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Somali Leader Rejects U.N. Help

Somali Faction Leader Rejects U.N. Intervention, Demands Peace Conference Instead. Somalia's most powerful faction leader rejected a call by the transitional government Monday for an international force to disarm the country's many armed factions. Muse Sudi Yalahow said a peace conference was the only way to stabilize the country. "Such a decision could only be made when the Somalis agree on a common agenda about the fate of the country and this will not be until the various Somali factions meet in a national reconciliation conference and draw a conclusion together," he said from the part of Mogadishu that he controls. President Abdiqasim Salad Hassan's government sent a letter to the U.N. Security Council on Saturday asking for an armed international force to take over Somalia. The almost two-year-old transitional government, the first attempt at a central government in a decade, admitted it did not have the military force, public support or funding to unite the country. "The only way we could accept an international force to come to Somalia is if they are going to disarm the terrorists and Abdiqasim Salad Hassan," Muse Sudi said. Somalia has had no effective central government since opposition leaders ousted dictator Mohamed Siad Barre in 1991. They then fought with each other, turning the Horn of Africa nation of 7 million into a patchwork of battling fiefdoms ruled by heavily armed militias. The transitional government, founded by businessmen and clan elders, set out to bring stability to the country, but failed to include armed faction leaders backed by Ethiopia. Ethiopia and the faction leaders have accused the transitional government of being linked to Islamic radicals and terrorists. The regional Inter-Governmental Authority for Development has attempted to organize a peace conference on Somalia, but so far the group's members Ethiopia, Kenya, Djibouti, Sudan, Uganda and Eritrea have not been able to agree on a meeting. Copyright 2002 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.

From ABC News-World-Wire, 1 July 2002

AIDS Threatening African Economies

Barcelona, Spain - The spread of AIDS could wipe out a quarter of the workforces of some African nations in the next 20 years, a major conference in Barcelona has heard. Addressing the week-long 14th International AIDS Conference on its first full day on Monday, Bernhard Schwartlaender said more than 20 percent of adults in seven sub-Saharan African countries had the HIV virus that causes the condition. In Botswana, Lesotho, Swaziland and Zimbabwe the rate is one in three, Schwartlaender, the director of the HIV/AIDS department of the World Health Organization, added. The prediction came as American company VaxGen, said it could have an AIDS vaccine in production by 2005 if results from trials were as good as they expected. About 14,000 doctors, scientists and activists from around the world are estimated to be attending the conference to discuss what officials say is now the worst epidemic ever faced by mankind. Delegates will take in a packed schedule of scientific briefings and updates on the scourge of AIDS that has infected about 40 million people worldwide. Schwartlaender warned that the loss of workers due to AIDS could hit economic growth and undermine key sectors of society in the worst-hit countries. "By 2020, more than 25 percent of the workforce in some countries may be lost to AIDS," he said. Already in Kenya, AIDS accounts for up to three of every four deaths in the police force, while Swaziland would have to train 13,000 new teachers over the next 17 years to maintain services - 7,000 more than if there were no AIDS deaths, Reuters news agency reported. The United Nations' AIDS agency warned last week the epidemic was still in its infancy and could kill 70 million people over the next 20 years as it spreads deeper into Asia and Eastern Europe.

Earlier, the conference heard research suggesting that the average life expectancy of people living in 11 African countries would drop below 40 by 2010 because of HIV/AIDS. "By 2010, we project that life expectancies in these countries will be back to levels that have not been seen since the nineteenth century," said the U.S. Census Bureau's Karen Stanecki. Stanecki's "middle-case scenario" report, which assumes the epidemic will begin to level off in Africa over the next eight years, predicts that the average life expectancy in Botswana and Mozambique will drop to just 27 years. Swaziland will see an average of 33 years and Zimbabwe, Zambia and Namibia 34 years. Life expectancy in Angola, Lesotho, Malawi and Rwanda and Mali will drop to the mid- to late 30s. Without AIDS, average life in southern African countries such as Botswana, Namibia and Swaziland would have been about 70 years by 2010, the report shows. Instead, deaths will outstrip births in five countries by 2010, meaning falling populations. Without AIDS, Botswana, Mozambique, Lesotho, Swaziland and South Africa would have expected a population growth rate of at least two percent. Another study presented at the conference found that the percentage of newly diagnosed patients infected with drug-resistant forms of HIV is increasing. That increase limits the effectiveness of anti-AIDS drugs, the study concluded - a trend that worries researchers. "People are increasingly becoming infected with a virus that is difficult to treat," Dr. Frederick Hecht, of the University of California at San

Francisco, reported. The spread of a drug-resistant virus threatens treatment advances that have been credited in recent years with transforming AIDS/HIV from a fatal disease - one where survival was measured in years - to a chronic illness with survival potentially measured in decades. Prevention of AIDS is expected to be the second major focus of the week-long Barcelona conference. With the rapid spread of AIDS in sub-Saharan Africa and emerging epidemics in China, India and eastern Europe, there is a wide consensus that more effective preventive measures are needed.

From CNN, 8 July 2002

Africa to Form Continent-Wide Union to Boost Growth

Durban, South Africa - African heads of state tomorrow will sign a treaty establishing the African Union in a move they hope will encourage more aid, trade and investment in the world's poorest continent. The 53-member African Union, modeled on the European Union, will replace the 39-year-old Organization of African Unity at a meeting in Durban, South Africa. The treaty will set up a 15-member Peace Security Council to stop crimes against humanity and promote democracy and human rights. South African President Thabo Mbeki and other leaders want the Council to help persuade the West to fund a \$64 billion anti-poverty plan, known as the New Partnership for Africa's Development. "The idea of union is noble and inspiring," said United Nations' Secretary General Kofi Annan at the meeting in Durban. "But let us be careful not to mistake hope for achievement." The Security Council will be authorized to dispatch an African peacekeeping force. The OAU, which had no such powers, was blamed for doing little to stop the 1994 genocide in Rwanda. The African Union is modeled along the lines of the European Union, with a continental parliament. It calls for a common currency, a central bank and a continental court at some stage. "The forward march towards good governance and democracy is unstoppable and irreversible," said South African Deputy President Jacob Zuma last week.

Skeptical - Others are skeptical. "Given the OAU's embrace of dictators and its tendency to excuse coups and megalomaniac excesses on the grounds of non- interference in each other's affairs, the AU will face a credibility crisis that will take time to undo," South Africa's Business Day newspaper said in an editorial last week. Tying aid and trade concessions to Western demands for more democracy has angered Libyan leader Muammar Qaddafi, who originally proposed the union. "We accept assistance ... we refuse conditions," Qaddafi said at the opening of the meeting, according to the South African Press Association. "We are not pupils who need someone to teach us." Africa has some of the world's longest running conflicts, including war in the Democratic Republic of Congo, a country the size of Western Europe, Somalia, Western Sahara and the breakdown of the rule of law in Zimbabwe. NEPAD aims to boost foreign investment and open access to western markets, lifting economic growth to 7 percent annually. United Nations figures show growth averaged 2.6 percent in the past decade. AIDS - The majority of Africa's 800 million people live on less than a dollar a day, and AIDS will cut the life expectancy in some sub-Saharan African countries to levels not seen since the end of the 1800s, the U.S. Census Bureau has said. The leaders of the world's richest nations agreed to channel \$8 billion in existing aid pledges to NEPAD at their summit in Kananaskis, Canada last month, an amount criticized by Tanzanian President Benjamin Mkapa and some rights groups, including CARE, as inadequate. "To build a successful union in such conditions will require great stamina and iron political will," said Annan, "combined with readiness to accept a seemingly endless series of negotiations and compromises."

From Bloomberg-Politics, by Godfrey Mutizwa, 8 July 2002

South Africa Weighs Welfare State - System of Payment for All Would be Continent's First

Four generations get by on the \$100 pension that Johannes Khanye collects each month. There are his two daughters, their seven children and their four children, the youngest born but six months ago. Counting the old man, that's 14 people in all: two households, no jobs, no prospects. Still, there are groceries to buy, electric bills to pay, schoolbooks and diapers and always, always, too much month left when the money runs out. "THERE'S NEVER enough food," said Khanye, who is a widower and 88 but as lithe as a bantamweight. "And many of my friends are worse off. They ask to borrow money from me. Pensions were not intended for the young, only the old, but yet many, many people live as we do. The government should do more to help the people." As this country struggles to both modernize its economy and combat a grave financial crisis, South Africans are debating whether to do what no African nation has ever done: create a welfare state. Promoted by a broad coalition of labor unions, churches, children's advocates, the elderly, women, opposition politicians and even anti-AIDS activists, a plan to provide each man, woman and child age 7 to 65 with a monthly welfare check of \$10 has dominated the political debate here this year. Earnest Debate- Nearly a century after Europe and the United States began cushioning their poorest citizens with cash and other benefits, South Africa is the first nation on this continent to earnestly weigh whether the dole can work for a population for whom poverty is not the exception but the rule. A government task force report that strongly supports implementation of the plan — known as the Basic Income Grant, or BIG — sits on President Thabo Mbeki's desk and awaits the government's response. Eight years after the repressive system of racial separation known as apartheid was dismantled, many South Africans have grown impatient with the new, black-led government's free-market reforms. Capitalism's sometimes glaring indifference to the poor has given birth to a new discussion of social policy, much as it did following the industrial revolution in Europe and the United States. More than half of South Africa's 42 million people survive on less than \$2 a day and the economy has shed nearly 1 million jobs since 1994. Virtually the only safety nets available to South Africans are a poorly administered

child support grant, for single mothers with children under age 7, and the state-funded old-age pension created by the apartheid government nearly three decades ago, partly to defuse tensions among restless blacks in townships such as Soweto. By the most conservative estimates, unemployment here has climbed to more than a quarter of the workforce, and many South African economists say they believe the figure is closer to 40 percent. As a result, one retiree's pension often must support jobless children and grandchildren, or in some cases extended families that exceed 20 members. Of nearly 22 million South Africans who live in absolute poverty, an estimated 13 million have no access to any regular income, whether from a relative's pension or otherwise. "This is a crucial moment for Africa's development," said the Rev. Douglas Torr, an Anglican priest who chairs a group of activists lobbying the government to adopt BIG. "We're seeing an entire continent struggle to make the passage from authoritarian, Marxist-style government to a modern, market-driven democracy. Well, part of that transformation to a modern society — and we find our examples for this in the West — is to assume the responsibility of caring for the people whom the markets leave behind." But while the sheer number of poor South Africans suggests a need for some sort of relief, the proposal also represents South Africa's principal challenge: With so many poor people, who will pay for the dole? "It is obvious that the issue of poverty must be addressed," said Bheki Khumalo, Mbeki's spokesman. "But we are a small economy. We must deal with the situation in a way that is ultimately sustainable. We can only spend the money that we have." 'ANOTHER AFRICAN BEGGING BOWL' - Sipping coffee and gently rocking her infant son's carriage at a suburban shopping mall near Soweto, Anne Sussman said: "I don't think Africans are ready for the dole. I don't think we can afford it. And if you start giving money to people, you will rob them of all incentive to go out and work, and that's the last thing we need: another African begging bowl. "We're not like Americans or the British, where just a few people here and there are poor. We're a nation of poor people." South Africa would distribute the \$10 monthly stipend to everyone.

The dole could cost an estimated \$4.6 billion a year, but economists estimate half of that would be reclaimed through slightly higher taxes on the middle class and the affluent. Making the BIG payments without an income test, said Torr, would do away with some of the most potentially costly and perilous aspects of welfare. "What we don't want to do is to create a welfare bureaucracy," he said. "Once you start testing [for eligibility], you create new headaches for yourselves, like corruption and inefficiency." The government's minister for social development, Zola Skweyiya, has expressed support for the plan. But Finance Minister Trevor Manuel denounced the proposal in his budget speech in February, calling it "economic populism" and saying it was unaffordable. Supporters of the plan speculate that while the plan has gained too much momentum for the ruling African National Congress to reject it outright, Mbeki and his cabinet ministers may delay its implementation. They say that is because BIG is incompatible with the government's fiscally conservative agenda, which seeks to lure foreign investment by keeping a lid on state spending, deficits and inflation. While weak by Western standards, South Africa's economy is the most industrialized in sub-Saharan Africa, and though apartheid depressed the incomes and dreams of most blacks here, it greatly expanded the wealth held by the country's 8 million whites. Since 1994, a small black elite has emerged to join their ranks. "So South Africa has the advantage of a middle class," said Guy Mhone, an economics professor at the University of Witwatersrand in Johannesburg. "That creates the possibility of some cross-subsidization and makes the case for providing a minimum level of support to improve children's nutrition and health. Without that human development, there's no economic development." 'BASIC NEEDS' - Mhone and others acknowledge that \$10 is a paltry sum, but here is where African culture provides a crucial advantage: Because many poor families band together to maximize scant resources, the relatively paltry sum is multiplied by the sheer numbers of people sharing space. "We're just trying to meet people's basic needs so they can get through the day," said Aart Roukens de Lange, founder of the South African New Economics Foundation in Cape Town. "A modern society should do that. History shows us that if it is to thrive, it must do at least that." That there are people in need is hardly debated.

At issue is whether the dole will do more harm than good. "I think it's a bad idea to say to people: Look, no matter what you do, we're going to give everyone in your household [\$10] per month," said Greg Esterhuizen, a Johannesburg businessman. "What is ultimately going to get this country back on its feet is the same thing that gets people back on their feet: energy, motivation, innovation. If people give up, stop even trying to find work and just sit at home and wait on that [\$10] every month, then what kind of society will we have?" Advocates for the poor — and the poor themselves — contend that a monthly grant would help them find work by providing money for bus fare and clothes to wear to job interviews. Anti-AIDS activists are lobbying for the grant to help many of the estimated 4.2 million to 4.7 million HIV-infected South Africans buy the food they need to stay healthier longer. And the additional income can spur community development, liberal economists and analysts argue, by enabling poor consumers to spend at neighborhood stores and for taxis, which can ultimately lead local business people to expand their operations and hiring. "It would help me feed my boys," said Lucy Dhlamini, a homeless mother of two who sells newspapers on a suburban street corner. "I would still be forced to sell my [newspaper] every day, but that's enough money to put food in our stomachs on days when we have nothing." Lebohlang Lijojo, Johannes Khanye's 20-year-old grandson, said he is proof of what a difference just a little money can make in someone's life. "We might have only had one meal a day a lot of times, but just being able to get something in your stomach made it possible to study," he said, sitting next to his grandfather. He enters college next year; his high school grades were just good enough to get him a scholarship. "Without my grandfather's support, I don't know what would have happened to us," Lijojo said, his voice barely above a whisper. "I wouldn't even have dreamed of becoming somebody. My life's hope would have just disappeared."

From MSNBC-Africa, by Jon Jeter, 9 July 2002

Why Donors Hesitate to Give Aid

Nations are skeptical of aiding the African food crisis because of corrupt government leadership. Johannesburg, South Africa – For almost six months, the World Food Program has been warning of an impending disaster in southern Africa, where at least seven countries are facing severe food shortages, but international donors have been slow to respond. "We've worked in a number of these crises: the famines in Ethiopia and in Northern Kenya, and the volcanic eruption in Goma [Congo]," says Dr. Wilfred Mlay, vice president for Africa of World Vision. "In all those crises, the international community has been quick to respond. That hasn't happened here." Aid workers and experts say the response to the current crisis in Southern Africa, which threatens an estimated 13 million people, has been hampered by donor fatigue, an unwillingness by rich nations to accept the scope of the crisis, and skepticism about the governments of countries receiving food aid. So far, the WFP has only received pledges for about \$135 million, about one-quarter of the total they estimate they will need to feed people during the next nine months. The US and Britain, the top two donors, have given \$98 million and close to \$30 million, respectively. One of the problems, they say, is that the current problem in Southern Africa is a slow-motion crisis. Unlike wars or volcanic eruptions that cause large, visible displacements of people, food shortages like the current one in Southern Africa sneak up gradually. While the slow onset gives the international community time to respond before people actually begin dying in large numbers, it also makes it more difficult to convince donors of the scope of the crisis.

Appeals like the WFP's current one for more than \$500 million are made on projections of need, and often those projections aren't believed, say experts. "Government donors have a problem with the assessments made by agencies such as the WFP and don't always regard them as objective assessments of need," says Frances Stevenson, a researcher at the Overseas Development Institute in London. By the time the media starts printing pictures of starving people the proof is irrefutable, it's too late to preempt the crisis since it can take months for food to get from its source to people in need. Food donated by the United States to Malawi, for example, must be shipped from the US to a port in Mozambique and then taken by truck over as much as 700 miles of often treacherous roads, a process that takes months if all goes smoothly. Food destined for hard-hit areas in the mountainous country of Lesotho must be shipped into a South African port, trucked in over mountain roads, and then often taken by donkey to remote villages. The coming rainy season, which begins around October, will also slow the distribution of food. The WFP admits that the crisis in Southern Africa has not yet reached famine proportions, because this year's harvest, while poor, was enough to feed people for a few months. Their fear, however, is that if donations don't arrive soon, they won't be able to get food to people before starvation sets in. Although the startling images of starvation that emerged from the Ethiopian famine in the late 1980s shocked the world, aid workers say that crisis created an unhealthy image of what a famine looks like. The goal of the aid community is to intervene before a situation becomes a crisis, but in the post-Ethiopia era no one will believe that a crisis exists until the deaths begin. "It's hard to convince donors of the situation without pictures of starving children, and we didn't have those in February," when the WFP first began saying this would be a major crisis, said Chris Conrad, regional director for CARE. Another reason for the slow response, experts say, is a skepticism by donor nations about the governments receiving aid. While natural factors such as flood and drought have played some role in the current Southern African food crisis, political instability, war, and government incompetence has made what might just have been a bad year for crops into a humanitarian disaster.

Zimbabwe, one of the worst hit countries, used to be a net exporter of grain and a country to which less prosperous neighbors turned in time of need. But more than two years of land seizures by government-backed squatters have devastated the country's commercial agriculture sector and human-rights groups have repeatedly alleged that food aid is denied to supporters of the opposition party. The governments of Zambia, Malawi, and Lesotho are considered corrupt and nontransparent, and Angola recently ended three decades of civil war. Although Zambia and Lesotho both recently held elections that have boosted international confidence in them, all four countries have been governed by long-standing regimes considered more interested in increasing their own wealth than in helping their people. Angola, for example, is an oil rich country and one of the continent's wealthiest nations. Although this attitude generally affects development aid more than disaster-relief funds, privately, donors acknowledge that they are concerned their aid will line the pockets of the elite rather than the stomachs of the poor. "There's not the same kind of sympathy as when the crisis is attributed to natural factors," says Dr. Mlay. Ultimately, however, aid workers and experts say the roots of the current crisis go far deeper than the international community's inability to mobilize rapidly in times of crisis. Much of the problem lies in the world's failure to support development efforts between crises. Mr. Conrad, of CARE, says that the current crisis can be seen in part as a failure on the part of the international community to help the region recover fully from its last food shortage in 1992. "The problem with our response to Africa is that it's like treating a patient with a small dose," said Dr. Mlay. "It's just enough to keep the patient alive, but not enough to make it better."

From Christian Science Monitor-Africa, by Nicole Itano, 18 July 2002

Hong Kong Has No Quick Fix for Economy, Tung Says

Hong Kong has no quick fix for its economic slump and record unemployment, Chief Executive Tung Chee-hwa said in a speech marking the five-year anniversary of the territory's return to Chinese rule. In televised remarks at a ceremony attended by China and Hong Kong dignitaries, Tung said resuscitating the economy "is going to be a long and arduous process." Hong Kong has yet to rebound from the Asian financial crisis that began when the Thai baht collapsed a day after the city reverted to Chinese sovereignty from British rule in 1997. Unemployment is at a record 7.4 percent, property prices are languishing at about half pre-1997s levels, and the economy is barely growing. "The biggest challenge is to lead Hong Kong out of economic downturn and to restore the confidence of the Hong Kong people," he said. Tung, whose popularity fell to a record this year, was sworn in for a second five-year term. Outside the convention center where the ceremonies were held, pro-democracy advocates, demanding a public accounting for the 1989 Tiananmen Square massacre, scuffled with police. Members of the Falun Gong, a religious group banned in China as an "evil cult," hoisted a banner urging freedom from persecution. China President Jiang Zemin, in remarks at the anniversary ceremonies, indicated China may tighten its grip on Hong Kong as he urged Hong Kong residents to "keep and safeguard the security and interest of the motherland and defend its overall interests."

From Bloomberg-Politics, by Sau Chan, 1 July 2002

Indonesia Overturns Bankruptcy Ruling

Indonesian Supreme Court Overturns Manulife Bankruptcy - The Supreme Court has overturned a controversial bankruptcy ruling against the local branch of a Canadian insurance company in a case which raised questions about foreign investment in Indonesia, officials said Monday. The local unit of Canada's Manulife Financial Corp. was declared bankrupt by a commercial court in June for a 1999 decision not to pay dividends to its stockholders. But the company Indonesia's fourth largest insurer insists it is solvent and that the bankruptcy ruling was part of an attempt by a disgruntled former joint venture partner to defraud Manulife of shares worth \$20 million. "The verdict is to overrule the commercial court's verdict and reject the bankruptcy demand," said Toton Suprpto, one of the three high court judges who ruled in the case. The case led the Canadian government to intervene and prompted the International Monetary Fund to call for speedy legal reform. The ruling was made Friday but became public Monday, Supreme Court spokesman Juju Abdul Rozak told Dow Jones Newswires. The company has 4,000 employees and 400,000 policy holders. It earned 75 billion rupiah (\$8.4 million) last year and manages 3.1 trillion rupiah (\$347 million) in assets. Manulife Indonesia's former joint venture partners, PT Dharmala Sakti Sejahtera, brought the bankruptcy suit against the company for failure to pay a dividend in 1999. A court-appointed receiver linked to Dharmala then forced Manulife Indonesia to close its business, leaving its policyholders without coverage. Indonesia's Commercial Court later removed the receiver and allowed Manulife Indonesia to reopen three days later under intense pressure from Canada's government. Copyright 2002 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.

From ABC News-Business-Wire, 8 July 2002

China Says Internet Service Providers Regulating Content

Beijing - China's Internet service providers are increasingly censoring their own content for subversive political material through so-called "self-discipline pacts," it was announced Friday. The China Internet Association said the agreements banned signatories from producing or releasing content that was "harmful to national security and social stability" or illegal, the state Xinhua news agency reported. An official from the association, a self-regulatory body for China's Internet sector, said the deal also left service providers responsible for ensuring surfers "use the Web in a civilized way," without specifying what this meant. News of the initiative, which began in March, comes amid a major crackdown on China's increasingly popular Internet cafes, where software is reportedly being installed to detect computer users' attempts to access banned sites. China's authorities have an ambiguous attitude toward the rapid spread of the Internet in the country, which saw almost 34 million people log on by the end of last year. While the government is aware that a technologically switched-on population is a boon for economic growth, it is deeply nervous about how easily citizens can discover - and spread - news and opinions through the Internet and e-mail. China has long tried to limit access to Web sites with information on certain political or spiritual groups and foreign news, as well as pornography. However, given the extreme difficulty of blocking millions of pages, authorities are instead relying increasingly on the booming Internet industry to censor itself. The new self-discipline scheme has spread rapidly from Beijing to provinces around the country, Xinhua said. Last weekend, the government announced that all the country's legally run cybercafes - thought to number only 46,000 out of about 200,000 in existence - would have to apply for re-registration. At the same time, there has been a major crackdown on unlicensed operations, stoking fears the government is seeking to limit public access to the Web. The drive follows a June 16 fire at an Internet cafe in Beijing that killed 24 young people, who were trapped behind a locked door and barred windows. It was reported last week that Internet cafes nationwide

are being ordered to install software that can block access to up to 500,000 foreign Web sites and notify police when Web surfers try to access illicit pages. The filtering software has already been installed at Internet cafes in several cities, the Hong Kong-based Information Center for Human Rights and Democracy said.

From Nando Times-Technology, 8 July 2002

University call for Pakistan MPs



Musharraf is expected to announce more changes in election laws in an address to the nation

Islamabad, Pakistan - Pakistan's supreme court has upheld a requirement that candidates for parliament must hold a university degree. President Pervez Musharraf plans to make that one of the conditions for elections scheduled for October. The plan drew challenges from the opposition, who argued that fewer than two-percent of Pakistanis hold university degrees. Pakistan's election commission has also announced new rules requiring political parties to hold elections for office-bearers. It is also ordering that they be publicly audited. General Musharraf plans to address the nation Friday, and is expected to announce more changes in election laws. After the decision was announced, Gohar Ayoob Khan, a former foreign minister and general-secretary of the Pakistan Muslim League, resigned from his party post because he does not meet the educational qualification, The Associated Press news agency reported. The university degree requirement is among a raft of changes Musharraf plans for the constitution and electoral laws. The other planned changes include shortening some elected terms and lowering the voting age. Protests - The president has already faced a storm of protests over constitutional amendments announced in June that gave him sweeping powers to dictate the country's affairs. "This comes too suddenly," Dr Ahmed Shafiqul Huque, an Associate Professor at the City University of Hong Kong told CNN. "The stipulation will definitely have an impact on the political parties and it will make it extremely difficult for the parties to establish themselves in the political system." "The elections will be full of little

problems." Dr Huque maintains. "The biggest issue is that two of the major political parties are without their leaders because they are in exile and the other parties are struggling to maintain their existence." "In that situation the elections really do not bear a lot of significance," he said.

Since his takeover, Musharraf has made it clear that neither Sharif nor Benazir Bhutto, also a twice-elected prime minister, would be allowed to contest elections. Bhutto has been convicted in absentia of corruption, most recently this week, and faces a total of eight years in jail. [\(Full story\)](#) She is living in self-imposed exile in the United Arab Emirates, although her party workers say she may return to her homeland. The authorities say she will be arrested if she does so. Unfinished business - Musharraf came to power in a bloodless military coup in October 1999, taking the role of 'Chief Executive' of Pakistan. He was given three years by the Supreme Court to curb corruption, introduce reforms and return the country to democracy. On June 20, 2001, he appointed himself the nation's president while continuing to hold the office of Chief of Army Staff and Chairman Joint Chiefs of Staff Committee. The court deadline would have ended his rule in October 2002, but Musharraf claimed his task was not yet finished. In April 2002 he held a controversial nationwide referendum to remain as leader for another five years and received an overwhelming majority of votes. His support for the United States' war against terrorism has gained him praise in the West, but resulted in criticism from within his nation. In July 2002 a plot to assassinate Musharraf prior to the April referendum was uncovered. [\(Full story\)](#) Predecessors barred - Musharraf's constitutional reforms will limit prime ministers and provincial chief ministers to two terms each, disqualifying both Bhutto and Sharif as well as most of the previous provincial premiers. Sharif's Pakistan Muslim League has said it will contest the elections. "We will definitely contest elections, but with reservations," The Associated Press has reported Mushahed Ullah Khan, a spokesman for the Pakistan Muslim League, as saying. Musharraf's constitutional changes also seek to institutionalize the role of the armed forces with the creation of a National Security Council, which would include the chiefs of the army, air force and navy.

From CNN-Asia Pacific, 12 July 2002

Flashy Japan Governor Seeks New Reform Mandate

A flamboyant regional governor on Monday vowed to take his battle against costly public works to voters for the second time in two years - Act Two of a drama that holds clues to the future of national reforms in Japan. Award-winning novelist Yasuo Tanaka told a news conference he would seek re-election as governor of Nagano Prefecture in central Japan after conservative local lawmakers adopted a no-confidence vote against him late last month. "I want to carry out reforms as governor and I want to seek the judgment of each and every voter whether the person Yasuo Tanaka is suitable to be governor or not," said Tanaka, wearing a dark suit, a checked tie and his trademark white mountain goat brooch, a symbol of his commitment to protecting the environment. Tanaka, 46, known for racy magazine columns about his love affairs and a flashy, expensive wardrobe as well as for his campaign to halt wasteful public works, was elected in 2000 in a landslide victory that ended decades of conservative control. He quickly outraged local lawmakers with a "No Dam Proclamation," a manifesto pledging to scrap several projects to build dams in the rural, mountainous prefecture some 180 km (112 miles) from Tokyo, to save money and protect the environment. The confrontation exploded 10 days ago when the local assembly adopted a no-confidence vote, with only five lawmakers - all from the Communist Party - backing Tanaka. With opinion polls showing he has the support of 60 percent of local voters, he stands a good chance of being re-elected.

