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8.6 percent in the first two months of 2000 from a year earlier to 95.5

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yuan (\$11.54 billion), the Xinhua news agency reported, citing figures from the

government's statistics bureau, the Wall Street Journal (p. A21) reports.

Colombia said yesterday it would seek a \$362 million loan from multilateral lending institutions to help fund a wide-ranging plan to combat drug trafficking

and boost social spending projects in areas ravaged by the long-running guerrilla war, Reuters reports. At a meeting in Bogota, the government's National Council for Economic and Social Policy said it would seek the loan from

the World Bank, the Inter-American Development Bank and the Andean Development

Corporation....Falling interest rates in Latin America, even as US rates have

surged in recent months, are boosting confidence in the region's prospects for

growth and stability in 2000, the Los Angeles Times (p. C4) reports. Over the

last year, Mexican long-term bonds have traded at yields as high as 5.10 points

above US Treasuries, the article continues.....Though prices remain surprisingly

well under control in Latin America's biggest economy and the local currency is

strong, economists don't expect Brazil's central bank to lower benchmark interest rates at next week's meeting of economic policy makers, the Wall

Street

Journal (p. A23) reports.

Many developing nations, including Brazil, have moved to reduce child labor, and

Clinton praised those efforts, the Washington Post (p. A1) reports. But the

countries say worldwide economic competition makes it difficult to eliminate

child labor altogether.

The US estimates that the jump in oil prices will yield a 59 percent surge, on average, in oil revenue for OPEC members this year, the Christian Science Monitor (p. 1) reports. In Saudi Arabia, with 26 percent of proven global reserves - cradle-to-grave welfare programs have been reexamined and services have been cut back, the article continues.

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anti-corruption unit is just one sign that collusion and cronyism are still flourishing in Asia despite lip service paid to the need to attack vested economic interests, Reuters reports....Chinese investment in fixed assets rose

8.6 percent in the first two months of 2000 from a year earlier to 95.5 billion

yuan (\$11.54 billion), the Xinhua news agency reported, citing figures from the

government's statistics bureau, the Wall Street Journal (p. A21) reports.

Colombia said yesterday it would seek a \$362 million loan from multilateral lending institutions to help fund a wide-ranging plan to combat drug trafficking

and boost social spending projects in areas ravaged by the long-running guerrilla war, Reuters reports. At a meeting in Bogota, the government's National Council for Economic and Social Policy said it would seek the loan from

the World Bank, the Inter-American Development Bank and the Andean Development

Corporation....Falling interest rates in Latin America, even as US rates have

surged in recent months, are boosting confidence in the region's prospects for

growth and stability in 2000, the Los Angeles Times (p. C4) reports. Over the

last year, Mexican long-term bonds have traded at yields as high as 5.10 points

above US Treasuries, the article continues.....Though prices remain surprisingly

well under control in Latin America's biggest economy and the local currency is

strong, economists don't expect Brazil's central bank to lower benchmark interest rates at next week's meeting of economic policy makers, the Wall Street

Journal (p. A23) reports.

Many developing nations, including Brazil, have moved to reduce child labor, and

Clinton praised those efforts, the Washington Post (p. A1) reports. But the

countries say worldwide economic competition makes it difficult to eliminate

child labor altogether.

The US estimates that the jump in oil prices will yield a 59 percent surge, on average, in oil revenue for OPEC members this year, the Christian Science Monitor (p. 1) reports. In Saudi Arabia, with 26 percent of proven global reserves - cradle-to-grave welfare programs have been reexamined and services have been cut back, the article continues.

ARMS Email SystemRECORD TYPE: FEDERAL (NOTES MAIL)

CREATOR: mrzaq@worldbank.org (mrzaq@worldbank.org [UNKNOWN])

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SUBJECT: Development News Monday, March 20, 2000

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CC: Scease@worldbank.org (Scease@worldbank.org [UNKNOWN])
READ:UNKNOWN

TEXT:

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Headlines for Monday, March 20, 2000:

- US TREASURY URGES WORLD BANK, IMF REFORMS ; K?HLER SEEKS DIALOGUE.
- US ENDING A FEW OF THE SANCTIONS IMPOSED ON IRAN.
- WORLD WATER FORUM OPENS IN THE HAGUE.
- GEPHARDT SETS PRICE FOR SUPPORTING US CHINA TRADE BILL.
- WORLD BANK SEEKS NEW WAYS FOR AFRICA TO HELP ITSELF DEVELOP.
- Also in this edition: MILITARY SPENDING THREATENS UGANDA'S ECONOMIC GROWTH:
DONORS. WORLD BANK SAYS PROBING BRIBES IN ARGENTINA.

US TREASURY URGES WORLD BANK, IMF REFORMS ; K?HLER SEEKS DIALOGUE.

Scrambling to keep ahead of hard-line US lawmakers who want to perform radical surgery on the World Bank and the IMF, US Treasury Secretary Lawrence Summers today will propose his own, more limited set of reforms for the Bank and its regional counterparts in Asia, Latin America and Africa, reports the Wall Street Journal (p.A36) and Wall Street Journal Europe (p.2).

In a speech to be delivered at the Council on Foreign Relations in New York, a

favorite testing ground for US President Bill Clinton's initiatives, Summers will argue that the development banks should refocus their lending on projects too edgy to attract private money; on poor countries that prove they can spend public funds honestly; and on vaccines, the environment, and other areas of value beyond borders.

"You have to be prepared not to lend if you can't be confident the money will be used effectively," said one senior Treasury official familiar with the Summers plan. The proposals supplement ideas Summers presented late last year to narrow the operations of the IMF.

The US cannot dictate reforms at the World Bank or such regional institutions as the IDB, the ADB, and the AfDB, notes the story. But as the largest single shareholder in the institutions, the US can often sway other member governments to follow its lead.

Both the Fund and the Bank were lambasted earlier this month in the report by the US congressional advisory commission [chaired by economics professor Allan Meltzer], which recommended sharp cutbacks in the institutions' lending. The commission majority urged that the World Bank focus on grants rather than loans and cut off countries that have investment-grade bond ratings or per-capita incomes exceeding \$4,000 a year. Countries with per-capita incomes above \$2,500 would qualify only for limited World Bank aid. Several members of the 11-person commission disagreed vehemently, saying those recommendations would worsen the plight of the poor around the globe, the story notes.

Handelsblatt (Germany, p.13) meanwhile reports that Meltzer rejected criticisms of the report, saying the commission is not urging privatization of the IMF but greater effectiveness of the Fund and the Bank's development aid, which should be left to the World Bank and the regional development banks.

While Treasury officials stress that Summers' reform plan, long in the works, isn't a reaction to the commission, he evidently wants to steer clear of that body's more extreme proposals and reorient, rather than reduce, the Banks'

lending to poor countries, the WSJE continues.

Among his ideas: the better-off developing countries, such as Brazil or China, should pay higher interest rates for World Bank loans to ensure that they seek public funding only when private money isn't available; the [international financial institutions] should get used to the idea that rich countries aren't likely to replenish their capital for lending to better-off borrowers, so proceeds from higher-rate loans should be managed to make the programs self-sustaining and to subsidize bargain-rate lending to the poorest countries and global projects such as vaccine research; lending to the poorest countries should emphasize education, health care, judicial reforms to improve the business climate, and financial-sector reforms to allow companies and consumers access to credit; and the institutions should continue to insist that borrowing governments adopt tough market-oriented policy reforms in exchange for loans and debt relief.

The FT Deutschland adds that Bundesbank Vice-President J?rgen Stark said the IMF should concentrate on its original aims and pull out of the Highly Indebted Poor Countries (HIPC) debt relief initiative, which should be left to the World Bank in the middle term.

The news comes as EBRD President Horst K?hler, widely expected to be the new IMF managing director, on Friday pledged to maintain a dialogue with the US Congress on policies to reform the Fund, Agence France-Presse reports. He sensed there was "broad support" for his candidacy to become the next IMF head, he said, adding that he expected the Fund's 24-member executive board to vote on his nomination this week.

K?hler arrived in Washington on Wednesday to confer with IMF executive directors and Summers, the story notes. "I am fully committed to an open discussion and dialogue with the US Congress," he is quoted as saying. [Referring to the Meltzer commission's report], he said: "I have a good feeling that out of all these contributions, comments and discussion about reform it is possible to sort out structures and conclusions which will strengthen the IMF."

In an opening statement, K?hler said that in future "the focus at the Fund

should be more on crisis prevention," a position shared by Summers. But he hinted that he and Summers may not be in total accord on what to do at the Fund, says the story. "We reviewed the work of the IMF," he said of his discussions with Summers this week. "We had an exchange of views on reform priorities and we agreed (on) most of these items."

He likewise declined to express support for a proposal from the commission that the IMF cancel the debts owed it by the poorest countries. Debt relief, he said, "is, can be and should be an element in a strategy to secure global growth and to fight poverty." But he stressed that debt relief "without growth, macroeconomic stability, and structural reform makes no sense...I have a bit of a concern that this discussion of debt relief and debt reduction is not strongly enough combined with reform and macroeconomic stability."

K?hler also agreed that the procedure [for selecting the IMF managing director] is "not the best I could imagine...The process should be reviewed and improved."

Italian Treasury Minister Giuliano Amato has meanwhile called for a thorough overhaul of the method by which the head of the Fund is chosen, reports the Financial Times (p.1). Amato said the selection procedure had been peculiar and clearly objectionable-one in which the rest of the world looks on as Europe and the US compete to impose their own diktats." He added: "We have to invent a procedure in which at least a range of names is first offered to the IMF board to select [from]. There might even have to be an initial confidential stage during which a shortlist to be put to the IMF board is drawn up."

The Washington Post (3/18, p. A20), Los Angeles Times (3/18, p. C1), and the New York Times (3/18, p. A3) also report.

Separately, Alain Fetaya writes in a letter to the New York Times (p. A24) that ending the so-called gentlemen's agreement between the US and Europe about who should head the Fund and the Bank while introducing more meritocracy and transparency into the process would go a long way to legitimize the necessary existence of such organizations in the eyes of those who currently view them as fiefs of an old-boy network of rich developed countries.

US ENDING A FEW OF THE SANCTIONS IMPOSED ON IRAN.

Secretary of State Madeleine K. Albright ended a few of America's economic sanctions against Iran Saturday, and declared a commitment to take extensive steps toward ending two decades of hostility "if Iran indicates a desire and commitment to do so," the New York Times (3/18, p. A1) reports.

Her comments describing a map for normalizing economic ties came in a speech that Clinton administration officials described as their most explicit overture to the moderates who triumphed in Iran's parliamentary elections last month, the story adds.

Without specifying them, Albright held out the prospect of ending such sanctions as the bans on American investment in Iran's oil industry and the blocking of large loans to Tehran by the IMF and the World Bank. But she made no mention of a resumption of full diplomatic relations. In Tehran, the Iranian government issued a muted but moderately positive response.

"Until these policies change," she continued, "fully normal ties between our governments will not be possible and our principal sanctions will remain." Under American law, for instance, Washington cannot support loans for Iran through the IMF or the World Bank until Iran is removed from the State Department's list of nations that support terrorism, the story adds.

Meanwhile, officials of Iranian President Mohammad Khatami's reformist government responded positively to Washington's decision to ease non-oil sanctions on Iran, reports the FT (p.3), noting that the US has, however, not lifted its objection to lending by the World Bank or other international financial institutions.

WORLD WATER FORUM OPENS IN THE HAGUE.

An international forum opened Friday in The Hague to discuss ways to tackle the looming worldwide water crisis, reports Kyodo News (Japan). The six-day forum

will bring together 3,500 water experts, government officials, and politicians to address water-related issues such as flood and drought protection, the right of access to water and its geopolitical consequences, and sustainable agriculture. A ministerial-level meeting will be held parallel to the forum on Tuesday and Wednesday.

Earlier this week, notes the story, the World Commission on Water-an institution backed by the World Bank and the UN-said one billion people around the world lack access to safe water and two billion people go without adequate sanitation. The situation could worsen and affect millions more, unless action is taken now, the commission said in a report, which suggested doubling global water investment from the current figures of \$70 billion-\$80 billion annually to \$180 billion, with almost all the increase coming from the private sector.

"Our attitudes on managing water must change," said World Bank Vice-President for Special Programs Ismail Serageldin, who is also chairman of the commission.

"Decision-making must be undertaken at the basic level, even if it crosses political and administrative boundaries." To provide clean, safe water, the private sector "must take the lead in providing services because of the large amounts of money that is needed."

The Washington Times (3/20, p. A14) notes that more than 3 million children die annually of water-related diseases such as diarrhea and fecal-oral infections, the world's greatest source of infant mortality. "In terms of percentage, the situation has grown better, but in absolute numbers, it is much worse," Serageldin says. The story continues that for Serageldin, the "old problem" of billions of people without access to fresh water and sanitation and a whole list of "new problems" add to the crisis.

In a separate article on water availability and sanitation in Africa, the Washington Times (3/20, p. A14) reports that nearly two out of three Africans in rural areas lack an adequate water supply and nearly three-fourths lack sufficient sanitation, according to the African Development Bank. And things are getting worse. More Africans lack adequate water than in 1990, and Africa is the

only continent where poverty is expected to increase over the next 100 years, according to UNDP projections.

Meanwhile, a New York Times editorial (3/20, p. A24) opines that because those who suffer [from water shortages] are poor, their access to water is rarely a political priority. There is now an opportunity for progress, the newspaper adds, pointing to the ongoing World Water Forum in the Hague. The conference will be useful if it can persuade governments and the international banks to pay more attention to conservation and fair distribution of water, the Times says.

Paradoxically, continues the newspaper, governments need to begin charging a market price for water based on usage, ending the subsidies so common in the Third World. This would do more than spur conservation. Designed to help the poor, subsidies have ended up hurting them, the editorial notes. They are so costly that governments do not build pipes into the relatively powerless rural areas or the settlements of poor people that ring most third-world cities. As a result, many slum dwellers must buy their water from itinerant peddlers. Some pay a quarter of their income for water.

Le Figaro (France, 3/18, p.II) and Le Monde (France, p.2) also report.

GEPHARDT SETS PRICE FOR SUPPORTING US CHINA TRADE BILL.

US House of Representatives minority leader Richard Gephardt (D-Mo), setting his price for supporting the US administration's China trade bill, is pressing for a new review of Chinese actions that could force the US to oppose World Bank and IMF loans to Beijing, reports the Asian Wall Street Journal. Rep. Robert Matsui (D-Cal), who has been involved in discussions on the issue with Gephardt, said cutting off aid from "the international lending institutions could be the penalty" for errant Chinese actions on human rights, labor issues, and the environment. Rep. Sander Levin (D-Mich) meanwhile said the idea "deserves a serious look." The New York Times (3/19, Sec. 1, p. 15) also reports.

Administration officials said on Friday they were studying the proposals by Gephardt, reports the South China Morning Post. The negotiations could hold the key to passage of the trade agreement in the House of Representatives, where it faces stiff opposition from Democrats demanding that China improve human rights and labor standards before joining the WTO. Gephardt has assured business leaders he will not rally Democrats against the China trade agreement, which calls on Beijing to open a wide range of markets, from agriculture to telecommunications.

Also, the South China Morning Post and Financial Times also report on World Bank Vice-President for East Asia and the Pacific Jemal-ud-din Kassum's comments last week indicating the World Bank will lend between \$5 billion and \$7 billion to mainland China in the next three years.

WORLD BANK SEEKS NEW WAYS FOR AFRICA TO HELP ITSELF DEVELOP.

African countries will be encouraged to develop new skills in managing their economies and involving the private sector under a new program discussed in Paris last week, AFP reports. A two-day meeting of the African Capacity Building Foundation (ACBF) considered more than 300 projects under the new Partnership for Capacity Building in Africa (PACT), ACBF board chairman Kwesi Botchwey said. The PACT will also help develop regional initiatives such as networking between national chambers of commerce and finding a "single voice" on trade issues to help African countries cope with the pressures of globalization, Botchwey noted.

The initiative is expected to need around \$1 billion over five years, and so far has a firm pledge of \$30 million from the World Bank for this year, the story notes. The two-day meeting in Paris on Thursday and Friday was not to garner funds but to identify projects and their financing needs, Botchwey said.

The ACBF had received 317 proposals, and a second meeting in May will consider a short list of those to be implemented first. Some 20 percent of the proposals were for regional projects, said ACBF executive secretary Soumana Sako.

The Pan-African News Agency also reports.

Also in this edition: MILITARY SPENDING THREATENS UGANDA'S ECONOMIC GROWTH:

DONORS. WORLD BANK SAYS PROBING BRIBES IN ARGENTINA.

MILITARY SPENDING THREATENS UGANDA'S ECONOMIC GROWTH: DONORS. Donors have expressed concern over Uganda's high military spending, saying it threatens to slow down the country's economic growth, AFP reports World Bank country director for Uganda and Tanzania James Adams said on Friday. "I think donors are concerned that the good overall development record of Uganda is at risk with these defense expenditures and with these security problems that have emerged,"

Adams is quoted as saying in an interview in Kampala.

Referring to Uganda's military involvement in the war in neighboring Democratic

Republic of Congo (DRC) and its operations against rebels in northern and western districts of Uganda, Adams said that there were, however, indications that defense spending this year would be within the limits agreed with the donor community.

The Ugandan government has said that this year's defense spending will fall back

to between 2.1 and 2.2 percent of GDP, Adams said. He warned that future funding to Uganda could suffer if the defense spending limits were exceeded.

"Donors have made clear that if there is not appropriate restraint on military expenditure some will reduce the amount of support they give to Uganda," he said.

There was also rising concern that while key areas like education and health had

not been affected by the budgetary reallocation to defense, other sectors had suffered cuts. "Government has done a pretty good job of protecting the key areas of poverty reduction, in particular education, health and rural roads.

However, what has happened is that it has squeezed all the other areas," said

Adams. He warned that there was a risk that that the trend could in the long run slow down economic growth.

Adams was speaking ahead of a donors' Consultative Group Meeting due to begin today, the story notes.

WORLD BANK SAYS PROBING BRIBES IN ARGENTINA. The World Bank is probing allegations that former Argentine government officials took bribes from a firm involved in a project financed by the lending body, a senior World Bank official said, Reuters. "We have received a claim and we are going to start an investigation soon on accusations of kickbacks," said Myrna Alexander, World Bank regional director for Argentina, Chile and Uruguay, in an interview late Wednesday. "The investigators will be coming soon to the country."

The World Bank got an anonymous tip last year, when former Peronist President Carlos Menem was still in power, via a special hotline in Washington for complaints. The caller alleged that government officials had taken bribes in a bidding process for an unspecified World Bank-backed project.

"From the time-frame, the alleged occurrence appears to have taken place under the former government," Alexander said. The announcement, the first of its kind involving the World Bank and Argentina, comes at a time when the new government of President Fernando de la Rúa is looking into an array of corruption accusations against Menem administration officials.

After a preliminary study of the allegation, Alexander said it had been decided that "there is enough substance to warrant an investigation." She declined to provide details such as the amount of the alleged bribes, the name or nationality of the company or the identity of the officials. But Alexander did say that the figure was "definitely not millions" of dollars. Typically, such an investigation by the World Bank could take up to a year, the official said, the story adds.

BRIEFLY NOTED...Bangladesh and the US today agreed to "intensify cooperation" on developing the impoverished country's vast natural gas reserves, AFP reports. Prime Minister Sheikh Hasina Wajed said, noting that the announcement will disappoint US and British companies as well as the World Bank which have

been
urging Bangladesh to open up its largely untapped gas resources for
export...
Myanmar's military government has announced a supplementary budget to
cover this
year's deficit, including more spending on construction and defense,
Reuters
reports.

South African President Thabo Mbeki's decision to seek advice from two
Americans
who argue that HIV does not cause AIDS has touched off an outcry at home
and
abroad and raised fears that South Africa's already soaring infection rate
will
climb still further, the New York Times (3/19, Sec.1 p.9) reports. News
that
Mbeki recently consulted the Americans, a scientist and a professor of
African
history, leaked out this month, and is the latest of several disputes over
how
to treat AIDS in a country of 44 million people with one of the highest HIV
infection rates in the world, the story says.

The Wall Street Journal (p.A27) reports that Mexico will attract about
\$12.4
billion in new foreign direct investment this year, about \$1 billion more
than
officially recorded in 1999, according to a survey to be released today by
the
Mexican Investment Board...Also in Mexico, the IMF gave an upbeat
assessment of
Mexico's economy and approved a \$1.22 billion loan installment under the
country's \$4.12 billion standby facility with the IMF, the Wall Street
Journal
(p.A25) reports. Eduardo Aninat, an IMF deputy managing director, praised
the
government for "creating the economic conditions to ensure a smooth
transition
to the next administration" after Mexico's presidential elections July 2.

An IMF mission will visit Ukraine in early April to assess whether the Fund
should disburse the next tranche from its \$2.6 billion loan, Reuters
reports
Finance Minister Ihor Mityukov said late on Sunday...Also in Ukraine, a
senior
IMF official tried to calm a dispute over allegations that Ukraine misused
international economic aid, AP notes Interfax reported on Sunday. Ukraine
has
come under scrutiny over allegations that the Central Bank misled the IMF
by
providing incorrect information about its state reserves and that the bank
also
misappropriated some of the IMF loans in 1997. J. de Beaufort Wijnholds

of the
IMF stressed that Ukraine 's National Bank was ready to open its documents
for
international audit, the story says.

The Vietnamese Ministry of Planning and Investment has asked the National
Assembly to amend parts of the country's foreign-investment law in the
hope of
attracting more overseas investors, the Wall Street Journal (p.A25)
reports a
ministry official said Friday. He said Vietnam's top legislative body will
consider the proposals next month...There's good news for Thailand,
reports the
Los Angeles Times (3/18, p.A2): emergency aid from the IMF will end on
schedule
in June, confirming that economic recovery is truly underway.

An editorial in the Washington Post entitled "Science vs. Poverty" (3/19,
p.B6)
says that the Clinton administration and Congress are belatedly responding
to
the global tragedy of infectious diseases partly in traditional ways, and
partly
in exciting new ones. The administration is asking for \$100 million in
extra
funds to fight HIV and AIDS in Africa and Asia, and is pushing the World
Bank
and other regional development banks to devote more resources to health
issues.
But the really innovative scheme, embraced by administration and senators
alike,
is a global fund to buy vaccines for poor countries, the editorial says.
The
vaccine fund has already been embraced by a number of donors, notably Bill
and
Melinda Gates, but US support will advance its cause significantly.

ARMS Email SystemRECORD TYPE: FEDERAL (NOTES MAIL)

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International Trade & Investment News
March 27, 2000

EVENTS:

Vladimir Putin and the Russian Economy*- Mar. 27
The WTO After Seattle*- Mar. 27
Russia at the Crossroads*- Mar. 28
Current Reform Proposals for the IMF- Mar. 28
Japan's Economy and Industrial Revitalization*- Mar. 29
Asia's Financial Recovery*- Mar. 29
The EU- Mexico Trade Agreement- Mar. 29
The Meaning of the Russian Presidential Election*- Mar. 29
German High-Technology Delegation*- Apr. 5
Enabling the Digital Economy in Latin America*- Apr. 12
Facing the Challenges of Globalization- Apr. 12 - 14
Dinner at the Press Club- Apr. 13
IT Export South America Seminar- May 5
The Value and Price of Globalization*- May 15-17

RECENT PUBLICATIONS:

?The Next Trade Policy Battle,? by Fred Bergsten, Institute for
International Economics. To view on-line
visit: <http://www.iie.com/NEWSLETR/news00-1.htm>.

POSITIONS AVAILABLE:

Supervisory International Trade Specialist* - International Trade
Administration.

Vladimir Putin and the Russian Economy*
Monday, March 27
Sponsor: Center for Strategic and International Studies (CSIS)
Speaker: Keith Bush (Director, Russian and Eurasian Program, CSIS).
Time: 3:00 p.m. - 4:30 p.m.
Location: CSIS, 1800 K Street, NW, Washington, D.C.
Admission is free, but registration is required.
For more information please call Jeff Thomas at 202- 775- 3240.

The WTO After Seattle*

Monday, March 27

Sponsor: The Committee to Support U.S. Trade Laws (CSUSTL).

Speakers: Sen. Moynihan (D-NY), Reps. Matsui (D-CA) and Quinn (R-NY), Deputy USTR Susan Esserman; David Smith (AFL-CIO); Mel Brekhus (Texas Industries); Michael Maibach (Intel); and Larry Chimerine (Economic Strategy Institute).

Time: 4:00 p.m. - 5:30 p.m. (reception to follow).

Location: Room S207 U.S. Capitol, Washington, D.C.

For more information contact Meg Mullery at 202- 342- 8439, or e-mail mmullery@colshan.com.

Russia at the Crossroads*

Tuesday, March 28

Sponsor: The Economic Strategy Institute (ESI) and the Organization for Economic Cooperation and Development (OECD).

Panelists: Peter Morici (ESI); Anders Aslund (Endowment for International Peace); John Litwack (OECD); Mark Medich (National Security Council); and Aleksandr Surikov (Embassy of Russia).

Time: 4:00 p.m. - 5:30 p.m.

Location: Economic Strategy Institute, 1401 H Street, N.W., Suite 750, Washington, D.C.

Please RSVP to 202- 326- 8573, or via e-mail to smongia@econstrat.org. Reservations required.

For additional information, contact Sanjay Mongia, at 202- 326- 8554.

Current Reform Proposals for the International Monetary Fund

Tuesday, March 28

Sponsor: American Foreign Service Association (AFSA)

Speaker: Melinda Kimble, Deputy Assistant Secretary of State for International Finance and Development.

Time: social hour: 12:00 p.m.; luncheon 12:30 p.m.

Location: Foreign Service Club, at 2101 E St., N.W., Washington, D.C.

Registration: non-AFSA members: \$30.

For more information, please contact Barbara Bowie Whitman at 202- 944- 5508.

To register call the AFSA response line at 202- 944- 5514, fax 202- 338- 6820, or e-mail corp@afsa.org.

Japan's Economy and Industrial Revitalization*

Wednesday, March 29

Sponsor: Washington College of Law - International Law Society

Speaker: Nobuo Tanaka, Minister for Trade, Industry and Energy Affairs of the Embassy of Japan.

Time: 7:00 p.m. - 8:30 p.m.

Location: Washington College of Law, Room 603, 4801 Massachusetts Avenue, N.W., Washington D.C.

Registration: Free of charge, but please call 202- 274- 4413 to register.

Is Asia's Financial Recovery Sustainable Without Restructuring?*

Wednesday, March 29

Speakers: Felix Enrico Afler (World Bank Group); Richard Cronin (Congressional Research Service); Brett Schaefer (Heritage Foundation); and Joseph Winder (Korea Economic Institute).

Time: 10:00 a.m.

Location: The Heritage Foundation's Lehrman Auditorium, 214 Massachusetts Avenue, N.W., Washington, D.C.

Reservations requested. For reservations please Call 202- 675- 1752, or e-mail lectures.seminars@heritage.org.

To view live on the Internet visit: www.heritage.org.

The EU- Mexico Trade Agreement: NAFTA friend or foe?

