensitive data to a broad-ranging attack on multiple systems. The most important step that needs to be taken is to make sure that even if government systems are breached, the data itself is encrypted and protected. The government's own past surveys have also given many government agencies [flunking](#) grades when it comes to computer security. But officials at the press conference cautioned, "If we think technology is a silver bullet, we're wrong." "It's got to be used with policies and procedures," said Bill Conner, CEO of BSA member [Entrust](#), which sells IT security software and services. The government should be devoting at least as much time, energy and money to cybersecurity as it did to the Year 2000 bug, Conner said. "We put a lot of emphasis on airplane security and barricades, but what about flight plans," he said. The BSA has been meeting with government to address the problems, Holleyman said, and has encouraged Congress to include cybersecurity in the duties being assigned to the proposed cabinet-level [homeland defense agency](#). But he said he did not think the "sense of urgency" has been attached to the concerns.

From News.com, by Margaret Kane, 25 June 2002

Public Finance Management

Asia/Pacific

Japanese Panel Recommends Tax Cuts

Seeking to silence critics of Japan's economic reform program, an influential government panel recommended tax cuts Friday, although its report was short on details. It is also unclear if the recommendations from the Council on Economic and Fiscal Policy will become policy, as its views remain at odds with those of powerful government bureaucrats who shape Japanese policy. The panel was formed a year ago under Prime Minister Junichiro Koizumi with an ambitious plan to revive Japan's long-ailing economy without resorting to public-works projects favored by old-style politicians. But the public is growing impatient with Koizumi's apparent lack of leverage against politicians in his own party and entrenched interest groups, while critics say his council's policies have been vague and ineffective. Koizumi's approval ratings, which once soared above 80 percent, have tumbled to about 40 percent. The panel called for fair and transparent taxation that will help revitalize the economy, recommending a cut in corporate taxes as well as doing away with some income tax exemptions. "In order to strengthen Japan's competitiveness, reforms on corporate taxes must be approached from an international perspective," the panel's report said. But the panel reiterated that economic growth will remain flat for the fiscal year ending in March 2003 and that recovery in fiscal 2003 was expected to be fragile. The government will continue to beef up education and encourage technological research to turn around Japan's economy, said the report, which outlined the panel's basic policies for this year. The panel defended its efforts and noted it had succeeded in putting a stop to some aspects of the downturn that

has plagued Japan for more than 10 years. The Bank of Japan has recently said the slowdown has bottomed out. Japan's economy grew in the first three months of this year following nine months of contraction, as inventories were reduced and exports grew on the back of a rebound overseas.

From Nando Times-Business, 21 June 2002

The Americas

IMF Makes \$10 Billion Available to Brazil

The International Monetary Fund said on Tuesday it has approved the latest review under its \$15.7 billion loan with Brazil, making about \$10 billion of much-needed cash available. The approval came after the IMF's board reviewed Brazil's economic progress, and had been widely expected. Last week, Brazilian authorities made clear they planned to draw down the \$10 billion to help shield itself from the spillover of the economic crisis in neighboring Argentina. The latest review adds \$5.2 billion to the \$4.8 billion already available under the loan from earlier reviews, taking the total amount of cash immediately available to \$10 billion. Having already used about \$4.8 billion of the \$15.7 billion loan, once Brazil has used the latest \$10 billion it will be left with less than \$1 billion under the loan. Brazil's current deal with the IMF runs out in December. The fact that Brazil has needed to draw down almost its entire IMF loan since it was approved in September underscores how badly its economy has suffered as the economic crisis in Argentina drags tortuously on.