The local battle is being viewed in many quarters as a barometer for Prime Minister Junichiro Koizumi's struggle to carry out economic and political reforms in the face of opposition from his own ruling Liberal Democratic Party (LDP). "The fight, ostensibly about whether to build new dams, goes much deeper in fact," wrote Morgan Stanley chief economist Robert Feldman. "Some commentators claim, in my view with much accuracy, that the Nagano case is a microcosm of the greater national political fight." Political Outsider, Maverick Playboy Tanaka is one of several independents who have won local elections on reform platforms in recent years, a trend which sent shivers through the LDP and produced the groundswell of local support that catapulted Koizumi to the premiership last year. Koizumi has since run into heavy opposition from the LDP's old guard, forcing him to compromise on key reform proposals and eroding his once-stratospheric public support. In contrast, Tanaka - directly elected with the support of civic groups rather than a party machine - has snubbed old-style local politicians and shown few, if any, signs of compromise. His opponents say he spends too much time in front of TV cameras and dating flight attendants and not enough crafting policies. "He has raised eyebrows even among his staunch supporters," said an editorial in the English-language Japan Times newspaper, noting a recent photo of Tanaka quaffing champagne and posing with a female TV personality on his knees during an after-hours interview in his office.

Lawmakers in the local assembly also charge that his insistence on halting two dam projects already under way would end up worsening, not improving, local finances since the central government could, in theory, demand that subsidies be repaid. More at stake? While the debate is clouded by Tanaka's personality, analysts say it is mainly his attack on a decades-old system that makes local finances and economies dependent on central government handouts and public works which lies at the root of the conflict. The system has been the basis of the LDP's virtually unbroken hold on power for the past half century and has bequeathed Japan the biggest debt burden in the advanced world. A pledge to rein in that debt is a key plank in Koizumi's reform platform. "The conflict over public works is at the heart of the controversy," said Muneyuki Shindo, a political science professor at Rikkyo University in Tokyo. "Many conservative local lawmakers are backed by the construction industry and feel a crisis over declining public works, which already fell after the (1998) Nagano Olympics." Whatever happens, many analysts are inclined to see the furore in a favourable light. "The local issues of dam construction, wasteful public expenditure and corruption are far from new," wrote Morgan Stanley's Feldman. "The good news is that there is at least a fight."

From MSNBC, 15 July 2002

Internet Portals in China Sign Pact to Restrict Access to Information Deemed Subversive

Internet portals in China, including Yahoo!'s Chinese-language site, have signed a voluntary pledge to purge the Web of content that China's communist government deems subversive, organizers of the drive say. The "Public Pledge on Self-discipline for China Internet Industry" has attracted more than 300 signatories since its launch March 16, said a spokeswoman for the Internet Society of China, who identified herself only as Miss Sun. The pledge's main aims appear fairly benign: promotion of Internet use, prevention of cyber crime, fostering healthy industry competition, avoiding intellectual property violations. Other clauses, though, seem less innocent given China's tight control over information and the government's extreme sensitivity to criticism or political challenges. New regulations on Internet publishing take effect Aug. 1 "to promote the healthy development of Internet publications," the official Beijing Morning Post reported Monday. Those who sign the pledge must refrain from "producing, posting or disseminating pernicious information that may jeopardize state security and disrupt social stability." The prohibition also covers information that breaks laws and spreads "superstition and obscenity." Members must remove material deemed offensive or face expulsion from the group. Signers also pledge to monitor content of foreign-based Web sites and block those containing unspecified harmful information. The pledge conforms closely to government policies making Internet service providers responsible for content posted on Web sites they host. It's a strategy to give the Internet enough room to blossom while keeping operators on notice not to push the envelope politically. China has aggressively promoted the Internet for commercial purposes. As of April, China had more than 38 million Internet users and nearly

280,000 Web sites, according to the official Xinhua News Agency. Yet the Communist Party is determined to curtail the Web's role as a forum of free discussion and source of information not available in the entirely government-controlled media. A special police force monitors Web sites and sifts e-mail searching for messages promoting causes such as greater political openness, the banned Falun Gong spiritual movement and independence for minority regions. Web sites of human rights groups and Western and Taiwanese media are frequently blocked. Internet cafes are required to track sites their users visit and report attempts to open those deemed subversive. Long prison sentences have been given to people accused of reproducing or forwarding information from such sites. "They're trying to have it both ways. It's a difficult game to play, but they seem to be doing a not inconsiderable job of it," said Jack Balkin, a Yale University law professor who studies the Internet. China has also closed thousands of Internet cafes since a fire June 16 at a cafe in Beijing that killed 25 people. The Beijing-based Internet Society of China describes itself as a private, national self-governing body for the Chinese Internet sector. Its 140 members drawn from private companies, schools and research institutes, according to the society's Web site. A spokesman for Yahoo!'s China office in Beijing confirmed the company had signed the pledge but refused to comment further. Yahoo!'s public relations agency in the United States, where the company cultivates an image of freedom and anarchic creativity, responded to an e-mail seeking comment by saying no spokesman was available. Other portals the society listed as having signed the pledge include the popular Chinese Websites Sina.com and Sohu.com, as well as Peking and Tsinghua universities, online media and technology companies and government offices. On the Net: Internet Society of China: <http://www.isc.org.cn/>

From MSNBC, 15 July 2002

The Americas

Mexico's Fox Says Sept. 11 Cut U.S. Interest in Latin America

Mexican President Vicente Fox said the U.S. commitment and presence in Latin America have been reduced since the September terrorist attacks. He called on U.S. and European leaders to make Argentina a priority as the nation seeks to stabilize its currency and rebuild its banking system. Fox warned that "we all are going to have problems" if the region is ignored. Fox made his comments in an interview last Friday in this southern Yucatan state while acting as host to a summit of Central American presidents. They are seeking to attract \$4 billion in investment from international lenders, governments and private companies to improve roads and power infrastructure in southern Mexico and Central America. "Since September 11, things have changed: the commitment, the presence of the United States in Latin American matters has been reduced," Fox said, seated in a white "guayabera" shirt typical of the Mexican south and his trademark black cowboy boots. While he said Mexico's close trade ties to the U.S., low interest rates, and ample central bank reserves help the nation's \$620 billion economy avoid the impact of regional economic declines, he said the U.S. and Europe should help stop their spread. "The most important thing is that the problem is attended to, that there is political will that this is resolved. The worst thing is if it's ignored," he said. "If the region doesn't recover, and doesn't have a better future, we are all going to have problems." Travels to Argentina and Brazil - Fox goes to Argentina and Brazil this week, where he said he will seek bilateral trade agreements with each country, as well as begin working on a larger agreement with their four-nation trade bloc that also includes Uruguay and Paraguay. Argentina wants international aid to rebuild its economy and banking system after defaulting on \$95 billion of bonds and devaluing. Brazil, which borrowed \$10 billion from the International Monetary Fund last month, is seeking to restore investor confidence that it can make all its debt payments. In commenting on Argentina, Fox said, "I have invited the U.S., the IMF and the G-7 to apply a great will so that the problems of Argentina are attend to." Fox, who turns 60 tomorrow, took office in late 2000 after dislodging the 71-year reign of the Institutional Revolutionary Party. He made the first state-visit to U.S. President George Bush, who called Latin America a "fundamental commitment" of his presidency when elected. Using his proximity to the U.S., Fox has sought a leadership role in Latin America, calling on the U.S. and Europe to curtail agriculture subsidies, open up markets and provide financing to ensure growth in the region.

Opposition in Congress - At home, much of the euphoria following his election has receded as the country faces economic pressure from the U.S. recession and the opposition-controlled Congress blocks many of his key campaign initiatives. His public approval rating has dropped to 57 percent from about 80 when he was elected, according to Reforma newspaper. Analysts say the former Coca-Cola executive may have raised expectations unrealistically high in Mexico, and depended too heavily on support from the U.S. to achieve the agenda he campaigned on: rooting out corruption, securing immigration rights and attracting foreign investment. He also vowed to resolve the ongoing conflict with insurgents in the south in "15 minutes." "Vicente Fox is a great marketing director. But great marketing directors don't always make the best CEOs," said Jean Francois Prud'homme, a professor of political science who studies the presidency at the Colegio de Mexico. "You can convince the consumers that you have a great product, but once you are running the company you also have to produce." Security Concerns - U.S. security concerns following the September attacks derailed his attempt to win legal status for about 3.5 million undocumented Mexican workers in the U.S. Fox has failed to win quick Congressional approval for his plans to overhaul the tax system and open up the \$10 billion domestic electricity market to foreign investment. Fox, who once warned that the nation eventually faces power shortages, appeared to play down the need for quick Congressional approval

of his plans. The Supreme Court earlier this year blocked his attempt to open the industry by executive order, ruling he exceeded his presidential authority. "We have a strong interest in this, and are negotiating it," he said. "But the country's economy doesn't depend on it." Travel Blocked - Relations with Congress have become so unproductive that legislators used their constitutional power earlier this year to block him from traveling to Canada and the U.S., where he had planned to meet Microsoft Corp. co-founder Bill Gates. Analysts say his reform agenda is likely to be bogged down until at least July of next year, when mid-term Congressional elections are scheduled. Electoral officials are investigating whether a private fundraising group, called Friends of Fox, illegally accepted donations from abroad during his 2000 campaign. In the interview, Fox sought to distance himself from the group, which is under court order to open its accounts to federal investigators. "This isn't my business," Fox said. "This is a matter that concerns an association made up of citizens who make their own decisions. I was the candidate of the National Action Party and my party complied with the law." His supporters hope Fox will be rewarded for maintaining economic stability and succeed in convincing voters that an obstinate Congress has derailed key reforms in the run up to next year's elections. U.S. Ties - Fox's victory marked the first change in power not accompanied by devaluation in decades. The benchmark Mexbol stock index is up 1 percent this year, while Brazilian stocks have fallen 18 percent, and the Dow Jones Industrial Average has lost 8 percent. Mexico's commitment to meeting its spending and inflation targets helped it secure investment grade credit ratings on its bonds. Mexico's economy has become increasingly tied to the economic cycles of the U.S., where it sends 85 percent of its exports, or about a quarter of its total economic output. The Mexican peso has weakened about 8 percent this year on concern that the U.S recovery will be delayed. Fox said the peso declines were a normal reaction to the close ties with the U.S. economy. "We have a freely floating peso, and it will find its level," Fox said. "Mexico is in this situation with the peso at about 10 per dollar, but the Economy is working well and fundamentals are very secure. We are satisfied with the way things are."

From Bloomberg-Politics, by John Lyons and Nick Benequista, 1 July 2002

Democrats Urge New Accounting Laws, Bush Hones Speech

Democrats are seeking to toughen U.S. accounting and financial disclosure requirements this week, saying the Bush administration has failed to rein in corporate abuses. Senate Majority Leader Tom Daschle called Securities and Exchange Commission Chairman Harvey Pitt a "huge disappointment," and urged an "aggressive" response by Congress to corporate accounting irregularities that have hurt investors. Senator John McCain became the first Republican to urge Pitt's resignation in a newspaper opinion piece published as the Senate begins debate today on new legislation. Two miles west on Pennsylvania Avenue, President George W. Bush and his economic advisers will decide how far to go in supporting new regulation. In New York tomorrow, Bush "will focus on strict enforcement and tough punishment," spokesman Ari Fleischer said. WorldCom Inc.'s disclosure that it hid \$3.9 billion in costs and Xerox Corp.'s restatement of \$6.4 billion in revenue have eroded investor confidence and boosted chances the Senate will pass new rules. The Senate bill would establish an oversight board to police the accounting profession and set enforcement mechanisms. It imposes more restrictions than a Republican-backed bill passed by the House of Representatives April 24. Amendments Planned - "We are going to offer a number of amendments which we think will strengthen the bill," said Senator Carl Levin, a Michigan Democrat who released a 61-page report faulting Enron Corp.'s board of directors for the bankrupt energy-trader's accounting irregularities. McCain, of Arizona, wrote that Congress and the president should "quickly frame legislation and reform corporate governance and government oversight." "I would add one more suggestion: they should ask for the resignation of Harvey Pitt," McCain said in an opinion piece in the New York Times.

Bush may seek mandatory prison terms for chief executives who falsify records as the centerpiece of a plan to hold corporate leaders accountable for financial statements, White House officials have said. "The overall message on Tuesday is that he's got confidence in the strength of the overall economy, and the confidence will grow as confidence is restored in corporate behavior," Fleischer told reporters traveling with Bush in Kennebunkport, Maine. Bush Speech - Bush may "embrace" Senate Democrats in an effort to be "preemptive," said Senator Jon Corzine, a New Jersey Democrat. Other critics say the White House strategy is to try to weaken the Democratic legislation against future negotiations with House Republicans. "You are going to see a high level of emotion," said Gary Gensler, a former Treasury undersecretary in the Clinton administration who is advising Democrats on strategy. "The president is going to associate himself with the American public's anger at corporate executives and he will call for enforcement of current law," Gensler said. "What you have to look for is what new law is Bush going to support." "The president has strong feelings about this and will be in full throat on Tuesday," said Representative Michael Oxley, an Ohio Republican and chairman of the Financial Services Committee that drafted legislation backed by House Republicans. "We have to be careful we don't overreact," Oxley said on "Fox News Sunday." He said he'd had conversations with Bush about the speech and shares "the president's feeling that we can get a good bill that solves some of the problems but doesn't over-regulate." Investors will continue to be hit with corporate accounting rewrites, Gensler said, as lawmakers seek to wrap up a bill ahead of the November elections that will determine control of the House and Senate. "The mood in September will probably dictate what the president and the Republicans are going to have to do," Gensler said. Senate Bill - The Senate Banking Committee, chaired by Maryland Democrat Paul Sarbanes, approved a bill June 18 with support from six of 11 committee Republicans. The bill would set up a five-member independent board to adopt auditing and ethics standards for accounting firms serving public companies. "With WorldCom hitting and then Xerox hitting, it was literally a one-two punch that

probably knocked out the accounting profession," said Allan Koltin, president of the Practice Development Institute Inc., a consultancy. The panel would inspect accounting firms, investigate violations of its rules and discipline wrongdoers including fining them or suspending or barring them from audit work. "The Sarbanes bill obviously has the wind at its back at this point," said Dennis Beresford, a University of Georgia accounting professor and former chairman of the Financial Accounting Standards Board. Democratic Amendments - Levin said he would offer amendments to the bill to give the SEC administrative authority to "actually ban unfit officers and directors and impose civil fines," something that White House spokeswoman Claire Buchan said Bush supports. The SEC may do so now under current law only by seeking a court order, Levin said. Senator Patrick Leahy, a Vermont Democrat, will offer an amendment to create a new felony definition aimed at securities fraud. It would provide jail time for persons who defraud many people or who financially devastate their victims. Leahy's amendment, prompted by Enron and approved by the Judiciary Committee, would authorize the SEC to bring cases under federal racketeering law. It would also give federal protection to corporate whistleblowers - often the key witnesses in investigations. Pitt has proposed a nine-member oversight board that would include as many as three board members from the accounting profession. Bush "thinks that Chairman Pitt is doing a great job cracking down on wrongdoing," and prefers his approach to the accounting board over Sarbanes's board, Buchan said. Daschle, speaking yesterday on CBS's "Face the Nation," said "We could do a lot better than Harvey Pitt in the SEC." Daschle said Pitt has "had too cozy a relationship," with the accounting industry.

From Bloomberg, by William Roberts and Vicky Stamas, 8 July 2002

Foreign Investment in Cuba Falls, EU Wants Reform

Direct foreign investment in Cuba plummeted to \$38.9 million in 2001 from \$488 million the year before, official figures showed, as investors appeared to balk at the communist-run island's heavily regulated business environment. The investment plunge came on top of declines in tourism, exports and other hard currency revenues that have forced the government of President Fidel Castro to cut imports, save energy and raise prices, among other austerity measures. A Central Bank report to creditors and key business partners, seen by Reuters, said the decline reflected a region-wide trend and, "the ferocious economic war maintained against the country for more than 40 years by the United States," a position some investors said was only partially true. "There is a decline in investment throughout the region, but it is much worse here because of Cuba's business climate," one European businessman said. "They insist you be partners with a state-run company, that you hire workers at high rates through government-run labor agencies and then you run-up against the bureaucracy and the U.S. embargo and threats to boot." The average annual investment in Cuba over the last five years was \$268 million, according to official figures, compared with last year's \$38.9 million -- the lowest since Havana began reporting direct investment data in 1993. Since the collapse of its former benefactor, the Soviet Union, threw Cuba's economy into deep crisis in the early 1990s, Havana has allowed some foreign investment under strict government control. Cuba opposes privatization on principle and views foreign investment as merely "complementary" to the state-run economy, with foreign partners adding technology, management skills, financing and markets. EU appeals to Government- Foreign businesses have pledged about \$5 billion since Cuba began accepting Western capital 13 years ago, about half of which has been disbursed, the Foreign Investment Ministry said. "When communists and capitalists join forces to do business, strains are bound to appear," a Cuban economist said. "But the fact is we have formed 400 joint ventures, most in the country, and only a few have folded.

Someone must be making money." Those strains became apparent earlier this year when the European Union countries, Cuba's most important trade and investment partners, joined forces to present business complaints and suggestions to Vice President Carlos Lage, Castro's point man for economic recovery efforts. "Cuba's comparative advantages, centered more on the quality than on the price of its human capital, should not be eroded by excessive overheads and by unnecessary difficulties and obstacles," the introduction to the 15-page document said. A lack of information on business laws and regulations and their discriminatory application against foreign companies, the altering of joint venture agreements in Cuba's favor and an inability to supervise the labor force, were some of the complaints laid out. Others included excessive utility costs due to the state monopoly on services, a repeated need to renew visas and work permits, and having to pay state labor agencies high dollar wages for employees, who are then paid by those agencies similar amounts in the local peso valued at 26 pesos to the dollar. The government has not officially responded to the European Union document, but Foreign Investment Minister Marta Lomas has met separately with diplomats and businessmen from each European Union country to discuss their complaints. Lomas told them she would work to meet their complaints on a case-by-case basis, but the government's policies would not steer away from socialism. She said the tough business climate was ultimately due to the trade embargo the United States has enforced against Cuba for four decades. "There was no indication Cuba is considering changing the rules of the game. Quite the contrary, Lomas insisted we knew them when we arrived," a participant at one of the meeting said. It was a view shared by many others who met with her over the last few months.

From CNN, 8 July 2002

Bush Seeks Crackdown on Corporate Abusers

New York - President Bush ([news](#) - [web sites](#)) on Tuesday sought to boost criminal penalties for corporate abuses and beef up the federal securities watchdog in his response to accounting scandals that have shaken investor confidence and threatened to become a political liability. "We must usher in a new era of integrity in corporate America," Bush said in an advance copy of a speech to be delivered on Wall Street at 11:30 (1530 GMT). The measures, outlined in a White House fact sheet, aim at cracking down on individual abusers rather than overhauling the underlying system of corporate regulation. Democrats said Bush failed to go far enough, and called for measures such as protections for corporate whistle-blowers. Bush said corporate misdeeds were threatening workers and investors and called higher ethical standards America's "greatest economic need." The president is seeking to double to 10 years jail terms for mail and wire fraud charges frequently used in cases of corporate fraud. He also would strengthen laws against document shredding and other forms of obstruction of justice - issues that have come up in connection with bankrupt Houston-based energy trader Enron Corp. Bush proposed a new \$100 million increase in the Securities and Exchange Commission ([news](#) - [web sites](#)) budget for fiscal 2003 to hire more investigators and buy equipment.

This comes on top of \$20 million sought earlier this year, but is well below the \$338 million SEC funding increase being pushed by some members of both parties in Congress. The proposals were tougher than steps the president announced in March after the accounting scandal at Enron shook U.S. stock markets and they appeared to reflect the fear that voters could punish Bush and his Republican party in the Nov. 5 midterm elections. On Capitol Hill, Democratic congressional aides said Bush's proposal had elements in common with Vermont Democratic Sen. Patrick Leahy's proposal to create a broader definition of corporate fraud, but did not go far enough. "It is not the comprehensive bill that (Leahy's) is," said David Carle, a spokesman for Leahy. He called Bush's plan "a welcome first step," but added, "What's needed most now is a strong clear message to corporate wrongdoers that they face jail time for defrauding the public and their employees." The White House and the SEC have been criticized by Democrats and some conservatives for moving too slowly to take on the scandals at Enron, telecommunications company WorldCom Inc. and other firms that have driven U.S. stock prices sharply lower in recent weeks. While Bush's call for doubling the maximum prison terms for mail and wire fraud would require legislative action, many of his proposals on Tuesday relied on self-policing by companies and by the U.S. stock exchanges. The White House appeared to be seeking a balance between reassuring investors with government action to stop corporate misdeeds while avoiding a thorough overhaul of U.S. securities laws that companies would resist and, White House officials said, could itself spook the markets. Self-Policing - Among other things, Bush called on company's compensation committees to prevent corporate officers from receiving company loans, a much criticized practice in many of the accounting scandals that have surfaced in the last several months. With public outrage building over multimillion-dollar pay packages for some top executives, Bush also called for companies to explain how their executive compensation packages are in the company's interest and by explaining "every detail" of them in plain English in their annual reports.

The president also called on stock exchanges to require that a majority of publicly traded companies board directors be "truly independent" with no material relationship with the company and require that all members of company audit, nominating and compensating committees be independent. With investor criticism of stock option packages that made some executives fabulously rich before their stock prices plunged, Bush called on the exchanges to require listed firms to obtain shareholder approval for stock option plans. The president also plans to sign an executive order creating a "Corporate Fraud Task Force" to help direct investigations and prosecutions of corporate criminal activity with a view to improving coordination of civil and criminal investigations by different arms of the U.S. government. In a news conference on Monday, Bush indicated his policies would be directed at restraining "the few" leaders whose abuses had undermined confidence, rather than at a fundamental overhaul of corporate regulation. "I think, by far, the vast majority of CEOs in America are good, honorable, honest people ... It's the few that have created the stains that we must deal with," he said. Bush's record as a business leader has come under attack from Democrats seeking an advantage going into congressional elections this fall. Democrats have charged Bush and the Republican party with being too heavily influenced by business interests and too slow to react to the scandals. Bush in March released a 10-point plan aimed at giving investors more information and holding corporate executives more accountable for reliability of financial statements, but critics said they did not go far enough. At Monday's news conference Bush faced several questions regarding his sale of \$848,560 of Texas-based Harken's stock on June 22, 1990, a time when he was an outside member of Harken's board of directors, and why the completed sale was disclosed to the SEC 34 weeks late. Bush said the SEC had "fully looked into the matter ... and the people that looked into it said there is no case."

From Reuters, by Randall Mikkelsen, 9 July 2002

Campaign Finance's New Face - CEO Taps Employees To Build Powerful PAC



Interview with Siebel Systems CEO Thomas M. Siebel at the Washington Post. (Frank Johnston - The Washington Post)

With the click of a key, Thomas M. Siebel transformed his technology company into a political machine. Siebel, the brash chief executive officer of software maker Siebel Systems Inc., last year beamed e-mails to hundreds of his most fervent employees with an unmistakable message: Cough up \$5,000 each for the company's new political action committee. The response was something this town has never seen: within weeks, more than 350 workers heeded the CEO's call and built the second-largest PAC run a by a single corporation in the United States -- only UPS's is larger - according to the latest Federal Election Commission records compiled by the nonpartisan PoliticalMoneyLine. The PAC has banked more than \$2.1 million. With a ban on eye-catching soft money contributions on the horizon, a growing number of corporations are likely to emulate Siebel and turn to employees for greater help influencing policymakers. It's all part of the next generation of fundraising. "You are going to see companies asking employees who have a stake in the survival of the company to make sure that they give at the office," said former representative Randy J.

Tate (R-Wash.), who advises a variety of corporate clients on political strategy. "With campaign finance reform, you will see more and more companies getting involved like this, because this is the only way they can give [large contributions] to candidates and parties." After the fall elections, no longer will CEOs such as Siebel be permitted to simply write the \$100,000-and-up checks that lawmakers take notice of. Campaign finance experts predict this will force corporations to more aggressively lean on employees - and non-employees, too - to beef up their company PACs and political muscle. PACs - political organizations put together by a business, labor union or ideological group to raise and spend money to elect and defeat candidates - are legal and ubiquitous, but they will be of even greater import when the new law takes effect. "That's where the action is going to be," said Kenneth A. Gross, a former FEC lawyer who now advises Fortune 500 companies, including Siebel, on campaign finance laws.

Gross said PAC managers at many companies already are using the threat of the impending law change "to make the pitch that there is greater need" for help from employees. National Republican Congressional Committee Chairman Thomas M. Davis III (Va.) predicted that "we'll also see a lot more bundling," whereby multiple employees at a company write checks to a candidate or party that a top executive then delivers. Under the current law, there are no limits on the amount of soft money that Siebel - or any other corporation, union or individual - can give to political parties. Tom Siebel, for instance, contributed \$250,000 of his own money to last month's \$30 million GOP fundraising gala, according to people familiar with the event. But the new campaign finance law is designed to purge soft money from the political system. It forbids rich donors from writing limitless checks to political parties, or underwriting "issue ads" campaigns run by Republicans and Democrats. While the Federal Election Commission has carved out some loopholes through which donors can still dump soft money, corporations - many of which historically shied away from donating to groups outside of the political system - will rely more heavily on PACs and their employees to influence policymakers. In addition to Siebel, Microsoft, Enterprise Rent-A-Car and Koch Industries Inc., among others, are already receiving many \$5,000 checks from employees, according to PoliticalMoneyLine. Republican activists are also training companies to activate their employees for more traditional political activities, such as writing and calling politicians, and helping encourage people in their neighborhoods to vote for pro-business lawmakers. Companies are allowed to solicit "voluntary" contributions from white-collar senior executives.

These employees are allowed to give \$5,000 each year to the company PAC, though few currently do. The new campaign finance laws will strengthen existing prohibitions on companies reimbursing employees for their donations. It's much harder for CEOs to hit up rank-and-file employees, especially unionized workers, many of whom give a small portion of their annual union dues to fund political activities that overwhelmingly support Democrats. Gross advises his clients to steer clear of blue-collar employees unless they have stock options in the company, which opens them up to solicitations from the CEO or top management. Of course, it will take a forceful CEO and willing employees, particularly in upper management, to replicate the Siebel model of influence. Siebel, whose Silicon Valley firm specializes in software that manages customer services, has shown that this approach can turn a company into a major player, virtually overnight. When Siebel says, "go," all of the employees "get pretty enthusiastic," says Thomas Gann, vice president of the company's government affairs office here. Siebel "is setting the example" other companies should follow, said NRCC Chairman Davis. Siebel's first real foray into politics came in late 2000, when Rep. Philip M. Crane (R-Ind.) was campaigning to become chairman of the Ways and Means Committee. Crane met with Siebel, who had managed the political campaign of his brother, Daniel B. Crane, for the House years earlier, and asked for help in what had become a fierce fundraising competition among lawmakers vying for chairmanships. Siebel's response: a \$500,000 soft money contribution to the NRCC, the largest ever to that campaign committee. After several meetings with top Republicans, Siebel, a rare conservative in the liberal bastion of Silicon Valley, decided last year to dramatically step up his efforts, as his company was looking at billions of dollars in government contracts. He sent e-mails to hundreds of employees outlining his plans for a high-flying PAC and explained the laws that allowed them to contribute the maximum of \$5,000

per year. "We simply followed the rules step by step," said Gann, who lobbied on behalf of Sun Microsystems Inc. before joining Siebel. As \$5,000 checks were flowing in, the company reworked its products to help the government track potential terrorists and communications among the intelligence agencies. Siebel wants the CIA, FBI and other intelligence organizations to buy its software to help solve the communications breakdowns that have plagued the government. The company is lobbying for a chunk of the \$38 billion-plus homeland defense budget, which is expected to grow even larger once the new Department of Homeland Security is created by Congress. Several congressional committees this week are debating the size and structure of the new department, which Siebel believes could become one of its largest customers. The company is also seeking a piece of the federal information technology budget. Lawmakers, who stand to benefit from the PAC, play a prominent role in deciding which companies get this money. Tom Siebel often demands to meet lawmakers face-to-face to discuss his products before he writes them a check, according to several lawmakers who have talked to him.