Wednesday, March 29

Sponsor: Western Hemisphere and Western Europe Sections of the Women In International Trade Organization (WIIT).

Speakers: Jonathon Miller (European Commission's Delegation); and Luz Maria De La Mora (NAFTA Office of the Mexican Embassy).

Time: 12:00 p.m. - 2:00 p.m.

Location: Hotel Washington, 15th and Pennsylvania, N.W., Washington, D.C.

Registration: WIIT member: \$37; non-WIIT member: \$47.

Please RSVP to Lisa_Tomlinson@ita.doc.gov, or call 202-482-2434, by COB Friday, March 24.

The Meaning of the Russian Presidential Election*

Wednesday, March 29

Sponsor: The Heritage Foundation

Speakers: Ariel Cohen (Heritage Foundation); Curt Weldon (U.S. House of Representatives); and James Woolsey (CIA, retired).

Time: 12:00 p.m.

Location: The Heritage Foundation's Lehrman Auditorium, 214 Massachusetts Avenue, N.E., Washington, D.C.

Reservations Requested. For reservations please Call 202- 675- 1752, or e-mail lectures.seminars@heritage.org.

To view live on the Internet visit www.heritage.org.

German High-Technology Delegation*

Wednesday, April 5

Partnering Forum and Dinner Reception

Sponsor: The German American Business Association (GABA), in cooperation with The German Federal Economics and Technology Ministry, Embassy of Germany.

Time: 9:00 a.m. - 5:00 p.m.: followed by Dinner Reception.

Location: German Embassy, 4645 Reservoir Road, N.W., Washington, D.C.

For RSVP and more information visit the GABA web site at www.gaba.org, call 703- 836- 6120, or e-mail info@gaba.org.

Ask for Uli Gamerding, Executive Vice President.

Enabling the Digital Economy in Latin America*

Wednesday, April 12

Sponsor: International Trade Association of Northern Virginia

Speaker: Philippe Kuperman, President of PSINet Latin America

Time: 12:00 p.m.

Location: The Tower Club, 8000 Tower Crescent Drive 17th floor, Tysons Corner, Virginia.

Registration: \$40.

For more information call 703- 860- 8795.

Facing the Challenges of Globalization in This New Millennium

April 12 - 14

Sponsor: ABA Section of International Law and Practice.

Program: Topics include E-commerce, cross-border insolvency, transnational mergers and acquisitions, human rights and corporate responsibility, dispute resolution, infrastructure investment in emerging markets, international protection of cultural property, the WTO telecom agreement and the International Criminal Court.

Location: Park Hyatt Hotel, 1201 24th Street NW, Washington, D.C.

Registration fee: \$490 for Section members; \$540 for non-members; \$260 for government/academics; \$25 for law students.

Single day and group rate packages available.

For more information and to register, visit the ABA web site at

www.abanet.org/intlaw, call 202- 662- 1727, or e-mail

potashg@staff.abanet.org.

Dinner at the Press Club

Thursday April 13

Sponsor: ABA Section of International Law and Practice

Program: Dinner with guest speaker - Fernando Remirez de Estenoz, First Deputy Minister of Foreign Affairs and Head of Cuban Interests Section, Republic of Cuba.

Time: 6:30 p.m. - 10:00 p.m.

Location: The National Press Club Ballroom, 14th and F Streets, NW, Washington, D.C.

Registration: \$80, including reception and dinner.

For more information and to register, visit the ABA web site at

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Headlines for Monday, March 27, 2000:

- COUNTRIES FACING TB CRISIS SET PLAN FOR ACTION.
 - RUSSIA HOPES TO UNFREEZE RELATIONS WITH IMF, PUTIN WINS RACE.
 - MELTZER COMMISSION'S RECOMMENDATIONS UNREALISTIC.
 - EU LEADERS ORDER OVERHAUL OF BALKAN AID PROGRAMS.
 - FSF, ASEAN ENDORSE POLICIES TO WARD OFF CRISES.
 - Also in this edition: LATIN AMERICA 'VULNERABLE TO SHOCKS': IDB.
- OBSCURED
BY THE ROAR OF THE WORLD' BATTLES, PEACE IS ADVANCING.

COUNTRIES FACING TB CRISIS SET PLAN FOR ACTION.

Twenty countries bearing the brunt of a tuberculosis (TB) crisis vowed to treat 70 percent of their TB patients by 2005 under an ambitious scheme launched at a conference on "Tuberculosis and Sustainable Development" co-hosted by the WHO and the World Bank in Amsterdam on Friday, reports AFP. The 20 countries together comprise 80 percent of the world's tuberculosis sufferers, whose numbers are surging as a drug-resistant strain of bacteria spreads, helped by poverty and the prevalence of AIDS.

The signatories of the "global partnership" against the tuberculosis were Bangladesh, Brazil, Cambodia, China, Democratic Republic of Congo, Ethiopia,

India, Indonesia, Kenya, Nigeria, Pakistan, Peru, the Philippines, Russia, South Africa, Tanzania, Thailand, Uganda, Vietnam and Zimbabwe, notes the story. But that list includes some of the poorest countries in the world, prompting aid workers to fret that without a big injection of funds, the 2005 goal will never be reached.

Arata Kochi, head of the WHO's anti-tuberculosis campaign, put the cost at \$200 million, of which only \$25 million were available from her coffers. "We will have to ask our traditional donors to increase their effort and find new ones, in the private sector," she said.

WHO Secretary-general Gro Harlem Brundtland said the latest report on TB, issued Friday by her organization, pointed to growing resistance to the two most effective drugs, Isoniazid and Rifampicin. "The drug-resistant bacilli that have shaken New York and Russia are increasing elsewhere," she said. "This report confirms our worst fears. For most people in developing countries, having TB is a virtual death sentence, and a burden for the country. The time for a massive effort to control tuberculosis is now, not later."

RUSSIA HOPES TO UNFREEZE RELATIONS WITH IMF, PUTIN WINS RACE.
Interfax reports that with EBRD President Horst K?hler elected managing director of the IMF, Russia can at least hope to unfreeze its relations with the Fund if not to warm them up seriously. The first step in the IMF's Russia policy after the election of K?hler, who has a good knowledge of Russia's problems, will be a visit to Moscow early next month by the IMF Deputy Managing Director Stanley Fischer.

Fischer will be coming for a brainstorming session on April 5-7 during which the IMF, the World Bank, the Russian Higher School of Economics, and Russia's government will be thrashing out a long-term strategy for the international financial bodies' Russian policy for the period after Russia's March 26 presidential election.

Separately, the World Bank decided to release the first \$100 million

privatization tranche of a second coal loan to Russia after the country met all the conditions for its disbursement, Interfax reports the Bank's office in Moscow said in a statement on Friday. Russia met the main condition for the release of the loan by privatizing coal companies that produce 35 percent of the country's coal according to 1996 figures, the statement said.

Meanwhile, international news media report widely on yesterday's presidential election in Russia. Vladimir Putin won the race and avoided an April runoff election. With 94.27 percent of the vote counted, the nation's Central Election Commission gave Putin 52.52 percent of the vote above the absolute majority he needed to clinch victory, CNN notes.

The New York Times (3/26, Sec, 1, p. 6) comments that complex tests await Putin.

Among those are corruption, notes the article. Putin has said he seeks a "dictatorship of law." If he is to attain it, he will have to attack the corruption that pervades the Russian economy from top to bottom. Russia's economy will not get back on its feet without money, the story continues, adding that Putin must instill trust in Russia's financial sector. To do that, he must construct a national banking system that works.

Another challenge in the economic sphere is tax collection. Billions of dollars in capital flee Russia every year, in large measure to avoid taxes, since Russian tax laws are often more confiscatory than progressive. And Russians who make money horde it in dollars at home and report as little of their income as they can. So there is an enormous potential for taxation and for investment in rebuilding the country.

Yet another test is public health, the article says. Russia is a sick country, its social safety net in tatters. A million more Russians are dying every year than are being born. Rates of illness, reflecting poor nutrition and reduced immunity to disease are rising alarmingly. With an impoverished national treasury, finding some way to rescue of Russia's health establishment may be among the hardest test for Putin.

Separately, the Washington Times (3/27, p. A13) notes that the challenge awaiting Putin is enormous. Russia's economy has made only a fragile recovery

from the 1998 financial crisis and is attracting less investment than much smaller countries in Eastern Europe. But Putin has made reassuring noises, as far as foreign investors are concerned. No major foreign policy crises loom to distract him. One exception is economic aid, the story says. An IMF loan package to Russia remains in limbo, and Putin admitted Friday that his long-term hopes to restore Russia's place in the world rely heavily on economic renewal.

The New York Times (3/27, p. A1) adds that U.S. administration officials are already discussing steps the West might take to demonstrate its support if Putin does undertake serious [economic] reforms. They include expanding assistance by the IMF and the World Bank, rescheduling Russian debt and having the US Export-Import bank step up its efforts to encourage investment in Russia.

The news comes as David Hearst of the Guardian (UK, p.18) writes that for the past eight years, the great and the good arriving by the planeload from the IMF, the World Bank, the LSE, and Harvard spent more time counting the bottles of cabernet sauvignon on the shelves of Moscow's shops as an indicator of progress than they did thinking about what life was actually like in Russia. Now a man like President-elect Vladimir Putin has arrived to remind the IMF just how far the continent has slipped back into the Tsarist 19th century. The West in general and the champions of human rights in particular have little cause to complain about the crackdown Putin is planning.

Today the great and the good are blaming each other for having "lost Russia", says Hearst. Some say the theories were right, it was just that the money was not there to back it. Others say the policy should have been to support principles rather than people, institutions rather than events. But lost Russia they have. When the Soviet Union imploded, the streets of Moscow were filled with pro-Western euphoria. Today the West is seen, even by intellectuals, as venal, self-serving and hypocritical. Re-engaging Russia would take need a major U-turn in Western policy.

MELTZER COMMISSION'S RECOMMENDATIONS UNREALISTIC.

Commenting in La Repubblica (Italy), Salvatore Zecchini says the reforms proposed by the US congressional advisory commission chaired by economics professor Allan Meltzer are not realistic insofar as the commission places excessive faith in the role that markets have in allocating credits and in governing countries. The commission also restricts the role of the IMF to that of providing liquidity support to countries in difficulty while these are in need mainly of long term assistance.

The experience of the Asian and other crises indicates just how important shared economic leadership by the IMF and the main industrialized countries is to overcoming such crises, Zecchini writes. To improve the efficiency of the IMF, this leadership has to be strengthened-the road which must be followed is one of greater cooperation amongst individual countries and the IMF.

Hardev Kaur of the Business Times (Malaysia) meanwhile comments that the changes proposed by the Meltzer commission, if accepted, will cut off access to international official finance for the majority of countries around the world.

The proposed reform of the World Bank and the IMF, and Summers' recommendations, may see developing countries subjected to even more conditions and higher interest rates. Developing countries have very little say in the running of the world bodies, including the Bank and the Fund, and are left standing on the fringes of decision-making even as they remain vulnerable to the disruptive free-market forces and hedge funds.

Also, commenting on US Treasury Secretary Lawrence Summers' reform proposals for the World Bank and the IMF, Harvard Center for International Development Director Jeffrey Sachs writes in a letter to the editor of the Financial Times (p.16) that Summers notes that debt repayments by the poorest countries are used to make nearly half of new loans to those countries, and argues that "this self-financing capacity, with respect to very highly subsidized support, is a resource we should be very wary of giving up."

But surely, says Sachs, the real resources transferred to the poorest countries depend only on the funds actually given to them by the rich countries, not at all on the loans repaid by the poor countries themselves. If a group of poor countries repays \$1 billion in loans, so that the same money can be

recycled to
give these countries another \$1 billion in new loans, no net resources are
being
transferred to the group. With nearly half of the Bank's IDA flows actually
coming from the poorest countries themselves, Summers is really signalling
the
utter inadequacy of the current IDA scheme.

The comments come as the Japan Times (3/25, p.13) also reports on the
reforms
proposed by both Summers and the Meltzer commission.

EU LEADERS ORDER OVERHAUL OF BALKAN AID PROGRAMS.

EU leaders meeting in Lisbon at the weekend ordered an overhaul of their
Balkan
aid programs, saying bureaucracy has hindered the efforts, reports the Wall
Street Journal Europe. They also shied away from a proposal to pump
billions in
new assistance into the region amid disagreement over where the money
would come
from.

In a statement after their two-day summit in the Portuguese capital, the
leaders
sidestepped a proposal by European Commission President Romano Prodi to
grant an
additional \$5.5 billion in aid over the next six years. France and Germany
don't want any of that money to be taken from EU farm spending, as Prodi
had
suggested.

Officials said that if new Balkan aid couldn't come from the farm budget,
it
would take a disproportionate bite out of aid budgets for Mediterranean and
Latin American nations as well as Russia. "If we are going to do more,
[aid
funds] will have to come from somewhere else" in the budget, said a
disappointed
Chris Patten, EU commissioner for external relations.

On Thursday, notes the story, the EU leaders debated a report by Javier
Solana,
the EU's chief foreign and security policy chief, that said aid programs
were
hobbled by bureaucracy and a lack of coordination by the many officials,
organizations and governments involved in the programs. The report said
"steps
are urgently needed to improve (their) visibility, impact and
effectiveness."

The leaders then put Solana and Patten in charge of revamping Balkan aid.

This week, notes the story, the EU and the World Bank will host a donor conference for the Balkan region.

FSF, ASEAN ENDORSE POLICIES TO WARD OFF CRISES.

The Financial Stability Forum (FSF) on Sunday approved sweeping recommendations to strengthen international financial stability and prevent future global financial crises, reports Agence France-Presse. The policies endorsed by the FSF at its third meeting in Singapore addressed the impact of highly leveraged institutions, volatile capital flows, and offshore financial centers especially on emerging market economies, officials said.

Better risk management for hedge funds, enhanced regulatory oversight, guidelines on best practices in foreign exchange trading, building a firmer market infrastructure such as better bankruptcy laws, and greater public disclosure among highly leveraged institutions were recommended. On volatile capital flows, the FSF called for a framework with which national financial authorities could gauge the risks faced by their economies because of such flows, and urged governments and international bodies to encourage greater transparency.

Andrew Crockett, chairman of the FSF, said they expected the "significant progress" in implementing the recommendations "within a year," as the forum seeks the support of nations and international agencies. The FSF is represented by senior officials from many countries and also includes officials from the IMF, the World Bank, the OECD, the Bank for International Settlements, and the chairman of the Basle Committee on Banking Supervision.

Meanwhile, ASEAN finance ministers meeting in Brunei yesterday shelved a plan to create a regional crisis fund and agreed instead to expand an existing currency swap deal to support economies facing balance of payments problems, reports the International Herald Tribune (p.11). A joint statement released at the end of the meeting said, "Recognizing the need for the availability of financial resources in times of crisis, [the ministers] agreed to conduct a study on the modalities and mechanisms to supplement the existing international facilities."

The statement also said the ministers agreed to set up a regional monitoring mechanism, as part of an early-warning system, to keep a close eye on capital flows in the ASEAN region. The IMF, the ADB, and the World Bank have agreed to support the study, AFP notes.

Also in this edition: LATIN AMERICA 'VULNERABLE TO SHOCKS': IDB. OBSCURED BY THE ROAR OF THE WORLD' BATTLES, PEACE IS ADVANCING. LATIN AMERICA 'VULNERABLE TO SHOCKS': IDB. Latin America is recovering quickly from recession but is vulnerable to potential increases in US interest rates or a sudden fall in confidence among international investors, reports the Financial Times (p.3). In a generally upbeat annual report, the IDB says the continent's commitment to structural reform has underpinned economic resilience in the face of the international financial instability of the last two years. It expects growth of three to four percent this year, following an estimated expansion of only 0.3 percent in 1999.

The report also says that Latin American inequality-among the most pronounced in the world-is a formidable barrier to the region's advancement, notes the story. Widespread social and economic inequities are the outgrowth of unequal distribution of assets, notably land and human capital, and differences in access to opportunities. "There can be no sustained economic growth without social advancement," the report is quoted as saying.

The Los Angeles Times (p.C1) also reports on the IDB meeting, saying that Latin America's nascent economic recovery is overly dependent on foreign direct investment, leaving it vulnerable to a sudden change in investor sentiment, some economists fear, as the region braces for another avalanche of overseas funds that are expected this year to equal or surpass last year's record pace.

Latin America's economy is expected to grow by 3.5 percent or better this year after a stagnant 1999. And that growth will be fueled by as much as \$70 billion

from foreign companies looking to establish new operations or to buy formerly state-owned enterprises now going private.

But once all the state-owned concerns have been sold off and the pace of foreign investment levels off, Latin America could find itself short of the capital it needs to grow, the story quotes Guillermo Calvo, an economist at the University of Maryland and a Latin American specialist, as saying, because foreign credit, such as bonds and bank loans is currently unavailable and because domestic capital sources aren't enough.

Meanwhile, the FT (p.3) notes that leftwing protesters carried "Shut Down the IDB" placards outside the New Orleans conference center [where the IDB was holding its annual meeting over the weekend]. A pressure group network is demanding what it calls "more responsible" lending policies and greater participation by "civil society" in the bank's decision-making.

However, notes the story, social equity is rapidly rising towards the top of the bank's agenda. Its annual report shows that loans destined for social programs designed to reduce poverty and increase social equity amounted to more than \$4 billion or 45 percent of total loans in 1999.

OBSCURED BY THE ROAR OF THE WORLD' BATTLES, PEACE IS ADVANCING. It is peace, not war, that is on the march these days, the Wall Street Journal (3/27, p. A1) reports. From 1992 to 1998, armed conflicts declined in all of the world's five major regions to a total of 36 from 55, according to Sweden's Uppsala University's peace department, which keeps a widely cited list. Preliminary figures for 1999 show at least a slight rise from the year prior, but the numbers are still way down since the early 1990s.

Basic factors are converging to give peace a chance, the article explains. The cost of war has grown, especially given the new emphasis on humanitarian and reconstruction aid. Global economic growth has given prospective foot soldiers in some trouble spots the promise of something better to do. International forces, meanwhile, have been more willing to eventually intervene in civil wars.

Perhaps more importantly, people around the world are trying harder to prevent

conflicts from turning violent in the first place. A half-dozen major European nations, the EU and Canada have begun to stress conflict prevention along with their traditional diplomatic agendas. The World Bank is trying to create financial incentives to discourage political violence. The US lacks a formal peace-building unit, but has a "transition initiatives" office in the State Department's Agency for International Development.

MALAWI NEEDS \$130 MLN TO FIGHT AIDS. Saying AIDS was "taking away" its future, Malawi launched an international appeal on Friday for \$130 million to fight the killer disease over the next four years, reports AFP. "Our war chest against AIDS is empty. We are a nation in grief as AIDS is devastating our economy and the fabric of society," Malawi's Vice President Justin Malewezi told a two-day international donor conference in the administrative capital Lilongwe.

With 14 percent of its 11 million people afflicted by the disease, Malawi last year launched a five year anti-AIDS plan. The donors, including the World Bank, which sponsors the country's tough economic reforms, were expected to make their financial pledges on Saturday at the close of the symposium.

THAILAND MUST MODERNIZE LAWS: WORLD BANK. The World Bank today praised Thailand's progress in restructuring its economy but said more reform of its legal system was needed to speed up recovery, reports Reuters. Jayasankar Shivakumar, World Bank country director for Thailand, said the country needed to consider bolstering laws to help increase the pace of asset recovery from insolvent companies following the economic meltdown of 1997-1998.

"In Thailand, many creditors see the bankruptcy law as a means of debt collection, but actually what needs to be done is the recovery laws, the foreclosure law and other laws need to be strengthened, so that debt recovery goes through," he is quoted as saying. "It is not a question of putting the policies and programs that have been scheduled in place, because a lot has been done there. The issue is really implementation."

In other news, Thai Airways International said on Monday it would launch an initial public offering of its shares in September under a long-awaited privatization scheme and select a partner airline by the end of the year,

AFP
reports.

The sell-off is among Thailand's commitments to the IMF under a \$17.2 billion rescue package approved in 1997 at the height of the regional economic crisis.

JAKARTA LAYS GROUNDWORK FOR CLEAN WATER. Jakarta's giant-sized task of giving every resident a faucet has been contracted out to Lyonnaise Jaya, the French consortium charged with the Western half of Jakarta, and Thames Water, reports the International Herald Tribune (p.2). In 1992, notes the story, the World Bank estimated that poor water management in Jakarta cost anywhere from \$40 million to \$700 million in avoidable health damage every year. Since then, as the city's water crisis has worsened, Jakarta's population has grown at a rate of about 6 percent a year. The Bank, which is lending Indonesia \$200 million to help it fix these problems, says the country's water woes are "likely to severely constrain the country's economic development and food security, lead to a deterioration of public health, and irreversibly damage its aquatic environment."

BRIEFLY NOTED...Former IMF Managing Director Michel Camdessus on Friday praised successor Horst Kohler, but criticized as "a slaughterhouse" the secretive selection process through which the position is filled, reports AFP.

The Ukrainian Finance Ministry has suspended payments to the Paris Club within the framework of the earlier announced program of restructuring of the foreign commercial debt, reports Interfax, noting that debts to the IMF and the World Bank are not subject to restructuring...Mongolia's coldest winter in 30 years has caused the death of an estimated 1.8 million herd animals, affecting a fifth of Mongolia's 2.6 million people, AP reports the UN Office for the Coordination of Humanitarian Affairs says. The toll could rise to 5 million animals, the office warns, and if more aid from other countries is not provided by April or May a half million Mongolians could be desperately short of food. The World

Bank will contribute \$1.33 million to Mongolia, and the UN, US and other countries have promised help, but time may be running out, the story says.

Middle East governments need to breed more livestock and manage water resources better if they are to cut the number of the world's hungry from its current figure of 790 million, AFP reports FAO Director-General Jacques Diouf said this weekend.

Though an end of the disastrous floods finally is in sight for Mozambique, Mozambicans face an enormous challenge rebuilding their nation and their lives, AP reports. Rebuilding it all will be an expensive and lengthy process. The bill for emergency aid for just the coming six months has been estimated at \$165 million. A World Bank-led assessment of reconstruction costs is expected to be released next week, forming the basis for an international aid appeal, the story says.

US President Bill Clinton's South Asian tour last week held out the prospect of more consistent US engagement with India, but raised questions about the US relationship with Pakistan, the Financial Times (p.5) reports. Pakistan already receives almost no US economic aid because of sanctions aimed at its nuclear weapons program. The US could veto new credit from the IMF-now held up for other reasons-but US officials say that would risk making the country even more unstable... The Washington Post (p.A19) also reports on the US's limited aid to and economic sanctions against Pakistan.

The Los Angeles Times (p.A1) reports on the Moringa tree, a plant whose potential as a diet aid and water purifier is seen as a boon to the worldwide fight against hunger. It is cheap, full of nutrients, and a known quantity in much of the developing world, the story says.

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AMERICAS REGIONAL OUTLOOK
Monday, 27 March 2000

GLOBAL-OIL

THE WORLD WATCHES AS OPEC MEETS. Energy ministers from OPEC and other oil-producing countries including Mexico and Norway meeting in Vienna failed

on Monday to reach an agreement on oil production hikes. According to officials speaking on the sidelines of the meetings, OPEC is expected to raise production quotas by some 1.5-1.7 million barrels per day (bpd). Iran, Algeria and Libya may not yet be fully on board with these hikes. It is an election year in the U.S., Mexico and Venezuela: all three countries' leaders have major interests in keeping oil prices at certain levels with little market volatility. On the economic side, oil-importing countries are facing inflationary pressure from high prices. Decreased oil production, in effect since March 1999, has increased the daily oil shortfall to about 3 million barrels. The U.S., by far the largest consumer of oil in the world, has been hard hit. And while developing and developed countries alike are affected, some countries are getting slammed. Several oil-producing companies are now arguing that because the price has dropped in recent days from its high of \$32/barrel a few weeks ago, there is no need for further increased production and "market tampering." (Bloomberg, El Nacional, El Universal, La Reforma, Oil.com, Petroleum.com)

ANALYSIS: What is the incentive for OPEC and other countries, which for the first time in two decades have the ability to manipulate prices? There are practical reasons why oil exporters should not raise oil production by more than 1.7 million bpd. Saudi Arabia, for example, has surplus capacity and can produce oil cheaply; therefore, high oil prices are economically beneficial for Riyadh. However, continued high oil prices will mean U.S. oil

companies will go out seeking high price (i.e., non-OPEC) means of production (similar to early 1980s), and oil prices will edge down when these new projects come on line. The other backlash the Saudis and other OPEC members face is the lower demand that the second quarter always brings.

Thus, as of April 1 demand for oil should drop off. But oil producers would not be able to keep oil prices above \$25 if such a free fall starts.

Expect

the U.S. and other oil importing countries to accept whatever, in the end, OPEC has to offer, and to remain quiescent through the summer. If prices are

high through next fall, as election-day approaches, then the U.S. may use the Strategic Petroleum Reserve (SPR) as a last resort. Legal ramifications aside, the minimal-effect SPR draw-down will be used only to help Vice President Al Gore's campaign. Because increased oil production will not hit U.S. shores before summer, expect oil and gas prices to remain high and inflationary pressures to build. Fed Chairman Alan Greenspan will likely choose to raise interest rates again, raising the prospect of a mid-summer stock market correction. The moves to watch are not what oil markets will do

tomorrow but how Saudi Arabia, Mexico, Indonesia, Venezuela, and Iran react to the prices over the next weeks and what they plan to do about it in June.

REGIONAL--FINANCE

LATIN AMERICAN SHOP TALK. On Monday, the Inter-American Development Bank (IDB) released its annual report ahead its 27-29 March meeting in New Orleans, Louisiana. Although the IDB reiterated its expectation that the region would grow 3-4 percent in 2000, the report cited concerns over Latin America's ability to weather external shocks and unequal distribution of wealth. The document also recorded a drop in capital inflows in 1999 and governments' slow progress in implementing counter-cyclical spending policies. Acknowledging global criticism over the role of multilateral lending agencies, particularly the International Monetary Fund (IMF), the report highlighted that the IDB had issued more private sector and emergency

loans in 1999 than ever before. (AFP, AP, Financial Times, International Herald Tribune, Los Angeles Times, New Orleans Times-Picayune)

ANALYSIS: At the meetings, the IDB will stress that it is an agency that improves the economic conditions of its borrowers. Much of this year's activity will center on the ability of companies to seize upon the current inflows of capital-venture, portfolio and direct investment. The most important result of these meeting will not be growth targets but what Internet firm will merge business with what bank and how new business coalitions will ride the Internet wave. Second generation reforms are already underway in many Latin American countries. Most of these countries will push forward with structural reforms while concurrently developing Internet and telecommunications business, in some cases combining the two in the banking industry.