Taking precautions - When Brazil inked its agreement with the IMF last September, the \$15.7 billion loan was intended to be mostly precautionary. But then in December the IMF cut Argentina off from a \$22 billion credit line - an event that preceded Buenos Aires' default on its \$140 billion debt pile, a botched peso devaluation and a widespread economic meltdown there. Other Latin American nations have suffered too. Next week the IMF is expected to approve a \$1.5 billion additional loan for Uruguay. That loan for tiny Uruguay will come in addition to a \$769 million loan approved in late March. Last week, Brazil unveiled a bevy of measures aimed at restoring investor confidence in Latin America's top economy after a market rout ahead of October elections called into question the country's ability to roll over its debt. The election race, in which leftist Luiz Inacio Lula da Silva has a considerable lead in polls, has fanned fears that Brazil's next government will be unable to manage the country's debt of \$274 billion. Lula past socialist rhetoric, including talk of renegotiating debt, has worried market participants. Those worries have sent markets plummeting recently, pushing Brazil's credit spreads to levels not seen since a dramatic 1999 currency devaluation. Brazil said last week it will reduce the accepted floor for its foreign-exchange reserves to \$15 billion from \$20 billion, in a move giving the government \$5 billion extra firepower to intervene in the currency market to prop up the battered real. Brazil has consistently met and even exceeded its IMF targets in recent years -- something that will play in its favor should it request even more IMF funds later in the year. Brazil's support from the IMF is in stark contrast to neighboring Argentina, which has struggled for months to win foreign funds to ride out its worst economic crisis in years. Brazil's debt burden has grown to about 55 percent of gross domestic product from roughly 25 percent in 1995. With an election looming, investors have focused on that economic weakness.

From CNN, 18 June 2002

Senate Bank Panel Approves Compromise Accounting Bill

The Senate Banking Committee approved a bill to heighten oversight of the accounting industry with panel Democrats and Republicans joining to give the bill momentum as it goes to the full Senate. The vote was 17-4, with all 11 committee Democrats and six of ten Republicans supporting the measure. The Senate bill would create a five-member accounting oversight panel. Two of the board members would come from the accounting profession, a compromise that the bill's author, Senator Paul Sarbanes, a Maryland Democrat and chairman of the banking panel, worked out last night with Senator Michael Enzi, a Wyoming Republican. The committee rejected a proposal from Senator Phil Gramm, a Republican from Texas, that critics said would have weakened the power of the new oversight panel. "We face a very severe challenge in this country," said Sarbanes. "We have to have a well defined legislative package." The measure was fueled by accounting scandals at Enron Corp., Tyco International Ltd., Global Crossing Ltd., and the conviction of Arthur Andersen LLP for obstructing justice in the Enron case.

The committee vote today came against the backdrop of another plan to revamp regulation of the accounting industry offered by Securities and Exchange Commission Chairman Harvey Pitt. Pitt and the Bush administration propose to use regulation by the SEC, rather than legislation by Congress, to revamp oversight of the accounting industry. Pitt has said that he would defer to Congress if it passes a new accounting regulation plan. Nine-Member Body - Pitt proposed a nine-member oversight body called the Public Accountability Board. Pitt's board would oversee the establishment of professional audit, quality control and ethics standards and would discipline firms and individuals. The new board would have no more than three practicing or retired accountants, said SEC spokeswoman Christi Harlan. Those three persons couldn't take part in board decisions whether to discipline accountants, Harlan said in an interview. Accounting firms that audit financial statements of companies registered with the SEC would come under authority of

the oversight board, Pitt said in a letter to President George W. Bush yesterday. Financing for the accountability board would come from fees paid by publicly traded companies and accounting firms, and the new board would operate under "close and rigorous SEC supervision," Pitt said. The American Institute of Certified Public Accountants, the leading accountants' organization, opposed the Sarbanes bill on grounds it would harm smaller firms, impose a meddlesome bureaucracy, and open the industry to more lawsuits. Consumer Groups - Sarbanes received support from consumer groups, who said investors need the protection offered by legislation rather than Pitt's plan for change by regulation, which can be more easily changed. Pitt's plan "is an attempt to stave off legislation," said Frank Torres, legislative counsel for the Consumers Union. "Let's provide confidence to investors and the public at large that the changes will be set in stone through legislation," Torres said. If the bill passes the full Senate, it would go to a joint committee with the House where the differences between the Senate bill and a Republican-backed House bill would be negotiated. The House bill would give the new oversight board fewer powers than Sarbanes' bill.

From Bloomberg-Politics, by Vicky Stamas, 18 June 2002

Ecuador Finance Minister Resigns Following Corruption Charges in Ministry

Finance Minister Carlos Julio Emanuel has resigned amid allegations of corruption within the ministry, officials said. President Gustavo Noboa directed Emanuel to step down, presidential spokesman Oscar Zuloaga said at a press conference Sunday. Francisco Arosemana will take over as finance minister on Monday, he said. Noboa removed four high-ranking Finance Ministry officials Wednesday after they were accused by several mayors of demanding bribes before sending out budget funds. Emanuel had said Friday that he did not plan to step down. Arosemana had been working with an Ecuadorean team negotiating with the International Monetary Fund.