The company also received an early boost from a friend in high places: Republican National Committee Chairman Marc F. Racicot, who still sits on Siebel's board of directors, lobbied Homeland Security Director Tom Ridge late last year on behalf of Siebel's products, shortly before becoming RNC chairman. Siebel himself has met with Ridge, and company officials have privately demonstrated Siebel products to various members of the administration. "We see a lot of activity in a lot different parts in the government," said Gann. Company officials predict that it's biggest chunk of business will come from the government, including the Immigration and Naturalization Service, the Federal Emergency Management Agency and the Energy Department. "There is no question that the largest vertical market for what we do will be the public sector," Siebel said last year at a conference in Aspen, Colo. Company officials said their campaign has already paid dividends: It has been awarded several grants and is well-positioned to land others when the administration divvies up the homeland defense money.

From Washington (DC) Post, by Jim VandeHei, 9 July 2002

Bush Convenes Corporate Task Force



Bush's task force meeting was designed to show an aggressive response on an issue where he could be vulnerable politically.

Seeking to reassure shaken investors and contain political fallout amid a string of business scandals, President George W. Bush summoned top prosecutors and regulators to the White House for the first meeting of his corporate fraud task force Friday. Bush established the task force Tuesday, and gave Deputy Attorney General Larry Thompson until July 19 to convene its first meeting. But in a surprise move, the president decided to hold the first session before week's end and do so at the White House, not the Justice Department, where the task force is essentially headquartered. That ensures the president gets maximum credit for taking action. Photographers were permitted to capture and distribute images from the meeting, but reporters were barred. The task force's members also include Treasury Secretary Paul O'Neill, FBI Director Robert Mueller, Securities and Exchange Commission Chairman Harvey Pitt and the heads of the Federal Energy Regulatory Commission, the Federal Communications Commission and the Commodity Futures Trading Commission. Pitt has been under fire for his ties to the accounting industry in recent days, and absent from Washington, reportedly on vacation. It wasn't clear whether he was attending Friday's meeting. On Wall Street Tuesday, Bush described the new task force as a SWAT team for cracking down on accounting and other business wrongdoing.

The executive order he signed creating it described it in more reserved terms: It is to "provide direction" on pursuing corporate fraud and "make recommendations" to Attorney General John Ashcroft and to Bush on how to enhance cooperation between agencies and improve corporate-crime policy. Bush urged the business leaders to let their consciences be their guides in the board room, and he outlined proposals for tougher penalties for fraud. The speech did little to boost stock markets, and lawmakers of both parties moved to outflank the president with more aggressive proposals. For example, the Senate this week endorsed stiffer prison terms than Bush called for, and an extension on the timeframe in which investors could sue corporations that defraud them. Sen. John McCain has called for Pitt's resignation and has proposed requiring companies to count executives stock options as an expense against earnings. Otherwise, investors will continue to get misleading information on companies' true financial performance, he said. Bush's task force meeting was designed to show an aggressive response on an issue where he could be vulnerable politically. Democrats charge Bush's own record as a businessman, and the tide of donations from corporate America that helped carry him to office in 2000, undercut his credibility as a reformer. They have seized on his performance as a director of the Harken Energy Corp., where he flouted some of the very proposals he outlined Tuesday. He called on corporations to stop loaning officers and directors money, though he borrowed some \$180,000 from Harken. Bush called on corporate leaders to promptly report their transactions of company stock, though he waited eight months to report a sale of Harken stock. On a fund-raising trip Thursday to Minnesota, Bush got a taste of how thorny a political issue the corporate scandals could be this election year. He flew to Minneapolis to raise money a second time for Norm Coleman, the White House's hand-picked candidate to unseat Sen. Paul Wellstone. But Wellstone's campaign pounced on the front-page stories that renewed questions about Bush's corporate history to charge that Bush and Coleman are both too cozy with

big business. Twice this week, Coleman has returned campaign donations from major corporations plagued by accounting scandals - Global Crossing and WorldCom. Coleman works for a legal and lobbying firm that lists many corporations as clients. His list of political donors is heavy with businessmen and corporate political action committees. "This race may come down to a question of who will be a real watchdog for pensions and investors and consumers, in which case, appearing with Bush at this time may hurt him in the state," said Jim Farrell, a Wellstone spokesman.

From CBS News-Politics, 12 July 2002

Bush Tries to Boost Confidence in Economy

Birmingham, Alabama - U.S. President George Bush delivered a pep talk on the economy Monday, as share prices reached some of their lowest levels in five years. The president described the United States' economic problems as a "hangover" left over from a 1990s "economic binge," adding that the country's economy was still in good shape. "In order for us to have the security we all want, America must get rid of the hangover that we now have as a result of the binge" Bush said in a speech at the University of Alabama at Birmingham. "But I want you to know that our economy is fundamentally strong, this economy has got the foundations for growth." Bush then cited low inflation, low interest rates, sound monetary policy and increasing productivity as the main components of that foundation. As Bush was speaking, the Dow Jones industrial average was down about 250 points on the day. [Bush promises to clean up Wall Street corruption](#) - Last week, Bush laid out his plan to restore confidence in Wall Street, following a series of accounting scandals at companies such as Enron Corp. and WorldCom Inc. But the speech failed to stop dropping share prices. In his remarks Monday, Bush once again condemned corporate fraud. "In order to be a responsible American, you must behave responsibly," Bush said in a message intended for business executives. He urged Congress to draft its legislation against corporate fraud before the legislature adjourns for the summer. "Get me a bill that I can sign before the August recess," he said.

From Canada-CBC Newsworld, 15 July 2002

Congress Moves on Business Measures

House, Senate Move Toward Compromise Talks on Business Legislation Aimed at Restoring Confidence - Acting with unusual speed, the House and Senate are taking the first step toward reaching compromise legislation aimed at restoring confidence in business and stock markets rocked by a wave of corporate accounting scandals. In negotiations, Republicans will focus on powers of a new independent body to oversee the accounting industry. Lawmakers of both parties agree on new criminal penalties for corporate fraud and executives who shred documents. President Bush has urged Congress to get him a bill before lawmakers adjourn for their August recess, and House Republican leaders said they would try to do just that. The Justice Department and the Securities and Exchange Commission are investigating accounting irregularities at Enron, WorldCom and other corporations, and with congressional elections this year, lawmakers want to be able to reassure jittery investors. SEC Chairman Harvey Pitt, already under fire because of his past ties to the accounting industry and business, said he does not intend to voluntarily excuse himself from cases involving former law clients when a one-year period requiring such recusals expires in two weeks. "This will inevitably sound self-serving, but the fact is it is an enormous advantage to the public to have somebody who knows about the securities business and the securities law as I do, and it would be unthinkable to deprive people of my expertise," he said in the interview with The New York Times published Thursday. As a Wall Street lawyer, Pitt at one time or another represented practically all of the top investment houses and exchanges, the largest accounting firms and the accounting industry's trade group. He said he has no intention of practicing law again. White House spokesman Ari Fleischer said the president sees no problem with Pitt's decision. "The president has strong confidence in Harvey Pitt's judgment and discretion," he said. SEC resources have been stretched by the accounting investigations. The Senate Banking Committee on Thursday was considering two of Bush's nominees to the commission, Paul S. Atkins and Harvey Goldschmid.

Atkins, a partner at big accounting firm PricewaterhouseCoopers who previously worked at the SEC, and Goldschmid, who was SEC general counsel under former chairman Arthur Levitt, were warmly received and are expected to be confirmed by the Senate to fill longstanding vacancies on the five-member commission. The agency has been thrust into the spotlight by the string of accounting failures. Atkins is a Republican; Goldschmid a Democrat. Sen. Phil Gramm of Texas, the committee's senior Republican, did not specifically mention Pitt's decision not to remove himself, but said, "I believe people overdo this recusal business. ... If anything, people go too far." The House on Wednesday sent its accounting oversight legislation to a newly named committee of lawmakers from both chambers. House Democrats were voted down in an attempt to include requirements for company auditors to retain documents and an extension of the time for defrauded investors to sue companies. "It is a fraud," Rep. Edward Markey, D-Mass., said of the GOP-written House legislation. "It masquerades as an investor protection bill." The Democratic-controlled Senate on Monday unanimously approved a sweeping package creating new criminal penalties and jail terms against business fraud and tightening oversight of the accounting industry. The GOP-led House followed up Tuesday with a 391-28 vote on a criminal penalties bill that is more stringent in some aspects than the Senate measure. The House in April had passed an accounting oversight bill widely considered weaker than the Senate version but Republicans earlier had blocked Democrats' attempt to bring up legislation to create

criminal penalties. "I think we're in serious risk of having a market meltdown" if major companies continue to restate their earnings because of accounting irregularities, said Sen. Jon Corzine, D-N.J., former head of Wall Street investment firm Goldman Sachs.

From ABC News, 18 July 2002

Global

Spain Summit Aims to Boost Women's Economic Clout

Barcelona, Spain - Six hundred women from 76 countries meet in Barcelona on Thursday to talk about how to increase the economic power of women in a male-dominated world. The "Global Summit of Women" has been described as a "Davos for women," after the high-powered meetings of the world's mostly male movers and shakers at the Swiss ski resort of Davos. The number of delegates is the largest since the first meeting in Montreal 12 years ago, said summit director Irene Natividad. "The purpose is to bring women's leaders together to talk about increasing women's economic clout," Natividad told Reuters in a telephone interview. Natividad has her own Washington public affairs firm and has been in charge of the conference since it began. She said she would try to impress on the delegates that women already had power, but needed to learn how to use it. Women owned 30 percent of small businesses in the United States, Canada and the European Union and made up 40 percent of the paid labour force worldwide, Natividad said. "It's a miracle women have been able to achieve as much as they have in spite of the difficulties they face," she said, citing obstacles that ranged from obtaining credit to the "glass ceiling" that prevents some women from getting top jobs. The meeting focuses on practical skills to help women to do business better, such as negotiating and developing effective Web sites, Natividad said. It also deals with increasing cross-border business. Natividad said the conference would not adopt resolutions when it ends on Saturday, but instead hopes to achieve practical objectives such as establishing business links and alliances. The meeting brings together politicians and businesswomen from around the world including Belgian Deputy Prime Minister Laurette Onkelinx, Gambian Vice-President Isatou Njie Saidy and Costa Rican First Vice-President Astrid Fischel. Chief executive officer of IBM Spain Amparo Moraleda and Bank of Melbourne chief executive Ann Sherry will be among the business leaders. HIV/AIDS will also feature on the agenda of the summit which overlaps with a world AIDS conference in Barcelona. Delegates will look at the way health crises, such as the AIDS epidemic, hit the business community. "What happens to the economy when you lose your workers?" Natividad asked. A World Health Organisation official warned this week that some African countries could lose a quarter of their workforce to AIDS in the next 20 years.

From MSNBC, 10 July 2002

Governance Systems and Institutions

Africa

Organization of African Unity to Close Shop

Johannesburg, South Africa - Derided as a club for dictators and a useless bureaucratic talk shop, the Organization of African Unity will hardly be missed when it disbands Tuesday. The 53-nation body is being replaced by the African Union, a new organization modeled on the European Union that hopes to closely bind its members together, promote human rights and good governance and enrich the world's poorest continent. The OAU, in its 39 years of existence, accomplished none of that. "It appears as if its primary goal has been to maintain despots in power," said David Coltart, a parliamentarian for Zimbabwe's opposition Movement for Democratic Change. "It's extremely difficult to identify any remarkable successes." The OAU was created in 1963 as the spirit of independence and Pan-Africanism swept across the continent. Ghanaian leader Kwame Nkrumah had dreamed of a strong union, akin to the United States, binding Africa's nations. But few leaders of the newly independent countries were willing to surrender even a sliver of sovereignty, and many African dictators were wary of a regional group meddling in their affairs. Nkrumah's vision was diluted into an organization that refused to interfere in member states' internal politics and focused instead on fighting apartheid in South Africa and the remnants of British and Portuguese colonialism. But many of the continent's conflicts involved "internal" issues. Devastating civil wars in Angola and Mozambique were virtually ignored. Efforts to end the fighting in Sierra Leone were left to the regional Economic Community of West African States, or ECOWAS. The OAU did nothing to stop dictators like Mobutu Sese Seko of the former Zaire from oppressing his people and looting his central African country. And it was silent in 1994 as at least 500,000 people were killed in Rwanda's genocide. An OAU team praised Zimbabwe's March presidential elections as "transparent, credible, free and fair," even though police used tear gas to drive thousands of voters away from the polls and ruling party militants kidnapped

hundreds of opposition poll watchers. The OAU has "frustrated the advancement of human rights on the continent," Coltart said. "It persistently used the principle of noninterference to allow very grave human rights violations to go on completely unchecked." The OAU required consensus to take any action, which often tied its hands and reduced it to practicing "lowest common denominator politics," said Jakkie Cilliers, director of the South Africa-based Institute for Security Studies. In recent years, the organization adopted principles regarding human rights and denouncing military coups. However, the OAU put little political weight behind them, Cilliers said. "These achievements are fairly minor when you compare them to the problems on the continent," he said. It occasionally has helped resolved border disputes between member states and, in its one major success, brought peace to Comoros. Few African nations committed strongly to the organization. Only 16 of its members have paid their dues in full and the group is \$42 million in debt. But that did not stop African leaders from turning their annual OAU summit into lavish affairs, full of pomp but accomplishing little. During the summits the leaders stayed in expensive compounds, specially built for the meetings with money from Western governments or the Soviet Union. Most of those compounds now are molding in the tropical heat. Efforts to change the organization's charter routinely were rejected, so the only way to truly reform the organization was to destroy it and start again.

As envisioned, the African Union - the continent's second attempt to achieve economic and political unity - will have a parliament, a security council and a standby peacekeeping force. African leaders hope it will be far stronger, more principled and unwilling to accept the abuses ignored by the OAU. Already, it has refused to give a seat to the divided island of Madagascar until new elections are held to determine that nation's true president. "The challenge of bringing peace to all parts of the continent is a difficult one, but is not insurmountable," said OAU Secretary-General Amara Essy, who is ushering the organization through its transformation. Zambian President Levy Mwanawasa, the outgoing OAU chairman, has said he will propose Libya as the permanent headquarters of the African Union. Libyan leader Moammar Gadhafi arrived Sunday to make his bid to lead the new organization. His efforts face opposition by South African President Thabo Mbeki, who has spearheaded efforts to ensure the new organization promotes democracy and good governance and works to bring Africa out of poverty. In a bid to woo African states to his side, Gadhafi has paid \$2.2 million to cover OAU membership dues for 11 countries. He also has assisted struggling African nations, bailing out Zimbabwean President Robert Mugabe when his country was suffering a severe fuel shortage. Most are skeptical of the AU plan, but John Kudjoe, chief research specialist at the Africa Institute of South Africa, said its implementation would be a welcome step toward Nkrumah's dream, which was squashed by the politics of his era. "Things have changed," he said.

From CNN, 8 July 2002

African leaders launched their new union with a blaze of optimism Tuesday, hoping the organization will be the first step in bringing prosperity and good government to the world's poorest continent

"The people of our continent have made the ultimate statement that Africa must unite ... for a better life for all of the peoples of our continent," South African President Thabo Mbeki told dignitaries and thousands of cheering onlookers at a celebratory bonanza at a local stadium. The inauguration has inspired a wave of celebration, including fireworks, a commemorative stamp and a theme song. At the stadium in the coastal city of Durban, delegates danced as a choir sang the new African Union theme song: "African Unity let's make it a reality/ Unity is the key to the African Century." South African soldiers parachuted into the stadium, helicopters flew by, an honor guard marched with the flags of all member countries and the South African and Senegalese soccer teams were cheered as "heroes of the continent." A New Beginning? Despite the high hopes raised here, critics fear their leaders are replacing the Organization of African Unity with another bureaucracy with no real power to control some of the despots and corruption-riddled governments that plague the continent. "The mutation of the OAU into the AU does indeed raise hopes. But these hopes are measured when we realize the new union will be run by the same people who were responsible for the failure of the OAU," said Joachim Mbandza, who runs the Catholic publication *The African Week* in the Republic of Congo. The OAU was created 39 years ago as the wave of postcolonial liberation swept across the continent. Many have complained the toothless organization did little more than prop up dictators and give them a lavish summit to attend each year. The 53-nation African Union, by contrast, is billed as a new organization for a new era — one that links a commitment to democracy and human rights to economic development. Inspired, in part, by the European Union, it will have a security council, a legislature and an economic development plan.

The union's muscle is to be the peace and security council, whose 15 rotating members will be able to authorize a proposed peacekeeping force to intervene in cases of genocide and war crimes. The union's other key element is the New Partnership for African Development, or NEPAD, which seeks billions of dollars of international investment in Africa in return for stable democratic governance and fiscal responsibility. The world's wealthiest nations embraced the program at last month's Group of Eight meeting in Canada. Tenets of Membership - Not all African Union members will qualify for membership in NEPAD, however. They must first be able to comply with its basic tenets. A mechanism of peer review is to be set up so the member states can police one another. Critics doubt their leaders' commitment to a union that in theory will take away some of their power, and they question whether it will be allowed to use soldiers to end civil conflict and human rights abuses in African countries. Noel Twagiramungu, a human rights official in Rwanda, where more than 500,000 people were killed in a genocide in 1994 while Africa and the international community turned a blind eye, was cynical. "For Africa to see fundamental changes, there must be a major change in the attitude and thinking of its

leaders," he said. "The biggest problem facing the AU even before it is born is that none of the present leaders can stand up and say, 'I am a credible leader with moral authority and my peers should follow my example.'" Few of those doubts were heard in Durban. Former South African President Nelson Mandela received huge cheers when he arrived at the stadium, followed by Libyan leader Moammar Gadhafi, who shook his fist in the air and smiled. "No more slavery. No more colonization. It's a new dawn," Gadhafi later told the crowd, many of whom held posters of him. Mbeki, who has been vying with Gadhafi for influence over the new union, stressed the importance of peace, stability and good governance to the future of the continent. "Through our actions let us proclaim to the world we are a continent of democracy," he said.

From MSNBC-Africa, 9 July 2002

Asia/Pacific

China Overhauling Legal System

China is undertaking a "huge engineering project" to overhaul its courts to produce a more professional and independent judiciary, a top judge has been quoted as saying. Xiao Yang signalled on Monday a radical break from recent decades in which judges were seen as tools of the ruling Communist Party and appointed for political reasons rather than knowledge of the law. "Courts have often been taken as branches of the government and judges viewed as civil servants who have to follow orders from superiors, which prevents them from exercising mandated legal duties," the official Xinhua news agency quoted the head of the Supreme People's Court as saying. It also quoted Zhu Mingshan, the supreme court's vice president, as saying the courts would ensure judges were free of "interventions from local and departmental protectionism." Chinese are pinning increasing hopes on the legal system, rebuilt after it was effectively demolished during the Cultural Revolution of 1966-76. Claims for everything from intellectual property rights to adultery are being made before judges and now that China is a member of the World Trade Organisation, foreigners are bringing trade disputes into the legal system. In addition to attempting to cut the political strings, Xinhua said Xiao told a weekend conference the reforms would produce more professional judges. New judges would have to pass examinations and those among the country's 200,000 judges without law degrees would have to pass them or lose their jobs, he was quoted as saying. Beginning this year, candidates would have to pass two exams and undergo training before being appointed as judges, it said. Candidates not appointed as judges could become assistants and handle "minor matters" to free up judges time, the English-language China Daily newspaper said. But clerks would no longer be eligible for promotion to the bench as judges after a number of years in office, it said. "We hope that the reform of the recruitment system for judges and the introduction of assistants will help establish a stricter system for entering the profession and that a better training system will improve the proficiency of judges," it quoted Xiao as saying.

From CNN-Asia/Pacific, 8 July 2002

Europe/CIS

Blair Promises £1bn Aid for Africa in Good Governance Deal

Tony Blair underlined his determination yesterday to make Africa a priority at the G8 summit when he announced British aid to the continent would rise to £1bn a year by 2006. As he prepared to fly to the heads of government meeting, which opens in Canada today, the Prime Minister said bilateral aid would rise by £368m from its present £632m a year. Current levels of British bilateral aid to Africa are nearly double the £333m a year spent in 1997 and the fresh pledge means they will be three times the level under the last Tory government. The announcement of the extra money for the Department for International Development is the first glimpse of the Chancellor's comprehensive spending review due next month. Downing Street said yesterday that Mr. Blair was determined that "we put our money where our mouth is" after his meeting with leading development charities at No 10. The Prime Minister's official spokesman said that the extra aid would be focused on projects in areas such as health and education under the New Partnership for African Development (Nepad). The initiative requires African nations to institute good governance and crack down on corruption as part of a drive to make development cash more effective. The spokesman said that the Prime Minister was committed to tackling the Aids crisis on the continent, where 20 million people suffer from the disease. Mr. Blair has said the state of Africa is a scar on the civilised world. On a visit to Nigeria, Ghana, Sierra Leone and Senegal earlier this year he called for a new relationship between the developed world and the region. Britain wanted "firm language" from the summit in Canada to hold the developed countries to their commitments to free trade at the recent World Trade Organisation round in Doha, Qatar. Andrew Pendleton, of Christian Aid, welcomed the extra money. But he added: "Rich countries need to come up with an additional £16bn if any of their past promises, like halving the number of Africans living in absolute poverty, are to be fulfilled. And it's not just about aid. If much of Africa's debt is not cancelled, and international trade rules are not rewritten to favour poor countries in Africa, the bucket will still be leaking faster than it can be filled."

From UK-The Independent-Africa, by Paul Waugh, 30 June 2002

4 Nations Join Forces in Talks on EU Entry

Front-runners in East feel shortchanged on agricultural issues - [PARIS](#) Worried that they are being shortchanged in their negotiations to join the European Union, four East European countries agreed over the weekend "to speak with the same voice" on key issues in their final round of talks with Brussels. The announcement by the prime ministers of the Czech Republic, Hungary, Poland and Slovakia presents a challenge to the European Union, which until now has benefited from a policy of having Eastern countries compete with one another over membership. The four Eastern countries are the largest and most influential of the 10 countries scheduled to join the EU in 2004. Cooperation among them will complicate the job of Denmark, which takes over the EU's rotating presidency Monday. Prime Minister Anders Fogh Rasmussen of Denmark vowed "to succeed at all costs" to finish talks on enlargement. Meeting in the Hungarian town of Esztergom, the prime ministers - Milos Zeman of the Czech Republic, Leszek Miller of Poland, Mikulas Dzurinda of Slovakia and Peter Medgyessy of Hungary - said they would refuse to be net payers to the EU budget and that they should be given the same "chances" as existing members. "We are entering the final phase of our accession where money will be discussed - and it is not a small amount of money," said Miller of Poland. "It is very important that these four countries speak with the same voice," he said.

Officials in the candidate countries have often complained that they have been given "take-it-or-leave-it" terms by the EU. The weekend agreement is seen as a step to increase the candidates' bargaining power. Poland, by far the largest of the 10 candidate countries, appears ready to use one of its biggest bargaining chips: the likelihood that Brussels will probably not go ahead with enlargement without it. "The EU is unthinkable without Germany and enlargement is unthinkable without Poland," Miller said over the weekend. The Polish foreign minister, Wlodzimierz Cimoszewicz, said that the country would not be rushed into accepting unfavorable terms. "We will not be blackmailed into accepting that the enlargement train leaves at a particular time," he said. A decade after the EU decided to offer membership to countries in the former Soviet bloc, negotiations have reached their final, critical phase, revolving mainly around questions of how much each country will pay to join the Union and how much they will get from it. Over the weekend, the prime ministers specifically criticized a proposal by the European Commission concerning how much aid farmers in Eastern countries would receive after joining the EU. The proposal calls for subsidies to be phased in over a 10-year period for Eastern farmers, starting with 25 percent of the level that farmers in current EU countries receive. "We all agree the transition period must be shortened considerably," said Medgyessy of Hungary. The issue is particularly important for Poland and Hungary, the most agricultural countries scheduled to join in 2004. Eastern farmers will be unable to compete with their Western counterparts if they receive only a fraction of the state subsidies, Eastern leaders contend.

The Polish government is under pressure from farmers to get better terms in the agricultural sector. Poland must negotiate not only farm subsidies but such relatively arcane - yet financially crucial - questions as what level of milk quotas Polish farmers will receive. Perhaps partly because of the perception that Poland is getting shortchanged, support for joining the European Union fell among Poles in June to 57 percent from 60 percent, an opinion poll published by Warsaw's leading daily, Rzeczpospolita, showed Saturday. In rural areas, support for EU membership fell by nearly a quarter to 40 percent in June from 49 percent, the survey said. Paradoxically, support inside the EU for accepting the relatively poor eastern countries into the Union is generally higher. A poll recently released in Denmark - whose citizens are often skeptical on EU members - showed 62 percent favoring former communist-bloc countries joining the Union. Danish officials who will steer the final talks this autumn insist that the enlargement deadlines must be kept and have vowed to finish negotiations by December. "There is historic momentum and there's a historic moment," Per Stig Moller, the Danish foreign minister said in Brussels on Friday. "As a historian I can tell you it never comes twice." He urged EU countries and the candidates to "put short-term interests aside" and to think of the broader goals of uniting the Continent.

From International Herald Tribune, 1 July 2002

Turkey's Government on Verge of Collapse

Turkey's coalition government was on the verge of collapse Monday with three ministers, including deputy premier Husamettin Ozkan, resigning after a key government leader called for early elections. Husamettin Ozkan announced his resignation after a meeting with ailing Prime Minister Bulent Ecevit, saying he was acting at the premier's request. Long considered one of Ecevit's closest aides and a possible successor, he had angered the prime minister by failing to quash rumors he is too ill to govern. Twenty other lawmakers from Ecevit's Democratic Left Party showed support for Ozkan by immediately following his example, including Culture Minister Istemihan Talay and State Minister Recep Onal. Another minister said he would consult with party officials Tuesday in his district before deciding whether to step down. The resignations are a crushing blow to Ecevit's push to stay in power despite growing calls on him to resign. Ecevit has been suffering from a series of ailments for the past two months and has been barely able to lead an increasingly splintered coalition government. Financial markets have dropped on fears that he might be forced to withdraw, perhaps leading to the fall of his government and triggering elections in NATO-member Turkey, a key U.S. ally in the anti-terror campaign. Last month, Turkish peacekeepers took command of the international force in Kabul, Afghanistan. One of three deputy premiers in the Cabinet, Ozkan was a key player in keeping the squabbling coalition together for over three years. But the coalition began to fall apart Sunday when the

leader of its nationalist wing, Devlet Bahçeli, called for early elections, causing financial markets to drop sharply. Previously the largest party in parliament, the Democratic Left is now second to the nationalists who have strongly opposed many of Ecevit's policies, like lifting the death penalty and granting minority Kurds wider rights. Both are crucial for Turkey's long-term goal of joining the European Union. "This government is finished," said Mehmet Ali Şahin, an opposition lawmaker from the pro-Islamic Justice and Development Party. Bahçeli's party began collecting signatures Monday to recall parliament early from its summer holiday to vote on holding a November election. Bahçeli said polls were the best way to end political uncertainty stemming from Ecevit's poor health and divisions in the government. It was the first time a coalition leader had publicly called for elections before their due date of spring 2004. Istanbul's benchmark stock index lost nearly 5 percent Monday and the lira fell around 2.5 percent against the dollar. Further losses were expected when trading reopens Tuesday. Özkan's resignation came after markets had closed for the day. Earlier, lawmakers from Ecevit's party had said they opposed an autumn election and wanted to stay in office to complete economic and political reforms. But Monday's resignations make that virtually impossible. The lira has plunged almost 20 percent in the past few weeks. Markets fear that early elections will undermine an International Monetary Fund-backed economic plan, designed to end a crisis which saw the economy shrink 9.4 percent last year.

From CNN-Middle East, 9 July 2002

Middle East

Arab World Shows Deficits

Cairo, Egypt - The entire Arab world is suffering deficits in three critical areas: freedom, women's empowerment and knowledge, according to a U.N.-commissioned report released on Tuesday. "Out of the seven regions of the world, Arab countries had the lowest freedom score in the late 1990s," according to the first Arab Human Development Report. "The Arab region has the lowest value of all regions of the world for voice of accountability," particularly in regard to political processes, civil liberties, political rights and media independence. The world's seven regions are Sub-Saharan Africa, South and East Asia, Latin America and the Caribbean, Europe, Oceania, North America and Arab states. Arab scholars spent 18 months writing and researching the report, which was commissioned by the U.N. Development Program. Its findings were discussed at the Arab League headquarters in Cairo, Egypt, on Tuesday. The report project was headed by former deputy Jordanian prime minister Rima Khalaf Hunaidi, the United Nations' current assistant secretary and director of the Bureau of Arab States. "What we have is not a blueprint of an action plan, but a comprehensive analysis of problems in the Arab world and a united vision for the way forward," Hunaidi told The Associated Press.