BRAZIL--INVESTMENT

BRAZIL TIMBER COMPANY INVESTS ALMOST \$1 BILLION IN URUGUAY. On Monday, Brazil's Industrias Klabin de Papel e Celulose announced that it will invest \$900 million in Uruguay in 2000 along with an undisclosed Brazilian pulp

and paper company. Klabin is a large manufacturer of paper products in Brazil and will seek to expand its market base in Uruguay. One of its main competitors for the Latin American market share is Portugal's Sonae Group; a diverse group of companies with operations in timber, real estate and telecoms. Sonae has substantial holdings in Brazil and expects to continue to expand into the Latin American market. While other wood companies reported losses in 1999, Sonae posted a net profit of 17.4 million euros (\$17 million) in 1999 and is expected to grow even faster in 2000. Klabin reported 1999 losses totaling \$67.2 million. (Brazil Financial Wire, Business News Americas, Clarín Digital, Gazeta Mercantil, Wall Street Journal, Últimas Noticias)

ANALYSIS: Whereas Klabin's plans to invest in Uruguay is set to generate profits, Sonae may instead choose to focus on faster growing economies in the region such as Argentina, which is seeking to regenerate its industrial sector and prevent capital flight to Brazil. Competition for various markets in Brazil and elsewhere in Latin America is nothing new, but Sonae may have the edge with its plans to introduce Internet Wireless Access Protocol (WAP) technology to Brazil. Brazil's most pressing need is handsets, the primary component consumers lack in making the wireless leap. The company that is able to introduce these handsets as part of an integrated Internet WAP technology strategy will be able to take the lead in Brazil's potentially huge wireless market. A country such as Brazil which focuses on Internet WAP is set to leap into high tech and Internet-related business faster than a country focusing on expanding PC computer penetration, since Internet WAP does not need massive investment into telecommunications network infrastructure.

UNITED STATES-TELECOMMUNICATIONS & INTERNET

BUSINESS INTERNET TELEPHONES COMING. U.S.-based Cisco Systems unveiled its revolutionary Internet-based office telephone system on Monday, the first of its kind. Cisco says the system is easy to install in the Ethernet data network platform and routes calls cheaply over the Internet instead of through an expensive telecom carrier. Internet call quality is expected to be near that of a fixed line, unlike the major call quality problems of current Internet telephone solutions. Cisco gains a considerable product-to-market lead over similar systems being developed by competitors such as Canada's Nortel Networks and U.S.-based Lucent Technologies with the Monday launch. Rapid product developments have helped maintain Cisco as an investor favorite. After the U.S. stock market closed on 24 March, Cisco became the world's most valuable company. Cisco's market cap of \$579.1 billion on that day beat out U.S.-based software giant Microsoft's market cap of \$578.2 billion. (AFX European Focus, Cisco Systems Press Release, Le Monde, New York Times)

ANALYSIS: Cisco's new Internet telephone product establishes a whole new market for telecom equipment and is a nightmare for long-distance companies such as AT&T. Cisco's new system most likely will spur large and expensive purchases of Internet telephone equipment among companies worldwide, with resulting rewards for Cisco. As firms seek to lower costs by installing Cisco's Internet telephone system, look for potential regulatory maneuvers from telecom companies to protect their revenues, particularly in markets with strong regulatory control such as France, Italy and Japan.

PEOPLE & EVENTS

On Monday, YOUNG & RUBICAM (Y&R) announced it would not defend its \$114 million advertising contract with the U.S. ARMY, opening the \$114-130 million contract up for bidding. Y&R did state that it still planned to compete for the U.S. AIR FORCE'S \$55 million account; bidding is set to begin in April. Although reports conflict as to the contract's amount, the Army stated that qualified ad agencies with a minimum of \$350 million in billings are welcome to apply. Possible contenders include SAATCHI & SAATCHI, ARNOLD COMMUNICATIONS, CAMPBELL-EWALD, DDB and LEO BURNETT. With the assistance of search consultant JONES-LUNDIN ASSOCIATES, the Army will issue requests for proposals by the end of April. (Advertising Age, Adweek Online, Federal Document Clearing House Congressional Testimony, Federal News Service)

The 400 worldwide sponsors of the FEMINIST EXPO 2000 are in the final week of preparations for the 31 March-2 April forum to be held in Baltimore, Maryland. Featuring some 5,000 speakers, approximately 6,000 women from the U.S. and 62 foreign countries are expected to attend the forum organized by the FEMINIST MAJORITY FOUNDATION. Topics to be discussed will include Health Trends for Women in the 21st Century; Women in the Media/Technology; Money, Business and Investing, among others. (Chicago Tribune, The Standard, U.S. Newswire, Variety.com, www.feminist.org)

SECTORAL HIGHLIGHTS

The Bakersfield Californian reported on Saturday 25 March that U.S. grocery retailer ALBERTSON'S INC. is test marketing a "GAS REWARDS" promotion with U.S. oil retailer ARCO in Bakersfield, California through 4 April 2000. By purchasing eligible Albertson's "BONUS BUYS" products, customers receive a credit (between \$0.01 to \$0.10 per item) that can be applied to 10 gallons of gasoline at 23 Bakersfield ARCO stations. (ARCO Press Release, Bakersfield Californian, Los Angeles Times, San Francisco Examiner)

ENTERPRISE PRODUCTS PARTNERS L.P. has reportedly agreed to acquire the Louisiana-Texas propylene pipeline from SHELL OIL COMPANY'S affiliate, CONCHA CHEMICAL PIPELINE COMPANY. Upon completion of a current upgrade, the pipeline is expected to have a capacity of 50,000 barrels per day. As part of the agreement, SHELL CHEMICALS signed a 20-year agreement to

preferentially exchange all of their excess Louisiana chemical grade propylene to their site in Mont Belvieu, Texas. In addition, Enterprise acquired a salt dome storage well in Sorrento and a 27-mile, 6" pipeline linking its Norco fractionation unit with the Sorrento well. (Atlanta Journal & Constitution, Worldwide Energy)

Leading German daily Die Welt reported Monday that a planned e-commerce joint venture involving GENERAL MOTORS, FORD and DAIMLERCHRYSLER in components purchasing could face opposition from U.S. anti-trust authorities. The U.S. Federal Trade Commission (FTC) plans to investigate the venture, expected to organize some \$240 billion worth of purchases, on suspicion that it might lead to the formation of a price cartel. Howard Shapiro, a press officer at FTC contacted by Intellibridge, acknowledged that the FTC is undertaking a "review" of the venture. In February, the three companies announced plans to form an Internet-based company that would serve as a virtual marketplace, open to all companies involved in the auto industry, for the purchase of auto components. (AFP, CMP Media, www.ftc.gov, The Independent, Die Welt)

U.S. consumer product giant PROCTER & GAMBLE (P&G) announced Monday that it is considering selling its 73 year-old OXYDOL laundry detergent brand. P&G said that Oxydol, a minor brand that constituted less than 0.1 percent of P&G's fabric and home care business, does not fit into the company's 2005 Organization strategy of building global brands. (AFX, AP, Grocery Manufacturers of America, Grocerynetwork.com, PR Newswire, Procter & Gamble Press Release)

Newmarket Daily Briefs are prepared by Newmarket analysts in consultation with Newmarket principals, advisory board members and other members of the Newmarket Network. This Brief was prepared by Sage Hiley (shiley@newmarketnet.com) and Julie Olker (jolker@newmarketnet.com). Clients

are encouraged to contact Newmarket analysts with questions, comments or requests for additional research regarding subjects raised in the Daily Briefs.

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Headlines for Tuesday, March 28, 2000:

- GERMAN BUNDESBANK SUPPORTS US TREASURY'S REFORM PROPOSALS.
- US TREASURY SECRETARY WANTS NEW STRESS ON LATIN POVERTY.
- INTERNATIONAL DONORS TO MEET ON BALKANS IN BRUSSELS.
- WORLD BANK COMMITS \$400 MILLION LOANS FOR PHILIPPINES.
- IMF APPROVES \$50 MILLION CREDIT FOR MOZAMBIQUE.
- Also in this Edition: BUSINESS AND INVESTORS HOPE PUTIN ACTS QUICKLY.
- ROMANIA GETS \$11 MILLION WORLD BANK LOAN FOR FARMING.

GERMAN BUNDESBANK SUPPORTS US TREASURY'S REFORM PROPOSALS.

German Bundesbank President Ernst Welteke said yesterday he supported US Treasury Secretary Lawrence Summers' views on how to reform the IMF, reports Dow

Jones. Agreeing that the tasks of the IMF and the World Bank should be clearly

separated, Welteke said it made sense for the Fund to concentrate on crisis management with the help of short-term credits, whereas the World Bank should

focus on long-term credits for developing countries.

Welteke, however, rejected the conclusions of the report of the US congressional

advisory commission chaired by economics professor Allan Meltzer, which called

for an even further tightening of IMF lending policy. Last week, notes the story, Summers also criticized the Meltzer commission's proposals, saying

that
to limit lending to a "narrow set" of countries would leave the Fund
hamstrung
when a response to economic turbulence was required.

Meanwhile, UNCTAD Secretary-General Rubens Ricupero writes in the
International
Herald Tribune (p.8) that [the US administration and the Meltzer
commission's]
proposals to overhaul the lending activities of the World Bank and other
development banks appear set to dominate the debate on global governance.
Many
of the recommendations are highly contentious, but on one issue-the large
debts
of poor countries-the commission voted unanimously on the desirability of
writing off all multilateral claims against countries that implement an
effective development strategy. It also recommended that bilateral
creditors
should similarly write off these countries' debts.

These specific recommendations should not be ignored in the controversy
over the
Meltzer commission's other proposals, says Ricupero, adding that the UNCTAD
wholeheartedly endorses the commission's recommendation regarding writing
off
these debts in their entirety. Such a gesture would help repair the
bridges
between developed and developing countries that were damaged in Seattle
last
year at the WTO ministerial meeting, says Ricupero. The gathering of G7
leaders
in Osaka in June would be the appropriate venue for the representatives of
the
world's wealthiest nations to endorse and enact recommendations on debt
write-offs for the poorest, he writes.

In other news, Morris Goldstein of the Institute for International
Economics
said in Seoul today the IMF should go back to basics in adhering to normal
lending limits and abandon huge rescue packages in handling country crises,
reports Asia Pulse. "For systemic crises, the IMF should turn to its
existing
credit lines when problems are largely of the country's making and to
special
contagion funds when the country is an innocent victim," Goldstein is
quoted as
saying at a seminar. Goldstein also said that the IMF should focus on
monetary,
fiscal, foreign exchange and financial sector policies, not on long-term
structural reforms, while the World Bank should focus on long-term
structural
and social aspects of development, not on crisis management and
macroeconomic
advice.

Separately, Mark Weisbrot of the Center for Economic and Policy Research writes in a Journal of Commerce op-ed (p. 5) that on April 16, the IMF and the World Bank will face the first major demonstrations ever to take place on their home territory. In addition to a rally and march, the demonstrators will attempt to shut down the Spring Meetings of the Fund and the Bank with nonviolent civil disobedience--as they did to the WTO in Seattle.

US TREASURY SECRETARY WANTS NEW STRESS ON LATIN POVERTY. US Secretary of the Treasury Lawrence H. Summers called yesterday for sweeping changes in the way international aid agencies try to combat poverty in Latin America, amid signs that robust economic growth there has left more people behind than many economists expected, the New York Times reports (p. C4).

Summers, speaking to Latin American finance ministers and development experts at the annual meeting of the Inter-American Development Bank (IDB), said the US wanted the bank to conduct a full review of its lending programs, to raise the interest rates it charges its wealthiest borrowers, and to adopt more effective ways of increasing education levels and fighting poverty.

The article notes that a study by the United Nations Economic Commission for Latin America found that 15 percent of the region's people live in extreme poverty, a level it said had barely budged in two decades. And the IDB released a report saying that 150 million people in the region live on \$2 a day or less, and that the gap between rich and poor widened in the 1990's. This persistent income gap, some fear, may threaten the consensus that has brought Latin American economies closer to world levels in the last decade, especially at a time when globalization is under attack by some labor unions and non-government organizations.

El País (Spain, p.78), Los Angeles Times (p. C2), Wall Street Journal (p. A21) and Dow Jones also report on Summers' speech.

At the same meeting, IDB President Enrique Iglesias yesterday gave fresh impetus to programs designed to reduce poverty and social inequality and outlined ambitious targets for regional economic growth, notes the Financial Times (p.10).

INTERNATIONAL DONORS TO MEET ON BALKANS IN BRUSSELS.

International donors start a two-day meeting in Brussels today to pledge economic aid to the Balkans which they hope will cement regional cooperation and help make the Kosovo conflict the last of its kind, reports Reuters. Donors are expected to offer more than \$970 million for projects stretching from Montenegro to Romania and repeat their message that Serbia could also benefit if it ditches President Slobodan Milosevic.

The Regional Funding Conference organized by the World Bank and the European Commission is the first to be held in support of the Stability Pact for South East Europe set up in the aftermath of NATO's campaign to evict Serb forces from Kosovo. The heart of the conference is a narrow list of "quick start" projects that need funding to get off the ground, but bigger political questions over the region's future are likely to dominate declarations at the meeting.

"Declining living standards, refugees, border disputes and security concerns in the region are all conspiring to create a cauldron of instability and potential conflict in Europe," the World Bank says in a preparatory report for the meeting. The report argues that successful reform may only be possible if the countries covered by the Stability Pact-Albania, Bulgaria, Bosnia-Herzegovina, Croatia, Yugoslavia, Macedonia and Romania-are offered "a credible and predictable path to integration with European and global structures, particularly the EU".

The EBRD expects to invest between \$600 million and \$700 million a year in southeastern Europe over the next two years along with the World Bank's IFC, adds the Wall Street Journal Europe. "We are asking donors to co-finance some of the initiatives for the private sector," said Olivier Descamps, EBRD

director
for the Balkans. "The more donors can contribute, the more we will be
able to
put into trade and small and medium-size enterprises in the short run."

The EBRD is taking the lead in developing programs to help the private
sector,
while the World Bank is responsible for the overall aid strategy, the story
notes. The EIB, meanwhile, is preparing a program to repair and expand the
region's infrastructure.

The news comes as Reuters reports that Bosnian Foreign Minister Jadranko
Prlic
said yesterday his country was expecting to receive some \$388 million from
the
donors' conference. These were not new funds, he said, adding that
international lenders like the World Bank and the EIB, would mostly confirm
their earlier commitments.

WORLD BANK COMMITS \$400 MILLION LOANS FOR PHILIPPINES.

The World Bank has committed \$400 million in loans for the years 2001 to
2002 to
help the Philippine government reduce poverty, Reuters reports. World Bank
country director Vinay Bhargava said today the Bank was even willing to
lend up
\$1.2 billion in the next two years should the Philippine government need
it and
if economic performance remained satisfactory.

The World Bank has set a country assistance strategy program of between \$1
billion and \$1.5 billion in loans for the Philippines between July 1999
and June
2002, notes the story. The loans will finance projects specified in the
government's medium-term development plan aimed at reducing poverty. In
2001,
the loans would be used for a transport integration project, water supply,
and a
land administration project. In 2002, the projects lined up for funding
included rural electrification and agrarian reform.

The World Bank has so far approved loans worth \$277.5 million in 2000 for
the
development of the southern island of Mindanao, road improvement, and other
social development projects. "We fully support the government's position
on
focusing and accelerating implementation of ongoing projects and limiting
new
borrowing to poverty reduction oriented projects which can be readied for
quick

implementation," the story quotes Bhargava as saying.

IMF APPROVES \$50 MILLION CREDIT FOR MOZAMBIQUE.

The IMF yesterday approved a \$50 million credit for Mozambique and said the funds would be available on an accelerated basis in light of the devastating floods that have struck the country, reports Agence France-Presse. The Fund's executive board approved the loan under terms of the IMF poverty reduction and growth facility (PRGF), which makes financial assistance on concessional terms available to low-income countries that agree to implement market-oriented economic reforms.

"In view of the emergency situation and its likely impact on the balance of payments, access under the PRGF arrangement has been augmented," the Fund is quoted as saying. UN officials estimate that some 536,000 people in Mozambique have been displaced by flooding and are living in special facilities, with their numbers growing each day.

The destruction is not, at the moment at least, a catastrophe for Mozambique's much vaunted economic revival, fuelled by generous dollops of aid, rising foreign investment and a government surrender of financial control to the World Bank and the IMF, the Guardian (UK, p.1) notes.

Also in this Edition: BUSINESS AND INVESTORS HOPE PUTIN ACTS QUICKLY. ROMANIA

GETS \$11 MILLION WORLD BANK LOAN FOR FARMING.

BUSINESS AND INVESTORS HOPE PUTIN ACTS QUICKLY. After hearing Vladimir Putin's pre-election plans to create a sounder economy and a friendlier investment climate, foreign investors and local business people say the new Russian president has to take decisive action in the next few months for the country to see marked increases in investment, the New York Times (p.A11) reports.

The tasks Putin faces are daunting, partly because years of neglect under the government of Boris Yeltsin have deepened so many problems. Business people are

counting on his carrying out long-delayed initiatives like tax and customs reform. Just as important, Putin has to nurture an environment where businesses feel they are treated fairly. That means reducing Russia's corruption and the profound influence powerful business people, domestic conglomerates, and upstart regions have on the government, the story says.

The Wall Street Journal (p.A21) also reports on foreign investors' hopes for Russia. Some foreign investors, the story says, expect Putin to adopt business-friendly policies that could unlock billions of dollars in investment in the Russian economy. But others caution that Putin's true intentions will emerge only once he has named a cabinet, unveiled a program, and confronted some of the difficult choices he dodged during the election campaign.

Meanwhile, on the day after his decisive victory, Putin told his cabinet that it was time to put "all our work" on a new economic program into one "weighty document" by the time he is sworn in and appoints his new government in early May, the New York Times reports.

Further, an editorial in the Washington Times (p.A20) says stamping out widespread corruption will be his first order of business. Its reach and impact on Russia can't be exaggerated. But rooting out corruption will prove a daunting challenge. Putin will also have to downscale the bureaucracy. Russia today employs twice as many workers as the Soviet Union did in 1989. Since the government pays them little but grants them a great deal of power to regulate business and economic activity, the potential for abuse is huge, says the editorial.

In other news, Putin's ascension to the Russian presidency heralds what could be a more conciliatory era in US-Russia relations, the Washington Post (p.A18) reports, including a new influx of Western aid for the battered Russian economy.

Analysts predict Russia will likely receive a much-delayed \$640 million loan from the IMF, which is preparing to dispatch a high-level delegation to Moscow, the story says. Michael McFaul, a senior associate with the Carnegie Endowment for International Peace in Moscow, said a larger IMF package could be in the

offing if US Vice President Gore becomes President. Russia's hopes for restructuring \$38 billion in Soviet-era foreign debt hinges on good relations with the IMF, according to the article.

ROMANIA GETS \$11 MILLION WORLD BANK LOAN FOR FARMING. The World Bank will lend Romania \$11 million under an Agriculture Support Service Project to help farmers adjust to EU standards, Reuters reports. "The loan will help Romanian agriculture to become more competitive and efficient for entering the EU market," World Bank country director for Romania Andrew Vorkink is quoted as saying yesterday.

Romania started EU accession talks last month and Romanian officials say the country could join the EU by 2007, notes the story. Vorkink, who is currently assessing the Bank's project portfolio in Romania, said the loan would help private farmers and the food processing sector acquire new technologies. "The loan, the first investment loan the World Bank has made to Romania's agriculture sector, will also help build institutional and human capacity to undertake better research to meet EU environment standards," he noted. The bulk of the Bank's loan would be used to create a competitive grant scheme for the farm sector, he added. Some \$2 million would help increase the capacity of extensive services in the sector, he said.

ZIMBABWE PONDERES DEVALUATION. Zimbabwe's bankers will meet the central bank today to consider a 25 percent devaluation of the currency, which has been pegged for the last 14 months, reports the Financial Times (p.8).

Also reporting on Zimbabwe's economic crisis, the Guardian (UK, p.23) says the US, the IMF, and the World Bank would all back a rational recovery program. And they have all told President Robert Mugabe so. But like a latter-day Lear, Mugabe plunges blindly on, deaf to all advice, the victim of imagined conspiracies and betrayals, still fighting the colonial battles of his youth. The problem is how to stop his unredeemed tragedy becoming Zimbabwe's.

BRIEFLY NOTED... The US is seeking to identify individuals who might have profited from an unusual series of financial operations carried out by Ukraine's central bank through Credit Suisse First Boston (CSFB), reports the FT

(p.3),
noting that the transactions have been at the center of controversy since
the
IMF acknowledged this month that Ukraine had made transactions to mislead
the
Fund and secure additional aid...Poland's corruption problem was
particularly
rife during the privatization of state companies, the national accounts
court
said in a report released yesterday, reports AFP, noting that the court's
allegations come several days after the World Bank announced that
corruption was
widespread and growing in Poland, including in the higher echelons of state
administration. La Tribune (France, p.28) also reports.

Former French Prime Minister Laurent Fabius was yesterday put in charge of
France's Finance Ministry as part of a reshuffle of the Socialist
government
aimed at breathing new life into difficult reforms, reports AFP, noting on
the
international front, Fabius will have to prepare France's six-month
presidency
of the EU, beginning July 1, and for the spring meetings of the IMF and the
World Bank next month, complete with a meeting of G7 finance
ministers...Former
IMF Managing Director Michel Camdessus was yesterday named president of
France's
international economic forecasting center CEPIL, part of the national
economic
planning body, reports AFP.

The WTO risks being gravely damaged by "bullheaded" efforts to launch a new
trade round without first securing support from developing nations, the FT
(p.8)
reports UK Environment Minister Michael Meacher said at a conference
yesterday,
as the FT (p.17) comments in an editorial that the rich trade powers have a
responsibility to stand up to their protectionist lobbies and table a
package
that genuinely opens up their markets to the Least Developed Countries
(LDCs).

UK government officials are advising ministers not to pass new legislation
to
support an OECD convention against bribery, arguing that British law
already
complies with it, notes the FT (p.17) in an editorial, commenting that
that is a
cynical view.

There is a way for Africa to gain duty-free access in textiles to the US
market,
without harming US workers or worker standards in Africa, but it takes a
will to

find it, says Thomas Friedman in a New York Times (p.27) op-ed. Africa's unions have that will but what about US unions, he asks.

The US will deliver food aid to Eritrea for the first time since July 1998, reports the Washington Post (p.A17). The State Department had halted the delivery of emergency food aid to Eritrea after 45,000 tons of US-provided grain meant for starving Ethiopians was confiscated by Eritrean authorities.

IMF senior resident representative John Dodsworth said in Jakarta on Tuesday that he expected a delay in the approval of the latest review of Indonesia's economic program, AFP reports. "I think that we probably are looking at some short delay because previously we had said that it would be around April 4 but we haven't completed the discussions yet," Dodsworth said. He said key points awaiting agreement were measures concerning corporate restructuring, including what to do about the Jakarta Initiative.

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AMERICAS REGIONAL OUTLOOK
Wednesday, 29 March 2000

UNITED STATES

GEPHARDT AGAINST E-COMMERCE TAXES. Speaking at a technology conference in Northern Virginia, House Minority Leader Richard Gephardt (D-MO) endorsed several typically "Republican" measures including, notably, a three-year tax

moratorium on e-commerce, the elimination of certain taxes including the telecommunications excise tax and taxes on Internet access and transmission.

In addition, Gephardt said he favors a permanent tax credit on high-technology research and development. Gephardt, who calls himself a "New

Democrat," has tried to develop a positive and beneficial relationship with the technology executives group, of which there are many inside and outside the Washington D.C. beltway. In the same speech, Gephardt also indicated he would not lobby House Democrats to vote against Permanent Normal Trade Relations (PNTR) for China, instead allowing his number two colleague, David

Bonior (D-Mich), to take up that cause. (Bloomberg, New York Times, Bulletin's Frontrunner, Washington Post)

ANALYSIS: While tax and spend no longer seems to be the war cry of Democrats, this shift marks a significant turn for "New Democrats." There are some indications that high-tech execs are still up for political grabs. However, if Gephardt really wants to pull these execs into his court, he will need to be more aggressive on his China stance. Big business in this country is focused if not obsessed with permanently normalizing trade relations with China in support of the country accession to the WTO - it's this season's do-or-die fight. Here Gephardt seems caught in a web of political machinations that could bite back if he doesn't handle it correctly, and ultimately he must decide what his long-term objectives are. (Vice President Al Gore is in the same boat, attempting to chat up the business community and Big Labor simultaneously.) Gephardt has said in the past he would vote down a pro-PNTR bill unless there were human rights and environment clauses included. As for national taxes on e-commerce (in the next three years), watch for the issue to die away due in part to the enormous economic power of the Internet.

BRAZIL

BRAZIL LOWERS INTEREST RATES. In a surprise move, Brazil's monetary policy committee (Copom) lowered its benchmark interest rate from 19 to 18.5 percent. Copom had in recent months taken a conservative stance and was not expected to lower the Selic until at least late April. In a meeting on 22 March, Copom did however change the bias of the interest rate, which showed some flexibility with regard to Copom's stance. This drop is the first since September 1999, and was in large part based on OPEC's expected decision to raise oil production by 1.7 million barrels per day. High oil prices, resulting in part from a year-long fixed quota on oil production, have introduced inflationary pressure into several emerging market economies. Some parts of the Brazilian economy are even showing signs of deflation. With this fear slacking off, Brazil has the confidence to drop the rates to further stimulate economic growth and access to credit. Brazil has been fearful of lowering interest rates since its devaluation in January 1999, because of gnawing fears of capital flight if rates are no longer attractive for investment in the real. (Bloomberg, Brazil Financial Wire, Financial Times, Gazeta Mercantil, Wall Street Journal)

ANALYSIS: Brazil has been subtle in its accomplishments since those jittery days of late 1998-early 1999. In the past two months, Brazil has: a) lowered prohibitive interest rates; b) maintained a steady currency, even intervening in markets on 24 March to keep the currency from appreciating too sharply; c) posted a surplus in February (its biggest monthly surplus since 1991); d) achieved the distinction of being the largest recipient of foreign direct investment of all emerging markets, charting an inflow of \$5 billion in the first two months of 2000; e) witnessed excessive demand for its sovereign bond issues; and f) brought profit to recently privatized public banks. Rarely are all these accomplishments listed together. This comprehensive macroeconomic stabilization could bring economic growth of up to 4 percent this year.

REGIONAL

LATIN AMERICA EMERGES AS A LEADER. The IMF announced on Tuesday that Latin America on the whole should grow 4 percent in 2000. This figure is higher than that forecasted by the World Bank in December 1999, which called for 3 percent growth, revised downward at the time from their original figure of 4 percent growth for 2000. In 1999, the IMF had anticipated a paltry 0.3 percent growth for the region. Brazil alone will go from zero growth in 1999 to 4 percent growth in 2000. The IMF also indicated at the two-day Inter-American Development Bank (IDB) meetings in New Orleans ended Tuesday that inflation for the region would be at its lowest in 30 years, averaging 8.4 percent across the region. Foreign direct investment rose by 32 percent in 1999 and is expected to rise further in 2000. Meanwhile the Institute for

International Finance released a report on Tuesday that net private inflows will rise by \$92 billion in 2000. Latin America has been assisted over the past 12 months by high oil prices because the region is a net oil exporter. However, the variations are sharp: Venezuela is the third largest oil exporter in the world while Chile imports 95 percent of its fuel needs. (Bloomberg, El Mercurio, Financial Times, IDB Press Release, Wall Street Journal)

ANALYSIS: Has Latin America finally overcome volatility? While in some ways Latin countries, as with all developing countries, are learning from past mistakes as they integrate themselves into the global economy, they are taking steps not only to chart economic growth but to prevent extreme volatility. Volatility more than any other factor has hurt Latin American equitable growth for the past decade. Chile, Colombia and Brazil, all of which have abandoned their fixed or semi-fixed exchange rates, are magnets for currency speculation. More so than these three, the countries to watch will be Argentina, Ecuador and Venezuela. For a variety of reasons, these countries still cling to a lifeboat called fixed exchange rates: while providing some short-term stability, these three countries are more at risk of sharper economic downswing.