From MSNBC, 24 June 2002

Brazil Currency Hits New Low

Real drops to record lows on debt jitters, but Brazil's long-pummeled stocks trade higher. Brazil's real currency slid to new all-time lows in early trading on Monday; but long-pummeled stocks edged up, a trend traders doubted could be sustained due to worries over debt and pre-election jitters. "The market doesn't inspire minimum confidence," said Celso Senise, director of the Banval brokerage firm in Sao Paulo. "Volatility is here to stay, and it seems to be only a technical correction in stocks after the fall." Doubts about Brazil's ability to manage its debts gripped Latin America's top economy last week, sending its currency to all-time lows, as investors braced for opinion polls due in coming days that could raise uncertainty ahead of October elections. After erasing modest early gains, the real hit 2.86 per dollar, which compares with its all-time low of 2.84, registered on Friday, since the currency was launched in 1994. Brazil's internationally traded benchmark C-bond, which slumped 7 percent on Friday, slipped 0.7 percent. The Sao Paulo Stock Exchange's Bovespa index also erased most of its early gains of nearly 2 percent and was up 0.4 percent to 10,440 points about an hour after opening. The index hit eight-month lows on Friday.



The concerns are rooted in Brazil's ability to manage its large \$274 billion debt should left-wing presidential candidate Luiz Inacio Lula da Silva turn his big lead in polls into a victory in October elections. Lula has about 38 percent support in polls against about 19 percent for government candidate and market favorite Jose Serra. Market players said the market was looking forward to the release of one, or possibly two, election polls on Monday to see if race-leader Lula's support has suffered from media reports of an extortion case within his Workers Party. While investors have pointed to Lula's past socialist rhetoric, such as talk of renegotiating debts, some analysts are now predicting that even if Serra wins the election, the debt burden will be a major challenge for the next president. Although Brazilian government officials downplayed the likelihood of new measures to help the markets, some analysts cautiously predicted there could be improvements in markets next week after the savage selling in recent days. In the stock market, state oil provider Petrobras - whose ratings outlook was revised down last week by international ratings agency Moody's Investors service - fell 1 percent to 41.8 reals after opening stronger. But telecommunications firm Embratel was up 1 percent and federal power holding company Eletrobras also helped with a 0.9 percent rise to 23.4 reals

From CNNfn, 24 June 2002

Senate Panel Backs Accounting Board

New York - In a turnabout, legislation regulating the accounting profession passed the U.S. Senate Banking Committee when ten Republicans joined Democrats in a 17-to-4 vote. The legislation--in reaction to the **Enron** (otc: [ENRNQ](#) - [news](#) - [people](#)) affair and recent scandals involving Adelphia (otc: [ADELA](#) - [news](#) - [people](#)), Global Crossing (otc: [GBLXQ](#) - [news](#) - [people](#)), Tyco (nyse: [TYC](#) - [news](#) - [people](#)) and other public companies--would impose new oversight on the lightly regulated audit firms. These firms are supposed to play a key role in ensuring the accuracy of company financial reports, but are widely seen as being co-opted by the

companies who pay for the audits--and increasingly for related consulting services. There have been dozens of legislative proposals in the wake of Enron. The one voted on Tuesday will still have to clear the full U.S. Senate and be reconciled with a House bill. But the vote was a bit of a surprise in that lawmakers brushed aside objections from the politically powerful accounting firms, many of which are among the largest contributors to congressional political campaigns. The bill approved by the committee yesterday would create an independent public accounting board, comprised mostly of non-accountants, subject to U.S. Securities and Exchange Commission oversight. The board would create standards for audit quality, conduct regular inspections of accounting firms and would have the power to sanction the firms. The bill would also substantially boost the SEC's own budget to \$776 million for 2003--up from the \$466 million proposed by the Bush Administration--allowing it to hire more staff, raise pay and upgrade its computers. The bill would also require corporate executives to certify their company's quarterly and annual reports, a change sought by President Bush and proposed recently by the SEC itself. On the level where the corporations meet the accountants, the bill would make it illegal for executives to mislead or coerce an auditor.