The report found that about 50 percent of Arab women were illiterate, while only 3.5 percent of all parliamentary seats in Arab states were filled by women. Arab women also suffered from unequal citizenship and legal entitlements. "Sadly, the Arab world is largely depriving itself of the creativity and productivity of half of its citizens," the report said. In terms of scientific development, the Arab region spent less than 0.5 percent of its gross domestic product on scientific expenditure, compared to 1.26 percent in Cuba and 2.9 percent in Japan. But on a positive note, the report said the "Arab region has dramatically reduced poverty and inequality in the 20th century. It can do so again in 21st." The report's editor, Egyptian economist Nader Fergany, said they studied a range of elements about Arab society, from its lack of freedoms to problems from a growing population, expected to hit at least 400 million within 20 years. The report covers 22 Arab countries inhabited by about 280 million people. It found that 65 million adults are illiterate, 10 million children do not attend school and the unemployment rate is at 15 percent, the world's highest. The report also touched on the Mideast crisis, saying Israel's occupation of Arab lands is "one of the most pervasive obstacles to security and progress in the region." Hunaidi said the report's aim was not to frustrate Arabs but ignite their determination for change. "The report is not the end of the road, but a beginning of a deep dialogue," she said.

From CNN, 2 July 2002

The Americas

Senate Bill Would Create Accounting Oversight Board

Baltimore - The chairman of the Senate Banking Committee Monday defended legislation that would create an independent accounting oversight board for corporate auditors replacing a system of self-regulation. "This is a good, strong balanced bill," said Sen. Paul Sarbanes, D- Maryland, on CNN's American Morning. "It establishes a strong independent oversight board for the accounting industry." "We have to change the system," Sarbanes said. President Bush and Congress are focused in this week on corporate accountability in the wake of the WorldCom and Enron scandals. The president is preparing a speech for Tuesday in which he is expected to call for criminal penalties - including jail time - for corporate leaders who knowingly misreport their companies' earnings. The House Financial Services Committee will hold hearings Monday into the alleged fraud at WorldCom, the telecommunications giant that admitted misreporting nearly \$4 billion in earnings last month. Current and former executives of the company have been

subpoenaed, but it isn't known if they'll testify. On Sunday, a Senate subcommittee released a report holding Enron's board of directors directly accountable for the energy company's collapse. Monday, the Senate was to begin debate on the Sarbanes bill - which would provide a framework to help ensure corporate responsibility, address conflicts of interest among stock analysts and create an independent board to oversee the auditing of public companies. The bill, which came out of committee with a vote of 17 to 4, had strong Democratic and Republican support, Sarbanes said. He urged President Bush and Securities and Exchange Commission chairman Harvey Pitt to back the bill, which the full Senate will take up Monday. The legislation "seeks to sever the connection between auditing and consulting." "We don't think, if you're the auditor, you ought ... to engage in an extended list of consulting practices because it's a conflict. You don't carry out your auditing responsibilities properly." Sarbanes said the legislation addresses corporate responsibility. It would recover profits both on CEO stocks and bonuses that would be realized on the basis of misstated financial reports. "We require the reporting of both loans and stock sales," Sarbanes said. Sarbanes said he agrees with President Bush about going after the "bad apples" in corporate world, but says the change needs to be systemic. "I think the issue is much bigger than a political calculation. I think we're running a very serious risk of a major economic downturn." The concern has reverberated from Wall Street to Main Street, where thousands have been laid off and retirement plans have been "decimated." "It's a very serious situation, and so we're worried about where the economy is going," Sarbanes said. "We can't make our system work if people can't rely on the accuracy of these financial statements - otherwise they're just being manipulated and taken advantage of and people are very angry about that, and they ought to be angry about that."

From CNN-Politics, 9 July 2002

Hundreds Mourn Former Dominican Republic President

Santo Domingo, Dominican Republic - Hundreds of mourners filled the National Palace on Wednesday for the state funeral of former President Joaquin Balaguer, the longtime leader whom many considered a father of modern Dominican politics. Revered by some and reviled by others, Balaguer retained enormous sway even after leaving the presidency in 1996. He died of heart failure Sunday at 95. "There has never existed in Dominican history a person with so much influence as this exceptional man," President Hipolito Mejia said in his eulogy. "In this palace where he exercised his power for 22 years, at times with a strong hand and at times with gloves of silk, Joaquin Balaguer has no substitute in Dominican politics," he said. Mejia's audience included officials from the United States, Haiti, Cuba and Puerto Rico. Outside the palace, hundreds of people waved flags and posters with images of Balaguer, and followed his coffin to the Our Lady of Peace church after Mejia's eulogy. The coffin was covered in flowers atop an open trailer towed by a green Humvee. Mourners in the procession - some elderly and others barefoot - grew angry that the coffin was being towed too quickly and forced the driver to slow down after banging on the vehicle and shouting "Go slower!"

At the church, about 50 people pushed through a police barricade to make their way inside. Mourners threw flowers and a choir sang as the coffin was carried down the aisle. More than 1,000 people attended the Mass, with most crowded outside. Balaguer's body was to be buried at Santo Domingo's Christ the Redeemer Cemetery later Wednesday. Balaguer held the presidency from 1966-1978 and 1986-1996, and was a staunch anti-communist ally of the United States. The conservative leader largely escaped blame for atrocities committed early in his rule and under his mentor, military dictator Rafael Trujillo, who was assassinated in 1961. After he assumed power, hundreds of people were kidnapped or disappeared. Later, his human rights record improved. One of Latin America's last "caudillos," or strongmen, Balaguer presented more the image of kindly country doctor than a stern ruler. He was little more than 5 feet tall, lame and squinted from behind thick-framed glasses. After winning 1994 elections marred by fraud charges, Balaguer reluctantly stepped down under domestic and U.S. pressure in 1996. He was the last of a trio of political leaders who vied for power for 40 years, along with Juan Bosch and Jose Francisco Pena Gomez. Pena Gomez died in 1998, and Bosch died last year. Despite widespread respect for their leadership, none was able to alleviate the poverty that afflicts many of the country's 8 million people.

From CNN, 18 July 2002

Civil Service and Ethics in Public Sector

Africa

Africa's Dangerous Profession

A missing Liberian editor highlights Africa's treatment of opposition journalists. Nairobi, Kenya - On June 24, the Liberian government arrested an outspoken young journalist named Hassan Bility and charged him with plotting to kill President Charles Taylor. Human rights and press watchdogs say the arrest is a sham, and a worrying sign of the increasingly repressive nature of

the Liberian government. They are voicing concern that Mr. Bility, who edited a major opposition newspaper, *The Analyst*, may have been tortured to death. Liberian Minister of Information Reginald Goodridge says Bility is alive and cooperating with the investigation. But no one else has seen or heard from the journalist for two weeks, and the government failed Friday, for the fourth time, to honor a court order to produce the detainee in court. "Given the record of the Liberian government with regard to torture, cruel, inhuman and degrading treatment of human rights defenders in detention and repeated attacks on Hassan Bility in the past," said Amnesty International in a statement, "we are seriously concerned that [he may] ... have been severely tortured or killed." Bility's plight is not an isolated incident, in Liberia, or in Africa. In the past month alone, Niger journalist Abdoulaye Tiemogo was arrested and faces a possible two-year prison term on charges of defaming Prime Minister Hama Amadou; officials in Togo jailed journalist Basile Agboh after they accused him of defaming the son of Togo's President Gnassingbé Eyadéma; and four journalists in Zambia were imprisoned without bail for reporting that Zambian President Levy Mwanawasa has Parkinson's disease. Freedom has never been a word associated with Liberia, a repressive, poor, war-torn country, ironically named, years ago, for the liberty it promised. But today, in the throes of a new civil war, Liberia has become even less tolerant of dissent.

In February, President Taylor declared a state of emergency – sanctioning summary arrests of anyone suspected of acting or speaking against the interests of the state. Topics such as the Army, the civil war, diamond mining, and corruption are all taboo for local journalists, while several foreign journalists have been denied entry to the country or harassed while there. Half a dozen opposition journalists have been arrested in the past six months and three newspapers have been closed. Going through Bility's private e-mail account last month, the government claims it found "incriminating letters" from figures such as Damate Konneh, leader of the rebel group LURD (Liberians United for Reconciliation and Democracy), and opposition leader in exile Alhaji Kromah – in which a murder plot was outlined. Copies of these e-mails, given to the Monitor by the Liberian government, are filled with both code phrases such as "meet at the usual place and bring what is needed," and straightforward language such as "Taylor will soon be dead." The e-mails also implicate, by name, several other Monrovia residents, including a driver at the American Embassy. Bility's friends and colleagues say they are not familiar with the e-mail address to which all the letters were sent, and some say the e-mails are not authentic. But on this evidence Bility and three others were accused of being "unlawful combatants," and arrested. Robert Ménard, secretary-general of the international press watchdog group Reporters

Without Borders, finds it hard to believe the charges, and worries the arrests are another example of the "witch hunt against journalists who criticize government policies." Several other diplomats in West Africa familiar with Bility and the story echo this sentiment and point out that, on top of his outspokenness, Bility is also a member of the predominantly Muslim Mandingo tribe, to which many of the LURD rebels belong. "This looks like persecution," said one diplomat, who, like the others, spoke on a condition of anonymity. "Liberia is a whipping boy for the media," says information minister Goodridge. "But in fact Liberia is exemplary when it comes to freedom of the press." The Minister, who has been on friendly terms with Bility for years, says he was "shocked" by the charges, but adds that Bility "has admitted journalism was a cover for his vile activities." Meanwhile, a LURD statement sent to the United Nations headquarters in Monrovia last week said Bility was in no way associated with the rebel movement. LURD spokesman William Hanson told Reuters the journalist was "not even a LURD sympathizer – in fact he's been quite critical of both us and the government." Several close associates and friends of Bility contacted by phone in Monrovia, who whispered into the receiver for fear of being overheard, have also vouched for his innocence. "He might well have been in touch with dissidents. He is a journalist and that's his job," says one colleague. "He was not working with them." The last time *The Analyst* was ordered to stop publication was in April, after Bility reprinted a speech the government deemed "anti-Liberian." During that time, Bility said he received a death threat from a colonel in the Liberian National Police who told him that those writing against "our Papay" – a reference to President Taylor – would be "dealt with." The colonel reportedly said that "... your writings and opinions are influencing the international community to expose the Papay."

From Christian Science Monitor-Africa, by Danna Harman, 7 July 2002

Leader of War Veterans Group Jailed for Corruption in Zimbabwe

A leader of Zimbabwe's war veterans, a prime mover in the two-year occupation of white-owned farms, has been sentenced to three years in jail for taking bribes. Andrew Ndlovu, an official of the Zimbabwe National Liberation War Veterans' Association, and Anna Paradza, a secretary for the group, were convicted for taking three cars for personal use from a Chinese businessman in return for placing a vehicle order with him on behalf of the association. Judge Mohammed Adam sentenced them Tuesday to four years in prison with one year suspended on condition of good behavior. Adam said evidence showed the veterans' association had been "rocked by divisions." Ndlovu claimed the charges were politically motivated. Riot police maintained a strong presence around the High Court to prevent Ndlovu's supporters from disrupting proceedings, which they had done in past cases involving President Robert Mugabe's "fast track" land reform program. Ndlovu had been a leader of the war veterans, who, along with ruling party militants, occupied the farms and demanded they be redistributed to blacks. In April 2000, Ndlovu threatened to "take the country back to war" if the opposition Movement for Democratic Change won elections.

From MSNBC-Africa, 10 July 2002

South African Workers in Pay Protest

Johannesburg, South Africa - Thousands of South African municipal workers held a protest rally to press their wage demands. The march came as negotiators tried to end a two-week strike marred by violence and vandalism. Placard-waving protesters sang anti-apartheid songs under the watchful eye of police as they began a 15-km (nine-mile) march on Thursday from central Johannesburg to the offices of business leaders, located in a wealthy suburb. The march was delayed for two days to allow police time to prepare for the event, after striking municipal workers smashed windows and looted shops in central Johannesburg two weeks ago. On Monday, a man was shot dead and three were hurt when a local government official opened fire on striking workers in the town of Louis Trichardt in the northern Limpopo province. "This march is part of our programme of going to institutions that could add influence in the resolution of the matter," labour spokesman Andrew Nkoenyane told Reuters. The South African Municipal Workers Union (SAMWU) and its employer's group reached an agreement on Wednesday that could end the strike - the most vitriolic so far this year - but are still waiting for approval from their members. SAMWU spokesman Dale Forbes told Reuters there would be a meeting late on Thursday to look at responses from the 120,000-member labour union in different parts of the country. The parties agreed on an eight percent wage rise for workers earning a monthly salary of 3,200 rand (\$316.5) and nine percent for employees earning below that amount. SAMWU was initially demanding a 10 percent across-the-board increase.

From CNN, 18 July 2002

Asia/Pacific

New Finance Minister Singh to Push India's Economic Reforms

Patrician ex-soldier Jaswant Singh, appointed India's new finance minister on Monday, represents the liberal, market-friendly face of the ruling Bharatiya Janata Party. Singh swapped jobs with Yashwant Sinha, who will now take over as foreign minister after Prime Minister Atal Behari Vajpayee reshuffled his government in a bid to overhaul the 33-month-old Hindu nationalist-led coalition. Analysts say the decision to move Singh, 64, signals a desire to revive economic reforms after an easing in a military standoff with nuclear-armed rival Pakistan. It also gives Singh the responsibility of bolstering the BJP's public appeal -- which has taken a beating due to some harsh economic measures -- ahead of a series of provincial elections and federal elections due in two years. Indian markets were neutral to news of the swap though shares and the rupee both gained on Monday, a development analysts credited more to signs of economic recovery rather than the financial reshuffle which was announced after the markets closed. Those signs could also provide Singh an advantage as he grapples with economic liberalisation and a gaping budget deficit, a far cry from jet-setting across the world as foreign minister to mobilise global opinion against what New Delhi calls Pakistan-sponsored "terrorism" in Indian Kashmir. Singh, who breathed diplomacy and foreign affairs and is known for his baritone, measured speaking style, is expected to pursue the broad government programme to deregulate the economy, sell state-run firms and plug the budget deficit that hit 5.7 percent of GDP in fiscal 2001/02. Analysts say Singh's shift from foreign affairs has more to do with Sinha, who faced criticism from within the BJP over a failure to sell economic reforms and for policies which alienated the middle classes, the BJP's core constituency.

Indian economic growth rose to 5.4 percent in the financial year ending in March 2002 - high by most countries' standards but not high enough in the country of one billion people to make any serious dent on poverty. India's 11-year-old reforms programme - meant to raise economic growth to nearer 10 percent a year - has slowed due to protests from the opposition, government allies and unions. Singh is expected to push that pace up. During his first stint as finance minister -- when the BJP was in power for just 13 days in 1996 - Singh opened his arms to foreign investors then but also said investment should be channelled into infrastructure projects including power, ports, telecom and roads. The former career army officer's free trade agenda was also laced with a dose of protectionism when he said he wanted to defend Indian firms from "predatory takeovers" by multinationals. But as foreign minister he has been one of the strongest advocates of closer ties with the United States. These have improved since the end of the Cold War, during which India had thrown in its lot with the former Soviet Union. A widely read and articulate politician, Singh belongs to the ruling elite from the desert state of Rajasthan, bordering Pakistan in India's west. Listed among his interests are horses, equestrian sports, music, golf, environment, wildlife and chess. "Jaswant Singh is a progressive person and he is an old hand. He is savvy and has been a successful foreign minister. There should be no doubt about his ability to push through economic reforms," Sanjeet Singh, an analyst with ICICI Securities, said.

From MSNBC, 1 July 2002

HK Lawmakers Debate Pay Cut for Civil Servants

Hong Kong lawmakers began a heated debate on Wednesday over government plans to cut civil servants' pay, a bitter row that analysts fear could threaten the bureaucratic machinery and government stability. The row with the civil service is a big test of leader Tung Chee-hwa's mettle just days after he began his second term with plans to implement bold policies, including an anti-subversion

law, create jobs and possibly introduce new taxes. Alienating government workers who help shape policy and run its day-to-day affairs could slow or even derail Tung's plans and drive his sagging popularity ratings even lower, analysts say. There is, however, little doubt that the bill to cut pay by up to 4.4 percent would win passage in the legislature that is dominated by pro-Tung and pro-Beijing lawmakers. The debate, which began on Wednesday evening, was to resume on Thursday morning with a vote later in the day. Outside the legislature on Wednesday, scores of civil servants and their supporters staged a protest urging the administration to negotiate and scrap the legislation. Inside, pro-labour legislators slammed the plan. They have long argued it would encourage private-sector managers to become more bloodthirsty in cutting staff salaries. "This not only damages the morale of the civil service, but the stability of the government," said lawmaker Lau Chin-shek. But pro-business lawmakers backed the plan. Selina Chow of the Liberal Party said: "They've had their salaries raised according to pay trends in the past and this time they get a cut according to trends too. Why is this not fair?" DEEP MISTRUST - Tung wants to cut civil servants' pay to reduce the territory's bulging budget deficit. But fearful of litigation, he wants to use legislation to impose the pay cuts, a move civil servants are dead against.

The civil servants say they are not against the pay cuts but fear the proposed law would set a precedent for the government to cut their salaries and benefits unilaterally. Most of their employment contracts do not state explicitly that the government can cut salaries. Hong Kong's senior civil servants are handsomely paid and enjoy generous benefits such as housing allowances and chauffeur-driven limousines. The row is one of the most divisive in recent years, pitting the civil service against a general public that views government employees as selfish and unwilling to share in the pain of a prolonged economic downturn. Some 30,000 civil servants and their supporters staged a huge march on Sunday to vent their anger. The pay cut, which would save the government HK\$3.1 billion (US\$397 million) a year, comes as Hong Kong struggles under the burden of a budget deficit that grew to HK\$63.3 billion (US\$8.1 billion) in the last fiscal year. The bureaucracy eats up some 80 percent of the government's operating expenditure and 66 percent of total spending.

From MSNBC, 10 July 2002

Europe/CIS

Italy's Berlusconi to Back Minister, Avoid Reshuffle

Italian Prime Minister Silvio Berlusconi will defend his interior minister in parliament tomorrow in an attempt to avoid having to dissolve his government. Berlusconi on Sunday rejected a resignation letter from Interior Minister Claudio Scajola after newspapers said the minister made insulting remarks about Marco Biagi, a government labor adviser killed by terrorists in March. Berlusconi is already missing one cabinet minister after Foreign Minister Renato Ruggiero stepped down in January. "The risk is the situation will precipitate into a crisis," said Franco Pavoncello, dean of John Cabot University in Rome. "Berlusconi is going to have to reshuffle his cabinet some time. How many key ministers can he do without?" In Italy, the prime minister must dissolve his government and form a new one to reshuffle the cabinet. That would hold up talks with unions on changes to the labor laws. The incident also threatens to overshadow this week's presentation of income tax cuts aimed at boosting consumer spending and economic growth. Berlusconi will open a debate in parliament tomorrow, responding to criticism of Scajola and the government for failing to provide Biagi a police escort even after he wrote letters detailing threats to him and his family. Biagi was the third government economist who worked on proposed changes to the labor laws to be murdered by the Red Brigades.

No Protection - Scajola's ministry did not act on Biagi's pleas for protection before his murder. When Biagi's letters asking for security became public, Scajola said the adviser was "a pain in the butt who wanted to renew his contract as a consultant," *Il Sole/24 Ore* reported Sunday. Scajola apologized for the remarks yesterday. He said his comments were taken out of context. "I am very pained by this incident that has caused me great embarrassment," he said. Scajola was the focus of criticism last July after police beat protesters, and shot one dead, during the Group of Eight meeting in Genoa, Italy. The interior minister allowed heavy-handed police tactics, opposition politicians said. Biagi worked on designing the government's plan to make it easier for companies that grow past a 15-worker threshold to fire workers. The 1970 labor statute requires companies prove just cause in court to get rid of an employee, or else they must be rehired or paid a large compensation. Italy's three largest unions staged a general strike against the measure in April. After the strike Berlusconi agreed to postpone the plan and negotiate changes with labor. Two of those unions now say they may sign an agreement with the government in coming days. Labor Minister Roberto Maroni said he "hoped" Scajola's words wouldn't affect negotiations. "We need to turn the page on this ugly affair by realizing Marco Biagi's dream of a broad accord to reform the labor market," he said yesterday.

From Bloomberg-Politics, by Steve Scherer, 2 July 2002

Fraud at EU Stat Office?

Criminal charges could result from Eurostat probe by European Union anti-fraud office - Brussels - The European Union's anti-fraud office said Monday it had investigated the bloc's statistical agency and forwarded information to the authorities that could lead to

criminal proceedings. Financial control is a key goal for the European Commission under Romano Prodi, who has sought to rebuild the institution's image after the former administration headed by Jacques Santer resigned in 1999 amid a fraud and mismanagement scandal. The anti-fraud office, known by its French acronym OLAF, gave few details of its probe, but said it concerned contracts between Eurostat, responsible for collecting and publishing EU-wide statistics, and private firms. It said in a statement that it had forwarded the information to prosecutors in Luxembourg, where Eurostat is based. "OLAF has carried out these two investigations in the framework of a number of investigations undertaken into Eurostat," the fraud office added. Eurostat and the European Commission declined to comment on OLAF's statement or give any details of what it had been investigating. Last year, OLAF received a 5,000-page compilation of fraud allegations from Paul van Buitenen, a Dutch EU official whose previous accusations of graft and mismanagement led to the mass resignation of the Commission headed by Santer.

From CNNfn, 8 July 2002

Schroeder Sacks Defence Minister



Scharping has been accused of misusing military jets to further his love life

Berlin - German Chancellor Gerhard Schroeder has sacked his beleaguered Defence Minister Rudolf Scharping - just 10 weeks before elections. In a brief statement, Schroeder said "there is no longer a basis for working together in government" and announced Social Democrats parliamentary group leader Peter Struck as replacement. "I will ask the federal president to dismiss Rudolf Scharping from his functions as defence minister," he added. The move on Thursday follows revelations about suspect payments the minister is reported to have received - the latest in a string of embarrassing stories that have hampered Schroeder's battle to win a second term in office in September 22 elections. Under the headline: "Accounts Affair: Schroeder Angry with Scharping (Again)" the Bild daily newspaper earlier reported Scharping had received the money from public relations adviser Moritz Hunzinger for his future memoirs and for speeches at events sponsored by the public relations agency. German ministers are barred from accepting money from private companies while in office. But Scharping, 54, said the payments were for deals concluded before he became a minister in 1998, and insisted he properly reported them to tax authorities.

Scharping denies wrongdoing - He had earlier told Reuters news agency: "Arbitrary assertions in the media are no reason for a resignation. It would not be compatible with my idea of how to conduct one's official business." German media speculation that Scharping was to be kicked out was frenzied earlier on Thursday when he broke off a tour of military bases in the west of the country to fly back to Berlin, and Chancellor Gerhard Schroeder cancelled a planned appearance in the southern city of Bayreuth. The minister's ability to attract negative media coverage proved a continuing embarrassment for Schroeder, and with the Social Democrats trailing the conservative opposition by up to five percentage points in opinion polls, Scharping had become seen as a scandal-prone liability. Schroeder's main rival, conservative Bavarian Governor Edmund Stoiber, was quick to seize on Scharping's ouster. "This is an important day for Germany, which hopefully will make our citizens see how weak the government is and make them draw the appropriate conclusions," Stoiber said. Bernhard Wessels, political scientist at Free University of Berlin, told Reuters the fallout for the government would depend on whether or not the payments to the minister were deemed to be legal. Earlier this year, prosecutors charged local political leaders in western Germany and SPD members with corruption over undeclared, and therefore illegal, party donations. Scharping is the eighth minister Schroeder has lost since taking office in 1998. The last to go were the health and agriculture ministers, who resigned in January 2001 over the government's botched handling of Germany's mad cow disease outbreak.

From CNN, 18 July 2002

Key Blair Ally Ousted as Union Chief

Sir Ken Jackson, one of British Prime Minister Tony Blair's few remaining allies in the trade union world, was ousted on Thursday as head of Britain's second biggest labour group. He is one of a string of old-style union leaders to be ousted in recent months in favour of more militant figures. But union sources said Jackson's age - 65 - was also a factor for members. Left-winger David Simpson was declared winner of the Amicus leadership race after several recounts, an official for the manufacturing union told Reuters. Of nearly 190,000 votes cast, Simpson won by less than 500. But the result was thrown into confusion when Jackson lodged a complaint about alleged ballot-rigging. As the executive council met to consider the complaint, six members walked out, leaving the meeting without a quorum and therefore technically unable to endorse the ballot result. The executive will now have to meet again to either accept the result or call a fresh poll. With relations between organised labour and government ever more fractious, Jackson was a key ally of Blair, allowing him to insist his Labour Party's links with its bankrollers were as strong as ever. Blair held talks with eight union chiefs

on Thursday. His spokesman insisted the meeting had been arranged for a week but the timing was telling. Unions "out of control" - This week has seen the first national strike in more than 20 years as over a million local government workers downed tools in protest at low pay, leaving schools closed and rubbish uncollected on the streets. On London's underground rail network, a wave of industrial action has been launched - bringing the capital almost to a halt on Thursday - to defy plans to privatise key parts of the service. Iain Duncan Smith, leader of the opposition Conservative Party, said Blair had let the unions get out of control and risked a return to the 1970s when they held sway over government policy. "You get a new left-winger in charge of another union and they want more, and that's going to damage business and damage competitiveness," he told BBC radio. "Labour have to decide whether they believe that the trade unions should run this process or whether they are going to side with enterprise and those trying to create jobs."

From MSNBC, 18 July 2002

Middle East

Woman Candidate Feels Heat in Egypt - Government Accused of Interfering in Parliament Vote

Despite massive popular support in one of Alexandria's poorest districts, the first female candidate to be backed by Egypt's outlawed Muslim Brotherhood has failed in her quest to win a seat in Parliament this week. Jihan el-Helfawy won only 450 votes in the same district in which she had won a majority of 3,500 votes just two years ago. El-Helfawy says she had everything in her favor but a critically flawed electoral process. EL-HELFAWY AND another Muslim Brotherhood candidate lost to Sami Abdel Hamid al-Guindy and Goma Ibrahim al-Gharabawy, both candidates of the National Democratic Party, Egypt's ruling party. Accused by the government of advocating violence, the Muslim Brotherhood is banned from Egyptian politics, although it is allowed to back independent candidates. El-Helfawy attributed her loss to gross irregularities in the voting process. "There was no image of democracy yesterday (Friday)," said el-Helfawy. "It was such a joke and an incredibly obvious falsification of the election results." Independent observers support her claims. Three journalists covering the elections for foreign news companies noted similar irregularities. They saw National Democratic Party members shuffled into the district in big tourist buses from outlying areas. Some NDP supporters were encouraged to vote more than once. "One man told me he switched his four names around so that he could vote in four different polling stations for which he received 50 Egyptian pounds," or about \$13, journalist Djyham Koydl said.

Reporters noted that supporters of Muslim Brotherhood candidates were denied entry to polling stations. Cordons of riot police closed whole streets leading to polls. "Many Muslim supporters were not allowed to enter the polls," Koydl said. "In some areas, they were not allowed to vote at all. Mounted police and riot police were everywhere." El-Helfawy said 200 supporters were arrested, including 15 women. Reporters covering the vote said women in veils were arrested. Police also used batons and swords to beat Muslim supporters, witnesses said. The pan-Arabic news channel al-Jazeera ran pictures of Muslim Brotherhood supporters with bandaged heads who said they were struck by police with swords. An Associated Press reporter was also beaten while interviewing veiled el-Helfawy supporters. Journalist Koydl said she witnessed police violence in poor areas, but contended that baton wielding police were provoked by crowds angered at having been denied entry to polling stations. Nor were journalists allowed to cover the elections freely. Both Abu Dhabi TV and ZDF German TV crews were detained by police; ZDF had tapes confiscated. Journalists were told not to cover the event. After witnessing the election, Muslim Brotherhood representative Dr. Essam Ad-Din Aryan said, "I think it is obvious that the government and the police and the NDP has taken a decision to prevent any candidate from the Muslim Brotherhood from reaching the election." Analysts agree. Although the Muslim Brotherhood has been banned since 1954, it is allowed to back independent candidates and has done so with great success. In the 2000 parliamentary elections, the Brotherhood won 17 seats, second only to the NDP which won 388 seats out of 444. Because the ruling party regards the Muslim Brotherhood as a political threat, efforts are routinely taken to thwart their success at the polls. And this election was no exception.