MEXICO

TELECOMS FEE WARS. On Wednesday, Telefonos de Mexico SA (Telmex) argued that Mexican telecommunication regulators' attempt to limit its market share is "illegal" and vowed to defend itself with all means available. The Federal Telecommunications Commission (Cofetel) handed out rules to Telmex on Tuesday that would "establish specific obligations in relation to prices, quality of service and information." Cofetel responded with this measure after three-month-long talks broke down between two rival long-distance companies, Alestra SA (owned partly by AT&T Corp), and Avantel SA (partly owned by MCI WorldCom Inc.), and Telmex. Telmex rivals have complained that the Mexican telecomm giant overcharges them for access to its 11 million fixed-line customers. For its part, Telmex argues that both companies owe millions in network upgrades and outstanding interconnection fees. Cofetel President Jorge Nicolín stated that separate negotiations would begin the week of 3 April on the issue of interconnection fees, which Telmex opponents argue are three times the amount of current international benchmarks. (El Universal, Financial Times, La Reforma, Latinnews, New York Times, Wall Street Journal)

ANALYSIS: Telmex, which joined forces on 22 March with Microsoft to create a Latin region web portal, will surely tap into Microsoft's knowledge and experience in fighting off regulators. AT&T and MCI WorldCom could also write extensively on this subject. Expect Telmex to keep reiterating its argument that Alestra and Avantel owe millions in unpaid interconnection fees. The Mexican media giant will continue to tie Cofetel up with legal red tape and fight the imminent deregulation process tooth and nail.

Unfortunately, deregulation of Telmex is not enough. The Mexican economy is not yet at the stage fully to promote private enterprise and protect consumers at the same time. If the Telmex rivals feel that Cofetel does not have the power and ability to curb Telmex, it will more likely revert to the

World Trade Organization in order to reach a settlement. Time is really on Telmex's side as the Mexican presidential election is only months away, which will guarantee new personnel in Cofetel offices. In the meantime, Telmex rivals will keep pulling on the sleeves of U.S. Federal Trade Commissioners and U.S. Trade Representative Charlene Barshefsky.

PEOPLE AND EVENTS

On Wednesday, the U.S. NATIONAL CENTER FOR HEALTH STATISTICS released a report that showed a 2 percent increase in the total birth rate, rises in births for most ethnic groups, and increased numbers of second and third children. The overall increase is the first time that total number of births and the birthrate increased have since 1990. The general trend is that more women with baby boom mothers are having children at younger ages than their parents. Analysts point to the sound U.S. economy as one reason for the rise in births. (AP, Washington Post)

A Brazilian federal appeals court stated on Tuesday that the privatization of BANCO DO ESTADO DE SAO PAULO SA or BANESPA will be resumed. The appeals court's decision overturns the original Sao Paulo and Brasilia court ruling that delayed Banespa from hitting the auction block. The original date of 16 May will be missed, however it will most likely be delayed to JUNE. An announcement will be made on the exact date of the privatization, as well as the timetable, sometime on Wednesday. Banespa is Brazil's sixth largest commercial bank. (Brazil Financial Wire, Gazeta Mercantil, Wall Street Journal)

SECTORAL HIGHLIGHTS

A new business-to-business global healthcare e-commerce exchange was announced Wednesday by five major U.S. health care companies, JOHNSON & JOHNSON, ABBOTT LABORATORIES, BAXTER INTERNATIONAL, GE MEDICAL SYSTEMS and MEDTRONICS. This as yet unnamed system will act as an open business exchange between these five companies, their suppliers and buyers. This is the latest of the almost daily announcements of new business-to-business e-commerce exchange ventures that corporations hope will save them money and increase efficiency through competitive bidding and better purchasing and inventory management. (AFX European Focus, Bloomberg, Business Wire, Grocrynework)

On Tuesday, the price of oil fell when nine ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES (OPEC) countries accepted Saudi Arabia's plan to raise production quotas by a "paper" increase of 1.45 million barrels a day.

Benchmark Brent crude for May delivery had dropped from \$25.51 to \$24.25 by 1400 GMT. Although IRAN had not signed on in the beginning, the country finally agreed to the increase, slated to begin 1 April. An OPEC spokesman stated that the agreement would be reviewed in three months. (BBC, Financial Times, New York Times, Wall Street Journal, Washington Post)

Newmarket Daily Briefs are prepared by Newmarket analysts in consultation with Newmarket principals, advisory board members and other members of the Newmarket Network. This Brief was prepared by Sage Hiley (shiley@newmarketnet.com) and Julie Olker (jolker@newmarketnet.com).
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Headlines for Wednesday, March 29, 2000:

- IMF MUST FOCUS ON SHORT-TERM LENDING, NOT RADICAL REFORM: K?HLER.
- NINE MONTHS LATER, BALKAN-AID PROJECT IS BEING FUNDED.
- NEW ROMANIAN POLLUTION SPILL, WORLD BANK WILL HELP.
- WORLD BANK ACCORDS CHINA \$200 MILLION LOAN FOR HIGHWAY PROJECT.
- IMF DELAYS NEXT LOAN INSTALLMENT TO TROUBLED INDONESIA.
- Also in this edition: THE TOBACCO WARS: COMMON SENSE GOES UP IN SMOKE: COMMENT. MOZAMBIQUE FLOODS BILL UP TO \$1 BILLION, SAYS WORLD BANK.

IMF MUST FOCUS ON SHORT-TERM LENDING, NOT RADICAL REFORM: K?HLER.

Newly appointed IMF Managing Director Horst K?hler said yesterday the Fund should refocus its efforts on short-term lending, but was not in need of radical reform, the Financial Times (p.16) reports. K?hler, who will take over at the IMF in May, said he would reassess the Fund's role, but that there was no need for "a new grand design" for the IMF. "There is no need to turn the IMF upside down," he is quoted as saying in London yesterday.

In one of his first detailed public statements since his appointment, K?hler questioned the role of the extended Fund facility, a longer-term lending program whereby repayment can take as long as 10 years. "In principle, it is

right to refocus the IMF and go back to more short-term lending," he said. "It is important that recipient countries do not get used to borrowing from the Fund."

The tone of his comments was similar to the views of US Treasury Secretary Lawrence Summers, the story notes. Like Summers, K?hler stopped well short of agreeing with the US congressional advisory commission chaired by economics professor Allan Meltzer, whose recent report advocated radical reform of the IMF, including an end to all except short-term crisis lending. "The Meltzer report gave a very critical assessment of the Fund's achievements," K?hler said. "I feel the extension of markets and democracy over the past 50 years should be credited to the IMF."

The New York Times (p. C4) adds K?hler made it clear that his concept of reform would not limit the broad reach of IMF influence that some critics want trimmed. "My own vision is, in rather broad terms, that the IMF should be even more than in the past a crucial cornerstone to secure growth and stability in the world, or in the global economy," he said. "Whatever we do with crisis management, aid to the developing countries, the most important thing to achieve is sustained growth in the world economy, and that's not only in developed countries but really in the global economy including the developing countries and the emerging markets. That's my most important thing."

Also reporting on K?hler's comments, the Wall Street Journal Europe (p.1) and the Wall Street Journal (p. A2) quote him as saying, "I totally agree with Larry Summers." IMF lending "should really be temporary-long-term lending should be for the World Bank." But K?hler also pointed out that more than 70 percent of Fund lending was already short term, notes the International Herald Tribune (p.13).

K?hler would like the IMF, which provides loans and economic advice to financially troubled countries, to resist when its major shareholders-the US and the rest of the powerful G7-try to mold IMF lending policies to fit their political interests, the WSJE and the Wall Street Journal continue. "I know that's very difficult because we have very strong shareholders and they

want to exercise their interests--that's very clear," he said. "But I would like to embark on a dialogue where I advocate an understanding of the independence of the Fund-not that it is independent of its shareholders, but that it not be pushed around like a yo-yo by daily events or by, say, national agendas."

K?hler also said he retained an open mind on the IMF's lending program to the poorest countries that underpins the high-profile international debt relief effort, notes the FT. The New York Times adds that he said any debt cancellation should only be part of a broader strategy for third world economic recovery.

Commenting on Russia, the designated IMF chief said the Fund should "remain engaged in Russia," and while he praised Russia's "progress in terms of adjusting to a market economy," he also urged Putin to avoid his country's past mistakes. "The lesson from some experience in the past," he said, "is that the IMF, like others, should judge Putin and the Russian government not just by their words but by their deeds. And I hope that President Putin will build up new confidence in demonstrating that he's able to take prior action before international support is coming in."

In what may be seen as a concession to Japan, which has demanded greater influence at the Fund, K?hler said he was open to the idea of increasing Asia's voting weight.

"I really want to take developing countries, emerging-market countries, very seriously," the IHT quotes him as saying. Although he does not plan to attend the spring meetings of the IMF and the World Bank in Washington in April, he intends to travel to Latin America, Asia, and Africa in his first month on the job to signal his commitment to the needs of less developed countries.

Die Welt (Germany, p.14), the Frankfurter Allgemeine Zeitung (Germany, p.1), Handelsblatt (Germany, p.11), and the S?ddeutsche Zeitung (Germany, p.25) also report.

NINE MONTHS LATER, BALKAN-AID PROJECT IS BEING FUNDED.

Nine months after it was unveiled with great pomp in the wake of the Kosovo war, the EU-led effort to stabilize the Balkan region is expected to secure its first pledges of funding, reports the Wall Street Journal Europe. The EU and the World Bank, which have jointly organized a two-day meeting starting today in Brussels in support of the Stability Pact for southeastern Europe, said donor countries and institutions are expected to commit some \$1.6 billion to rebuild economies and strengthen democracy in the region over the coming year. La Tribune (France) also reports.

Conference organizers are trying to deflect criticism that the Brussels-based Stability Pact isn't moving fast enough, hasn't come up with any new money, and as a result is dashing high expectations of Western help in the Balkans, says the WSJE. The aid was promised partly as thanks for the countries' support of the NATO's bombing campaign against Yugoslavia. In the next year, Western officials said, the emphasis will be on about 140 "quick-start" projects, like improving the heavily congested border-crossing between Macedonia and Kosovo and demobilizing troops in Bosnia.

Of the \$1.6 billion, more than half will come from the EU. Although donor countries like to repackage previously promised aid as new, Western officials said new money would be made available as well. Of about \$1 billion slated for economic reconstruction, some \$400 million is new funding that officials said was expected to be secured by today.

EU leaders last week ordered an overhaul of their Balkan aid programs after a report by Javier Solana, the EU's chief foreign-policy and security official, said the programs were bogged down in bureaucracy. Solana and the European Commission are calling for faster disbursement of funds and support throughout the Balkans. US officials are also looking for improvements to ease recent trans-Atlantic tensions over Balkan reconstruction.

To deliver more rapid aid, the Pact's authors plan loans and grants for infrastructure and other schemes, reports the Financial Times (p.14). Because most of the money will be drawn from existing aid programs, the Pact's main aim is to coordinate what is already in the pipeline from the EU, the World

Bank,
the EBRD, and national governments.

There is little time to waste, says the story. The risk of violence is everywhere, notably in Bosnia, where memories of the last war are still fresh;
in Montenegro, which has flirted with declaring independence from Serbia;
and in
Macedonia, where there are tensions between the Slav majority and the ethnic
Albanian minority. No matter how attractive the economics of development,
the
region's bloody politics could still stymie progress. And the exclusion of
Serbia raises problems elsewhere, notably Montenegro, where some big
donors such
as the World Bank cannot operate because their mandate restricts them to
government-to-government projects.

The Wall Street Journal (p. A19) also reports.

NEW ROMANIAN POLLUTION SPILL, WORLD BANK WILL HELP.
Romanian officials said yesterday that lead residues from a Romanian mine
had
again polluted a river that flows into the Danube, two months after a
cyanide
spill in the area caused a major environmental disaster, reports Reuters.
The
Environment Ministry said heavy rainfalls and melting snow had broken a
stretch
of the wall of a dam at the state-run Baia Borsa lead and zinc mine for the
second time this month.

The latest incident came as Environment Minister Romica Tomescu was in the
area
with a World Bank delegation assessing ways in which the Bank might support
Romania's efforts to deal with big industrial polluters, the story notes.
Tomescu and World Bank country director for Romania Andrew Vorkink visited
a
gold mine in the area, the site of a spill of some 100,000 cubic meters of
cyanide-laced water which killed thousands of fish in Hungary and
Yugoslavia
last month.

The World Bank will support environmental projects for the ecologically
dangerous mining areas by financing programs for the upgrading,
preservation,
and ecological rehabilitation of closed mines, Rompres (Romania) said
Vorkink
said yesterday. The Bank would earmark \$20 million to help the laid off
miners

find new jobs; the money will also be used to extend advantageous micro-credits to redundant staff seeking to start their own business, Vorkink said.

In other news, the Financial Times (p.2) reports that the IMF has delayed for two months a decision on granting a new assistance program for Romania, subject to the government implementing reforms, including a tough budget.

WORLD BANK ACCORDS CHINA \$200 MILLION LOAN FOR HIGHWAY PROJECT.

The World Bank yesterday approved a loan worth \$200 million for China to help finance a 238-kilometer (148-mile) highway linking several poor, landlocked provinces with the sea, AFP reports. It said the funds would provide the interior provinces of Guizhou, Yunnan, Sichuan and the city of Chongqing with a shorter, faster route to southern seaports in Guangxi and Guangdong.

"This project is designed to help reduce infrastructure bottlenecks, address highway maintenance and safety issues, and channel the country's scarce resources to a relatively poor province which has a per capita income of about two-thirds the national average," said World Bank senior transportation economist Supee Teravaninthorn. Economic growth in the affected region has been constrained by the lack of road access to local, provincial and international markets, according to the Bank.

Reuters adds that the Bank said the highway would serve some four million people, 80 percent of whom are ethnic minorities.

IMF DELAYS NEXT LOAN INSTALLMENT TO TROUBLED INDONESIA.

The IMF has postponed the release of the next tranche of its \$5 billion loan to Indonesia over an apparent lack of progress on financial reforms, but the nation's leader says he expects the money to be released shortly, reports Dow Jones. Indonesian President Abdurrahman Wahid denied there had been a delay and said he expected the IMF board to meet on April 15 to approve the release of the next tranche-worth some \$400 million.

Analysts and observers say Wahid is still falling short on the main challenge of his presidency: reforming the country's flagging economy. A lack of progress on the key areas of bank and corporate restructuring has rapidly turned optimism that accompanied the arrival of Wahid's government to pessimism. Agence France-Presse notes that a World Bank-sponsored measure, the Jakarta Initiative, is aimed at facilitating corporate debt restructuring, but has been slow to produce results.

Indonesia is scheduled to meet with the Paris Club of creditor nations on April 12 in a bid to restructure some \$2.1 billion of debt, Dow Jones continues. Securing a deal will be tough if IMF financial support for the country is held up, says the story: the club generally acts only after a debtor nation is enrolled in an IMF or World Bank program.

Also in this edition: THE TOBACCO WARS: COMMON SENSE GOES UP IN SMOKE: COMMENT. MOZAMBIQUE FLOODS BILL UP TO \$1 BILLION, SAYS WORLD BANK. THE TOBACCO WARS: COMMON SENSE GOES UP IN SMOKE: COMMENT. The WHO has just published its draft Framework Convention on Tobacco Control (FCTC), which can be seen at www.who.int on the Web, writes University of Cape Town professor of economics Hugh High in the Wall Street Journal Europe. On Monday, health ministers from around the world gathered for three days of discussion about the convention in Geneva. It makes scary reading for anyone who believes that laws should be made by accountable legislatures and that consumers ought to be free to make informed choices without undue interference, High writes.

The FCTC will condemn smokers worldwide to pariah status, encourage a blackmarket in cigarettes that will make the one in cocaine seem trivial, and will reduce revenues for treasuries. The latter will especially harm developing countries, says High, adding that ministers the world over should reject the WHO's paternalistic nannying.

The WHO Tobacco Convention claims these Draconian measures are necessary since an alleged 10 million people will die annually from tobacco use by 2030, seven million of those in developing countries. Yet this figure is based on just

one
dubious World Bank assertion, not a thorough study.

It is not the WHO's job to dictate how countries balance the economic growth that tobacco farming, manufacture and sales provide with the health danger tobacco poses, High concludes. It is undermining the democratic prerogatives of nations when it tries to harmonize tax rates across the world. Not only would harmonization be economically inefficient, as the World Bank report acknowledges, but it would also drive the market underground. Ministers in developing countries should stop the FCTC before it starts hurting their revenues.

MOZAMBIQUE FLOODS BILL UP TO \$1 BILLION, SAYS WORLD BANK. The World Bank yesterday said the Mozambique flood disaster had cost the country nearly \$1 billion, reports the South China Morning Post. The direct cost of damages runs to \$273 million, notes La Tribune (France), while the cost of reconstruction will be \$428 million. Donors meet next month to discuss providing aid, notes the SCMP.

Meanwhile, Reuters reports that growth in Mozambique's flood-ravaged economy will slow to between six and eight percent in 2000, but should pick up next year provided there is enough aid for a recovery, the finance ministry said on Wednesday.

Despite an external debt burden of around \$8.3 billion, Mozambique was one of Africa's fastest growing economies before heavy rains hit last month, with an annual expansion in GDP of over 10 percent in the past three years, the story says.

PETRONAS SAYS CHAD-CAMEROON PIPELINE DEAL SOON. Hassan Merican, president of Malaysian oil company Petronas, said yesterday negotiations for Petronas to acquire a stake in the Chad- Cameroon pipeline project are almost completed, the Asian Wall Street Journal reports. "It is in the finalization stage," he is quoted as saying. Chevron of the US and Petronas are expected to buy stakes in the pipeline project from Royal Dutch/Shell Group and Elf Aquitaine, says the story.

The \$4 billion project, which is expected to double Chad's foreign-exchange earnings, seemed in jeopardy after Shell and Elf announced last year they were considering selling their interests, the story notes. Analysts said the date for the operation of the pipeline may be postponed to around 2003-04, from 2002, because of an equity reorganization that has delayed funding from the World Bank.

BRIEFLY NOTED...Spanish Finance Minister Rodrigo Rato yesterday announced that Spain would contribute \$70 million to the debt relief trust fund for Latin American countries, reports El Pais (Spain, p.72)... After months of negotiations and delays, Ecuador has finally met the conditions to win a loan from the IMF and payments should start next month, Reuters reports finance officials said yesterday, noting that the IMF, the World Bank, and the IDB promised earlier this month to provide Ecuador with \$2 billion in loans over the next three years to back the Andean country's economic reform program.

Microfinance institutions in East Asia and the Pacific have vowed to lobby for changes in existing laws to enhance credit to the poor, reports Businessworld (the Philippines), noting that this was the resolution arrived at by representatives of the institutions which participated in last week's regional forum in Manila sponsored by the World Bank... Japan plans to propose a multilateral currency swap accord with its Asian partners to guard against future currency crises, AFP reports Japanese Finance Minister Kiichi Miyazawa said in an interview with the Yomiuri Shimbun yesterday, noting that the proposal indicated that Miyazawa hoped a region-wide swap network would develop into an Asian monetary fund... The Japan Bank for International Cooperation said Wednesday it extended its first-ever special yen official development loan (ODA) to Vietnam, Dow Jones reports. The loan, totaling Y21.3 billion, aims "to help improve the transport and distribution system in northern Vietnam," the bank said.

Many in China believe in genetic engineering, the Wall Street Journal (p.A17) reports. As Western countries grow squeamish over potential problems linked to genetically modified crops, China's leaders have made genetic research their top

scientific priority, seeing it as a source of stable food supplies and a path to national glory, the story says...Almost seven months after East Timor's overwhelming vote for independence from Indonesia and its subsequent devastation by militia groups backed by the Indonesian military, the East Timorese people and UN administrators now in charge are finding the task of rebuilding from ground zero far more complicated than they ever imagined, the Washington Post (p.A16) reports.

Militant French farm leaders opposed to open trading in agricultural produce said yesterday they planned to set up a watchdog in Geneva to exert "democratic control" over the WTO, reports Reuters, noting that Jos? Bove and Fran?ois Dufour of the smallholders' Peasant Confederation in France, which accuses the WTO, the World Bank, and the IMF of seeking to establish a "market dictatorship" across the globe, said they were working with Swiss farm leaders and were also aiming to work with smallholder and peasant groups in poorer countries.

Pakistan's Securities Exchange Commission chairman-designate Khalid Mirza said on Wednesday he hoped to develop a transparent, viable, and growing stock market, Reuters reports. Mirza was chief of mission for the IFC in Bangkok for more than two years, and will become the Pakistan SEC chairman later this week.

Russia repaid \$2.4 billion of foreign debt in the first quarter of this year, lower than the previously planed \$3 billion, Reuters reports First Deputy Finance Minister Alexei Kudrin said on Wednesday.

An IMF team is in Libreville until Friday to review Gabon's progress on reforming the state budget and to continue discussions about an economic adjustment program, Reuters reports government officials said on Wednesday. Officials from the IMF, World Bank, and African Development Bank met government officials on Tuesday evening, along with business representatives.

For financial planners of the Palestinian Authority, the countdown to issuing a currency for an independent Palestinian state is already under way, the Christian Science Monitor (p.6) reports. The currency launch would not be tied to any declaration of statehood and will take another one to three years to prepare, depending on the time needed to build up foreign reserves and establish effective supervision of banks, the story says.

The IMF predicts that Latin America's economy will grow by 4 percent this year, up sharply from last year's 0.3 percent increase in GDP, the Wall Street Journal (p.A17) reports...Increasingly lawless, corrupt, and poor, Haiti has become pivotal to a multibillion-dollar business in cocaine, the Los Angeles Times (p.A1) reports. "Haiti's weak democratic institutions, fledgling police force, and eroding infrastructure provide South American-based narcotics traffickers with a path of least resistance," the story quotes a US State Department report as saying.

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Headlines for Friday, October 6, 2000:

- SERB PROTESTS END MILOSEVIC RULE, EU CALLS FOR END TO SANCTIONS.
- WOLFENSOHN VISITS UKRAINE, EBRD AGREES \$100 MLN FOR CHERNOBYL AID.
- PERU SEEKING \$1 BLN IN LOANS TO HELP ECONOMIC WOES.
- IMF NAMES PANEL TO REVIEW HOW IT HELPS GOVERNMENTS.
- WHY QUALITY MATTERS: WORLD BANK REPLIES.
- Also in this edition: CÔTE D'IVOIRE ORDERS STATE OF EMERGENCY AHEAD OF POLL.
- INDONESIA EXPECTS TO RECEIVE AID AT TOKYO MEETING.

SERB PROTESTS END MILOSEVIC RULE, EU CALLS FOR END TO SANCTIONS.

Thousands of Serbs were on the streets of Belgrade last night in an astonishing display of people power that swept President Slobodan Milosevic from power, reports the Times of London (p.1). As protesters set fire to the Parliament building and took over state television, opposition leader [and President-elect] Vojislav Kostunica got straight down to business with an emergency session of a new Yugoslav Parliament.

"We are living the last twitches of Milosevic's regime," Kostunica said. "Democracy has happened in Serbia. Communism is falling. It is just a matter of hours. We are staying here till the very end and I am staying with you."

Milosevic was said to have fled his luxury home in the outskirts of the capital, but last night his precise whereabouts were unclear. Military sources said he had fled to Moscow; Pentagon sources suggested he was hiding in a Belgrade bunker.

War crimes investigators said they were still looking to arrest him. Special forces from Britain, the US and France are known to be operating in the Balkans and were on alert for any possible capture of the toppled president.

World leaders welcomed the collapse of the Milosevic regime and pledged to support the demonstrators, the story notes. French Foreign Minister Hubert Vedrine said yesterday the EU was ready to respond to Kostunica's request for the international community to lift sanctions against Yugoslavia, the International Herald Tribune (p.7) notes Reuters reported. "Mr. Kostunica now embodies legal power in Serbia," Vedrine is quoted as saying. "He has asked that the international community recognize this new democratic reality in lifting the economic sanctions that were imposed on Milosevic's Federal Republic of Yugoslavia."

Also reporting, the Washington Post quotes EU External Affairs Commissioner Chris Patten as saying the time had come "to work on our priorities" to consider how to begin providing aid to Serbia, Yugoslavia's dominant republic and Milosevic's longtime power base. "We need to go in with the World Bank and have a proper assessment mission. But we'd also want to ensure that there is adequate humanitarian assistance and quick-start assistance in the short term to get things moving. I very much hope that we have to deal with these issues in the next few days and weeks. The problems of success and the challenges of success are better for everyone than having to go on living with Mr. Milosevic."

The US, notes Reuters, could quickly lift a wide range of economic sanctions against Yugoslavia in the wake of the revolt, officials said on Thursday. Administration officials would not say whether the sanctions would be lifted all at once or eased gradually. But they said the process would begin after it

became clear that Milosevic was out and that the results of last month's elections would be honored. "As soon as a democratic government is in place we will immediately take steps to remove economic sanctions," a US administration official said.

Sanctions were informally imposed on Yugoslavia during the war in Bosnia to put pressure on Milosevic to cooperate in peace talks and improve human rights, the story notes. These so-called "Outer Wall" of sanctions barred the government from membership in the World Bank and other international financial institutions. They also restricted credits and investment assistance, making it hard for Milosevic to raise capital.

WOLFENSOHN VISITS UKRAINE, EBRD AGREES \$100 MLN FOR CHERNOBYL AID.

World Bank President James Wolfensohn yesterday began a two-day official visit to Ukraine, meeting first with NGOs and health ministry officials engaged in the fight against AIDS, Agence France-Presse reports a Bank statement said here.

The institution is currently preparing an epidemic control project for Ukraine to boost national anti-AIDS efforts, the statement noted. Wolfensohn also met with Parliament speaker Ivan Pliushch and the heads of several parliamentary committees.

Meanwhile, reports Reuters, the EBRD has approved a \$100 million loan for Ukraine to purchase fuel for electricity generating companies ahead of the winter season, the prime minister said yesterday. The EBRD loan will go to four generators to buy fuel and compensate for a loss of around six percent in national generating capacity due to the planned closure of the Chernobyl nuclear power station, the site of the world's worst civil nuclear accident, on December 15.

"This money will be channelled to generating companies to replenish working capital and prepare for the winter season," Prime Minister Viktor Yushchenko said, without giving further details. Ukraine does not have sufficient energy

resources to meet demand and relies heavily on imports.