It would also force executives to forfeit any profits or bonuses made in the year before the filing of an inaccurate financial report that must be restated. The bill would also make it easier for the SEC to seek a court order barring corporate officers and directors who are found "unfit." Bolstering existing laws against insider trading, the bill would prevent corporate executives from trading in company stock during a "blackout" period. It would also require quicker reporting of trading by corporate insiders, another proposal recently favored by the SEC. The Senate bill would also require the SEC to create stricter rules designed to prevent conflicts of interests among Wall Street securities analysts. These analysts have been widely faulted for recommending Enron shares until the end, for touting dubious Internet share offerings and for almost never advising clients to sell shares. The Banking Committee bill is a product of a compromise brokered by Senate Banking Committee Chairman **Paul Sarbanes** (D-Md.) and Sen. **Mike Enzi** (R-Wyo.). Enzi wants further changes before President Bush signs it, but called the revised bill much better than the original proposed by Sarbanes. Sen. **Phil Gramm** (R-Texas) opposed the bill, saying he favors more oversight of accountants but doesn't want Congress setting hard and fast rules in this area. He said the lawmakers were too eager to appease constituents by beating up on accountants. During the debate, everyone was too polite to mention that Gramm's wife, Wendy, served for years on the Enron board. While nothing in future legislation would affect her potential civil or criminal liability, the idea of an Enron director's spouse being a force in legislation concerning conflicts of interest was itself an oddity. Compromises on the bill included a provision allowing the oversight board to hold closed-door disciplinary hearings and keep penalties private until appeals to the SEC are exhausted.

Rather than preventing accountants from selling consulting services to audit clients, the bill would require boards of directors to approve most non-audit services provided by the firm's auditor. But the revised version of the bill waives the requirement for small projects provided that the audit committee approves them before the audit is finished. Supporters of the Sarbanes bill include the former Federal Reserve Board chairman, **Paul Volcker**, and the former public oversight board chairman, **Charles Bowsher**--both of whom recently worked to save **Arthur Andersen**, Enron's auditor. The AFL-CIO, the Business Roundtable, Consumers Union and the Council of Institutional Investors also endorsed the legislation. Opponents include the U.S. Chamber of Commerce. The bill seems to create an additional bureaucracy that could work in tandem with the SEC, but which might also fight turf battles with the older agency down the road. If enacted into law, the key question would be how active the new board would be in setting standards--now most often set by accountants themselves--and how tough it would be in enforcing them.

From Forbes, by [Dan Ackman](#), 19 June 2002

Argentina's President names Aldo Pignanelli as New Central Bank Chief

Argentina's caretaker government named Aldo Pignanelli president of the Central Bank Tuesday, giving the little-known banker command over monetary policy as the country struggles with a deep economic crisis. President Eduardo Duhalde promoted Pignanelli from vice president of the Central Bank and the move is expected to be ratified by the Senate, as required by Argentine law. Cabinet Chief Alfredo Atanasof announced the promotion of Pignanelli who will replace Mario Blejer, an internationally recognized figure who resigned Monday. Blejer, who had worked for two decades at the International Monetary Fund, had tangled publicly with Economy Minister Roberto Lavagna on ways to steer Argentina out of a four-year recession, the worst on record. Atanasof described Pignanelli as an "official with a low profile" but "great capability" to guide the country on monetary policy. Pignanelli was named vice president of the bank earlier this year and has been a bank board member since 1997. Pignanelli takes over at the Central Bank as the sharply devalued peso continues to lose ground against the U.S. dollar, and as rising inflation erodes the purchasing power of Argentine workers. The peso, which was pegged for 11 years at 1-to-1 with the dollar, has lost more than 70 percent of its value against the greenback since a sharp devaluation began in January. The Central Bank changes coincide with Lavagna's travels to New York and Washington, where he is working on a \$20-billion IMF loan.