Alexandria is the second largest city after Cairo and important to the balance of power. "The last election showed that the Islamic Brotherhood represents the largest opposition party in the Parliament, even though it is legally banned. It comes second in importance to the NDP and first before the legitimate opposition parties," said Dr. Hala Mostafa, analyst of Islamist movements for Al Ahram Strategic Center. "That is why the government paid double attention to this election," Mostafa said. After el-Helfawy won the first election, "it was expected that the government would retaliate very well to win" in the run-off. In 2000, el-Helfawy beat her opponent with more than 3,000 votes, but not the majority needed to avoid a run-off two years later. In Thursday's run-off, she only won 450 votes. "The 450 votes had to be NDP votes because none of my supporters were allowed in the polls," el-Helfawy said after the results were announced Friday. Despite her disappointment, the 49-year-old mother of six said she would agree to run again if the electoral system was changed to allow judicial supervision outside the polling station, where many irregularities occur, as well as inside. El-Helfawy said she would still stand a good chance in a future election. "I am popular in my district along with the Islamic movement because of the services we provide to people in the neighborhoods." In one of Alexandria's poorest districts, the Muslim Brotherhood provides free social, financial, medical, legal and educational services in addition to facilities for orphans and the disabled. Analysts attributed el-Helfawy's success in the polls to good organizational skills, and a trend toward women in Islamic fundamentalist

organizations. "The Muslim Brotherhood and Muslim trends in general are very well organized and are used to running elections and winning," said Mostafa. "There is an organization behind el-Helfawy. [The Muslim Brotherhood is] paying more attention to her because they want to prove that they are not against women," Mostafa said. "All fundamentalist organizations are accused of denying women their political rights. They want to give an example that they are moderate and accept women."

From NBC, by Charlene Gubash, 29 June 2002

The Americas

American Bar Association Accused in Plot Against Nominee

Two liberal advocacy groups and the American Bar Association have been accused in court memos of colluding to write ethical rules regulating judicial travel that would have derailed one of President Bush's appeals court nominees. The advocacy groups are leading the opposition to the nomination of District Judge D. Brooks Smith to the 3rd Circuit Court of Appeals in Philadelphia for taking privately funded judicial training trips. Judge Smith was approved in committee, and his confirmation awaits a final Senate vote. According to memos from the director of the Administrative Office of the U.S. Courts, the Community Rights Counsel and the Alliance for Justice "secretly" worked with the American Bar Association (ABA) to draft new rules that are already under criticism from the judicial community. The memos from Leonidas Ralph Mecham were obtained by The Washington Times. "An undisputed central fact is that the ABA Ethics Committee jumped into a highly charged political area on its own volition without disclosing any reasons for doing so," Mr. Mecham said in a June 21 letter to Marvin L. Karp, chairman of the ABA Standing Committee on Ethics and Professional Responsibility. A Republican source close to the nomination proceedings says Democrats tried to kill the nomination before the committee vote. A Democratic staffer on the Senate Judiciary Committee contacted the ABA and requested the ethics rule be put into effect by May 1, the Republican source said.

The committee confirmed Judge Smith on May 23 by a vote of 12 to 7. "You can see the obvious attempt was to get this done in time before the vote and then say [Judge Smith] violated these rules," the source says. "It clearly failed." In a June 6 memo to U.S. Supreme Court Chief Justice William H. Rehnquist, Mr. Mecham said he had been "advised that the ABA Ethics Committee is relying almost entirely upon Doug Kendall," director of the Community Rights Counsel, to issue the new rule. "This is surprising since the counsel has a very clear-cut philosophical and economic agenda, seeking to advance the interests of its financial contributors who are largely unknown to the Ethics Committee," Mr. Mecham said. The Community Rights Counsel is a law firm formed in 1997 to work for regulating land use in the name of protecting health and welfare. Mr. Karp, in a June 18 response to Mr. Mecham, called them the "baseless charges" that had "needlessly alarmed many federal judges." "I am told that Mr. Kendall has made telephone inquiries as to whether the committee was working on an opinion in this area and, if so, what the likely timetable would be," he said. "However, absolutely no discussions took place as to substance." "This opinion would apply prospectively and would have nothing to do with any past conduct by any judges."

In the summer edition of the Judicial Division Record, Judge James G. Glazebrook called the ABA process in this instance a "rushed and secret consideration of a politically sensitive issue without broader discussion and input from many organizations that have thought long and hard about the propriety of such a rule." "Doug Kendall, the executive director of CRC and Nan Aron, the executive director of the Alliance for Justice, have been monitoring the status of the draft ethics opinion, and counsel for the Ethics Committee has kept them advised of its progress," Judge Glazebrook said. By restricting travel and attendance at educational seminars, the organizations hope to keep judges from attending events hosted by sponsors they perceive as having a pro-market, pro-development, anti-regulation stance on environmental issues, Judge Glazebrook said. Judge Smith was criticized during his committee hearings for attending so-called "corporate-funded junkets." Sen. Orrin G. Hatch, Utah Republican and ranking member of the Judiciary Committee, said the privilege should be permitted. "They need to get off the bench once in a while. They need to get out and be in the real world other than the real world of the courtroom, and I think it just broadens their ability to do their job," Mr. Hatch said. "I get a little tired of people around here presuming that everybody is dishonest. Judges are not. They are high-quality individuals. Even to get there, they have got to be very, very good," Mr. Hatch said. "And for them to have seminars to go to that's important and they should be able to do that."

From Washington (DC) Times-Nation, by Audrey Hudson, 1 July 2002

Jury Told Corruption Runs Deep

At the federal corruption trial of a Plant City officer, the prosecutor declares the conspiracy is widespread. Tampa - As the trial opened Monday, federal prosecutor Jeffrey Del Fuoco promised the jury that lone defendant Armand Cotnoir isn't the only Plant City police officer guilty of corruption. The conspiracy, Del Fuoco said, runs right to the top to Police Chief Bill McDaniel and includes other ranking officers. And Del Fuoco named names, pounding home his point in his Philadelphia accent. "The management of the police department were in on it, knew about it and did nothing about it," Del Fuoco said. As Cotnoir's trial on charges including conspiracy

and obstruction of justice plays out over the next two weeks, more than just his guilt or innocence is on the line. The future of the entire three-year corruption investigation may also hang in the balance. Reputations and careers could be affected. Plant City Mayor Michael Sparkman has backed Cotnoir, not only with moral support but with the city's pocketbook, paying the 27-year-old officer's legal bill. A conviction could open the way for more arrests. Some officers could cut deals to avoid prison time. An acquittal would only fuel the criticism of Del Fuoco, a long-time corruption prosecutor whom city officials have called out of control and bent on securing convictions no matter what the evidence suggests. "I stand behind my police chief and my police department," Sparkman said Monday from his office at Sparky's Food Stores in Plant City. "All kinds of things have been said in the newspapers. Now we have a chance to defend ourselves." Plant City, a town of 31,000 people about 20 miles east of Tampa, is best known for its annual strawberry festival, which attracted 900,000 visitors last year. Over the years, the town had experienced its share of police problems, especially under the previous chief, Troy Surrency, who survived several state investigations in 23 years in the job before retiring in 1996. But few of those problems created the intense scrutiny Plant City faces today. The latest investigation began in the summer of 1999, when Plant City police Officer Gregory Laughlin contacted the Florida Department of Law Enforcement and said he knew of fellow officers lying, stealing, misleading judges and illegally searching homes.

Laughlin, whose name was not revealed until Monday, told the FDLE that he had heard several officers in the department's Special Investigations Unit, including Cotnoir, joking about stealing items including pornographic videos from suspects' homes. Laughlin, who was not part of the SIU, said he also knew that the men in that unit bragged about illegally searching homes and vehicles without proper warrants. He said that on one search, he witnessed an officer putting pornographic videos into several VCRs in the home so that when the suspects' 15-year-old daughter got home, she would see all the videos playing. Laughlin, who testified Monday, said at first he thought of telling his supervisor or someone further up the chain of command. But Laughlin said he had overheard supervisors in the department, including Chief McDaniel, Capt. John Borders and Sgt. Darryl Wilson, joking about the stealing and illegal searches. Richmond Porter, another officer with the SIU, also was involved in the illegal activity, Laughlin said. "I wanted to go to someone who was going to do something," said Laughlin, who joined the department in 1993 but left last year when he was hired as a special agent for the U.S. Secret Service. Using Laughlin's information, prosecutor Del Fuoco and FDLE Agent Scott Peterka set up a sting operation. In April 2000, they rigged a room at the Days Inn in Plant City with surveillance equipment and then contacted the SIU to say the occupants were using drugs and making pornographic films. Several members of the SIU showed up and eventually entered the room without a warrant, court documents said. Inside they found video equipment pointed at the bed. Officer Shawn C. Corgan took the pornographic videotape from the camera, according to documents.

Not knowing that the whole incident was caught on a surveillance tape, Corgan lied when he was called before the grand jury, saying another officer took the tape. Eventually, he admitted he took the tape and agreed to keep cooperating with Del Fuoco. Corgan pleaded guilty to lying to the grand jury, agreed to testify against Cotnoir and was sentenced last year to six months of house arrest. After Corgan's sentencing, several months passed before the next public break in the case. Some observers began to wonder whether Del Fuoco had run out of steam. Then in November 2001 came the plea agreement of another officer. Robert David Dixon, a 10-year detective, had resigned in July 2000 amid allegations that he filed an affidavit with a forged signature, a charge unrelated to the federal probe. When Dixon's plea agreement was announced, Laughlin's accusations had not yet become public. Only Corgan's perjury charge had been in the news. Dixon's plea agreement exploded with accusations. It accused unnamed officers of threatening suspects, making dozens of illegal searches, faking affidavits and generally trampling on residents' civil rights. They often joked about the growing amount of stolen "booty," Dixon told investigators. They also lied on police reports and during sworn testimony to help convict defendants, the agreement stated. If the officers wanted to search a car but the driver refused to give them permission, they would often say they smelled burning marijuana, he alleged. The made-up suspicion would allow them to search without a warrant. On at least one occasion, officers told a suspected drug dealer that they had a warrant to search his home, Dixon said. In fact, the officers had a warrant for a different home.

The three defendants, Juan, Jose and Eric Contreras, had their drug and gun convictions vacated because of the misconduct. And Dixon's allegations of criminal activity did not stop with the Police Department: At least one city official knew about the activity but did nothing to stop it, the agreement said. At that point, the co-conspirators were all unnamed. Sparkman, the mayor, blasted Dixon's testimony as fabricated. McDaniel, the police chief, defended the department and criticized the federal investigation as "out of control." "The behavior of one officer (Dixon) is not reflective of an entire agency," McDaniel said at the time. A month after Dixon's plea agreement became public, Cotnoir was arrested. Investigators said he had participated in several illegal searches, including the sting operation set up at the Days Inn. Cotnoir and other officers used false warrants and stole property during the searches, court documents alleged. Previously, Cotnoir had been cooperating with investigators. He remained at the department acting as their eyes and ears, Del Fuoco said. But Del Fuoco said Cotnoir had not been completely honest and dropped him as a cooperating witness. The charges followed. Since then, decorum in the case has deteriorated. Each side has accused the other of legal shenanigans. Del Fuoco tried unsuccessfully to get a judge to remove Cotnoir's attorney, Arthur Eggers, saying he had a conflict of interest because the mayor was paying his legal fees. So far, Sparkman and the city have paid more than \$300,000 in legal fees for Cotnoir, McDaniel and Porter. Del Fuoco accused the police chief and mayor of collaborating to hide criminal evidence against police officers targeted in the federal

corruption probe. Sparkman was paying the legal fees for Cotnoir to keep him from talking to the government about crimes committed by McDaniel, Del Fuoco said. In exchange, McDaniel agreed to hide incriminating information about the mayor, Del Fuoco said. Neither the mayor nor the chief has been charged with a crime. On the other side, Cotnoir's lawyer tried to get Del Fuoco removed, blasting him for overzealous prosecution. Plant City Commissioner Randy Larson compared Del Fuoco's investigation to the Sept. 11 terrorist attacks. At a commission meeting last month, Sparkman praised Cotnoir for standing up to the investigation. He said in a prayer that Plant City was under attack and asked for God's help "against the odds." Cotnoir, who is suspended from duty but working in an administrative role at the department, could testify later in the trial. Eggers said in his opening statement that Cotnoir was not to blame. Dixon, he said, was the real culprit who was trying to save his own skin by turning on his former colleagues. Eggers said much of Del Fuoco's case was based on the testimony of known liars, Dixon and Corgan. Dixon's lawyer, Danny Castillo, disagreed, saying when people know the facts aren't on their side they start name-calling. "We'll just see who's standing when this is all finished," Castillo said. "Right now, my money is on the government." - The Associated Press and Times news researcher John Martin contributed to this report. Graham Brink can be reached at 226-3365 or brink@sptimes.com.

From St. Petersburg (FL) Times, by Graham Brink, 9 July 2002

Brazil Minister Resigns Over Crime Probe Dispute

Brazil's Justice Minister Miguel Reale Junior resigned on Monday after the government shot down his recommendation of a federal investigation into organized crime in coastal Espirito Santo state, officials said. In his post for just three months, Reale Junior told President Fernando Henrique Cardoso he would step down, Cardoso's spokesman said. Paulo de Tarso Ramos Ribeiro, the ministry's secretary of economic affairs, was named to replace Reale Junior. Reale Junior's decision came after the country's top human rights body - the Human Rights Defense Council, which is headed by the minister - recommended last week a federal investigation into allegations that organized crime had infiltrated the Espirito Santo state government. On Monday, Attorney-General Geraldo Brindeiro said he was against a federal probe since it would be unlikely to get very far before politicians become absorbed by October presidential elections. The council's recommendation required Brindeiro's approval to go forward. Cardoso's spokesman said the president had talked to Reale Junior and said that instead of a full federal investigation, the government could send a task force to the state "to avoid a political intervention on the eve of an election." Reale Junior had stuck to his recommendation and said he would resign, the spokesman said. The council had been following organized crime in Espirito Santo - a small state with a population of 3.1 million enjoying hefty royalties from offshore oil fields - since the 1995 killing of lawyer Marcelo Denadai who had accused paramilitary organization Escuderie Le Cocq of "death squad" murders. Human rights organizations have urged government action against Le Cocq, which they say is still active. There are also suspicions of drug trafficking, money laundering and tax evasion in the state.

From MSNBC-Americas, 9 July 2002

Senate Ethics Rejects ABM Request

In a reminder of the peculiar quirkiness of the body, a Senator who sought to join a legal fight defending what he believed to be a Senate prerogative found himself thwarted by the Ethics Committee and a strict, little-known interpretation of the chamber's gift rule. The twist to the tale, though, is that the Senator is Russ Feingold, the Wisconsin Democrat who has been one of the most vocal advocates for tight limits on the gifts that can be accepted by public officials. Lately, Feingold has been speaking out against the Bush administration's move to withdraw from the 30-year-old Anti-Ballistic Missile treaty with the former Soviet Union. The lawmaker believes that since the Constitution empowers the Senate to ratify treaties, the Senate should at least be consulted on decisions to withdraw from international pacts. Without a hearing or debate, the United States formally withdrew from the arms control pact on June 13 and Feingold became the lone Senatorial voice in opposition with an unsuccessful attempt to put the chamber on record against the move. But a group of 31 House Members - led by Rep. Dennis Kucinich (D-Ohio) - already made plans to challenge the Bush administration in court with a lawsuit briefed and argued on a pro bono basis by a team of well-known international law and arms-control litigators. But as Members of both chambers know very well, Senators and Representatives are not of the same breed, even though the set of gift rules governing each body is essentially the same.

For House lawmakers seeking to challenge the lawfulness of an action taken by a federal official on a policy matter, free legal services are no problem, according to the House Committee on Standards of Official Conduct, which allows House Members to accept pro bono legal help despite the general \$50 gift limit mandated by House rules. The Senate is another world, however. And Feingold learned that last month when his request to establish a legal expense fund to accept pro bono services for his share of the lawsuit went to the Ethics Committee. "I respectfully request the Select Committee's approval of the establishment of a Legal Expense Trust Fund to allow me to join as a plaintiff in a lawsuit challenging President Bush's withdrawal from the ABM Treaty without Congressional approval," Feingold wrote in a June 4 letter to the panel's leaders, Sens. Harry Reid (D-Nev.) and Pat Roberts (R-Kan.). "The purpose of this suit," Feingold wrote, "is to raise and adjudicate an important public policy issue, not to seek any personal financial gain. Money damages will not be sought in this case." The trust fund would allow Feingold to add his name as a plaintiff on the lawsuit and accept pro bono legal services from a team headed by Peter Weiss and the Lawyers' Committee on Nuclear Policy. Having a sitting Senator

named as a plaintiff would naturally raise the profile of the suit, since the central question revolves around the role of the Senate in making and breaking treaties. In the House, Kucinich and his colleagues didn't even have to bother with setting up a formal legal expense trust fund. But the Senate Ethics Committee said no, telling Feingold in a terse June 14 reply that the chamber's rules and precedents prohibited the establishment of a legal expense fund for this suit. In lieu of that finding, though, the committee noted that Feingold was free to use campaign funds to pay the legal bills. Senators in trouble regularly use legal expense funds to defray the costs of defending themselves from charges of wrongdoing. Sen. Robert Torricelli (D-N.J.), for example, has taken in \$1.8 million for his defense fund since December 2000. Or, perhaps even more on point is the fact that the lead plaintiff in the lawsuit challenging the new campaign finance law is none other than Sen. Mitch McConnell (R-Ky.), Feingold's regular sparring partner on the floor. So was the Ethics Committee unfairly changing the rules by blocking Feingold's attempt to mount a lawsuit on the ABM treaty? Not necessarily, it turns out. The Ethics Committee has always had a strict take on legal expense funds, believing that Senators who choose to become plaintiffs are different from Senators who find themselves under investigation. "From time to time, Members, officers, and employees of the Senate may find it necessary to defend themselves against criminal charges or civil claims, or to provide evidence in proceedings (or in rare cases, to initiate civil lawsuits) which would not have arisen but for their positions," the Senate Ethics Manual notes.

The committee, under this reasoning, has a great deal of discretion when the legal expense fund is intended for an action involving a Senator as plaintiff, such as was the case with Feingold's request. McConnell and his lawsuit challenging the campaign reform law Feingold co-authored with Sen. John McCain (R-Ariz.), as it turns out, are not subject to clearance from Ethics. Tucked away in the campaign finance law was a little-noticed provision specifically authorizing Members of Congress to become parties to any lawsuit challenging the validity of the statute, effectively overriding any gift rule prohibitions. And just to make sure, the Senate passed a separate resolution specifically allowing any Senator to accept unlimited pro bono legal services to challenge or support the campaign law. At the time, McConnell noted that the resolution "ensures that the Senate will continue its tradition of permitting Members to utilize unlimited pro bono legal services when challenging legislation that raises serious constitutional questions." The same route was taken in 1996, when Sen. Robert Byrd (D-W.Va.) and other lawmakers successfully challenged the line-item veto in a case that went to the Supreme Court. A provision slipped into the bill granted Senators that right, and a separate Senate resolution lifted the restrictions on accepting free legal services contained in the Senate gift rules. But Feingold didn't have those tools. And given the lack of support from both sides of the aisle for his position, it's probably doubtful he would have been able to take that route.

Still, the decision surprised experienced ethics experts, who had simply assumed that the House and Senate treated such matters as pro bono legal help in the same way. But the Constitution provides that "Each House may determine the Rules of its Proceedings," and it's never safe to assume the chambers act in lock step. Ethics Chairman Reid said that the decision to reject Feingold's pro bono request was based on the chamber's traditional opposition to legal defense funds for such matters. "We just follow the precedents," he said. Citing the sensitivity of the panel's deliberations, Reid declined to elaborate on how or why the Ethics Committee ever established such a precedent, considering the House has a distinctly different view of the matter. "It's a hole I'm not going into," Reid said. Feingold, in a brief interview, expressed mild irritation with the Ethics ruling and said the rejection of his legal fund sends the wrong message. "It concerns me. I'm concerned it could set a bad precedent," he said. Feingold said he was explicit in his communications with the committee that he did not intend to raise money to pay for the legal team, but would instead just receive free legal representation, as he is already receiving in the campaign finance lawsuits. "It was explicitly to receive limited pro bono services," he said.

From Roll Call, Bb [Damon Chappie](#), 9 July 2002

Ethics Issues Subpoenas on Traficant's Behalf

Chairman Says He Will Shut Down Trial-Like Proceedings If They Start Getting Out of Hand. As convicted Rep. James Traficant prepares to return to the Capitol to face at least three days of an unprecedented trial-like hearing before his Congressional peers, the House ethics committee has issued a number of subpoenas on the Ohio lawmaker's behalf to bring witnesses forward in his second attempt to defend against a host of corruption charges. At least two of the expected witnesses offered testimony during Traficant's 10-week criminal trial earlier this year, suggesting that the lawmaker may be planning a replay of his failed defense strategy. Traficant has remained publicly silent about his plans and the Committee on Standards of Official Conduct has kept a tight lid on information, withholding the release of documents submitted earlier by Traficant that would indicate whether he plans to address the specific charges of wrongdoing or turn the hearing into a showcase for his claims of prosecutorial persecution. And if Traficant attempts to repeat his unruly courtroom antics that became a daily feature of his trial, the hearing will be shut down, the committee chairman, Rep. Joel Hefley (R-Colo.), vowed during an interview this week. "If it looks like it is getting out of hand, I will close the hearing," Hefley said. "We are going to do it under the decorum of the House. It is not going to be a sideshow or a circus." Hefley said that the committee issued "a number of subpoenas" for witnesses requested by Traficant, but declined to identify them. One possible witness who said he expects to receive a subpoena at any moment is Percy Squire, a Columbus, Ohio, attorney who is handling part of Traficant's post-conviction appeal. Squire, who is also Traficant's single largest individual campaign contributor, was also a defense witness at

Traficant's trial. In often- confusing testimony that came during the final week of the trial, Squire attempted to provide Traficant with an alibi against a charge that the lawmaker had taken a \$13,000 cash gratuity from Ohio business magnate J.J. Cafaro. Squire said Traficant told him that he would be receiving a subpoena to come to Washington. "If I get a subpoena, I will certainly be there," he said. Asked what he will testify about, Squire said, "Well, I don't know. I'll just answer whatever questions are put to me." Another witness who expects to be in Washington next week is Michael "The Beef" Terlecky, a former Mahoning County sheriff's deputy and Traficant confidant who was convicted of accepting mob bribes to ignore illegal gambling. During the trial, Terlecky testified about a hearsay conversation he had with Traficant's now-deceased top aide Charles O'Nesti in which O'Nesti claimed Traficant was innocent of taking part of O'Nesti's salary in a kickback scheme. The former deputy sheriff also repeatedly attempted to make statements about a government conspiracy against Traficant that were barred by the judge. It does not appear that Traficant will subpoena assistant U.S. Attorney Craig Morford, the lead prosecutor whom Traficant almost daily challenged to take the witness stand in exchange for his own testimony. Justice Department officials said Wednesday that they had not received any subpoenas from the ethics panel for Morford's appearance. The setting for the adjudicatory hearing will be Room 2118 in the Rayburn House Office Building, which is otherwise the meeting place for the Armed Services Committee. The room is reserved by the ethics panel for three days, although the proceedings could go longer, Hefley said. But he added that the panel could have a resolution ready to send to the House floor by week's end if necessary.

From Roll Call, by [Damon Chappie](#) and [John Bresnahan](#), 11 July 2002

U.S. Postal Service Refusing to Join Terrorist Informant Effort

Washington - The U.S. Postal Service is refusing to participate in a government program that is trying to recruit mail carriers, truckers and utility employees as volunteer informants to find suspected terrorist activity. A pilot program by the Department of Justice aims to attract 1 million informants and formalize a system to report suspicious activity using workers whose routines make them "well-positioned to recognize unusual events," according to the Terrorism Information and Prevention System (TIPS) Web site. After the postal agency had a preliminary discussion on the program with the Justice Department and President George W. Bush's Homeland Security Office, "it was decided that the postal service and its letter carriers would not be participating in the program at this time," postal spokeswoman Sue Brennan said. Operation TIPS is a part of the Citizen Corps, a volunteer initiative announced by Bush in his State of the Union speech in January. The program would begin in August in 10 as-yet unnamed cities. Since Sept. 11, the Bush administration has warned repeatedly that terrorists remain in the U.S. and that another attack is possible. The program "is under development" and several industries "have requested a uniform method of reporting unusual and non- emergency issues" that are observed in the course of their work, Justice Department spokeswoman Barbara Comstock said in a statement. "Operation TIPS is simply a reporting system - not a membership organization or recruiting activity."

'Peeping Toms' - The American Civil Liberties Union has a different view of the program, calling it a system of "government-sanctioned peeping Toms," according to a statement. The postal union that represents 240,000 letter carriers around the U.S. hasn't decided whether it supports the program because it had not been consulted by either the postal service or the Justice Department. "We haven't gotten any information on this as to what they're looking for, what do they want or what this program would do," said Drew Von Bergen, a spokesman for the National Association of Letter Carriers. "Postal carriers are always keeping their eyes open. If a carrier sees something unusual or (that) appears to be wrong, they notify their supervisor. They do that all the time." Many people in federal law enforcement view the reporting of unusual behavior as a crucial component of thwarting future terrorists, according to Dale Watson, the Federal Bureau of Investigation's counter-terrorism chief. The terrorist "fleas" infesting the country "want to kill you," Watson told an audience at a community policing conference held this week in Washington. "They could be in your neighborhood."

From Bloomberg-Politics, by [Bill Murray](#), 18 July 2002

Management Trends and Development

Asia/Pacific

Service is Paramount for Online Businesses

For those of you thinking about opening an online retail business or even if you already have, a recent report by Jupiter Media Metrix offers a few interesting points to ponder. First, the fastest way to online retail success, according to Jupiter, is to come up with an idea, a product or service, that appeals to the wealthiest online households. Jupiter found that families with \$75,000 or more in household

income spent, on average, \$554 online last year. By 2006, they will be spending nearly twice as much, or an average of \$926 a year, Jupiter estimates. In contrast, households earning \$15,000 or less spent an average of only \$204 last year. By 2006 this group will average \$412, a healthy improvement, but still well below the online spending of higher-income households. We won't quibble about Jupiter's definition of what constitutes a wealthy household. What's important is that \$75,000 families like to shop online and they comprise the largest single group of online shoppers. Perhaps the most important point in the survey, however, is the emphasis on the importance that online shoppers place on good customer service. Treating customers civilly is absolutely critical for any business, but it especially is true for online retailers. That might seem obvious, but it never ceases to amaze me how some online stores seem to ignore that basic tenet. An online store whose Web site is impossible to navigate, or never has what I want in stock or takes three months to get my order delivered, isn't likely to see me pay a return visit. Says the Jupiter report: "Although getting more customers to buy online is an obvious goal for any online retailer, keeping those customers is just as important. Perhaps the most critical factor in retention is providing effective customer service." Delivery delay was the complaint cited most frequently in the Jupiter survey. So what are Jupiter's wealthy online shoppers buying? Travel and clothing are the Nos. 1 and 2, by a wide margin. Fifty-nine percent of those surveyed use the Web to buy travel-related services - airline tickets, hotel reservation, rental cars. Forty-six percent said they buy clothes online. The survey also looked at what improvements in the online shopping experience would motivate shoppers to spend even more online this year. Among the most important factors cited by shoppers were so-called "loyalty awards" such as frequent flier miles, the ability to return merchandise easily, easier comparison shopping and better product information. Good customer service.

From Nando Times-Technology, 2 July 2002

Japan Leads World in Internet Access Via Cell Phones

Japan leads the world in making the most of mobile phone technology, according to a government report released Tuesday. In its latest white paper on information technology, the Ministry of Public Management reported that Japan has more people who access the Internet through their cellular phones than anywhere else in the world. The finding comes as no surprise to anyone who has spent any time on the Tokyo subway system. Cell phone use on trains is banned, but the sight of commuters typing away furiously on the small keypads of their mobile phones is all too common. Unlike phone calls, text messaging doesn't disturb fellow passengers, and a cell phone is far easier to carry around than a laptop. To be sure, the screens on mobile phones are small and the keypads are tiny, but teenagers have pioneered developing a language system that abbreviates words and creates symbols that make maximum use of the tiny screens. Moreover, the bulk of those screens use liquid displays, which allow text messages as well as Internet texts to come through in full color. In fact, communicating via mobile phone without actually talking is so popular that it is increasingly difficult to buy a cellular phone that doesn't have text messaging and Internet access capabilities.