Yushchenko said the government also hopes to receive \$70 million for its coal sector from the World Bank in the near term. The Bank followed the IMF and froze its financing to Ukraine in September 1999 due to slow reforms, says the story, noting that Yushchenko said he would raise the issue during a planned meeting with Wolfensohn today.

Talks are expected to focus on a new three-year World Bank lending program to the ex-Soviet state, the story says. Yushchenko said the government would continue work on eliminating barter and boosting cash collections in the energy sector.

PERU SEEKING \$1 BLN IN LOANS TO HELP ECONOMIC WOES.
Peruvian Economy Minister Carlos Bolona said yesterday he was seeking about \$1 billion in loans from the IMF and other multilateral lenders for 2001 to help the nation tackle its economic problems, Reuters reports. Bolona, speaking with reporters after meeting with representatives from leading commercial banks at the US Chamber of Commerce, said: "We would be aiming for programs, adding up international financial institutions, ... of around \$1 billion for the year 2001."

Peru's economic woes come at a time when the nation is dealing with its biggest political crisis in a decade, the story notes. President Alberto Fujimori, responding to a corruption scandal, had called early elections and said he would not be a candidate, shaking investors' confidence in the economy.

Peru had pinned its hopes for cash generation on raising \$650 million in a program of privatizations and stake sales this year. But while it has already netted about half that total, analysts expect investors are likely to stay away until political uncertainty clears.

Bolona said he would meet with IMF officials and meet with officials at both the World Bank and the IDB. Bolona is hoping to safeguard funding commitments

already made - and perhaps to squeeze out more cash to help Peru's stuttering economy through the transition to early elections, expected within six months, analysts say.

With growth expected to slow to 4.5 percent in 2001, Bolona conceded lower tax revenues would follow, heightening the need for even more fiscal austerity. Economists say Peru has external financing of some \$300 million from the World Bank, the IDB and the government of Japan for this year, and had received guarantees for around \$700 million for 2001. But it needs to find some \$1.8 million to cover its deficit and debt servicing payments next year, and had been hoping to use around \$300 million from its troubled privatization plan.

IMF NAMES PANEL TO REVIEW HOW IT HELPS GOVERNMENTS.

The IMF has appointed a panel of outside experts that includes a senior official from the Federal Reserve Bank of New York to review the way it helps governments restructure financial sectors and capital markets, Dow Jones reports in the Wall Street Journal (pA10).

IMF Managing Director Horst Koehler asked the panel to provide "an independent perspective on how the Fund should organize its work in these areas," the IMF said. The panel will be led by John Lipsky, chief economist and director of research at Chase Securities Inc. Since taking the helm at the IMF in May, Koehler has advocated relaxing some conditions on IMF loans, which often include prescriptions for wholesale restructuring of the commercial banking sector or an overhaul of central bank activities, the story concludes.

WHY QUALITY MATTERS: WORLD BANK REPLIES.

Asked to reply to the Economist's criticism last week that the World Bank report "The Quality of Growth" muddles the message on growth and poverty, World Bank Vice President and head of the World Bank Institute Vinod Thomas writes in

this
week's Economist (p.118) that there is no disagreement about the
centrality of
growth in reducing poverty. But it is a big mistake to neglect lessons on
how
to achieve more and better growth-growth that is sustained, and whose
benefits
flow to all.

In the past decade the number of poor people in the world (outside China)
is
estimated to have risen by more than 100 million. To reverse this trend,
economic growth is crucial. If the economies of sub-Saharan Africa had
grown as
fast on a per capita basis as East Asia over the past three decades, living
standards would have quintupled instead of barely standing still, and
poverty
would have fallen, not risen.

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General Robert Guei has declared a nationwide state of emergency in advance of

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MSF, which won the Nobel Peace Prize last year, notably said the WHO initiative did not focus enough on the need to lower the prices of medicines and research and development.

"In fact their suggestions actually echo proposals and ideas that WHO has repeatedly stated," the UN agency answered in a statement, saying that both affordability and research and development were central to its agenda. It said the problems to be tackled were "complex and deep-seated" and that more resources were needed. "Policy messages need to reflect these realities and not create unrealistic expectations," it said.

Estimates indicate an additional \$1 billion is needed annually to combat malaria effectively, the WHO noted. But it added that the effect of this investment could help boost the combined GDP of sub-Saharan African countries by \$12 billion a year.

The WHO is currently holding an advocacy forum on its "Massive Effort" campaign in Winterthur, Switzerland. The initiative focuses on the need for a concerted global effort to improve the lives of the poor by tackling the three diseases.

The forum follows a July meeting of the G8 industrialized nations which announced targets to reduce malaria and tuberculosis by 50 percent within 10 years and HIV/AIDS by 25 percent.

SOUTH AMERICA HAS SUFFERED FROM WHITE HOUSE NEGLECT. As Latin America prepares for a new president of the United States, it is right to hope for an improvement in US policies toward the region, writes David Malpass in a Wall Street Journal op-ed (p.A23). Chief among these would be a serious free trade agenda and an end to force-feeding the region IMF austerity programs.

As the 1990s progressed, writes Malpass, the US role in the region turned destructive. Washington's policy gurus promoted weak currencies, high tax rates and big government, ignoring the resulting poverty and political stress. A cycle of damage, financial crises, and flat-footed US responses ensued. The US dragged its feet on IMF/World Bank reform and proposed no pro-growth model for international development.

Latin America's growth is now well short of its potential, leaving millions unemployed and impoverished. The coming US election offers Latin America the chance for an end to the eight-year vacuum in US policy, says Malpass. The policy vacuum has hurt both the US and Latin America and deserves to be

corrected. A US policy built on free trade, stable currencies, lower tax rates, smaller government, more economic freedom and a genuine interest in Latin America's success would begin to undo the damage.

BRIEFLY NOTED...About 12 Swiss demonstrators briefly occupied the Geneva office of the IMF yesterday, demanding the release of anti-capitalist protesters held in Prague last week, Reuters reports police said...In Prague, Washington, and even in Seattle, notes Dow Jones, the anti-capitalist protesters lacked two things: unity and purpose.

In a letter to the editor of the USA Today (p.25A) Coretta Scott King, the founder of the Martin Luther King Jr. Center for Nonviolent Social Change, writes that the US lacks the political will to make the same kind of commitment it made to rebuild a devastated Europe 50 years ago, to Africa where it is needed the most and to which "we owe our greatest debt." No amount of money can right the injustices of slavery, she writes, but even a conservative estimate of the fair-market value of the unpaid labor of slaves and the ruthless exploitation of Africa's resources would put the US several hundred billions of dollars in debt to Africa.

Cotton output in francophone West Africa can expand despite political turmoil in some countries and a fall in output this season, Reuters reports traders said yesterday, quoting one as saying, "As long as they can improve by privatization, the state companies handling the business, we can come to a more efficient way of handling the market," referring to a privatization campaign led by the World Bank...Cash-strapped Malawi is to spend \$2.5 million purchasing a new fleet of 39 limousines for ministers, Reuters reports, noting that opposition leaders slammed the move as wasteful and selfish, and that the decision was also expected to draw criticism from the IMF and other international donor agencies because the projected spending was not included in Finance Minister Matthew Chikaonda's state 2000-2001 budget.

Turkey's Constitutional Court yesterday slowed the implementation of key reforms under a \$4 billion IMF program when it annulled the law authorizing the government to take decisions by decree, reports Reuters, noting that as well as

delaying structural reforms pledged under the IMF program, the ruling could also set back Turkey's efforts to win some \$2 billion in adjustment loans from the World Bank.

Senior government officials from South Korea, Japan and the US will meet in Washington tomorrow to discuss ways of coordinating their policies towards North Korea, reports the Business Times (Singapore), noting that the meeting comes amid signs that Japan is prepared to offer concessions to North Korea, so that normal relations can be established between the two countries, and to facilitate North Korea's access to funds from multilateral institutions such as the World Bank and the ADB...The US is quietly putting pressure on Asian countries to limit the scope of their efforts at co-operation in the economic and monetary sphere, according to Mahathir Mohamad, the Malaysian prime minister, the FT (p.1) reports. He added that western countries that wanted greater transparency in developing markets were applying double standards.

Pakistan expects the IMF approval in mid-November of a standby loan needed to see it through a financial crunch at the end of the year, Reuters reports Information Minister Javed Jabbar said yesterday.

The Irish government said on Friday it plans to quadruple foreign aid to 800 million pounds (\$886 million) by 2007, Reuters reports. Ireland's overseas development assistance budget would expand to 0.7 percent of the country's gross national product, meeting the target set by the UN for developed countries, the story says.

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Headlines for Friday, October 6, 2000:

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SERB PROTESTS END MILOSEVIC RULE, EU CALLS FOR END TO SANCTIONS.

Thousands of Serbs were on the streets of Belgrade last night in an astonishing display of people power that swept President Slobodan Milosevic from power, reports the Times of London (p.1). As protesters set fire to the Parliament building and took over state television, opposition leader [and President-elect] Vojislav Kostunica got straight down to business with an emergency session of a new Yugoslav Parliament.

"We are living the last twitches of Milosevic's regime," Kostunica said. "Democracy has happened in Serbia. Communism is falling. It is just a matter of hours. We are staying here till the very end and I am staying with you."

Milosevic was said to have fled his luxury home in the outskirts of the capital, but last night his precise whereabouts were unclear. Military sources said he had fled to Moscow; Pentagon sources suggested he was hiding in a Belgrade bunker.

War crimes investigators said they were still looking to arrest him. Special forces from Britain, the US and France are known to be operating in the Balkans and were on alert for any possible capture of the toppled president.

World leaders welcomed the collapse of the Milosevic regime and pledged to support the demonstrators, the story notes. French Foreign Minister Hubert Vedrine said yesterday the EU was ready to respond to Kostunica's request for the international community to lift sanctions against Yugoslavia, the International Herald Tribune (p.7) notes Reuters reported. "Mr. Kostunica now embodies legal power in Serbia," Vedrine is quoted as saying. "He has asked that the international community recognize this new democratic reality in lifting the economic sanctions that were imposed on Milosevic's Federal Republic of Yugoslavia."

Also reporting, the Washington Post quotes EU External Affairs Commissioner Chris Patten as saying the time had come "to work on our priorities" to consider how to begin providing aid to Serbia, Yugoslavia's dominant republic and Milosevic's longtime power base. "We need to go in with the World Bank and have a proper assessment mission. But we'd also want to ensure that there is adequate humanitarian assistance and quick-start assistance in the short term to get things moving. I very much hope that we have to deal with these issues in the next few days and weeks. The problems of success and the challenges of success are better for everyone than having to go on living with Mr. Milosevic."

The US, notes Reuters, could quickly lift a wide range of economic sanctions against Yugoslavia in the wake of the revolt, officials said on Thursday. Administration officials would not say whether the sanctions would be lifted all at once or eased gradually. But they said the process would begin after it

became clear that Milosevic was out and that the results of last month's elections would be honored. "As soon as a democratic government is in place we will immediately take steps to remove economic sanctions," a US administration official said.

Sanctions were informally imposed on Yugoslavia during the war in Bosnia to put pressure on Milosevic to cooperate in peace talks and improve human rights, the story notes. These so-called "Outer Wall" of sanctions barred the government from membership in the World Bank and other international financial institutions. They also restricted credits and investment assistance, making it hard for Milosevic to raise capital.

WOLFENSOHN VISITS UKRAINE, EBRD AGREES \$100 MLN FOR CHERNOBYL AID.

World Bank President James Wolfensohn yesterday began a two-day official visit to Ukraine, meeting first with NGOs and health ministry officials engaged in the fight against AIDS, Agence France-Presse reports a Bank statement said here.

The institution is currently preparing an epidemic control project for Ukraine to boost national anti-AIDS efforts, the statement noted. Wolfensohn also met with Parliament speaker Ivan Pliushch and the heads of several parliamentary committees.

Meanwhile, reports Reuters, the EBRD has approved a \$100 million loan for Ukraine to purchase fuel for electricity generating companies ahead of the winter season, the prime minister said yesterday. The EBRD loan will go to four generators to buy fuel and compensate for a loss of around six percent in national generating capacity due to the planned closure of the Chernobyl nuclear power station, the site of the world's worst civil nuclear accident, on December 15.

"This money will be channelled to generating companies to replenish working capital and prepare for the winter season," Prime Minister Viktor Yushchenko said, without giving further details. Ukraine does not have sufficient energy

resources to meet demand and relies heavily on imports.

Yushchenko said the government also hopes to receive \$70 million for its coal sector from the World Bank in the near term. The Bank followed the IMF and froze its financing to Ukraine in September 1999 due to slow reforms, says the story, noting that Yushchenko said he would raise the issue during a planned meeting with Wolfensohn today.

Talks are expected to focus on a new three-year World Bank lending program to the ex-Soviet state, the story says. Yushchenko said the government would continue work on eliminating barter and boosting cash collections in the energy sector.

PERU SEEKING \$1 BLN IN LOANS TO HELP ECONOMIC WOES.
Peruvian Economy Minister Carlos Bolona said yesterday he was seeking about \$1 billion in loans from the IMF and other multilateral lenders for 2001 to help the nation tackle its economic problems, Reuters reports. Bolona, speaking with reporters after meeting with representatives from leading commercial banks at the US Chamber of Commerce, said: "We would be aiming for programs, adding up international financial institutions, ... of around \$1 billion for the year 2001."

Peru's economic woes come at a time when the nation is dealing with its biggest political crisis in a decade, the story notes. President Alberto Fujimori, responding to a corruption scandal, had called early elections and said he would not be a candidate, shaking investors' confidence in the economy.

Peru had pinned its hopes for cash generation on raising \$650 million in a program of privatizations and stake sales this year. But while it has already netted about half that total, analysts expect investors are likely to stay away until political uncertainty clears.

Bolona said he would meet with IMF officials and meet with officials at both the World Bank and the IDB. Bolona is hoping to safeguard funding commitments

already made - and perhaps to squeeze out more cash to help Peru's stuttering economy through the transition to early elections, expected within six months, analysts say.

With growth expected to slow to 4.5 percent in 2001, Bolona conceded lower tax revenues would follow, heightening the need for even more fiscal austerity. Economists say Peru has external financing of some \$300 million from the World Bank, the IDB and the government of Japan for this year, and had received guarantees for around \$700 million for 2001. But it needs to find some \$1.8 million to cover its deficit and debt servicing payments next year, and had been hoping to use around \$300 million from its troubled privatization plan.

IMF NAMES PANEL TO REVIEW HOW IT HELPS GOVERNMENTS.

The IMF has appointed a panel of outside experts that includes a senior official from the Federal Reserve Bank of New York to review the way it helps governments restructure financial sectors and capital markets, Dow Jones reports in the Wall Street Journal (pA10).

IMF Managing Director Horst Koehler asked the panel to provide "an independent perspective on how the Fund should organize its work in these areas," the IMF said. The panel will be led by John Lipsky, chief economist and director of research at Chase Securities Inc. Since taking the helm at the IMF in May, Koehler has advocated relaxing some conditions on IMF loans, which often include prescriptions for wholesale restructuring of the commercial banking sector or an overhaul of central bank activities, the story concludes.

WHY QUALITY MATTERS: WORLD BANK REPLIES.

Asked to reply to the Economist's criticism last week that the World Bank report "The Quality of Growth" muddles the message on growth and poverty, World Bank Vice President and head of the World Bank Institute Vinod Thomas writes in

this week's Economist (p.118) that there is no disagreement about the centrality of growth in reducing poverty. But it is a big mistake to neglect lessons on how to achieve more and better growth-growth that is sustained, and whose benefits flow to all.

In the past decade the number of poor people in the world (outside China) is estimated to have risen by more than 100 million. To reverse this trend, economic growth is crucial. If the economies of sub-Saharan Africa had grown as fast on a per capita basis as East Asia over the past three decades, living standards would have quintupled instead of barely standing still, and poverty would have fallen, not risen.

Experience in developing as well as industrial countries shows that it is not merely more growth but also better growth that determines how much welfare improves-and whose welfare. Countries with similar incomes and growth over the past three decades have achieved widely differing outcomes in education, health and environmental protection. The impact of growth on poverty has also varied enormously: in India, a given growth rate has cut poverty in some states by four or five times as much as in others.

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WHO HITS BACK AT CRITICISM OF CAMPAIGN AGAINST KILLER DISEASES. The WHO yesterday hit back at criticism from the medical charity Médecins sans Frontières (MSF) about its campaign to tackle tuberculosis, malaria and HIV/AIDS, reports AFP. The Geneva-based health body said it was "surprised" by the statements from MSF complaining that the WHO campaign was not aggressive enough.

MSF, which won the Nobel Peace Prize last year, notably said the WHO initiative did not focus enough on the need to lower the prices of medicines and research and development.

"In fact their suggestions actually echo proposals and ideas that WHO has repeatedly stated," the UN agency answered in a statement, saying that both affordability and research and development were central to its agenda. It said the problems to be tackled were "complex and deep-seated" and that more resources were needed. "Policy messages need to reflect these realities and not create unrealistic expectations," it said.

Estimates indicate an additional \$1 billion is needed annually to combat malaria effectively, the WHO noted. But it added that the effect of this investment could help boost the combined GDP of sub-Saharan African countries by \$12 billion a year.

The WHO is currently holding an advocacy forum on its "Massive Effort" campaign in Winterthur, Switzerland. The initiative focuses on the need for a concerted global effort to improve the lives of the poor by tackling the three diseases. The forum follows a July meeting of the G8 industrialized nations which announced targets to reduce malaria and tuberculosis by 50 percent within 10 years and HIV/AIDS by 25 percent.

SOUTH AMERICA HAS SUFFERED FROM WHITE HOUSE NEGLECT. As Latin America prepares for a new president of the United States, it is right to hope for an improvement in US policies toward the region, writes David Malpass in a Wall Street Journal op-ed (p.A23). Chief among these would be a serious free trade agenda and an end to force-feeding the region IMF austerity programs.

As the 1990s progressed, writes Malpass, the US role in the region turned destructive. Washington's policy gurus promoted weak currencies, high tax rates and big government, ignoring the resulting poverty and political stress. A cycle of damage, financial crises, and flat-footed US responses ensued. The US dragged its feet on IMF/World Bank reform and proposed no pro-growth model for international development.

Latin America's growth is now well short of its potential, leaving millions unemployed and impoverished. The coming US election offers Latin America the chance for an end to the eight-year vacuum in US policy, says Malpass. The policy vacuum has hurt both the US and Latin America and deserves to be

corrected. A US policy built on free trade, stable currencies, lower tax rates, smaller government, more economic freedom and a genuine interest in Latin America's success would begin to undo the damage.

BRIEFLY NOTED...About 12 Swiss demonstrators briefly occupied the Geneva office of the IMF yesterday, demanding the release of anti-capitalist protesters held in Prague last week, Reuters reports police said...In Prague, Washington, and even in Seattle, notes Dow Jones, the anti-capitalist protesters lacked two things: unity and purpose.

In a letter to the editor of the USA Today (p.25A) Coretta Scott King, the founder of the Martin Luther King Jr. Center for Nonviolent Social Change, writes that the US lacks the political will to make the same kind of commitment it made to rebuild a devastated Europe 50 years ago, to Africa where it is needed the most and to which "we owe our greatest debt." No amount of money can right the injustices of slavery, she writes, but even a conservative estimate of the fair-market value of the unpaid labor of slaves and the ruthless exploitation of Africa's resources would put the US several hundred billions of dollars in debt to Africa.

Cotton output in francophone West Africa can expand despite political turmoil in some countries and a fall in output this season, Reuters reports traders said yesterday, quoting one as saying, "As long as they can improve by privatization, the state companies handling the business, we can come to a more efficient way of handling the market," referring to a privatization campaign led by the World Bank...Cash-strapped Malawi is to spend \$2.5 million purchasing a new fleet of 39 limousines for ministers, Reuters reports, noting that opposition leaders slammed the move as wasteful and selfish, and that the decision was also expected to draw criticism from the IMF and other international donor agencies because the projected spending was not included in Finance Minister Matthew Chikaonda's state 2000-2001 budget.

Turkey's Constitutional Court yesterday slowed the implementation of key reforms under a \$4 billion IMF program when it annulled the law authorizing the government to take decisions by decree, reports Reuters, noting that as well as

delaying structural reforms pledged under the IMF program, the ruling could also set back Turkey's efforts to win some \$2 billion in adjustment loans from the World Bank.

Senior government officials from South Korea, Japan and the US will meet in Washington tomorrow to discuss ways of coordinating their policies towards North Korea, reports the Business Times (Singapore), noting that the meeting comes amid signs that Japan is prepared to offer concessions to North Korea, so that normal relations can be established between the two countries, and to facilitate North Korea's access to funds from multilateral institutions such as the World Bank and the ADB...The US is quietly putting pressure on Asian countries to limit the scope of their efforts at co-operation in the economic and monetary sphere, according to Mahathir Mohamad, the Malaysian prime minister, the FT (p.1) reports. He added that western countries that wanted greater transparency in developing markets were applying double standards.

Pakistan expects the IMF approval in mid-November of a standby loan needed to see it through a financial crunch at the end of the year, Reuters reports Information Minister Javed Jabbar said yesterday.

The Irish government said on Friday it plans to quadruple foreign aid to 800 million pounds (\$886 million) by 2007, Reuters reports. Ireland's overseas development assistance budget would expand to 0.7 percent of the country's gross national product, meeting the target set by the UN for developed countries, the story says.

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Headlines for Friday, October 13, 2000:

- US LIFTS SANCTIONS, IMF SAYS YUGOSLAVIA COULD REJOIN IN MONTHS.
- WORLD BANK SAYS WEST TIMOR BIG CONCERN FOR DONORS.
- GLOBAL LENDERS URGED TO MAKE MEETINGS PUBLIC.
- AN UNJUST WORLD IS A DANGEROUS WORLD: WOLFENSOHN.
- CAMEROON SAYS TO GET DEBT RELIEF UNDER HIPC.
- Also in this edition: WORLD BANK URGES FASTER DRIVE AGAINST PHILIPPINE CORRUPTION. 'NEW DEAL' PLAN FOR WORLD'S POOR: UNCTAD.

US LIFTS SANCTIONS, IMF SAYS YUGOSLAVIA COULD REJOIN IN MONTHS.

The US will take immediate steps to lift economic sanctions against Yugoslavia

to support the new democratically elected government, Agence France-Presse reports US President Bill Clinton announced yesterday. In a statement, Clinton

said he had directed the US State and Treasury departments to "take immediate

steps to begin lifting the trade and financial sanctions against Serbia in 1998,

except those targeted against members of the former regime."

The US has "a strong interest in supporting Yugoslavia's newly elected

leaders
as they work to build a truly democratic society," Clinton is quoted as saying.
He added that the US move was "within the scope" of the EU's sanctions-lifting measure announced on Monday. "We will move forward in coordination with the EU."

Clinton insisted that the US would continue to enforce a travel ban against top members of the regime of former President Slobodan Milosevic but would "review our restrictions on Serbia's participation in international financial institutions." The International Herald Tribune (p.11) also reports.

Separately, the New York Times (p. A3) reports the meeting came as Clinton lifted the oil embargo and the ban on American flights to Yugoslavia that had been imposed in 1998 after President Slobodan Milosevic cracked down on Kosovo Albanians. Clinton said more significant sanctions, like the denial of much-needed lending from the World Bank and the IMF, would be reviewed as the democratic transition that began last week with a popular uprising against Mr. Milosevic proceeds. The Washington Post (p. A24) also reports.

The US will consider lifting the restrictions keeping Yugoslavia out of the international financial institutions after observing how the new Belgrade authorities handle themselves, AFP notes. "We're not going to make a judgment on lifting those sanctions in the short term; we'll make them as they finish the transition, and it's going to depend on an overall judgment of how that transition and how its effort to address its international obligations are going," White House spokesman Jake Siewert said late yesterday. "We'll be looking at their cooperation with the War Crimes Tribunal and how they handle the Dayton Accords and how they handle some of the issues we have with Kosovo," he added.

Meanwhile, an IMF spokesman said Yugoslavia could join the organization in a matter of months provided it takes steps to repay a \$128 million debt

incurred
by the country's former socialist authorities. Fund spokesman Thomas Dawson added that once a new government was installed in Belgrade, it would also have to agree to replace the former Socialist Federal Republic of Yugoslavia in the IMF on terms and conditions that prevailed in 1992, when the socialist republic was largely dismantled.

Meanwhile, the Washington Times (p. A15) reports the IMF said Yugoslavia could rejoin the lending body within months, paving the way for a restructuring of debt and an economic revival program. Yugoslavia was expelled from the IMF and the World Bank in 1992 for its role in the Bosnian and Croatian wars, the story notes.

Also reporting, the Financial Times (p.2) notes that the European Commission will today propose a "very substantial package" of short-term aid for the Balkans, with most destined for Serbia, European Commission President Romano Prodi said last night. It is thought the Commission will propose between \$130 million and \$200 million of urgent financial support to meet such needs as health and energy and will enable to raise the funds within the existing EU budget. Prodi stressed that the money would be additional to existing operations in the area and would not involve any reduction in support for Kosovo.

Separately, the Los Angeles Times (p. A10) reports the 15-member European Union has promised \$2 billion in aid by 2007 to help rebuild Yugoslavia, where more than a quarter of the work force--by some measures, half--is unemployed.

The EU plans to hold a two-day summit beginning today in the French resort of Biarritz to discuss plans for aid to Yugoslavia. Foreign aid to countries in the former Yugoslav federation has had patchy results for years, largely due to bureaucratic delays and corruption.

WORLD BANK SAYS WEST TIMOR BIG CONCERN FOR DONORS.

A top World Bank official today said Indonesia's chances of securing \$4.8 billion at next week's donor conference would partly depend on its efforts to rein in violent militia gangs in West Timor, reports Reuters. "It's clear, continued visible progress in this area will be very important to secure the support of some donors," World Bank Vice President for East Asia and the Pacific Jemal ud-din Kassum is quoted as saying. AFP and Dow Jones also reports.

Kassum said donors would also expect progress on good governance and economic reform but did not say whether he was confident pledges would reach \$4.8 billion. "I don't want to prejudge the outcome...we will be working hard to seek a successful outcome," he said.

The World Bank chairs the Consultative Group on Indonesia (CGI) whose members will gather in Tokyo on Tuesday and Wednesday to pledge funds for 2001, notes the story. Several donors have expressed concern over West Timor in recent weeks following the murder of three UN refugee workers by pro-Jakarta militia in the border town of Atambua last month.

Meanwhile, reports AFP, the Indonesian government today to convince the international community, including Jakarta's main donors, of its determination to resolve the violence and refugee problems in West Timor. The government today dispatched a large taskforce to West Timor to speed up the repatriation or resettlement of some 130,000 East Timorese still in refugee camps there. It also said it had invited the UN Security Council to send a delegation to Timor as police announced the arrest of a seventh suspect for the murders of three UN relief workers in West Timor last month.

In a separate report, AFP says The World Bank will tell foreign aid donors set to decide on fresh loans to Indonesia that the country's government system needs major reforms, according to advance briefing notes for a conference next

week.