From MSNBC, 25 June 2002

Strike Claims Peru's Interior Minister

Arequipa, Peru - Peruvian Interior Minister Fernando Rospigliosi resigned Wednesday after a strike over the privatization of two power companies culminated in President Alejandro Toledo's decision to send in troops and declare an emergency in the country's second-largest city. Rospigliosi, a former journalist hailed as one of Toledo's star ministers, took no questions after he made his announcement at a news conference carried live on television. He is the first minister to leave the Cabinet since Toledo took office almost a year ago. Rospigliosi was reported to have been strongly against Toledo's decision to declare a state of emergency in Peru's second city, Arequipa, and to send in 1,700 troops and police to quell violent protests. The protesters began a 48-hour strike across the south Wednesday, halting public transportation, shutting shops and stranding tourists bound for the Inca citadel of Machu Picchu. The protesters said they feared that the privatization would spark job losses. Local officials have insisted that Toledo explain why he backtracked on a written pledge not to sell the power companies, Egasa and Egesur. Government-appointed negotiators, led by the Catholic archbishop of Arequipa, held nine hours of talks Tuesday with local leaders demanding a U-turn on the sales, but they failed to reach a deal. Toledo, meanwhile, put the privatization of the electricity companies on hold, awaiting a court ruling before finalizing the sale to Tractebel, a Belgium unit of the French utility Suez. Fatal Protests - One man has died and 200 people have been injured in Arequipa since the trouble began last Thursday. The government puts the damage at \$100 million.

Streets across the city, about 600 miles south of Lima, remained barricaded Wednesday. Police, troops and light tanks guarded the main square, while slogans daubed on walls read "Toledo traitor." "We'll carry on [protesting] until we get the privatizations annulled," said Walter Mejia, 45, a taxi driver in Arequipa. Polls show that only 1 in 5 Peruvians approve of Toledo amid widespread frustration that he has failed to deliver on promises of new jobs. Strikes spread, Peruvians skeptical - Peru's cash-strapped government hopes to raise \$800 million this year through privatizations and concessions, which it says is vital to plugging the budget deficit and funding road, power, health and education projects in one of South America's poorest nations. It warns that protests will hurt the poor most by scaring off foreign investment and tourists. "The only thing this attitude will do is sink us deeper into the hole," Prime Minister Roberto Danino told RPP radio. A worker at the Sonesta Posada del Inca hotel in Arequipa's main square said 40 percent of bookings, mainly from foreign tourists, had been canceled. Local officials in Cusco said that the Inca capital had no vehicles on the streets and that schools and some shops were shut. Trains to Machu Picchu, Peru's top tourist destination, were not running. In a separate headache for Toledo, bus drivers began a two-day nationwide strike against compulsory new insurance.

From MSNBC, 20 June 2002

Peruvian Leader's Backpedaling on Privatization May Hurt Economic Program, Political Standing

President Alejandro Toledo's decision to suspend an electricity industry sell-off that prompted massive protests has hobbled his economic program and will further weaken him politically, economists and business leaders say. Six days of sometime violent protests in Arequipa, Peru's second largest city, ended Wednesday after government negotiators and local leaders reached an agreement to suspend the sale of two state-owned power companies in the poor southern region. The government also promised to lift a state of emergency declared in the region, agreed to let Peru's higher courts rule on the legality of the sales and issued an apology. "You can mark the hour and date when the privatization and concession process ended in Peru," economist Augusto Alvaro Rodrich said. "At a minimum, there will be no privatizations or concessions during the rest of the year, which in the short term means the economic program has been left without funding ... and this signifies a lower ability of the government to spend," he said. The government was counting on at least \$700 million from auctions of state companies this year to finance its budget. The government has brought in \$358 million so far this year and had expected another \$167 million for the two electricity companies.

The government called off the sales to appease angry voters, but business leaders said the crisis in southern Peru has seriously damaged Toledo's political leadership by demonstrating a lack of resolve. "A government needs to put clear rules in place and to act with firmness," said Julio Favre, president of a national business organization. He predicted the suspension will encourage more violent protests by groups seeking decisions from the government. One person was killed and about 140 injured in six days of unrest in Arequipa, where protests broke out after the government announced the sales a week ago. Demonstrations spread to six other southern cities, and the government imposed a 30-day period of martial law on the Arequipa region Sunday. Protesters said Toledo failed to consult local leaders about the sale, reneged on a campaign promise not to sell off the power companies and ignored a court ruling against the auction. They fear privatizing the companies will lead to job cuts and higher rates with little reinvestment in the struggling region. Toledo's decision to send troops into Arequipa cost him support in the region, analyst Maria del Pilar Tello said. "He

has lost his electoral bastion," she said. During the 2001 presidential campaign, Toledo, Peru's first democratically elected leader of Indian descent, enjoyed his strongest support in southern Peru, where the country's highland Indian communities are concentrated. Recent polls show Toledo's popularity hovering just above 20 percent, down from nearly 60 percent when he took office last July.

From MSNBC, 21 June 2002