But the most astonishing fact is that instant text messaging via cell phone only became widespread when NTT DoCoMo, the cellular subsidiary of Japan's telephone monolith NTT Co., launched its so-called i-mode service in February 1999. The allure of text message and internet access by cell phone, however, quickly spurred rival companies to play an aggressive game of catch-up, which in turn led the cost of i-mode access to become cheaper and cheaper. The technology clearly piqued Japanese consumers, and the avalanche of clever advertising from phone carriers and mobile phone manufacturers alike ignited renewed demand for i-mode compatible cell phones. As a result, by the end of 2001, there were 51.9 million i-mode mobile phone users in Japan, accounting for 73 percent of all cellular phones, according to the Japanese government. South Korea came in second with just over 59 percent of all cell phones being i-mode compatible, while Finland - which has hitherto led the global cell phone technological revolution - came in third at 16.5 percent. "With phone access costs continuing to fall further, we can expect this trend to continue growing," said Toranosuke Katayama, the minister of Public Management. "Further changes in public policy will certainly help," he added, although he did not specify what precise measures the government ought to consider moving forward.

Technologically, the services that cell phones can provide keep growing at a dizzying speed. Last week, the world's first cell phone with a built-in digital camera was put on the market, which allows its user to take photos while on the phone, and supposedly send them to the person he or she is talking to. The first advertisement showing off this latest technology by Kyocera Corp. features a twenty-something woman at a suave cocktail party, having her pictures taken for her boyfriend who is still slaving away at his office late into the night. "Gosh, you look so pretty," the man says, as he looks at the image displayed on his cellular phone. Apart from becoming a camera, cell phones can be used to purchase sodas from vending machines, check the latest share prices, and perhaps the most indispensable function for Tokyo residents, look up the timetables for the last trains going from central Tokyo to the suburbs. Missing the last train home could mean spending well over \$100 in taxi fare, or spending the night in a tiny hotel at \$50 a pop. Cell phones can also do most things a Palm Pilot or any other PDA can, including acting as a digital diary and address book. Though more advanced in digital telecom technology, Japan is second in terms of sheer numbers of Net users compared to the United States, with 55.9 million Japanese regularly surfing. Also, Japan ranks third in the world in having broadband Internet access with 3.9 million users, even though the number of people using broadband has more than quadrupled over the past twelve months, according to the government report.

From Nando Times-Technology, by Shihoko Goto, 2 July 2002

China Targets Unlicensed Cyber-Cafes

China has threatened the operators of unlicensed Internet bars with criminal prosecution as part of a safety crackdown launched after a fire at an Internet cafe in Beijing killed 25 customers, state media reported Saturday. From July 1 to August 31, unlicensed cyber cafes will be shut down and the owners prosecuted, Xinhua News Agency quoting Ministry of Culture official Liu Yuzhu as saying. No new Internet bars will be allowed to open during that period, the report added. Legal cafes have to reregister by Oct. 1, Liu said, and will have to pass safety inspections. According to the Ministry of Culture, only 46,000 of China's 200,000 Internet cafes are registered. Cyber cafes across the country were ordered closed for safety inspections after a June 16 fire at an illegal Internet bar in Beijing killed 25 customers and injured 12. The closures coincided with a nationwide crackdown in which thousands of cafes have been shut over the past year for failing to install software to track the sites visited by users. China's communist government tightly controls content on the Internet, blocking sites considered subversive or obscene.

From Nando Times-Technology, 1 July 2002

Japanese Firm to Offer Internet-Based Telephone Service

Tokyo - KDDI Corp., Japan's No. 2 telecommunications firm, said Monday that it would start an Internet-based telephone service. "We will start IP (Internet Protocol) telephone service for corporate clients this month. We are finalizing the details of the corporate plan, which will be announced soon," said Haruhiko Maede, KDDI spokesman. "We also plan to launch a similar service for individual clients this autumn," he said. Maede declined to give further details of either service. A news report said, however, that KDDI planned to offer the IP phone service initially to subscribers of its ADSL (asymmetrical digital subscriber lines) high-speed Internet access service. Phone calls between customers of the planned phone service would be free of charge. For calls to non-subscribers, users will pay 8.5 yen (seven cents) per three minutes for calls anywhere in Japan, the *Nihon Keizai Shimbun* said. Maede said KDDI had not finalized the fee structure, saying only that KDDI would decide its fees after reviewing prices now available in the market. The dominant domestic telecommunications carrier, NTT, charges different rates for local, regional and long-distance calls over conventional lines. A similar Internet Protocol phone service was launched by the Softbank Corp. group this spring for 7.5 yen per three minutes. KDDI's service would cost more than Softbank's because KDDI would offer better sound quality, the *Nihon Keizai* said, quoting a KDDI source.

From Nando Times-Technology, 8 July 2002

Korea Pushes for E-government Uproot Corruption

Over the past decade, South Korea has strived to build an e-government infrastructure connecting people electronically with government services such as getting building permissions, environment-related permits and enrolment in higher education. With the rapid adoption of broadband Internet and other information-technology (IT) development, the nation boasts of itself as one of the world's most tech-savvy countries. But a recent survey, released by the government, found that the e-government infrastructure is not ready for the general public mainly because of the complexity of some administrative procedures online and a lack of coordination among government agencies. The annual survey, which was taken to assess the ongoing construction of e-government projects, said little progress has been made in the areas of environment, welfare, security, transportation and culture. "Beyond simply building infrastructure and hardware, the government must know what their customers want," the survey pointed out. Led by a state e-Government Special Committee, the government is now putting its final touches on its 11 e-government projects. Under the leadership of the committee, the number of electronic signature users jumped to 2.7 million people as of the end of May, compared with a mere 50,000 people a year ago. By introducing a government-for-business (G4C) platform, the committee will streamline 80 percent of 565 administrative procedures by the end of 2001. In an effort to coordinate complex administrative processes among intra-government agencies, the committee is monitoring the online development of public services every week.

The committee also introduced a single electronic document form to maximize e-government's effectiveness and realize its vast potential. Broadly defined, e-government can include virtually all information and communication technology platforms and applications in use by the public sector, according to a report by the American Society for Public Administration (ASPA) and the United Nations Division for Public Economics and Public Administration (UNDPEPA) of the UN Department of Economic and Social Affairs (UNDESA). In the biannual survey, South Korea was ranked as one of the top 15 nations which lead e-government initiatives among 190 U.N. member states. The United States ranked first place, and Australia, New Zealand, Singapore and Norway followed. Other top 15 countries included the United Kingdom, Netherlands, Denmark, Germany, Sweden, Belgium, Finland, and France. The survey estimated South Korea has made perhaps the most dramatic advance in its e-government program by successfully implementing several new online transaction features. Japan, however, has yet to live up to its rather significant potential, it said. Japan's e-government program has not yet reached a comparable level of sophistication as that of other leaders due primarily to achieving only a limited interactive government presence on the Internet. "Full-fledged commitment to e-government implies that a country's

leadership recognizes the fact information has become a social and economic asset just as important and valuable as traditional commodities and natural resources," the survey said. Information benefits most the individuals and industries which have unimpeded access to its acquisition, and the self-determination to convert essential data into knowledge, it said. In 2001, of the 190 UN Member States, 169 (88.9 percent), of their national governments used the Internet in some capacity to deliver information and services. For 16.8 percent of these governments, their presence on the Internet was just emerging, the survey said. The official information offered in these countries was often static in content and limited to only a few independent websites. Countries with enhanced Internet presence _ where users can access an increasing number of official websites that provide advanced features and are interactive _ represented 34.2 percent, it said. The capacity to conduct transactions online, where citizens can actually use the Internet to pay for a national government service, fee or tax obligation, was offered by 17 national government, or only nine percent of the UN Member states, the survey found.

The survey selected Korean government's English website (www.kois.go.kr) as one of the top 10 government-run portals worldwide, highlighting the National Tax Service (www.nta.go.kr) website as indicative of what can be done with firm commitment and support. "Korea's e-government status is expected to be higher among international communities as the government finalizes the 11-point initiatives to build the infrastructure for e-government by the end of this year," said one official of Korea's Information and Communication Ministry. A global technology research firm International Data Corp. (IDC) recently said that governments around the world will increase their spending on e-government initiatives as they devote more resources to e-enabling government business functions and providing electronic services for the coming years. Of the five governments profiled, Australia, China, Hong Kong, South Korea, and Singapore, e-government spending will grow the fastest in China at a compound annual growth rate of nearly 40 percent. Meanwhile, e-government spending in Singapore and South Korea will experience robust growth at over 20 percent over the forecast period, and e-government spending in Australia and Hong Kong will grow steadily at 15 percent and 13 percent respectively.

From Korea Times, by Kim Deok-hyun (kdh@koreatimes.co.kr), 02 July 2002

Need a Mate? In Singapore, Ask the Government

Karen Ralls-Tan remembers a time when her dating prospects were bleak. "It was just hard to meet people," says the 31-year-old civil servant. "When I went out with my friends, we didn't meet that many men." Her solution – turning to Singapore's largest dating service – was hardly odd for a busy young professional. Except for one thing: The same organization also happens to be the world's only government-run dating service. Singapore's Social Development Unit (SDU) and programs like it have helped earn this tiny nation a reputation as the ultimate nanny state. Whether the evils of a local slang "Singlish" or the need to flush toilets after use, no social issue is too big or too small for government intervention. "People actually think that the state knows best," says David Jones, a Southeast Asia expert at the University of Tasmania in Australia. According to the government, alarm over a low birthrate prompted the creation of the SDU in 1984. But to many Singaporeans, the SDU's focus on "educated" singles is nothing short of social engineering: an effort to preserve the current racial balance between the city's Chinese majority and the Malays, who tend to be less educated. The SDU provides subsidized mixers, trips, and computer matchmaking services to college-educated Singaporeans. It also runs seminars and campaigns on "marriage awareness."

The SDU's most recent innovation, however, is "speed dating," a year-old program that challenges singles to get to know each other in seven minutes or less – and, hopefully, exchange phone numbers. With 25,000 current members, the SDU has had its share of success. About 3,600 members of the program married last year. Since its inception, the SDU says 50,000 Singaporeans have been married through its offices. "The government isn't holding guns to people's heads – it recognizes that marriage is a deeply personal choice," says Pamela Pung, an SDU spokeswoman. "This is just a way of widening the circle of opportunities." Ms. Ralls-Tan credits the SDU with helping her find her husband. Four years after signing up for its computerized matchmaking service, a marriage adviser called her with "the perfect guy." They were married in 2000 and now have a 6-month-old girl. "Without the SDU, we never would have met," says Ralls-Tan, laughing. "We're looking forward to more children. We'll have at least three." Ethnicity is a sensitive topic - Currently, the average Singapore woman has 1.6 children – 2.1 is the rate demographers think Singapore needs to maintain its population without immigration. But if the imbalance between taxpayers and retirees continues to grow, the government worries that the welfare system will be strained to the breaking point. On the other hand, the government fears that relying on immigration to close the gap will dilute a sense of nationalism in a city-state dwarfed by neighbors Indonesia and Malaysia.

The problem is often stated in terms of national security: Fewer marriages "impede efforts at nationbuilding and may even threaten the country's survival," says one SDU brochure. Many Singaporeans, though, believe that the SDU's creation was prompted less by the overall drop in the birthrate than the relatively higher birthrate among the country's poorer Malay minority. The current racial balance – about 75 percent Chinese, 15 percent Malay – is important to the government. Singapore's Chinese majority is one reason the state split from its confederation with Malaysia in 1965, following race riots. Lee Kwan Yew, Singapore's founding father and architect of its social policies during his 20 years as prime minister, is closely identified with policies to promote Chinese culture. To critics, the focus on "educated" men and women today is merely a politically correct way of targeting the ethnic Chinese. In fact, in the early days of the

SDU, the divergence in birth rates across racial and socioeconomic classes was a stated reason for taking action. "If we continue to reproduce ourselves in this lopsided way we will be unable to maintain our present standards," Mr. Lee said in his national day speech in 1984, the year the SDU was created. Later, in a 1990 speech, Lee said that the preference of educated men for less educated women was a national dilemma because it meant "50 percent of graduate girls will either marry down, marry foreigners, or stay unhappy." As the economy has grown and educational and career opportunities have opened to women, many men have been taken aback by a new breed of independently wealthy and assertive women, the government says. The response for many educated Singaporean men, officials say, was to seek out less educated brides at home, or find them in China, hoping that they will accept traditional gender roles. "A lot of our single women today have their own jobs, their own careers, and they are demanding more," says the SDU's Ms. Pung. "That doesn't mean they should be doomed to being single." One ethnic Malay graduate, who asked that his name not be used, sees it differently. "This is about social engineering, about maintaining the oligarchy."

He says the SDU makes an implied judgment that only university-educated people should marry university-educated people, which reinforces barriers of race and class. In 1985, the government created a dating service for nongraduates, called the Social Development Service, partially in response to claims of discrimination. An overprotective parent? Over at Liquid, a neon-lit bar not far from the business district, the young singles seem less concerned about allegations of eugenics than exasperated by government paternalism. Derisive laughter rises from the young hipsters reclining on a red velvet sofa when the unit is mentioned. "SDU – Single, Desperate and Ugly," says a thirty-something woman in a miniskirt and an open-backed shirt. "Those guys are geeks – the government doesn't think we can do better on our own," says another young woman. "You kind of get fed up sometimes with all the hand-holding. We're grown-ups. And the government is not our parent." As with an overprotective parent, many young people think the government is out of step with the times. It is easy to see why: The SDU's publications frequently read like advice for the lovelorn written by a bureaucrat. For example, the SDU published a new brochure last month, called "The Chemistry Guide: When Boy Meets Girl," focusing on the overworked, the shy, and the "cosmetically challenged." The guide reminds hopeful singles that "Skin-care products are must-have investments" and "There's no bigger turnoff than a foul mouth, reeking with leftovers from lunch!"

From Christian Science Monitor-Asia Pacific, by Dan Murphy, 15 July 2002

Europe/CIS

England Goes Shopping Abroad for Teachers

Almost a fifth of the staff in some areas is foreign. When Yana Buchkova was studying British poetry at her university in Bulgaria, she never imagined what inspiration she would one day draw from those verses. "My specialism in Brontë poetry has taught me to be more contemplative in my reactions when teaching children with behavioral difficulties," says Ms. Buchkova, now teaching at a school in a tough London neighborhood. She is among about 15,000 schoolteachers recruited from abroad and now filling shortages in England, where the profession is experiencing an all-time low in attracting new graduates. The trend reflects a growing global market for teachers, as schools compete for a shrinking pool of talent. A decade ago US schools began importing staff, who now hail from at least a dozen countries, from Mexico to the Philippines. In a report last year, the Organization for Economic Cooperation and Development warned of increasingly severe shortages as the teaching workforce ages. In Sweden, for example, 49 percent of the teachers in upper secondary education are 50 or older. In a report last month, the British government's inspectorate for schools, called Ofsted, notes that imported teachers make up almost a fifth of the staff in areas where shortages are most acute. Education experts say England's deficits began in math and science but now extend to all subject areas. Vacancies occur more frequently in impoverished inner cities, often home to immigrants. The National Union for Teachers (NUT) says the shortages have increased annually since the early 1990s, the trend exacerbated by retirements in a profession where two-thirds of its members are over the age of 40. "We're not creating the right conditions to attract new teachers," says General Secretary Doug McAvoy.

The reasons parallel those in the United States: Mr. McAvoy cites poor salary levels compared with other professions, work overload, and deterioration in pupil behavior. Such factors are a sufficient deterrent to the 300,000 qualified instructors who are not teaching, known as the Pool of Inactive Teachers. Ten years ago, more than half of all entrants to the profession were returning teachers. But now they make up only a third of the numbers required. This year, the overall target for recruiting instructors is the highest in a decade, according to the Teacher Training Agency, which recruits teacher trainees for the British government. The National Association of Head Teachers (NAHT) has concerns about filling those vacancies with foreigners, says the union's senior assistant secretary, Kerry George. "First, it highlights that we are not producing enough of our own. And morally and practically, we have a concern about taking teachers from countries which need those skills." But Ian Penman, chairman of Timeplan, which, as England's largest recruiter of foreign teachers, brings in 3,000 to 3,500 instructors a year – most of them from Australia, New Zealand, South Africa, Jamaica, and the US – sees the world as fair game. "We are now in a global economy," he says. "No one can afford to operate a fortress economy." One London borough that acknowledges a responsibility to developing countries is Tower Hamlets, where about half of the schools have a high proportion of children of Bangladeshi origin. "There has been a decision not to take from

developing countries where their need is great," says spokeswoman Eileen Short. Tower Hamlets also has an active program of "Growing our own" – emphasizing developing links within the local community as a source of recruitment and offering support and training to those interested in teaching. In its recent report, the government says the teacher shortage is "stabilizing," thanks to measures such as "welcome back" bonuses of up to \$6,200 to lure former instructors back into the classroom. At Buchkova's school, Gloucester Primary School in South London, 17 of the 43 teachers are foreign, coming from eight different countries, including Sierra Leone and China. They were required to be fluent in English and have at least two years' teaching experience, and before arriving underwent three weeks of extra training. "We were looking for capability and aptitude, with an orientation towards the West," says headmaster John Mann. "But they also needed to have honor and pride in their own country. We did not want people who were disaffected with their own society. We wanted it to be an enriching program, and this is what is happening."

Buchkova works one to one with children who have behavioral and learning difficulties. "I never had delusions that going to work in England would be an easy job," says Buchkova, whose starting pay as an imported London teacher was \$32,000. She says that her study of the poetry of the Brontë sisters, with its emphasis on personal relationships and the exchange of ideas, adds to what she can bring to her job. "It is teaching, as well as counseling and behavioral support," she says. For Buchkova, leaving a former Soviet bloc country to teach in England has offered not just professional development but cultural insight. "Coming to terms with the free market is a painful [transition] for us in Bulgaria," she says. "It means taking personal responsibility for yourself from an early age in a way that we never had to do before in a state-controlled society. "Consequently, in my country we treat children differently than you might do in England or America. We expect children to become adults much earlier. This is a cultural difference that I have had to learn." In her new posting, Buchkova has found happiness in her personal life, meeting her husband-to-be, Neil, in the poetry section of a London bookshop. "I cannot believe that this has all happened to me," she says. "I now experience such brilliant happiness."

From Christian Science Monitor-Europe, by Jenny MacKenzie, 9 July 2002

Middle East

Internet Takes Unlikely Hold on Iranian Village

Shahkooh, Iran - At first glance, this could be any sleepy Iranian hamlet. Women weave carpets on traditional looms. Tea brews over open fires. Donkeys outnumber cars. But listen closely: That clacking is fingers on keyboards, and that crackling is modems connecting to the Internet. Welcome to the mountain village that lacks an elementary school, possesses just one central outhouse - but has gone global. No other Iranian village has progressed as far as Shahkooh, 240 miles northeast of Tehran, in tapping the Internet's potential to widen its horizons. Villagers credit a native son. Ali Akbar Jalali, who left to study in the provincial capital and went on to earn an electrical engineering degree in the United States, raised the idea during a 1999 visit. The first computer was purchased with money raised by villagers. A government grant paid for a second and several more came courtesy of a charity formed by Iranians in London. Villagers who know something about computers volunteer as teachers in the computer center set up in Shahkooh's mosque. Classes are free. The village even has its own Farsi-language Web site, Shahkooh.com. The goal is to teach computer skills to anyone interested among its 6,000 residents - from chador-clad girls to sunburned farmers.

The hardware alone makes Shahkooh unique among villages. Even in cities, a minority of Iranians are wired. Only 2 million out of Iran's 70 million people - about 3 percent - have Internet access. Yet Iran could now be ripe for a high-tech surge a generation after the conservative clerics behind the 1979 Islamic Revolution tried - and failed - to insulate the nation from modern influences. Nearly half Iran's population is under age 25, and it's eager to get online. Since the 1997 election of reformist President Mohammad Khatami, Internet cafes have sprouted in Iranian cities and Internet providers offer unrestricted access - even to adult and anti-government sites. That may be due to the relative scarcity of Internet access among clerics in Qom, the country's religious center. Iran's clerics have pushed for restrictions on access. Last year, the Supreme Cultural Revolution Council, a conservative-dominated body, ordered all private Internet service providers under state control. The order was never implemented, but parliament, according to lawmaker Kazem Jalali, is considering legislation that would require Internet providers to block access to adult sites and others.

Hardliners are also becoming increasingly concerned about Iranians' access to information, fearing it is stirring pro-reform sentiment. In Shahkooh, the Web is not controversial. It is seen as an essential tool to promote knowledge and prepare for jobs in a country choking from unemployment, which some analysts place at more than 30 percent. Since Shahkooh.com was launched, more than two dozen villagers have become entrepreneurs, moving to the provincial capital of Gorgan to sell spare computer parts and offer computer services. The dot-com businessmen also perform Web searches and sell the information they glean. And Shahkooh.com promotes local handicrafts such as carpets. "Our talented youth were largely ignored for a long time. We lived without any government facilities and services," said Gholamreza Khaje, an organizer of computer classes. "Finally, a few of our educated people decided to make our voice heard both locally and internationally and promote our talents." It's far easier to reach this village 6,600 feet above sea level by e-mail than road. Shahkooh is off a bumpy, dirt track that is usually blocked in winter by snow or impassable muck. In

summer, Shahkooh residents cultivate their farmland and tend their sheep and goats in pastures around the village. In the fall, residents pack up their belongings - including about a dozen computers - ahead of the intolerably cold and snowy winter. They spend the winter 32 miles away in Qarnabad. Their year-round Web server is in Gorgan. Each year, at least 400 villagers learn computer basics in Shahkooh or Qarnabad. Besides giving Shahkooh's people e-mail and Web access, the Internet also offers familiarity with English, which is almost unknown in Iran outside the country's main cities. Villagers prefer study- or job-related Web sites and those offering health and sports content. Some traditions do remain intact, however, including separate computer classes for the sexes. Zahra Malek, a 25-year-old graduate student, dresses in a head-to-toe black chador when she teaches computer classes to girls. Her father, Ali Akbar Malek, an illiterate 60-year-old farmer learning to read so he can surf the Web, already knows how to download a file. He credits Jalali, the electrical engineer who started it all and was in the United States during a reporter's visit to Shahkooh and unreachable - due likely to an incorrect e-mail address provided by his relatives. "Dr. Jalali has told us that people who don't know how to operate computers are gradually being considered illiterates," Ali Akbar Malek said. "I want to be Internet literate before I die."

From Nando Times-Technology, by Ali Akbar Dareini, 8 July 2002

The Americas

With All Aboard, Amtrak Deal Sealed

Amtrak and Bush administration officials closed a deal late Friday to help Amtrak get the \$200 million it needs to keep passenger trains running through September. The deal helps Amtrak avert the first systemwide shutdown in its 31-year history, which had been threatened to begin next week. The Transportation Department will give Amtrak an immediate \$100 million loan, then will join with Amtrak in asking Congress to provide the remainder. "Our goal was to ensure uninterrupted service for the over 750,000 Americans who rely on Amtrak and our nation's commuter rail service every day, and we have accomplished that goal," Transportation Secretary Norman Y. Mineta said at a news conference announcing the deal. The announcement culminated a week of shuttle diplomacy among Amtrak leaders, Bush administration officials and members of Congress. The final negotiations hinged on what conditions the administration would place on its \$100 million loan. Amtrak agreed to 12, many involving improved financial accountability. "A lot of this is stuff that should be done," said Amtrak President David Gunn. The conditions require Amtrak to spend all its money over the next 15 months on existing assets and services, not to plan for expansion of service. Also, Amtrak must freeze all management salaries and suspend any annual bonuses for this year for employees with salaries over \$75,000. Officials had said one sticking point was a proposed provision that would prevent Amtrak from entering into any new agreement that restricts its ability to contract with private firms. The administration wants Amtrak to move toward a system in which it uses outside companies to run its reservations, food service and equipment maintenance, and perhaps even some routes.

In the end, that requirement was left out. Still to be resolved is the form of the congressional assistance. Amtrak would prefer an appropriation, since it would not have to pay that back, but it also could be a loan. Amtrak is already carrying heavy debt, estimated at \$3.85 billion in March. "This has been an important week for passenger rail because the events of this week have forever dispelled the question of Amtrak's relevance in the nation's transportation future," said John Robert Smith, chairman of Amtrak's governing board. Gunn had warned that Amtrak could begin shutting down its entire nationwide system as early as next weekend if it did not get government help to close a \$200 million budget gap. Mineta and members of Amtrak's governing board reached a tentative agreement Wednesday night and have been working since then to finalize it. Mineta has made clear that, at some point, the administration will seek major changes in how Amtrak does business. He has proposed ending federal operating subsidies to the intercity railroad, introducing competition and making states more responsible for paying for train service. His plan would also gradually remove Amtrak as owner of 366 miles of tracks in the Boston-Washington corridor. Gunn, who became Amtrak's president May 15, has said he agrees the railway needs to make major improvements in its finances and operations, but he does not agree with many of the more drastic reforms the administration is seeking.

From CBS News-Politics, 1 July 2002

Senate Passes E-government Bill

The U.S. Senate unanimously passed a bill Friday that proposes funding initiatives to make federal government information and services more readily available online. The Electronic Government Act budgets \$345 million to be spent over four years to promote and improve the federal government's use of the Internet and other technology, according to a statement from the U.S. Senate Committee on Government Affairs. Among the initiatives to be funded by the proposal are: developing interagency online projects, improving the federal government's centralized online portal and creating a directory of federal government online sites. It also proposes the creation of an office of electronic government as part of the Office of Management and Budget, and encourages federal courts to post opinions online. The bill was introduced in May 2001 by Sen. Joseph Lieberman (D-Conn.), chairman of the Government Affairs committee. An amended version of the bill passed the committee in March. "Today we come a step closer to achieving the important goal of providing Americans the same 24 [by] 7 access to government information and services that is now

available to them from the private sector," Lieberman said in a written statement. "It is time that the government take full advantage of the Internet and other information technologies to maximize efficiency and provide the public with seamless, secure online information and services." The original bill called for creating a federal chief information officer position, but controversy ensued about to whom this officer would report. The amended bill includes a revision replacing that position with an administrator of the office of electronic government, who would be appointed by the president and confirmed by the Senate. The office of electronic government would be responsible for setting policies regarding information security, enterprise architectures, privacy and investment planning. Having won Senate approval, the bill now goes to the U.S. House of Representatives for consideration.

From ComputerWorld, by Cara Garretson, 1 July 2002

Banks' New Services Target Mexican Customers

Jonathan Noguera spends about \$100 each time he wires several thousand dollars to his father in Sahagun, Mexico. Last week, he learned about a new program at Banco Popular that's less costly and appears to be more convenient than a wire transfer. The program, called Acceso Popular, offers customers two ATM cards on accounts for a \$3 fee. The Hispanic-owned bank launched the program nationwide in May, and local branch managers have been courting customers every Wednesday for the past month at the Mexican Consulate in Orlando. The idea is to send one home to mom in Guadalajara, Mexico, and on that card, your mother can withdraw from your account," said Mercedes McCall, Central Florida region executive for Banco Popular. Customers can open the account with a Mexican government-issued identification called the *matricula consular*, along with other requirements, something unheard of in banks just years ago. At Banco Popular, one can open an account using a drivers license, passport or military identification. Foreign nationals can open accounts at Banco Popular and Bank of America, for example, with a valid passport from their country. "I have some questions, but I think it's a good idea," Noguera said. "The money I save is more money that can go to my father." Banco Popular's program is an example of how major banking institutions are beginning to market to the country's burgeoning Hispanic community. The use of the Mexican photo identification makes it a whole lot easier to market to a population that is known for being skeptical of banking and might not have other identification.