"The government must change the way Indonesia governs itself -- from its political process, to its legal system and its civil service, the role of the military to the way it handles its finances," the Bank concludes. The brief was prepared for the conference of the Bank's Consultative Group on Indonesia (CGI) in Tokyo. It will be presented to CGI donor nations and non-government organizations before they discuss their loan commitment to Indonesia. Indonesia has been seeking \$4.8 billion in loans from the CGI for this year.

The Bank says there has been "some progress" in improving governance in the sprawling island chain republic." But the rule of law in Indonesia is still far from assured," the brief's executive summary reads. It calls for a "credible, comprehensive plan ... with strong leadership, and early actions that signal commitment," a process it declares "is due".

Indonesia yesterday briefed the World Bank on action taken to rein in violent Timorese militias and said it expected no trouble at next week's critical meeting of donors, Reuters notes. Following Kassum's meeting yesterday with President Abdurrahman Wahid in Jakarta, Cabinet Secretary Marsilam Simanjuntak said the World Bank was unlikely to press the militia issue in Tokyo.

"Definitely, the UN Security Council will still discuss it. However, it will not be an obstacle [at the donors' meeting]," he said. Indonesia is likely to get the \$4.8 billion it is requesting because donors don't want to jeopardize the strategic country's fragile recovery or their own economic interests, Reuters meanwhile says in a separate report.

In other news from Indonesia, Dow Jones reports that as a bitter row between the government and its lenders over the country's largest-ever corporate debt workout continues to smolder, private creditors are entering the fray. Indonesia's plan to bail out the Texmaco group, which owes the government \$2.7

billion, has already drawn criticism from the World Bank and the IMF for favoring the company's owners at the expense of the taxpayer. Now, private creditors, who hold another \$1.7 billion of Texmaco debt but aren't part of the Indonesian Bank Restructuring Agency (IBRA)'s outline plan, are demanding their share of the spoils.

They say IBRA must restructure Texmaco's debt-ridden units to generate sufficient cash to repay private lenders, and ensure the government gets its money back. Without a debt workout with the private creditors, IBRA's plan could flop, analysts say. At stake is not only the viability of the Texmaco deal but also the credibility of economics chief, Rizal Ramli, who says the deal is a blueprint for IBRA's future debt workouts.

GLOBAL LENDERS URGED TO MAKE MEETINGS PUBLIC.

The US should push the World Bank and the IMF to open their regular board meetings to the public, using a "Global C-SPAN" to bring the proceedings to those affected by their decisions, the International Herald Tribune (p.14) reports a US Senate report says. Noting that rioters at the annual meetings of the IMF and the World Bank in Prague two weeks ago said the institutions used their closed decision-making process to force destructive policies on poor nations in Africa, Latin America and Asia, the story quotes Senators Ron Wyden (Democrat-Oregon) and Patrick Moynihan (Democrat-New York) as saying opening the meetings would defuse much of that dissent.

"If you look at the protests about globalization, the single most cited factor is that they do business behind closed doors," Wyden said. The report, released on Wednesday, says that watching the "often dreary dialogue" that dominates many international gatherings would also "demystify much of what takes place there."

Wyden said it was "unfortunate" that the US administration had not pushed for open World Bank and IMF meetings at the lenders' annual meetings in Prague. The

two global lenders say meanwhile that they have opened their annual meetings to the press and are making more information public.

AN UNJUST WORLD IS A DANGEROUS WORLD: WOLFENSOHN.

The problem of poverty is not only one for the developing world, says World Bank President James Wolfensohn in an interview with L'Express (France, p.28). It is unfortunate that 20 percent of countries control 80 percent of the planet's wealth, Wolfensohn says, noting that this cannot last, because such inequality poses a grave threat to peace. An unjust world is a dangerous world.

The major donor countries currently give only 0.75 percent of their wealth in development aid to less fortunate countries, Wolfensohn notes, adding that it is not a question of charity but of helping poor people to better their lives themselves. This is why the World Bank is encouraging many smaller projects that can concretely meet their needs.

It is essential, Wolfensohn says, to create structures that will allow each country to fight corruption, disease and illiteracy effectively. This is a difficult, but it is important to work towards universal literacy, he notes. It will not be possible to fight AIDS unless people have basic education.

CAMEROON SAYS TO GET DEBT RELIEF UNDER HIPC.

Cameroon said the World Bank and the IMF had agreed it should be eligible for debt relief under the Heavily Indebted Poor Countries (HIPC) debt relief initiative, reports Reuters. In a statement released by the presidency late yesterday, it said the two organizations had decided that Cameroon had reached "decision point", when initial debt relief kicks in under the enhanced HIPC scheme.

Earlier on Wednesday, the IMF had praised Cameroon's economic performance in a

statement from Washington on a review of its recently completed Poverty Reduction and Growth Facility (PRGF), the story notes. That statement made no reference to debt relief.

The Cameroonian government's statement said its economic success was the result of policies put in place by the government and "the fruit of sacrifices made by the people of Cameroon who have demonstrated their courage and patriotism in difficult times".

Also in this edition: WORLD BANK URGES FASTER DRIVE AGAINST PHILIPPINE CORRUPTION. 'NEW DEAL' PLAN FOR WORLD'S POOR: UNCTAD.

WORLD BANK URGES FASTER DRIVE AGAINST PHILIPPINE CORRUPTION. Visiting World Bank Vice President for East Asia and the Pacific Jemal ud-in Kassum has reiterated the institution's support for the reform initiatives of Philippine President Joseph Estrada, but at the same time highlighted the need to fast-track its anti-corruption campaign, reports Businessworld (Philippines). Following a meeting with Estrada yesterday, the president's office said Kassum noted during the meeting that the Philippines had been able to deliver its pledge to implement structural reforms aimed at opening its economy to global competition and make it more resilient against regional economic shocks. Kassum also took note of the Estrada administration's efforts to fight corruption and implement measures to improve corporate governance.

The news comes as the Financial Times (p.4) reports that Philippine Vice President Gloria Macapagal Arroyo yesterday resigned her cabinet post, dealing a severe blow to Estrada, in the wake of allegations that he received \$8.9 million in illegal gambling payoffs. In a statement, she cited the "serious accusations...against the president" as her reason for resigning as social welfare secretary.

Estrada said he respected Macapagal Arroyo's decision but, in a national address, denied any wrongdoing. He also rejected the call by Philippine Archbishop Jaime Cardinal Sin for his resignation. Estrada, who was elected on a platform of helping the poorest by stamping out corruption, is accused of receiving payoffs from criminal syndicates running an illegal lottery-style game popular with poor Filipinos, the story notes.

The Wall Street Journal (p. A17) adds that whether the scandal ends with a president's fall remains in doubt. People Power [the revolution that toppled Ferdinand Marcos in 1986] was an explosion of popular anger against an all-controlling dictator responsible for decades of repression, human-rights abuses and pillaging of the nation's wealth. The Estrada affair is an allegation against a democratically elected president that has yet to be proved in court or in Congress, the story notes. Even those who believe that Mr. Estrada has mismanaged the economy and made some big political missteps concede that he has done nothing on the scale of the late Marcos.

'NEW DEAL' PLAN FOR WORLD'S POOR: UNCTAD. Without a "new deal" on aid, debt and trade, the world's poorest countries will remain "pockets of persistent poverty" in the world economy, the Financial Times (p. 10) reports the United Nations Conference on Trade and Development says in its annual report on the least-developed countries (LDCs) published Thursday.

Of the 48 UN-defined LDCs, home to 614m people, 22 have suffered economic stagnation or decline over the past decade, with half of these afflicted by war, violence and instability. UNCTAD plans to urge a five-pronged "new deal" at the third UN conference on LDCs in Brussels next May. This would include a big rise in aid, "deeper, faster and broader" debt relief, more access to foreign markets for LDC exports, and changes in domestic policies to emphasise

productive
capacity and global competitiveness.

On present trends, by 2015 only Lesotho, of the LDCs, will have reached a per capita gross domestic product level of \$900 a year, one criterion for "graduation" out of the LDC group. Real GDP per capita in LDCs rose 0.9 per cent between 1990 and 1998 (0.4 per cent excluding Bangladesh) compared with 3.6 per cent for other developing countries.

HEALTH RESEARCH CRUCIAL FOR SOCIAL, ECONOMIC DEVELOPMENT: CONFERENCE.

Health research is crucial for improvements not only in health but also in social and economic development, AFP reports delegates said Friday at the end of an international conference in Bangkok.

"One of the best ways of improving health is research. One of the best ways of improving poverty is health," Julio Frenk, an executive director of the World Health Organization (WHO) told reporters.

Both developing and developed countries were "clearly under-investing globally" in health research, he added on the final day of a four-day international conference on health research organized by the WHO, the World Bank, the Council on Health Research for Development (COHRED) and the Global Forum for Health Research.

"Rapid globalization, new understanding of human biology, and the information technology revolution poses new challenges and opportunities," said the declaration adopted by the 800 delegates from 104 countries attending the Bangkok conference.

The Global Forum for Health Research, in a study with other organizations tracking health research funding, said spending had risen from 56 billion dollars to around 70.5 billion dollars between 1992 and 1998. However less than 10 percent of health research funding is directed at 90 percent of the

world's health problems -- those diseases mainly affecting the developing world, it said.

TOBACCO DEBATE RAGES IN DEVELOPING WORLD. Almost 70 percent of all tobacco-related deaths in the world will occur in developing countries within the next 30 years, according to the World Health Organization, AFP reports.

But despite these daunting statistics there was no shortage of pro-tobacco advocates from the developing world at WHO-sponsored public hearings in Geneva.

WHO organized the hearings for the pro-and anti-tobacco lobbies to make their arguments ahead of negotiations Monday by its 191 member states on a global convention aimed at curbing the habit. The convention proposes raising taxes, banning tobacco advertising and introducing tough measures to discourage youngster from smoking.

The WHO said 80 percent of today's smokers live in the developing world and will account for most of the 10 million tobacco-related deaths annually by 2030.

A Cape Town University research study between 1993 and 1999, funded partly by the World Bank, found that a 10 percent rise in cigarette prices reduced consumption by between six and eight percent. If demand for tobacco decreased, people spent their money on other goods and services boosting other sectors of the economy, said Corne van Walbeek who led the research team. The Washington Post (p. A36) also reports.

IMF AND EX-RUSSIAN PREMIER DENY BUSH CHARGE OF AID THEFT. US Republican Presidential Candidate George W. Bush's accusation that aid money from the IMF lined the pockets of a former Russian prime minister was denied Thursday by the monetary fund and the former Russian official, raising questions about Bush's pointed charge in Wednesday's otherwise cordial discussion of foreign

policy
issues, the New York Times reports (p. A22).

The comments about misused aid reflect growing skepticism among many Congressional Republicans about the role of the IMF, which some critics have accused of wasting billions and supporting corrupt governments. Vice President Al Gore's campaign cited the dispute over the accuracy of Bush's statement as proof that the Texas governor "does not meet presidential standards" in foreign policy. The Clinton administration has defended the IMF as vital in financial emergencies.

The IMF, which acknowledges failing to stabilize Russia's economy and currency in the 1990's, has repeatedly denied that aid money -- at one point it had about \$25 billion in outstanding loans to Russia - was siphoned off. The Russian central bank hired the accounting firm Pricewaterhouse Coopers L.L.P. last year to audit its IMF loans. The auditors reported that the central bank had once lied about the size of its currency reserves and that it had stored some IMF funds in off shore accounts. But it also asserted that all IMF loans had been accounted for and that there was no evidence of theft.

BRIEFLY NOTED...The IMF expects to meet with North Korean officials to discuss possible future relations between the Fund and Pyongyang, AFP reports IMF spokesman Thomas Dawson said yesterday, noting that he added that North Korea had been invited to attend last month's general meeting of the Fund and the World Bank in Prague as "special guests."

The IMF said yesterday it was planning to send a team to Russia in early November to discuss a possible standby loan, Reuters reports.

The IMF's deputy managing director, Stanley Fischer, said world growth could slip to 3.8 percent in 2001, down from the IMF's current forecast of 4.2 percent, if oil prices remained high, the Wall Street Journal (p. A15)

reports.

He told the annual meeting of the Latin American and Caribbean Economic Association in Rio de Janeiro that 0.4 percentage point could be shaved off the IMF's current growth prediction if oil prices were \$5 above the fund's forecast of \$26 a barrel. Mr. Fischer also said Latin America has charged back from a global economic crisis much faster than expected, but some countries are struggling. Growth for the region has been running at more than 4 percent, bond issues have rebounded and foreign investment is flowing, but Argentina, Colombia and Venezuela still face an uphill battle. "The Latin American economies have picked up sharply this year and are doing much better than \[was\] expected 12 to 18 months ago," he said. "However, the regional aggregates mask significant country differences.".....The record level of foreign direct investment that poured into Brazil, Argentina, Chile and Bolivia last year was boosted by a series of government privatizations and aided by the countries' relatively

uniform legal systems, lawyers said yesterday, the Washington Times (p. A17) reports.

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Headlines for Monday, October 16, 2000:

- INDONESIA'S RECOVERY REMAINS FRAGILE: WORLD BANK.
- EU HEADS OF STATE APPROVE YUGOSLAVIA AID.
- WORLD BANK HAS HOLISTIC AGENDA: RAMPHELE.
- WORLD'S HEALTH OFFICIALS SEEK GLOBAL TREATY TO CURB SMOKING.
- EX-PREMIER OF SINGAPORE SEES PITFALLS IN DEBT RELIEF.
- Also in this Edition: SEA LAUNCH PROJECT BACK TO EARTH IN UKRAINE. WOMEN MARCH AGAINST POVERTY AND VIOLENCE.

INDONESIA'S RECOVERY REMAINS FRAGILE: WORLD BANK.

The World Bank has painted a stark picture of Indonesia's recovery, saying that

while the economy has shown signs of growth beyond consumption, it isn't enough

to help large segments of the population still reeling from the 1997 financial

crisis, the Asian Wall Street Journal and Wall Street Journal (p. A30) report.

Moreover, in its annual report to donors, the Bank says the recovery is hamstrung by political obstacles?including the sluggishness of President Abdurrahman Wahid's government in implementing reforms. Agence France-Presse

also reports.

"It's hardly surprising, then, that the economic recovery is still far from secure," the report concludes. It will be handed to donors who will meet tomorrow in Tokyo to decide whether to grant Indonesia's request for up to \$5

billion in aid to cover part of a 3.7 percent deficit in next year's budget.

Donors have already indicated that despite concerns about Indonesia's handling of militia violence in West Timor, they will grant Jakarta's request.

Of more concern is whether the Wahid government is able to carry through on promised policy initiatives fast enough to nurture the fragile economic recovery, says the story. The signs of growth are there: GDP grew 4.1 percent in the first half, compared with a 14 percent drop in 1998 and flat GDP in 1999.

More importantly, fixed investment growth has taken over from consumption as the engine of recovery. Exporters, particularly units of foreign companies that don't have to worry about financing and licenses, are reaping the benefits of low labor costs that, in dollar terms, remain about half of pre-1997 levels.

But the recovery is precarious, as is life for the vast majority of Indonesians.

Half of the Indonesian population is at risk of falling into material poverty, the World Bank report notes, since the structure of income hasn't changed much since the economic crisis. With 15 percent of the population earning \$1 a day and 60 percent earning \$2 a day, it doesn't take much to push large numbers below the poverty line, estimated by the World Bank at \$1.50 a day for most countries.

Behind all these issues lie concerns about whether the Wahid government is up to the task. International donors have locked horns with Jakarta over several issues?the latest was the killing of three UN workers last month in West Timor.

But that matter appears unlikely to be a major issue at the Tokyo meeting, since Indonesian Foreign Minister Alwi Shihab last week assured the UN Security Council that Jakarta was taking action against exile East Timor militias allegedly behind the incident.

The IMF and the World Bank have also moved to mend fences with Jakarta after they expressed in a letter their concerns about the terms of a debt work-out deal with the Texmaco Group, whose owner, Marimutu Sinivasan, is widely

considered to have political connections. The letter, which was leaked to the media, prompted an angry outburst from Chief Economics Minister Rizal Ramli who accused the two lending institutions of being inconsistent.

Meanwhile, the World Bank report credits Jakarta with moving toward civilian control of the military and the appointment of watchdogs over key financial and judicial institutions, the story notes. But the report stresses that the reforms are vulnerable to reversal and to the weakness of poor leadership. "The rule of law in Indonesia is still far from assured. The government must change the way Indonesia governs itself - from its political, to its legal system and its civil service, from the role of the military to the way the government handles its finances."

In a separate report, AFP notes activists today urged international donors to cut Indonesia's vast debt and tackle poverty. Japan and other countries should ensure their money is better spent, argued Indonesian activists at a news conference in Tokyo ahead of the donors meeting.

"We want the Consultative Group for Indonesia (CGI) to start addressing debt-reduction for Indonesia," said Binny Buchori, executive secretary of the International NGO Forum on Indonesian Development (INFID). "If CGI is responding to poverty reduction, then they should let Indonesia use the money not to repay the debt, but to put more money to investment in social spending."

AFP notes the World Bank said on Friday that while it would try to ensure a "successful outcome" at next week's meeting to discuss a \$4.8 billion loan to Indonesia, the ultimate decision was not its own. The promised aid could only

be released with the approval of the donor nations and institutions which make up the CGI, said East Asia and Pacific Vice President, Jemal-ud-din Kassum.

"We will work hard as the chair of the meeting to seek a successful outcome but it will depend on what happens at the meeting," Kassum is quoted as saying. He added that one of the main issues likely to affect the aid commitment was the problems in West Timor, particularly the fate of around 130,000 East Timorese

refugees there and the disarming of pro-Jakarta militias among them. "It's clear that continued visible progress in this area will be very important to secure the support of some donors," he said. Dow Jones and the Sydney Morning Herald also report.

The news comes as Jeffrey Winters of Northwestern University writes in the Jakarta Post. Countries lose credibility when they make threats and then cave in. This is what happened when major countries and the World Bank explicitly linked foreign aid to the continuing conflict in the Timors. The demands were particularly loud and clear from the UN Security Council, the US, and the president of the World Bank. The TNI-backed militia had to be disarmed and withdrawn.

Even if the objectives of those pressuring Jakarta have not always been noble in the past, this time they were. They wanted to safeguard the humanitarian workers, reduce the violence and tensions on the border between East and West Timor, find a solution for the masses of displaced people in the camps, uphold international human rights, and maybe even get Indonesia to enforce its own domestic criminal and human rights laws, Winters writes.

A key part of the threat was the upcoming meeting of the Consultative Group on Indonesia and Indonesia's desperate need for an injection of \$4.8 billion. And what has happened? The Indonesian government dared the international community to squeeze the country economically at a time when democracy is so fragile, and the foreigners blinked, says Winters. The militia have not been disarmed or withdrawn, the Timor border remains tense, the displaced Timorese still rot in terror in the camps, and Eurico Guterres is being hailed as a national hero during his largely cosmetic detention.

EU HEADS OF STATE APPROVE YUGOSLAVIA AID.

EU countries and the European Parliament are expected next week to agree to approve the allocation of emergency aid of up to \$172 million to Serbia, with money earmarked for priorities including education, transport and health services, reports the Financial Times (10/14, p.3). The money will come from a

\$200 million "emergency" budget and will not affect allocation of funds to other regions, said the European Commission, which proposed the aid [at the EU summit in Biarritz at the weekend].

EU Commissioner for External Affairs Chris Patten said the money would give new Yugoslav President Vojislav Kostunica some "breathing space on the economic and social front" as he dealt with political problems, the story notes. Also reporting, Dow Jones notes that Patten said the EU would work together with the World Bank to try to assess the medium and long term needs of Yugoslavia as well as to resolve the outstanding debts the country has to international financial institutions. Yugoslavia owes \$1.7 billion in loan arrears to the World Bank, and \$129 million to the IMF.

The news comes as Reuters notes that UN Special Envoy for the Balkans Carl Bildt said on Saturday that Yugoslavia's economy was a mafia-ridden disaster area that will take years of hard work to put right. Speaking at the end of a three-day visit to Belgrade, Bildt welcomed the downfall of former President Slobodan Milosevic, but warned Yugoslavs not to expect the international community to bail out their dire financial system.

"This is probably the poorest economy in Europe and it is certainly the most corrupt economy in Europe," Bildt said. "It has developed into a mafia economy...nothing is going to be sorted out very fast."

Bildt said Kostunica had made it clear he was ready to honor UN resolutions on the Balkans, and expected Belgrade to send its UN membership application "in the very near future". He said it would then take a matter of weeks "or at most months" for Yugoslavia to regain its UN seat, opening the way for a return to the IMF.

Yugoslavia was cut adrift from the IMF in 1992 and the World Bank in 1993 for its role in a series of Balkan ethnic wars and for refusing to pay money it owed, the story notes, adding that foreign investors are unlikely to return to Yugoslavia without a package of economic and structural reforms tied to IMF and World Bank cash.

According to Swiss President Adolf Ogi, notes Reuters, Switzerland, which is not a member of the EU, has invited Yugoslavia to join the Swiss-headed group in the IMF and the World Bank.

Commenting in the Guardian (UK, p.29), Mike Haynes of the Balkan research group at the University of Wolverhampton writes that with Milosevic gone the fine words roll easily off the lips of western politicians offering good times in the Balkans. With the effortless words come the promise of further aid to develop Serbia and the Balkan stability pact.

The idea that new Balkan prosperity could be built without Serbia, deprived of its markets, the transport routes across the country in chaos, was always a nonsense, Haynes writes. Now there is a chance to do more but it needs big money. This is the problem with what is on offer to the Balkans.

Moreover, in the Balkans, as elsewhere, the offers of aid and investment come with the usual injunctions that the market will do the trick. Whatever may be said by the public relations officers of the World Bank and the IMF, Haynes says, when it comes to the deals the small print does not change. Speaking in Sofia earlier this year, Stanley Fischer of the IMF urged on the transition, holding out the hope that if the Balkan countries continued "down the path of reform ... [then] these efforts will ultimately be rewarded".

Also commenting, Mitch McConnell, US Republican of Kentucky and chairman of the Senate appropriations subcommittee on foreign operations, and Patrick Leahy, the committee's ranking Democrat, write in the New York Times (10/16, p. A29) that the Serbian people -- exhausted by war, corruption, inflation and unemployment -- deserve political and economic rewards. But further support, directly or through the World Bank and the International Monetary Fund, should hinge on Belgrade's willingness to surrender war criminals harbored in Serbia to the International Tribunal at The Hague. Those indicted -- including Slobodan Milosevic, Ratko Mladic, Radovan Karadzic and Milan Milutinovic -- must be held accountable for the atrocities that scar lives and landscapes from Srebrenica to Suva Reka, the US senators opine.

WORLD BANK HAS HOLISTIC AGENDA: RAMPHELE.

The portfolio of World Bank Managing Director for Human Development
Mamphela

Ramphele?medical doctor, former deputy vice-chancellor of the University
of Cape

Town and black consciousness activist?leaves her a little bit overloaded,
says

Business Day (South Africa) in a profile. The portfolio covers health
(including HIV/AIDS policy), education and an area the Bank calls "social
protection". This particular area involves finding means to protect the
poor

from "shocks" and ensure that they have a higher overall level of economic
security and greater political power, says the story.

Ramphele rejects the frequent criticism that the Bank tends to take on
popular

issues to ensure wider political acceptance, the story notes. "Gender
issues

make good development sense," she says. "You cannot deal with HIV/AIDS
without

taking on gender issues." She notes that if there were greater gender
equality

in Africa, the region would be able to generate far faster growth.

Critics say the Bank's knowledge initiative, which Ramphele oversees, is
the

latest indication of "mission creep" and an attempt by the Bank to
dominate the

development agenda. However, the Bank insists it is a matter of ensuring
that

important information is shared. Part of the initiative is the Global
Development Gateway, an Internet portal that aims to provide almost
everything

anyone has ever wanted to know about development issues. Other areas of
the

knowledge initiative include the establishment of an African virtual
university

and the establishment of an advisory service to developing countries on
information technology.

The Bank insists it has "a holistic agenda", most recently advanced in its
World

Development Report 2000. The report calls for the poor to be given greater
access to various opportunities, security and political power. For many
of the

Bank's critics, its holistic view of poverty and its "comprehensive
development

framework" are indicative of an unfocused and muddled agenda for
development.

Ramphele rejects these charges. "I have lived in poverty and worked with
the

rural poor and can tell you that [poverty] is not one thing," she says.

WORLD'S HEALTH OFFICIALS SEEK GLOBAL TREATY TO CURB SMOKING.

Tackling one of the top health scourges in the world, officials from 191 governments are gathering next week to begin negotiating a new global treaty aimed at controlling the use of tobacco and curbing smoking, especially among adolescents, the New York Times reports (10/15, p. 1-15).

Over the past few days, major tobacco companies and anti-smoking groups drew the lines for yet another battle over smoking. The World Health Organization, which is spearheading the push for a tough international agreement to curb smoking by 2003, made its views plain. It wrapped conference papers in a cover that took direct aim at the best-selling Marlboro cigarette brand. Silhouetted against an orange sky, one cowboy tells the other, "Bob, I've got cancer."

The negotiations in Geneva will be fierce, tussling over whether to ban tobacco multinationals from advertising and sponsoring sports events; whether to increase taxes to make cigarettes more expensive, and whether to discourage tobacco growing and adopt measures to deter young people from smoking. The World Health Organization maintains that tobacco use already kills four million people annually and will worsen over the next two decades. Unchecked, tobacco's death toll will rise to 10 million yearly by 2030, according to the agency, which would take huge chunks out of budgets of both rich and poor countries.

A proposal to raise taxes on cigarettes in order to cut consumption, especially among the poor, the young and the less educated -- a method favored by the World Health Organization and the World Bank -- is likely to run into stiff resistance. A report by the two organizations last August maintained that tax increases do not lead to job losses and increase smuggling, two arguments advanced against the measure. Based on the study, its authors will argue that a 10 percent rise in cigarette prices would lead to as many as 42 million people quitting smoking, and prevent about 10 million tobacco-related deaths.

Such tax increases could also combat wholesale smuggling, which now amounts to around 355 million bootleg cigarettes yearly.

EX-PREMIER OF SINGAPORE SEES PITFALLS IN DEBT RELIEF.

Lee Kuan Yew, who turned a pestilential port called Singapore into a country with living standards to rival those of Europe, is warning leaders of developing nations against viewing debt relief as a panacea for faltering economies and also urging them to avoid the trap of development theories that are more ideological than practical, the New York Times reports (10/14, p. 1-4).

Lee, who now bears the title of senior minister for his country and next week opens a series of lectures by world leaders at Harvard, said that writing off or reducing the debt of developing nations -- a policy now supported by rich nations like the United States, Japan and many in Europe-- may only make nations look perennially uncreditworthy and unattractive to investors.

Too many third-world leaders, Lee said, had bought into fashionable theories of development that were more political than pragmatic. It happened, he said, in the first round of the post-colonial age, and it seems to be happening again.

"Third-world leaders become prisoners of contemporary ideas of the time," he said in the interview Wednesday. "The first generation were greatly influenced by Nehru, Nasser, Tito, Sukarno -- and at that time they believed that the way to industrialize, the way to catch up with the West was to concentrate on heavy industry, state enterprises -- shortcut the whole process," Lee said. "This was the result of the myth that the Soviet Union did it that way."