About 322,000 Hispanics call Central Florida home, according to the 2000 U.S. Census. The census found 43,678 Mexicans in Central Florida, a figure that jumped 130 percent since 1990. Market research firms estimate the buying power of Hispanics at more than \$425 billion, and many Hispanics living in the United States send money home to help support their families. "Larger financial institutions are finally recognizing the income potential of the market," McCall said. "I can remember the days when I lived here and people would say 'Speak English; you're in America.' Today, you go to the banks and other businesses and they say, '*Buenos dias!*' " In April, Bank of America launched its largest ad campaign targeting Hispanic consumers, known as "*Creemos en Ti*," or "We believe in you." The bank introduced a money transfer service called SafeSend that uses the Internet or telephone, and in June it began accepting the Mexican Consulate ID card nationwide. SunTrust Banks Inc. also recently began accepting the *matricula consular*. "We certainly noticed the growing population, and the increased buying power," said Mitch Lubitz, a Bank of America spokesman. "There is a need for these products and services." Accepting the *matricula consular* as valid identification gives Mexican nationals the ability to open an account, whether or not they are legal immigrants. The Mexican government and immigrant advocates encourage the acceptance of the cards, because they allow undocumented immigrants to enter the financial and public mainstream and give them a photo form of ID. City governments in Los Angeles and Chicago recently decided to accept the ID, mainly because it makes it easier for immigrants to prove their identity and for police to protect neighborhoods. This year, the card was redesigned to have better security provisions, said Gilberto Velarde Meixueiro, deputy consul of the Orlando Mexican Consulate office. "Before Banco Popular and other institutions started doing this, a lot of people didn't have an opportunity to have a checking account," he said. "They would cash their checks and have money in their pocket, and they were at risk of being assaulted or robbed."

Advocates of immigration reform object to the ID's use. "The efforts of both the private sector and public sector to accept the *matricula consular* is in effect making life easier for illegal immigrants to operate here," said Jack Martin, spokesman for the Washington-based Federation of American Immigration Reform. "We understand why banks would want to try to get a share of the money-transfer business, but we think that they may be opening themselves up to shareholder concerns." Banco Popular requires two pieces of identification, the *matricula consular* as one of the options, in addition to a taxpayer identification number. McCall said the *matricula consular* is no different than accepting a passport from a foreign national from England who opens an account at the bank. "We are talking about a program on Mexicans, and people are jumping to certain conclusions, and that's a shame," she said. The tax identification number insures that the customer pays taxes, but has nothing to do with immigration status. "We are dealing with the legality that the bank has to deal with," said Edith Martinez, manager of Banco Popular's Orange Avenue branch. "The fact that they have the number means the resident is making an effort to become a citizen, if they aren't already." The major banks say one part of the pitch is educating the Hispanic population, many of them newcomers, on the benefits of banking. "We are here more to do a service," Martinez said. "We are trying to help them understand what it means to establish credit. A lot of people are not aware. And there is a huge fear factor. Many have a negative perception of the government." For more than a decade, the Farmworker Association of Florida has operated its own credit union to do exactly that, teaching new immigrants who are often skeptical of the

banking system about the benefits of establishing credit. "People's experiences in other countries with banks is very different," said Sister Cathy Gorman, who helped start the credit union. "When governments topple, the money isn't always secure." In the past, farmworkers faced obstacles from major banks, she said, which is one reason the credit union was started. "The banks didn't have any confidence in their ability to repay loans, so they didn't get loans," she said. "Now they want their money." *Kelly Brewington can be reached at kbrewington@orlandosentinel.com or 407-420-6186.*

From Orlando (FL) Sentinel, by Kelly Brewington, 8 July 2002

Federal Task Force in Sacramento Created to Handle Cybercrime

Sacramento, Calif. - The solicitation that popped up on thousands of computer screens sounded too good to be true. Tri-West Investment Club offered a guaranteed high return with no risk of loss by purchasing "promissory bank notes." Nearly 13,000 people from more than 60 countries jumped at the offer. Instead of becoming rich, they had become victims who had invested \$60 million in what would turn out to be one of the largest Internet investment fraud cases in the country. The proliferation of fraud cases like Tri-West and other computer crimes motivated the U.S. attorney's office in Sacramento to form a task force that specifically targets high-tech violations. Cary Alyn Waage, the 26-year-old son of the alleged mastermind behind Tri-West, recently pleaded guilty to charges relating to the scheme, federal agents said. His sentencing, which had been scheduled for Monday, has been postponed. Meanwhile, a Costa Rican court has ordered his father, Alyn Richard Waage, to be extradited to Sacramento. The case is being prosecuted in Sacramento because the first complaints came from the area. Internet fraud is just one aspect of the task force's work, U.S. Attorney John K. Vincent said. The division also will prosecute computer intrusions, virus and worm proliferation, telecommunications fraud and intellectual property offenses, such as copyright and trademark infringement, software piracy and theft of trade secrets. "We have been focusing on cybercrime for some time now," Vincent said. "It is an area of growing concern, however, and we intend to attack it more aggressively." The Eastern District of California, which is a 34-county region that stretches from Bakersfield to the Oregon border, is home to numerous high-tech companies, major universities and military bases, and it has become a popular target for cybercriminals.

In Sacramento, Assistant U.S. Attorney Christopher Sonderby will head up the effort with the help of Assistant U.S. Attorney Mark L. Krotoski. Sonderby has prosecuted significant Internet and computer fraud cases, including the first Internet skill bidding case in the country involving the sale of a fake painting on eBay. "People who may have been using mail to commit crimes are now using computers," Sonderby said. "It gives them a veil behind which to commit crimes." In 2001, the Internet Fraud Complaint Center received 49,711 complaints that include unsolicited e-mail and child pornography. The most reported offense is Internet auction fraud, which accounts for 42.8 percent of the calls. "What we are trying to do, and what the U.S. attorney's office is trying to do, is reach out to the community to increase awareness of our role and our effort to fight and prosecute these types of crimes," said Nick Rossi, a special agent in the FBI's Sacramento office. The federal unit will work closely with members of the Sacramento Valley Hi-Tech Crimes Task Force, a nationally recognized investigative team made up of officers from various law enforcement agencies. For example, the two divisions are working on the April 5 breach at the state data center, which may have exposed personal identity information of 265,000 state employees. Lt. Mike Tsuchida of the Sacramento Valley task force said it has had a relationship with the U.S. attorney's office for a number of years. "Sometimes computer evidence is the only evidence," said Tsuchida, with the Sacramento County Sheriff's Department. "We're right out there on the cutting edge." Without going into detail of how criminals are tracked, Krotoski said, "A lot of what we do is trace the electronic fingerprints." Krotoski's cases include the prosecution of suspected Russian hacker Aleksey Ivanov, who is charged with hacking into computers at a number of companies, as well as a case involving thousands of bootlegged videotapes. Krotoski said sometimes the culprit can be halfway around the world. In the Tri-West case, FBI agents caught up with the younger Waage at an airport in Dallas, Sonderby said. He was on his way to see his father in Costa Rica. "Now," Sonderby said, "they'll have a different type of reunion - in federal court in Sacramento."

From Nando Times-Technology, by Gwendolyn Crump, 9 July 2002

S. Steel-Tax Exemption 'Not Enough,' EU's Lamy Says

Tokyo - The U.S. government needs to grant further import tariff exemptions to European steelmakers to head off a trade dispute with the European Union, EU Trade Commissioner Pascal Lamy said. U.S. President George W. Bush, who announced tariffs of as much as 30 percent on foreign steel in March, must now choose whether to grant more concessions to the EU. U.S. steelmakers, who have benefited from price increases of as much as 70 percent on some steel products, are calling for a halt to exemptions. "We've had some exemptions - not enough. We want more," Lamy said in an interview with Bloomberg Television. "We want that our companies get exemptions on high added-value products and the U.S. steel consumers aren't penalized." A spate of trade disputes this year has strained relations between the U.S. and Europe. The EU is seeking to apply \$4 billion in trade sanctions, the largest damages claim ever made to the World Trade Organization, after the WTO in January ruled illegal a U.S. law that grants tax breaks to U.S. exporters. A U.S. farm law that boosts spending on agriculture by \$51 billion over the next six years has also been denounced by the EU as contrary to the spirit of a WTO agreement to cut farm subsidies. EU Retaliation - In retaliation for the U.S. steel tariffs, the EU will decide July 19 whether to impose duties on \$350 million of U.S. products, including textiles and fruit. Europe's three largest steelmakers - Arcelor SA, Corus Group Plc and ThyssenKrupp AG - have so far won about a quarter of the exclusions they asked for. The price of a ton of hot-rolled sheet steel in the U.S., used to make goods from automobile bodies to appliances, has risen to \$380 from \$260 since the steel tariffs took effect, according to analysts. Lamy called the price increase "a bubble" that "won't last." He urged the U.S. steel industry to restructure. "I don't believe actions that have bumped U.S. steel prices to unprecedented levels are the right way to persuade the industry to bite the bullet of restructuring," Lamy said.

As many as half of U.S. steelmakers are uncompetitive, he said. "We'll be back to a normal situation and then we'll be faced with addressing the real issue, which is overcapacity," Lamy said. "The U.S. isn't an island of profits among a sea of dumpers." U.S. Steel Pressure - U.S. steelmakers are pressuring the Bush administration not to relent to European and Japanese demands for more exemptions. Tom Usher, president and chief executive officer of U.S. Steel Corp., the country's largest steelmaker, yesterday urged the U.S. government to stop exempting foreign manufacturers from steel-import tariffs. Usher and executives from companies including Nucor Corp. and Bethlehem Steel Corp. met with Commerce Secretary Donald Evans and U.S. Trade Representative Robert Zoellick to discuss the effect of the tariffs so far. Lamy, who was in Japan to meet with Japanese government officials as part of an annual EU-Japan summit, also scheduled meetings with the country's steel companies to discuss the U.S. tariffs. Lamy yesterday met Japanese Economy, Trade and Industry Minister Takeo Hiranuma to talk about the tariffs. Japan Defers Decision - Japan deferred a decision on retaliation that was due last month in order to assess U.S. concessions and will make the decision by Aug. 31, the Associated Press reported earlier, citing unidentified Japanese trade officials. Japan's three largest steelmakers, Nippon Steel Corp., NKK Corp. and Kawasaki Steel Corp., had combined sales of \$46.2 billion in the year that ended March 31. Separately, Lamy said he has received "signals" that the U.S. will change its tax law to comply with the WTO ruling that condemned tax breaks for U.S. exporters. The WTO is likely to permit the EU to retaliate this month by levying tariffs of at least \$956 million on U.S. exports. The EU claim to \$4 billion in damages is based on what it says is the annual amount U.S. exporters save because of the tax rules. "If the U.S. complies, we won't use the sanctions," Lamy said. "We need a clear timetable, which we don't yet have."

From Bloomberg-Politics, by Tim Kelly, 9 July 2002

Polish Finance Minister Steps Down After 8 Months

Polish Finance Minister Marek Belka said he stepped down after eight months on the job after the government agreed to widen next year's budget deficit 7.5 percent, more than he had recommended. Belka last week said the deficit should remain at this year's level, with spending at 192.5 billion zloty (\$47.2 billion). "After eight months on the job, I feel I cannot continue the way I would prefer," Belka said during his presentation of the budget draft. "There are personal reasons behind my decision, the deficit has nothing to do with it." Belka, who was the economic adviser to Polish President Aleksander Kwasniewski before becoming finance minister eight months ago, was seen as the main supporter of austerity measures in the Democratic Left Alliance-led cabinet. His plan was to limit spending by allowing it to grow at the pace of inflation plus 1 percent. Belka said Prime Minister Leszek Miller approved his resignation. The president must sign also approve the decision. The zloty tumbled as much as 1.4 percent against the dollar. The zloty was recently trading at 4.07 per dollar from 4.019 yesterday.

From Bloomberg-Politics, by Dorota Bartyzel and Monika Rozlal, 2 July 2002

Turkish Government Edges Toward Collapse, Lira Falls to Record

Turkey's government neared collapse as three ministers from Prime Minister Bulent Ecevit's party resigned after the second-biggest party in the ruling coalition called for early elections. Deputy Prime Minister Husamettin Ozkan, once Ecevit's top lieutenant, and two other members of the prime minister's party quit. A fourth said he may leave the government. The resignations came after Ecevit criticized Ozkan for failing to defend him against pressure to step down. "It's over," said Berna Bayazitoglu, an economist at Credit Suisse First Boston in Istanbul. "The government is collapsing. Ecevit's party is unravelling." Illness has kept Ecevit away from work for 10 weeks, leading Deputy Prime Minister Devlet Bahceli, head of the Nationalist Action Party, to call for early elections. Ecevit's coalition has garnered \$32 billion of loans from the International Monetary Fund while leading the country through an earthquake that killed 17,000 people and the country's worst recession since 1945. The Turkish lira fell 4.5 percent to 1,690,000 per dollar. The benchmark stock index dropped 4.7 percent.

From Bloomberg, by Yalman Onaran, 8 July 2002

Report Exposes Irish Banking 'Charade'

An unauthorised banking system used by some of Ireland's political and business elite to evade tax payments for more than 20 years was exposed as "little more than a charade, a sham and a legal fiction" in a report published yesterday. The former Irish Prime Minister Charles Haughey was listed among fellow former members of the Irish parliament, the landed and the wealthy, who used Ansbacher (Cayman) bank between the 1970s and 1990s. After five years of investigations into Ansbacher, the names of nearly 200 clients – individuals and companies – were published in the report. The inspectors, appointed by the High Court, detailed evidence "tending to show that Ansbacher was guilty of a number of criminal offences", including conspiracy to defraud tax authorities. Deputy Prime Minister Mary Harney, one of the main instigators of the report, said its "damning" findings had lifted "a veil of secrecy", marking "a watershed in Irish life." She said: "It is a damning insight into a world of conspiracy, fraud and tax evasion over a long number of years. "The report has described the activities of Ansbacher (Cayman) Ltd, as little more than a charade, a sham and a legal fiction." Paul Appleby, Director of Corporate Enforcement, said that he would support efforts to recover the €3.2 million (£2m) cost of the report from some of those named. One leading industrialist in the UK, along with doctors, bankers, architects, solicitors and former Irish company executives were also named. The report stressed that not all clients of the bank – which was established by the late Des Traynor, once Mr. Haughey's financial adviser – were evading tax. Despite efforts by some clients to remain anonymous, the president of Ireland's High Court, Mr. Justice Finnegan, ruled last month that it was in the public interest for the report to be published in full. The Ansbacher scandal began in the early 1970s when Mr. Traynor set about establishing offshore subsidiaries in the Channel Islands and the Cayman Islands. The Cayman subsidiary was later bought by the Henry Ansbacher group. Tens of millions of pounds were deposited with Ansbacher, which was treated for tax purposes as being lodged offshore. But Mr. Traynor was holding the cash in Ireland.

From UK-The Independent-Europe, by Mark Sage and Colin Brown, 8 July 2002

The Americas

California, Other States Miss Deadline for Budgets

California, Tennessee, New Jersey and other U.S. states failed to pass budgets by the July 1 start of the fiscal year, with legislators debating taxes and spending amid the largest deficits in a decade. Lawmakers in other states, including Oregon and Pennsylvania, struck last-minute budget agreements to cover spending for fiscal 2003. Legislators' reluctance to raise personal income and general sales taxes after a recession and during an election year complicated efforts to close gaps in California and elsewhere, said Scott Pattison, executive director of the National Association of State Budget Officers. "There's clearly been a general, across-the-board resistance" to raise broad-based state taxes, Pattison said. Finding sufficient revenue and spending cuts to balance budgets isn't easy, he said, because income and sales taxes on average generate two-thirds of state funding. In New Jersey, Governor James McGreevey at 3 a.m. signed a bill approving a deficit budget in violation of the state constitution after legislators negotiating through the night failed to back a business tax that would balance the budget. McGreevey said he will freeze \$1 billion in spending and call a special session of the Legislature on Wednesday to address the matter. Election Year - State shortfalls totaled more than \$40 billion in fiscal 2002 and 2003, according to a May report from the state budget officers' group and the National Governors Association. In 46 states, July 1 marked the start of the fiscal year. Many state constitutions require lawmakers to approve balanced budgets before the new fiscal year begins. California faced the largest budget gap. Its \$23.6 billion shortfall equaled about 30 percent of its annual operating budget. A slowing economy and a falling stock market slashed tax receipts in California and elsewhere. Larger deficits "to a small degree" may explain delays in approving budgets, though "the real problem is it's an election year," said David Hitchcock, a director of Standard & Poor's in New York. "Ultimately it's about the politicians trying to extract the maximum benefit before they give

their 'yes' vote." Many states already have cut spending, tapped rainy-day reserves, and proposed or passed higher taxes on products such as alcohol or cigarettes to help eliminate deficits. Cigarette Taxes - Oregon lawmakers, meeting in a third special session that began June 12, agreed yesterday to let voters decide in September on a 60-cents-a-pack cigarette tax increase to help close an \$860 million shortfall. Cigarette taxes have been popular. Five states raised them in 2001, compared with 11 so far this year, said Arturo Perez, senior policy specialist with the National Conference of State Legislatures. More may follow. California's Senate has approved raising the per-pack cigarette tax by 63 cents to \$1.50, tying New York for the highest levy in the U.S. In North Carolina, the top-ranked state for tobacco production, lawmakers may consider raising cigarette taxes to help eliminate a deficit that may exceed \$1.5 billion in fiscal 2003. North Carolina lawmakers are still debating other measures. Governor Mike Easley has said he may use emergency powers to cut spending unless the Legislature agrees on budget changes in coming days. Stadium Issue - Kentucky Governor Paul Patton last week signed an executive order for an \$18 billion budget after lawmakers failed to pass a fiscal 2003 spending plan.

Wisconsin doesn't have a budget to close a \$1.1 billion deficit; legislators will meet this week. Massachusetts lawmakers also haven't passed a new budget. Tennessee lawmakers over the weekend passed an emergency spending bill to avoid a shutdown of essential services. While lawmakers don't incur penalties for late budgets, state laws require temporary authorization to maintain program funding. In New Jersey, the Senate failed to approve a business tax to balance the budget after Democratic Senator Sharpe James, the mayor of Newark, withheld his support to protest what he called failed promises by Democratic Governor McGreevey and two Republican governors before him to build a sports arena in Newark. Two other Democrats joined James in withholding their vote for the tax, leaving supporters with 18 votes, including a Republican's, to 19 for opponents. The Senate is split into 20 Republicans and 20 Democrats. A Democratic co-president of Senate agreed to hold the bill while supporters sought additional votes. 'Not Happening' - The proposed \$355 million arena would house the Nets basketball team and Devils hockey team, which have threatened to leave the state if the facility isn't built. The teams, owned by YankeeNets LLC, now play their games in the state's Meadowlands sports complex. The biggest difference between state deficit-cutting measures now and those of a decade ago "is the relative absence of broad-based tax increase discussions," said Perez of the National Conference of State Legislatures. In 1991, following year-earlier budget cuts and layoffs, state income and sales tax increases raised \$15.4 billion, he said. "It's just not happening this year" except for a handful of higher sales levies, Perez said.

Oregon lawmakers rejected Governor John Kitzhaber's proposal to consider an income tax increase. California's Senate last week fell one vote short of approving a temporary income tax increase for wealthy residents. Tennessee lawmakers yesterday debated a plan that would let voters weigh a new income tax or a sales tax increase to address budget shortfalls. Revenue Down - "It's hard to do the more painful things" until all options have been exhausted, such as draining reserves and other one-time fixes, said Pattison of the state budget officers' group. The bad news, based on personal income tax collections through April, is that 39 of 41 states surveyed that impose this levy, and Washington D.C., reported less-than-expected revenue, Perez said, which means more shortfalls may arise in fiscal 2003. Utah lawmakers, who made cuts in both March and May to close a growing deficit in fiscal 2002, will meet in a special session next week to discuss more cuts and other measures after lower-than-expected revenue produced a new \$173 million shortfall. In most states "there's still some modest recovery built into everybody's forecast" and more shortfalls loom if the economy disappoints, said Utah Treasurer Edward Alter. Reports on retail sales and employment aren't encouraging and "none of that portends well for state revenue over the next couple years," Pattison said. "I was hoping we'd start seeing the light at the end of the tunnel, but we haven't done so yet."

From Bloomberg-Politics, by Dennis Walters, 1 July 2002

Blame Game In Accounting Scandals

President Bush, striving to shield himself from public anger over a growing list of accounting scandals, promised Saturday not to let an unethical few in corporate America "tarnish our entire free enterprise system." Mr. Bush defended his administration and the Republican Party against Democratic criticism that their laissez-faire attitude toward business had helped create the problems. "Despite recent abuses of the public's trust, our economy remains fundamentally sound and strong," Mr. Bush said in his weekly radio address. "No violation of the public's trust will be tolerated. The federal government will be vigilant in prosecuting wrongdoers to ensure that investors and workers maintain the highest confidence in American business." The president's scolding of big business, his fourth in as many days, could barely keep up with events. CBS News correspondent Joie Chen reports that Democrats place the blame squarely on Republicans, who controlled both Houses of Congress for most of the 90's, and who took aim at what they called unnecessary government oversight of business. In his radio address, Mr. Bush referred, though not by name, to WorldCom's disclosure earlier this week that it misrepresented \$3.8 billion in expenses. By Friday, Xerox had announced it, too, had overstated revenues by billions of dollars. "Confidence is the cornerstone of our economic system, so a few bad actors can tarnish our entire free enterprise system," Mr. Bush said. "America is ushering in a new era of responsibility and that ethic of responsibility must extend to America's boardrooms." He listed administration efforts against corporate fraud: quick investigations into and actions against companies by the Securities and Exchange Commission and a 10-point plan that includes taking ill-gotten gains back from company

executives and denying them the chance to serve on boards of directors. Mr. Bush's address was recorded Friday and broadcast on the day he underwent a colon screening by military doctors at Camp David, Md. Sen. Paul Sarbanes, chairman of the Senate Banking Committee, also used the Democrats' weekly radio address to criticize corporate misconduct. "We are facing a crisis of confidence that is eroding the public's trust in our markets and poses a real threat to our economic health," he said. "We ignore it at our peril." Sarbanes, D-Md., urged passage of his bill to tighten oversight of the accounting industry with a new private-sector body. White House spokesman Ari Fleischer said the president might support the legislation when it goes to the Senate floor next month if it is changed to give the SEC greater administrative authority. Mr. Bush has hit the issue hard as internal Republican polling shows him and his party vulnerable on the topic. He plans a July 9 speech on Wall Street as well. Democrats, eager for political gains in this November elections that will decide control of the House and Senate, were seizing the moment, too. Senate Majority Leader Tom Daschle, D-S.D., opened Friday's business on the Senate floor with a denunciation of "a deregulatory, permissive atmosphere that has relied too much on corporate America to police itself." He listed companies that have been in hot water, including Halliburton, where Dick Cheney was chief executive before winning the vice presidency. The economy perennially tops voters' lists of concerns, and a poll released this week suggest both parties are right to pay attention to the accounting scandals. The nonpartisan Pew Research Center found that, while Mr. Bush's overall job approval remained strong at 70 percent, only one-third of Americans believe he is "doing all he can" on the economy. Spokesman Fleischer said potential political ramifications were not behind Mr. Bush's strong words. "The president was just outraged ... that's why the president went out and spoke about it as strongly as he did," he said.

From CBS News-Politics, 1 July 2002

States Pressure Wall Street on Conflicts

New York, California and North Carolina officials agreed Monday to require many top Wall Street firms to end conflicts of interests that have cost investors millions of dollars. The states will require investment banking firms and money managers doing business with the states' massive pension funds to adopt anti-conflict-of-interest principles. They will be required to disclose more about potential conflicts, adhere to several safeguards and accept closer monitoring, according to the agreement. "Our message today is simple and clear: If you wish to do business with our state, we expect you to adhere to the highest standards of integrity and disclosure," said California Treasurer Philip Angelides. The deal was brokered by officials who are trustees of their states' multibillion dollar public employee pension funds and have adopted the measures under that authority, a spokesman for New York Attorney General Eliot Spitzer said. The agreement imposes and extends Spitzer's May settlement with Merrill Lynch. The firm, and a few other major brokerages, agreed to separate its analysts from investment banking. Internal e-mails obtained by Spitzer showed stock analysts were urging investors to buy the stock of companies they privately felt were risky in order to land the firms as investment banking clients. The revelations further weakened investor confidence, wracked by a wave of accounting scandals following last fall's collapse of Enron that have cost them millions. WorldCom, Adelphia Communications, Tyco International, Xerox and others have lost billions of dollars in market value as questions arose over their financial practices and accounting. "The corporate abuses we have seen recently have taken a terrible toll on the integrity of our financial system and have created a crisis of confidence among investors in Wall Street," said New York Comptroller H. Carl McCall, the sole trustee of his state's \$112 billion state pension fund. The California Public Employees Retirement System is the nation's largest at about \$150 billion while North Carolina has about \$60 billion in its public employee retirement fund.

From USA Today-Money, 1 July 2002

High-Tech Leaders Fight Push to Reform their Stock Options

San Francisco - Larry W. Sonsini, one of the most powerful lawyers in Silicon Valley, leaned over his microphone before members of the nation's largest pension fund last month and issued a dramatic prediction: Tamper with stock options and you stifle high-tech innovation. "Broad-based equity ownership is key to the distinction that this country has as a leader in innovation," Sonsini told Calpers, the California Public Employees Retirement System, at a hearing in Sacramento. "You dilute that element, and you dilute this country's ability to innovate and commercialize." Silicon Valley leaders have been successfully beating back what they see as a threat to their lifeblood, stock options, which companies use to reward workers for jumping into the kinds of risky ventures that built the region into a wellspring of invention and entrepreneurship. But the crusade against stock options is likely to gain fresh momentum with the market jitters that followed the latest accounting disclosures from WorldCom and Xerox. And arrayed against the technology industry are such icons of the US economy as Alan Greenspan and Warren Buffett, along with major institutional investors. The challenge comes at a particularly crucial time, as Silicon Valley tries to create the technology it hopes will spark the next big boom. The trouble is that brilliant ideas need funding and customers to become thriving businesses. Both are in short supply. "We've got this innovation depression right now," said Todd Dages, a venture capitalist with Wellesley-based Battery Ventures, which has California offices. "Silicon Valley is the capital of that innovation depression." So far, the high-tech titans have avoided the accounting troubles that have rocked other sectors of corporate America. But with each new revelation of bad numbers in major companies, investors become less willing to overlook flaws in accounting standards. The corporate reform movement has given new life to calls for changes in the way companies are required to treat employee stock options on their balance sheets. "The market is being hammered because

people don't trust the numbers, and this is just adding to that," said Ann Yerger, research director for the Council of Institutional Investors, a Washington, D.C.-based nonprofit group that represents large shareholders. Yerger and other critics say that stock options amount to free compensation. Each stock option granted to an employee lessens the value of shares that other investors already hold. Yet management has few reasons not to grant them. Companies can take stock options as a tax deduction, but they are not required to count options as expenses against their profits. Only two of the Fortune 500 companies do, analysts say: Boeing Co. and Winn-Dixie Stores Inc. "There's no logical accounting justification for not expensing options," said Chuck Hill, director of research for Thomson First Call, who said all companies should be required to list their stock options as expenses for accounting purposes. The National Center for Employee Ownership estimates that up to 10 million workers receive options, but accounting for those options has come under heightened scrutiny since recent scandals involving executive compensation and accounting fraud. Some top economists and pension fund managers argue that the stock-options loophole gives corporations a free pass to lavishly reward executives without having to supply the cash. "Companies such as Qwest last year gave huge amounts of options to their executives while investors were suffering billions of dollars in losses in market caps," Arthur Levitt Jr., the former chairman of the Securities and Exchange Commission, told the Calpers board. "That speaks to nothing less than greed." Stung by bookkeeping shenanigans at Enron and other companies, the Calpers board was putting the finishing touches on a shareholder resolution calling for sweeping changes in corporate governance. Among the changes was a resolution to pressure companies to count stock options as expenses.

The accounting industry has toyed with the idea of expensing options for more than a decade. The most serious effort was in 1995 with a proposal by the Financial Accounting Standards Board that would have required expensing. Thousands of rank-and-file tech workers rallied in Sacramento against the proposal. Unable to agree on how to properly value an employee option, the financial board dropped its plan under heavy pressure from the high-tech industry, and even Levitt later called that decision the "greatest mistake" he made during his eight years as SEC chief. Levitt said that stock options are important motivational tools, but that companies should be required to list them as expenses against profits. By forcing the expensing of options, high-tech business leaders argue that their companies' profits will take such a hit that employee options will become extinct. If it had to list its 1 billion outstanding employee options as an expense, for example, networking giant Cisco Systems Inc. would have reported a \$2.8 billion loss last year, instead of the \$21 million profit it recorded, according to the investment bank Credit Suisse First Boston. High-tech executives "really have this visceral feeling that the way they run their companies, motivate their employees, and take risks requires stock options," said Rick White, chief executive officer of TechNet, a trade group that arranged to have Sonsini added to the Calpers hearing at the last minute. Sonsini, who heads the law firm Wilson Sonsini Goodrich & Rosati, in Palo Alto, Calif., said disclosing stock options on public financial reports is sufficient. He is on the New York Stock Exchange board, which is to vote next month on a proposal to require New York Stock Exchange-traded companies to seek shareholder approval for all employee stock-option plans. He, like many opponents of expensing options, said that no one has devised a way to properly measure the value of options, which vary in price and may never even be exercised. But Levitt pointed out that corporate accountants assign values to stock options for tax breaks, estate planning, and even divorce proceedings. "They can come up with a proposal when it lines their pockets, but not when the management of companies they audit oppose it because it will lower earnings," he said, urging the Calpers board to rebuff the "formidable" lobbying campaign by the high-tech industry. Despite pleas by Levitt, stock analysts, and a finance professor to call for the expensing of options, the Calpers board decided to exclude it from the general reforms, saying it was not "the silver bullet" to clean up US business. The board said it favored the New York Stock Exchange approach of more disclosure. TechNet and its allies have also stalled in the Senate Finance Committee similar legislation, sponsored by Senator Carl Levin, Democrat of Michigan, and Senator John McCain, Republican of Arizona, after Enron. "The Valley certainly won on Calpers," said Jenifer Verdery, director of workforce policy for Intel Corp., which gives options to each employee. "That was a huge effort, and it turned an organization around."

But some high-tech specialists predict the issue will not die. The International Accounting Standards Board, based in London, is expected later this year to release a draft of revised standards, including a requirement that companies traded on European stock exchanges treat options as expenses. This would affect US companies that trade on exchanges in Europe. The international standards board also will put pressure on its American counterpart, analysts say. So will the latest accounting scandals. "The momentum that has been building recently [for expensing options] has little to do with executive compensation and accounting," said Kevin J. Murphy, a professor of finance and business economics at the University of Southern California. "It has everything to do with Enron and WorldCom and little tricks that accountants play. As long as there's outrage in our accounting system, I think there's still life in this issue." And as long as the accounting scandals continue, the high-tech industry has more to worry about than how it accounts for stock options. Its largest customers are still trying to determine what to do with the extraordinary amount of software and networking equipment they bought during the Internet boom, and they have slashed their information-technology spending as the weak economy cuts into their profits. The decrease in demand for technology products has driven down the stock prices of most high-tech companies, rendering worthless the options of most of their workers. With many of the most talented engineers unable to find work, those who do hold jobs often choose to remain at the most stable of high-tech companies rather than take their chances with a startup, said Roger McNamee, a general partner with Integral Capital Partners, a Silicon Valley company that invests in public and private businesses. "What I'm concerned about is getting customers to open up their purse strings again," McNamee said. "Even if

there is a lot of innovation, the mechanisms to take advantage of it have been severely damaged." *Chris Gaither can be reached at gaither@globe.com.*

From Boston (MA) Globe, by Chris Gaither, 8 July 2002

After Scandals, U.S. Economic Model is Hard Sell Abroad

Carolyn Brancato was supposed to advise the top officials of the oil-producing sultanate of Oman on how to clean up their stock market. Instead she found herself fielding offers of condolence. "Everyone was dressed in their robes and talking about Enron and I thought to myself, 'Wait a minute, I'm in the wrong movie,'" said Brancato, head of the New York-based Conference Board's Global Corporate Governance Research Center. "These other countries have had to prove that their capital markets are good and honest, and we've taken it for granted in the U.S. Unfortunately, we now have to prove it ourselves." Corporate America's fall from grace has been swift and brutal. But it has been particularly humbling for people like Brancato, on the front lines of a campaign to convince foreigners that the quickest path to fiscal righteousness is replicating the U.S. model of corporate openness, independent directors and outside auditors. Those efforts are increasingly running into roadblocks as corporate improprieties pile up like a free-way collision and spooked foreigners pull their wealth out of U.S. markets. Around the world, the architects of the global economy are rethinking the idea that the United States should be the undisputed standard-setter for everything from executive compensation to accounting. They point to the woes of Enron Corp., WorldCom Inc. and Xerox Corp. as the dark side of a Western-style capitalist system that rewarded greed and short-term gain and turned high-flying chief executives into celebrities. "I have been a student of capital markets for 40 years and an individual investor for almost as long, and in that period I have never seen the collapse of faith in American corporations that I see today," said Linda Tsao Yang, former U.S. ambassador to the Asian Development Bank and an organizer of the Asia Corporate Governance Association.

The cries of hypocrisy are particularly loud across the Pacific, where the 1997 Asian economic meltdown inspired U.S. officials to preach on the need to stamp out crony capitalism and tighten up regulation of regional markets. "There are some Japanese that are taking delight in this, saying that the U.S. really doesn't have a very good system despite the U.S. trying to proselytize and tell others they should adopt the U.S. system," said Glen Fukushima, a former U.S. trade official and president of Cadence Design Systems Japan, a software company. Many fear that the latest scandals will be used as an excuse to scuttle badly needed reforms in areas like Asia, where governments anxious to lure back foreign investment have increased regulation of their capital markets. Those include requirements for the appointment of independent directors, auditing committees and improved financial reporting. Corporate governance supporters argue that the United States still has the toughest corporate ethics requirements and market regulations in the world and it is the failure of individuals - not the system - that is at the root of the latest wave of Wall Street scandals. Investors still know more about U.S.-\$ listed companies than those trading abroad. But with the world's stock markets in decline and the dollar losing 8 percent of its value against major currencies in the last quarter, America is under pressure to move quickly to prove to the rest of the world that corporate governance is more than an empty slogan. "No one believes anyone right now," said Erik Berglof, a fellow at the European Corporate Government Institute based in London and Brussels. "A fundamental lesson of this is that the repercussions of one company making errors or misjudgments are tremendous. It affects the whole image of stock markets - not just in the United States." Berglof said he believed that there were basic rules of good corporate behavior that were universal, such as the need for better reporting and accountability to shareholders and independent oversight.

But he also argued that key differences in culture and corporate ownership structures were overlooked during the rush to emulate the global superpower in the 1990s. In the United States, which boasts the world's most developed capital markets, publicly held companies dominate the ranks of the largest corporations. But outside the United States and England, the vast majority of companies have controlling shareholders, often families that tend to vote as a bloc. The government also owns major stakes of leading companies in many countries. Such important shareholders can play a positive role if they wield their power wisely, according to Berglof. Though companies controlled by families are notoriously close-mouthed and resistant to outside criticism, they face greater social pressure to protect their reputation than chief executives who owe their jobs to corporate boards. Earlier this year, angry shareholders of Swiss-based ABB Ltd., one of the world's largest engineering companies, forced the former chief executive, Percy Barnevik, to give up more than half of the \$120 million pension he had awarded himself. They also replaced most of the board of directors. Swiss authorities have begun a criminal investigation into the scandal involving the charismatic Barnevik, whose defense was that he had given himself an "American payment system in a European environment." "In this case, the controlling shareholders were quite useful because they forced this payback, which benefited all the shareholders," Berglof said. The United States clearly has lost ground in the skirmish over a global accounting standard, designed to lessen the headaches for multinational companies and make it easier for stock market regulators to monitor corporate performance across borders. The United States had been pushing the Generally Accepted Accounting Principles, issued by the Financial Accounting Standards Board. U.S. officials argued that GAAP reduced the opportunities for mistakes or fraud by closely detailing how companies should handle specific accounting issues. But Europeans prefer the broader accounting principles set by the London-based International Accounting Standards Board, which will become mandatory in 2005 for companies in the European Union. "The compound effect of Enron and now WorldCom has people starting to question the value of the

U.S. systems in general," said Bryce Corbett of the International Chamber of Commerce in Paris. "The European standard is starting to look quite effective in comparison."

From International Herald Tribune, by [Evelyn Iritani](#), 8 July 2002

Watchdogs Attack Budgeting Practices on Hill

Congress this week is cracking down on corporate financial practices, but government watchdog groups are attacking its credibility, accusing lawmakers of ignoring budget deadlines and engaging in equally dubious accounting tricks. The Budget Enforcement Act of 1974 requires Congress to approve a budget resolution that sets limits for how much the government can spend. Congress routinely disregards the April 15 deadline, but this year lawmakers have all but given up on adopting a budget. Senate Majority Leader Tom Daschle "can't even be bothered to pass a budget this year," said Eric Schlecht, top congressional analyst for the National Taxpayers Union. The House approved a \$2.1 trillion budget March 20, but Senate Democrats cannot agree on a spending plan and show no sign of bringing a budget to the floor. Mr. Daschle, South Dakota Democrat, has been at the forefront of pushing legislation to hold corporations more accountable for financial misconduct. Even when Congress does approve a budget on time, however, lawmakers often disregard it. Government watchdogs say this and other breaches of congressional budget rules damage lawmakers' credibility in calling for greater corporate accountability. Tom Schatz, president of Citizens Against Government Waste, said that over the past five years Congress has spent a total of \$142 billion beyond the amounts it had budgeted. "That's more than 12 times the misstated figures from Enron, Xerox and WorldCom combined," Mr. Schatz said.

The government's financial books are in such poor shape that officials cannot account for \$17.3 billion of taxpayers' money from fiscal year 2001. Rep. Walter B. Jones Jr., North Carolina Republican, recently wrote to Treasury Secretary Paul H. O'Neill to demand an explanation of what the government calls "unreconciled transactions." "I think we have a responsibility and an obligation to the taxpayers of this country to explain to them how we lost \$17 billion," Mr. Jones said. Mr. Schlecht also noted that lawmakers frequently devise accounting gimmicks, such as "forward funding," in which Congress spends money in the current fiscal year but counts it against the total of the following fiscal year to circumvent budget caps. And when the new fiscal year dawns, lawmakers often shift the extra money on the books back to the previous year. "So when you spend it this year, we're going to count it next year, and then when next year rolls around, we're going to count it as last year," Mr. Schlecht said. "They cooked the books more than Arthur Andersen could ever dream of." Said Trent Duffy, spokesman for the White House Office on Management and Budget, "There's certainly creative accounting in Washington." All of this is legal because Congress makes the rules.

The same situation applies to "supplemental" or emergency spending bills, which cost taxpayers tens of billions of dollars annually but do not count against budget limits. "They're off on some metaphysical plane that doesn't apply, like we're spending pretend money," Mr. Schlecht said. "We'll just take all the money we've spent on farming and put it off the books now, so it doesn't count. I don't see how that's fundamentally different from what WorldCom supposedly did." The White House also has proposed "full-cost accounting," which would require Congress to include pension costs in the true accounting of a program. Mr. Duffy said it would add about \$9 billion annually in costs that currently are not recognized in the budget. "Congress so far has not been warm to that proposal," Mr. Duffy said. Then there are the exemptions that lawmakers grant themselves. Unlike some corporate executives, members of Congress are not required to declare the cost of their prime parking spaces on Capitol Hill as taxable income. House lawmakers, unlike CEOs, can apply frequent-flier miles accrued on official business for their personal use without declaring the benefit as income. Corporate executives, senators and White House officials must declare the airline miles as income for tax purposes.

From Washington (DC) Times-Nation, by [Dave Boyer](#), 9 July 2002

Veep Accused Of Accounting Fraud

A public interest group sued Vice President Dick Cheney and the oil services company he once ran, Halliburton Co., Wednesday, alleging they defrauded shareholders by overstating the company's revenues. The accounting fraud lawsuit also names as defendants Halliburton's directors and its accounting firm, Arthur Andersen. The civil lawsuit was filed in federal court one day after President Bush went to Wall Street to outline proposals aimed at stopping the accounting scandals that have shaken investor faith in the U.S. financial markets. The legal group Judicial Watch alleges that while Cheney was Halliburton's chief executive officer, the Texas company reported as income money that had not been received, from contract claims that were still "speculative" and in dispute. "They overstated their revenues by tens of millions of dollars and that's an understatement," Larry Klayman, chairman of the Washington-based Judicial Watch, told reporters in Miami, where he was visiting on unrelated business. The suit was filed in Dallas, where Halliburton is based. In Washington, White House spokesman Ari Fleischer said he had spoken to Cheney's office and "they believe the suit is without merit, and that's where it stands." Halliburton also said the claims were without merit. "The claims in this lawsuit are untrue, unsupported and unfounded," Halliburton Chief Financial Officer Doug Foshee said in a statement. Judicial Watch targets government corruption and has sued politicians of every stripe in the past. Klayman said the inflated revenues resulted from accounting changes that were never made public as required by law, and inflated Halliburton's stock price. The lawsuit, filed on behalf

of two Halliburton shareholders who lost "a lot" of money, did not specify the amount of compensation the plaintiffs are seeking. But Klayman said: "We're seeking millions and millions of dollars. — ... It's to punish the people involved." Fleischer said Tuesday the SEC would take its investigation of Halliburton "wherever it leads," dismissing suggestions investigators would come under pressure to back off if Cheney was implicated. Cheney was chairman and chief executive of Halliburton from 1995 to 2000. The oil field services company announced on May 28 that it received notice from the Securities and Exchange Commission that the commission was looking into Halliburton's accounting methods - adopted in 1998 - for reporting cost overruns on construction jobs. The SEC has not filed any charges against the Dallas-based company. Before 1998, the company had been more conservative, reporting such revenue only after settling with customers. The Washington-based group Judicial Watch alleges those accounting practices resulted in the overvaluation of Halliburton's shares, deceiving investors. "We're seeking actual and punitive damages for allegations of securities fraud, for changing accounting practices and not advising the public of these changes," said Judicial Watch chairman and general counsel Larry Klayman, who is to hold a news conference Wednesday in Miami to announce further details on the legal action.

A spokesman for Cheney declined comment and instead referred all questions on the matter to Halliburton. "We don't believe that there's any merit to this case," Halliburton spokeswoman Zelma Branch said. The lawsuit, which is expected to be filed Wednesday in federal court in Dallas, also names ten of Halliburton's board members. Judicial Watch is no stranger to conflict with the Bush administration, having previously sued for access to records of the Cheney-led energy task force that drafted the Bush administration's energy policy. The leader of the group charges that President Bush's public campaign to crack down on corporate fraud - underscored with a speech on Wall Street yesterday - appears intended to deflect attention away from his and Cheney's own past business practices. "To look the other way for the vice president would be to set a precedent that the Washington elite are above the law," said Klayman, arguing his case that Cheney and Halliburton were in the wrong.

From CBS News-National, 10 July 2002

U.S. Lawmaker Proposes Redefining, Limiting Tax Shelters

Washington - House Ways and Means Committee Chairman Bill Thomas is proposing to limit tax shelters by requiring they serve a business purpose, an approach rejected by the Senate and the Treasury Department. Tax professionals said they were surprised by Thomas's move, in legislation he introduced yesterday, to redefine the tax code's "economic substance doctrine." Corporate tax experts successfully fought the Clinton administration when it proposed similar changes in the 1990s. "I'm really surprised and disappointed," said Timothy McCormally, executive director of Tax Executives Institute, an organization of corporate tax officials. "Although intended to bring clarity and consistency to the tax shelter area, it's more likely to cause confusion and perhaps chaos." The Treasury Department has estimated that shelters cost the government \$10 billion a year in missed tax revenue. The Internal Revenue Service has been cracking down on the use of accounting devices to reduce or evade taxes by asking accounting firms and financial institutions to turn over records of tax shelter products and reveal the clients who used them. Thomas's proposal would endorse shelters that have a "substantial non-tax business purpose" and involve "meaningful" change in the taxpayer's economic position beyond just the tax savings. The change would write into law court decisions on tax shelters. It would ensure taxpayers undertake tax transactions for legitimate economic reasons rather than being motivated purely by tax savings, said Thomas, a California Republican. New Tax Rules - The provision is the anchor of a 24-point package of stiffer penalties and rules designed to force companies and individuals to disclose when they use tax shelters. Thomas's anti-shelter legislation is part of a larger effort to rewrite tax laws to stop U.S. companies from reincorporating in offshore tax havens.

The Senate Finance Committee last month approved its own bill to give the Internal Revenue Service additional powers to fight tax shelters, which are specialized investment strategies or tax avoidance techniques that let corporations and individuals lower their tax liabilities. Accounting firms and investment banks sell such tax strategies to corporate clients. Some have been ruled illegal. The IRS has had mixed success in its attempts to crack down on tax shelters. Judges have backed Compaq Computer Corp., United Parcel Service Inc. and Wyeth in some cases, while the tax agency won cases against Winn-Dixie Stores Inc., American Electric Power Co. and SBC Communications Inc. Fines and Records - In the last year, the IRS has forced Merrill Lynch & Co. and PricewaterhouseCoopers LLP to pay what the agency termed "substantial" fines for failing to turn over records about tax shelters they promoted. On Tuesday, the IRS asked a federal court to force KPMG LLP and BDO Seidman to turn over records about tax shelter products, as required by law. KPMG had "partial" cooperation, IRS Chief Counsel B. John Williams said in an interview. Williams said the IRS and the Justice Department decided to take KPMG to court because "there was a lot of material they didn't deliver or they dragged their feet on." Williams said the IRS will take more enforcement actions against other accounting firms, law firms, and investment houses in about a month if they don't start cooperating after the IRS's move against KPMG and BDO Seidman. "We hope the filing this week will change some attitudes," Williams said.

From Bloomberg-Politics, by Ryan J. Donmoyer, 12 July 2002

FTC Says States' E-commerce Laws Hurt Consumers

Federal Trade Commissioner Chairman Timothy J. Muris said state laws restricting Internet commerce are costing consumers as much as \$15 billion a year. The [FTC](#) yesterday said it will hold a [workshop](#) in October to study the effects of state laws on Internet commerce. Muris said many state laws designed to protect brick-and-mortar businesses from online competition actually hurt consumers and hinder competition. The FTC will hold the workshop Oct. 8-10 in Washington. "We're hoping to educate ourselves in this workshop and shed some light publicly about some of these restrictive practices," he said. Muris said the workshop could spark further investigations and actions by the FTC, although the primary aim is to get a better idea of the global effect of state regulations. The FTC noted that some states ban Internet sales unless the company has a physical presence in the state and prohibit the sale of certain products over the Internet. As an example, he pointed to actions the FTC has taken against laws in Connecticut regarding contact lenses. Connecticut restricted the sale of contact lenses online. Up to this point, Muris said, the FTC has approached the subject of state laws on a case-by-case basis. But this fall's workshop will be the first by the FTC to look at the total impact of the laws, he said. The workshop will help the FTC "connect the dots," said Ted Cruz, the FTC's director of policy planning. "We will look at the aggregate effect on e-commerce across the board." The workshop will be open to the public and have panels including representatives from state and federal government, universities and a variety of industries.

From Bloomberg-Financial, by [BRIAN SULLIVAN](#), 18 July 2002

Private Sector Development

Asia/Pacific

'Old guard' Thwarts Reform in Japan

Prime Minister Koizumi's failure to fully privatize the post office underscores a rigid political system. For Prime Minister Junichiro Koizumi, privatizing Japan's beloved post office – a place where many ordinary Japanese keep some \$2.1 trillion in savings – was the first step in rescuing the country's economy. More important, it was Mr. Koizumi's high-stakes bid to take on his country's old guard and reform its rigid political system. But with the lower chamber of parliament ready today to accept a series of watered-down bills that are unlikely to spur private competition, Koizumi's bid seems to be headed for failure. The defeat could further sap a whole range of initiatives that Koizumi's government last year confidently announced – from welfare to public works. Some observers say Japan's old guard is continuing to thwart structural changes needed to bring its economy and political system into balance. "You have people who have benefited from a certain style of politics for 50 years, and you now see that the policy of writing checks and hoping for the best is going to continue," says a former Clinton official and a Japan expert at a US think tank. "If Japan is not careful, the rest of Asia is just going to write them off." Japan has the second-largest economy in the world. But after a decade of a sliding yen and offshore manufacturing, Japan is now importing small cars and spending so freely that its bond rating is lower than that of Botswana. The prime minister's defeat comes on the heels of a blow for another high-profile Japanese reformer, Yasuo Tanaka. As the governor of the Nagano district, Mr. Tanaka lost a no-confidence vote over his policies that demanded fewer public works projects, including expensive dams. Like Koizumi, the young and outspoken Tanaka was elected on a wave of voter zeal for change, in a district known for its conservatism.

But when he challenged the Asakawa and Shimosuwa dam projects, he faced a 44-to-5 vote against him in the Nagano legislature. Koizumi's lost battle over ending a postal monopoly reveals a serious conflict within his Liberal Democratic Party over the future of Japan. The LDP is by far the most dominant political force in the country, comparable, some argue, to the absolute rule once held by the Nationalists in Taiwan. The party is seen as supporting a rigid and inflexible system. The battle lines in the LDP are in some ways drawn between generations, says Minoru Morita, a political consultant in Tokyo: Party members in their 40s and 50s have studied in the US, were globalized, and now are moving toward an antiglobalization trend. "The thinking is different." "Koizumi is our last hope," says one of the younger reformers, Tara Kono, a member of parliament. "He was going to change the LDP. And I don't see an alternative to him. If he goes, the LDP goes, and then you've got a huge mess." Koizumi, whose initial popularity has been in decline for months, is expected to reshuffle his cabinet in August and fight on – despite scattered rumors of a showdown over his job later in the year. Japanese voters have become so cynical, say analysts, that few truly expected Koizumi's reform to succeed, and they've already accepted his defeat. Moreover, no clear candidates are waiting in the wings to replace Koizumi. Japan has faced a series of prime ministers who last a year or less. When Koizumi was elected, his youth, fashionably wavy hair, and professed love of pop music

helped him achieve an 80 percent approval rating, the highest of any elected leader in recent Japanese history. "He [Koizumi] is at 50 percent [approval rating], and that is enough," says Yasunori Sone, an outside adviser to Koizumi. "[He] is trying to change the old LDP to a new LDP, and that will continue to have voter appeal." In a society that has long had an intricate and iron-clad system of patronage between corporations, government bureaucracy, and politicians, the post office was seen as a relatively unthreatening place to initiate change. Koizumi's aim has been not only to bring faster and cheaper mail delivery to Japan, but also to create reform mentality inside the LDP, Japan's dominant party. His plan was to turn the post office into a public corporation, which would theoretically attract private businesses to deliver mail. Koizumi's plans also called for a separation of the function of the post office as bank – with vast holdings used as collateral in a variety of financing schemes benefitting the LDP – from its function as a mail service. The current bill allowing for private competition requires an astronomical investment by any business wishing to compete, including the purchase of 100,000 postal boxes, and a guarantee that all services would immediately match the current standard of delivery. No takers have come forward.

From Christian Science Monitor, by Robert Marquand, 9 July 2002

Middle East

Israel to Privatize El Al Airlines

Israel's national airline, El Al, is to be sold to private investors, Israel's Cabinet secretary said in a statement Monday, reversing an earlier decision to keep 51 percent of the company in the hands of the government. According to the new plan, approved by a ministerial committee, 49 percent of the company would be sold in the first part of 2003, and the remainder would be sold in phases. In 1998, when the original decision was made to sell 49 percent, officials said it was important to keep ultimate control of the national airline in government hands for security reasons. At the time government critics expressed concern that Israel would lose control of its national airline in times of crisis. The panel put off decisions on whether it would keep a share of the company that would allow it special voting rights in order to mobilize El Al airplanes to safeguard national and security interests. It also made no decision on whether the government would continue to subsidize the cost of the airline's intense security procedures. El Al has been losing money for years and is not considered a prime investment. Palestinian-Israeli violence, now in its 22nd month, has hit hard at tourism to Israel, cutting into the airline's earnings. In the first quarter of 2002, the airline showed a loss of \$13.7 million. In 2001, the company lost \$85 million, and \$109 million in 2000. Much of the deficit derives from the 1983 decision to stop El Al from flying on the Jewish Sabbath, which restricts the airline's activities over parts of several days because of time zone differences. On Saturday, Israel's government granted rare special permission for an El Al plane to fly on the Jewish Sabbath after some of the passengers were involved in a shooting attack in the Los Angeles airport on July 4, in which three people, including the gunman, were killed.

From CNN-Middle East, 9 July 2002

The Americas

Business Ethics Top Congress's Agenda - Budget, Spending are Also Priorities

Washington - Congress returns from its Fourth of July recess today determined to crack down on mounting corporate accounting scandals - even while confronting growing problems in the federal government's own budget ledger. President Bush is set to speak about business ethics tomorrow on Wall Street, and a House committee today opens hearings into recent revelations that telecommunications giant WorldCom overstated earnings by nearly \$3.9 billion. The Senate today begins debate on a bill to tighten federal oversight of the accounting industry, a measure that has gained new importance, and momentum, because of the WorldCom situation. House and Senate lawmakers will also resume efforts to work out an emergency spending bill and a compromise budget plan, setting spending targets for next year. That task will become more politically charged when the White House on July 15 releases updated budget figures that bipartisan congressional specialists expect to show deficits of \$150 billion to \$160 billion this fiscal year and nearly \$200 billion in 2003. Senate Democrats want a budget framework, in part, to extend rules set to expire in October that require 60 votes for tax bills. If the rules lapse, Republicans could find it easier to move such proposals as permanent repeal of the federal estate tax.

The budget and spending measures are among the most immediate, but far from the only, issues confronting Congress. Lawmakers want to deliver legislation to President Bush by Sept. 11 setting up a complex new Homeland Security Department. The Senate plans a vote on a Medicare prescription drug plan. A host of bills remains unfinished, including energy legislation, terrorism insurance, and regulation of health plans. A special House Homeland Security committee plans a hearing Friday with the secretaries of treasury, state, defense, and the attorney general to discuss potential terrorist threats. "We must understand America's new place on the world stage before we bury ourselves in the fine points of the legislation," said House majority leader Dick Armey, a Texas Republican. "How do we defend freedom in the new era?" The House Financial Services Committee plans a hearing today into alleged fraud in

WorldCom financial statements. Congressional committees already have investigated problems at energy giant Enron, which filed for bankruptcy last year. The committee voted to issue subpoenas to current and former WorldCom executives, including former CEO Bernard J. Ebbers, current president and CEO John Sidgmore, current chairman Bert Roberts, and Scott Sullivan, former chief financial officer. There is bipartisan concern that the unfolding string of corporate scandals is affecting the stock market, hurting consumer savings and confidence. Recent polls also show that most voters believe Democrats do a better job than Republicans when it comes to regulating business. Also today, the Senate begins debate on a bipartisan measure to tighten federal oversight of the accounting industry. The House has approved a looser version of the bill, but any final compromise is now expected to look more like the Senate plan. The Senate bill would create a five-person board to oversee accountants, would bar auditors from performing a variety of consulting services for their clients, and limit the amount of time senior auditors could work for the same client. The American Institute of Certified Public Accountants has raised concerns about the bill, saying the industry would have too little say about professional standards.

They have hired outside lobbyists, including the firm of former Republican Representative Vin Weber, to press their case. Senate majority leader Thomas A. Daschle, a South Dakota Democrat, expects the bill to pass by a wide margin. Daschle's most immediate challenge may be to prevent the measure from becoming a magnet for controversial amendments. For example, some senators want to attach a provision that would require companies to account for stock options in their earnings reports. Daschle has been trying to pave the way for a package of Democratic amendments strengthening protections for workers in 401(k) and other retirement savings plans. Massachusetts Democratic Senator Edward M. Kennedy and Finance Committee chairman Max Baucus, a Montana Democrat, have differing ideas about how far Congress should go to address the issue. Thousands of Enron workers lost retirement savings when the company failed and stock prices collapsed. "Things were cooling down on Enron, but WorldCom came along and everything is back on the front burner," said Karen Ferguson of the Pension Rights Center. Her organization has been in touch with some WorldCom employees who have seen their retirement savings evaporate as the company's stock as plummeted. Business groups, who thought they had beaten back the toughest calls for reform, post-Enron, are now back on the defensive. "The WorldCom situation has had a palpable effect on the process - it has swept up the whole business-related agenda in its wake," said John Scott, director of legislative affairs for the American Benefits Council, which represents companies on employee benefit plans. "Everyone is in the dark as to what's going to happen - there is a little bit of anxiety."

The Senate is expected to clear the accounting measure by the end of the week. The budget debate may take longer. The Senate has been unable to clear a bill setting spending targets for the coming year. The Senate generally wants more money than the House, and Bush administration, have been willing to agree to. White House budget director Mitch Daniels has told Congress he plans to hold the line on annual spending bills. Daniels has had less success in persuading lawmakers to rein in big-ticket proposals, like a \$350 billion Medicare prescription drug bill that recently passed the House. The new budget figures may strengthen the White House case for budget restraint. Senate Republican budget aides predict the 2002 deficit will top \$150 billion, with the 2003 numbers at near \$200 billion. Democrats are near those totals, which do not include the cost of a prescription drug plan and other possible tax and spending legislation. *Sue Kirchoff can be reached at kirchoff@globe.com.*

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