Also in this Edition: SEA LAUNCH PROJECT BACK TO EARTH IN UKRAINE. WOMEN MARCH AGAINST POVERTY AND VIOLENCE.

SEA LAUNCH PROJECT BACK TO EARTH IN UKRAINE. Workers at Yuzhnoye, the once top-secret design bureau of the missile factory that sat proudly atop the Soviet Union's military-industrial complex, now spend most of their time dismantling the deadly rockets they once cranked out like sausages, reports the Wall Street Journal Europe. When they're not doing that, much of the time they're producing clunky tractors that no one wants to buy and looking for business partners from the countries their missiles once targeted. They want to stay in the aerospace business, but it's a struggle.

By far the company's most ambitious and important post arms-race project is Sea Launch, a joint venture signed in 1994 between Yuzhmash, Boeing Corp., Norway's Kvaerner Group and Russia's RSC Energia. Put together under the auspices of the World Bank, which provided a \$200 million loan guarantee to help arrange financing, the project was aimed at capturing part of the fast-growing \$6.6 billion-a-year satellite launch industry.

Drawing on the expertise of the individual companies, Sea Launch puts satellites into geosynchronous orbits from a platform in the Pacific Ocean near the equator. Experts say the decision to base the launch pad near the equator makes sense: From that vantage point, the Earth's gravity helps propel the satellites into near-perfect orbit, a fact that makes launching them easier and less expensive.

Each of the partners in the project has a well-defined part to play. Yuzhnoye contributes its trademark Zenith 3SL, a two-stage launch vehicle, to get the spacecraft into the air; Energiya provides the booster rocket that propels the satellite into orbit; Kvaerner adds the launch platform and ships the assembled rocket to the launch pad; and Boeing supplies the satellite container at the top of the rocket as well as managing the project.

Four launches have taken place, though the third resulted in a destroyed satellite, and a fifth is scheduled for Wednesday. The World Bank estimates the Sea Launch project could bring as much as \$2 billion in revenue to Russia and Ukraine in the next few years. Space experts praise the company's technology,

the story notes.

In other news, the Financial Times (p.6) Ukrainian President Leonid Kuchma will meet Russian President Vladimir Putin today in the Black Sea resort of Sochi to try to resolve the question of Ukrainian energy debts to Russia. A resolution to the gas issue would ease the scheduled shutdown of the Chernobyl nuclear reactor on December 15.

Ukrainian authorities say that Chernobyl has produced some 10 percent of Ukraine's electricity this year and fear a mid-winter energy crisis if a substitute power source is not found. Meanwhile, Russian companies have cut back supplies of natural gas and oil this year in an effort to force Ukraine to pay off the debt that Ukraine says is \$1.4 billion, but Russia estimates at \$2 billion-\$3 billion.

The EBRD this month offered Ukraine a \$100 million loan to help buy energy supplies, notes the story, and the EU has also agreed to lend funds to help Ukraine through the winter.

WOMEN MARCH AGAINST POVERTY AND VIOLENCE. Women from around the world blew noisemakers, banged drums and chanted as they marched through downtown Washington yesterday, carrying a message calling for the elimination of poverty and violence against women, the Washington Post (p. B1), Los Angeles Times (p. A6), Associated Press, and Agence France-Presse report.

Many called out "Shame! Shame!" as they walked by two institutions they said are perpetuating economic disparities: the IMF and the World Bank. The World March of Women 2000 began in Geneva last March, and demonstrations have been held in different parts of the world since then. The events will culminate in New York tomorrow with a march and meeting at the United Nations.

A six-member delegation from Niger, whose members wore traditional gowns patterned with white, yellow, green and black, carried an agenda that includes international debt relief for developing nations and elimination of discrimination against women.

"All the problems we are having come from poverty," said Haoua Diatta, wife of Niger's ambassador to the United States. "The consequence of that poverty is

lack of education, economic power and violence against women. If women can be independent, many of the solutions can be found."

BRIEFLY NOTED?The nations of Latin America should be aiming for economic growth at six to seven percent a year to be successful in their fight against endemic poverty, Dow Jones reports IMF Deputy Managing Director Eduardo Aninat said on Friday in a speech to the Institute of the Americas at the University of California, San Diego. The international financial institutions have increasingly been criticized by some development economists and NGOs for stressing economic growth as a panacea for poverty, says the story, noting that the World Bank in particular has responded to such criticism by acknowledging that the quality of economic growth?the development of infrastructure and social services?should be an important concern for the governments of developing nations.

The closure of Gaza and of Palestinian-run cities in the West Bank means not only that the estimated 120,000 Palestinians who work in Israel are idle, but also that much of the Palestinian economy has been brought to a standstill by a blockade of goods that normally move in and out of the Palestinian regions, the Washington Post reports (10/16, p. A23).

The IMF on Friday foresaw sustained growth and low inflation for the rest of the year in Cambodia but urged authorities to broaden the tax base, reduce defense spending and streamline the civil service, reports AFP?"The economy is still being undermined by corruption, a lack of transparency and weak institutions," the SCMP quotes World Bank resident representative in Cambodia Bonaventure Mbida-Essama as saying.

The FAO has warned against an IMF plan to liberalize Mozambique's sugar industry, AFP reports Mozambican officials said on Friday, citing an FAO study that concluded that Mozambique's sugar industry should keep its tariff protections to preserve jobs and because it is one of the world's low-cost producers?Zambian growers are somewhat of a rarity in the current bear coffee market, looking to quadruple output in the next five years in an attempt to fatten up foreign exchange earnings, reports Dow Jones, noting that the southern

African nation produces nearly 5,000 tons of arabica a year, from virtually nothing some 15 years ago, when the World Bank recommended that the climate and prices made coffee a suitable source of foreign currency for the cash-strapped nation.

October 16 is commemorated each year as "World Food Day", notes The Hindu (India)...Health research is crucial for improvements not only in health but also in social and economic development, delegates said Friday at the end of an international conference in Bangkok organized by the WHO. . . The Indian government is sticking with its estimate that the economy will expand 7 percent in the year ending March 31, even as the central bank has sliced its own growth forecast, said Finance Minister Yashwant Sinha, Bloomberg reports. Last week, the central bank said the economy will probably expand between 6 percent and 6.5 percent, compared with its prior estimate of between 6.5 percent and 7 percent.

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Headlines for Tuesday, October 17, 2000:

- CAMEROON QUALIFIES FOR \$2 BLN IN DEBT RELIEF.
- INVESTORS SEE CORUPTION AS A BARRIER: WORLD BANK, BROOKINGS STUDY.
- INDONESIA BACKS AWAY FROM TIMOR MILITIA DEADLINE AS CGI BEGINS.
- ONE IN THREE IS GOING HUNGRY IN MUCH OF AFRICA.
- BALKANS EYE INVESTMENT FLOOD AFTER MILOSEVIC OUSTER.
- Also in this edition: WORLD BANK VIEWS ESTRADA ALLEGATIONS AS 'SERIOUS MATTER'. NEW EMISSION-CREDITS MARKET IS EXPECTED TO RESEMBLE FAST COMMODITY EXCHANGE.

CAMEROON QUALIFIES FOR \$2 BLN IN DEBT RELIEF.

The World Bank and the IMF yesterday announced \$2 billion in debt relief for

Cameroon, helping the cash-strapped African nation free up funds for health,

education and other vital social services, reports Reuters. The debt relief,

part of the Heavily Indebted Poor Countries (HIPC) initiative, will significantly cut Cameroon's debt servicing costs and will immediately free up

\$100 million over the next three years for spending on health care, primary

education, HIV/AIDS prevention and other social services.

The relief effectively wipes out a little over one-quarter of Cameroon's debt, measured on a net present value basis. The move slashes Cameroon's debt servicing costs as a percentage of government revenues from 23 percent today to 12 percent in 2001 and to under 10 percent by 2008. About 69 percent of the debt relief is being granted by bilateral creditors, 26 percent from multilateral lenders, like the World Bank and IMF, and five percent from commercial banks.

Cameroon is the eleventh country to qualify for debt relief under the program, joining Bolivia, Honduras, Tanzania, Uganda and others. In total, about 36 countries are expected to secure debt relief under the program. The World Bank and the IMF hope to have 20 countries qualified by the end of the year.

Among the conditions that Cameroon must meet in order to secure all its promised debt relief are building 2,500 new classrooms, increasing child immunization rates to 70 percent, working to prevent the incidence of malaria and putting in place reforms aimed at stamping out corruption. The Wall Street Journal (p. A17), Dow Jones and Agence France-Presse also report.

INVESTORS SEE CORUPTION AS A BARRIER: WORLD BANK, BROOKINGS STUDY.
Corruption acts as a strong deterrent to foreign direct investment and forces investors to form joint ventures with local companies, the Financial Times reports, citing new economic research. A study by the World Bank and the influential Brookings Institute think-tank that has been published by the National Bureau of Economic Research argues that corruption may be as important as variations in labor costs or corporate tax rates.

"Host-country corruption ought to play a more significant role in theories of international capital flows than it does," Beata Smarzynska of the World Bank and Shang-Jin Wei from the Brookings Institute are quoted as saying. They argue

that businesses are more likely to form joint ventures with local companies when investing in corrupt countries, since corruption places a premium on local knowledge and the ability to bypass local bureaucracy. But this, they say, may discourage high-technology companies from investing overseas, since businesses with more complex outputs tend to want to retain full control over production processes.

The research was based on comparing foreign direct investment in 22 east European and former Soviet bloc countries during the 1990s with various indices of corruption developed by private-sector researchers and the World Bank, the story notes. "This study fits neatly with what companies have begun to realize over the last few years," said Carel Mohn of the anti-corruption campaign group Transparency International. "The cost of corruption at the micro-level is what triggered the reform we have seen in recent years and led the private sector to support international conventions against corruption."

The findings of the study will provide support for the World Bank's tighter focus on corruption as one of the most important barriers to economic development, says the story. A study released by the Bank during its annual meetings in Prague last month suggested that countries such as Russia could double their national income by bringing their standards of governance up to the levels of less corrupt emerging market countries such as the Czech Republic.

However, the study proved controversial with some of the Bank's country shareholders, who felt they were being stigmatized, notes the story.

INDONESIA BACKS AWAY FROM TIMOR MILITIA DEADLINE AS CGI BEGINS.
Indonesia has abandoned its deadline for disarming pro-Jakarta militias in West Timor, a move likely to anger foreign governments demanding action against the

thuggish gangs, Reuters reports. The move coincides with a two-day meeting of donors in the Consultative Group on Indonesia (CGI) that opened in Tokyo today to hear the cash-strapped government's request for \$4.8 billion in fresh aid.

The US and the World Bank have said aid could be jeopardized if Indonesia failed to rein in the violent gangs, who last month murdered three UN aid workers in West Timor, the story notes. A police official at the national police spokesman's office said authorities were still seizing weapons from the militias, but that there was now no deadline for total disarmament. Previous deadlines were set for the end of September then extended to mid-October.

The news comes as AFP reports that protestors today appealed to Indonesia's donors to hold back new aid unless President Abdurrahman Wahid's government tackles human rights abuses. The murders of three UN aid staff in West Timor, violations by soldiers in Aceh and alleged military complicity in violence rocking the Maluku "spice islands" should all dominate donors' deliberations, activists said. A coalition of Japanese and Indonesian pressure groups said in a statement: "We request that aid be conditioned for achievements on the above-mentioned points."

The activists also urged the 20 donor countries, the IMF and other organizations attending the meeting to cancel some of Indonesia's debt, which is estimated to reach \$4.9 billion next year. "It's estimated about 30 percent of the debt has gone into the pockets of corrupt bureaucrats," one of the activists is quoted as saying. Kyodo News also reports.

In a separate report, Reuters says Indonesia got a vote of confidence from Japan, its biggest aid benefactor today as donors began a two-day meeting in Tokyo to approve a \$4.8 billion aid package aimed at keeping the fragile economy afloat. Japan, Jakarta's biggest single donor, said it would maintain its "robust stance" towards helping President Abdurrahman Wahid's government.

"The administration is facing difficulties but they are tackling the issue of structural reform and the security situation," Foreign Ministry spokesman Ryuichiro Yamazaki is quoted as saying. "As we see it, overall, things are moving in the right direction."

Economists and diplomats say criticism of Jakarta's handling of the volatile situation in West Timor is unlikely to stand in the way of approval of the \$4.8 billion aid package, which the country needs to help plug a gaping budget deficit, the story says. Japan pledged \$1.56 billion at the last GGI meeting and, with much of its oil and gas passing through Indonesian shipping lanes, has a big interest in maintaining stability there.

The CGI, chaired by the World Bank, is scheduled to announce its response to Indonesia's aid request for 2001 at a Tokyo news conference tomorrow, the story notes. In a report released last Friday, the Bank said Indonesia's economy was showing signs of recovery, but cautioned that financial markets remained unconvinced. "Factors such as political uncertainty, regional unrest and periodic outbursts of violence, combined with policy slippage on the structural reform agenda, could still derail the economic recovery," the report warned.

"Financial markets remain unconvinced by developments in the real economy," the International Herald Tribune (p.13) quotes World Bank Vice President for East Asia and the Pacific Jamil-ud-din Kassum as saying. But the Indonesian government is rebuffing criticism from international donors even as it approaches them for \$4.8 billion in assistance. Questions from the IMF and the World Bank about the government's plan to take over the country's largest corporate debtors have provoked angry remarks from Indonesian officials, who have accused the organizations of favoritism and interference.

The New York Times (p. W1) adds that despite continued separatist violence,

religious strife and political instability, Indonesia's economic recovery still appears to be on track. Many economists predict growth of at least 4 percent in 2001, with the World Bank noting that wages, adjusted for inflation, are rising, and demand for cars, electricity and building materials like cement are increasing, as well.

ONE IN THREE IS GOING HUNGRY IN MUCH OF AFRICA.

More than 800 million people go hungry each day, including one in three sub-Saharan Africans, the Financial Times (p.8) reports the UN's Food and Agriculture Organization (FAO) said yesterday. "In a world of unprecedented wealth, these levels of need are disgraceful," says FAO Secretary-General Jacques Diouf in the foreword to a report on food insecurity.

At the 1996 World Food Summit in Rome, leaders of 186 countries pledged to reduce by half the number of hungry people in the world by 2015, the story notes. While a reduction of eight million has been achieved, an annual reduction of 20 million is necessary to achieve the target, Diouf notes. There has been "no significant change, even in industrialized nations and eastern Europe and the former Soviet Union, where 34 million are undernourished," he is quoted as saying.

While there are more chronically hungry people in Asia and the Pacific, hunger is most acute in sub-Saharan Africa, where the undernourished in 19 of 46 countries have an average deficit of more than 300 kilocalories per person per day. On average, the 826 million chronically hungry people worldwide lack between 100 and 400 kilocalories per day, the FAO report says.

Reducing hunger has not only a humanitarian justification but also a strong economic rationale, says the FAO: "The economic cost of hunger and malnutrition, as reflected in lost productivity, illness and death is extremely high. Per capita GDP in sub-Saharan Africa could have reached levels of

\$1,500
to \$3,500 by 1990 if undernourishment had been absent. Instead, the
region's
average GDP per capita in 1990 was just \$800."

Four factors together offer possible solutions to hunger, the FAO report
argues:
stable political conditions, more investment, social safety nets for
vulnerable
groups and agricultural research aimed at improving output. "Debt
relief can
[also] spur progress toward reducing hunger," says the report. The
Washington
Times (p. A13) also reports.

BALKANS EYE INVESTMENT FLOOD AFTER MILOSEVIC OUSTER.

Balkan political and business leaders expressed confidence yesterday that
the
ouster of former Yugoslav President Slobodan Milosevic will open the
floodgates
to investment long withheld due to fears of conflict in the region, AFP
reports.
Milosevic's departure "will have an immediate impact in economic and tr
ade terms
in the region," EBRD regional director Olivier Descamps is quoted as
saying in
Sofia at an annual meeting of businessmen, governments and international
financial institutions in southeastern Europe.

"With the changes in Yugoslavia, the situation of the whole region has
changed,"
echoed Bulgarian President Petar Stoyanov. "Yugoslavia and
Milosevic
represented a barrier between us and the rest of Europe-many investors
feared
investing in Bulgaria because of the wars nearby and risks near to a
country
under embargo."

The rapid and relatively smooth fall of Milosevic has been as much of a
surprise
to his Balkan neighbors as to the rest of the world, says the story.
It has
also caused some concern, notably that Western funds pledged for
countries in
the region under the Balkan Stability Pact-an accord signed last year
offering
cash for democratization-will be diverted to Belgrade.

The Pact's coordinator, Bodo Hombach, sought to allay fears

yesterday. "In Croatia, Macedonia and Albania, people have been worried that a new mistress has arrived to replace them," he is quoted as saying. But "all projects which we have guaranteed to support in other countries in the region will be fulfilled on time," Hombach insisted. "We will simply have a new partner." Pledging that "extra funds will be donated," Hombach admitted the Pact will have to "redefine its priorities" and "see if yesterday's projects are relevant to the changed situation, notably in Yugoslavia." Descamps said that southeast Europe needs an extra \$6 billion in investment to reach the standards of central Europe. Currently, barely 15 percent of GDP in Balkan countries is put back into investment, while the figure for central European states is 20 to 25 percent, he said.

World Bank official Lajos Brokos noted that the region should adopt a common currency, if possible the euro, as soon as possible, to facilitate investment.

The news comes as Le Monde (France, p.5) says the World Bank last week said it was in favor of Yugoslavia rapidly rejoining the Bank and the IMF in order to support the international community's engagement with Yugoslavia, although it noted that this would depend on political consolidation in Belgrade, which should lead to the lifting of international sanctions.

Also in this edition: WORLD BANK VIEWS ESTRADA ALLEGATIONS AS 'SERIOUS MATTER'.
NEW EMISSION-CREDITS MARKET IS EXPECTED TO RESEMBLE FAST COMMODITY EXCHANGE.

WORLD BANK VIEWS ESTRADA ALLEGATIONS AS 'SERIOUS MATTER'. The World Bank said yesterday it views the corruption allegations against Philippine President Joseph Estrada as a "serious matter" and is concerned about their impact on the economy, reports Dow Jones. In a statement, World Bank country director for the

Philippines Vinay Bhargava said he nevertheless had "every hope and expectation that the allegations will be quickly resolved by the mandated Philippine institutions through a due process within the legal system."

In the worst crisis of his 28-month presidency, Estrada has vigorously denied allegations by a provincial governor that he took kickbacks from illegal gambling operators totaling several millions of dollars over the past two years, says the story. Estrada faces calls from the country's powerful Catholic church and civic groups to step down, while opposition politicians are seeking his impeachment.

Bhargava said: "We note the Philippines is a democracy; it has a functioning legal system, a free press, an active civil society and a constitutional procedure for responding to such allegations." The World Bank has consistently advised its member countries of the "serious economic and social consequences of corruption, especially within government," he also noted.

The Philippines hasn't been able to fully tap a \$300 million loan by the World Bank to help reform the banking sector as it hasn't fully met terms, which include the privatization of the government's remaining stake in Philippine National Bank, the story notes. The New York Times also reports.

In other news, the Financial Times (p.10) reports that Philippine Finance Secretary Jos? Pardo yesterday said the government would in the next two days announce measures to support the peso. He said the package, which he refused to outline, would probably not include interest rate increases. Manila's financial markets have fallen sharply since Estrada was last week accused by a former political ally of taking \$8.5 million in illegal gambling payoffs. The Philippine government also admitted last week it had failed to meet conditions set by the IMF for the release of a \$315 million loan.

NEW EMISSION-CREDITS MARKET IS EXPECTED TO RESEMBLE FAST COMMODITY EXCHANGE.

The world's first markets for trading emissions credits, set to be launched next month as part of the Kyoto Treaty to curb global warming, will probably resemble a fast-moving multibillion-dollar commodity exchange, the Wall Street Journal reports (p. A15).

"The best analogy to think of is currency markets," said Carlton W. Bartels, an environmental-brokerage expert at Cantor Fitzgerald, which has joined PricewaterhouseCoopers in creating the first Web site--CO2e.com--that will permit round-the-clock trading in emissions credits. Companies already have begun trading emissions credits, exchanging about \$50 million last year, Bartels said. He expects the market to grow rapidly once the treaty is finished next month. "What you will see in coming weeks are a lot of trades that were done this year and that companies are keeping in their back pocket," he said.

Diplomats from nearly 200 nations will start deliberations Nov. 16 in the Hague to complete a treaty designed to reduce emissions of greenhouse gases--including carbon dioxide and methane--which are believed to be warming the planet's climate by trapping more of the sun's heat in the atmosphere. The treaty allows for the creation of so-called cap-and-trade systems to limit emissions.

Emerging markets for emissions credits will have to process thousands of transactions a year, said Ken Newcombe, manager for the Carbon Fund, an experimental \$145 million fund that is being used by the World Bank to reduce emissions in projects in developing nations. Creating a bureaucracy to approve each trade could significantly reduce the appeal of such a system, Newcombe said, because companies weighing the costs of pollution-trapping equipment need to know promptly if it can be financed. "The most powerful lesson coming across to us is that this needs to be regulated like a commodities market and not like some project-financing facility," he said.

WORLD BANK TO INCREASE INDIA FUNDS TO \$3 BILLION. The World Bank is looking to significantly increase its funding in India to over \$3 billion during the current financial year from the \$1.8 billion sanctioned during the 1999-2000 fiscal year, the Business Standard (India, p.3) reports a World Bank official has said. World Bank director Chris Hoban is quoted as saying that funding in India will increase this year despite the sanctions not being waived formally and that project funding in India will rise to \$3 billion this financial year.

"A large part of this funding will be in the infrastructure sector and the remaining will be in the social sectors," Hoban said, adding that about one-third of the total lending to India will go towards infrastructure project funding. Financing of the infrastructure sector would increase further as funding in India increases.

The World Bank sanctioned projects worth \$1.8 billion during the last financial year, says the story, noting that sanctions imposed against India after it conducted nuclear tests in May 1998 had resulted in a decreased funding of Indian projects. The Bank had agreed to a commitment level of \$3 billion, but at the annual meetings of the IMF and the World Bank in Prague, India sought an increase in the Bank's annual commitment to \$4 billion. The increased commitment was sought for a period of three years beginning next financial year. As a result of the sanctions imposed against India, a large part of the ongoing pledge has been held up.

Earlier, speaking at a seminar organized by the Export-Import Bank of India, Hoban said that transparency in government will be crucial to development and that the World Bank is working closely with governments to bring about orderly governance. He said that in the case of state governments, the Bank was working with them to develop a strong strategy for governance.

WORLD BANK SEES ARGENTINA RECOVERY, GROWTH PICK-UP. The World Bank is confident of an Argentine recovery from its current economic woes with growth picking up over the next five years, Dow Jones reports a top official said in Brasilia yesterday. "We're very impressed with the foundations they've laid. They've had strong reform, they've opened their economy and maintained macroeconomic stability even though they've had a very difficult five years," World Bank Vice President and Chief Economist Nicholas Stern is quoted as saying. "Growth is coming, slowly at the moment, but we're confident it will pick up in the next five years."

Stern attributed Argentina's latest economic problems to external factors, including the crises in the international capital markets in 1997 and 1998 and the depreciation of the peso, which led to the appreciation of their currency, making the economy less competitive, as well as Brazil's devaluation in January 1999. "Circumstances have made it difficult for Argentina to recover as quickly as after the Tequila crisis [following the devaluation of the Mexican peso in 1994], but recovery is underway," he added. "Argentina has great growth prospects for the next decade."

CRACKDOWN TAXES PATIENCE OF OFFSHORE FINANCIAL CENTERS. The world's industrialized economies today begin crunch talks on the future of a crackdown on tax havens that has spread alarm from the British Virgin Islands to the tiny Pacific republic of Vanuatu, reports the Financial Times (p.8). The OECD faces accusations from the Commonwealth, which includes many tax havens among its members, that the action risks dealing a severe blow to some of the world's smallest economies.

The OECD's action, which began in 1998, is aimed at forcing more

disclosure,
improving the exchange of information with overseas investigators and
ending
regimes that offer foreigners more favorable treatment than
residents. The
Commonwealth argues that the effect of the punitive measures suggested
by the
OECD-such as abrogating favorable tax treaties between havens
and the
industrialized economies-could be disastrous. It says sanctions could
undermine
a central pillar of the havens' way of life. Offshore finance accounts
for an
average 30 percent of the GDP in the jurisdictions on an OECD blacklist
of 35
tax havens threatened with economic sanctions unless they agree to a
program of
reform.

The tensions reflect the size of the stakes for the OECD and the havens,
which
are wrestling over the fate of an offshore finance industry estimated
to hold
nearly \$6 trillion in assets worldwide, the story says. The OECD
acknowledges
the need for a more sensitive strategy, and this week's talks will
consider
proposals for more multilateral dialogue, including regional forums
in the
Caribbean and Asia. Jeffrey Owens, head of the OECD's fiscal affairs,
says the
OECD is talking to the World Bank, regional development banks
and the
Commonwealth on development assistance to help havens build alternative
economic
strategies in areas such as e-commerce.

SOUTH AFRICA RETREATS FROM AIDS DEBATE. South Africa's President, Thabo
Mbeki,
who has confounded much of the world by challenging prevailing
scientific
thinking on AIDS, is stepping out of the messy debate he touched off
earlier
this year, the New York Times (p. A10) reports the government's chief
spokesman
said Monday.

For months, Mbeki has publicly questioned the role that the
human
immunodeficiency virus, or HIV, plays in causing AIDS and speculated
about the
place that poverty and malnutrition may have in passing on the

affliction. The controversy bubbled up in March when it emerged that Mbeki had begun assembling a scientific advisory panel that would include dissident scientists who argue that AIDS is not caused by HIV.

Activists and researchers in South Africa and abroad have criticized the president's comments as irresponsible and baffling, particularly since South Africa, with 4.2 million people who are HIV-positive, has more infections than any other country in the world.

Bowing to the realities of a consuming public relations problem, Mbeki has decided to curb his own comments on the cause of AIDS, said the government spokesman, Joel Netshitenzhe. In moving to minimize his profile on the issue, Mbeki is, without renouncing his ideas or opinions on the subject, effectively conceding that the criticism that has dogged him for months has damaged more than his own reputation, the story notes.

ALSO REPORTS. Investor's Business Daily also reports on the new World Bank study, The Quality of Growth.

BRIEFLY NOTED...AIDS activists from around the globe called on rich nations Monday to cancel the debt of poor countries ravaged by AIDS and substantially increase aid directed at fighting the virus and improving health care, the Associated Press reports. "The allocation of resources by the world's richest nations, including the United States, as well as multilateral institutions such as the IMF and World Bank has been wholly inadequate," said Jeffrey Sachs, a prominent Harvard economist who delivered the keynote address at a conference on AIDS and health spending.

Peruvian Economy Minister Carlos Bolona said yesterday the government would hold "difficult" talks this week with the IMF to agree economic targets to

allow Peru to receive \$1 billion in multilateral loans, reports Reuters, quoting him as saying, "They will be very difficult negotiations and we must prepare for it...this will be to open up a series of loans from the IDB and the World Bank.".....Moody's Investors Service raised Brazil's credit rating in the latest affirmation of the country's economic revival, the Wall Street Journal (p. A19) reports. Yet some investors feel Latin America's largest economy still isn't getting its due. Government officials, while collecting praise from the IMF and foreign investors, grouse that credit agencies haven't offered the same recognition. Investors echoed the sentiment after Moody's maintained Brazil's ratings outlook at "stable."....Separately, USA Today reports the IMF predicts 4 percent economic growth for Latin America as a whole this year with Mexico, Brazil and Chile growing faster.

Rioters in townships near Harare blocked roadways, threw stones at police and set fire to at least three buses yesterday in protest against Zimbabwe's soaring food prices, reports the Independent (UK, p.16) and the Washington Times (p. A13) report....Elections next year pose a threat to Zambia's ability to continue austerity measures to guarantee debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, Reuters reports analysts said yesterday, quoting one economist as saying, "As elections approach, with the severity of Zambia's belt-tightening program already hitting hard, this will be difficult to deliver. Zambia also faces elections in 2001, raising the risk that there will be some policy slippage."....South Africa's central bank signaled a bias toward tightening monetary policy, saying it sought to a rise of 0.25 percentage point in its key repurchase rate to 12 percent to ward off inflation, as the rand hit new lows against the dollar, the Wall Street Journal reports. The Arab Gulf Program for UN Development Organizations (AGFUND) said yesterday an agreement has been signed to set up a "Bank for the Poor" in Yemen, with

capital of \$5.5 million, reports AFP.

International pressure groups have pledged there will be no repeat of Seattle-style violence at this week's Asia-Europe summit (ASEM) in Seoul but they are still determined to get their anti-capitalist message across, reports AFP...China has maintained its above-target growth rate for the year, with GDP increasing at a rate of 8.2 percent in the third quarter on the back of strong exports and government spending, reports the FT (p.22). The Wall Street Journal (p. A17) also reports.

The Turkish government will today submit to Parliament a 2001 budget that meets the requirements of its continuing IMF restructuring program but which stops short of setting more ambitious targets for reform, reports the FT (p.3).

Stark inequality is a fact of life in Mexico, and putting children to work is still a price many families have to pay to survive, the Washington Times (p. A14) reports on the issue of child labor in Mexico. Even though Mexico is an oil producing nation and the second-most-important US trade partner, half the population of nearly 100 million lives in poverty.

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Headlines for Friday, October 27, 2000:

- WOLFENSOHN'S PLEA FOR POVERTY REDUCTION.
- ASIA MUST DEVELOP MINIMUM SOCIAL SAFETY NETS: WORLD BANK, ILO.
- WORLD BANK APPROVES LOAN FOR KENYA POWER SECTOR.
- WORLD BANK DOES NOT SEE NEW RUSSIA SAL IN 2000.
- BALKAN STABILITY PACT WELCOMES YUGOSLAVIA.
- Also in this edition: US ADMINISTRATION RESPONDS TO COMPLAINTS OVER STEEL.
- SOLOMONS PEACE DEAL PROJECTS NEED STUDY: WORLD BANK.

WOLFENSOHN'S PLEA FOR POVERTY REDUCTION.

World poverty is emerging as a major concern at elite gatherings of economic policy makers, partly in response to the real needs of the growing numbers of poor people but also because of the anti-globalization backlash, the Australian Financial Review reports. World Bank President James Wolfensohn has even likened the challenge of reducing world poverty to the sacrifices in two world wars of Australian soldiers in "making our planet a safer place".

Canadian Finance Minister Paul Martin, chair of this week's meeting of G20 treasurers and central bank governors, said the future success of globalization depended on the ability of rich nations to alleviate poverty. He declared that it was the first time a forum of economic heavyweights had debated world poverty. Significantly, Martin acknowledged the concerns of protesters outside the Montreal meeting who are following the tradition of mass demonstrations over the past year in Seattle, Melbourne and Prague.

But the most passionate appeal for progress on reducing poverty was made by Wolfensohn at a dinner in New York on Monday night, says the story. While poverty was alarming today, with 80 percent of the world earning just 20 percent of its income, Wolfensohn warned that all but 50 million of the two billion people born in the next 25 years would live in developing countries.

He appealed to a sense of duty, but also suggested that industrialized nations would be forced to intervene out of self-interest because poverty would become a threat to their security. "I believe that in this age of globalization and this age of prosperity there is an extraordinary opportunity for Australians to make a massive contribution on this issue of development and poverty. Not just for reasons of softness ... though my own view is that's enough, but because in terms of making our planet a safer place, as our soldiers did in World War I and World War II, there is a challenge that can be met in the world right here."

ASIA MUST DEVELOP MINIMUM SOCIAL SAFETY NETS: WORLD BANK, ILO.
Asian countries must develop minimum social safety nets to stave off the widening gap between the rich and the poor, Agence France-Presse reports experts at an economic seminar in Bangkok said yesterday. Asia must "establish absolute minimum standards," of social welfare, said Katherine Marshall, representative to the Office of the President of the World Bank.

Regional nations must begin providing unemployment benefits for retrenched workers, many of whom are in labor-intensive industries that pay far less than high-tech sectors, Marshall said. In many Asian states, she noted, "the

only
unemployment assistance is severance pay," which is not a substitute for
long-term social welfare.

Experts at the seminar also said Asian governments must put more emphasis
on
education policies, so that people who benefit from safety nets can
ultimately
secure better-paying jobs. If education, health care and unemployment
assistance
are not improved, they warned, the number of Asians living below the
absolute
poverty level will rise over the next decade. Marshall cited Singapore and
South
Korea as relatively successful examples of governments addressing income
inequalities before they became too severe.

Multinational corporations such as Nike also have a role to play in Asian
social
welfare, said M. Horiuchi, the ILO's Asia region director.
"Multinationals must
be called to account if they're not allowing some minimal level of
standards" in
terms of work conditions and health care for workers, she said. Engaging
the
private sector in social policy is imperative, especially as Asian
governments
downsize their operations, she said.

The seminar, which runs until today, brings together a range of social
policy
and economic experts from Asia and Europe, the story notes.

WORLD BANK APPROVES LOAN FOR KENYA POWER SECTOR.
The World Bank said today it had approved a \$72 million loan to Kenya to
ease a
severe nationwide power shortage that has damaged the east African
country's
economy, reports Reuters. The money will be used to finance contracts
awarded
by the Kenyan government to three independent power producers which will
supply
105 megawatts of emergency power to bridge a shortfall in existing energy
supply.

Kenya is suffering one of its worst ever droughts, the story notes, and
water
levels in the dams which supply the country's hydroelectric generated
power have
fallen drastically. As a result, electricity to industrial and domestic

consumers has been severely rationed, straining the country's already battered economy.

"The credit was considered on an exceptional basis after the government appealed to the World Bank, the IMF and other donors to assist Kenya in addressing the impact of prolonged drought on the economy," the Bank said in a statement. Economic losses arising from the power rationing program are estimated at \$2 million a day according to government and donor assessments.

The World Bank estimates that by the time seasonal long rains fall in April, "the economic costs of unmet electricity demand will amount to \$400 million to \$630 million, equivalent to 3.8 to 6.5 percent of GDP".

The World Bank said it was encouraged by the Kenyan government's recent efforts at reforming the energy sector, notes the story.

Also reporting, Reuters notes that the loan, the third approved by the World Bank for Kenya this fiscal year, follows approval of \$150 million to support poverty reduction programs and \$50 million to fight HIV/AIDS.

WORLD BANK DOES NOT SEE NEW RUSSIA SAL IN 2000.

The World Bank does not expect to reach an agreement with Russia on a new loan program to support structural reforms of the economy this year, Reuters reports the World Bank's country director for Russia said yesterday. "I think it's unlikely that a new structural adjustment loan (SAL) program will be agreed by end year," Michael Carter is quoted as saying.

The Russian 2001 draft budget, approved by the lower house of Parliament in the first two of four readings, includes up to \$800 million from a World Bank SAL, the story says, noting that World Bank Vice President for Eastern and Central Europe Johannes Linn has said the Bank could agree a loan of about \$1 billion to support reforms in Russia by the end of this year if legislation were implemented to improve shareholders' rights.

"The schedule is not at this point a particularly critical issue, because the government has a strong financial position," Carter noted. "But it does not mean the government does not need external financing at all."

The World Bank and Russia agreed in September to cancel a previous SAL-3 program, agreed in 1998. Only \$400 million of the total \$1.5 billion loan had been disbursed and the rest was put on hold as the government failed to meet loan conditions.

The Bank will send two missions to Russia in November and December to discuss new conditions for structural reform support. "I would hope that we would have completed technical work by the end of the year," Carter said, adding that the Bank had delayed a mission that had been expected to arrive in Moscow in the middle of October to approve release of a \$50 million loan tranche for the coal sector. "At this point we are not quite sure what the schedule would be, but we hope it will be a short delay," he said.

An \$800 million coal loan, agreed in 1997, is split into social and privatization tranches, which are meant to cushion reforms in the sector and, like SAL funds, should go straight to the budget, says the story. Another World Bank mission is currently in Moscow to monitor implementation of existing programs and to discuss banking sector restructuring. As a result of the mission's work, the Bank and the government were expected to agree to reduce a capital markets development program to \$55 million from \$89 million, one source close to the talks said.

The news comes as the Financial Times (p.2) reports that two US court rulings have considerably weakened the scope for foreign creditors to seek international legal redress against Russian companies in bankruptcy proceedings. The judgments in favor of the Russian bank, which is being restructured under the supervision of the state bank restructuring organization, strengthen the perceived credibility of the Russian bankruptcy courts, says the story.

In other news, Reuters says in a separate report that Russian enterprises which have almost half the world's remaining capacity to produce ozone-depleting

substances are to be closed using money from the World Bank and Western governments. The Bank said yesterday it had agreed to grant Russia \$26.2 million to finance closure of seven Russian enterprises producing the substances.

The money comes from the governments of Austria, Denmark, Finland, Germany, Italy, Japan, Norway, Sweden, Britain and the United States, as well as the Bank's own resources.

The enterprises, which will receive direct compensation for closure, have a latent production capacity of approximately 140,000 tons of ozone depleting substances per year, or 47 percent of the global latent ODS production capacity, the Bank said. "Given the importance of the Russian Federation's ODS production capacity in the world, this special initiative represents the cornerstone of the Bank's support to ODS phase-out efforts in the region."

Meanwhile, Prime TASS reports International Finance Corporation (IFC) head Peter Woicke is going to personally monitor project implementation in Russia and is planning to visit Moscow in 2001.

BALKAN STABILITY PACT WELCOMES YUGOSLAVIA.

Yugoslavia was yesterday admitted into the main Balkans development program, opening the door to further multilateral support for President Vojislav Kostunica's efforts to build democracy following the departure of former President Slobodan Milosevic, reports the International Herald Tribune (p.5).

"The international community grabs the outstretched hand of the Yugoslav people," said Bodo Hombach, head of the Stability Pact. "They voted Milosevic out and democratic forces in."

Yugoslav official Goran Svilanovic said Yugoslavia hoped to join the UN, the IMF and the World Bank.

The Stability Pact was constituted by the EU in June 1999, the story notes. The organization is aimed at providing economic support to nations of southeastern Europe and promoting democracy in the region.

Referring to European effort to reward democratic changes, Hombach said that \$175 million in emergency food, medicine and energy assistance had been promised

by the EU to help Yugoslavia through the winter.

In other news, after the euphoria of the revolution in Yugoslavia, a cold economic reality is sinking in, the Washington Post (p.A1) reports. An energy crisis tops a long list of problems facing Yugoslavia's new leaders. It is at once a metaphor for the bankruptcy of the old government and a symbol of the headaches facing former president Milosevic's successors as they attempt to introduce economic reforms while preserving a brittle social peace.

To survive the winter, officials say, Yugoslavia needs \$600 million for emergency energy supplies. The Russians are refusing to deliver natural gas until Serbia pays a \$300 million debt. Soon the new government is likely to face a brutal choice: keep the lights on in Belgrade and other cities or meet the monthly payrolls of the police force and army.

With its plentiful hydroelectric reserves, Yugoslavia has traditionally been an energy exporter. But over the past few years it became a net importer and now owes billions of kilowatt-hours of electricity to its neighbors, the story says. Some of Yugoslavia's energy problems can be traced to last year's NATO airstrikes on the Serbian power grid. But they are mostly the result of inept economic policies of the neo-communist Milosevic government, Yugoslav and Western experts said. To remain in power, Milosevic constantly postponed market reforms because they risked triggering a social explosion. The energy sector, like the rest of the economy, was run into the ground.

Also in this edition: US ADMINISTRATION RESPONDS TO COMPLAINTS OVER STEEL. SOLOMONS PEACE DEAL PROJECTS NEED STUDY: WORLD BANK. US ADMINISTRATION RESPONDS TO COMPLAINTS OVER STEEL. The White House, responding to a request from US steel makers, said it would begin another inquiry into complaints that cheap foreign steel was being "dumped" on the US market, the Wall Street Journal reports. Although the White House stopped short of initiating a new trade case against foreign steel makers, as the US industry requested in a letter to President Bill Clinton two weeks ago, the president is dispatching a senior Commerce Department official to China, India and the Ukraine to complain about the cheap imports, White House Chief of Staff

John

Podesta said in a letter to steel companies yesterday.

Podesta also wrote that the US Treasury Department will ask the World Bank and the EBRD for a moratorium on loans that other countries could use to increase

steel output, the story notes. "Lending institutions supported by American taxpayers should not be adding to global excess capacity in the steel industry,"

Reuters notes Podesta said. Dow Jones also reports.

Meanwhile, the Associated Press reports, noting the administration also said it would petition the World Bank and other international lending institutions to stop making loans for construction of foreign steel plants, which it said was adding to an already serious problem of excess global steel production.

The Commerce Department also will accelerate a study on factors affecting the competitiveness of US producers, with particular attention on how foreign steel subsidies and market-distorting practices affect US costs, the story says, noting that Representative Peter Visclosky (Indiana-Democrat), who is one of the leaders in the US House of Representatives on steel issues, said the White House promises rely too much on the cooperation of foreign countries and institutions.

Separately, the New York Times (p. A20) reports the industry and unions maintain that they are facing a historic crisis, and they blame foreign steel producers, which, they say, received direct or indirect subsidies from their governments. They say the situation has resulted in six recent steel company failures, thousands of layoffs and historically low stock prices.

The Los Angeles Times (p. A20) comments this Congress and the Clinton administration have racked up a respectable record on open trade. The historic deal with China and legislation to open US markets to African and Caribbean imports are among the biggest trophies. But that record would be badly damaged if two last-minute legislative proposals became law.

Anti-dumping cases are the steel industry's weapon of choice against cheaper imports, and the law is a rigged game. A surge in imports is enough to trigger dozens of cases that charge foreign steel companies with selling in the

United States at a loss--known as dumping--and that seek high import tariffs to jack up the price of the imports. Formulas for determining what constitutes dumping favor domestic producers. The injury standard is low, and the penalties are prohibitively harsh.

SOLOMONS PEACE DEAL PROJECTS NEED STUDY: WORLD BANK. The World Bank said today major development projects built into a peace deal to end ethnic fighting on the Solomon Islands needed careful study before being given the green light, reports Reuters. "It is not clear that large-scale infrastructure programs are the best way to do that. We need to be fairly careful about how viable those large projects may be--there is no shortage of ideas around," Laurie Dunn, World Bank country officer for the Solomon Islands, is quoted as saying. "An essential component is to see development in the broader Solomon Islands community," Dunn added.

Under the accord, signed earlier this month by rival militias from Malaita and

Guadalcanal islands and by government representatives, a larger proportion of development aid will go to Malaita to try to curb migration to Guadalcanal. Projects slated for Malaita include an international airport, a sea port and a fisheries center.

A team from the World Bank, the UN, the ADB, Australia and New Zealand will visit the Solomons next week to launch a recovery program for the nation's economy which is teetering on bankruptcy. Dunn said development partners would review the Solomons' upcoming budget to determine how to rebuild the debt-ridden former British colony 1,600 kilometers (1,000 miles) northeast of Australia.

The Solomons comprise a string of islands with little industry, says the story, noting that all major businesses including a gold mine, fish cannery operation and logging operation have closed due to the fighting.

PINK CORAL INTO GREY RUBBLE: EVIDENCE OF GLOBAL WARMING. Marine biologists,

studying the death of coral reefs in the Indian Ocean-stretching from South Africa to India, plus all those islands-have provided dramatic evidence of global warming, reports the Economist (p.56). In the past, news of this kind has tended to be kept secret for fear of scaring away the tourists who pay to dive, swim and snorkel among the corals. But a study published this week, "Coral Reef Degradation in the Indian Ocean" (CORDIO), concludes that 50 to 95 percent of the ocean's coral reefs have died in the past two years.

"A large part of the most diverse eco-system on the planet has simply tipped over," says Olof Linden, the report's Swedish co-editor. Coral reefs are an essential element in the food chain for coastal people, providing nurseries for fish and shallow hunting-grounds for fishing boats. In Kenya, Tanzania, the Seychelles, Sri Lanka and elsewhere, the death of the reefs has already had an economic impact. In the Maldives, reports CORDIO, it cost the economy \$63 million in 1998-1999.

Tourists, who come searching for brightly colored reefs, turn away in dismay from piles of unsightly gray rubble. The coral turns white when it expels the minute organisms that live within its hard limestone core. These cannot tolerate a rise in sea temperature of over one to two degrees Celsius (two to four degrees Fahrenheit) for more than a few weeks. In 1998, the temperature around the Seychelles was three degrees Celsius above seasonal norms for several weeks. Sometimes, bleached coral recovers but, in the past year, large sections of coastal reefs in the ocean have broken down and collapsed. Damage is reported widely, including off the East African coast and the Chagos archipelago.

The CORDIO study, which is supported by the World Bank, the World Wide Fund for Nature and Scandinavian governments, comes out at the same time as the world's largest gathering of coral experts, more than 1,000 of them, meet in Bali for a symposium. One of the issues being discussed is the impact of reef destruction on coastal erosion. Some three million people living in western Pacific islands are threatened by rising seas, a threat which will be exacerbated by reef decline. So far, corals in the Pacific have not been as severely affected as in the Indian Ocean. But this could be a matter only of time, says the story.

The news comes as the Guardian (UK, p.6) reports that climate scientists now agree that human pollution, mainly from fossil fuels, has added substantially to global warming in the past 50 years and that the earth is likely to get far hotter than previously predicted, with immense consequences for people and wildlife. A summary of the 1,000-page final draft of new research by the Inter-governmental Panel on Climate Change-a UN-sponsored group made up of the world's leading atmosphere scientists-has been sent to governments this week. It is expected to add urgency to talks on global climate change in The Hague next month.

PLEDGE ON ACTION TO CURB SALES OF 'CONFLICT DIAMONDS'. Thirty-six countries attending a conference in London yesterday pledged action to tackle the problem of diamond sales being used to fuel armed conflicts, reports the Financial Times (p.8). However, the countries did not endorse Britain's proposal that measures to regulate the diamond trade should be given legal force in a treaty sponsored by the UN.

At the conclusion of the two-day meeting, the countries said they recognized the urgency of curbing the trade in conflict diamonds given the suffering and misery caused by the link to the illegal arms trade." Diamonds have fuelled wars in Angola, the Democratic Republic of Congo and Sierra Leone, says the story.

The diamond industry in July agreed some voluntary measures to halt the trade in these stones, and the conference supported proposals for a global certification scheme. British Foreign Minister Peter Hain, who chaired the conference, said it had "succeeded in broadening international consensus to act on conflict diamonds."

Alex Yearsley of Global Witness, the campaign group pressing for action against conflict diamonds, welcomed the conference's statement but expressed disappointment at the failure to endorse the case for a UN-sponsored treaty to give legal force to the proposed global certification scheme.

South Africa, which did not send officials to the conference because it regarded

the event as premature, is tabling a resolution on how to tackle conflict diamonds at the next UN General Assembly next month, notes the story.

Britain

hopes the General Assembly can approve a resolution next year that could form

the basis for a UN-sponsored treaty. The proposed global certification scheme

would be given legal force in the treaty.

ARGENTINE COLD GIVES REGION THE SHIVERS. Argentina's political and economic

turmoil has begun to reach outside the country's borders, as regional governments grow concerned that the Argentine crisis could derail their own fragile recoveries, the Financial Times (p.3) reports. With hostility growing

in international capital markets towards Argentina and other emerging markets,

investors are worried the country could face a tough time raising the nearly \$20

billion it needs to finance itself through the end of next year. They are openly speculating about the possibility of a default by Argentina on its foreign obligations next year, or even a devaluation of the currency, which has

been tied to the dollar for nearly 10 years.

The impact of such an event-or even a further deterioration of the economy-would

go far beyond Argentina, the story says. The country accounts for 20-25 percent

of emerging market bond indices, and a sell-off would further curtail financing

to other countries.

Beyond the strictly financial worries, international investors are also watching

Argentina for other reasons. In the past decade, the country has become an important proxy for the region's adherence to US-style economic reforms.

Its experience with reform has been highlighted because the country lacks some of

the natural advantages of other Latin countries-such as Venezuela's oil or Mexico's proximity to the US-that might allow greater policy flexibility, the

story says.

The Wall Street Journal (p.A15) reports that US Treasury Secretary Lawrence Summers reiterated he is closely monitoring the situation in Argentina.

"Argentina, for the decade of the 1990s, has compiled a very impressive record

of economic reforms in key areas that will serve it well," he said, noting Argentina already has contingency financing available from international lenders.

Meanwhile, rumors that the country is either negotiating or will access anytime soon a \$15 billion emergency loan package from the IMF, international banks or credit agencies are "unfounded," Dow Jones reports Argentine Treasury Secretary Mario Vicens told reporters Thursday.

EARTH TO AMERICA: THE WORLD WON'T GO AWAY. Laura D'Andrea Tyson, dean of the Haas School of Business at the University of California at Berkeley, and chair of the Council on Foreign Relations, writes in economic viewpoint, Business Week (10/30, p. 38) entitled: 'Earth to America: The world won't go away' that disturbances in the Middle East are a jarring reminder that the fate of the American Economy is inexorably tied to developments in the global economy. There were other less visible but equally compelling reminders of this reality earlier at meetings of the IMF and the World Bank in Prague.

Look what happened at the recent meetings of the IMF and World Bank, Tyson notes. Inside the formal conference halls, officials who planned to discuss how to deal with the sort of financial crises that rocked global markets in 1998 instead found themselves confronting the implications of the sudden spike in oil prices and the unpredicted weakness of the euro.

In Prague, they focused their appeal on debt relief for the poorest nations. Although no progress was achieved [...until after the meetings...], continued pressure by such groups could help break the political logjam on this issue in the future, Tyson notes.

The Prague protesters also included an odd collection of dyed-in-the-wool opponents of globalization who are willing to use force to pursue their obstructionist objectives. Despite their disruptive tactics, such protesters are fighting a misguided and ultimately losing battle. Since Marco Polo set off for trade and adventure seven centuries ago, globalization has been on a generally upward trend.

Globalization has been a potent force for rising living standards, Tyson argues, which is why emerging nations chose to break down the walls to trade foreign investment. American voters may not want to hear much about globalization during this election season, but it will continue to exercise a growing

influence on their lives. It shouldn't take a crisis to get them to pay attention to this reality.

BRIEFLY NOTED...Violent clashes erupted in towns across C?te d'Ivoire yesterday, as thousands of supporters of former Prime Minister Alassane Ouattara took to the streets to demand a re-run of presidential elections from which he was excluded, reports the FT (p.4).

Former investors in Peru's Yanacocha mine-Latin America's biggest gold producer--said yesterday they had struck a deal ending a lengthy legal and financial wrangle over its ownership, reports AFP, noting that France's state-owned Bureau de Recherches G?ologiques et Mini?res (BRGM) in 1998 had filed a request for arbitration against the Republic of Peru with the World Bank's ICSID...The IMF is demanding that Peru abide by a target of limiting the overall fiscal deficit to 1.5 percent of GDP for 2001, Dow Jones reports Finance Minister Carlos Bolona said yesterday, noting that Bolona reiterated Peru was seeking \$1 billion from the World Bank and the IDB...The underlying cause of unrest among Bolivia's indigenous population is that rural people remain deeply impoverished and poorly educated, even after 17 years of democratic government and 15 years of World Bank and IMF-backed structural reforms, says the Economist

Thailand's income distribution is one of the most unequal in East Asia, with the poorest 20 percent earning less than four percent of national income, and the richest 20 percent taking home more than 58 percent, the Business Times (Singapore) notes the World Bank has said in a report, noting that the Bank said poverty in Thailand was responsive to economic growth, where a one percent rise in real GDP reduces the poverty rate by 1.3 percent...The IMF yesterday called on Papua New Guinea authorities to stick with a hiring freeze in the 2001 budget as well as tight credit policies to reduce inflation and sustain an improvement in economic performance, reports Reuters, noting that the IMF also commended the government for its campaign to improve the administration and efficiency of the public sector and mentioned specifically its commitment to budgetary transparency...Joseph Eichenberger, a senior official at the US Treasury, has

been named vice president of the ADB, AFP reports the bank announced yesterday, noting that Eichenberger, who has also previously worked at the World Bank, will succeed his retired compatriot Peter Sullivan.

For the past year many analysts have looked at the Philippines and said the sour investor sentiment isn't justified by economic reality, the Asian Wall Street Journal reports. Indeed, Philippine exports were strong until the last few months, and domestic consumption has been stable. Yet now, economics look set to catch up with sentiment. That's because, a growing number of economists say, the political instability that has wracked the Philippines in the past few months, capped by the bribery scandal surrounding President Joseph Estrada, threatens to hammer the Philippine economy...The UN Security Council will dispatch a special team to East Timor next month to investigate the killings of three UN foreign aid workers in neighboring Indonesia, AP reports East Timor's UN administrator Sergio Vieira de Mello said Friday... For the hermit kingdom of North Korea, this year has been a kind of diplomatic coming-out, the Wall Street Journal (p.A17) reports. Now that the political thaw has begun, will north Korea's economic revival follow? Maybe, says the story, but don't hold your breath waiting for Pyongyang's perestroika. North Korea's economy, never very advanced, has regressed so far since the loss of its Soviet benefactor that its recent, tentative overtures to the outside world may not allay all of its vast problems.

German Chancellor Gerhard Schroeder reassured Croatia on Thursday that international aid to rebuild Yugoslavia's shattered economy and bolster its new leader will not siphon off funds for Croatia, AP reports...Bulgaria's economy has the potential to grow at close to the government's target of 4.5 percent this year, Reuters reports the World Bank said yesterday, quoting Bank resident representative in Sofia Thomas O'Brien as saying, "The Bulgarian economy can grow four to five percent this year and realistically Bulgaria has got to aim at even higher growth over a sustained period of seven years."

The IMF has been hinting it will not reschedule Pakistan's \$40 billion debt if

Islamabad continues its nuclear and missile programs, Japan Economic
Newswire
reports Foreign Minister Abdul Sattar said Thursday.

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